



Government
of South Australia

Report
of the
Auditor-General
Annual Report
for the
year ended 30 June 2012

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Part B: Agency audit reports
Volume 3

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Treasurer's Financial Statements (Statements A-L)

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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.

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Department for Health and Ageing

Functional responsibility

Establishment

The Department for Health and Ageing (the Department) is an administrative unit established pursuant to the PSA. Previously named the Department of Health its title was changed by proclamation effective from 1 January 2012.

The Department is a funder or service purchaser, policy setter and strategic planner and provider of services. Note 1 to the financial statements provides details regarding the Department's objectives.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *Health Care Act 2008* (the HC Act) is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the HC Act.

Changes to health regions and services from 1 July 2011

In August 2011 the Australian, State and Territory Governments finalised the National Health Reform Agreement (NHRA). The NHRA provides for the implementation of major new governance and financial management arrangements for the delivery of public hospital services and other health services.

The NHRA required the establishment of separate local health networks that operate under governing councils for the management of the delivery of public hospital and other health services. These changes are to place responsibility and accountability for health service delivery to local health areas.

In response to the reform agenda of the NHRA five local health networks were established from 1 July 2011 as follows:

- Central Adelaide Local Health Network Incorporated
- Southern Adelaide Local Health Network Incorporated
- Northern Adelaide Local Health Network Incorporated
- Women's and Children's Health Network Incorporated
- Country Health SA Local Health Network Incorporated.

The first three mentioned local health networks replaced the former Adelaide Health Service Incorporated which was disaggregated to create the three new local health networks.

In addition the Women's and Children's Health Network Incorporated and the Country Health SA Local Health Network Incorporated continued under changed titles the operations of the former Children, Youth and Women's Health Service Incorporated and Country Health SA Hospital Incorporated.

The SA Ambulance Service Inc has operated since 1992 and was not affected by the requirements for change under the NHRA.

Structure of this section of the Report

This section of the Report includes commentary and/or financial information for the following matters:

- Supplementary Report to Parliament of April 2012
- comment on some health sector challenges
- audit commentary and findings arising from audits of the financial operations of the Department
- Department for Health and Ageing financial report
- financial information for the incorporated local health networks and health services
- audit commentary and findings arising from audits of the incorporated local health networks and health services
- health sector staffing and patient activity data - unaudited.

Supplementary Report of April 2012

In April 2012 a Supplementary Report for the year ended 30 June 2011 for the Department of Health and associated health services was tabled in Parliament. At the time of preparation of this Report that was only six months ago.

The Supplementary Report resulted from the inability of the Department to finalise in a quality manner the financial reports of the Department and associated health services for inclusion in the last Annual Report to Parliament. It was of concern that the health sector (the largest public service sector) was not able to fulfil its financial and annual accountability reporting requirements within the appropriate statutory timeframes.

The Supplementary Report explained the specific issues that gave rise to the late completion and audit of the 2010-11 financial reports and the qualified nature of certain of those financial reports. In essence, the Department partially implemented from 1 July 2010 a new enterprise (health-wide) financial management and reporting system. The system, Oracle Corporate Systems (OCS), however, was introduced and operated for many months without adequate management attention being given to the effective reconciliation of financial accounts including monthly bank account reconciliations. It is considered that the execution of proper management principles would have prevented or significantly ameliorated the problems that the Department and Audit experienced in the preparation and audit of the 2010-11 financial accounts.

It is positive to convey in this Report that the Department was able to meet the financial reporting accountability obligations of the Department and the local health networks for 2011-12. Further comment on this matter is provided below in discussing certain challenges facing the health sector.

Health sector challenges

The Supplementary Report included certain observations on some important changes and challenges facing the health sector and its administration. These matters are again commented on (albeit only six months since the tabling of the Supplementary Report) in consideration of their importance, recent developments and Audit observations and findings arising out of review work associated with the 2011-12 audit of health services.

Structural change

There has been a restructure of health services, effective 1 July 2011, in response to the requirements of the NHRA.

The five local health network bodies established under the restructure operate with governing councils that have advisory functions consistent with the HC Act. It is also intended, consistent with the NHRA, that there be greater clinical involvement and decision-making within these bodies.

This significant change necessitates the establishment or amendment of the governance, clinical and financial management policy and processes for these bodies, to adequately address performance and financial responsibilities and accountabilities under the new structure and requirements of the NHRA.

Of particular note, since the tabling of the Supplementary Report, the *National Health Funding Pool Administration (South Australia) Act 2012* was assented to in September 2012. This Act gives effect to the funding and financial accountability requirements of the NHRA, with implications for South Australian health sector administration and audit responsibilities for the Auditor-General.

Information technology and system change

The Department is managing the replacement, upgrade and implementation of health and financial management information systems. The successful implementation of these systems is fundamental to the achievement of improved health service delivery performance and the financial management and control and accountability requirements under the health reform agenda.

As mentioned above, and explained in my Supplementary Report of April 2012, there has been a delay and problems with the implementation of the OCS. These matters, together with the continued operation of legacy systems, have resulted in additional costs and the suboptimal reporting of financial information for management purposes at the health services and for statutory reporting purposes. These matters contributed to the inability of the Department to meet their 2010-11 statutory reporting obligations.

Furthermore, the Supplementary Report reported that the problems associated with the implementation and operation of the OCS need to be resolved quickly, so that it operates as an effective system for the management of financial operations at both the Department and the local health network levels.

Audit remains concerned about the effectiveness of the implementation of the OCS. This is further discussed later in this section of this Report.

The management of the implementation of major information technology developments and systems and the audit of their operations will continue to be an area of audit focus.

Internal control

Large and complex entities like the Department and local health networks need to have strong systems of governance and internal control. This is particularly relevant in the health sector where fundamental change is occurring to administration and financial arrangements, as demonstrated above with the passing of amended legislation to meet the requirements of the NHRA.

Annual audits of the Department and associated health services have raised many and varied issues relating to governance and internal control. They take on the characteristics of deficiencies or the requirement for improvement in control processes and practices. Over 20 audit management letter communications raising issues for consideration by health sector management were forwarded to the Department in respect of the 2011-12 financial year. Over 30 letters were forwarded in relation to the 2010-11 financial year.

As conveyed in the April 2012 Supplementary Report it is important that health sector management (including senior financial management) exercise diligence in the consideration of audit findings communicated to them and in proposing or implementing actions to address them. The Department, in response to the number of issues and recommendations being communicated by Audit, engaged a consultant in the latter part of 2011-12 to monitor and validate the implementation of management actions to address matters raised.

Commentaries on the matter of communications of audit findings to the Department and health services for 2011-12 are provided later in this section of this Report.

Financial reporting

As mentioned earlier, the Department and local health networks met their 2011-12 financial reporting obligations.

Financial reporting, whether management or statutory reporting, will always be beset by challenges. Meeting the obligations of timely and effective financial reporting is greatly advanced through well established and maintained financial management and reporting systems and control environments. This includes the ongoing maintenance of effective financial account reconciliation processes.

If this is not the case, then similar financial reporting issues and adverse outcomes that occurred in 2010-11 can again occur in future financial years. The Department and local health networks are exposed to this risk until such time as the OCS is fully implemented and stabilised and legacy systems discontinued.

Financial performance

The 2011-12 Mid-Year Budget Review announced the establishment of a Resource Unit within the Department to support the delivery of improved financial management and achievement of saving measures across the health sector. Funding of \$2.5 million per annum (indexed) has been provided in the Budget for the operation of the unit up to the end of 2014-15.

As mentioned in the Supplementary Report of April 2012 the mandate of the unit (called the Office of Business Review and Implementation) is a significant challenge when considering the trend performance of the Department of exceeding annual budgeted outlays and not meeting saving measures.

To facilitate the financial performance improvement program the Department engaged consultants to conduct a financial review of metropolitan hospitals within three local health networks. Further information on this review is provided later in this Report under the heading 'Further audit commentary'.

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 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 2011-12, specific areas of audit attention included:

- implementation and operation of the OCS
- payroll
- accounts payable
- accounts receivable
- funding to health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth
- grants to non-government organisations (NGOs)
- insurance services
- financial management and compliance
- warehouse management
- fixed assets
- overseas travel
- ICT developments.

Audit Committee and internal audit

The Department's Risk Management and Audit Committee has continued in operation throughout the 2011-12 financial year. An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

Audit findings and comments

Financial reports and reconciliations

As discussed in the April 2012 Supplementary Report, the Department centralised the finance functions of the health services within the Department. It also commenced the implementation from 1 July 2010 of the new OCS. As all new system components were not implemented legacy systems remained in operation at the health services.

Under the changed finance function and the OCS arrangements the Department is responsible for the preparation of the Department's and health services' financial reports.

The Supplementary Report also communicated that the delay in finalising the preparation and audit of the financial reports for the year ended 30 June 2011 was due to inadequate financial account reconciliation and review processes. These notable deficiencies were:

- not completing the 1 July 2010 opening balance reconciliations from the legacy general ledger system to the OCS until July and August 2011

- as a consequence of the above, inadequate management attention was given to the monthly balance sheet reconciliations, in particular the reconciliation between the general ledger and the entities' bank accounts.

The reconciliation process and control deficiencies resulted in material unexplained general ledger (balance sheet)/bank account variances throughout the 2010-11 reporting period, at balance date, and subsequent to balance date.

The 2010-11 Independent Auditor's Reports (IARs) for the Department and health services were issued in March 2012. For some health services the abovementioned deficiencies resulted in modified IARs being issued. Since the issue of the IARs, the Department applied further resources to ensure that balance sheet reconciliations including the bank reconciliations were completed up to and including 30 June 2012 and variances explained.

As a result of this and other additional resource inputs, the Department was able to submit the draft financial reports of the Department and health services for the year ended 30 June 2012 by 11 August 2012 as required by the PFAA.

As the balance sheet (including bank account) reconciliations were not performed in a timely and quality manner throughout 2011-12, the controls opinion in relation to this matter has been qualified.

In respect of the financial report of the Department an unmodified Independent Auditor's Report has been issued.

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 Health and Ageing as at 30 June 2012, 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 Health and Ageing in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Financial reports and reconciliations' and 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Health and Ageing have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. The main matters raised and responses received are outlined below. The responses will be followed up for effectiveness in addressing the matters raised as part of the 2012-13 audit of the Department.

Implementation and operation of OCS

The 2010-11 Annual Report and the April 2012 Supplementary Report provided comprehensive commentary on the review of project management and implementation arrangements for the new whole-of-health integrated financial management system, OCS.

The Supplementary Report of April 2012 included comment on Audit's October 2011 review of aspects of the financial information and security controls of the OCS. Further commentary and updates status on OCS project management was also contained in the Report.

This year Audit undertook further review of the OCS implementation and operation. This involved the following reviews:

- follow-up of OCS project implementation
- follow-up of OCS financial information and security controls
- initial review of OCS procurement and warehouse management at Modbury Hospital.

OCS – background and rollout approach

The Department has been implementing components of the OCS since July 2010. The OCS is to replace the Department and health unit legacy general ledger and financial systems with a whole-of-health integrated system. The implementation of the OCS to health units was originally planned to be undertaken in two phases:

- Phase 1 (financials – principally some accounts payable and accounts receivable functions, general ledger maintenance and reporting, budgeting and forecasting)
- Phase 2 (supply chain and some financials – principally inventory management, product information management, iProcurement, purchasing, order management, warehouse management, accounts payable and cash management).

Phase 1 was implemented on 1 July 2010 to all locations identified in the project plan, initially with a low user base. Release 1 of Phase 2 was implemented in December 2010 but only to five pilot sites. Whilst it was originally intended for all subsequent Phase 2 releases to be implemented by November 2010, this did not happen.

OCS project implementation – follow-up review

Last year's review

During 2010-11 Audit reviewed aspects of the OCS project implementation. In essence this review found that the OCS project achieved some objectives of rollout of certain financial management functionality to all sites within planned timeframes. However, problems and difficulties were being experienced and the rollout of full functionality remained substantially incomplete.

Further the 2010-11 review found that Cabinet had not been fully informed of whole-of-life costs and benefits, no benefit realisation plans had been prepared, the systems were not fully implemented and the legacy systems had not been decommissioned. Lastly, components of the project had been excluded and training, rollout and ongoing support for the implementation of the system had not been satisfactory to certain health and business units.

The problems being experienced with certain functionality and reporting were limiting the effectiveness of budget and financial management at health services.

The Department advised the Phase 2 rollout would include a related benefits realisation plan. In addition the Department would provide Cabinet with a formal update on the current status of the project, including all costs and benefits attributable to the project.

This year's review

As previously mentioned the OCS project management implementation arrangements were commented on in the April 2012 Supplementary Report. The Report indicated that the Phase 2 rollout had not commenced and Cabinet had not been advised of either updated costs/benefits since the 2009 business case or provided a formal update of the project status.

As part of Audit's 2011-12 coverage, a status update was sought and received from the Department in early September 2012. Audit was advised that a formal status update document was noted by Cabinet in late April 2012. This Cabinet update included information on the associated project costs, issues encountered and actions undertaken to address those issues. It also included planning details for the further deployment of the OCS, including work on the benefits realisation plan.

The Department also conveyed that it was developing a Cabinet submission to support the completion of the deployment of OCS Phase 2. This is now referred to as Phase 3 of the OCS project. Part of the Phase 3 planning includes the development of a benefits realisation plan. Audit understands that the Cabinet submission will provide details of the proposed project plans, timing, costs and benefits for the finalisation of the OCS deployment. It is anticipated that this information will be provided for Cabinet review in October 2012.

At the time of preparation of this Report further rollout of the OCS had not commenced and the Cabinet submission had not been finalised. Audit considers that any future submissions to Cabinet should be based on expected up to date whole-of-life costs and benefits.

As the full project rollout had not been completed the health unit legacy systems were not able to be decommissioned. Costs continue to be incurred with the comprehensive mapping of agency general ledgers to the OCS integrated general ledger system and for the operation and maintenance of health unit legacy systems. Also the Department and local health networks continue to be deprived of the full financial management and reporting benefits that are expected to be available from the OCS.

OCS financial information and security controls – follow-up review

Last year's review

In late 2011 Audit completed a review of some important financial information and security control aspects of OCS functionality that was implemented and in operation at that time. The review examined the completeness and accuracy of financial information and reporting from health unit legacy systems through various mapping systems to the OCS general ledger and associated reports. It also considered the IT controls over the OCS (operating and application levels) and its environment. This included user access arrangements and controls over the Oracle database at the external Data Centre.

Although certain controls were found to be in place there were notable weaknesses identified in financial information and security control. Audit concluded that these weaknesses had the potential for a detrimental impact on the completeness, accuracy and integrity of financial information and management reporting.

This review was commented on in the Supplementary Report of April 2012. The Report noted that the Department's remediation was primarily via a number of specific reviews. These reviews included the Central Data Warehouse upload and interface process, consolidated reconciliation and sign off process, the chart of accounts and a bank reconciliation review. The Department also advised that it was in the process of restructuring its operational support staff functions and had appointed a new technical support vendor for OCS.

This year's review

In July 2012 Audit sought a formal update of the remediation progress of the Department's planned actions to address the OCS information and security control weaknesses previously identified.

The previously identified weaknesses included a lack of timely reconciliations of opening balances, monthly interface reconciliations and the mapping/interface issues. Further, there was inaccurate mapping between the systems which may result in inaccurate classification or presentation of data in the financial statements.

Specific IT control risks raised included a lack of both regular user access reviews and a segregation of duties matrix. In addition, user accounts were shared and database administration and user accounts with default or unchanged passwords were identified. These risks were compounded by a lack of procedural documentation and a lack of backup restoration testing.

In essence the Department's remediation reviews have been addressing the legacy general ledger mapping and interface processes, consolidated reconciliations, chart of accounts and bank reconciliation procedures. The Risk Management and Audit Committee is monitoring the remediation status of the financial information and security controls issues raised by Audit. The Department responded in September 2012 with an update of the status of remediation activities.

The Department has classified a significant number of issues raised by Audit as 'critical' or 'high' risk. Updates regarding these issues have been provided to the Department's Risk Management and Audit Committee. Of these issues only two were not listed as complete and these were expected by the end of September 2012.

Actions have been taken by the Department to address the majority of issues raised. The ongoing effective operation of the controls recently implemented will need to be tested over time.

As the remediation update status was only obtained at the time of preparation of this Report, Audit has not tested the integrity of remedial actions implemented. Indeed this will be a focus of next year's audit program.

OCS procurement and warehouse management - Modbury Hospital initial review

At the time of preparation of the Supplementary Report of April 2012 Audit was progressing a review of the Modbury Hospital supply chain processes and related IT security controls, in particular the pilot operation of the OCS procurement and warehouse management modules. The review was finalised in July 2012 and the outcomes communicated to the Department. The review was undertaken with the assistance of an external accounting firm.

The Modbury Hospital site was chosen because it was the largest hospital involved in the trial of the OCS procurement and warehouse management modules.

The review identified significant operational and technical security deficiencies that needed to be addressed with some priority. It is relevant to note that a Department initiated report titled 'Oracle/Distribution Centre', provided to Audit in the later stages of the review, contained a number of key findings and recommendations that were consistent with Audit's findings.

The following commentary describes some of the major deficiencies arising from Audit's review.

Procurement and warehouse management controls

Inventory held at the Central SA Health Distribution Centre at Camden Park and at the hospital bulk store is managed within the inventory module of the OCS. The central SA Health Procurement and Supply Chain department has responsibility to manage inventory at all locations.

Audit's review of requisitioning and inventory management processes noted deficiencies in formal process documentation available and a limited level of understanding of OCS functionality by hospital staff. This resulted in a number of instances where requisitions had been costed and approved to the wrong cost centre codes.

Further, the Modbury stores personnel were not aware of any formal process documentation that described the standard activities and associated processes to replenish stores. Also an individual hospital ward could not always requisition items at the desired unit of measure, thus potentially resulting in stock wastage.

No stocktake had been performed at the Modbury bulk store since the OCS went live, and during the standard operating hours of the Modbury bulk store there was limited physical access restrictions to the stores area.

Audit's examination of OCS procurement and inventory data highlighted that late payments of invoices were occurring.

Modbury Hospital finance staff had been provided with detailed accounts payable and inventory data on a monthly basis. However there were difficulties in reconciling the detailed data to the monthly OCS ledger reporting data.

The review also found that there were errors in the allocation of users to OCS designed positions and a significant number of staff had been assigned the wrong delegation of authority, wrong cost centre or were no longer associated with Modbury Hospital. These issues were exacerbated with the OCS Security Administration team not being advised of staff movements and the poor linkage of position details between the CHRIS payroll system and the OCS.

The deficiencies identified potentially exposed the Modbury Hospital to, amongst other risks, an unacceptable level of inventory loss and/or fraudulent procurement practices.

OCS user access controls

Initial user access and responsibilities within the OCS were defined as part of the Phase 1 OCS implementation project. Specific responsibilities had been created to try and restrict users to perform only those functions/transactions in the OCS that were applicable to their job role.

Audit's review found that neither the Department nor Modbury Hospital had conducted a formal user access review over the user accounts associated with Modbury Hospital since go live. In addition Audit noted that the system and module privileges of many users could not be clearly mapped to current job roles.

Further it was found that some members of the OCS implementation team still had high levels of privileged access in the OCS and development staff had update access to the production environment. The Department had also not developed a segregation of duties matrix which identified any incompatible OCS responsibility combinations. In addition a certain privileged OCS user account still had the default password enabled.

There were also more than 400 OCS default active responsibilities that had not been assigned to any active OCS user. A large number of user accounts had also been unused for an extended period and generic accounts existed that had requisitioning or purchasing responsibilities. Four of the OCS responsibilities were default Oracle responsibilities that had not been tailored to Health.

The above user access weaknesses significantly increase the risk of unauthorised access and change to sensitive information. In addition, activities performed using generic accounts cannot be traced back to an individual user, thus reducing accountability for actions performed and increasing the risk of unauthorised activity.

Department response

The Department responded to the Audit findings in early September 2012 and indicated that a number of issues raised had been remediated. Remediated items included the development of certain procedures and the provision to all new OCS users of induction information, and the completion of a stocktake.

A number of recommended actions however had not been proceeded with. This was against the background of additional costs required to implement the actions and the advice of existence of compensating controls in the current arrangements.

The Department also stated that the centralised requisition input model at Modbury for nursing staff was not the preferred model and was therefore not intended to be implemented at other sites. The Department's preferred model is instead aligned with the model implemented at Mount Barker and the Department. In this model staff that raise requisitions are given access to undertake this task directly online within Oracle rather than via a manual requisition. Remediation of the majority of remaining issues is anticipated by March 2013.

It is critical that the Department is clearly satisfied with the preferred model in the context of the deficiencies raised by Audit in the review of the Modbury Hospital. OCS was primarily designed to achieve operational and financial management improvements and efficiencies in major hospitals, such as the Modbury Hospital. It is equally important that the Department remedy the deficiencies found at the Modbury Hospital and confirm its complete satisfaction with the model before any further rollout to all health units. Audit intends to follow-up the outcome of the Department's consideration of these important matters.

Risk management

Risk Management and Audit Committee (the Committee)

An important element of the Department's risk management policy and framework is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this, a web-based application to record risks, ratings, controls and treatments has been implemented.

The Committee reviews quarterly strategic risk reports which cover material risks and controls (including financial, operational and compliance controls).

As part of the risk management framework the health services are also reporting to the Committee on a quarterly basis their strategic risks.

Implementation of TIs 2 and 28

The Department advised Audit of certain developments that have taken place during the year in progressing the principal elements of TIs 2 and 28. These have included the review of the compliance self-assessment checklist that will enhance the effectiveness of the compliance reporting and the update of the Financial Management Compliance Policy to ensure that any areas of compliance concern are adequately reviewed.

Audit was also advised that work has continued to unify all finance policies and procedures. The Finance Policies and Procedures Framework was endorsed by the Department's Executive along with the Finance Policies and Procedures Transition Strategy. Audit will monitor progress of the development of appropriate policies and procedures covering finance related activities during 2012-13.

In addition, internal audit has continued to review compliance with TIs as part of their program of internal audits across the Health portfolio.

Recurrent funding to health services

The Department has a key responsibility in managing and monitoring funding provided to health services within the State as the funder provider of health sector funds. In 2010-11 \$3.5 billion of recurrent funding was provided to health services, representing a major proportion of departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of departmental objectives and the Government's strategic plan objectives. The framework centres around the execution and performance obligations of health service agreements.

The 2011-12 audit was consistent in coverage to that undertaken last year. It included the following matters:

- performance agreements with health services are appropriately executed on a timely basis
- processes are in place to monitor compliance requirements of the performance agreements
- cash call payments are appropriately approved and are accurately processed into accounts payable
- budget variations are appropriately approved and supported
- key reconciliations of funding are regularly performed and independently reviewed
- progress status of the performance of Casemix audits.

The findings of the 2011-12 audit were generally satisfactory.

Capital funding to health services

In 2011-12 \$258 million of capital funding was provided to health services.

Costs associated with major projects undertaken across the Health portfolio are funded and paid by the Department. The Department then advises the relevant health service monthly of all costs incurred. Each health service recognises costs incurred on its behalf as capital funding (revenue) received from the Department and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger.

The scope of the audit included an assessment of controls covering the following:

- purchasing/initiating projects – all projects have the appropriate approval
- project management – all projects are monitored on an ongoing basis
- update to general ledger – projects module is reconciled to the general ledger.

The audit identified some opportunities for improvement in process and control in the area of documentation to support reimbursement payments to the Department of Planning, Transport and Infrastructure (DPTI) for health projects managed by DPTI. A positive response was received to the audit findings.

Funding to NGOs

The 2011-12 audit mainly focussed on testing of controls and transactions to obtain reasonable assurance that:

- grant funding is paid in accordance with service agreements
- grant payments are appropriately authorised
- terms and conditions of service agreements are monitored by the Department
- grant funding is completely and accurately recorded in the general ledger.

The results of the audit were generally satisfactory.

In addition, Audit undertook a review of developments associated with the Department's funding of Aceda Incorporated (Aceda). Aceda is an NGO that relies predominantly on funding from the Department to provide counselling services to people with eating disorders, obsessive compulsive disorders and anxiety disorders.

The review was undertaken as a result of an external communication which raised concerns with the funding and operations of Aceda.

In relation to the specific grant of funds to Aceda, Audit sought to understand and assess the following matters:

- governance arrangements, including documented funding agreements
- identification of issues of concern with respect to funding and the management of operations of Aceda
- assessment of the adequacy of actions taken by the Department in relation to any matters in need of attention.

The review indicated that the Department had been responsive to the matters either identified by the Department or raised by external parties. It was also noted that discussions held between the new Board of Aceda and the Department have indicated the Board's commitment towards improving the governance, financial management and operations and record keeping of Aceda.

In this context, Audit raised certain matters for consideration by the Department, in consultation with Aceda, in progressing the improvements of Aceda's management and financial operations and accountability. The matters raised included:

- the need to finalise the service agreement with Aceda

- obtaining objective information on Aceda's progress in implementing the recommended improvements
- confirming that Aceda has appropriate controls in place in respect to its trust funds.

The Department responded positively to the matters raised by Audit.

Commonwealth Government grants

The 2011-12 audit involved an update understanding of changed agreements and arrangements with the Commonwealth and included an assessment of controls covering the following:

- execution of funding agreements – agreements are appropriately established and approved between the Commonwealth and the State Government prior to the State utilising funds received
- monitoring of revenue received – monitoring controls exist to ensure funding received is in accordance with amounts due as per funding agreements
- management over the use of grant funding – measures are put in place to effectively manage, monitor and account for specific purpose received funding
- performance reporting – grant agreements are appropriately managed ensuring all reporting requirements are adhered to.

The results of the audit were generally satisfactory.

Payroll

Salaries and wages expenditure processed through the payroll system represents a significant expenditure item for the Department.

Payroll processing for the Department is undertaken by SSSA.

The following control weaknesses were identified:

- absence of return of all bona fide certificates from departmental managers in the timeframe prescribed by the Department's policy
- performance of reconciliations between payroll system and general ledger not being performed in a timely manner.

These matters were raised with the Department and a positive response advising remedial action was received.

As these weaknesses applied for most of the 2011-12 financial year, the Department's controls opinion has been qualified in relation to payroll.

Accounts payable

Accounts payable services are provided to the Department by SSSA.

The audit identified some areas of control weakness and opportunities for improvement in processes and controls in the area of:

- authorisation of invoices for payment

- the update of relevant policies and procedures.

Of significance is the absence of an effective reconciliation between the OCS accounts payable subsystem and the general ledger.

As a result the Department's controls opinion in relation to accounts payable for 2011-12 has been qualified.

The matters raised by Audit with the Department have been responded to satisfactorily.

Accounts receivable

The results of the audit revealed a number of control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the Department included:

- performance of reconciliations between the accounts receivable system and general ledger not being performed in a timely manner
- not matching receipted amounts to relevant invoices.

Of note is the absence for most of 2011-12 of an effective reconciliation between the OCS accounts receivable subsystem and the general ledger.

As a consequence, the controls opinion in relation to the accounts receivable control environment has been qualified for 2011-12.

The Department responded positively to the audit findings advising actions to address the weaknesses.

Overseas travel

The audit reviewed compliance with certain requirements of the Commissioner for Public Employment's standards for such travel, including the following:

- maintenance of a register of overseas travel
- approval for business class travel
- preparation of a report on the overseas travel visitation.

The review noted that the issues raised during 2011-12 have been satisfactorily addressed by the Department.

Information and communication technology and control

SA Pathology - Enterprise Laboratory Information System (EPLIS) initial review

The Department's SA Pathology EPLIS is used to provide pathology services to all public hospitals and to private health providers. EPLIS generates approximately \$100 million per annum in billings and is a key functional system of SA Pathology.

Audit noted from the departmental documentation that vendor technical support for the current system was due to expire after July 2013. A non-supported system could potentially risk SA Pathology losing its accreditation from the National Association of Testing Authorities (NATA) and the ability to bill Medicare for tests performed. The Department had assessed and described the system as old and unstable with frequent downtime lasting from minutes to hours.

In March 2012 Audit requested information regarding the Department's plans for either upgrading or replacement of EPLIS. The Department responded in April 2012 and advised that there were two remediation processes running in parallel. One is for the replacement of the current system and the second for stabilisation of the current system.

The first process involves organising funding and approval for system replacement which is estimated to take up to 42 months from the release of a request for proposal document. Concurrently the second process involves seeking funding and approval to stabilise the current system, which is expected to be completed by April 2013.

In relation to ongoing NATA accreditation the Department advised that NATA is satisfied with the proposed system replacement approach.

The stabilisation process is being progressed as part of business as usual.

Audit will monitor developments regarding the status of the stabilisation and eventual replacement of the current laboratory information system.

Enterprise Patient Administration System (EPAS) initial review

Audit is progressing a review of the Department's implementation of EPAS. The EPAS program is currently scheduled to be completed in June 2014.

The Audit review has involved obtaining an understanding and analysis of EPAS program governance arrangements, program reporting and control, contract arrangements, Cabinet and the State Procurement Board oversight and the results of external review reports examining EPAS.

It is expected that any findings and/or observations arising from the review will be formally discussed and communicated to the Department in the later part of 2012. The review will be subject of comment in a Supplementary Report to Parliament.

Access to health systems via wireless networks initial review

During 2011-12 Audit conducted a high level assessment of wireless network security within the Department, with a specific focus on Wireless Access Points (WAP). WAPs can potentially allow both users and systems to access the Department's communication networks with a risk of unauthorised viewing or change of sensitive system information.

The assessment found that the Department had developed documentation in relation to wireless security requirements, however there was no formal requirement to regularly scan for rogue/unapproved WAPs. Further no known recent testings/scanning reports (informal or formal) had been performed by the Department. Audit also examined a Department wireless gap analysis report conducted by an external networking provider which raised some areas of concern.

The audit findings were reported to the Department. The Department advised that it had assessed the wireless gap analysis report and that action was in progress to update the procedure documentation and a program will commence to conduct quarterly scans to monitor for unauthorised wireless services.

Further audit commentary

Hospital budget performance and remediation review

The Department appointed KPMG and Deloitte to conduct a financial review of seven major metropolitan hospitals within three local health networks.

The objective of the review was to develop recommendations to achieve a solid foundation that maximises efficient use of resources within the hospitals. This process will also assist the Department with preparations for the Commonwealth-led activity based funding initiative. Specifically, the scope of the review included:

- identification of key drivers that have adversely impacted on the efficiency and financial performance of each hospital
- benchmarking of hospital operating costs against equivalent hospitals within South Australia and across Australia
- review of current governance mechanisms critical to ensuring business efficiency and cost containment
- preparation of recommendations and potential financial improvement opportunities to help address identified issues.

The consultants' reports made a number of recommendations and were released for a period of consultation from relevant stakeholders in July 2012. The Department is in the process of considering all feedback and developing an appropriate strategy.

Public Private Partnership (PPP) – the new Royal Adelaide Hospital project

In June 2011 the Government announced financial close on a contract with SA Health Partnership (SAHP) to build, operate and maintain the new Royal Adelaide Hospital under a PPP arrangement. The Government agreed on a fixed price for the design, construction, risk management and running and maintenance costs of the new hospital. The total capital cost (inclusive of construction risk) of the new hospital at contractual close was \$2.09 billion, comprising SAHP's contracted design and construction cost of \$1.85 billion and \$244.7 million for state works including clinical equipment.

The new hospital is expected to be opened in 2016.

Project expenditure incurred by the Department during 2011-12 amounted to \$12.3 million. Expenditure on this project to 30 June 2012 totalled \$55.9 million.

Audit is reviewing aspects of the project and contract arrangements of this significant infrastructure development.

South Australian Health and Medical Research Institute

The South Australian Health and Medical Research Institute has been established in Adelaide to ensure South Australia's strong position in health and medical research into the future.

The South Australian Health and Medical Research Institute was incorporated in December 2009, and during 2010-11 took over as the lead in the development and construction of the South Australian Health and Medical Research Institute facility. The South Australian Health and Medical Research Institute will be located next to the new Royal Adelaide Hospital site.

Project expenditure incurred by the Department during 2011-12 totalled \$50.7 million. Expenditure on this project to 30 June 2012 amounts to \$102 million.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	201	171
Supplies, services and other expenses	433	292
Grants, subsidies and client payments	3 879	3 674
Total expenses	4 513	4 137
Income		
Rent, fees and charges	240	149
SA Government appropriations	3 675	3 506
Grants from SA Government agencies	65	123
Commonwealth Government grants	146	149
Other	107	36
Total income	4 233	3 963
Net result	(280)	(174)
Other comprehensive income		
Property, plant and equipment revaluation	(1)	-
Total comprehensive result	(281)	(174)
Net cash provided by (used in) operating activities	115	(186)
Assets		
Current assets	196	205
Non-current assets	236	165
Total assets	432	370
Liabilities		
Current liabilities	289	171
Non-current liabilities	158	148
Total liabilities	447	319
Total equity	(15)	51

Statement of Comprehensive Income

Income for 2011-12 amounted to \$4.2 billion (\$4 billion), and principally comprised SA Government appropriations of \$3.7 billion (\$3.5 billion) and Commonwealth Government grants of \$146 million (\$149 million).

Expenses were \$4.5 billion (\$4.1 billion), principally comprising grants and subsidies of \$3.9 billion (\$3.7 billion). Grants and subsidies includes funding to incorporated health services of \$3.7 billion (\$3.6 billion) and funding to NGOs of \$122.2 million (\$106.1 million). The increase in the funding provided to the incorporated health services relates mainly to increased activity in the public health system.

Statement of Financial Position

As at 30 June 2012, the Department has a net assets deficiency of \$15 million compared to a net assets position in 2010-11 of \$51 million. While the Department recorded a deficit (net result) for the year ended 30 June 2012 of \$280 million, this was offset by an equity contribution by the SA Government of \$215 million.

Current liabilities

A significant proportion of the Department's current liabilities comprises payables which increased by \$123 million to \$245 million as at 30 June 2012. The increase is principally due to an increase in the amounts owed by the Department to other health services.

Statement of Cash Flows

In 2011-12 the Department recorded a net cash inflow of \$19 million compared with a net cash inflow of \$13 million during 2010-11.

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
Net cash flows				
Operating	(115)	(185)	(128)	(111)
Investing	(80)	(54)	(30)	(26)
Financing	214	252	147	155
Change in cash	19	13	(11)	18
Cash at 30 June	73	54	41	52

**Statement of Comprehensive Income
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefit expenses	6	200 887	170 069
Supplies and services	7	393 181	256 525
Depreciation and amortisation expense	8	12 703	10 463
Grants and subsidies	9	3 878 783	3 673 870
Borrowing costs	10	2 098	2 182
Net loss from disposal of non-current assets	16	80	-
Other expenses	11	25 575	23 482
Total expenses		4 513 307	4 136 591
Income:			
Revenues from fees and charges	12	239 604	149 257
Commonwealth Government grants	13	146 161	149 276
Interest revenue	14	2 349	2 482
Resources received free of charge	15	3 765	11 896
Net gain from disposal of non-current assets	16	-	1 187
Other income	17	100 598	19 122
Total income		492 477	333 220
Net cost of providing services		4 020 830	3 803 371
Revenues from SA Government:			
Revenues from SA Government	18.1	3 675 123	3 506 005
Grants from SA Government agencies	18.2	65 375	123 276
Total revenues from SA Government		3 740 498	3 629 281
Net result		(280 332)	(174 090)
Other comprehensive income:			
Changes in property, plant and equipment revaluation surplus		(459)	-
Total comprehensive result		(280 791)	(174 090)

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

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	20	72 462	53 761
Receivables	21	111 097	109 443
Inventories	22	12 495	14 766
		<u>196 054</u>	<u>177 970</u>
Non-current assets classified as held for sale	23	-	27 392
Total current assets		<u>196 054</u>	<u>205 362</u>
Non-current assets:			
Receivables	21	24 400	26 785
Property, plant and equipment	24	164 232	87 277
Intangible assets	25	47 805	51 083
		<u>236 437</u>	<u>165 145</u>
Total non-current assets		<u>236 437</u>	<u>165 145</u>
Total assets		<u>432 491</u>	<u>370 507</u>
Current liabilities:			
Payables	26	244 859	122 115
Borrowings	27	1 522	1 213
Employee benefits	28	24 830	29 382
Provisions	29	16 478	14 699
Other current liabilities	30	1 288	3 715
		<u>288 977</u>	<u>171 124</u>
Total current liabilities		<u>288 977</u>	<u>171 124</u>
Non-current liabilities:			
Payables	26	25 124	20 824
Borrowings	27	19 562	21 084
Employee benefits	28	31 727	26 080
Provisions	29	82 146	79 855
Other non-current liabilities	30	88	98
		<u>158 647</u>	<u>147 941</u>
Total non-current liabilities		<u>158 647</u>	<u>147 941</u>
Total liabilities		<u>447 624</u>	<u>319 065</u>
Net assets		<u>(15 133)</u>	<u>51 442</u>
Equity:			
Contributed capital	31	1 046 161	831 445
Revaluation surplus		31 240	31 699
Retained earnings		(1 092 534)	(811 702)
Total equity		<u>(15 133)</u>	<u>51 442</u>
Total equity is attributable to the SA Government as owner			
Unexpended funding commitments	19		
Unrecognised contractual commitments	33		
Contingent assets and liabilities	35		

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		578 813	31 699	(622 218)	(11 706)
Changes in accounting policy		-	-	-	-
Error correction		-	-	-	-
Restated balance at 30 June 2010		578 813	31 699	(622 218)	(11 706)
Net result for 2010-11		-	-	(180 219)	(180 219)
Total comprehensive result for 2010-11		578 813	31 699	(802 437)	(191 925)
Transactions with SA Government as owner:					
Equity contributions from DTF		252 632	-	-	252 632
Net assets received from an administrative restructure	34	-	-	(15 394)	(15 394)
Balance at 30 June 2011		831 445	31 699	(817 831)	45 313
Changes in accounting policy		-	-	6 129	6 129
Restated balance at 30 June 2011	31	831 445	31 699	(811 702)	51 442
Net result for 2011-12		-	-	(280 332)	(280 332)
Gain (Loss) on revaluation of property during 2011-12		-	(459)	-	(459)
Total comprehensive result for 2011-12		831 445	31 240	(1 092 034)	(229 349)
Transactions with SA Government as owner:					
Equity contributions from DTF		214 716	-	-	214 716
Net assets received from an administrative restructure	34	-	-	(1 688)	(1 688)
Net assets transferred as a result of an administrative restructure	34	-	-	1 188	1 188
Balance at 30 June 2012	31	1 046 161	31 240	(1 092 534)	(15 133)

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

Statement of Cash Flows for the year ended 30 June 2012

	2012	2011
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities:		
Cash outflows:		
Employee benefit payments	(199 972)	(164 941)
Payments for supplies and services	(227 356)	(247 485)
Payments of grants and subsidies	(3 878 783)	(3 673 870)
Interest paid	(2 098)	(2 182)
GST payments on purchases	(92 335)	(54 561)
GST remitted to ATO	(5 213)	(2 729)
Payments for Paid Parental Leave Scheme	(140)	-
Other payments	(25 544)	(23 482)
Cash used in operations	<u>(4 431 441)</u>	<u>(4 169 250)</u>
Cash inflows:		
Fees and charges	247 774	141 135
Receipts from Commonwealth	146 202	149 235
Interest received	2 349	2 482
GST receipts on receivables	15 291	8 456
GST recovered from ATO	65 766	36 360
Receipts for Paid Parental Leave Scheme	157	-
Other receipts	98 115	16 752
Cash generated from operations	<u>575 654</u>	<u>354 420</u>
Cash flows from SA Government:		
Receipts from SA Government	3 740 498	3 629 281
Cash generated from SA Government	<u>3 740 498</u>	<u>3 629 281</u>
Net cash provided by (used in) operating activities	<u>(115 289)</u>	<u>(185 549)</u>
Cash flows from investing activities:		
Cash outflows:		
Purchase of property, plant and equipment	(76 606)	(64 312)
Purchase of intangibles	(2 907)	-
Cash used in investing activities	<u>(79 513)</u>	<u>(64 312)</u>
Cash inflows:		
Proceeds from sale of property, plant and equipment	-	10 715
Cash generated from investing activities	<u>-</u>	<u>10 715</u>
Net cash provided by (used in) investing activities	<u>(79 513)</u>	<u>(53 597)</u>
Cash flows from financing activities:		
Cash outflows:		
Repayment of borrowings	(1 213)	(936)
Cash used in financing activities	<u>(1 213)</u>	<u>(936)</u>
Cash inflows:		
Capital contributions from government (not operations)	214 716	252 632
Cash generated from financing activities	<u>214 716</u>	<u>252 632</u>
Net cash provided by (used in) financing activities	<u>213 503</u>	<u>251 696</u>
Net increase (decrease) in cash and cash equivalents	18 701	12 550
Cash and cash equivalents at 1 July	53 761	41 211
Cash and cash equivalents at 30 June	<u>72 462</u>	<u>53 761</u>

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Notes to and forming part of the financial statements

1. Objectives of the Department for Health and Ageing (the Department)

The Department is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The vision of the Department is the best health for South Australians.

To achieve this vision the Department is:

- strengthening primary health care
- enhancing hospital care
- reforming mental health care
- supporting a range of programs to help older South Australians
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *Health Care Act 2008* (the Act), and other legislation as delegated by the Minister for Health and the Minister for Mental Health and Substance Abuse to the Chief Executive of the Department.

1.1 Departmental functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between local health networks and health services incorporated under the Act.

The financial affairs of incorporated health services do not form part of the Department's financial statements. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

1.2 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in note 39.

1.3 Administrative restructures

2011-12

- Effective 1 January 2012, under the Public Sector (Department for Health and Ageing) Proclamation 2011, the Department of Health was renamed the Department for Health and Ageing, as noted in The South Australian Government Gazette dated 15 December 2011 by proclamation of the Governor.
- As a result of the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 approved by the Premier in The South Australian Government Gazette dated 15 December 2011, the divisions known as Ageing and the Aged Care and Assessment Teams were transferred into the Department for Health and Ageing from the Department for Communities and Social Inclusion, effective 1 January 2012.
- SA Health Executive approved the transfer of the Aged Care and Assessment Team to the Southern Adelaide Local Health Network Incorporated, effectively transferring all staff and functions effective from 1 January 2012.

2010-11

- Effective 1 July 2010, all in-scope employees and their associated employee benefits transferred from the health services and the SA Ambulance Service Inc to the Finance and Administration and Workforce divisions within the Department (refer note 34).

1.4 Funding for the Department

Funding for the Department comes from two main sources:

- appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities
- payment and recoveries from portfolio agencies for business service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

1.4 Funding for the Department (continued)

In addition to the main funding sources, the Department receives amounts from other sources.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

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 2012.

These are outlined in note 4.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:
 - (a) revenues, expenses, financial assets and financial 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
 - (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 Department to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than 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 historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

2.3 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

2.4 Comparative information

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

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

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

2.5 Rounding

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

2.6 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and Emergency Services levy. Income, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or is part of an item of expense
- where appropriate, receivables and payables are stated with the amount of GST included.

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

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.

2.7 Income and expenses

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

Income and expenses have been classified according to their nature in accordance with APF II, and have not been offset unless required or permitted by another accounting standard.

Fees and charges

Revenues from fees and charges is derived from the provision of services to other SA Government agencies and to the public.

Disposal of non-current assets

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

Resources received/provided free of charge

Resources received/provided free of charge are recorded as income/expenditure in the Statement of Comprehensive Income at their fair value. Goods and services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate. The Department provides various anti-viral and highly specialised drugs to health providers to distribute free of charge to the South Australian community.

Contributions received/paid

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Borrowing costs

Borrowing costs are recognised immediately as an expense.

2.8 Revenues from SA Government

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon receipt and are accounted for in accordance with TI 3.

Where money has been appropriated in the form of a loan, the Department has recorded a loan payable.

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

2.9 Current and non-current classification

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

2.10 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, cash at bank and deposits at call 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 includes cash at bank and deposits at call that are readily converted into cash and are used in the management function on a day-to-day basis. Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During 2011-12 and 2010-11 the Department did not transfer any of its cash balance to the Consolidated Account.

2.11 Receivables

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

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Doubtful debts

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

2.12 Inventories

The Department predominately holds inventory for distribution (although some items are held for use) and is measured at the lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

2.13 Non-current asset acquisition and recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

2.13 Non-current asset acquisition and recognition (continued)

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

The Department capitalises all non-current tangible assets with a value of \$10 000 or greater in accordance with APF III.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

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.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

2.14 Revaluation of non-current assets

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or group of assets is 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 three years the Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- buildings and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2012, based on independent valuations performed by Andrew Lucas, MBA, BAppSc(Val), DipAcc, AAPI, CPV, Valcorp Aust Pty Ltd.

Assets deemed to be at fair value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by DTF.

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

- leasehold improvements
- buildings and improvement in progress
- computing equipment
- other plant and equipment
- plant and equipment in progress.

2.15 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. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation surplus for that same class of assets, to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

2.16 Depreciation and amortisation of non-current assets

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

The useful lives of all major assets held by the Department are reassessed on an annual basis.

2.16 Depreciation and amortisation of non-current assets (continued)

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 assets held for resale are not depreciated.

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

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Buildings and improvements	Straight-line	25-60
Leasehold improvements	Straight-line	Life of lease
Plant and equipment:		
Medical, surgical, dental and biomedical equipment	Straight-line	5-10
Computing equipment	Straight-line	3
Other plant and equipment	Straight-line	3-15
Intangibles	Straight-line	3-5

2.17 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$10 000 in accordance with departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of five years.

2.18 Payables

Payables include creditors, accrued expenses, GST payable, 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 normal operations of the Department.

Accrued expenses represents goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been processed/received.

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

All amounts are measured at their nominal amount and are normally settled within 30 days.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries, as the South Australian Superannuation Board has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the pertinent superannuation schemes.

2.19 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.

Accrued salaries and wages

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

Sick leave

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

Annual leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2012 and is measured at the nominal amount.

LSL

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- salary increases of 4% per annum
- discounting of 2.5% per annum based on the gross four year Commonwealth bond rate prevailing at 30 June 2012.

2.20 Provisions

Insurance

The Department is a participant in the State Government's insurance program. The Department pays a premium to SAICORP, a division of SAFA, for professional indemnity insurance, public liability and property insurance, and is responsible for the management claim for amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For professional indemnity claims after 1 July 1994 and general public liability and property claims after 1 July 1999 the deductible per claim is \$1 million. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of the professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023, conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and current claim values.

The provision for claims for general public liability insurance and property is a management assessment.

Workers compensation

The Department is a self-insured employer within the WRCA, and has delegated powers pursuant to section 63 of the WRCA. As a consequence, the Department is responsible for the management of and all costs of workers compensation claims.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2011-12 financial year the Department has reflected a workers compensation provision of \$1.3 million (\$1.4 million) (refer note 29).

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

The Department is directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

From 1 July 2010, the Department devolved annual funding to all remaining safety net funded hospitals and health centres for workers compensation expenditure, excluding lump sum payments. The Department now only specifically funds workers compensation lump sum payments. Accordingly, the Department recognises a payable to health services equivalent to the liability for these specifically funded items which health services recognise as a provision in their financial statements. The workers compensation liability to health services as at 30 June 2012 is \$30.4 million (\$25.9 million) (refer note 26).

2.21 Leases

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

Operating leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased items. Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

2.23 SA Government/Non-SA Government disclosures

The Department has adopted the requirements of APF II where the Department must disclose by way of a note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

2.24 Continuity of operations

As at 30 June 2012, the Department's liabilities exceeded its assets by \$15.1 million (net assets \$51.4 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Financial risk management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held-to-maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Change in accounting policy

During 2011-12 SA Health fully implemented an intercompany settlement process, with all intercompany transactions settled against the grant funding provided by the Department. The full adoption of this intercompany settlement process has resulted in certain account balances for 2010-11 being restated as follows:

Description		Change	2011	2011
	Note	\$'000	Balance	Restated balance
			\$'000	\$'000
Supplies and services:				
Other supplies and services	7	(1 114)	255 411	256 525
Grants and subsidies:				
Recurrent funding	9	7 243	3 681 113	3 673 870
Receivables:				
Debtors	21	125 815	235 258	109 443
Payables:				
Creditors and accrued expenses	26	(131 944)	(254 059)	(122 115)

Early adoption of accounting standards

In accordance with APF II, the Department has not early-adopted new or amended AASs and interpretations for the period ending 30 June 2012.

5. Activities of the Department

The Department is a funder or service purchaser, policy setter or strategic planner and provider of services. As a result the Department has no separately identifiable business segments that would require disclosure of disaggregated income and expenses, assets and liabilities.

6. Employee benefit expenses	2012	2011
	\$'000	\$'000
Salaries and wages	133 151	122 163
TVSP (refer below)	7 994	5 140
LSL	9 723	5 619
Annual leave	11 706	10 832
Employment on-costs - superannuation	16 503	14 674
Employment on-costs - other	5 949	5 580
Workers compensation	5 007	4 763
Board and committee fees	330	506
Other employee related expenses	10 524	792
Total employee benefit expenses	200 887	170 069

TVSPs

Amount paid to these employees:

TVSPs	7 994	5 140
Annual leave and LSL paid during the reporting period	1 975	1 601
	9 969	6 741
Recovery from DTF	(1 903)	(6 741)
Net cost to agency	8 066	-

The number of employees who received a TVSP during the reporting period was 64 (42).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	Executive Number	Admin Number	Other medical/professional Number	2012 Total Number	2011 Total Number
\$130 700 - \$133 999*	n/a	n/a	n/a	n/a	7
\$134 000 - \$143 999	3	13	1	17	19
\$144 000 - \$153 999	9	5	1	15	8
\$154 000 - \$163 999	5	5	-	10	14
\$164 000 - \$173 999	9	2	-	11	6
\$174 000 - \$183 999	4	1	-	5	9
\$184 000 - \$193 999	4	1	1	6	7
\$194 000 - \$203 999	3	-	-	3	2
\$204 000 - \$213 999	3	-	1	4	8
\$214 000 - \$223 999	3	-	-	3	4
\$224 000 - \$233 999	3	-	-	3	4
\$234 000 - \$243 999	4	-	-	4	3
\$244 000 - \$253 999	2	-	-	2	2
\$254 000 - \$263 999	-	1	-	1	3
\$264 000 - \$273 999	1	1	2	4	2
\$274 000 - \$283 999	-	1	1	2	5
\$284 000 - \$293 999	-	-	-	-	3
\$294 000 - \$303 999	1	1	-	2	3
\$304 000 - \$313 999	-	1	-	1	3
\$314 000 - \$323 999	1	-	1	2	-
\$324 000 - \$333 999	1	1	-	2	2
\$334 000 - \$343 999	-	1	-	1	1
\$344 000 - \$353 999	-	-	1	1	1
\$354 000 - \$363 999	-	2	-	2	-
\$364 000 - \$373 999	-	1	-	1	2
\$374 000 - \$383 999	-	1	-	1	1
\$384 000 - \$393 999	-	-	-	-	2
\$394 000 - \$403 999	-	3	-	3	1
\$404 000 - \$413 999	1	1	-	2	-
\$414 000 - \$423 999	1	-	-	1	2
\$424 000 - \$433 999	-	-	-	-	1
\$444 000 - \$453 999	-	1	-	1	-
Total	58	43	9	110	125

The total remuneration received or due and receivable by employees included above was \$23.4 million (\$26.3 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

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, superannuation contributions, FBT and any other salary sacrifice benefits.

Where employees have left the Department, the remuneration reflects lump sum LSL, annual leave and termination benefits.

For the purpose of this note remuneration does not include amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or a controlled entity.

Note: Private practice payments and fee for service arrangements are excluded as they do not form part of staff remuneration.

7. Supplies and services	2012	2011
Total supplies and services provided:	\$'000	\$'000
Administration	3 989	4 937
Advertising	4 449	1 738
Communication	10 235	5 127
Computing	73 305	49 363
Contractors - contract management	2 415	35
Contractors - agency staff	71 748	47 944
Consultants	3 665	2 018
Cost of goods sold	35 709	27 319
Drug supplies	5 381	6 046
Electricity, gas and fuel	1	-
Fee for service	136	290
Finance lease contingent rentals	19	-
Food supplies	64	-
Health surveys	272	358
Housekeeping	3	-
Insurance	34 847	41 129
Interstate patient transfers	39 360	31 090
Legal	455	1 972
Medical, surgical and laboratory supplies	423	239
Minor equipment	3 192	6 052
Motor vehicle expenses	1 289	1 141
Occupancy rent and rates	13 165	12 240
Patient transport	-	80
Payments to shared services	1 715	1 251
Periodical, journals and publications	238	358
Postage	964	968
Printing and stationery	671	1 668
Rental expense on operating lease	2 487	2 139
Repairs and maintenance	631	1 997
Royalty stream dividends	71 686	-
Security	645	493
Staff training and development	3 538	2 857
Staff travel expenses	2 392	2 545
Waste removal	10	-
Other supplies and services	3 312	2 624
Total supplies and services	392 411	256 018
Auditor fees - auditing financial statements	770	507
Total supplies and services	393 181	256 525

7. Supplies and services (continued)	2012	2011
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Administration	90	223
Advertising	15	17
Communication	1 586	1 016
Computing	4 879	3 889
Contractors - agency staff	8 869	6 589
Drug supplies	65	7
Fee for service	14	35
Food supplies	13	-
Insurance	34 847	40 382
Legal	878	882
Medical, surgical and laboratory supplies	289	7
Minor equipment	109	14
Motor vehicle expenses	1 185	800
Occupancy rent and rates	12 138	10 627
Payments to shared services	1 715	1 251
Periodicals, journals and publications	39	20
Postage	11	6
Printing and stationery	59	34
Rental expense on operating lease	71	77
Repairs and maintenance	105	251
Royalty stream dividends	14 245	-
Security	349	225
Staff training and development	205	257
Staff travel expenses	212	23
Other supplies and services	646	1 365
Total supplies and services - SA Government entities	82 634	67 997
Auditor fees - auditing financial statements	770	507
Total audit fees - SA Government entities	770	507
Total supplies and services - SA Government entities	83 404	68 504

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	2	17	4	16
\$10 000 to \$50 000	10	284	11	307
Above \$50 000	21	3 364	10	1 695
Total paid/payable to the consultants engaged	33	3 665	25	2 018

8. Depreciation and amortisation expense	2012	2011
Depreciation:	\$'000	\$'000
Buildings and improvements	164	164
Computing equipment	5 987	5 412
Medical, surgical, dental and biomedical equipment	6	6
Other plant and equipment	101	114
Total depreciation	6 258	5 696
Amortisation:		
Leasehold improvements	276	270
Intangible assets	6 169	4 497
Total amortisation	6 445	4 767
Total depreciation and amortisation	12 703	10 463

9. Grants and subsidies		2012	2011
Grants and subsidies paid/payable:		\$'000	\$'000
	Note		
Recurrent funding to incorporated health services	9.1	3 481 346	3 328 987
Capital funding to incorporated health services	9.2	258 210	227 313
Subsidies		1 392	219
Funding to not-for-profit organisations	9.3	122 197	106 120
Other		15 638	11 231
Total grants and subsidies		3 878 783	3 673 870
Grants and subsidies paid/payable to entities within the SA Government:			
Recurrent funding to incorporated health services	9.1	3 481 346	3 328 987
Capital funding to incorporated health services	9.2	258 210	227 313
Subsidies		117	4
Other		7 494	8 451
Total grant, subsidies and client payments to entities within the SA Government		3 747 167	3 564 755
9.1 Recurrent funding to incorporated health services			
SA Ambulance Service Incorporated		106 719	87 200
Country Health SA Local Health Network Incorporated		530 293	560 324
Adelaide Health Service*		-	2 345 684
Southern Adelaide Local Health Network Incorporated*		774 546	-
Central Adelaide Local Health Network Incorporated*		1 515 813	-
Women's and Children's Health Network Incorporated		342 241	335 779
Northern Adelaide Local Health Network Incorporated*		211 734	-
Total recurrent funding to incorporated health services		3 481 346	3 328 987
* Adelaide Health Service was renamed to Central Adelaide Local Health Network Incorporated effective 1 July 2011. Southern Adelaide Local Health Network Incorporated and Northern Adelaide Local Health Network Incorporated were created under the Act effective 1 July 2011. A transfer of assets and liabilities from Central Adelaide Local Health Network Incorporated to Southern Adelaide Local Health Network Incorporated and Northern Adelaide Local Health Network Incorporated was effected 1 July 2011.			
9.2 Capital funding to incorporated health services			
		2012	2011
		\$'000	\$'000
SA Ambulance Service Incorporated		12 522	12 494
Country Health SA Local Health Network Incorporated		33 672	37 607
Adelaide Health Service*		-	160 481
Southern Adelaide Local Health Network Incorporated*		44 892	-
Central Adelaide Local Health Network Incorporated		114 473	-
Women's and Children's Health Network Incorporated		15 323	16 731
Northern Adelaide Local Health Network Incorporated*		37 328	-
Total capital funding to incorporated health services		258 210	227 313
* Adelaide Health Service was renamed to Central Adelaide Local Health Network Incorporated effective 1 July 2011. Southern Adelaide Local Health Network Incorporated and Northern Adelaide Local Health Network Incorporated were created under the Act effective 1 July 2011. A transfer of assets and liabilities from Central Adelaide Local Health Network Incorporated to Southern Adelaide Local Health Network Incorporated and Northern Adelaide Local Health Network Incorporated was effected 1 July 2011.			
9.3 Funding to not-for-profit organisations			
		2012	2011
		\$'000	\$'000
National Blood Authority		29 200	29 444
Royal District Nursing Service of SA Inc		17 686	7 931
Mind Australia		7 077	4 494
South Australian Health and Medical Research Institute Ltd		6 338	5 208
Life without Barriers		4 605	3 825
Neami Limited		4 553	3 784
Uniting Care Wesley		4 278	4 272

9.3 Funding to not-for-profit organisations (continued)	2012	2011
	\$'000	\$'000
Aboriginal Health Council	3 778	2 618
General Practice SA	3 082	2 929
The Flinders University of South Australia	2 833	2 973
University of Adelaide	2 734	1 820
National Health Call Centre Network Ltd	2 504	2 997
Unity Housing Company Ltd	2 032	2 484
SHINE - Sexual Health Information Network & Education SA Inc	5 828	5 684
The Aids Council of SA	1 379	1 352
Relationships Australia (SA) Inc	1 826	1 827
Community Support Inc	1 627	-
Catholic Church Endowment Society Inc	1 293	519
Mental Illness Fellowship of SA Inc	1 057	1 043
The Salvation Army	1 051	983
University of South Australia	1 034	1 282
Catherine House Inc	1 020	975
Southern Junction Community	950	1 776
Anglicare SA	771	936
National Heart Foundation of Australia	727	699
Life's for Living	617	-
Health Consumers Alliance of SA Inc	585	481
Helping Hand Aged Care Inc	548	553
Grow SA	474	464
Mission SA	466	455
Positive Life South Australia Inc	447	228
Mental Health Coalition of SA Inc	384	479
GP Partners Adelaide	392	170
Australian Council for Health Physical Education & Recreation SA Branch Inc)	376	388
Australian Drug Treatment & Rehabilitation Program Inc	343	336
Survivors of Torture	343	335
Ceduna Koonibba Aboriginal Health Service (Aboriginal Corporation)	399	-
ACEDA Inc	339	-
Umoona Tjutagku Health Service Aboriginal Corporation	313	16
South Australian Council of Churches	297	322
Beyond Blue Ltd	278	278
Life Education SA Inc	243	476
Clubhouse SA Inc	223	273
Centacare Catholic Family Services	146	738
Australian Red Cross Society	83	1 992
Hepatitis SA Inc	931	774
Diabetes Australia - SA	589	537
Eating Disorders Association of SA Inc	-	332
Adelaide Research & Innovation Pty Ltd	225	264
People living with HIV/AIDS (SA) Inc	-	219
South East Drug and Alcohol Council Services Inc	-	181
Adelaide Central and East Division of General Practice	-	173
The Cancer Council South Australia	-	100
Community & Neighbourhood Houses & Centres Association Inc	-	19
Other not-for-profit organisations	3 893	3 682
Total funding to not-for-profit organisations	<u>122 197</u>	<u>106 120</u>

10. Borrowing costs

Borrowing costs paid/payable:		
Interest on borrowings	2 009	2 112
Other finance charges	89	70
Total borrowing costs	<u>2 098</u>	<u>2 182</u>
Borrowing costs paid/payable to entities within the SA Government:		
Interest on borrowings	2 009	2 112
Other finance charges	89	70
Total borrowing costs - SA Government entities	<u>2 098</u>	<u>2 182</u>

11. Other expenses	2012	2011
Other expenses paid/payable:	\$'000	\$'000
Bad and doubtful debts	1	661
Assets donated free of charge	23 899	22 821
Other	1 675	-
Total other expenses	<u>25 575</u>	<u>23 482</u>
Other expenses paid/payable to entities within the SA Government:		
Assets donated free of charge	1 114	763
Total other expenses - SA Government entities	<u>1 114</u>	<u>763</u>
12. Revenues from fees and charges		
Fees and charges received/receivable:		
Business services	1 411	1 834
Fines, fees and penalties	1 250	1 049
Interstate patient transfers	74 931	50 684
Insurance recoveries from health services	30 239	29 507
Private practice fees	3 712	3 308
Recoveries	91 586	30 870
Rent	10	10
Sale of goods - medical supplies	35 777	28 457
Other user charges and fees	688	3 538
Total fees and charges	<u>239 604</u>	<u>149 257</u>
Fees and charges received/receivable from entities within the SA Government:		
Fines, fees and penalties	19	8
Insurance recoveries from health services	29 282	28 683
Recoveries	90 298	25 840
Sale of goods - medical supplies	35 775	28 457
Other user charges and fees	273	3 202
Total fees and charges - SA Government entities	<u>155 647</u>	<u>86 190</u>
13. Commonwealth Government grants		
Grants and contributions:		
Department of Veteran's Affairs	62 042	62 766
Highly specialised drugs	51 382	49 728
Woomera Hospital	1 283	1 262
GP super clinics	-	14 516
Early Intervention Pilot Program	153	204
Transition Care Program	19 519	14 482
Other	11 782	6 318
Total Commonwealth Government grants	<u>146 161</u>	<u>149 276</u>
14. Interest revenue		
Interest from entities within SA Government:		
Interest on loans	2 345	2 479
Interest on funds held	4	3
Total interest revenue	<u>2 349</u>	<u>2 482</u>
15. Resources received free of charge		
Resources received free of charge or for nominal value:		
Land and improvements	-	8 786
Inventory	2 816	3 110
Other	949	-
Total resources received free of charge	<u>3 765</u>	<u>11 896</u>
Resources received free of charge or for nominal value from entities within the SA Government:		
Land and improvements	-	8 786
Other	949	-
Total resources received free of charge - SA Government entities	<u>949</u>	<u>8 786</u>

16. Net gain (loss) from the disposal of non-current assets	2012	2011
Land and buildings:	\$'000	\$'000
Proceeds from disposal	-	10 715
Net book value of assets disposed	-	(8 786)
Other costs of disposal	-	(38)
Net gain (loss) from disposal of land and buildings	-	1 891
Plant and equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	(80)	(704)
Other costs of disposal	-	-
Net gain (loss) from disposal of plant and equipment	(80)	(704)
Total assets:		
Total proceeds from disposal	-	10 715
Realised gain (loss) from the fair value reserve - financial assets	-	-
Total value of assets disposed	(80)	(9 490)
Total other costs of disposal	-	(38)
Total net gain (loss) from disposal of non-current assets	(80)	1 187
17. Other income		
Other income received/receivable:		
Capital contributions	4 561	10 652
Commissions revenue	22	18
Private sector grants	323	-
SA Health and Medical Research Fund	3 426	4 738
Intellectual property sale	83 275	-
Training revenue	14	-
Other	8 977	3 714
Total other income	100 598	19 122
Other income received/receivable from entities within the SA Government:		
Capital contributions	4 511	10 652
SA Health and Medical Research Fund	3 426	4 389
Training revenue	13	-
Other	1 989	888
Total other income - SA Government entities	9 939	15 929
18. Revenues from SA Government		
18.1 Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	3 542 129	3 420 865
Commonwealth grants received via DTF	132 994	85 140
Total SA Government appropriations	3 675 123	3 506 005
18.2 Grants from SA Government agencies		
Community Development Fund	6 600	6 600
DTF - contingency funds	56 245	109 073
TVSP recoveries	1 903	6 741
Other	627	862
Total grants from SA Government agencies	65 375	123 276
Total revenue from SA Government	3 740 498	3 629 281
19. Unexpended funding commitments		
The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. The Department had outstanding funding commitments to the following programs:		
	2012	2011
	\$'000	\$'000
National Partnership Agreement on Improving Public Hospitals Services	8 270	-
Hospital and Health Workforce Reform - Activity Based Funding	2 484	5 209
New seniors cards to incorporate new Metrocard	2 087	-

19. Unexpended funding commitments (continued)		2012	2011
		\$'000	\$'000
Healthy Children - National Partnership Agreement on Preventative Health		1 258	-
Healthy Workers - National Partnership Agreement on Preventative Health		1 057	-
Closing the Gap in Indigenous Health Outcomes		765	3 433
Hospital and Health Workforce Reform - Sub Acute Care		534	132
Integrated Regional Clinical Training Networks		528	427
Aged Care Assessment Program		500	-
Australian Immunisation Agreement		470	259
SA Clinical Supervision Support Program		400	310
Simulated Learning Environment Program		350	-
Hospital and Health Workforce Reform - Emergency Department		181	8 322
National Partnership Agreement - Long Stay Older Patients		165	1 680
CanNet Program		162	406
Bringing Back Nurses into the Workforce		125	-
Enabling Infrastructure - National Partnership Agreement on Preventative Health		89	224
Social Marketing - Preventative Health National Partnership		-	300
Cancer Council SA - Cancer Registry Database		-	452
Health and Medical Research Fund		-	3 540
Housing Accommodation Support Program		-	3 363
Other		340	708
Total unexpended funding commitments		19 765	28 765
20. Cash and cash equivalents			
Cash at bank or on hand - non-government financial institutions and deposits with the Treasurer*		72 450	53 752
Cash on hand		12	9
Total cash and cash equivalents		72 462	53 761
* Included in the special deposit account with the Treasurer is \$34.1 million (\$15.5 million) relating to the Health and Medical Research Fund which was established to support health and medical research activities in South Australia.			
Interest rate risk			
Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in note 32. The carrying amount of cash represents fair value.			
21. Receivables		2012	2011
Current:	Note	\$'000	\$'000
Workers compensation provision recoverable		-	41
DH other receivables		1 520	324
Grants		8 670	9 638
Interstate patient transfers		43 073	40 782
Loans	21.2	2 019	1 567
Prepayments		9 464	5 874
Debtors		28 068	25 992
		92 814	84 218
Allowance for doubtful debts	21.1	(7)	(668)
Sundry receivables and accrued revenue		2 136	17 173
GST recoverable from ATO		16 154	8 720
Total current receivables		111 097	109 443
Non-current:			
Loans	21.2	24 398	26 779
Sundry receivables and accrued revenue		2	6
Total non-current receivables		24 400	26 785
Total receivables		135 497	136 228
Receivables from SA Government entities:			
Workers compensation provision recoverable		-	41
DH other receivables		1 520	324
Loans		26 417	28 346
Prepayments		-	8
Debtors		38 354	9 481
Sundry receivables and accrued revenue		-	6 344
Total receivables from entities within the SA Government		66 291	44 544

Interest rate and credit risk

Receivables are raised for goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables

Refer note 32.

Categorisation of financial instruments and risk exposure information

Refer note 32.

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of \$1000 (\$661 000) in the Statement of Comprehensive Income.

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Comprehensive Statement of Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

21.1 Movements in the allowance for doubtful debts (impairment loss)	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	(668)	(7)
Amounts written off	1	-
Increase (Decrease) in allowance recognised in profit or loss	674	(661)
Carrying amount at 30 June	<u>7</u>	<u>(668)</u>

21.2 Reconciliation of inter-health loans

As at 30 June 2011 the balance of loans to health services and related movements is as follows:

Balance at 1 July	28 346	30 014
Capitalised interest charges	369	418
Total repayable	<u>28 715</u>	<u>30 432</u>
Principal repayments received	(2 257)	(2 036)
Interest rebated	(41)	(50)
Balance at 30 June	<u>26 417</u>	<u>28 346</u>

The Department to 30 June 2012 has financed the health services with loans amounting to \$5.3 million (\$6 million) from departmental funds and \$21.1 million (\$22.3 million) from back-to-back loan arrangements with DTF.

The movements and status of the back-to-back loan arrangements are as follows:	2012	2011
	\$'000	\$'000
Balance at 1 July	22 297	23 233
Principal repayments	(1 213)	(936)
Balance at 30 June	<u>21 084</u>	<u>22 297</u>

22. Inventories	2012	2011
Current - held for distribution materials at cost:	\$'000	\$'000
Drug supplies	6 170	6 213
Other	6 325	8 553
Total current inventories - held for distribution	<u>12 495</u>	<u>14 766</u>

23. Non-current assets classified as held for sale		
Land	-	27 392
Total non-current assets classified as held for sale	<u>-</u>	<u>27 392</u>

23. Non-current assets classified as held for sale (continued)

The Department has reclassified the former Hillcrest Hospital site land at Oakden as a non-current asset as the sale is not expected to be finalised within the next 12 months.

24. Property, plant and equipment

	2012	2011
	\$'000	\$'000
Land and buildings:		
Land only holdings at fair value	32 400	5 039
Site land at fair value	5 930	6 249
Land at fair value	<u>38 330</u>	<u>11 288</u>
Buildings and improvements at fair value	3 901	9 164
Buildings and improvements under construction (work in progress)	103 012	52 100
Buildings at fair value	<u>106 913</u>	<u>61 264</u>
Accumulated depreciation - buildings and improvements	-	4 991
Accumulated depreciation	-	4 991
Total land and buildings	<u>145 243</u>	<u>67 561</u>
Leasehold improvements:		
Leasehold improvements at fair value	3 389	3 389
Accumulated amortisation	2 072	1 796
Total leasehold improvements	<u>1 317</u>	<u>1 593</u>
Plant and equipment:		
Computing equipment at cost (deemed fair value)	30 326	27 702
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	28
Other plant and equipment at cost (deemed fair value)	1 093	1 281
Plant and equipment under construction (work in progress)	8 622	5 536
Total plant and equipment at fair value	<u>40 069</u>	<u>34 547</u>
Accumulated depreciation - computing equipment	21 784	15 797
Accumulated depreciation - medical, surgical, dental and biomedical equipment	28	23
Accumulated depreciation - other plant and equipment	585	604
Accumulated depreciation	<u>22 397</u>	<u>16 424</u>
Total plant and equipment	<u>17 672</u>	<u>18 123</u>
Total property, plant and equipment	<u>164 232</u>	<u>87 277</u>

Valuation of land and buildings

The valuation of land and buildings was performed by Andrew Lucas, an independent valuer from Valcorp Aust Pty Ltd as at 30 June 2012. 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.

Reconciliation of land and improvements

	Land	Buildings & improvements	Leasehold improvements	Capital works in progress	Total
2012	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	11 288	4 173	1 593	52 100	69 154
Additions	-	-	-	50 912	50 912
Revaluation increment (decrement)	(350)	(108)	-	-	(458)
Depreciation and amortisation	-	(164)	(276)	-	(440)
Other movements	27 392	-	-	-	27 392
Carrying amount at 30 June	<u>38 330</u>	<u>3 901</u>	<u>1 317</u>	<u>103 012</u>	<u>146 560</u>

Reconciliation of land and improvements (continued)

	Land	Buildings & improvements	Leasehold improvements	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Carrying amount at 1 July	38 680	4 338	1 765	9 976	54 759
Additions	-	-	98	42 124	42 222
Assets received free of charge	6 515	2 271	-	-	8 786
Disposals	(6 515)	(2 271)	-	-	(8 786)
Revaluation increment (decrement)	-	-	-	-	-
Depreciation and amortisation	-	(164)	(270)	-	(434)
Acquisition (disposal) through administrative restructuring	(27 392)	-	-	-	(27 392)
Other movements	-	(1)	-	-	(1)
Carrying amount at 30 June	11 288	4 173	1 593	52 100	69 154

Reconciliation of plant and equipment

	Medical, surgical, dental biomedical equipment	Computer equipment	Capital works in progress	Other plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2012					
Carrying amount at 1 July	5	11 905	5 536	677	18 123
Additions	-	845	24 849	-	25 694
Assets received free of charge	-	-	-	-	-
Write-off non-current assets	-	-	(4 566)	(78)	(4 644)
Depreciation and amortisation	(6)	(5 987)	-	(101)	(6 094)
Acquisition (disposal) from transfer	-	1 779	(17 197)	11	(15 407)
Assets reclassified to assets held for sale	-	-	-	-	-
Other movements	1	-	-	(1)	-
Carrying amount at 30 June	-	8 542	8 622	508	17 672

2011

Carrying amount at 1 July	11	16 076	3 158	791	20 036
Additions	-	190	2 378	12	2 580
Assets received free of charge	-	(691)	-	(13)	(704)
Write-off non-current assets	-	-	-	-	-
Depreciation and amortisation	(6)	(5 412)	-	(114)	(5 532)
Acquisition (disposal) from transfer	-	1 742	-	-	1 742
Other movements	-	-	-	1	1
Carrying amount at 30 June	5	11 905	5 536	677	18 123

25. Intangible assets	2012	2011
	\$'000	\$'000
Computer software:		
Other computer software	56 575	31 428
Accumulated amortisation	(13 896)	(7 726)
Intangibles under construction (work in progress)	5 126	27 381
Total computer software	47 805	51 083
Total intangible assets	47 805	51 083

Impairment

There were no indications of impairment on intangible assets at 30 June 2012.

Reconciliation of intangibles

	Capital works in progress	Internally developed computer software	Other computer software	Total
	\$'000	\$'000	\$'000	\$'000
2012				
Carrying amount at 1 July	27 381	-	23 702	51 083
Additions	2 922	-	-	2 922
Write-off non-current assets	(15 437)	-	-	(15 437)
Depreciation and amortisation	-	-	(6 169)	(6 169)
Acquisition (disposal) from transfer	(9 740)	-	25 147	15 407
Other movements	-	-	(1)	(1)
Carrying amount at 30 June	5 126	-	42 679	47 805

Reconciliation of intangibles (continued)

	Capital works in progress	Internally developed computer software	Other computer software	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	10 135	-	27 716	37 851
Additions	18 046	-	190	18 236
Depreciation and amortisation	-	-	(4 497)	(4 497)
Acquisition (disposal) from transfer	(800)	-	293	(507)
Carrying amount at 30 June	27 381	-	23 702	51 083

	2012	2011
	\$'000	\$'000
26. Payables		
Current:		
Creditors and accrued expenses	204 024	77 748
Paid Parental Leave Scheme payable	16	-
Health service workers compensation	8 125	7 343
Interstate patient transfers	30 139	34 183
Employment on-costs	2 555	2 841
Total current payables	244 859	122 115
Non-current:		
Health service workers compensation	22 237	18 545
Employment on-costs	2 887	2 279
Total non-current payables	25 124	20 824
Total payables	269 983	142 939
Payables to SA Government entities:		
Creditors and accrued expenses	131 743	19 175
Health service workers compensation	30 362	25 888
Employment on-costs	5 442	5 120
Total payables to SA Government entities	167 547	50 183

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate (35%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of \$200 000. The estimated impact on 2013 and 2014 is \$208 000 and \$216 000 respectively.

Interest rate and credit risk

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

Maturity analysis of payables

Refer note 32.

Categorisation of financial instruments and risk exposure information

Refer note 32.

	2012	2011
	\$'000	\$'000
27. Borrowings		
Current:		
Loans - DTF	1 522	1 213
Total current borrowings	1 522	1 213
Non-current:		
Loans - DTF	19 562	21 084
Total non-current borrowings	19 562	21 084
Total borrowings	21 084	22 297

27. Borrowings (continued)		2012	2011
Repayable:		\$'000	\$'000
Not later than one year		1 522	1 213
Later than one year but not later than five years		9 958	8 323
Later than five years		9 604	12 761
Total repayable		<u>21 084</u>	<u>22 297</u>
28. Employee benefits			
Current:			
Annual leave		13 852	13 561
LSL		5 807	6 461
Accrued salaries and wages		545	6 482
FBT		2 519	2 875
Other		2 107	3
Total current employee benefits		<u>24 830</u>	<u>29 382</u>
Non-current:			
LSL		31 703	26 066
Other		24	14
Total non-current employee benefits		<u>31 727</u>	<u>26 080</u>
Total employee benefits		<u>56 557</u>	<u>55 462</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique.

Based on this actuarial assessment, the LSL liability has increased significantly from 2011. This significant increase is mainly due to the decrease in the long-term discount rate, which is based on government bond rates as at reporting date.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$6.86 million and employee benefit expense of \$697 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

As a result of an actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd this year, a benchmark for the measurement of LSL liability was not used. The impact on the financial year and future periods is impracticable to estimate as the liability is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

29. Provisions		2012	2011
Current:	Note	\$'000	\$'000
Insurance	29.1	15 515	13 778
Provision for workers compensation	29.2	363	422
Other		600	499
Total current provisions		<u>16 478</u>	<u>14 699</u>
Non-current:			
Insurance	29.1	81 255	78 855
Provision for workers compensation	29.2	891	1 000
Total non-current provisions		<u>82 146</u>	<u>79 855</u>
Total provisions		<u>98 624</u>	<u>94 554</u>
29.1 Reconciliation of insurance			
	Medical malpractice	Public liability	Property
2012	\$'000	\$'000	\$'000
Carrying amount at 1 July	89 638	1 127	1 868
Increase to provision due to new claims	5 849	316	1 002
Reduction due to payments	(7 672)	(622)	(1 268)
Net revision of estimates	7 044	120	(632)
Carrying amount at 30 June	<u>94 859</u>	<u>941</u>	<u>970</u>
			Total
			\$'000
			92 633
			7 167
			(9 562)
			6 532
			<u>96 770</u>

29.1 Reconciliation of insurance (continued)

	Medical malpractice \$'000	Public liability \$'000	Property \$'000	Total \$'000
Carrying amount at 1 July	78 579	1 146	1 462	81 187
Increase to provision due to new claims	12 253	277	1 831	14 361
Reduction due to payments	(7 082)	(821)	(1 171)	(9 074)
Net revision of estimates	5 888	525	(254)	6 159
Carrying amount at 30 June	89 638	1 127	1 868	92 633

29.2 Reconciliation of workers compensation 2011

Carrying amount at 1 July	2012 \$'000	2011 \$'000
Increase to provision due to revision of estimates	1 422	1 357
Reduction due to payments	4 874	4 873
Carrying amount at 30 June	(5 042)	(4 808)
	1 254	1 422

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries.

30. Other liabilities

Current:	2012 \$'000	2011 \$'000
Unclaimed monies	295	249
Unearned revenue	993	3 373
Other	-	93
Total current other liabilities	1 288	3 715

Non-current:

Unearned revenue	88	98
Total non-current other liabilities	88	98
Total other liabilities	1 376	3 813

Other liabilities within SA Government entities:

Unearned revenue	1 090	108
Other	-	39
Total other liabilities within SA Government entities	1 090	147

31. Equity

Contributed capital	1 046 161	831 445
Revaluation surplus	31 240	31 699
Retained earnings	(1 092 534)	(811 702)
Total equity	(15 133)	51 442

32. Financial instruments/Financial risk management**(a) Terms, conditions and accounting policies****(i) Financial assets**

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instruments

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets:					
Cash and cash equivalents	20	72 462	72 462	53 761	53 761
Loans and receivables	21	109 879	109 879	121 634	121 634
Total financial assets		182 341	182 341	175 395	175 395

(b) Categorisation of financial instruments (continued)

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities:					
Payables	26	269 983	269 983	142 939	142 939
Interest bearing liabilities	27	21 084	21 084	22 297	22 297
Non-interest bearing liabilities	30	1 376	1 376	3 813	3 813
Total financial liabilities at cost		292 443	292 443	169 049	169 049

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

(c) Credit risk

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

The Department has minimal concentration of credit risk. The Department 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.

In accordance with TI 23 the Department entered into six forward exchange contracts through SAFA, to cover the acquisition of hospital equipment. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign currency.

(d) Ageing analysis of financial assets

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Not impaired:				
Receivables	4 687	14 953	18 922	38 562
Impaired:				
Receivables	-	-	7	7
Other financial assets	-	-	-	-
Total	4 687	14 953	18 929	38 569
2011				
Not impaired:				
Receivables	1 426	1 455	5 348	8 229
Impaired:				
Receivables	-	-	(668)	(668)
Total	1 426	1 455	4 680	7 561

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

(e) Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2012				
Financial assets:				
Cash and cash equivalents	72 462	72 462	-	-
Receivables	109 879	85 479	24 400	-
Other financial assets	-	-	-	-
Total financial assets	182 341	157 941	24 400	-

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

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial liabilities:				
Payables	269 983	244 859	25 124	-
Borrowings	21 084	1 522	9 958	9 604
Finance lease liability	-	-	-	-
Other financial liabilities	1 376	1 288	88	-
Total financial liabilities	292 443	247 669	35 170	9 604

2011

Financial assets:				
Cash and cash equivalents	53 761	53 761	-	-
Receivables	121 634	94 849	9 749	17 036
Total financial assets	175 395	148 610	9 749	17 036

Financial liabilities:				
Payables	142 939	122 115	20 824	-
Borrowings	22 297	1 213	8 323	12 761
Other financial liabilities	3 813	3 715	98	-
Total financial liabilities	169 049	127 043	29 245	12 761

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

(f) Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by SA Government for the Department's administration and program delivery. The Department settles undisputed accounts within 30 days from the date of the invoice.

(g) Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Department has borrowings from DTF that have a floating interest rate. Any exposure to foreign currency risks is managed by SAFA.

(h) 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.

33. Unrecognised contractual commitments**33.1 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:

	2012 \$'000	2011 \$'000
Not later than one year	12 418	9 255
Later than one year but not later than five years	34 375	18 889
Later than five years	43 543	7 229
Total operating lease commitments (including GST)	90 336	35 373

Included in the operating lease commitments above is \$8.2 million (\$1.9 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

33.2 Operating lease revenue commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets, are receivable as follows:

	2012 \$'000	2011 \$'000
Not later than one year	15 635	15 503
Later than one year but not later than five years	49 717	32 746
Total operating lease revenue commitments (including GST)	65 352	48 249

Included in the operating lease revenue commitments above is \$5.9 million (\$4.4 million) of GST. The operating lease relates to desktop PCs owned by the Department and leased to hospitals, health services and allied agencies. The lease is non-cancellable with a replacement of desktop PCs in a four year cycle.

33.3 Expenditure commitments

Capital commitments

Capital expenditure contracted by the Department at the reporting date, but not recognised as liabilities in the financial statement, is payable as follows:

	2012 \$'000	2011 \$'000
Not later than one year	81 607	35 724
Later than one year but not later than five years	65 717	19 250
Later than five years	6 126	-
Total capital commitments (including GST)	153 450	54 974

The Department's capital commitments are for plant and equipment ordered but not received.

Included in capital expenditure commitments above is \$14 million (\$4.9 million) which is the GST component of the capital expenditure commitments.

Other commitments

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

	2012 \$'000	2011 \$'000
Not later than one year	113 463	66 304
Later than one year but not later than five years	214 886	228 645
Total other commitments (including GST)	328 349	294 949

The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2012 has not been quantified.

34. Transferred functions

Transferred in

2011-12

As a result of the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 approved by the Premier in The South Australian Government Gazette dated 15 December 2011, the divisions known as Ageing and the Aged Care and Assessment Teams were transferred into the Department for Health and Ageing from the Department for Communities and Social Inclusion, effective 1 January 2012.

	2012 \$'000
Assets and liabilities transferred to the Department were:	
Payables	162
Employee benefit expenses	1 526
Total liabilities	1 688
Total net assets transferred	(1 688)

2010-11

Health portfolio executive approved a portfolio-wide finance and workforce integration process that commenced in October 2009. Effective 1 July 2010, all in-scope employees and their associated employee benefits transferred from the health services and the SA Ambulance Service to the Finance and Administration and Workforce Divisions within the Department.

2010-11 (continued)

Assets and liabilities transferred to the Department were:

	Total \$'000
Receivables	66
Total assets	<u>66</u>
Payables	1 041
Provisions	7
Employee benefit expenses	14 412
Total liabilities	<u>15 460</u>
Total net assets transferred	<u>(15 394)</u>

Net assets assumed by the Department as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

Transferred out**2011-12**

SA Health executive approved the transfer of the Aged Care and Assessment Team to the Southern Adelaide Local Health Network, effectively transferring all staff and functions effective from 1 January 2012.

58 employees of the Aged Care and Assessment Team were transferred to the Southern Adelaide Local Health Network.

Total income and expenses that transferred were:	Total
Assets and liabilities transferred from the Department were:	\$'000
Payables	114
Employee benefit expenses	1 074
Total liabilities	<u>1 188</u>
Total net assets transferred	<u>(1 188)</u>

Net assets assumed by the Department as a result of the administrative restructure were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

35. Contingent assets and liabilities

During June 2010 the Minister entered into a contract to sell part of the Glenside Campus to the Chapley Retail Group. A bank guarantee in lieu of a deposit has been provided. In accordance with the terms of the contract for sale, if the purchaser defaults prior to or at settlement the deposit is forfeited to the Department.

36. Cash flow reconciliations

Reconciliation of cash and cash equivalents at 30 June:	2012	2011
	\$'000	\$'000
Cash and cash equivalents as per Statement of Financial Position	72 462	53 761
Cash and cash equivalents as per Statement of Cash Flows	<u>72 462</u>	<u>53 761</u>

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	(115 289)	(185 549)
SA Government appropriations	(3 675 123)	(3 506 005)
Grants from SA Government agencies	(65 375)	(123 276)
Non-cash items:		
Depreciation and amortisation of non-current assets	(12 703)	(10 463)
Increments (decrements) on revaluation of non-current assets	(31)	-
Assets acquired at no cost or nominal consideration	2 816	11 896
Gain (Loss) on disposal of non-current assets	(80)	1 187
Prior period adjustments	-	6 129
Assets donated free of charge	23 899	(3 110)
Derecognition of WIP	1 096	-

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services (continued)	2012	2011
	\$'000	\$'000
Movements in assets/liabilities:		
Receivables	(731)	138 456
Inventories	(50 069)	6 765
Employee benefits	(643)	(3 786)
Payables and provisions	(131 051)	(138 738)
Other liabilities	2 454	3 123
Net cost of providing services	<u>(4 020 830)</u>	<u>3 803 371</u>

37. Remuneration of board and committee members

DH Risk Management and Audit Committee

Allen Bolaffi	Jamin Woolcock	Robyn Pak-Poy
David Johnston	Jenny Richter	Ross Haslam
David Swan	Kym Piper	Stephen Christley
Derek Wright	Liz Hlipala	

Ministerial Advisory Board on Ageing

Kenneth Coventry	Laurence Lewis	Janice Rigney
Rosemary Crowley	Gerard McEwen	Graham Strathearn
Patricia Greethead	Patricia Mickan	Dana Vukovich
Graeme Hugo	Greg Mackie	

Health Performance Council

Anne Dunn	James Dellit	Michael Rice
Barbara Hartwig	John Singer	Rachel Bishop
Carolyn Pickles	Laurence Lewis	Robyn McDermott
Christopher Overland	Melissa Sandercock	Tahereh Ziaian
Diane Wickett	Michael Beckoff	Thomas Steples
Geoffrey Harris	Michael Kidd	Thomas Stubbs
Ian Yates		

Public and Environmental Health Council

Nancy Cromar	Rebekah Schubert	Michael Henningsen
John Cugley	Susan Lonie	Fiona Harvey
Ian Hawkins		

SA Public Health Council

Dr Amanda Rischbieth	Jillian Whittaker	Robyn McDermott
Ann Koehler	Lester Wright	Susan Bennett
Christine Morris	Michael Henningsen	Susan Churchman
Christopher Reynolds	Peter Dolan	Susan Lonie
Declan Moore	Rebekah Schubert	Terri Lamoree
Douglas Shaw	Dr Stephen Christley	Wendy Keech
Katrina D'onise		

CACAC - S & Q in Health Care Consumer and Community Advisory Committee

Trevor Bower	Michael Cousins	Chris Jones
Sidique Bah	Jane Fisher	Annette McGrath
Yvonne Buza	Helena de Anstiss	Jacqueline Stevens
Miriam Cocking	Anne Johnson	Jan Wallent
Michelle McKinnon	Michele Sutherland	Pat Ranieri
Stephanie Newell		

South Australian Council for Safety and Quality in Health Care

David Ben-Tovim	Villis Marshall	Philip Robinson
Trevor Bower	Stephanie Miller	David Rosenthal
Ken Fielke	Kathryn Nagle	Judith Smith
Lauren Lawlor-Smith	Vanessa Owen	

South Australian Medicines Advisory Committee

Chris Doecke	Kathy Nagle	Sean Turner
David Rosenthal	Lloyd Sanson	Sinead O'Brien
Debra Pratt	Lydia Dennet	Stephen Hedger
Eliana Della Flora	Nigel Stocks	Steve Morris
Helen Mikolaj	Paddy Phillips	Stuart Conboy
Jon Jureidini	Vaughn Eaton	

Clinical Senate

Cate Curry	Elaine Pretorius	Justin La Brooy
Cathy Sanders	Elizabeth Murphy	Kathryn Zeitz
Chris Doecke	Gavin Wheaton	Kym Osborn
Craig Whitehead	Gerry O'Callaghan	Lawrie Palmer
David Morris	Janice Fletcher	Luke Christofis
David Nielsen	Jeffrey Robinson	Meg Lewis
Derek Chew	Jenny Menz	Mike Beckoff
Dianne (Di) Rogowski	John Slavotinek	Mike Carroll
Dinesh Shelva	Jorg Strobel	Monica Lawrence
Dorothy Keefe	Julie Turner	Nicholas Vlachoulis
Elaine Ashworth	Maria Crotty	Nigel Chipperfield
Geoff Hughes	Michael Taylor	Robert Fraser
Guy L Ludbrook	Oliver Frank	Robert van den Berg
Guy Maddern	Peter Anastassiadis	Sharon Morton
Heather Baron	Peter Bardy	Simon Jenkins
Jim Jannes	Peter Chapman	Stav Kondopoulos
Jodie Dodd	Philip Aylward	Tim Burrough
John Bonifant	Robert Padbury	Tracy Carroll
Judy Smith	Sepehr Shakib	Valerie Aylesbury
Kym Bannister	Sharon Liberali	
Lucie Walters	Sue Johanson	
Barbie Sawyer	Taryn Bessen	
Christine Drummond		

Clinical Networks - Cancer

Bogda Koczwar	David Watson	Oliver Frank
Dorothy Keefe	Heather Tapp	Peter Chapman
Peter Bardy	Jacqui Adams	Rahul Mukheriee
Peter Robinson	Jude Lees	Shane Mohor
Ashleigh Moore	Juli Ferguson	Tracey Doherty
Brenda Wilson	Kristin Linke	
David Roder	Meryl Horsell	

Clinical Networks - Renal

Kym Bannister	Mary Frost	Jennifer Roadnight
Jeff Barbara	Philip Gribble	Graeme Russ
Chris Doecke	Paul Henning	Tiffany Whittington
Amy Foote	George Passaris	
Kellianne Fraser	Stephen McDonald	

Clinical Networks - Cardiology

Margaret Arstall	Stephen Nicholls	David Scrimgeour
Jayne Bennetts	Colin Purvis	Peter Steele
Rachel Bishop	Amanda Rischbieth	Phil Tideman
Derek Chew	Deb Rowett	Gavin Wheaton
Robyn McDermott	Prash Sanders	Chris Zeitz

Clinical Networks - Maternal and Neonatal

Meredith Hobbs	Jolie Thomas	Helen Hriskin
Julie Pratt	Marion Rix	Richard MacKinnon
Judy Coffey	Colin Weatherill	Jodie Dodd
Julie Bernardo	Carolyn Harris	Jacqueline Ah Kit
Sue Kennedy-Andrews	Peter Rischbieth	Geoff Matthew

Clinical Networks - Child Health

Peter Baghurst	Rochelle Hay	Cathy Sanders
Jon Jureidini	Di Hetzel	Nigel Stewart
Alex Centofanti	Deepa Jeyaseelan	Trish Strachan
Yvonne Parry	Michael Rice	Julian Grant

Clinical Networks - Mental Health

Robert Dann	Judy Burke	Michael Loder
Clive Skene	Prue McEvoy	Sujata Mylvagana
Dan Donaghey	Sylvia Ebert	Jorg Strobel
Anne Blackburn	Rachel Edwards	Karen Bates

Clinical Networks - Orthopaedic

Andrew Saies	Tony Hewitt	Shelley Horne
Mellick Chehade	Mathew Beard	Paul Allcock
Karen Dixon	Michael Sandow	
Tim Morris	Cheryl Kimber	

Clinical Networks - Rehabilitation

Vickie Castle	Vicki Hume	Nigel Quadros
Carol Coombs	Miranda Jelbart	Ray Russo
Philip Cornish	Meredith Jolly	Heather Vogelzang
Lynne Cowan	Kae Martin	
Amanda Crockett-Naini	Ruth Marshall	

Clinical Network - Older People

Loueen Bainger	Justin Prendergast	Stephan Van Eeden
Amy Foote	Nick Vlachoulis	Renuka Visvanathan
Jeff Faunt	Sue Jarrad	Angela Littleford
Alan Graham	Bob Penhall	Helen Smith
Dianne Halliday	Lee Sando	Ros Street

Clinical Network - Palliative Care

Meg Brassil	Roger Hunt	Bruce Rounsefell
Lynne Cowan	Di Moncrieff	Adrienne Stoddart
Julie Duffield	Bill Lees	Kate Swetenham
Karen Glaetzer	Lawrie Palmer	Tracey Watters

Clinical Network - Stroke

Andrew Lee	Hugh Gratham	Steve Chryssidis
Annette Mcgrath	Julie Luker	Susan Hillier
Chris Bollen	Lizzie Dodd	Tom Kimber
Di King	Peter Anastassiadis	Trevor Burchall
Dirk Hoffman	Simon Lane	

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

	2012 Number	2011 Number
\$0	225	287
\$1 - \$9 999	59	56
\$10 000 - \$19 999	10	9
\$20 000 - \$29 999	3	7
\$30 000 - \$39 999	2	-
\$40 000 - \$49 999	-	1
\$50 000 - \$59 999	-	-
\$60 000 - \$69 999	-	-
\$70 000 - \$79 999	-	1
Total	299	361

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 \$391 000 (\$566 000).

37. Remuneration of board and committee members (continued)

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

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

38. Events after balance date

There are no events after balance date to disclose.

39. Schedules of administered funds

The following income, expenses, assets and liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with APF II, APS 3.11, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

*Schedule of Administered Expenses and Income
for the year ended 30 June 2012*

	SA Medical Board		HACDSMC	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefit expenses	-	-	645	572
Supplies and services	90	-	365	374
Grants and subsidies	-	1 500	25 713	17 194
Depreciation and amortisation	-	-	1	1
Total administered expenses	90	1 500	26 724	18 141
Income:				
Revenues from SA Government	-	-	1 695	5 005
Grants and contributions	-	-	21 378	9 622
Interest	-	-	912	1 130
Other revenues	-	715	-	-
Total administered income	-	715	23 985	15 757
Net result	(90)	(785)	(2 739)	(2 384)

	Minister's salary		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefit expenses	212	235	857	807
Supplies and services	-	-	455	374
Grants and subsidies	-	-	24 713	18 694
Depreciation and amortisation	-	-	1	1
Total administered expenses	212	235	27 026	19 876
Income:				
Revenues from SA Government	212	235	1 907	5 240
Grants and contributions	-	-	21 378	9 622
Interest	-	-	912	1 130
Other revenues	-	-	-	715
Total administered income	212	235	24 197	16 707
Net result	-	-	(2 829)	(3 169)

**Schedule of Administered Assets and Liabilities
as at 30 June 2012**

	SA Medical Board		HACDSMC		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	
Current assets:					
Cash and cash equivalents	1 290	990	15 934	14 628	
Receivables	-	353	-	-	
Other current assets	-	-	-	55	
Total administered current assets	1 290	1 343	15 934	14 683	
Non-current assets:					
Property, plant and equipment	-	-	3	5	
Total administered non-current assets	-	1 343	3	5	
Total administered assets	1 290	-	15 937	14 688	
Current liabilities:					
Payables	665	628	4 599	642	
Employee benefits	-	-	85	790	
Other current provisions/liabilities	-	-	14	20	
Total administered current liabilities	665	628	4 698	741	
Non-current liabilities:					
Employee benefits	-	-	134	103	
Total administered non-current liabilities	-	-	134	103	
Total administered liabilities	665	628	4 832	844	
Net administered assets (liabilities)	625	715	11 105	13 844	
		Minister's salary		Total	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Current assets:					
Cash and cash equivalents		(33)	-	17 191	15 618
Receivables		33	-	33	353
Other current assets		-	-	-	55
Total administered current assets		-	-	17 224	16 026
Non-current assets:					
Property, plant and equipment		-	-	3	5
Total administered non-current assets		-	-	3	5
Total administered assets		-	-	17 227	16 031
Current liabilities:					
Payables		-	-	5 264	1 270
Employee benefits		-	-	85	79
Other current provisions/liabilities		-	-	14	20
Total administered current liabilities		-	-	5 363	1 369
Non-current liabilities:					
Employee benefits		-	-	134	103
Total administered non-current liabilities		-	-	134	103
Total administered liabilities		-	-	5 497	1 472
Net administered assets (liabilities)		-	-	11 730	14 559

**Schedule of Administered Changes in Equity
for the year ended 30 June 2012**

	SA Medical Board		HACDSMC	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at 1 July	715	1 500	13 844	16 228
Net result	(90)	(785)	(2 739)	(2 384)
Total recognised income and expenses for the period	(90)	(785)	(2 739)	(2 384)
Balance at 30 June	625	715	11 105	13 844

	Minister's salary		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at 1 July	-	-	14 559	17 728
Net result	-	-	(2 829)	(3 169)
Total recognised income and expenses for the period	-	-	(2 829)	(3 169)
Balance at 30 June	-	-	11 730	14 559

**Schedule of Administered Cash Flows
for the year ended 30 June 2012**

	SA Medical Board		HACDSMC	
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash flows from operating activities:				
Cash inflows:				
Receipts from SA Government	-	-	1 695	5 005
Interest revenue	-	-	912	1 130
Other revenue	353	361	21 432	9 622
Total cash inflows	353	361	24 039	15 757
Cash outflows:				
Employee benefit payments	-	-	607	(622)
Grants and subsidies	-	(871)	21 119	(20 312)
Goods and services	53	-	1 007	(432)
Total cash outflows	53	(871)	22 733	(21 366)
Net cash inflows (outflows) from operating activities	300	(510)	1 306	(5 609)
Net increase (decrease) in cash held	300	(510)	1 306	(5 609)
Cash at 1 July	990	1 500	14 628	20 237
Cash at 30 June	1 290	990	15 934	14 628

**Schedule of Administered Cash Flows
for the year ended 30 June 2012 (continued)**

	Minister's salary		Total	
	Inflows (Outflows) 2012	Inflows (Outflows) 2011	Inflows (Outflows) 2012	Inflows (Outflows) 2011
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Cash inflows:				
Receipts from SA Government	179	256	1 874	5 261
Interest revenue	-	-	912	1 130
Other revenue	-	-	21 785	9 983
Total cash inflows	179	256	24 571	16 374
Cash outflows:				
Employee benefit payments	212	(235)	819	(857)
Grants and subsidies	-	-	21 119	(21 183)
Goods and services	-	-	1 060	(432)
Total cash outflows	212	(235)	22 998	(22 472)
Net cash inflows (outflows) from operating activities	(33)	21	1 573	(6 098)
Cash flows from financing activities:				
Cash inflows:				
Restructuring activities	-	-	-	-
Total cash inflows	-	-	-	-
Cash outflows:				
Repayment of borrowings	-	(21)	-	(21)
Total cash outflows	-	(21)	-	(21)
Net cash inflows (outflows) from financing activities	-	(21)	-	(21)
Net increase (decrease) in cash held	(33)	-	1 573	(6 119)
Cash at 1 July	-	-	15 618	21 737
Cash at 30 June	(33)	-	17 191	15 618

Administered expenses and administered cash outflows

The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered income and administered cash inflows

The Department collects various revenues and grants on behalf of government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

Administered assets and liabilities

The Department manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered assets and liabilities.

Changes in administered equity

All changes in equity relate to the administered revaluation reserve. The opening balance for administered retained earnings has not been restated for Australian equivalents to International Financial Reporting Standards because there has not been any impact.

Administered contingent assets and liabilities

The Department has no administered contingent assets and liabilities.

Incorporated hospitals and health services

Introduction

The incorporated hospitals and health services (the health services) are body corporates established pursuant to the *Health Care Act 2008* (the HC Act).

The health services are responsible to the Minister for Health and Ageing (formerly Minister for Health) and the Chief Executive of the Department for Health and Ageing.

As a result of the Health Care (Local Health Networks) Proclamation 2011, the Adelaide Health Service Incorporated was renamed the Central Adelaide Local Health Network Incorporated (CALHN) effective from the 1 July 2011. The services of CALHN were also realigned to form two additional metropolitan Local Health Networks: Southern Adelaide Local Health Network Incorporated and Northern Adelaide Local Health Network Incorporated effective 1 July 2011.

During 2011-12, the health services comprised:

- Central Adelaide Local Health Network Incorporated (CALHN)

The principal units within CALHN were Royal Adelaide Hospital, Queen Elizabeth Hospital, Hampstead Rehabilitation Centre, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area.

- Southern Adelaide Local Health Network Incorporated (SALHN)

The principal units within SALHN were Flinders Medical Centre, Repatriation General Hospital, Noarlunga Hospital, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area.

- Northern Adelaide Local Health Network Incorporated (NALHN)

The principal units within NALHN were Lyell McEwin Hospital, Modbury Hospital, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area.

- Country Health SA Local Health Network Incorporated (CHSALHN)

CHSALHN provided a network of hospitals and health services located throughout regional South Australia.

- Women's and Children's Health Network Incorporated (WCHN)

The principal unit within WCHN was the Women's and Children's Hospital.

- SA Ambulance Service Inc (SAAS).

The incorporated hospitals are charged with establishing, providing, maintaining and enhancing hospital, medical and allied health services in their local area.

SAAS is the principal provider of emergency ambulance services in South Australia.

Audit mandate and coverage

Audit authority

Audit of the financial reports

Sections 36(2) and 55(2) of the HC Act provides for the Auditor-General to audit the accounts of the health services 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 health services 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. Three Chartered Accounting firms assisted in carrying out the audits of the health services.

During 2011-12, specific areas of audit attention included:

- revenues from fees and charges
- grants and contributions
- payroll
- grants and subsidies paid
- supplies and services
- accounts payable
- accounts receivable
- property, plant and equipment
- investments
- borrowings
- financial management and compliance
- health unit non-operating funds.

Audit committee and internal audit

Each of the health services had an audit committee and an internal audit function in operation throughout the 2011-12 financial year.

An understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

Audit findings and comments

Financial reports and independent auditor's reports (IARs)

As mentioned earlier in this Report the Department was responsible, under changed finance function and system arrangements, for the preparation of the financial reports of the health services. A significant system change was the commencement of the implementation of the new enterprise financial management and reporting system (OCS) from 1 July 2010.

Under the heading 'Financial reports and reconciliations' earlier in this section of this Report, specific explanatory comment was provided on the preparation and audit of the financial reports.

In respect of the financial reports for the health services, modified IARs have been issued for CALHN and CHSALHN that identify and qualify certain financial report disclosures that applied for the 2010-11 comparative figures which do not apply for the 2011-12 figures.

The following provides salient financial information and commentary for the six health services together with extracts from the IARs.

Central Adelaide Local Health Network Incorporated

Auditor's report on the financial report

The following is an extract from the 2011-12 IAR, which details the qualification to CALHN's financial report.

Basis for Qualified Opinion

The financial report of the Network is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010. The new enterprise system general ledger records primary financial data sourced from operating legacy financial systems.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Network's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the 2010-11 reporting period, at balance date, and subsequent to balance date.

While the former Department of Health undertook action to investigate these variances and adjust the financial report, at the date of signing the 2010-11 Report, unexplained variances still remained.

In addition, the Network continued to utilise legacy financial systems throughout the reporting period to process initial transactional data before that data was uploaded into the new enterprise financial management and reporting system. There were limitations in the ability to trace transactional data in the new enterprise system general ledger back to the legacy financial systems and source data.

As a result of these matters, I was unable to obtain sufficient audit evidence to conclude that the following balances in the financial report were not materially misstated:

- *supplies and services*
- *payables*
- *revenues from fees and charges*
- *receivables*
- *cash and cash equivalents.*

It is not possible to quantify the financial effects, if any, on the financial report as a result of these matters.

During the latter part of the 2011-12 reporting period, the renamed Department for Health and Ageing undertook the following actions:

- *All balance sheet reconciliations including the reconciliation between the general ledger and the Network's bank account were completed for 2011-12 and all variances explained.*
- *Revised interface arrangements between the various legacy financial systems and the enterprise financial reporting system were implemented. These revised arrangements improved the ability to trace transactional data in the enterprise general ledger to the legacy financial systems and source data.*

As a result, while the 2010-11 comparative figures were subject to qualification, the qualification does not apply for the 2011-12 figures.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of the Central Adelaide Local Health Network Incorporated and its controlled entities as at 30 June 2012, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Central Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Central Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012		2011	
	Consolidated \$'million	Parent \$'million	Consolidated \$'million	Parent \$'million
Expenses:				
Staff benefit expenses	1 172	1 167	1 864	1 859
Supplies and services	569	565	857	850
Depreciation and amortisation	54	53	85	85
Other expenses	40	35	47	45
Total expenses	1 835	1 820	2 853	2 839

	2012		2011	
	Consolidated \$'million	Parent \$'million	Consolidated \$'million	Parent \$'million
Income:				
Revenue from fees and services	269	260	260	248
Grants and contributions	67	67	86	86
Other income	49	46	65	64
Total income	385	373	411	398
Net cost of providing services	1 450	1 447	2 442	2 441
Revenues from SA Government	1 446	1 446	2 506	2 506
Total revenues from SA Government	1 446	1 446	2 506	2 506
Net result	(4)	(1)	64	65
Other comprehensive income	98	98	-	-
Total comprehensive income for the year	94	97	64	65
Current assets	271	264	326	302
Non-current assets	901	892	1 656	1 645
Total assets	1 172	1 156	1 982	1 947
Current liabilities	251	250	380	363
Non-current liabilities	219	219	298	298
Total liabilities	470	469	678	661
Net assets	702	687	1 304	1 286

Statement of Comprehensive Income

Staff benefit expenses represent 64% of CALHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 1022. Supplies and services included consultants expenses totalling \$705 000 (19 consultancies).

Statement of Financial Position

Current assets include \$34.4 million cash. Non-current assets include property, plant and equipment totalling \$882 million.

At 30 June 2012, CALHN had a working capital surplus of \$19.6 million.

Southern Adelaide Local Health Network Incorporated

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 Southern Adelaide Local Health Network Incorporated as at 30 June 2012, 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 Southern Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under ‘Communication of audit matters’, are sufficient to provide reasonable assurance that the financial transactions of the Southern Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012 \$'million
Expenses:	
Staff benefit expenses	630
Supplies and services	273
Depreciation and amortisation	23
Other expenses	28
Total expenses	<u>954</u>
Income:	
Revenue from fees and charges	65
Grants and contributions	22
Other income	16
Total income	<u>103</u>
Net cost of providing services	<u>851</u>
Revenues from SA Government	843
Total revenues from SA Government	<u>843</u>
Net result	<u>(8)</u>
Other comprehensive income	6
Total comprehensive income for the year	<u>(2)</u>
Current assets	66
Non-current assets	657
Total assets	<u>723</u>
Current liabilities	130
Non-current liabilities	118
Total liabilities	<u>248</u>
Net assets	<u>475</u>

Statement of Comprehensive Income

Staff benefit expenses represent 66% of SALHN’s total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 494. Supplies and services included consultants expenses totalling \$211 000 (three consultancies).

Statement of Financial Position

Current assets include \$18 million cash. Non-current assets include property, plant and equipment totalling \$651 million.

As at 30 June 2012, SALHN had a working capital deficiency of \$64.1 million.

Northern Adelaide Local Health Network Incorporated

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 Northern Adelaide Local Health Network Incorporated as at 30 June 2012, 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 Northern Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Northern Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012 \$'million
Expenses:	
Staff benefit expenses	250
Supplies and services	140
Depreciation and amortisation expense	15
Other expenses	1
Total expenses	<u>406</u>
Income:	
Revenue from fees and charges	19
Grants and contributions	4
Other income	5
Total income	<u>28</u>
Net cost of providing services	<u>378</u>
Revenues from SA Government	398
Total revenues from SA Government	<u>398</u>
Net result	<u>20</u>
Other comprehensive income	40
Total comprehensive income for the year	<u>60</u>

	2012 \$'million
Current assets	21
Non-current assets	337
Total assets	358
Current liabilities	47
Non-current liabilities	34
Total liabilities	81
Net assets	277

Statement of Comprehensive Income

Staff benefit expenses represent 62% of NALHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 234. Supplies and services included consultants expenses totalling \$115 000 (six consultancies).

Statement of Financial Position

Current assets include \$7.6 million cash. Non-current assets include property, plant and equipment totalling \$335.3 million.

As at 30 June 2012, NALHN had a working capital deficiency of \$26.3 million.

Country Health SA Local Health Network Incorporated

Auditor's report on the financial report

The following is an extract from the 2011-12 IAR, which details the qualification to the CHSA's financial report.

Basis for Qualified Opinion

The financial report of the Network is principally prepared from financial transaction information processed, and recorded by the new enterprise financial management and reporting system that was implemented from 1 July 2010. The new enterprise system general ledger records primary financial data sourced from operating legacy financial systems.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Network's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the 2010-11 reporting period, at balance date, and subsequent to balance date.

While the former Department of Health undertook action to investigate these variances and adjust the financial report, at the date of signing this Report, unexplained variances still remained.

In addition, the Network continued to utilise legacy financial systems throughout the reporting period to process initial transactional data before that data was uploaded into the new enterprise financial management and reporting system. There were limitations in the ability to trace transactional data in the new enterprise system general ledger back to the legacy financial systems and source data.

As a result of these matters, I was unable to obtain sufficient audit evidence to conclude that the following balances in the 2010-11 financial report were not materially misstated:

- *staff benefit expenses*
- *supplies and services*
- *payables*
- *revenues from fees and charges*
- *receivables*
- *cash and cash equivalents.*

It is not possible to quantify the financial effects, if any, on the financial report as a result of these matters.

During the latter part of the 2011-12 reporting period, the renamed Department for Health and Ageing undertook the following actions:

- *All balance sheet reconciliations including the reconciliation between the general ledger and the Network's bank account were completed for 2011-12 and all variances explained.*
- *Revised interface arrangements between the various legacy financial systems and the enterprise financial reporting system were implemented. These revised arrangements improved the ability to trace transactional data in the enterprise general ledger to the legacy financial systems and source data.*

As a result, while the 2010-11 comparative figures were subject to qualification, the qualification does not apply for the 2011-12 figures.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of the Country Health SA Local Health Network Incorporated and its controlled entities as at 30 June 2012, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Country Health SA Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Country Health SA Local Health Network Incorporated have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012		2011	
	Consolidated \$'million	Parent \$'million	Consolidated \$'million	Parent \$'million
Expenses:				
Staff benefit expenses	469	469	426	426
Supplies and services	270	270	253	252
Depreciation and amortisation	23	14	22	16
Other expenses	44	52	37	70
Total expenses	806	805	738	764
Income:				
Revenue from fees and services	78	78	73	73
Grants and contributions	112	111	115	115
Other income	7	7	4	4
Total income	197	196	192	192
Net cost of providing services	609	609	546	572
Revenues from SA Government	583	583	598	598
Total revenues from SA Government	583	583	598	598
Net result	(26)	(26)	52	26
Other comprehensive income	10	7	-	-
Total comprehensive income for the year	(16)	(19)	52	26
Current assets	127	115	138	127
Non-current assets	697	363	680	441
Total assets	824	478	818	568
Current liabilities	141	142	134	134
Non-current liabilities	111	111	96	97
Total liabilities	252	253	230	231
Net assets	572	225	588	337

Statement of Comprehensive Income

Staff benefit expenses represent 58.2% of CHSALHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 67. Supplies and services included consultants expenses totalling \$141 000 (11 consultancies).

Statement of Financial Position

Current assets include \$54.6 million cash. Non-current assets include property, plant and equipment totalling \$687.6 million.

At 30 June 2012, CHSALHN had a working capital deficiency of \$13.7 million.

Women's and Children's Health Network Incorporated

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 Women's and Children's Health Network Incorporated as at 30 June 2012, 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 Women's and Children's Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Women's and Children's Health Network Incorporated have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Expenses:		
Staff benefits expenses	296	274
Supplies and services	102	95
Depreciation and amortisation expense	7	6
Other expenses	5	8
Total expenses	<u>410</u>	<u>383</u>
Income:		
Revenue from fees and charges	33	28
Grants and contributions	17	12
Other income	6	7
Total income	<u>56</u>	<u>47</u>
Net cost of providing services	<u>354</u>	<u>336</u>
Revenues from SA Government	358	352
Total revenues from SA Government	<u>358</u>	<u>352</u>
Net result	<u>4</u>	<u>16</u>
Other comprehensive income	68	-
Total comprehensive income for the year	<u>72</u>	<u>16</u>
Current assets	39	36
Non-current assets	291	208
Total assets	<u>330</u>	<u>244</u>
Current liabilities	50	46
Non-current liabilities	49	39
Total liabilities	<u>99</u>	<u>85</u>
Net assets	<u>231</u>	<u>159</u>

Statement of Comprehensive Income

Staff benefit expenses represent 72% of WCHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 194. Supplies and services included consultants expenses totalling \$42 000 (three consultancies).

Statement of Financial Position

Current assets include \$20.4 million cash. Non-current assets include property, plant and equipment totalling \$274.1 million.

At 30 June 2012, WCHN had a working capital deficiency of \$10.8 million.

SA Ambulance Service Inc

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 SA Ambulance Service Inc as at 30 June 2012, 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 SA Ambulance Service Inc in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the SA Ambulance Service Inc have been conducted properly and in accordance with law.

Interpretation and analysis of financial report

Highlights of the financial report

	2012	2011
	\$'million	\$'million
Expenses:		
Staff benefits expenses	172	120
Supplies and services	58	44
Depreciation and amortisation expense	9	10
Other expenses	12	12
Total expenses	251	186
Income:		
Revenue from fees and charges	90	88
Grants and contributions	-	1
Other income	7	3
Total income	97	92
Net cost of providing services	154	94

	2012 \$'million	2011 \$'million
Revenues from SA Government	110	101
Total revenues from SA Government	110	101
Net result	(44)	7
Other comprehensive income	(1)	-
Total comprehensive income for the year	(45)	7
Current assets	31	25
Non-current assets	71	66
Total assets	102	91
Current liabilities	55	27
Non-current liabilities	67	40
Total liabilities	122	67
Net assets	(20)	24

Statement of Comprehensive Income

Staff benefit expenses represent 68.7% of SAAS's total expenses. The number of staff whose remuneration received/receivable exceeded \$134 000 (base executive level) totalled 170. Supplies and services included consultants expenses totalling \$74 000 (six consultancies).

Statement of Financial Position

Current assets include \$5.5 million cash. Non-current assets include property, plant and equipment totalling \$66 million.

At 30 June 2012, SAAS had a working capital deficiency of \$24.1 million and a net assets deficiency of \$20.1 million.

Communication of audit matters

The Supplementary Report to Parliament of April 2012 reported that a significant contributing factor to the delay in finalising the preparation and audit of the 2010-11 financial statements of the Department and various health services was inadequate management attention to weaknesses in systems of internal controls.

While the Department is addressing weaknesses in internal control, the audits of the health services during the latter part of 2011-12 found that remediation work will need to continue for some time.

Matters arising during the course of the 2011-12 audits of health services were detailed in a management letter to the Chief Executive of the Department for Health and Ageing. The response to the management letter will be followed up for effectiveness in addressing the audit matters raised as part of the 2012-13 audit of the health services.

The following is a summary of headings that contain commentary relating to areas of health services' operations that have been the subject of audit attention and communication of matters to the Department:

- policies and procedures
- bank reconciliations

- balance sheet reconciliations
- payroll
- accounts payable
- accounts receivable.

Policies and procedures

During the audit of the health services, it was noted that the Department and the health services policies, procedures and system documentation had still not been updated as a result of the financial integration project and the implementation of the new OCS. This continues to result in a lack of clear direction in the implementation of procedures and controls at both the health service and Department level.

Bank reconciliations

As reported in the April 2012 Supplementary Report, Audit noted severe weaknesses in the controls over the bank reconciliation processes associated with the health services particularly in the following areas:

- bank reconciliations were not performed on a regular and timely basis
- transactions were recorded in the general ledger that were not linked to the bank accounts where the transactions were processed
- transactions recorded 'off ledger'
- significant reconciling items not resolved and recorded in the general ledger
- reconciliations not performed between related reconciling items on different bank reconciliations.

This resulted in the cash and cash equivalents balances for both the former Adelaide Health Service Incorporated and Country Health SA Hospital Incorporated being qualified for the 2010-11 financial year.

Since the issue of the Supplementary Report, the Department has given significant focus to addressing these weaknesses. As a result all monthly bank reconciliations for the 2011-12 financial year, including the reconciliation as at 30 June 2012 have been completed and all variances explained. In addition there are processes in place to ensure that all monthly bank reconciliations are completed on a timely basis.

Balance sheet reconciliations

The April 2012 Supplementary Report highlighted the following deficiencies associated with the reconciliations of key balance sheet accounts such as payroll, fixed assets, accounts receivable, patient receivables and accounts payables:

- some reconciliations were not being consistently performed at the end of each month
- some reconciliations were not being documented, filed and retained
- some unreconciled balances were not investigated
- some balances not being reconciled at all.

The Supplementary Report indicated that difficulties arose in the reconciliation process due to the mix of processes for posting transactions, with some transactions being reflected in the new OCS but not in the legacy systems and vice versa. The Report also noted that the roles and responsibilities of the health services in relation to the monthly reconciliations were not well understood by staff, and a range of differing practices had been adopted across the health services.

Since the issue of the Supplementary Report, the Department has given significant focus to addressing these weaknesses. As a result all balance sheet reconciliations as at 30 June 2012 have been completed and all variances explained. In addition there are processes in place to ensure that all future reconciliations are completed on a timely basis.

Payroll

Salaries and wages expenditure processed through the payroll systems represents a significant expenditure item for the health services.

Payroll processing for the health services is undertaken by SSSA.

This year's audits revealed the following weaknesses:

- timesheets were not always reviewed and approved by staff at the appropriate level
- bona fide reports were not being consistently prepared, reviewed, certified and retained
- payroll reports received from SSSA were not being adequately reviewed by health services or individual sites
- incompatible user access rights within the payroll system
- changes to payroll masterfile data were not regularly reviewed by health service management
- payroll clearing account reconciliations were not being performed in a timely manner and were not being independently reviewed
- the need to update policies and procedures.

Accounts payable

Accounts payable services are provided to the health services by SSSA.

The scope of the 2011-12 audit included consideration of the control arrangements relating to the various legacy accounts payable systems.

The audit identified some areas of control weakness and opportunities for improvement in processes and controls in the area of:

- authorisation of invoices for payment
- the update of relevant policies and procedures
- reconciliations between the system subledger and the general ledger
- the ability to trace transactional data from the general ledger to source documents
- lack of a clear audit trail indicating a review of fee-for-service claims.

Accounts receivable

The results of the audits revealed a number of control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the Department included:

- a number of policies and procedures require update to reflect current practice
- lack of appropriate authorisation of invoice forms by appropriate managers

Health and associated health service activities

- reconciliations of legacy accounts receivable systems to the general ledger were not being performed in a timely manner
- accounts receivable ageing reports were not being reviewed in a timely manner
- for both patient debtors and sundry debtors, receipts were entered into a financial system which did not manage the master reconciliation for the bank account used to bank the money
- difficulty in tracing transactional data from the general ledger to source documents.

Health sector staffing and patient activity data – unaudited

The following staffing and patient activity information was provided by the Department in response to Audit request and is unaudited.

Health sector staffing statistics

The following table details the staffing levels as at 30 June in the health sector, excluding staff of the Department and SA Ambulance Service Inc, over the past three years. It is important to know that this data is unaudited.

Health sector FTE mix (unaudited)

	2012 Number	2011 Number	2010 Number
Staff categories:			
Nurses	12 395	12 039	11 870
Medical staff	2 810	2 687	2 571
Scientific and technical	1 153	1 157	1 188
Administrative and clerical	4 253	4 296	4 824
Allied health, hotel and other staff	6 872	6 853	6 705
Total staff	27 483	27 032	27 158
Increase	451	(126)	346
Percentage increase	1.7%	(0.5)%	1%

Department staffing statistics

The following table details the staffing levels of the Department as at 30 June over the past three years.

Department of Health FTE (unaudited)

	2012 Number	2011 Number	2010 Number
Total staff	1 985	1 859	1 273

The increase in the Department's FTEs is mainly attributable to the machinery of government transfer of employees with the Office for the Ageing to the Department, establishment of the EPAS and associated IT projects and the recruitment to vacant roles associated with Financial Accounting/Hospital Revenue Services.

SA Ambulance Service Inc staffing statistics

The following table details the staffing levels of the SA Ambulance Service Inc as at 30 June over the past three years.

SA Ambulance Service Inc FTE (unaudited)

	2012 Number	2011 Number	2010 Number
Total staff	1 168	1 132	1 167

Hospital activity statistics

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

Inpatient activity (unaudited)

	2012 Number	2011 Number	2010 Number
Metropolitan hospitals:			
Overnight stay	166 711	161 221	157 873
Same day	140 681	134 378	134 243
Total	<u>307 392</u>	<u>295 599</u>	<u>292 116</u>
Country hospitals:			
Overnight stay	51 915	51 200	51 824
Same day	47 287	43 355	39 115
Total	<u>99 202</u>	<u>94 555</u>	<u>90 939</u>

Average length of overnight hospital stay (unaudited)

	2012 Days	2011 Days	2010 Days
Metropolitan hospitals	6.8	7.1	7
Country hospitals	<u>6.6</u>	<u>5.9</u>	<u>6.1</u>

Outpatient activity (unaudited)

	2012 Number	2011 Number	2010 Number
Metropolitan hospitals:			
Emergency Department attendances	361 162	359 937	349 017
Outpatient occasions of service	<u>1 062 472</u>	<u>1 045 231</u>	<u>1 039 300</u>
Country hospitals:			
Emergency Department attendances	175 953	179 889	181 183
Outpatient occasions of service	<u>135 972</u>	<u>135 347</u>	<u>138 790</u>

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 has 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 16 discloses details of trust funds held on behalf of public health entities at 30 June 2012.

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 2011-12, specific areas of audit attention included:

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

- investment properties
- investments
- cash and cash equivalents.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2011-12 Independent Auditor's Report, which details the qualification to the Board's financial statements.

Basis for Qualified Opinion

In 2010-11, the Commissioners of the former Commissioners of Charitable Funds recognised in the financial report gifts made to certain entities which were not deemed 'public charitable institutions' pursuant to the Public Charities Act 1935.

The gifts received on behalf of these entities, including the Institute of Medical and Veterinary Science, the Hanson Centre for Cancer Research and the Ray and Shirl Norman Cancer Research Trust did not vest with the Commissioners.

These gifts received and held by the Commissioners were incorrectly recognised as revenue, assets and trust funds (equity) within the report. In my opinion, the gifts received were held on a fiduciary and custodial basis, and were not controlled by the Commissioners, and in accordance with Australian Accounting Standards should not have been recognised in the financial report. As such, revenue, assets and trust funds were overstated.

The effects or possible effects of recognising these gifts in the financial report, whilst considered material, cannot be measured reliably.

In addition, the Commissioners held available-for-sale financial assets and measured those assets at fair value in accordance with Australian Accounting Standards. The Accounting Policy Framework, issued pursuant to Treasurer's Instruction 19, requires government reporting entities to use historical cost measurement for financial assets unless exempted. The Commissioners did not hold an exemption from the Accounting Policy Framework requirement to measure financial assets on a historical cost basis for 2010-11 financial year.

The effect of measuring these financial assets at fair value compared to historical cost resulted in total comprehensive result being overstated by \$1.1 million and total trust funds/non-current assets being understated by \$100 000 for the year ended 30 June 2011.

During 2011-12, the following events occurred:

- *The Health Services Charitable Gifts Act 2011 came into effect from the 1 July 2011 and the Public Charities Act 1935 was repealed on the same date. However the Commissioners of Charitable Funds continued in existence as the Health Services Charitable Gifts Board. Pursuant to the new act, gifts made to prescribed public health entities such as the Institute of Medical and Veterinary Science and the Hanson Centre for Cancer Research vest in the Board.*

- *The Board were appointed sole trustee of the Ray and Shirl Norman Cancer Research Trust. As the assets have not vested in the Board, the Commissioners determined that operations of the Trust would be separated from those of the Board.*
- *The Treasurer granted the Board an exemption from complying with the Accounting Policy Framework to measure financial assets on a historical cost basis.*

As a result, while the 2010-11 comparative figures were subject to qualification, the qualification does not apply for the 2011-12 figures.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instruction 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 did not identify any notable matters requiring formal communication to the Board.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012	2011
	\$'million	\$'million
Income		
Trust funds income	7.0	5.9
Investment income	5.6	7.5
Total income	12.6	13.4
Expenses		
Administration expenses	0.5	0.4
Application of funds for public health entities	7.9	5.4
Total expenses	8.4	5.8
Net profit	4.2	7.6
Other comprehensive income	-	1.1
Total comprehensive result	4.2	8.7

	2012 \$'million	2011 \$'million
Net cash provided by (used in) operating activities	5.2	5.9
Assets		
Current assets	46.8	39.8
Non-current assets	46.7	54.4
Total assets	93.5	94.2
Liabilities		
Current liabilities	0.7	0.1
Total liabilities	0.7	0.1
Total equity	92.8	94.1

Statement of Comprehensive Income

The Board recorded a total comprehensive result of \$4.2 million (\$8.7 million). In 2011-12 there was a \$1 million decrease in total income, reflecting mainly an increase in gift trust income (\$1 million) offset by an increase in loss on sale of financial assets (\$800 000) and a reduction in the incremental value of investment properties (\$1.2 million). There was also a \$2.5 million increase in total expenses. This is the result of increased funds provided to public health entities for the purchase of equipment.

The Board is reliant on receiving of gifts for public health entities and receiving of claims for application of the funds held. Therefore the amounts of revenue and expenditure are expected to vary from year to year.

Statement of Financial Position

Current assets and liabilities

The Board's main assets consist of short-term deposits (\$38 million), investment properties (\$34 million) and shareholdings (\$17 million). These assets remained consistent from 2010-11. There are no material liabilities recognised by the Board.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
Net cash flows				
Operating	5	6	3	3
Investing	4	(4)	(7)	5
Change in cash	9	2	(4)	8
Cash at 30 June	21	12	10	14

The analysis of cash flows shows that the increase in cash held of \$9 million is mainly due to an increase of \$7 million for proceeds from the sale/maturity of investments.

**Statement of Comprehensive Income
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Income:			
Trust funds:			
Gifts to public health entities vesting in the Health Services Charitable Gifts Board		6 730	5 640
Revenue from Helpmann Family Foundation	1.3	229	210
		6 959	5 850
Investment of funds:			
Interest revenue		2 398	2 224
Dividends and trust distributions		845	1 097
Imputation credits	2(f)	333	422
Rental revenue	13	2 987	2 760
Net gain (loss) from disposal of assets	5	(1 282)	(521)
Property revaluation	2(n),13	333	1 566
Other revenue		9	-
		5 623	7 548
Total income		12 582	13 398
Expenses:			
Administration expenses:			
Administration costs	6	179	148
Accounting fees	7	21	18
Auditors remuneration	8	29	26
Commissioners remuneration	9	52	52
Investment property expenses	13	234	197
Other		16	4
		531	445
Application of funds for public health entities:			
Research, equipment, patient amenities and other approved expenses of public health entities		7 838	5 371
Total expenses		8 369	5 816
Net profit		4 213	7 582
Other comprehensive income:			
Financial asset revaluations taken to equity		(1 294)	700
Revaluation adjustments on financial assets		1 271	427
Net gain (loss) on financial assets taken to equity		(23)	1 127
Total comprehensive result		4 190	8 709

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	10	20 929	12 056
Other financial assets	11	19 272	25 954
Receivables	12	1 627	1 795
Investment properties held for sale	13	4 975	-
Total current assets		46 803	39 805
Non-current assets:			
Other financial assets	11	17 614	20 666
Investment properties	13	29 095	33 737
Total non-current assets		46 709	54 403
Total assets		93 512	94 208
Current liabilities:			
Payables	14	111	78
Other current liabilities	15	559	23
Total current liabilities		670	101
Total liabilities		670	101
Net assets		92 842	94 107
Trust funds:			
Trust funds		92 870	94 205
Revaluation surplus (deficit)		(28)	(98)
Retained earnings		-	-
Total trust funds	16	92 842	94 107
Unrecognised contractual commitments	19		
Contingent assets and liabilities	20		

**Statement of Changes in Equity
for the year ended 30 June 2012**

	Note	Trust funds \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total trust funds \$'000
Balance at 1 July 2010		86 623	(1 225)	-	85 398
Gain (Loss) on revaluation of investments	2(m)	-	700	-	700
Realised investment revaluation transferred		-	427	-	427
Net income recognised directly in equity for 2010-11		-	1 127	-	1 127
Net profit for 2010-11		-	-	7 582	7 582
Total comprehensive result for 2010-11		-	1 127	7 582	8 709
Net profit (loss) distributed to trust funds		7 582	-	(7 582)	-
Total change for the period		7 582	1 127	-	8 709
Balance at 30 June 2011		94 205	(98)	-	94 107
Ray & Shirl Norman Cancer Research					
Trust transferred	1.1,16	(4 989)	93	-	(4 896)
Restated balance 30 June 2011		89 216	(5)	-	89 211
Gain (Loss) on revaluation of investments	2(m)	-	(1 294)	-	(1 294)
Realised investment revaluation transferred		-	1 271	-	1 271
Net income recognised directly in equity for 2011-12		-	(23)	-	(23)
Net profit for 2011-12		-	-	4 213	4 213
Total comprehensive result for 2011-12		-	(23)	4 213	4 190
Net profit (loss) distributed to trust funds		4 213	-	(4 213)	-
Amounts transferred to payables:					
Metropolitan Domiciliary Care Services	1.1,15	(497)	-	-	(497)
Intellectual Disability Council Inc	1.1,15	(62)	-	-	(62)
		(559)	-	-	(559)
Total change for the period		3 654	(23)	-	3 631
Balance at 30 June 2012		92 870	(28)	-	92 842

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

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash inflows:			
Rent		2 967	3 045
Dividends and trust distributions		844	1 097
Imputation credits		423	304
Interest		2 764	1 833
Helpmann Family Foundation		229	210
Donations to public health entities vesting in the Board		6 572	5 470
Cash generated from operations		<u>13 799</u>	<u>11 959</u>
Cash outflows:			
Supplies and services		(539)	(460)
Research, equipment, patient amenities and other approved expenses of public health entities		(7 816)	(5 371)
GST paid to the ATO		(247)	(260)
Cash used in operations		<u>(8 602)</u>	<u>(6 091)</u>
Net cash provided by (used in) operating activities	17	<u>5 197</u>	<u>5 868</u>
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sales/maturity of investments		7 867	820
Cash generated from investing activities		<u>7 867</u>	<u>820</u>
Cash outflows:			
Payment of Norman Trust		(561)	-
Purchase of investments		(3 630)	(4 483)
Cash used in investing activities		<u>(4 191)</u>	<u>(4 483)</u>
Net cash provided by (used in) investing activities		<u>3 676</u>	<u>(3 663)</u>
Net increase (decrease) in cash and cash equivalents		8 873	2 205
Cash and cash equivalents at 1 July		12 056	9 851
Cash and cash equivalents at 30 June	10	<u>20 929</u>	<u>12 056</u>

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 or the new 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 (Commissioners) continued in existence as the Health Services Charitable Gifts Board.

Pursuant to the Act, prescribed gifts made to 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.

Prescribed gifts received by public health entities vest in the Board and form part of the charitable assets which are required to be prudentially managed and applied for the benefit of public health entities.

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

1.1 Vesting of gifts

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

By virtue of section 16 and Schedule 1(1) of the new Act the uncertainty expressed in previous years' financial statements relating to gifts to the Institute of Medical and Veterinary Science and the Hanson Centre for Cancer Research (Hanson) have been resolved and these amounts now clearly vest in the Board. These have been grouped and disclosed as SA Pathology in note 16. Comparative amounts have been adjusted to reflect this change.

The transitional provisions of the new Act require the Board to transfer funds held for the Intellectual Disability Services Council and Metropolitan Domiciliary Care Services to the responsible Minister on request. As at the date of the report no such request has been forthcoming and the Board continues to manage these funds. The financial reports disclose these amounts as current liabilities rather than vested funds.

In October 2009 the Commissioners took control of the management of the Ray & Shirl Norman Cancer Research Trust (Norman Trust). The Royal Adelaide Hospital (RAH) was nominated in the will but was unable to act as trustee for the Norman Trust and formally sought to delegate the performance of the trustee's functions to the Commissioners. The Crown Solicitor expressed the opinion that the RAH could not act as trustee because it is not an incorporated body. Therefore the delegation was ineffectual and, as at 30 June 2011, the Commissioners held the \$4.3 million in assets of the Norman Trust under a constructive trust pending the appointment of a suitable trustee.

The new Act permits the Board to act as trustee and orders were made in the Supreme Court on 21 September 2011 appointing the Board as the sole trustee of the Norman Trust. As the assets have not vested in the Board it has been determined that the operations of the Norman Trust should be reported separately from those of the Board. This separation has been implemented in the current financial year. The operations of the Norman Trust are reported separately.

1.2 Investment of funds

The new Act rectifies many of the deficiencies and limitations of the old Act particularly in relation to the investment powers of the Board. Included in the transitional provisions is a clause which confirms that past acts under the old Act are to be treated as being valid which resolves the issues referred to in prior years.

The Board has the power of a natural person and is able to determine appropriate investment strategies.

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 SM & MG Helpmann Estates have been received by the Board but remain assets of the trustees of the Foundation.

With the introduction of the new Act and as a result of the powers provided by the Act, the Board was able to formally assume 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 taken steps to withdraw as co-trustee. At balance date this process had not been completed.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision 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 2012. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

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

(b) Basis of preparation (continued)

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements 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.

In both the current and the preceding financial years the Board has reported its financial assets at market values as this is considered to be appropriate given the nature of the activities of the Board and the users of its financial statements. Prior to the end of the current financial year the Board applied for exemption from APS 2.1 contained within the APF IV which requires that financial assets be reported at cost.

This exemption was granted after the end of the current financial year and has been applied in this report.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

(c) Reporting entity

The financial report covers the Health Service 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 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.

(f) Taxation and imputation credits (continued)

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item
- 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 trust funds

The Board maintain sufficient information for each individual fund to be able to determine each fund's corpus and accumulation amount. Generally corpus amounts are not immediately available to the public health entities whereas accumulation amounts are immediately available.

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).

The policy allocates the corpus income only to those funds with a corpus balance on the average balance of these corpus funds to the total corpus pool funds. 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.

(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 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.

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 2012.

(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 Board's interest in Town Acre 86 has been revalued as at 30 June 2012 in line with the independently obtained value of the property for rental determination purposes pursuant to the head lease agreement that was received after balance date and before the accounts were authorised for release.

(n) Investment properties (continued)

Fair market values of the properties are reviewed annually by the Board. This process occurred as at 30 June 2012. These values were determined after considering:

- review of valuation data obtained from the Valuer-General
- earnings capitalisation rates
- other relevant information publically available, including an assessment of the nature, location and condition of the asset concerned.

In the latest review the Board, after reviewing all the information available, determined that valuations in line with values provided by the Valuer-General were appropriate in the current market for commercial property.

Except for Town Acre 86, the other properties were last independently valued at 30 June 2009.

At 30 June 2012 the properties at Clare and Croydon Park were listed for sale or lease.

(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 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 accounting policies for the period ending 30 June 2012.

5. Gain (Loss) from disposal of investments

	2012	2011
	\$'000	\$'000
Shares in listed companies:		
Proceeds from disposal	1 191	824
Costs of disposal	(6)	(5)
	<u>1 185</u>	<u>819</u>
Net carrying value at time of disposal	(1 196)	(913)
	<u>(11)</u>	<u>(94)</u>
Amounts already recognised in equity:		
Current year gain (loss)	(155)	68
Cumulative gain (loss) from previous years	(1 116)	(495)
	<u>(1 271)</u>	<u>(427)</u>
Net gain (loss) on disposal	<u>(1 282)</u>	<u>(521)</u>

6. Administration costs

Included in administration costs are employment benefits expenses paid, accrued or adjusted during the year:

Salaries and wages	106	92
Employment on-costs - superannuation	10	25
Other employee related expenses	21	12
Total employee benefits expense	<u>137</u>	<u>129</u>
General administration expenses	42	19
Total administration costs	<u>179</u>	<u>148</u>

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.

No consultants were engaged during the period.

7. Accounting fees

	2012	2011
	\$'000	\$'000
During the year the Board engaged the following professional service provider:		
John Yeatman - Chartered Accountant	21	18
	<u>21</u>	<u>18</u>

8. Auditor's remuneration

Audit fees payable to the Auditor-General relating to the audit of the financial statements

29	26
<u>29</u>	<u>26</u>

No other services were provided by the Auditor-General.

9. Commissioners' remuneration

Total remuneration of Commissioners	<u>52</u>	<u>52</u>
-------------------------------------	-----------	-----------

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

	2012	2011
	Number	Number
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	1	1

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

Amounts paid to a superannuation plan for Commissioners was \$4000 (\$4000).

9. Commissioners' remuneration (continued)

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:

Judith Worrall (Chair)
Geoff Loveday
Robyn Pak-Poy

10. Cash and cash equivalents	2012	2011
	\$'000	\$'000
Cash at bank	2 244	551
Short-term deposits - less than three months to maturity	18 685	11 505
Cash and cash equivalents (Statement of Cash Flows)	<u>20 929</u>	<u>12 056</u>

11. Financial assets

Current:

Short-term deposits - more than three but less than 12 months to maturity	19 272	25 954
	<u>19 272</u>	<u>25 954</u>

Non-current:

Secured investment at cost	445	445
Shares in listed companies and other securities at market value	17 169	20 221
	<u>17 614</u>	<u>20 666</u>
	<u>36 886</u>	<u>46 620</u>

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 the inception 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.

12. Receivables	2012	2011
Current:	\$'000	\$'000
Interest income accrued	852	1 218
Rental income accrued	424	150
Prepayments and recoveries	17	-
GST receivable on accrued income	2	4
Imputation credits receivable	332	423
	<u>1 627</u>	<u>1 795</u>

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 \$416 000 (\$150 000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

13. Investment properties	2012	2011
At fair value:	\$'000	\$'000
Balance at 1 July	33 737	32 171
Acquisitions	-	-
Capitalised subsequent expenditure	-	-
Net revaluation increment	333	1 566
Balance at 30 June	<u>34 070</u>	<u>33 737</u>
Current:		
Investment properties held for sale	4 975	-
Non-current:		
Investment properties held for long-term rental	29 095	33 737
	<u>34 070</u>	<u>33 737</u>
Amounts recognised in the Statement of Comprehensive Income for investment properties:		
Rental income	2 987	2 760
Direct operating expenses	234	197
Total amount recognised	<u>2 753</u>	<u>2 563</u>

14. Payables	2012 \$'000	2011 \$'000
Accrued expenses	54	21
GST payable	57	57
	<u>111</u>	<u>78</u>
15. Other liabilities		
Unearned revenue	-	23
Metropolitan Domiciliary Care Services	497	-
Intellectual Disability Council Inc	62	-
	<u>559</u>	<u>23</u>
16. Trust funds		
Funds held on behalf of the following public health entities or their successor bodies:		
RAH - General*	81 222	82 918
RAH - Glenside campus	681	653
Metropolitan Domiciliary Care Services	-	473
Hillcrest Hospital	86	82
Port Augusta Hospital and Regional Health Service Inc	19	27
Port Lincoln Health and Hospital Services Inc	322	306
Port Pirie Regional Health Service Inc	519	516
The Queen Elizabeth Hospital	730	568
Intellectual Disability Council Inc	-	61
SA Dental Service	7	7
Whyalla Hospital and Health Services Inc	238	232
Mount Gambier and Districts Health Service Inc	597	735
Northern Yorke Peninsula Health Service	24	23
H G Symonds Bequest	1	1
SA Pathology*	8 396	7 505
	<u>92 842</u>	<u>94 107</u>

* Gifts to Hanson and SA Pathology (formerly IMVS) became charitable assets from 1 July 2011 and are now disclosed as SA Pathology. These were previously included in RAH - general. As a result the comparative balance has been revised from \$90.423 million to \$82.918 million.

The Board holds \$3.987 million (\$3.987 million) from the RAH doctors' right to private practice at the hospital. These amount have been held and administered by the Board for many years.

The 2011 Norman Trust balance of \$4.896 million remained in the RAH - general balance. This was reallocated in the current financial year on the appointment of the Board as the sole trustee and does not form part of the 2012 balances above.

17. Reconciliation of net cash from operating activities to net profit	2012 \$'000	2011 \$'000
Net profit from operations	4 213	7 582
Adjustments for non-cash items:		
Profit (Loss) on disposal of listed securities	1 282	521
Profit (Loss) on revaluation of investment property	(333)	(1 566)
Non-cash transactions for public charitable institutions	(144)	(170)
Movements in assets/liabilities:		
Receivables	77	(385)
Imputation credits receivable	90	(119)
Payables	35	2
Unearned revenue	(23)	1
GST payable	-	2
	<u>984</u>	<u>(1 714)</u>
Net cash from operating activities	<u>5 197</u>	<u>5 868</u>

18. 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.

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents	10	20 929	20 929	12 056	12 056
Other financial assets	11	36 886	36 886	46 620	46 620
Receivables*	12	1 293	1 293	1 368	1 368
Total financial assets		59 108	59 108	60 044	60 044
Financial liabilities					
Payables*	14	54	54	21	21
Other financial liabilities	15	559	559	23	23
Total financial liabilities		613	613	44	44

* 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 monitors 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 11 the Board holds a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc.

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

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

	Note	Carrying amount \$'000	Contractual maturities		
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2012					
Financial assets:					
Cash and cash equivalents	10	20 929	20 929	-	-
Other financial assets	11	36 886	19 272	-	17 614
Receivables	12	1 293	1 293	-	-
Total financial assets		59 108	41 494	-	17 614
Financial liabilities:					
Payables	14	54	54	-	-
Other financial liabilities	15	559	559	-	-
Total financial liabilities		613	613	-	-
2011					
Financial assets:					
Cash and cash equivalents	10	12 056	12 056	-	-
Other financial assets	11	46 620	25 954	-	20 666
Receivables	12	1 368	1 368	-	-
Total financial assets		60 044	39 378	-	20 666
Financial liabilities:					
Payables	14	21	21	-	-
Other financial liabilities	15	23	23	-	-
Total financial liabilities		44	44	-	-

(b) Liquidity risk

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

Due to the nature and operations of the Board's exposure to liquidity risk is insignificant.

The carrying amount of financial liabilities recorded above represents 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 in value of \$858 000 (\$1.011 million) and \$1.717 million (\$2.022 million) respectively. The revaluation surplus at 30 June 2012 had a deficiency of \$28 000 (\$98 000).

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

19. Unrecognised contractual arrangements

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 2012.

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):	2012	2011
	\$'000	\$'000
Due within one year	2 671	2 672
Due between one and five years	10 376	8 662
Due after five years	2 146	4 678
	<u>15 193</u>	<u>16 012</u>

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 value determined in August 2011 has been the subject of a dispute requiring independent adjudication. The final independent value was issued after the end of the financial year but applies from August 2011. The outstanding base rent has been accrued in the financial statements at 30 June 2012.

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.

20. Contingent assets and liabilities

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

**Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Comprehensive Income
for the year ended 30 June 2012**

Income:	2012
Investment of funds:	\$
Interest revenue	27 369
Dividends and trust distributions	199 560
Imputation credits	70 446
Net gain (loss) from disposal of assets	3 (37 777)
Total income	259 598
Expenses:	
Administration expenses:	
Administration costs	4 9 021
Total expenses	9 021
Net profit (loss)	250 577
Other comprehensive income:	
Financial asset revaluations taken to equity	
Revaluation adjustments on financial assets disposed of during the period	(386 084)
Net gain (loss) on financial assets taken to equity	33 420
Total comprehensive result	(352 664) (102 087)

Total comprehensive result is attributable to the SA Government as owner

**Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Financial Position
as at 30 June 2012**

	2012
Current assets:	\$
Cash at bank	393 905
Short-term deposits - less than three months to maturity	405 803
Accrued revenue	397
Imputation credits receivable	70 446
Total current assets	<u>870 551</u>
Non-current assets:	
Other financial assets	3 933 045
Total non-current assets	<u>3 933 045</u>
Total assets	<u>4 803 596</u>
Current liabilities:	
Accrued expenses	9 021
Total current liabilities	<u>9 021</u>
Total liabilities	<u>9 021</u>
Net assets	<u>4 794 575</u>
Trust funds:	
Trust funds	4 403 529
Revaluation surplus (deficit)	(446 401)
Retained earnings	837 447
Total trust funds	<u>4 794 575</u>

**Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Changes in Equity
for the year ended 30 June 2012**

	Note	Trust funds \$	Revaluation surplus \$	Retained earnings \$	Total trust funds \$
Balance at 30 June 2011		-	-	-	-
Transfer from Health Services Charitable Gifts Board		4 990 399	(93 737)	-	4 896 662
Transfer retained earnings of fund		(586 870)	-	586 870	-
Restated balance 30 June 2011		4 403 529	(93 737)	586 870	4 896 662
Gain (Loss) on revaluation of investments	1	-	(386 084)	-	(386 084)
Realised investment revaluation transferred	1	-	33 420	-	33 420
Net income recognised directly in equity for 2011-12		-	(352 664)	-	(352 664)
Net profit for 2011-12		-	-	250 577	250 577
Total comprehensive result for 2011-12		-	(352 664)	250 577	(102 087)
Total change for the period		-	(352 664)	250 577	(102 087)
Balance at 30 June 2012		4 403 529	(446 401)	837 447	4 794 575

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

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 were 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 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 statements and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered. No accounting standards and other mandatory reporting requirements are applied in the preparation and presentation of this report.

The statements have been prepared using the accrual basis of accounting. 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.

2.3 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 2012.

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

3. Gain (Loss) from disposal of investments	2012
Shares in listed companies:	\$
Proceeds from disposal	418 954
Costs of disposal	<u>(2 307)</u>
	416 647
Net carrying value at time of disposal	<u>(421 004)</u>
	<u>(4 357)</u>
Amounts already recognised in equity:	
Current year	20 294
Cumulative gain (loss) from previous years	<u>(53 714)</u>
	<u>(33 420)</u>
Net gain (loss) on disposal	<u>(37 777)</u>
4. Administration costs	
General administration expenses	<u>9 021</u>

This represents a cost recovery by the Health Services Charitable Gifts Board to cover various administrative tasks undertaken by it in its capacity as trustee of the Trust.

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 of mortgage relief schemes within South Australia
- providing, managing or facilitating finance for the development, ownership or operation of aged care residential accommodation or facilities.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 27(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 2011-12, 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.

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 2012, 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:

- in addition to the manual oversight controls that are in operation for journal entry processing, the potential for a system application control option could be investigated for segregated posting of journal entries
- certain systems' application password settings required enhancement and user access accounts for terminated employees were not disabled in some instances in a timely manner
- information system change management requirements, including documentation and storage of testing of changes, needed review and enhancement.

In response, HomeStart undertook to investigate the potential system application control option for journal processing; implemented action to address password and user access issues; and advised that a policy update of requirements for information system change management would be completed by 31 October 2012. In addition to the intended policy update HomeStart has implemented an information change management log.

Interpretation and analysis of the financial report

Highlights of the financial report	2012 \$'million	2011 \$'million
Interest income	142	135
Interest expense	(87)	(85)
Net interest income	55	50
Other income	17	15
Other expenses	(31)	(24)
Government guarantee fee	(27)	(25)
Profit (Loss) before income tax equivalents	14	16
Income tax equivalents expense	(4)	(5)
Profit (Loss) after income tax equivalents expense	10	11
Derivative gain (loss)	(7)	3
Total comprehensive result	3	14
Assets		
Loans and advances	1 867	1 817
Other assets	126	121
Total assets	1 993	1 938
Liabilities		
Borrowings	1 812	1 761
Other liabilities	26	19
Total liabilities	1 838	1 780
Total equity	155	158

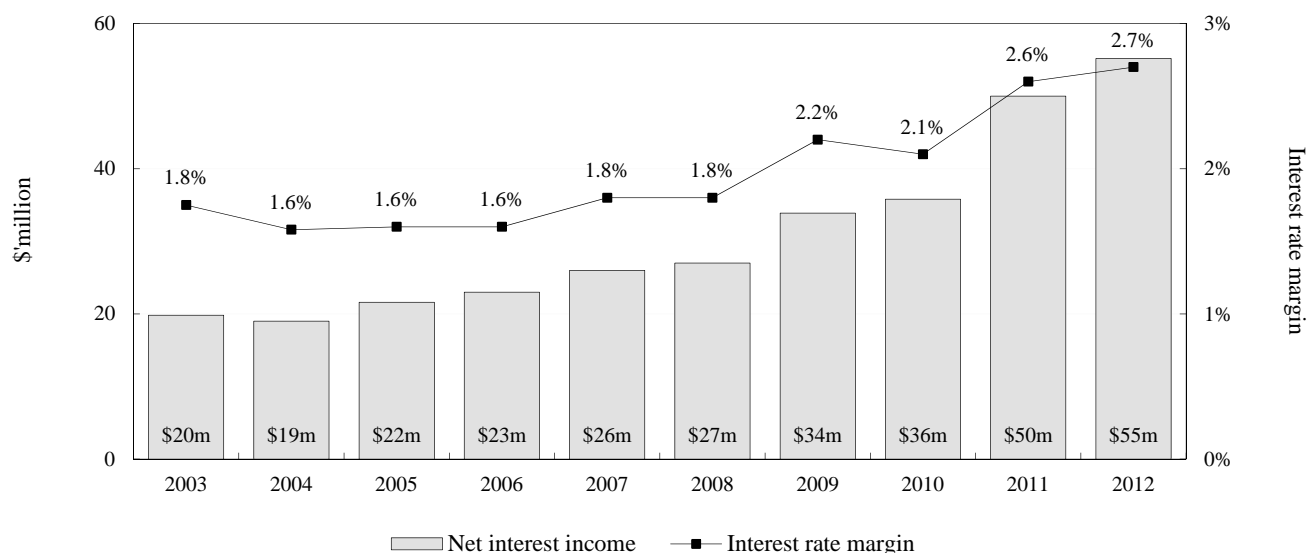
Statement of Comprehensive Income

Profit for the year

Profit before income tax equivalents decreased by \$1.1 million to \$14.4 million. Primary factors contributing to this decrease are outlined hereunder.

Net interest income

The following chart compares the net interest income to the interest rate margin between loans and cost of funds.



Net interest income increased by \$5.2 million, or 10%, to \$55.2 million. The increase was due mainly to a combination of an increase in loans and advances and an increase in the interest rate margin between loans and cost of funds from 2.6% to 2.7%.

The chart shows that over the last four years the interest rate margin between loans and cost of funds is higher than the preceding years, with a substantial increase in 2011. The increase in the margin in 2011 was sufficient to cover the increase in the Government guarantee fee in that year (refer to ‘Expenses other than interest’ below).

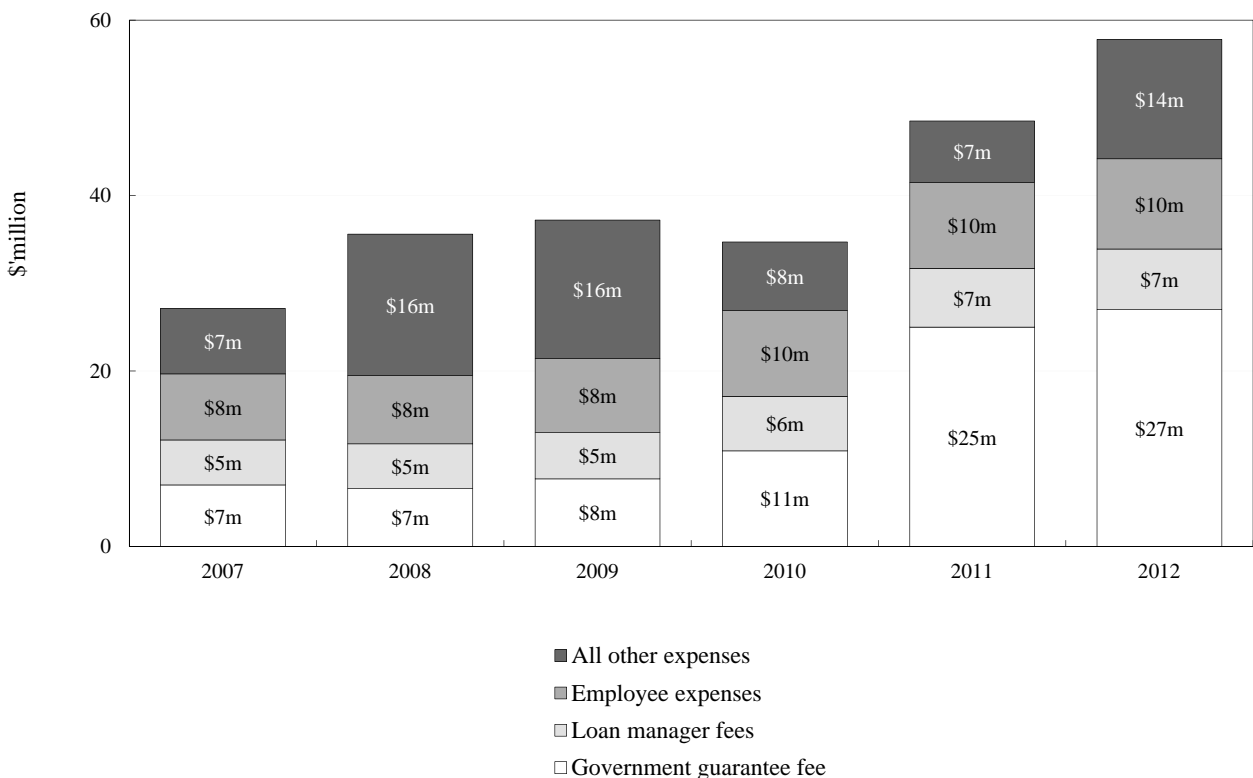
Other income

Other income increased by \$2.2 million to \$17 million. The change resulted mainly from:

- community service obligation (CSO) income increasing from \$4.5 million to \$9.1 million as a result of the receipt of new CSO income from DTF amounting to \$4.4 million. This CSO is provided so HomeStart will achieve a 9% return on equity (refer comments under ‘HomeStart operating parameters’ below)
- 2011 recording revenue of \$1.3 million for the unrealised change in the fair value of the shared appreciation component of breakthrough loans. In 2012, an expense of \$3.6 million was recognised for this item. Further analysis on the breakthrough loans is provided below
- a change in HomeStart’s recognition criteria for EquityStart grant income causing a \$690 000 decrease in income recognised (refer note 29.2 to the financial statements).

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 2007. 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, with the increase due to additional borrowings.

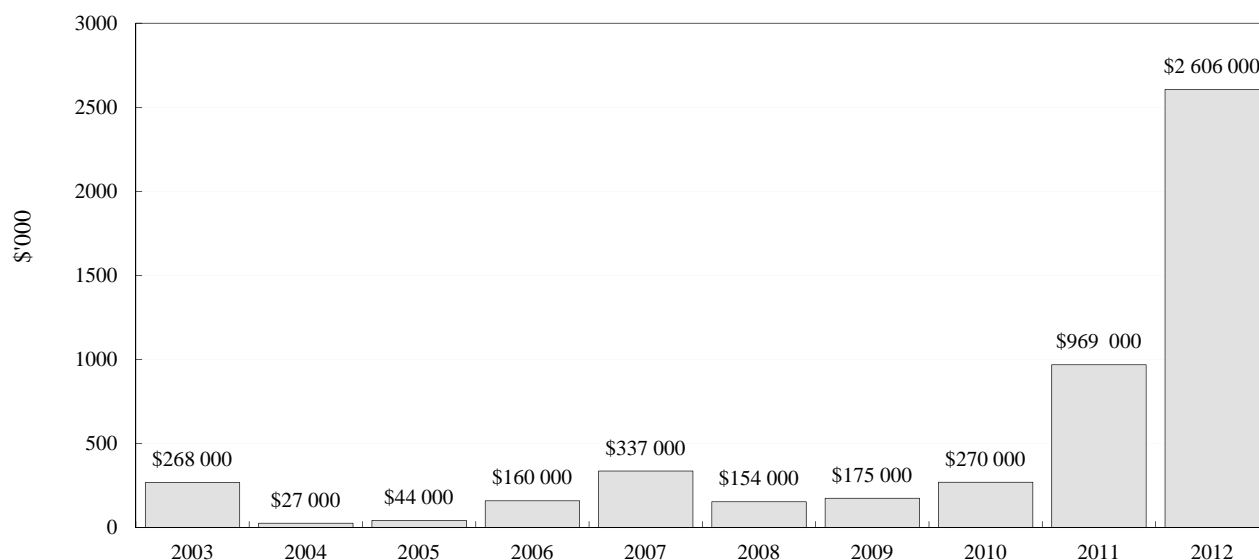
Other expenses were:

- higher in 2012 due to:
 - the recognition of a \$3.6 million loss from the unrealised change in the fair value of the shared appreciation component of breakthrough loans. In prior years an income was recognised for this item. Further analysis on the breakthrough loans is provided below
 - a \$2 million increase in bad and impaired loans expense
- higher in 2008 and 2009 due to the impact of reduced market values of investments (excluding breakthrough loans), reflecting the depressed global financial markets. Market value losses were \$7 million in 2009 and \$8 million in 2008. Since 2009 HomeStart has changed the mix of investments, which has reduced the impact of fair value changes on its results. Commentary on investments is provided below.

Bad and impaired loans expense

The bad and impaired loans expense for the year was \$3.7 million (\$1.7 million), a \$2 million increase over the previous year. The changes reflect mainly the movement in the level of impairment provisions over the year (refer notes 8 and 19 to the financial statements).

The total provision for impairment as at 30 June 2012 was \$19.2 million (\$18.1 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 have been at low levels due to positive economic conditions, particularly the strong property market. The 2011 and 2012 years show an increasing level of actual bad debts, reflecting the subdued housing market. While the trend in actual write-offs has increased, the provisions for impairment have remained consistent indicating that HomeStart's provisioning practices has previously catered for bad debt risks.

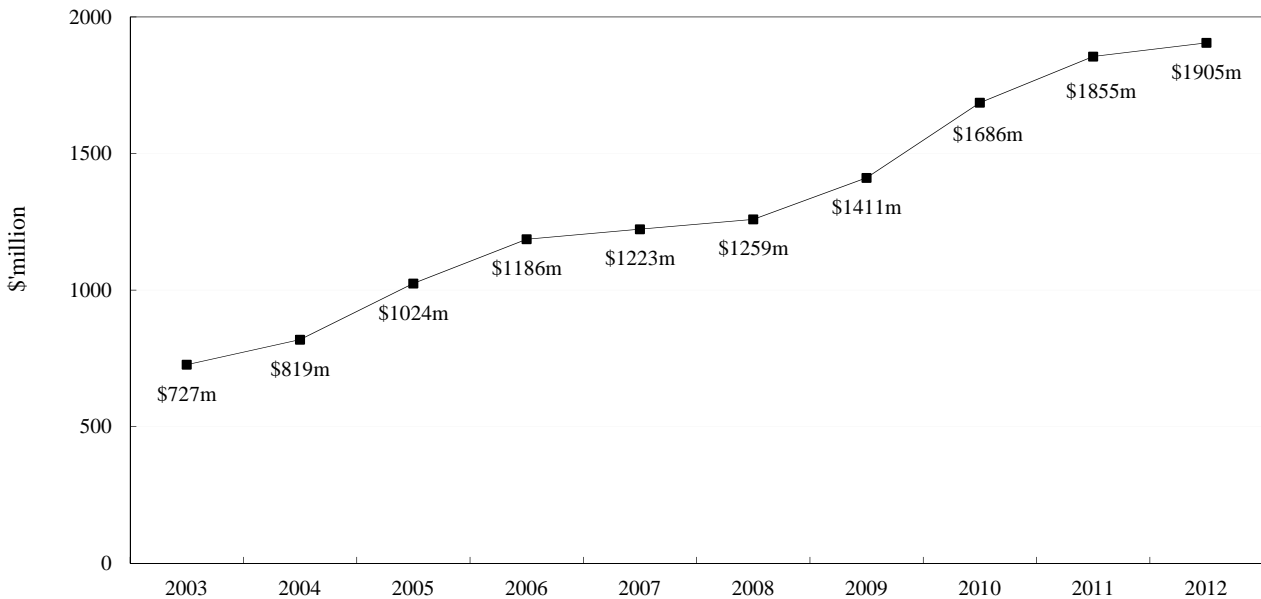
Further comments on the impairment of loans are provided under Statement of Financial Position below.

Statement of Financial Position

Loans and advances

In 2012 gross loans and advances increased by \$50 million to \$1.9 billion.

HomeStart has had a significant increase in the value of lending over the past 10 years, which is shown in the following chart.



The growth in gross loans and advances over the period since 2003 reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled.

In addition, for the period 2009 to 2011 HomeStart experienced continued increased demand due to:

- additional first home owner incentive grants from the Commonwealth and State Governments
- a reduction in the number of non-bank lenders in the market
- tighter lending practices by other financial institutions.

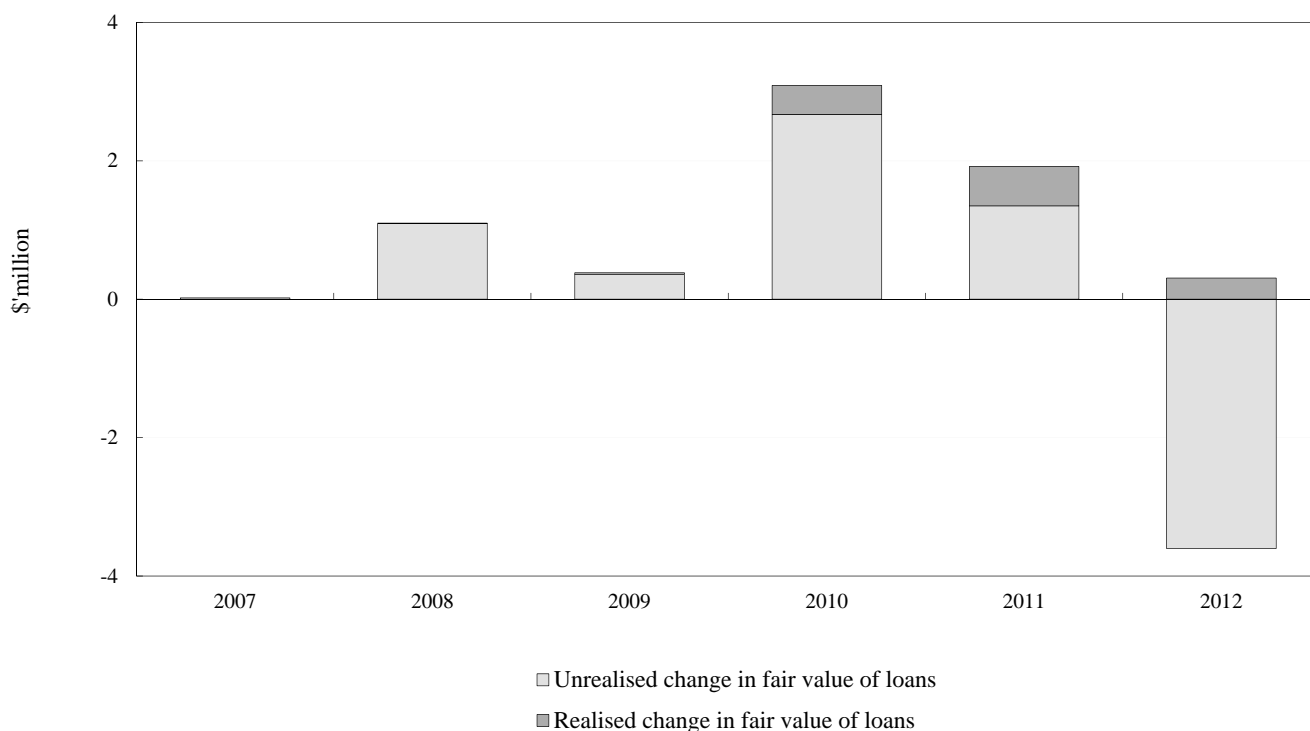
Breakthrough loans

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

- a standard loan component with standard interest rates and repayments. This portion is included within normal loans and advances
- a shared appreciation component where the loan is repaid along with a percentage of the increase in property value when the property is sold (refer note 2.12 to the financial statements).

The value of the shared appreciation component of breakthrough loans was \$70.2 million (\$67.7 million) at 30 June 2012. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit and loss account (refer note 17 to the financial statements). Refer to further commentary under 'Investments' below.

In 2012, a \$3.3 million loss (\$1.9 million gain) was recognised for this product comprising a \$3.6 million loss (\$1.3 million gain) recognised from revaluation and a \$305 000 gain (\$570 000 gain) recognised on discharge of breakthrough loans. The chart below shows the impact of the breakthrough loans on the operating result of HomeStart since its introduction in 2007.



The total net realised and unrealised gain since the inception of the breakthrough loan product is \$3.2 million.

Financial risks

Note 31 to the financial statements provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some factors contributing to this risk are:

- generally customers have lower incomes and borrow a greater percentage of their home value
- a significant concentration of lending in regional South Australia and outer metropolitan suburbs
- customers are not required to take out mortgage insurance 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.

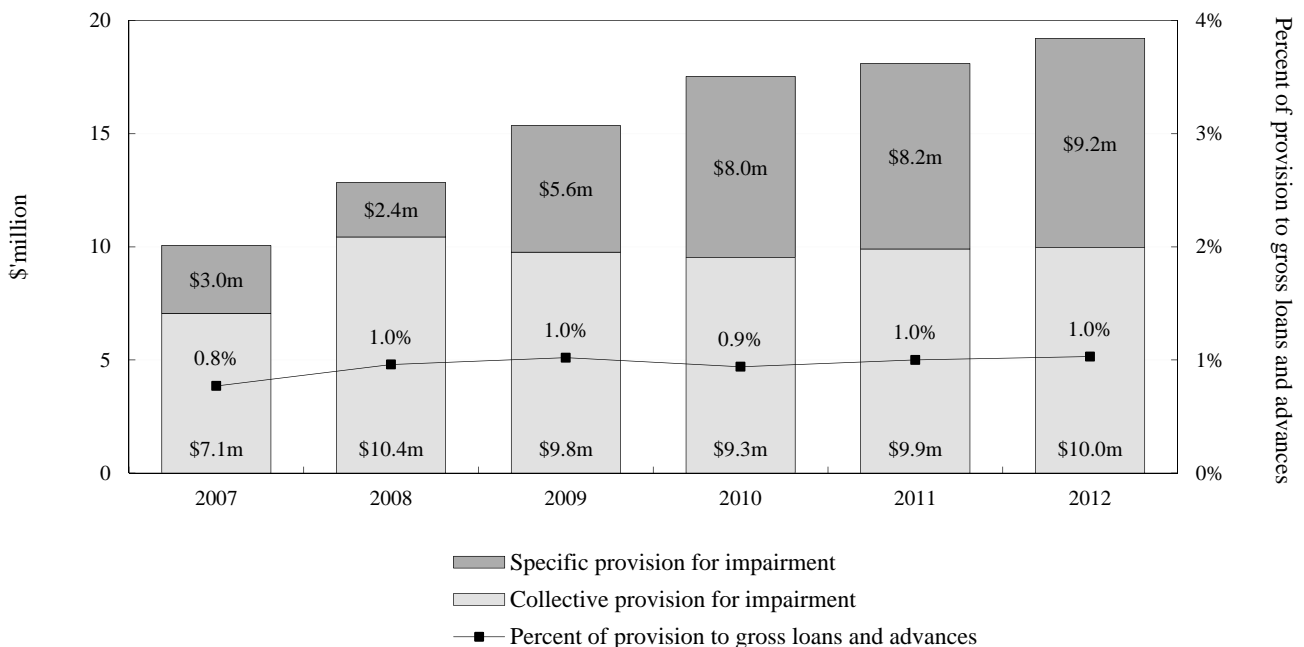
Provisions for impairment

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 \$1.1 million to \$19.2 million. The total provision for impairment comprises two components:

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2012 was \$9.2 million (\$8.2 million).
- The collective provision as at 30 June 2012 was \$10 million (\$9.9 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 six 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

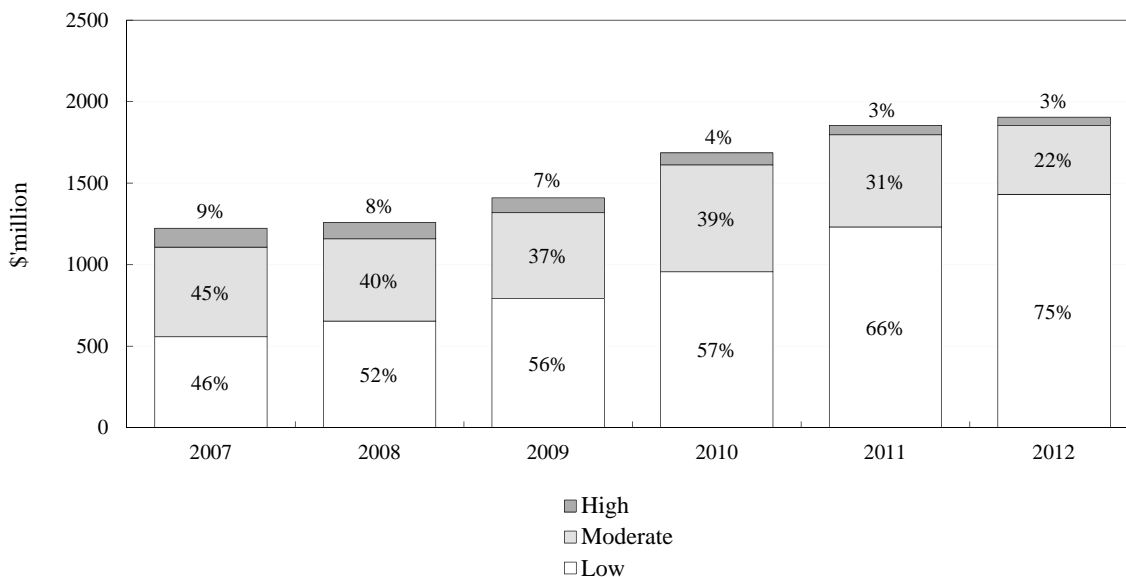
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining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

The balance of the reserve at 30 June 2012 was \$9.2 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 \$28.4 million (\$26.9 million).

Loan quality

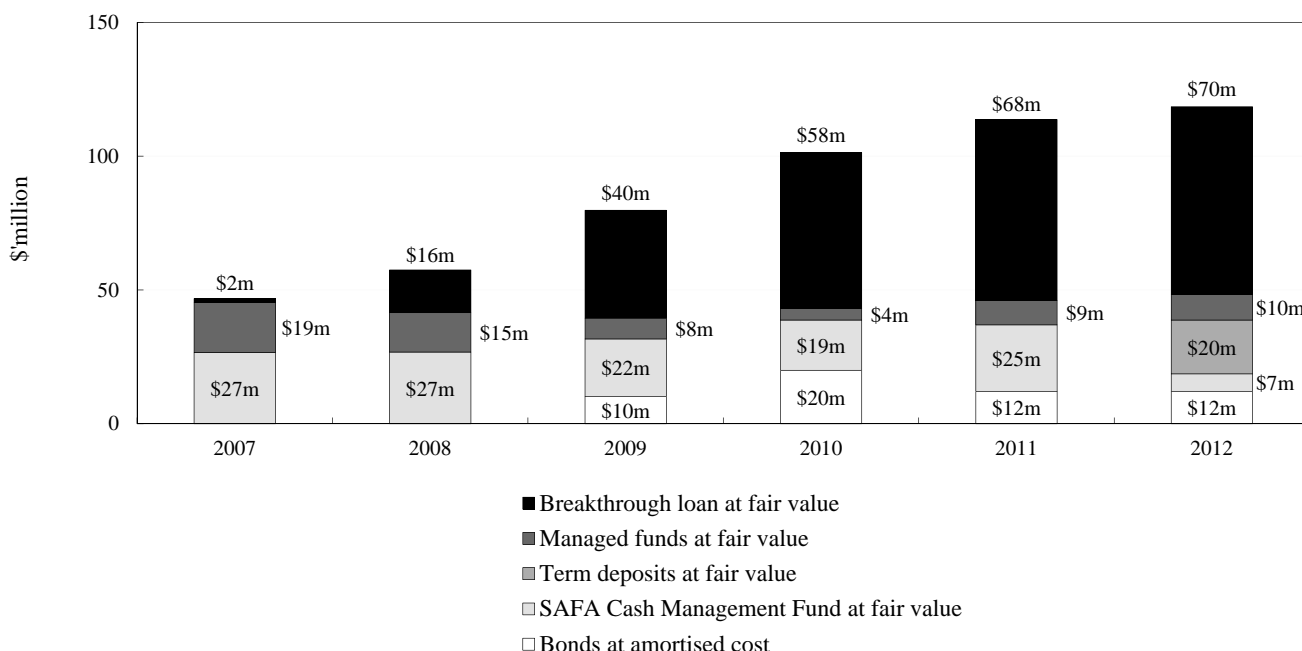
HomeStart has assessed the gross value of loans and advances to customers by credit risk grading (refer note 31.2.1 to the financial statements). The following chart summarises that assessment.



The chart shows that while the gross level of loans has increased, the high credit risk category has reduced, with the majority of loans assessed as low credit risk.

Investments

During 2012, HomeStart’s investments increased by \$4.8 million to \$118.6 million. The composition of investments is shown in the following table.



The chart shows:

- the growth in the shared appreciation component of the breakthrough loan product. This loan product has been classified as an investment and is commented on previously under ‘Breakthrough loans’

- that since commencement of the depressed global markets in 2008 the mix of investments (other than breakthrough loans) has changed to more secure term deposits, cash management funds and bonds. As noted under ‘Expenses other than interest’ HomeStart recorded market value losses of \$7 million in 2009 and \$8 million in 2008.

The discharge of the breakthrough loans is at the discretion of the property owner. Consequently, HomeStart cannot liquidate these investments to meet any future potential funding requirements. The value of investments excluding breakthrough loans amounted to \$48.3 million (\$46.1 million).

Liabilities

Borrowings at 30 June 2012 were \$1.8 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 2012, HomeStart was restricted by a current approved borrowing limit of \$1.9 billion (\$1.9 billion). On 1 July 2012 the Treasurer approved a borrowing limit of \$2.1 billion.

Note 31.3 to the financial statements provides information on HomeStart’s exposure to liquidity risk.

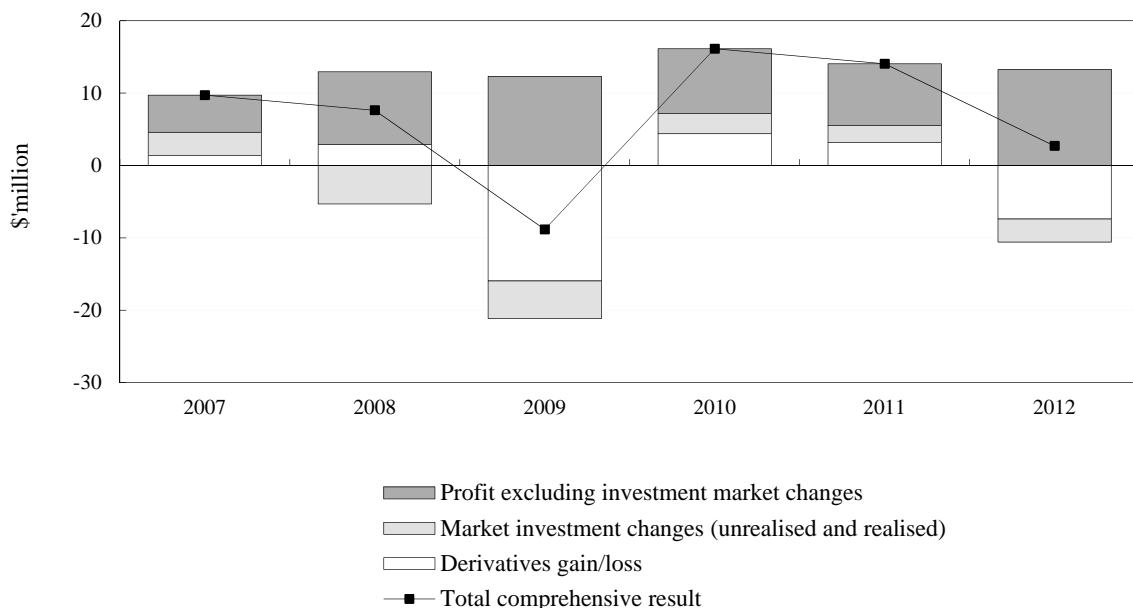
Fair value and comprehensive result

HomeStart recognises derivatives and certain investments at fair value. Investments include the breakthrough loan product discussed earlier. The changes in market value of these items can significantly impact HomeStart’s Statement of Financial Position and Statement of Comprehensive Income.

Derivatives are used to hedge changes in interest rate risks. Whilst these hedges remain effective (as defined by the accounting standards), changes in the fair value hedges do not affect profit as they are recognised in the derivatives revaluation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported in the Statement of Comprehensive Income. HomeStart’s total comprehensive result decreased by \$11.4 million to \$2.7 million.

The table below shows the impact of the changes in the fair value of derivatives and investments on HomeStart’s total comprehensive result over the last six years.



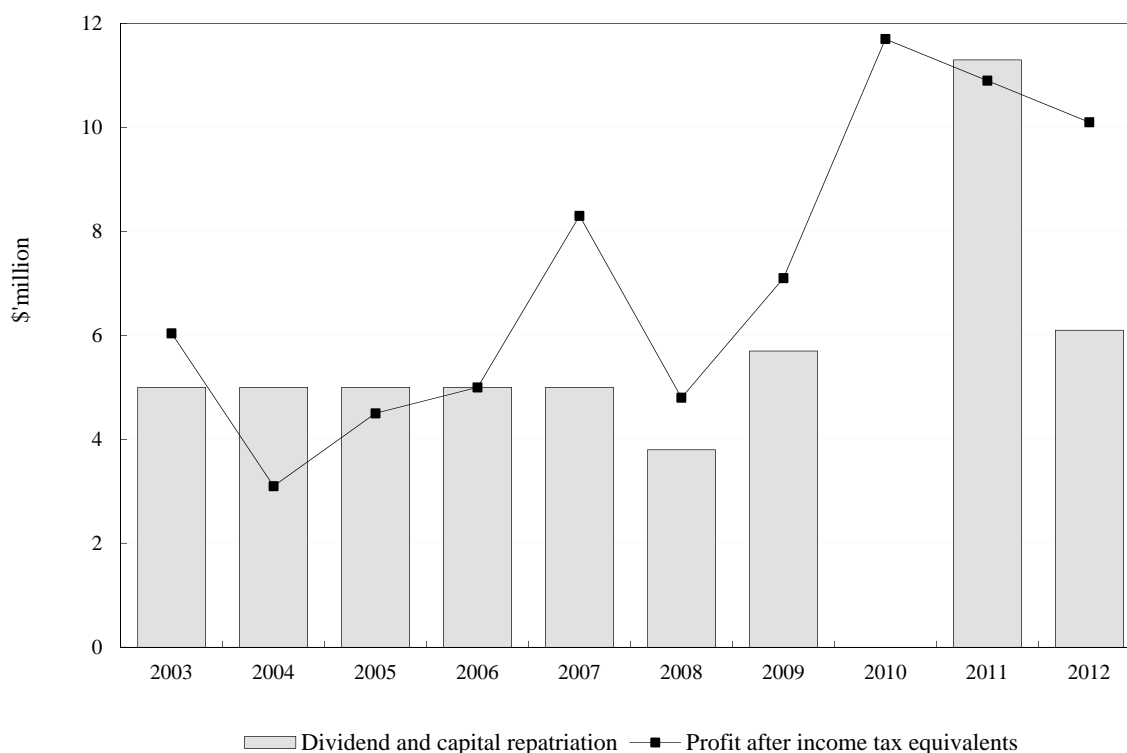
The total comprehensive results for 2008 and 2009 principally reflect the global financial crisis and the resultant downturn in interest rates and equities markets.

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

It is important to appreciate the financial statements combine the financial assets and financial liabilities measured at either fair value or at cost. Note 32.1 shows the fair value of net financial assets is \$217.5 million (\$198.6 million), while the carrying value of net financial assets is \$156.6 million (\$160.5 million).

Distributions to government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.



In 2012 HomeStart's dividend was \$6.1 million (\$11.2 million). The 2011 dividend effectively comprised the dividend for 2010 and 2011. The dividend for 2010 was nil because the appropriate approvals to declare a dividend had not occurred as at 30 June 2010.

In each of the years 2003 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 2012 increased to \$155.9 million (\$152.3 million).

HomeStart pays a guarantee fee of 1.5% (1.5%) to the Government based on the outstanding borrowings. The amount expensed in 2011-12 was \$27 million (\$25 million).

HomeStart also pays an income tax equivalent to the Government. The income tax equivalents expense in 2011-12 was \$4.3 million (\$4.7 million).

Statement of Cash Flows**Net cash flows**

The following table summarises the net cash flows for the four years to 2012.

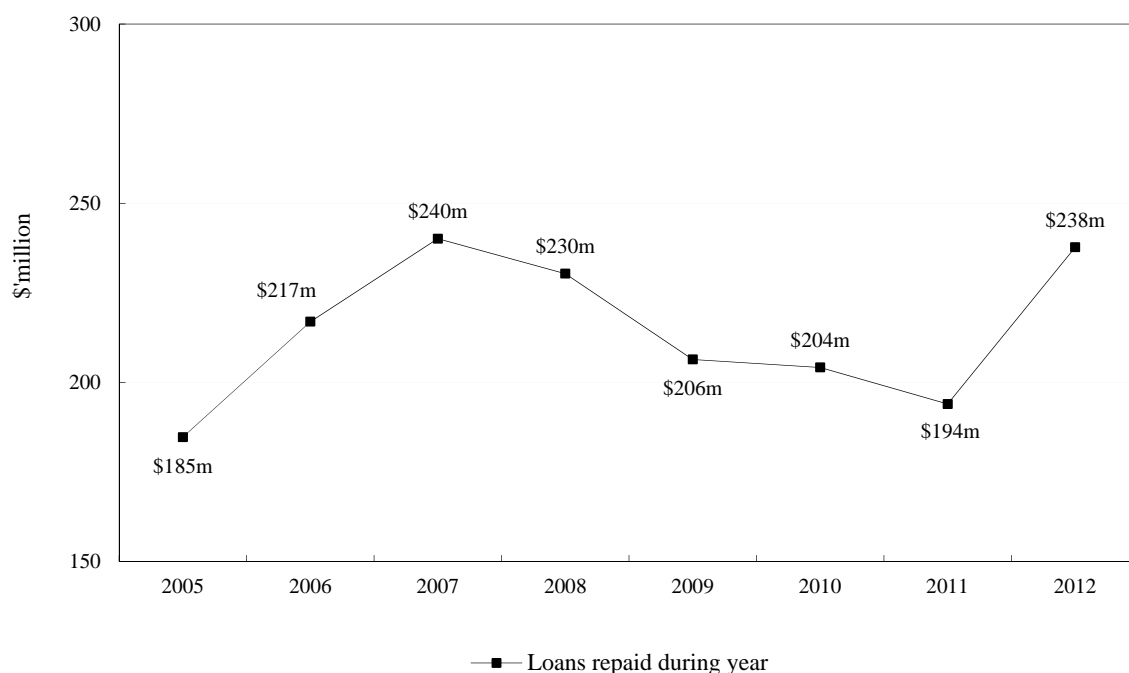
	2012	2011	2010	2009
	\$'million	\$'million	\$'million	\$'million
Net cash flows				
Operating	10	7	10	11
Investing	(56)	(174)	(228)	(175)
Financing	45	169	276	164
Change in cash	(1)	2	(2)	-
Cash at 30 June	3	4	2	4

The table shows significant investing and financing activities for the three years to 2011. These activities relate primarily to the provision of loans to customers. Net customer loans outflow included in investing activities amounted to \$47.3 million (\$163.8 million).

The increase in investing activities was funded from increased financing activities which were provided from net new borrowings of \$51.6 million (\$175.9 million).

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) has steadily decreased despite the overall increase in the loans and advances balance. 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 number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

In 2012 customer repayments increased by 23%. 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

On 30 April 2012 Cabinet approved revised operating parameters for HomeStart. The previous parameters were approved by Cabinet in 2008. As shown in the earlier chart on growth in lending over the period since 2003, from July 2008 the value of HomeStart's loan portfolio has significantly increased. 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. The approved changes are expected to result in a positive general government net operating balance and net lending impact across the forward estimates. Cabinet noted that an annual review of the operating parameters and financial outcome for HomeStart would form part of the budget process from 2013-14. The revised parameters are discussed below.

Return on equity (ROE)

Cabinet approved a pre-tax ROE of 9%. The previous ROE was 9% or other number as agreed between the Treasurer and the then Minister for Housing. Modelling indicated the approved ROE was a difficult target to achieve. To enable HomeStart to meet the target, Cabinet approved a new CSO payment on 30 April 2012 which is to phase out over time. The new CSO subsidy approved to be paid to HomeStart was \$1.02 million in 2012, \$1.007 million in 2013, \$833 000 in 2014, \$1.5 million in 2015 and \$436 000 in 2016. These total \$4.796 million over five years. These amounts were based on forecasts as of July 2011.

The subsidy received by HomeStart in 2012 was \$4.4 million, \$3.3 million more than the original approval. The increased expenditure was approved by the Treasurer on 22 June 2012.

A major contributing factor to HomeStart not achieving the 9% ROE was a \$3.6 million unrealised loss from the unrealised change in the fair value of the breakthrough loan product. Gains and losses from this product are subject to property market value movements. Refer to comments under 'Breakthrough loans' above.

The timing of the annual CSO payment coincides with the HomeStart dividend payment.

In approving the \$4.4 million CSO the Treasurer noted the negative budget impact in a minute to the Minister for Housing and Urban Development. The Treasurer also noted that the approved framework was not designed as a safety net for HomeStart. The operating parameters set clear financial targets that HomeStart is expected to achieve including maintaining a cost to income ratio to ensure administrative efficiency is maintained. The Treasurer advised he had asked DTF to work closely with HomeStart to review the appropriateness of their future operating parameters.

Cost to income ratio

Cabinet approved a cost to income ratio target of 55%, to be reached by 2015-16. This target was established to ensure that CSO payments to achieve the 9% ROE are not absorbed by higher administration costs. The cost to income ratio excludes the effects of bad and doubtful debts expense and the ROE CSO.

For 2012 HomeStart achieved a cost to income ratio of 63%. A major contributor to the higher ratio was the unrealised loss from the change in value of the breakthrough loan product. Had there been no loss the cost to income ratio would have been 57%.

Capital adequacy ratio (CAR)

Cabinet approved a minimum CAR of 12%. The CAR is designed to provide a capital buffer to absorb unanticipated losses without impacting on HomeStart's viability.

Cabinet also approved future equity capital contributions to achieve the CAR. Total future equity capital contributions to 2016 were estimated at \$9.026 million, providing HomeStart's borrowing limit grows by only 5.25%. The first contribution was expected to occur in 2014.

The previously approved CAR was 14%. The reduction in the CAR to 12% increases the Government's exposure to unanticipated losses from HomeStart's operations.

Dividend payout ratio (DPR)

Cabinet approved a DPR of 60%, based on after tax profit. The previous DPR was set at 80% for 2008, with subsequent years subject to the agreement between the Treasurer and the then Minister for Housing. The DPR was 60% for 2012 and 2011, and 40% for 2010.

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 remained at \$1.9 billion during 2011-12, and was increased to \$2.105 billion from 1 July 2012.

Charter and performance statement

Cabinet 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 are to provide for the annual review of HomeStart's strategic direction and clearly set out the expectations of both the Treasurer and the Minister regarding lending activity, borrowings and housing outcomes as well as the financial parameters.

Audit comment

Audit notes that the final approved CSO resulted in a negative budget impact on the state budget of \$3.3 million in 2012. The changed outcome resulted from market exposure for the breakthrough loan product, which for 2012 resulted in a loss compared to gains in previous years. The CSO, while improving the certainty in HomeStart's business operations, had the consequence of reducing the certainty of this aspect of budget payments. HomeStart accounts properly for the related transactions and discloses the CSO and breakthrough loans in the notes to the financial statements. It is, however, necessary for the reader to examine this detail to fully understand aspects of HomeStart's underlying financial performance. It will be important that the Treasurer's request to DTF be actively pursued, particularly if the subdued housing market conditions prevail.

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Interest income	5	142 369	135 291
Interest expense	5	(87 211)	(85 312)
Net interest income	5	<u>55 158</u>	<u>49 979</u>
Other income	6	17 026	14 798
Net gain (loss) from disposal of assets	7	(2)	(5)
Bad and impaired loans expense	8	(3 694)	(1 741)
Loan manager fees		(6 883)	(6 711)
Employee expenses	10	(10 278)	(9 768)
Depreciation and amortisation expense	14	(541)	(641)
Other expenses	15	(9 376)	(5 413)
Profit (Loss) before income tax equivalents and guarantee fee expenses		<u>41 410</u>	<u>40 498</u>
Government guarantee fee	9	(27 003)	(24 976)
Profit (Loss) before income tax equivalents		<u>14 407</u>	<u>15 522</u>
Income tax equivalents expense	2.5	(4 322)	(4 657)
Profit (Loss) after income tax equivalents expense		<u>10 085</u>	<u>10 865</u>
Derivative gain (loss) recognised directly in equity		(7 397)	3 179
Total comprehensive result		<u><u>2 688</u></u>	<u><u>14 044</u></u>

Total comprehensive result is attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Assets:			
Cash and cash equivalents	35.1	2 781	3 807
Financial investments designated at fair value through profit or loss	17	106 469	101 674
Financial investments - held to maturity	18	12 089	12 103
Loans and advances	19	1 866 809	1 817 393
Other financial assets	20	1 044	884
Property, plant and equipment	21	1 361	1 428
Intangible assets	22	1 561	283
Other assets	23	290	373
Total assets		1 992 404	1 937 945
Liabilities:			
Payables	24	7 401	8 193
Derivative financial instruments	31.2.2	10 587	3 189
Short-term borrowings	25	660 364	95 800
Employee benefits	26	1 958	1 492
Income tax payable	27	2 174	3 006
Provision for dividend	28	37	203
Other liabilities	29	3 368	3 184
Long-term borrowings	25	1 152 000	1 665 000
Total liabilities		1 837 889	1 780 067
Net assets		154 515	157 878
Equity:			
Reserves	30	(1 429)	5 614
Retained earnings	30	155 944	152 264
Total equity		154 515	157 878
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	33		
Contingent assets and liabilities	34		

Statement of Changes in Equity for the year ended 30 June 2012

	Retained earnings \$'000	General reserve for credit losses \$'000	Derivatives valuation reserve \$'000	Total \$'000
Balance at 30 June 2010	150 370	11 050	(6 369)	155 051
Profit after income tax equivalents expense for 2009-10	10 865	-	-	10 865
Derivative gain recognised directly in equity	-	-	3 179	3 179
Total comprehensive result for 2010-11	10 865	-	3 179	14 044
Transfer to (from) credit loss reserve	2 246	(2 246)	-	-
Transactions with the SA Government as owner:				
Dividends paid/payable	(11 217)	-	-	(11 217)
Balance at 30 June 2011	152 264	8 804	(3 190)	157 878
Profit after income tax equivalents expense for 2011-12	10 085	-	-	10 085
Derivative gain recognised directly in equity	-	-	(7 397)	(7 397)
Total comprehensive result for 2011-12	10 085	-	(7 397)	2 688
Transfer to (from) credit loss reserve	(354)	354	-	-
Transactions with the SA Government as owner:				
Dividends paid/payable	(6 051)	-	-	(6 051)
Balance at 30 June 2012	155 944	9 158	(10 587)	154 515

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

Statement of Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash inflows:			
Interest received on:			
Cash		83	79
Investments		724	709
Loans and advances		139 427	132 040
Fees and commissions received		730	978
Bad debts recovered		149	272
EquityStart grant received		810	650
Community service obligation subsidy received		9 544	4 475
Other		498	2 187
Total cash inflows from operating activities		<u>151 965</u>	<u>141 390</u>
Cash outflows:			
Payments to employees		(9 984)	(9 924)
Payments to suppliers		(5 618)	(5 331)
Payments to loan managers		(6 590)	(6 622)
Borrowing costs paid		(88 059)	(84 432)
Government guarantee fee paid		(26 919)	(23 795)
Income tax equivalents paid		(5 154)	(4 665)
Total cash outflows from operating activities		<u>(142 324)</u>	<u>(134 769)</u>
Net cash provided by (used in) operating activities	35.2	<u>9 641</u>	<u>6 621</u>
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of office and computer equipment	7	5	12
Proceeds from maturity of held-to-maturity investments		9 000	8 260
Proceeds from sale of investments designated at fair value through profit or loss		19 236	-
Shared appreciation components of Breakthrough Loan repaid	32.4	4 417	4 049
Customer loans repaid		237 680	193 946
Total cash inflows from investing activities		<u>270 338</u>	<u>206 267</u>
Cash outflows:			
Payments for property, plant and equipment		(335)	(312)
Payments for software		(1 424)	-
Payments for investments - held to maturity		(8 925)	-
Payment for investments designated at fair value through profit or loss		(20 118)	(9 621)
Shared appreciation components of Breakthrough Loan settled	32.4	(10 551)	(12 134)
Customer loans settled		(284 999)	(357 696)
Total cash outflows from investing activities		<u>(326 352)</u>	<u>(379 763)</u>
Net cash provided by (used in) investing activities		<u>(56 014)</u>	<u>(173 496)</u>
Cash flows from financing activities:			
Cash inflows:			
Proceeds from borrowings		1 521 564	1 455 000
Total cash inflows from financing activities		<u>1 521 564</u>	<u>1 455 000</u>
Cash outflows:			
Dividend paid		(6 217)	(7 329)
Repayment of borrowings		(1 470 000)	(1 279 134)
Total cash outflows from financing activities		<u>(1 476 217)</u>	<u>(1 286 463)</u>
Net cash provided by (used in) financing activities		<u>45 347</u>	<u>168 537</u>
Net increase (decrease) in cash and cash equivalents		<u>(1 026)</u>	<u>1 662</u>
Cash and cash equivalents at 1 July		<u>3 807</u>	<u>2 145</u>
Cash and cash equivalents at 30 June	35.1	<u>2 781</u>	<u>3 807</u>

Notes to and forming part of the financial statements

1. Objectives of HomeStart Finance (HomeStart)

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

HomeStart's vision 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 with repayments linked to income and the CPI. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2012 was \$1818.5 million (\$1768.9 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to \$30 615 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2012 the interest rate applying to Advantage Loans was 1.23% (2.2%). The outstanding value of Advantage Loans at 30 June 2012 was \$44.8 million (\$43.1 million).

For the year ended 30 June 2012 HomeStart received a community service obligation (CSO) subsidy payment of \$2.68 million (\$2.51 million) from DTF for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current public housing tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to 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 2012 was \$39.7 million (\$40.3 million).

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

HomeStart also has loans at concessional interest rates through the City Living Access Loan, Home Ownership Made Easier (H.O.M.E) and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from SAFA.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial 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 Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial assets at fair value through profit or loss; financial instruments classified as available for sale; and subsidised loans and advances.

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

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

2.1.1 Changes in accounting policies

HomeStart did not voluntarily change any of its accounting policies during 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2012. HomeStart has assessed the impact of the new and amended standards and interpretations and except for AASB 9 considers there will not be a material impact on the accounting policies or the financial statements of HomeStart. AASB 9 becomes mandatory for HomeStart's financial statements for the year ended 30 June 2014 and could change the classification and measurement of financial assets. The extent of the impact has not been determined.

2.1.2 *Estimates and assumptions*

The preparation of financial statements in conformity with AASs requires HomeStart to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 *Statement of compliance*

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

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 an AAS has required a change. Where permitted by a specific APS or AAS, comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 *Rounding*

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

2.5 *Taxation*

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax equivalent 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 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 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.

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 Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 *Government grants*

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

DTF makes a 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.

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

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

2.6.6 *Investment income*

For financial investments designated as fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as held to maturity, interest income is recognised as it accrues.

2.6.7 *Disposal of non-financial assets*

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest expense

Interest payable is expensed in accordance with the accounting policy described at note 2.14.

2.7.2 Government guarantee fee

The Government guarantee fee is expensed as it becomes due at the rate imposed by DTF.

2.7.3 Bad and impaired loans expense

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.11.

2.7.4 Loan origination fees paid or payable

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio are reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee expenses

Employee expenses are recognised in accordance with the accounting policy described at note 2.17.

2.7.6 Depreciation and amortisation expense

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.15.4.

2.7.7 Operating lease expense

Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

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

2.7.8 Tax equivalents expense

The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.5.

2.8 Assets and liabilities

Assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

2.10 Financial instruments

During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer note 2.9)
- loans and advances (refer note 2.11)
- investments (unit trusts, SAFA Cash Management Fund, bonds, bank bills, 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).

2.10 *Financial instruments (continued)*

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 2012 HomeStart held bank bills as well as investment bonds issued by State Government and non-government institutions.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts, the SAFA Cash Management Fund 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.

HomeStart does not have any available-for-sale financial assets.

Financial liabilities

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

Impairment

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

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and advances

Loans measured at amortised cost

Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment

HomeStart assesses at each financial year end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgment to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

Provision for impairment (continued)

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under Australian equivalents to International Financial Reporting Standards and that determined under the former Australian Generally Accepted Accounting Principles, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts

All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

2.12 Investments*Held-to-maturity investments*

As at 30 June 2012 HomeStart held investment bonds with a face value of \$12 million (\$12 million) issued and/or guaranteed by the Commonwealth and State governments.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held to maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired.

Investments at fair value through profit or loss

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts, the SAFA Cash Management Fund 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 Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loans

The Breakthrough Loan facility includes two loan components:

- a standard loan component with standard interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses
- a shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

2.13 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

2.13 Derivative financial instruments (continued)

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 31.2.2. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

2.14 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on the effective interest rate basis.

2.15 Non-financial assets

2.15.1 Property, plant and equipment

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (refer note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of \$500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to \$500.

2.15.2 Intangible assets (continued)

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to website development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and revaluation

In accordance with APF III:

- all tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or groups of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and amortisation of non-financial assets

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

The useful lives of all major assets held by HomeStart are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

Depreciation and amortisation of non-current assets for current and comparative periods is determined as follows:

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Leasehold improvements	Straight-line	10
Other office and computer equipment	Straight-line	2-10
Intangible assets	Straight-line	4

2.16 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, 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

An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments. Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 26). This calculation is consistent with HomeStart's experience of employee retention and leave taken.

2.17.2 Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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

Liability for salaries and wages 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 judgments, estimates and assumptions

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined hereafter. References to relevant notes within the financial statements are also provided.

2.19 Accounting judgments, estimates and assumptions (continued)

<i>Area of estimate and judgment</i>	<i>Note</i>
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loans)	2.12, 32.2(c), 32.3
Investments - at fair value through profit or loss - shared appreciation component of the Breakthrough Loan	2.12, 32.2(d), 32.3
Fair value of subsidised loans and advances	2.6.2
Deferred loan fee income	2.6.4
Deferred loan fee expense	2.7.4
Provision for impairment of loans and advances	2.11
Unearned income (EquityStart grant)	2.6.5, 29
General reserve for credit losses	2.11, 30
Derivative financial instruments	2.13, 32.2(a)

3. Government/Non-government disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the State Government in the notes to the accounts.

4. Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net interest income

	2012	2011
Interest received/receivable from entities external to the SA Government:	\$'000	\$'000
Loans and advances	136 714	130 410
Subsidised loans effective interest income	3 970	3 935
Subsidised loans fair value expense	(1 164)	(1 812)
Loan origination income amortisation	2 767	2 680
Deposits with banks	82	78
Total interest received/receivable from entities external to the SA Government	<u>142 369</u>	<u>135 291</u>
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	<u>(87 211)</u>	<u>(85 312)</u>
Total interest paid/payable to entities within the SA Government	<u>(87 211)</u>	<u>(85 312)</u>
Net interest income	<u>55 158</u>	<u>49 979</u>

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 \$1.86 million (\$2.14 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 Comprehensive Income (refer notes 2.6 and 2.11).

6. Other income

	2012	2011
Other income received/receivable from entities external to the SA Government:	\$'000	\$'000
Fees and charges	3 552	3 577
Bad debts recovered	276	272
Unrealised change in fair value of loans	-	1 349
Realised change in fair value of loans	305	570
Managed funds distribution	433	472
Unrealised change in fair value of investments	75	31
Interest on fair valued investments	444	-
Realised change in fair value of investments	48	388
Interest received from held-to-maturity investments	711	679
Other	74	68
Total other income received/receivable from entities external to the SA Government	<u>5 918</u>	<u>7 406</u>

6. Other income (continued)	2012	2011
Other income received/receivable from entities within the SA Government:	\$'000	\$'000
Managed funds distribution	829	849
EquityStart grant	844	1 679
CSO subsidy	9 117	4 475
Other	318	389
Total other income received/receivable from entities within the SA Government	11 108	7 392
Total other income	17 026	14 798

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received \$800 000 (\$600 000) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer note 29.2 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 of 9% (if required). The first such payment was received by HomeStart in the financial year ended 30 June 2012.

7. Net gain (loss) from disposal of assets	2012	2011
	\$'000	\$'000
Proceeds from disposal of assets	5	12
Net book value of assets disposed	(7)	(17)
Total net gain (loss) from disposal of assets	(2)	(5)
8. Bad and impaired loans expense		
Bad and impaired loans expensed	536	127
Increase in provision for impairment	3 158	1 614
Total bad and impaired loans expense	3 694	1 741
9. Government guarantee fee		
Government guarantee fee paid or payable to entity within the SA Government	27 003	24 976
Total Government guarantee fee paid or payable to entity within the SA Government	27 003	24 976

HomeStart paid a guarantee fee of 1.5% of outstanding borrowings to DTF in 2011-12 (1.5%).

10. Employee expenses, remuneration and number of employees		
Salaries and wages	8 479	8 272
LSL	481	(17)
Annual leave	35	49
Employment on-costs - superannuation	783	712
Employment on-costs - other	235	487
Board fees	265	265
Total employee expenses	10 278	9 768

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2012	2011
	Number	Number
\$134 000 - \$143 999	2	3
\$144 000 - \$153 999	1	-
\$154 000 - \$163 999	2	-
\$164 000 - \$173 999	-	1
\$184 000 - \$193 999	1	-
\$214 000 - \$223 999	-	1
\$224 000 - \$233 999	1	-
\$234 000 - \$243 999	-	1
\$244 000 - \$253 999	1	2
\$254 000 - \$263 999	1	-
\$304 000 - \$313 999	-	1
\$324 000 - \$333 999	1	-
Total	10	9

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, superannuation contributions, payments in lieu of leave, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.01 million (\$1.86 million).

Number of employees

HomeStart employed 107 people at the end of the reporting period (103).

11. Key management personnel disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- John Oliver (Chief Executive Officer)
- John Comley (General Manager Corporate Services and Chief Financial Officer)
- Ian Wheaton (General Manager Treasury and Risk)
- John Rolfe (General Manager Retail)
- Deborah Dickson (General Manager People and Strategy).

Key management personnel compensation

The compensation of the above key management personnel included in 'employee expenses' (refer note 10) is as follows:

	2012	2011
	\$	\$
Short-term employee benefits	1 181 844	1 240 572
Long-term employee benefits (LSL)	29 256	14 215
Long-term employee benefits (amounts paid to superannuation plans)	79 108	83 511
Total key management personnel compensation	1 290 208	1 338 298

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 Families and Communities
- 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:

Claude Long (Chair)	Sue Edwards
Jim Kouts (Deputy Chair)	David Garrard
Sandra De Poi	Lindsay Nicholson

Estelle Bowman was a member of the Board of HomeStart from the start of the financial year until her term expired on 13 June 2012.

Chris Ward was a member of the Board of HomeStart from his appointment on 28 June 2012 until the end of the financial year.

Board members' remuneration

		2012	2011
		\$	\$
The remuneration of the Board of HomeStart included in 'employee expenses' is as follows:	Note		
Short-term benefits	10	265 453	264 680
Long-term employee benefits (amounts paid to superannuation plans)	10	23 891	23 821
Total board members' remuneration		289 344	288 501

Board members' remuneration (continued)

	2012 Number	2011 Number
The number of HomeStart board members whose remuneration received or receivable falls within the following bands:		
\$20 000 - \$29 999	-	2
\$30 000 - \$39 999	4	-
\$40 000 - \$49 999	2	5
\$50 000 - \$59 999	1	1
Total	7	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, The Home Loan Centre, HomeLoans Plus and Bernie Lewis.

14. Depreciation and amortisation expense

	2012 \$'000	2011 \$'000
Depreciation:		
Other office and computer equipment	189	244
Total depreciation	189	244
Amortisation:		
Leasehold improvements	206	199
Intangible assets	146	198
Total amortisation	352	397
Total depreciation and amortisation	541	641

15. Other expenses

Other expenses arising from transactions with entities within the SA Government:

External auditor's remuneration	154	151
Insurance	77	82
Total other expenses arising from transactions with entities within the SA Government	231	233

Other expenses arising from transactions with entities external to the SA Government:

Unrealised change in fair value of loans ⁽¹⁾	3 603	-
Office accommodation (minimum lease payments)	826	797
Marketing, product development and advertising	1 009	994
Internal audit fees	294	326
Loan administration	200	157
Information technology	532	515
Consultants' fees	119	120
Human resources and staff development	615	578
Other	1 947	1 693
Total other expenses arising from transactions with entities external to the SA Government	9 145	5 180
Total other expenses	9 376	5 413

	2012		2011	
The number and dollar amount of consultancies paid/payable that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	4	20	3	16
Between \$10 000 and \$50 000	4	99	2	46
Above \$50 000	-	-	1	58
Total paid/payable to the consultants engaged	8	119	6	120

⁽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 losses arising from changes in fair value are unrealised.

16. Auditor's remuneration	2012	2011
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	154	151
Total audit fees - SA Government entities	<u>154</u>	<u>151</u>

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

Financial investments designated at fair value through profit or loss with an entity within the SA Government:

SAFA Cash Management Fund	6 583	24 944
Total financial investments designated at fair value through profit or loss with an entity within the SA Government	<u>6 583</u>	<u>24 944</u>

Financial investments at fair value through profit or loss with entities external to the SA Government:

Term deposits	20 118	-
Unit trusts	9 521	9 014
Breakthrough Loan (shared appreciation component)	70 247	67 716
Total financial investments designated at fair value through profit or loss with entities external to the SA Government	<u>99 886</u>	<u>76 730</u>
Total financial investments designated at fair value through profit or loss	<u>106 469</u>	<u>101 674</u>

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

At call	16 104	33 958
Not longer than three months	4 000	-
Longer than three months and not longer than 12 months	16 118	-
Longer than 12 months and not longer than five years	-	-
Longer than five years	70 247	67 716
Total investments designated at fair value through profit and loss	<u>106 469</u>	<u>101 674</u>

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

18. Financial investments - held to maturity

18.1 Financial investments - held to maturity

Financial investments - held to maturity with entities external to the SA Government:

Bonds	12 089	12 103
Total financial investments - held to maturity	<u>12 089</u>	<u>12 103</u>

18.2 Maturity profile of HomeStart's financial investments - held to maturity

At call	-	-
Not longer than three months	-	-
Longer than three months and not longer than 12 months	-	1 003
Longer than 12 months and not longer than five years	9 034	7 053
Longer than five years	3 055	4 047
Total financial investments - held to maturity	<u>12 089</u>	<u>12 103</u>

18.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

19. Loans and advances	2012	2011
<i>19.1 Loans and advances</i>	\$'000	\$'000
Primary loans	1 818 512	1 769 628
Subsidised loans	86 418	84 940
Gross loans and advances	<u>1 904 930</u>	<u>1 854 568</u>
Fair value adjustment	(16 050)	(16 180)
Deferred loan fee income	(5 586)	(5 898)
Deferred loan fee expense	2 732	3 033
Specific provisions for impairment	(9 247)	(8 222)
Collective provision for impairment	(9 970)	(9 908)
Net loans and advances	<u>1 866 809</u>	<u>1 817 393</u>
Specific provision for impaired loans:		
Opening balance	8 222	8 007
Bad debts written off	(2 070)	(842)
Impairment expense	3 095	1 057
Closing balance	<u>9 247</u>	<u>8 222</u>
Collective impairment provision:		
Opening balance	9 908	9 351
Impairment expenses	62	557
Closing balance	<u>9 970</u>	<u>9 908</u>
Total provision for impairment	<u>19 217</u>	<u>18 130</u>
<i>19.2 Risk exposures</i>		
Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 31.2.1.		
20. Other financial assets		
Other financial assets - entities within the SA Government:		
Accrued financial investment income	22	68
EquityStart grant receivable	121	170
Other	31	66
Total other financial assets - entities within the SA Government	<u>174</u>	<u>304</u>
Other financial assets - entities external to the SA Government:		
Deferred financial investment income	146	136
Accrued interest on housing loans and advances	348	384
Accrued interest on cash at bank	5	6
Accrued financial investment income	325	-
GST recoverable	45	48
Other	1	6
Total other financial assets - entities external to the SA Government	<u>870</u>	<u>580</u>
Total other financial assets	<u>1 044</u>	<u>884</u>
21. Property, plant and equipment		
Leasehold improvements		
Leasehold improvements at cost	2 202	2 154
Accumulated depreciation	(1 392)	(1 186)
Total leasehold improvements	<u>810</u>	<u>968</u>
Other office and computer equipment:		
Other office and computer equipment at cost	3 093	2 978
Accumulated depreciation	(2 542)	(2 518)
Total other office and computer equipment	<u>551</u>	<u>460</u>
Total property, plant and equipment	<u>1 361</u>	<u>1 428</u>

21. Property, plant and equipment (continued)	2012			2011		
	Leasehold imprvmnts \$'000	Other office and computer equipment \$'000	Total \$'000	Leasehold imprvmnts \$'000	Other office and computer equipment \$'000	Total \$'000
Carrying amount at 1 July	968	460	1 428	1 124	501	1 625
Additions	48	287	335	43	220	263
Disposals - at cost	-	(172)	(172)	-	(265)	(265)
Disposals - accumulated depreciation	-	165	165	-	248	248
Depreciation and amortisation	(206)	(189)	(395)	(199)	(244)	(443)
Carrying amount at 30 June	810	551	1 361	968	460	1 428

22. Intangible assets	2012		2011	
		\$'000		\$'000
Software at cost		2 875		1 451
Accumulated amortisation		(1 314)		(1 168)
Total software		1 561		283
Carry amount at 1 July		283		481
Additions		1 424		-
Disposals		-		-
Amortisation		(146)		(198)
Carrying amount at 30 June		1 561		283

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

23. Other assets			
Other assets - entities within the SA Government			
Prepayments		-	4
Total other assets - entities within the SA Government		-	4
Other assets - entities external to the SA Government			
Prepayments		290	369
Total other assets - entities external to the SA Government		290	369
Total other assets		290	373

24. Payables			
24.1 Payables			
Payables to entities within the SA Government:			
Creditors		-	5
Accrued administration expenses		165	160
Employment on-costs		326	426
Accrued interest payable on borrowings		3 614	4 525
Accrued interest payable on derivatives		194	131
Accrued guarantee fee payable		2 232	2 148
Total payables to entities within the SA Government		6 531	7 395
Payables to entities external to the SA Government:			
Creditors		289	212
Accrued administration expenses		106	103
Accrued loan manager fees		475	483
Total payables to entities external to the SA Government		870	798
Total payables		7 401	8 193

24.2 Settlement profile of HomeStart's payables

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

25. Borrowings			
25.1 Interest bearing liabilities			
Short-term borrowings payable to an entity within the SA Government:			
Short-term borrowings		660 364	95 800
Total short-term borrowings payable to an entity within the SA Government		660 364	95 800

25.1 Interest bearing liabilities (continued)		2012	2011
Long-term borrowings payable to an entity within the SA Government:		\$'000	\$'000
Long-term borrowings		1 152 000	1 665 000
Total long-term borrowings payable to an entity within the SA Government		1 152 000	1 665 000
Total interest bearing liabilities		1 812 364	1 760 800
25.2 Security			
All HomeStart borrowings are unsecured.			
25.3 Risk exposure			
Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 31.3 and 31.4 respectively.			
26. Employee benefits		2012	2011
26.1 Employee benefits	Note	\$'000	\$'000
Accrued salaries		8	57
Annual leave		634	599
LSL		1 316	836
Total employee benefits		1 958	1 492
26.2 Aggregate employee benefits			
Accrued salaries			
On-costs		54	61
Provision for employee benefits		8	57
Total accrued salaries		62	118
Annual leave:			
On-costs		88	84
Provision for employee benefits		634	599
Total annual leave		722	683
LSL:			
On-costs		184	116
Provision for employee benefits		1 316	836
Total LSL		1 500	952
Total employee on-costs	24	326	426
On-costs not related to current employee benefits		-	(165)
Total provision for employee benefits		1 958	1 492
Total employee benefits and related on-costs		2 284	1 753

26.3 Calculation of LSL

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 5.25% in 2011 to 3% in 2012.

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$346 000, employment on-costs payable of \$49 000 and employee expenses of \$395 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of factors and assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

26.4 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.

27. Income tax equivalents payable	2012	2011
	\$'000	\$'000
Income tax equivalents payable to an entity within the SA Government	2 174	3 006
Total tax equivalents liability payable to an entity within the SA Government	<u>2 174</u>	<u>3 006</u>
28. Provision for dividend		
Dividend payable to an entity within the SA Government	37	203
Total dividend payable to an entity within the SA Government	<u>37</u>	<u>203</u>

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 2012, the Board of HomeStart recommended the payment of a dividend of 60% of after tax profit (60%). This amounts to a total dividend of \$6.051 million in respect of the year ended 30 June 2012. The Minister and Treasurer approved this recommendation in June 2012.

HomeStart paid a dividend amount of \$6.014 million to DTF prior to the end of the financial year. HomeStart will be required to pay a further dividend amount of \$37 000 in respect of the financial year ended 30 June 2012. These amounts are disclosed as a dividend paid/payable.

29. Other liabilities		2012	2011
29.1 Other liabilities		\$'000	\$'000
Other liabilities payable to or arising from transactions with entities within the SA Government:			
Aboriginal loan security deposit		-	127
Department for Health and Ageing		-	324
Unearned income (EquityStart grant)		1 339	1 422
Total other liabilities payable to or arising from transactions with entities within the SA Government		<u>1 339</u>	<u>1 873</u>
Other liabilities payable to or arising from transactions with entities external to the SA Government:			
Workers compensation provision		32	15
Wyatt Benevolent Institution		1 805	1 105
Make good provision		188	187
City of Salisbury		4	4
Total other liabilities payable to or arising from transactions with entities external to the SA Government		<u>2 029</u>	<u>1 311</u>
Total other liabilities		<u>3 368</u>	<u>3 184</u>
29.2 Unearned income (EquityStart grant)		2012	2011
	Note	\$'000	\$'000
Opening balance		1 422	2 438
Amounts received/receivable		761	663
Amounts recognised as earned	6	(844)	(1 679)
Closing balance		<u>1 339</u>	<u>1 422</u>

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

29. Other liabilities (continued)

HomeStart has reviewed the costs expected to be incurred in relation to the EquityStart loan portfolio and the period over which they are expected to arise. This review has resulted in a change in estimate of the amount of grant income that should be recognised in order to match the costs incurred.

The net financial effect of the change in the current financial year is an increase in unearned income (EquityStart grant) of \$566 000 and a decrease in EquityStart income of \$690 000 (refer note 6).

29.3 Make good provision:	2012	2011
	\$'000	\$'000
Opening balance	187	209
Unwinding of discount arising from the passage of time	1	(22)
Closing balance	188	187

30. Equity**General reserve for credit losses**

A general reserve for credit losses was created to set aside retained earnings being the equivalent of the loans impairment provision determined under former AGAAP in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective gain or loss on derivatives that are designated hedging instruments.

31. Financial risk management**31.1 Overview**

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's internal Treasury and Risk department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the board and its subcommittees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

31.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

31.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the board and its Audit and ALCO subcommittees.

The board and its subcommittees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the board to executive management.

The board and its subcommittees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgage in possession. Any property thus held does not meet the recognition criteria of AASs and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2012	2011
Past due but not impaired:	\$'000	\$'000
Gross carrying value	91 049	109 895
Fair value of collateral	140 403	182 565

<i>Collateral (continued)</i>	2012	2011
Impaired:	\$'000	\$'000
Gross carrying value, before specific impairment provisions	39 152	32 336
Specific provision for impairment	(9 247)	(8 222)
Net impaired loans and advances	<u>29 905</u>	<u>24 114</u>
Fair value of collateral	40 093	33 908

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this state.

Approximately 28% (31%) 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 19).

The amount of incurred credit losses provided for 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.

	2012	2011
	\$'000	\$'000
Expected losses used for internal operational management	17 532	18 838
Provision for impairment in the financial statements	(19 217)	(18 130)
Difference	<u>(1 685)</u>	<u>708</u>

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 \$1866.81 million (\$1817.39 million).

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

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading system adopted by HomeStart.

The Behaviour Risk Grading system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2012	2011
	\$'000	\$'000
Not impaired:		
Neither renegotiated nor past due:		
Low risk	1 385 779	1 185 843
Moderate risk	358 200	493 379
High risk	20 303	23 203
Gross loans and advances neither renegotiated nor past due	<u>1 764 282</u>	<u>1 702 425</u>
Renegotiated: ⁽¹⁾		
Low risk	6 691	5 824
Moderate risk	2 992	3 487
High risk	764	676
Gross loans and advances renegotiated	<u>10 447</u>	<u>9 987</u>
Past due but not impaired: ⁽²⁾		
Low risk	30 027	34 890
Moderate risk	44 133	53 248
High risk	16 889	21 757
Gross loans and advances past due but not impaired	<u>91 049</u>	<u>109 895</u>
Total not impaired:		
Low risk	1 422 497	1 226 557
Moderate risk	405 325	550 114
High risk	37 956	45 636
Gross loans and advances not impaired	<u>1 865 778</u>	<u>1 822 307</u>
Impaired: ⁽³⁾		
Low risk	9 325	4 242
Moderate risk	17 639	15 539
High risk	12 188	12 480
Gross impaired loans and advances	<u>39 152</u>	<u>32 261</u>
Specific provision for impairment	<u>(9 247)</u>	<u>(8 222)</u>
Impaired loans and advances after provisions	<u>29 905</u>	<u>24 039</u>
Total:		
Low risk	1 431 822	1 230 799
Moderate risk	422 964	565 653
High risk	50 144	58 116
Gross loans and advances	<u>1 904 930</u>	<u>1 854 568</u>
Fair value adjustment	(16 050)	(16 180)
Deferred loan fee income	(5 586)	(5 898)
Deferred loan fee expense	2 732	3 033
Specific provision for impairment	(9 247)	(8 222)
Collective provision for impairment	<u>(9 970)</u>	<u>(9 908)</u>
Net loans and advances	<u>1 866 809</u>	<u>1 817 393</u>

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

(d) <i>Credit quality and maximum exposure to credit risk (continued)</i>	2012	2011
	\$'000	\$'000
Less than 30 days	66 327	78 180
30 to 59 days	17 068	21 357
60 to 89 days	3 465	5 526
90 to 179 days	1 515	2 763
More than 179 days	2 674	2 069
Total	<u>91 049</u>	<u>109 895</u>

- (1) **Loans and advances renegotiated**
HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled \$10.4 million as at 30 June 2012 (\$10.0 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.

31.2.2 *Derivative financial liabilities*

- (a) *Credit risk management and risk control and mitigation policies*

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

- (b) *Maximum exposure to credit risk*

As at 30 June 2012 and 30 June 2011, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

		2012	2011
	Note	\$'000	\$'000
Derivative financial instruments		<u>(10 587)</u>	<u>(3 189)</u>
Swap income receivable		326	517
Swap expense payable		<u>(520)</u>	<u>(648)</u>
Net payable	24	<u>(194)</u>	<u>(131)</u>

Further information in relation to derivatives is disclosed in notes 31.3.3 and 31.4.2.

31.3 *Liquidity risk*

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

31.3.1 *Liquidity risk management*

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the board's ALCO subcommittee.

HomeStart's liquidity management process is carried out and monitored by the treasury and risk 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.

31.3.1 Liquidity risk management (continued)

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole-of-government policy requires that HomeStart hold a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

31.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$1900 million as at 30 June 2012 (\$1900 million). On 22 June 2012 the Treasurer approved an increase to HomeStart's borrowing limit to \$2105 million, effective 1 July 2012.

31.3.3 Exposure to liquidity risk

(a) Non-derivative cash flows

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 40% (50%) of total debt outstanding.

Percent of debt subject to refinancing in the next 12 month period:	2012	2011
	%	%
At 30 June	36.44	5.44
Average for the period	12.1	25.93
Maximum for the period	36.44	47.77
Minimum for the period	5.87	3.43

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012							
Liabilities:							
Payables	4 897	2 504	-	-	-	7 401	7 401
Borrowings	146 369	9 796	549 449	777 253	476 717	1 959 584	1 812 364
Other financial liabilities	-	1 102	1 109	-	-	2 211	2 211
Total liabilities (contractual maturity dates)	151 266	13 402	550 558	777 253	476 717	1 969 196	1 821 976
2011							
Liabilities:							
Payables	5 845	2 348	-	-	-	8 193	8193
Borrowings	99 995	13 879	63 109	1 426 305	508 693	2 111 981	1 760 800
Other financial liabilities	-	1 503	1 706	-	-	3 209	3 209
Total liabilities (contractual maturity dates)	105 840	17 730	64 815	1 426 305	508 693	2 123 383	1 772 202

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) Derivative cash flows

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012	(338)	(707)	(3 186)	(6 786)	(1 180)	(12 197)
2011	(237)	(385)	(1 225)	(1 436)	255	(3 028)

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.4.2.

(c) *Off Balance Sheet*

The periods of payment of unrecognised contractual commitments are disclosed in note 33.

31.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

31.4.1 Market risk management

HomeStart's market risk management processes are overseen by the board and its ALCO subcommittee.

A comprehensive Treasury master document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance subcommittee at its weekly meetings and by the treasury 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.

31.4.2 Interest rate risk - derivative financial instruments

(a) *Risk control and mitigation policies*

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2012, HomeStart had floating/fixed swaps with a notional value of \$224 million (\$266 million) with fixed rates varying between 3.12% and 7.83% (3.88% and 7.83%).

Periods to maturity of the interest rate swap contracts are disclosed at note 31.3.3(b).

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

The three major risk measurement processes used by HomeStart to measure and control interest rate risk are the present value per basis point (PVBP), value at risk (VaR) methodology and stress testing. These processes are applied to all of HomeStart's financial asset, liability and derivatives positions, with the exception of investments held through the risk transfer vehicle which are monitored separately (refer note 31.4.3).

PVBP

HomeStart measures the PVBP of financial asset, liability and derivative positions. PVBP analysis identifies the extent of interest rate risk within different maturity buckets and for the portfolio overall. Limits for portfolio PVBP are set by ALCO and monitored monthly. The Treasury and Risk department reviews PVBP statistics daily.

Internally approved limits for the PVBP are set at \$10 000 to (\$10 000) and these were not exceeded at any time in the years ended 30 June 2012 and 30 June 2011.

<i>PVBP (continued)</i>	2012	2011
	\$'000	\$'000
Limit:	+/-10	+/-10
Average for the period	0.6	(0.7)
Maximum for the period	5.4	1.6
Minimum for the period	(5.1)	(2.3)

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 the Treasury 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. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Although VaR represents a good estimate of potential losses under normal market conditions, the assumptions on which the model is based give rise to some limitations, including the following:

- a 10 day period to unwind open positions assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period
- a 99% confidence interval means there is a 1% statistical probability that actual loss could be greater than the VaR estimate. The use of this approach does not prevent losses outside set limits in the event of more significant market movements
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions held during the day
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature
- the VaR measure is dependent upon HomeStart's position and the volatility of interest rates. The VaR of an unchanged position reduces if interest rate volatility declines and vice versa.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2012 and 30 June 2011:

	2012	2011
	\$'000	\$'000
Maximum loss limit	1 100	1 100
Average for the period	301	220
Maximum for the period	1 053	323
Minimum for the period	65	170

Stress testing

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, HomeStart uses stress tests to provide an indication of the potential size of losses that could arise in extreme conditions.

HomeStart's treasury system undertakes daily worst case interest rate tests on the entire asset and liabilities portfolio (including derivatives). Six different scenarios are used to test the impact of movements in interest rates on the market value of the entire portfolio. The average worst case outcome is reported monthly to the board and ALCO.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2012 and 30 June 2011.

<i>Stress testing (continued)</i>	2012	2011
	\$'000	\$'000
Maximum loss limit	2 500	2 500
Average for the period	525	513
Maximum for the period	1 334	269
Minimum for the period	71	722

(c) *Hedge accounting*

Fixed interest rate loan assets have been valued at fair value, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2012, a \$7.4 million loss (\$3.18 million gain) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.3.3.

31.4.3 Investments price risk(a) *Risk control and mitigation policies*

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Statement of Financial Position at fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by the Treasury and Risk department and monthly by the board and ALCO.

(b) *Maximum exposure to investment price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (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	-10%	+10%
	\$'000	\$'000	\$'000
2012			
Unit trusts	9 521	(952)	952
SAFA Cash Management Fund	6 583	(658)	658
Total increase (decrease) in profit before tax and equity		(1 610)	1610
2011			
Unit trusts	9 014	(901)	901
SAFA Cash Management Fund	24 944	(2 494)	2 494
Total increase (decrease) in profit before tax and equity		(3 395)	3 395

31.4.4 Breakthrough Loan property price risk(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.12).

- (a) *Risk control and mitigation policies (continued)*
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.

	2012			2011		
	Carrying amount \$'000	-5% \$'000	+5% \$'000	Carrying amount \$'000	-5% \$'000	+5% \$'000
Breakthrough Loan	70 247	(4 021)	4 381	67 716	(4 094)	4 435
Total increase (decrease) in profit before tax equity		(4 021)	4 381		(4 094)	4 435

31.4.5 Current risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

32. Fair value and categorisation of financial instruments

32.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect of each class of financial asset and financial liability are disclosed in note 2.

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	2 781	2 781	3 807	3 807
Investments:				
Fair value through profit or loss	106 469	106 469	101 674	101 674
Held to maturity	12 089	13 071	12 103	12 484
Loans and advances:				
Amortised cost	1 866 809	1 917 777	1 817 393	1 866 171
Other financial assets:				
Financial assets (at cost)	1 044	1 044	884	884
Total financial assets	1 989 192	2 041 142	1 935 861	1 985 020
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	1 812 364	1 803 447	1 760 800	1 771 826
Derivative financial instruments:				
Hedge accounting (fair value through equity)	10 587	10 587	3 189	3 189
Payables:				
Financial liabilities (at cost)	7 401	7 401	8 193	8 193
Income tax equivalents payable:				
Financial liabilities (at cost)	2 174	2 174	3 006	3 006
Provision for dividend:				
Financial liabilities (at cost)	37	37	203	203
Total financial liabilities	1 832 563	1 823 646	1 775 391	1 786 417
Net financial assets	156 629	217 496	160 470	198 603

32.2 Fair value estimation*(a) Derivatives*

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart loans) SAFA bonds.

(c) Investments

The fair value of investments in the Unit Trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) Shared appreciation component of the Breakthrough Loan

Note 2.12 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

	2012	2011
Valuation determined using an automated method (Hometrack Australia)	%	%
	94.9	94.31
Valuation provided by the Valuer-General	4.55	5.57
Other independent valuation used	0.55	0.12

32.3 Hierarchical classification of financial assets measured at fair value

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

- Level 1: quoted prices (un-adjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2012				
Financial assets measured at fair value:				
SFA Cash Management Fund	-	6 583	-	6 583
Term deposits	-	20 118	-	20 118
Unit trusts	-	9 521	-	9 521
Breakthrough Loan	-	-	70 247	70 247
Total financial assets measured at fair value	-	36 222	70 247	106 469

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2012				
Financial liabilities measured at fair value:				
Derivative financial instruments	-	10 587	-	10 587
Total financial liabilities measured at fair value	-	10 587	-	10 587
2011				
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	24 944	-	24 944
Unit trusts	-	9 014	-	9 014
Breakthrough Loan	-	-	67 716	67 716
Total financial assets measured at fair value	-	33 958	67 716	101 674
Financial liabilities measured at fair value:				
Derivative financial instruments	-	3 189	-	3 189
Total financial liabilities measured at fair value	-	3 189	-	3 189

32.4 Reconciliation of Level 3 fair value measurements

	Note	2012 \$'000	2011 \$'000
Fair value at 1 July		67 716	58 281
Breakthrough Loan settlements		10 551	12 134
Breakthrough Loan discharges		(4 417)	(4 048)
Unrealised change in fair value of loans	6,15	(3 603)	1 349
Fair value at 30 June		70 247	67 716

Note 31.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

33. Unrecognised contractual arrangements**33.1 Capital commitments**

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

	2012 \$'000	2011 \$'000
Not later than one year	1 601	-
Later than one year but not later than five years	286	-
Total capital commitments	1 887	-

HomeStart's capital commitments are for the modification, customisation and implementation of a replacement front end loan system.

33.2 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:

	2012 \$'000	2011 \$'000
Not later than one year	-	-
Later than one year but not later than five years	1 357	-
Total software licence commitments	1 357	-

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

33.3 Operating lease commitments*HomeStart as lessee*

HomeStart's operating lease commitments are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in note 15.

33.3 Operating lease commitments (continued)

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2012 \$'000	2011 \$'000
Not later than one year	1 084	850
Later than one year but not later than five years	1 853	2 744
Total operating lease commitments	2 937	3 594

HomeStart as lessor

HomeStart is the lessor of office accommodation. The lease is non-cancellable with a term up to five years with the right of renewal. Rent is receivable monthly in advance.

The total amount of rental income received in the financial year is disclosed within other income in note 6.

Amounts due to HomeStart under a non-cancellable operating lease at the reporting date not recognised as an asset in the financial statements, are receivable as follows:

	2012 \$'000	2011 \$'000
Not later than one year	203	219
Later than one year but not later than five years	-	228
Total operating lease receivables	203	447

33.4 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 2012 and 30 June 2011. 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 salary inflation rate.

33.5 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 \$42.9 million (\$44.1 million). These commitments are expected to be paid in the coming year.

34. Contingent liabilities

HomeStart has no material contingent liabilities as at 30 June 2012.

35. Cash flow reconciliation**35.1 Cash**

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

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

35.2 Reconciliation of profit for the year to net cash provided by (used in) operating activities

	2012 \$'000	2011 \$'000
Profit for the year	10 085	10 865
Loss on sale of fixed assets	2	5
Amortisation of discount or premium on purchase of held-to-maturity financial investments	14	30
Depreciation and amortisation expense	541	641
Unrealised change in fair value of loans	3 603	(1 349)
Unrealised change in market value of investments	(75)	(31)
Accrued interest on fair valued investments	(325)	-
Realised change in market value of investments	(48)	(388)
Reinvestment of managed fund distribution	(1 261)	(1 321)
Reinvestment of interest on fair valued investments	(118)	-
Bad debts written off	2 606	583
Fees applied directly to loan accounts	(5 277)	(5 251)

35.2 Reconciliation of profit for the year to net cash provided by (used in) operating activities (continued)	2012	2011
	\$'000	\$'000
Changes in assets/liabilities:		
Provision for impairment	1 087	301
Deferred loan fee income	(312)	(27)
Deferred loan fee expense	301	58
Fair value adjustment	(131)	(60)
Payables	(792)	1 999
Provision for employee benefits	466	60
Other liabilities	184	142
Unearned interest income	-	471
Income tax equivalents payable	(832)	(8)
Financial and other assets	(77)	(99)
Net cash provided by (used in) operating activities	<u>9 641</u>	<u>6 621</u>

36. Events after balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

Judges' Pensions Scheme

Functional responsibility

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971*.

Functions

The 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 2011-12, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Judges' Pensions Scheme as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised over the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Judges' Pensions Scheme have been conducted properly and in accordance with law.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Revenue		
Employer contributions	5.1	4.9
Investment revenue	4.4	20.4
Total revenue	9.5	25.3
Expenses		
Benefits and other expenses	10.6	19.6
Total expenses	10.6	19.6
Transfer from (to) Consolidated Account	-	(5.9)
Operating result for the period	(1.1)	(0.2)
Net cash provided by (used in) operating activities	(3.1)	(8.7)
Assets		
Investments	182.2	181.4
Other assets	0.2	0.5
Total assets	182.4	181.9
Liabilities		
Liability for accrued benefits	183.6	181.8
Other liabilities	-	0.2
Total liabilities	183.6	182.0
Excess (Deficit) of net assets over liabilities	(1.2)	(0.1)

Operating Statement

The operating result for the year was a deficit of \$1.1 million (deficit of \$236 000). The year's result took into account:

- returns on investments of \$4.4 million (\$20.4 million). Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report
- benefits expenses of \$9.7 million (\$18.5 million).

Statement of Financial Position

As at 30 June 2012, there was a deficit of assets over liabilities of \$1.2 million (deficit of assets over liabilities of \$138 000). The estimated liability for accrued benefits increased by \$1.8 million to \$183.6 million for which assets of \$182.4 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 2012 were \$133.6 million (\$135.1 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:

	2012	2011	2010	2009
Pensioners	58	56	56	55
Pensions paid (\$'000)	8 102	7 677	7 134	6 864

Contributions by employers

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

	2012	2011	2010	2009
Members	49	48	48	45
Contributions received (\$'000)	5 128	4 874	4 584	4 131

Operating Statement for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Revenue:			
Investment revenue		4 417	20 384
Other revenue		6	7
Contribution revenue:			
Contributions by employers		5 128	4 874
Total contribution revenue		<u>5 128</u>	<u>4 874</u>
Total revenue		<u>9 551</u>	<u>25 265</u>
Expenses:			
Direct investment expenses	4	932	1 044
Administration expenses	5	65	53
Benefits expenses	7	9650	18 504
Total expenses		<u>10 647</u>	<u>19 601</u>
Transfer from (to) Consolidated Account	3	-	(5 900)
Operating result for the period		<u>(1 096)</u>	<u>(236)</u>

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Investments:			
Inflation linked securities A		17 191	16 665
Property A		28 373	24 715
Australian equities A		43 737	52 962
International equities A		43 941	44 190
Long-term fixed interest		4 650	4 977
Short-term fixed interest		2 991	3 351
Diversified strategies growth A		10 903	9 898
Diversified strategies income		23 689	17 975
Cash		6 740	6 668
Total current assets		<u>182 215</u>	<u>181 401</u>
Other assets:			
Cash and cash equivalents	11	120	512
Contributions receivable		29	-
Sundry debtors		3	2
		<u>152</u>	<u>514</u>
Total assets		<u>182 367</u>	<u>181 915</u>
Current liabilities:			
Sundry creditors		8	8
Benefits payable		22	270
Total liabilities		<u>30</u>	<u>278</u>
Net assets available to pay benefits	6	182 337	181 637
Liability for accrued benefits	7	(183 571)	(181 775)
Excess (Deficit) of net assets over liabilities		<u>(1 234)</u>	<u>(138)</u>

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities:	Note	\$'000	\$'000
Contributions by employers		5 099	4 875
Bank interest received		6	7
Transfer to (from) Consolidated Account		-	(5 900)
Benefit payments		(8 102)	(7 677)
Administration expenses		(65)	(53)
Net cash provided by (used in) operating activities	10	(3 062)	(8 748)
Cash flows from investing activities:			
Receipts from Funds SA		7 770	13 430
Payments to Funds SA		(5 100)	(4 630)
Net cash provided by (used in) investing activities		2 670	8 800
Net increase (decrease) in cash and cash equivalents held		(392)	52
Cash and cash equivalents at 1 July		512	460
Cash and cash equivalents at 30 June	11	120	512

Notes to and forming part of the financial statements

1. Objectives and funding

(a) *Judges' Pensions Scheme (the Scheme)*

The Judges' Pensions 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 established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in this financial report are related to the investment activities of Funds SA (an SA Government entity).

(c) *Funding arrangements*

Under 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 \$5.1 million (\$4.9 million) being credited during the year ended 30 June 2012.

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 provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25.

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).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two subsectors:

- *Listed property trusts*

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

- (v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.
- (vi) *Diversified strategies growth A*
The diversified strategies growth A portfolio comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (vii) *Diversified strategies income*
The diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (viii) *Cash*
The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.
- (ix) *Socially responsible investment*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) **Taxation**

The Scheme is constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(d) **GST**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(e) **Revenue**

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

(f) **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 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

An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2012 has been undertaken and compared with the estimated employer assets invested as at 30 June 2012. As a result, there was no transfer to or from the Consolidated Account (transfer to the Consolidated Account \$5.9 million).

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investments with the relevant investment managers.

5. Administration expenses	2012	2011
	\$'000	\$'000
Administration expenses	57	45
Auditor's remuneration	8	8
	<u>65</u>	<u>53</u>

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 \$7810 (\$7700). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits	2012	2011
	\$'000	\$'000
Funds held at 1 July	<u>181 637</u>	<u>171 075</u>
Contributions	5 128	4 874
Investment revenue	4 417	20 384
Interest income	6	7
	<u>9 551</u>	<u>25 265</u>
Benefits paid	(7 854)	(7 706)
Direct investment expenses	(932)	(1 044)
Administration expenses	(65)	(53)
Transfers to Consolidated Account	-	(5 900)
	<u>(8 851)</u>	<u>(14 703)</u>
Funds held at 30 June	<u>182 337</u>	<u>181 637</u>

7. Liability for accrued benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2010 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5% per annum above the Adelaide CPI have been assumed. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5% per annum above the CPI.

The accrued superannuation liability as determined by the State Superannuation Office of DTF is estimated at \$183.6 million (\$181.8 million) as at 30 June 2012.

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

	2012	2011
	\$'000	\$'000
Liability for accrued benefits at 1 July	181 775	170 977
Benefits expenses ⁽ⁱ⁾	9 650	18 504
Benefits paid/payable	(7 854)	(7 706)
Liabilities for accrued benefits at 30 June	<u>183 571</u>	<u>181 775</u>

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

8. Vested benefits

Vested benefits	<u>133 600</u>	<u>135 100</u>
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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 2012 is estimated at \$133.6 million (\$135.1 million).

9. Benefit entitlements

The entitlements of members are specified by the Act.

10. Reconciliation of operating result to net cash provided by (used in) operating activities	2012	2011
	\$'000	\$'000
Operating result	(1 096)	(236)
Benefits expense	9 650	18 504
Benefits paid/payable	(7 854)	(7 706)
Investment revenue	(4 417)	(20 384)
Direct investment expenses	932	1 044
Sundry debtors	(1)	-
Contributions receivable	(29)	-
Sundry creditors	1	1
Benefits payable	(248)	29
Net cash provided by (used in) operating activities	<u>(3 062)</u>	<u>(8 748)</u>

11. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2012	2011
	\$'000	\$'000
Cash and deposits at Treasury	<u>120</u>	<u>512</u>

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

(i) Currency risk (continued)

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 42.5% 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.

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
2012			
Growth	Nominal standard deviation	10.3	<u>18 768</u>
Total			<u>18 768</u>
2011			
Growth	Nominal standard deviation	11.1	<u>20 135</u>
Total			<u>20 135</u>

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.

(iv) Sensitivity analysis (continued)

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.
- 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 \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
2012			
Benefits payable	22	22	22
Sundry creditors	8	8	8
Vested benefits ⁽ⁱ⁾	133 600	133 600	133 600
Total	133 630	133 630	133 630
2011			
Benefits payable	270	270	270
Sundry creditors	8	8	8
Vested benefits ⁽ⁱ⁾	135 100	135 100	135 100
Total	135 378	135 378	135 378

- ⁽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

(d) Fair value (continued)

- 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 2
 (Level 1 and Level 3 are not relevant to the Scheme) \$'000

2012

Unlisted managed investments schemes:

Funds SA	182 215
	182 215

2011

Unlisted managed investments schemes:

Funds SA	181 401
	181 401

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

Land Management Corporation

Functional responsibility

Establishment

The Land Management Corporation (the Corporation) was a subsidiary corporation of the Minister for Transport and Infrastructure established pursuant to the provisions of the PCA. Its governing body was a Board whose members were appointed by the Minister.

Dissolution of the Corporation

The Corporation was dissolved on 1 March 2012 under the Public Corporations (Land Management Corporation) (Dissolution and Revocation) Regulations 2012. The assets, rights and liabilities of the Corporation immediately before its dissolution were vested in and attached to the Urban Renewal Authority (URA). The transfer of all of the Corporation's employees to the URA was effected through the gazettal on 1 March 2012 of the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 which came into operation on 1 March 2012.

Accordingly, the financial statements report the eight month period to 29 February 2012.

Functions

The regulations establishing the Corporation provided for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation was required to ensure the orderly development of land. For more information about the Corporation'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 clause 13(3) of the Schedule to the PCA require the Auditor-General to audit the accounts and financial report of the Corporation.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Corporation 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 2011-12, areas of review included:

- expenditure
- inventory
- land sales
- payroll
- property income
- revenue, receipting and banking
- cash
- general ledger
- procurement

Internal audit activities and reports were also reviewed.

As detailed above in ‘Dissolution of the Corporation’, the functions and employees of the Corporation were transferred to the URA on 1 March 2012. Notwithstanding this transfer, the underlying financial systems and processes of the former Corporation remained largely unchanged within the URA. Consequently, the assessment of internal controls over these systems covered the periods with the Corporation and the URA.

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 Land Management Corporation as at 29 February 2012, its financial performance and its cash flows for the period 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

The audit was conducted after the transfer of the Corporation’s functions and employees to the URA on 1 March 2012. Internal control matters identified during the audit were communicated to the URA.

As a result of matters that have arisen during the course of the URA audit, the audited financial report of the URA for the period ended 30 June 2012 will be included in a Supplementary Report to Parliament.

Accordingly, my opinion on internal controls and commentary on matters formally reported in relation to the Corporation and the URA, will be included under ‘Urban Renewal Authority’ in a Supplementary Report to Parliament.

Statement of Comprehensive Income for the period ended 29 February 2012

	Note	01.07.11 to 29.02.12 \$'000	2011 \$'000
Income:			
Revenue from sales	4	21 178	90 041
Cost of sales	4	(5 629)	(40 935)
Gross profit		15 549	49 106
Revenue from development fees		-	7 500
Share of net profits of joint venture entities	5.1	2 957	2 786
Revenues from government	6	830	890
Interest revenues	7	2 580	4 026
Property income	8	8 732	14 922
Other revenues	9	720	1 636
Gain resulting from changes in fair value of investment properties	2.13,22	580	-
Total other income		16 399	31 760
Total income		31 948	80 866
Expenses:			
Employee benefits expenses	11	7 879	10 251
Operating expenditure	14	29 986	42 569
Borrowing costs	15	10 581	12 792
Depreciation and amortisation	23	298	206
Loss resulting from changes in fair value of investment properties	22	-	4 062
Net loss from the disposal of non-current assets and investments	10	-	2
Total expenses		48 744	69 882
Profit (Loss) before income tax equivalent		(16 796)	10 984
Income tax equivalents expense	17	521	3 295
Profit (Loss) after income tax equivalent		(17 317)	7 689
Total comprehensive result		(17 317)	7 689

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position as at 29 February 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	36	7 707	13 836
Mortgage debtor receivables	19	7 918	7 833
Receivables	20	2 132	5 693
Inventories	21	55 922	75 274
Investment in joint ventures	5.1	1 980	4 493
Total current assets		75 659	107 129
Non-current assets:			
Mortgage debtor receivables	19	33 214	38 479
Receivables	20	3 556	-
Inventories	21	211 866	174 842
Investment property	22	73 249	72 555
Property, plant and equipment	23	3 429	3 667
Work in progress	24	936	5
Investment in joint ventures	5.1	5 855	6 239
Total non-current assets		332 105	295 787
Total assets		407 764	402 916
Current liabilities:			
Payables	25	13 717	21 138
Unearned income	28	9 656	2 020
Tax liabilities	27	-	751
Borrowings	26	121 770	78 064
Provisions	29	17 627	13 269
Employee benefits	30	738	682
Total current liabilities		163 508	115 924
Non-current liabilities:			
Payables	25	163	85
Unearned income	28	11 048	12 027
Borrowings	26	110 714	135 263
Employee benefits	30	1 761	1 310
Other non-current liabilities	31	2 101	2 521
Total non-current liabilities		125 787	151 206
Total liabilities		289 295	267 130
Net assets		118 469	135 786
Equity:			
Contributed capital		35 000	35 000
Retained earnings		83 469	100 786
Total equity		118 469	135 786

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments - operating leases	32
Unrecognised contractual commitments - capital expenditure	33
Contingent assets and liabilities	34

**Statement of Changes in Equity
for the period ended 29 February 2012**

	Contributed capital	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2010	35 000	105 854	140 854
Profit after income tax equivalent for 2010-11	-	7 689	7 689
Total comprehensive result for 2010-11	-	7 689	7 689
Dividend paid	-	(12 757)	(12 757)
Balance at 30 June 2011	35 000	100 786	135 786
Profit after income tax equivalent for 2011-12	-	(17 317)	(17 317)
Total comprehensive result for 2011-12	-	(17 317)	(17 317)
Dividend paid	-	-	-
Balance at 29 February 2012	35 000	83 469	118 469

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

Statement of Cash Flows for the period ended 29 February 2012

		01.07.11 to 29.02.12	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from sales		21 178	73 998
Receipts from sales in advance		7 942	-
Revenue from development fees		-	7 500
Receipts from SA Government		830	890
Interest received		458	452
Receipts from mortgage debtors (principal and interest)		7 314	10 667
Receipts from tenants (rent and recoveries)		6 765	12 604
Recoveries and sundry receipts		1 292	14 357
Funds held in trust		108	2 771
GST recovered from ATO		6 656	10 117
Receipts from Paid Parental Leave Scheme		7	-
Cash generated from operations		<u>52 550</u>	<u>133 356</u>
Cash outflows:			
GST paid to ATO		(6 444)	(14 544)
Payments to Paid Parental Leave Scheme		(5)	-
Payments for land purchase and development		(24 732)	(33 606)
Payments for work in progress		(633)	-
Employee benefit payments		(7 150)	(10 353)
Payments for funds held in trust		(528)	-
Payments for supplies and services		(22 597)	(29 811)
Land tax paid		(11 112)	(25 869)
Interest paid		(8 744)	(13 019)
Income tax equivalent paid	17	(1 273)	(11 261)
Cash used in operations		<u>(83 218)</u>	<u>(138 463)</u>
Net cash provided by (used in) operating activities	35	<u>(30 668)</u>	<u>(5 107)</u>
Cash flows from investing activities:			
Cash inflows:			
Capital repayments by joint ventures		1 362	1 129
Distributions of profit by joint ventures		4 492	621
Proceeds from the sale of property, plant and equipment		-	1
Cash generated from investing activities		<u>5 854</u>	<u>1 751</u>
Cash outflows:			
Capital contributions to joint ventures	5.1	-	(1 250)
Purchase of property, plant and equipment and investment property		(174)	(3 035)
Payments for work in progress (rental properties)		(298)	(5)
Cash used in investing activities		<u>(472)</u>	<u>(4 290)</u>
Net cash provided by (used in) investing activities		<u>5 382</u>	<u>(2 539)</u>
Cash flows from financing activities:			
Cash inflows:			
Proceeds from borrowings		25 000	49 000
Cash generated from financing activities		<u>25 000</u>	<u>49 000</u>
Cash outflows:			
Repayment of borrowings		(5 843)	(35 904)
Dividend paid to SA Government	18	-	(12 757)
Cash used in financing activities		<u>(5 843)</u>	<u>(48 661)</u>
Net cash provided by (used in) financing activities		<u>19 157</u>	<u>339</u>
Net increase (decrease) in cash held		<u>(6 129)</u>	<u>(7 307)</u>
Cash and cash equivalents at 1 July		<u>13 836</u>	<u>21 143</u>
Cash and cash equivalents at 29 February	36	<u>7 707</u>	<u>13 836</u>

Notes to and forming part of the financial statements

1. Objectives of the Land Management Corporation (the Corporation)

The Corporation was established on 24 December 1997 as a subsidiary corporation of the Minister for Infrastructure (the Minister) pursuant to the PCA. The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of eight members appointed by the Minister (refer note 12.1).

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the PCA:

- (aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme.
- (a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown.
- (b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
 - (i) managing the release of large areas of undeveloped (or underdeveloped) land
 - (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes
 - (iii) ensuring the orderly development of areas through the management and release of land, as appropriate.
- (c) To manage the Crown's interest in various joint ventures and land development projects identified by the Minister for the purpose of this regulation.
- (d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park.
- (e) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown.
- (f) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other approved government policy outcomes.
- (g) To carry out other functions conferred on the Corporation by the Minister.

The various functions and operations of the Corporation as described above are largely performed within the Adelaide urban growth boundary.

Transfer to Urban Renewal Authority

Pursuant to the Public Corporation's (Land Management Corporation) (Dissolution and Revocation) Regulation 2012, on 1 March 2012, the Corporation was dissolved and the Corporation's assets, rights and liabilities immediately before its dissolution were vested in and attached to the Urban Renewal Authority (established by the Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulation 2012 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*). In addition to the Corporation's functions, the functions of the Urban Renewal Authority also include certain specified urban renewal and development functions of the South Australian Housing Trust and the industrial land development functions of Defence SA.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ended 29 February 2012. The Corporation 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 Corporation.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes

2.2 *Basis of preparation (continued)*

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, 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 Corporation to those employees.

The Corporation'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 an eight month period due to the Corporation's dissolution and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 29 February 2012 and the comparative information presented.

2.3 *Comparative information and rounding*

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.

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

2.4 *Taxation*

In accordance with TI 22, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State taxation equivalent regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period (refer note 27).

The Corporation is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on the 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.

2.4 Taxation (continued)

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

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

2.5 Events after the end of the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event arose after 29 February 2012 and before the financial statements are authorised for issue, where those events provided information about conditions that existed at 29 February 2012.

Note disclosure is made about events between 29 February 2012 and the date the financial statements are authorised for issue where the events relate to a condition which occurred after 29 February 2012 and which may have a material impact on the results of subsequent years (refer note 38).

2.6 Income and expenses

Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Corporation 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:

Revenues from sales

(i) Inventories - land held for resale

Sales revenue in respect of land made available to the Mawson Lakes and Northgate joint ventures is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the respective joint venture agreements.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

(ii) Work in progress - construction projects held for resale

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost.

(iii) Revenue from land swap

Sales revenue under a land swap arrangement is recognised when settlement occurs and legal title transfers from the Corporation to the purchaser. There is also a corresponding cost of sales recognised in the Corporation's Statement of Comprehensive Income.

Revenue from development fees

Development fee revenue is recognised when the right to develop parcels of land is transferred to the developer and the right to receive payment is established and it is expected that additional revenue will be realised from the subsequent sales of the allotments.

Property income

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

Interest income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Joint venture income

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

Revenues from the SA Government

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

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

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

Other contributions

All contributions from non-government entities are recognised as income when the Corporation obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

Net gain from disposal of non-current assets and investments

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

Other revenues

Other income is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned (refer note 9).

Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Corporation 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 expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to superannuation plans in respect of services provided by staff employed by the Corporation during the reporting period. DTF centrally recognises the superannuation liability in the whole-of-government financial statements for contributions to State Government superannuation schemes.

Supplies and services

Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred.

Cost of sales

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of inventory sold during the reporting period. The carrying amount of any inventory held for sale is expensed as a cost of sale when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs (refer note 3.2).

Project expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Depreciation and amortisation

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

Investment properties are not depreciated (refer note 2.13).

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

<i>Class of asset</i>	<i>Years</i>
Leasehold improvements	Life of lease
Plant and equipment	5-10
Furniture and fittings	5-10
Computer equipment	5

Borrowing costs

Borrowing costs include interest expense, guarantee fees and indemnity margin.

In accordance with APF III and AASB 123, borrowing costs attributable to the construction of a qualifying asset are capitalised. All other borrowing costs are expensed when incurred.

Payments to SA Government

Payments to the SA Government include income tax equivalents and dividends.

2.7 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Corporation 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 asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.8 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 realised within 12 months and more than 12 months, the Corporation 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.

2.9 Cash and cash equivalents

Cash assets in the Statement of Financial Position includes cash at bank, cash on hand, cash held in trust accounts 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 equivalents consists of cash and cash equivalents as defined above.

Cash is measured at nominal value.

2.10 Receivables

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

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

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

2.11 Mortgage debtor receivables

Mortgage debtor receivables include amounts receivable from deferred purchase arrangements, measured at historical cost.

Mortgage debtor receivables arise from the administering of deferred purchase agreements to the public and other government agencies. Mortgage debtor receivables are generally receivable as specified in the original contract payment schedule.

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

2.12 Inventories

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

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

The following are specific recognition criteria:

(i) Land held for resale

Land held for resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected net cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes.

For the year ended 30 June 2009 the Corporation obtained an independent valuation of its entire inventory of land (with the exception of land quarantined for the Mawson Lakes and Northgate joint ventures and Port Adelaide Waterfront Redevelopment (PAWR) Precinct 3) which resulted in certain land holdings being written down to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer note 21). The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market.

(i) *Land held for resale (continued)*

The valuation as at 30 June 2009 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time a land parcel is sold. The valuation was provided by a panel of independent qualified valuers.

2.13 *Investment property*

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Corporation. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the Statement of Comprehensive Income in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used. As this period ends on 29 February 2012, fair value has been determined based on an internal estimate of the investment properties as at 29 February 2012, including both market indicators and fluctuations in the independent valuations between June 2011 and June 2012.

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

2.14 *Acquisition and recognition of non-current assets*

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.

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

Assets' residual values, useful lives and depreciation 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.

Land and investment properties are not depreciated.

2.15 *Interests in joint venture entities*

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as 'investment in joint venture entities'. The Corporation's share of net profit from joint venture entities is included as revenue in the Statement of Comprehensive Income as 'share of net profits of joint venture entities'. Details of the Corporation's interests in joint venture entities are shown in note 5.

2.16 Work in progress*(i) Deposits received*

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Premises SA Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

(ii) Operational projects in progress

Expenditure associated with the construction of projects held for operational purposes is capitalised as work in progress as incurred (refer note 24). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to property, plant and equipment.

2.17 Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. If there is an indication of impairment, the asset's carrying value is compared to its recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Statement of Comprehensive Income. Refer to note disclosures on inventories, financial assets and investment properties for further information in relation to these specific assets.

2.18 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 Corporation 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.

2.19 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 Corporation.

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 Corporation has received from the Commonwealth Government to forward onto eligible employees via the Corporation's standard payroll processes. That is, the Corporation is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

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

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

2.20 Borrowings/Financial liabilities

The Corporation measures financial liabilities including borrowings/debt at historical cost.

2.21 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Corporation 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 Corporation as lessor

The Corporation has not entered into any finance leases as lessor.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

The Corporation as lessee

The Corporation has not entered into any finance leases as lessee.

Operating leases are recognised as an expense in the income statement 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.

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

2.22 Employee benefits

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

Wages, salaries, annual leave and sick leave

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

LSL

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

The portion of the LSL liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during the Corporation's normal operating cycle.

Employee benefit on-costs

Employee benefit on-costs (payroll tax, WorkCoverSA, superannuation) are recognised separately under payables.

2.23 Provisions

Provisions are recognised when the Corporation has a present obligation as a result of a past event, it is probable that an outflow of resources to settle the obligation will occur and a reliable estimate of the amount of the obligation can be made. 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.

2.24 Guarantees and indemnities

The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Premises SA Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.25 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value (refer notes 32 and 33).

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 34).

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.

2.26 Insurance

The Corporation has arranged to insure all major risks of the authority through SAICORP. The excess payable under this arrangement varies depending on each class of insurance held.

2.27 Financial risk management

The Corporation is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk (refer note 37).

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

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at Treasury and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

The Corporation's exposure to foreign exchange risk and cash flow interest risk is minimal. The Corporation is exposed to price risk for changes in interest rates that relate to long-term debt obligations and investments classified either as available for sale or fair value.

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

3. Material transactions**3.1 Discretionary termination of the PAWR Project Agreement (the Agreement)**

On 31 October 2011, the Corporation exercised its discretionary termination right to end the Agreement. The Newport Quays Consortium (NQC) has disputed the Corporation's entitlement to do so and brought Supreme Court proceedings to obtain relevant documents from the Corporation and other SA Government bodies for the purpose of possible future proceedings seeking losses in respect of the termination of the Agreement by the Corporation. The Supreme Court has ordered the disclosure of certain documents to NQC but considerably less than what NQC were seeking. Documents have been provided to NQC in accordance with the Supreme Court order.

3.2 Land sale - provision for future development obligations

An amount has been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale. Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. During 2007-08 the Corporation sold 52.56 hectares of englobo land north of Petherton Road, Andrews Farm by way of open tender which set out certain obligations on both the Corporation and the successful tenderer. As a result the Corporation has recognised a provision for development expenditure of \$4.46 million (\$4.719 million). The Corporation also recognised a provision for the allotments sold at Lochiel Park and Playford Alive.

4. Sales revenue and cost of sales

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes and Northgate.

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Sales revenue for the reporting period is summarised as follows:		
Land sales to:		
Joint ventures	8 766	11 043
Entities within the SA Government	2 232	3 881
Other	10 180	75 117
Total sales revenue	<u>21 178</u>	<u>90 041</u>

Cost of sales comprise all direct costs of acquisition, planning, development and construction in respect of inventory sold during the reporting period.

Cost of sales for the reporting period is summarised as follows:

Cost of sales associated with:		
Joint ventures	298	608
Entities within the SA Government	1 644	2 233
Other	3 687	38 094
Total cost of sales	<u>5 629</u>	<u>40 935</u>

5. Joint venture entities

5.1 Joint venture summary

The Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, is as follows:

Revenues	6 363	17 660
Expenses	(3 406)	(14 874)
Profit from ordinary activities	<u>2 957</u>	<u>2 786</u>

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital contributions and acquisition of additional interest:

Balance at 1 July	1 362	1 241
Contributions during the reporting period	-	1 250
Repayments during the reporting period	(1 362)	(1 129)
Balance at 29 February 2012 (30 June 2011)	<u>-</u>	<u>1 362</u>

Share of accumulated profits:

Balance at 1 July	9 370	7 205
Profit for the reporting period	2 957	2 786
Distribution of profit to the Corporation during the reporting period	(4 492)	(621)
Balance at 29 February 2012 (30 June 2011)	<u>7 835</u>	<u>9 370</u>
Total carrying amount of investment in joint venture entities	<u>7 835</u>	<u>10 732</u>

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

Current assets:

Cash	2 264	4 839
Receivables	513	1 319
Inventories	9 614	7 625
Non-interest bearing financial assets	197	197
Deferred tax asset	157	157
Prepayments	-	-
	<u>12 745</u>	<u>14 137</u>

Non-current assets:

Inventories	53	356
Property, plant and equipment	84	117
	<u>137</u>	<u>473</u>
Total assets	<u>12 882</u>	<u>14 610</u>

5.1 Joint venture summary (continued)

	01.07.11 to 29.02.12	2011
Current liabilities:	\$'000	\$'000
Creditors and other payables	751	3 582
Non-interest bearing liabilities	4 232	232
Tax liabilities	64	64
	<hr/>	<hr/>
Total liabilities	5 047	3 878
Net assets	<hr/>	<hr/>
	7 835	10 732
The net assets are split as follows:		
Current	1 980	4 493
Non-current	5 855	6 239
	<hr/>	<hr/>

5.2 Northgate Stage 3 joint venture

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of CIC Australia Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. On 19 November 2010 documentation was executed with the same partner, to extend the Lightsview joint venture over the Corporation's adjoining Precinct 2 land parcel.

The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The 85.6 hectare project is forecast to deliver in the order of 1650 allotments and 2200 dwellings and is required to achieve a number of paramount development objectives established by the Government, including the provision of a wide diversity of housing allotments and 15% of sites for high-needs and affordable housing. The Corporation has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development and receive progressive land payments as development proceeds. Any future profits or losses flowing from the joint venture will accrue to the Urban Renewal Authority.

5.3 Mawson Lakes Economic Development project

On 10 July 1997 Joint Venture Agreements were executed with Delfin Property Group Limited (now Lend Lease Communities Australia Limited), Lend Lease Corporation Limited and associated subsidiary companies to commence the Mawson Lakes Economic Project at The Levels. This project comprises residential, retail and industrial land to be developed over a 15 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

The Corporation has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project.

The joint venture terminated on 30 June 2011. A Project Completion Arrangements Deed is now in effect. This deed covers the sale of the remaining residential and commercial lots unsold at June 2011 and the completion of some remaining works. The lots continue to be marketed but are proving difficult to sell in the current market and at 29 February 2012 seven residential and five commercial/mixed use remain available for sale. Final works obligations are expected to be complete by June 2013. Any future profits or losses flowing from these activities will accrue to the Urban Renewal Authority.

5.4 SOHO joint venture

The Corporation has an interest in a joint venture with Holcon Australia Pty Ltd. This involves the environmentally sustainable, mixed use development of a parcel of lakefront land in Technology Park. The project was originally intended to create 13 waterfront SOHO (small office home office) homes and 10 commercial offices over six stages with an anticipated timeframe of approximately three years. Under the terms of the joint venture agreement, the Corporation provides the land for development and receives progressive land payments as development proceeds, together with a 35% share of profit or loss on Stage 2 and a 60% share of profit or loss on Stages 3 to 7.

The joint venture was wound up at 29 February 2012 resulting in an \$104 000 receivable to the Corporation. Final administrative activities are expected to be concluded by June 2012.

5.5 PAWR Marina joint venture (the joint venture)

The Corporation has a 50% interest in a joint venture with NQC, the former developers of the PAWR. The NQC comprises developers Urban Construct Pty Limited and Brookfield Multiplex Developments Australia Pty Limited. The joint venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10-13 years.

5.5 PAWR Marina joint venture (the joint venture) (continued)

Marina berths are being offered under leasehold arrangements, with the Corporation retaining ownership of the inner harbour (subjacent land). The Corporation will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. The Corporation will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

The joint venture has total assets of \$1.9 million including \$685 000 of cash and total liabilities of \$1.5 million resulting in net assets of \$351 000. This has been accounted for within the Corporation's accounts in accordance with the equity method of accounting.

Each head lease agreement between the Corporation and the marina companies includes a clause which allows the Corporation to recover all rates and taxes it has incurred in respect of the Marina land from the joint venture. The Corporation has paid the land tax liabilities for the joint venture for land taxes accrued and in accordance with the agreement has sought to recover these. The total value of these receivables unpaid as at 29 February 2012 is \$28 000 excluding GST and have been recognised as a liability in the joint venture accounts. The valuations used by the Valuer-General in the calculation of the land tax are currently being disputed by the joint venture with new valuations being sought. Given this dispute a total of \$28 000 relating to these receivables has been included in the Corporation's doubtful debts.

The joint venture agreement has not terminated by virtue of the termination of the Project Development Agreement with the NQC announced on 31 October 2011. The Corporation is having discussion with the other joint venturer concerning the future operation of the joint venture.

6. Revenues from government

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Recurrent transfer received from DTF, administered items	770	890
Grant from other government agencies	60	-
Total revenues from government	830	890

7. Interest revenues

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue for the reporting period is summarised as follows:

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Interest received/receivable from entities within the SA Government:		
Interest from operations	333	515
Interest received/receivable from entities external to the SA Government:		
Mortgage debtor interest	1 967	3 501
Interest from operations	280	10
Total interest revenues	2 580	4 026

8. Property income

Property income includes rent and recoveries from leased properties. Property income for the reporting period is summarised as follows:

Property income received/receivable from entities within the SA Government	704	310
Property income received/receivable from entities external to the SA Government	8 028	14 612
Total property income	8 732	14 922

9. Other revenues

Other revenues includes recoveries and sundry income. Other revenues for the reporting period is summarised as follows:

Other revenues received/receivable from entities within the SA Government	532	1 210
Other revenues received/receivable from entities external to the SA Government	188	426
Total other revenues	720	1 636

10. Net gain (loss) from the disposal of non-current assets and investments

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	-	1
Net book value of assets disposed	-	(3)
Net gain (loss) from disposal of assets	-	(2)
Other investments:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	-
Net gain (loss) on sale of other investments	-	-
Net gain (loss) on disposal of non-current assets and investments	-	(2)

11. Employee benefits expenses

Salaries and wages	6 014	8 319
LSL	464	(66)
Annual leave	(127)	(6)
Employment on-costs - superannuation	898	1 245
Employment on-costs - other	415	551
Board fees	105	157
Other employee related expenses	110	51
Total employee benefit expenses	7 879	10 251

No employees were paid TVSPs during the reporting period.

Remuneration of employees

	01.07.11 to 29.02.12	2011
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$130 700 - \$140 699	2	4
\$140 700 - \$150 699	1	7
\$160 700 - \$170 699	-	1
\$170 700 - \$180 699	1	-
\$180 700 - \$190 699	-	1
\$190 700 - \$200 699	-	2
\$210 700 - \$220 699	-	2
\$230 700 - \$240 699	1	-
\$240 700 - \$250 699	-	1
\$320 700 - \$330 699	-	1
Total	5	19

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Total income received or due and receivable by the above employees for the period they held office was \$832 000 (\$3.27 million).

The number of employees at the reporting date was 97.8 (93.8).

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:

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Within one year	9 770	8 706
Later than one year but not longer than five years	9 544	10 215
	19 314	18 921

12. Key management personnel

12.1 Board members

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

M J Terlet, AO, Chairman	L C Hart*
J M Carr* (retired from the board on 30 January 2012)	A Maddern
B M Deed	T S Maras
D W Gray	J A Westacott

12.2 Other key management personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the current and previous financial years:

W Gibbings	Chief Executive
M J Buchan	Chief Financial and Operating Officer
W Smith	Executive Director, Corporate Affairs and Strategy
M Young	Executive Director, People and Organisational Development
J S Blaess	General Manager - Projects
A E Rix	General Manager - Projects
W J Stuart	General Manager - Projects

12.3 Key management personnel compensation

Key management personnel compensation for the years ended 29 February 2012 and 30 June 2011 are set out below.

The key management personnel are the governing board members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of the Corporation.

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Short-term employee benefits	1 190	1 414
Total employee benefits	<u>1 190</u>	<u>1 414</u>

12.4 Remuneration of governing board members

	01.07.11 to 29.02.12	2011
	Number	Number
The number of governing board members whose remuneration received or receivable falls within the following bands:		
\$nil	2	3
\$10 000 - \$19 999	-	1
\$20 000 - \$29 999	5	-
\$30 000 - \$39 999	1	4
\$60 000 - \$69 999	-	1
Total	<u>8</u>	<u>9</u>

Income received or due and receivable by all governing board members for the period they held office was \$104 683 (\$157 225) plus \$41 306 (\$60 300) superannuation.

The number of board members who held office at 29 February 2012 was 7 (8).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for governing board duties during the financial year (refer note 12.1).

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.

13. Related party disclosures

Directors

Details of the Directors of the Corporation appointed in accordance with the Regulations under the PCA are set out in note 12.

Directors (continued)

During the period of their appointment to the Corporation the Directors disclosed the following:

Mr M J Terlet, AO was Chairman of United Water International until 16 December 2011, the ACHA Health Group and the International Centre of Excellence in Water Research Management and Operation Flinders. He was State Chairman of the Australian British Chamber of Commerce. He was Director and Chairman of Tidswell Financial Services Ltd. He was a director of E & A Limited. He was a board member of Business SA. He was Co-Chairman of the SA Business and Parliamentary Trust. He was a director of the Australian Government Centre for Plant Functional Genomics.

Ms J M Carr was Executive Director, Building Management, Department of Planning, Transport and Infrastructure and a board member of the State Procurement Board and Chair of the South Australian Heritage Council. She retired from the Corporation's Board on 30 January 2012.

Ms B M Deed was a board member of the Hutt Street Centre.

Mr D W Gray was Director of Platinum Group Pty Ltd and David Gray Pty Ltd, and Managing Director of GKO Management Pty Ltd. He was a board member of Legacy Club of Adelaide Inc, St Johns Youth Services Inc and Safer Communities Australia Inc.

Ms L Hart was Executive Director, Government Enterprises and Market Projects, DTF, a director of Generation Lessor Corporation, Distribution Lessor Corporation and Transmission Lessor Corporation, director and chair of RESI Corporation, and Director and Deputy Chairman of the South Australian Asset Management Corporation.

Ms A Maddern was a full-time employee of BHP Billiton Limited.

Mr T S Maras AM was owner/director of the Maras Group and Director of Mancorp Group. He was Chairman and Director of Common Ground, member of the South Australian Affordable Housing Trust Board, Chairman of the Unley Business and Economic Development Committee, Chairman of the University of Adelaide Heritage Foundation Trust, Chairman of the Rundle Mall Management Authority, Chairman of the Australian Centre for Child Protection, President of the Federation of Greek Orthodox Communities of Australia, member of Ridleyton Greek Home for the Aged, member of the Helpmann Academy, member of the Norwood Economic Development Board, member of the State Library of South Australia Foundation Board and member of the Foundation for Modern Greek.

Ms J A Westacott was Chief Executive of the Business Council of Australia.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no directors have a pecuniary interest, either direct or indirect, in any firm, trust or comp any with which the Corporation had entered into a transaction during the period 1 July 2011 to 29 February 2012.

14. Operating expenditure	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Expenditure on supplies and services provided by entities external to the SA Government:		
Property expenditure	5 049	7 434
Contractors and consultants	1 296	4 952
Accommodation costs	111	324
Administration and other expenditure	10 205	5 235
Total supplies and service expenditure - non-SA Government entities	16 661	17 945
Expenditure on supplies and services provided by entities within the SA Government:		
Property expenditure	712	1 863
Land tax	11 319	20 790
Contractors and consultants	6	161
Accommodation costs	362	638
Administration and other expenditure	926	1 172
Total supplies and services expenditure - SA Government entities	13 325	24 624
Total operating expenditure	29 986	42 569

14.1 External consultants

The number and dollar amount of external consultancies paid/payable included in the Statement of Comprehensive Income that fell within the following bands:

	01.07.11 to 29.02.12		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	43	106	37	168
Between \$10 000 and \$50 000	18	301	29	604
Above \$50 000	2	290	14	2 898
Total recognised in the Statement of Comprehensive Income	63	697	80	3 670

15. Borrowing costs

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Services provided by entities within the SA Government:		
Borrowing costs:		
Industrial and Commercial Premises Scheme loans	3 252	5 271
Other loans	3 621	4 356
Overdraft	1 815	1 290
Guarantee fees:		
Industrial and Commercial Premises Scheme loans	251	323
Other loans	1 064	1 144
Overdraft	560	408
Early loan repayment penalty	18	-
Total borrowing costs	10 581	12 792

16. Auditor's remuneration

Audit fees paid or payable to the Auditor-General's Department relating to the audit of the financial statements	134	134
2009-10 under-accrual	-	8
2010-11 under-accrual	16	-
Total auditor's remuneration	150	142

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

17. Income tax equivalent

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30%) be applied to the profit for the reporting period. The Corporation made a financial loss during the current reporting period. The income tax equivalent paid in the previous reporting period was \$3.295 million. An additional \$521 000 was paid to the Treasurer as a result of the difference between budgeted income tax equivalent and the final audited income tax equivalent amount for the last reporting period.

	Note	01.07.11 to 29.02.12 \$'000	2011 \$'000
Income tax equivalent paid in respect of the profit for the previous reporting period		521	2 544
Provision for income tax equivalent in respect of the profit for the reporting period	27	-	751
Total income tax equivalent expense per the Statement of Comprehensive Income		521	3 295

The total income tax equivalent paid during the reporting period was as follows:

Income tax equivalent paid in respect of the profit for the reporting period	-	2 544
Balance of income tax equivalent paid in respect of the previous reporting period	1 273	8 717
Total income tax equivalent paid per Statement of Cash Flows	1 273	11 261

18. Dividends paid to the SA Government

Pursuant to Regulations under the PCA, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that there is no dividend payable in respect of the reporting period (\$12.757 million).

19. Mortgage debtor receivables

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Current:		
Mortgage debtor receivables	7 918	7 833
	<u>7 918</u>	<u>7 833</u>
Non-current:		
Mortgage debtor receivables	33 214	38 479
	<u>33 214</u>	<u>38 479</u>
Total mortgage debtor receivables	<u>41 132</u>	<u>46 312</u>

(a) Maturity analysis of financial assets and liabilities - refer note 37.4.

(b) Categorisation of financial instruments and risk exposure information - refer note 37.1.

20. Receivables

Current:		
Trade and other debtors ^(a)	2 599	2 337
Allowance for doubtful debts	(551)	(292)
Marina Adelaide	-	3 556
Prepayments	84	92
Total current receivables	<u>2 132</u>	<u>5 693</u>
Non-current:		
Marina Adelaide	3 556	-
Total non-current receivables	<u>3 556</u>	<u>-</u>
Total receivables	<u>5 688</u>	<u>5 693</u>

(a) Included in this balance are receivables from SA Government entities totalling \$676 816 (\$505 198).

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in carrying amounts

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Carrying amount at 1 July	292	2
Increase (Decrease) in allowance recognised in profit or loss	259	290
Carrying amount at 29 February 2012 (30 June 2011)	<u>551</u>	<u>292</u>

Bad and doubtful debts expense

Transfer to provision for doubtful debts - trade debtors	259	290
Total bad and doubtful debts expense	<u>259</u>	<u>290</u>

The bad and doubtful debts expense is recorded in operating expenditure (refer note 14).

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables

Refer to note 37.

Categorisation of financial instruments and risk exposure information

Refer to note 37.

21. Inventories

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Current:		
Cost of acquisition	31 669	46 148
Development cost capitalised	24 253	29 126
	<u>55 922</u>	<u>75 274</u>
Non-current:		
Cost of acquisition	119 654	105 459
Development cost capitalised	92 212	69 383
	<u>211 866</u>	<u>174 842</u>
Total inventories	<u>267 788</u>	<u>250 116</u>

Movements in carrying amounts

Carrying amount at 1 July	250 116	234 763
Land purchases	171	16 755
Transfer from investment properties	-	650
Development costs capitalised	23 130	38 883
Cost of sales	(5 629)	(40 935)
Carrying amount at 29 February 2012 (30 June 2011)	<u>267 788</u>	<u>250 116</u>

The Corporation has recognised land inventory within the Statement of Financial Position at the lower of cost or net realisable value in accordance with AASB 102, however, the fair value of inventory assessed by a panel of independent qualified valuers as at 30 June 2009 was \$1.08 billion.

22. Investment property

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Investment property at fair value:		
Freehold land at fair value:		
Internal valuation - 2012	31 485	-
Independent valuation - 2011	-	30 892
	<u>31 485</u>	<u>30 892</u>
Buildings at fair value:		
Internal valuation - 2012	41 764	-
Independent valuation - 2011	-	41 663
	<u>41 764</u>	<u>41 663</u>
Total investment property	<u>73 249</u>	<u>72 555</u>

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arm's length transactions, based on current prices in an active market for similar property. The valuations for the current year have been performed internally.

Movements in carrying amounts

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Freehold land at fair value:		
Carrying amount at 1 July	30 892	33 500
Reclassifications to inventory	-	(650)
Gain (Loss) on fair value adjustment	593	(1 958)
Carrying amount at 29 February 2012 (30 June 2011)	<u>31 485</u>	<u>30 892</u>
Buildings at fair value:		
Carrying amount at 1 July	41 663	43 450
Additions	114	317
Gain (Loss) on fair value adjustment	(13)	(2 104)
Carrying amount at 29 February 2012 (30 June 2011)	<u>41 764</u>	<u>41 663</u>
Total carrying amount at 29 February 2012 (30 June 2011)	<u>73 249</u>	<u>72 555</u>
Amounts recognised in profit and loss:		
Income (included in note 8)	4 516	7 966
Direct operating expenses from property that generated income (included in note 14)	(3 105)	(3 783)
Total amount recognised in the profit and loss	<u>1 411</u>	<u>4 183</u>

23. Property, plant and equipment**Leasehold improvements**

	01.07.11	
	to 29.02.12	2011
	\$'000	\$'000
At cost	3 137	3 138
Accumulated amortisation	(210)	(1)
Total leasehold improvements	<u>2 927</u>	<u>3 137</u>

Impairment

There were no indications of impairment of leasehold improvements at 29 February 2012.

Movements in carrying amounts

Leasehold improvements:

Carrying amount at 1 July	3 137	-
Additions	-	3 138
Amortisation	(210)	(1)
Carrying amount at 29 February 2012 (30 June 2011)	<u>2 927</u>	<u>3 137</u>

Plant and equipment

At cost	1 909	1 937
Accumulated depreciation	(1 407)	(1 407)
Total plant and equipment	<u>502</u>	<u>530</u>

Carrying amount of plant and equipment

Plant and equipment includes \$954 000 (cost) of fully depreciated property still in use.

Impairment

There were no indications of impairment of plant and equipment at 29 February 2012.

Movements in carrying amounts

Plant and equipment:

Carrying amount at 1 July	530	492
Additions	60	246
Disposals	-	(3)
Depreciation	(88)	(205)
Carrying amount at 29 February 2012 (30 June 2011)	<u>502</u>	<u>530</u>
Total property, plant and equipment	<u>3 429</u>	<u>3 667</u>

24. Work in progress**Movements in carrying amounts**

Carrying amount at 1 July	5	-
Additions	931	5
Carrying amount at 29 February 2012 (30 June 2011)	<u>936</u>	<u>5</u>

25. Payables

Current:

Trade creditors	219	10 131
Sundry creditors and accrued expenses	13 296	10 950
Paid Parental Leave Scheme	2	-
Employment on-costs	200	57
	<u>13 717</u>	<u>21 138</u>

Non-current:

Sundry creditors and accrued expenses	-	-
Employment on-costs	163	85
	<u>163</u>	<u>85</u>
Total payables	<u>13 880</u>	<u>21 223</u>

The total includes liabilities payable to SA Government entities, comprising:

Current:

Trade creditors	-	5 163
Sundry creditors and accrued expenses	10 360	8 238
Employment on-costs	136	49
	<u>10 496</u>	<u>13 450</u>

25. Payables (continued)	01.07.11	
	to 29.02.12	2011
	\$'000	\$'000
Non-current:		
Sundry creditors and accrued expenses	-	-
Employment on-costs	156	75
	<u>156</u>	<u>75</u>
Total payables to SA Government entities	<u>10 652</u>	<u>13 525</u>

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.

Maturity analysis of payables

Refer note 37.

Categorisation of financial instruments and risk exposure information

Refer note 37.

26. Borrowings	01.07.11	
	to 29.02.12	2011
	\$'000	\$'000
Current:		
Loans:		
SAFA ^(a)	37 970	19 264
SAFA ^(b)	83 800	58 800
	<u>121 770</u>	<u>78 064</u>
Non-current:		
Loans:		
SAFA ^(a)	38 964	63 513
SAFA ^(b)	71 750	71 750
	<u>110 714</u>	<u>135 263</u>
Total borrowings	<u>232 484</u>	<u>213 327</u>

(a) Comprises borrowings from SAFA in respect of funding for industrial and commercial construction projects under the Premises SA Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Corporation.

Maturity analysis of borrowings

Refer note 37.4.

Categorisation of financial instruments and risk exposure information

Refer note 37.1.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

27. Tax liabilities	01.07.11	
	to 29.02.12	2011
	\$'000	\$'000
Current:		
Income tax equivalent	-	751
Total tax liabilities	<u>-</u>	<u>751</u>
28. Unearned income		
Current:		
Unearned income	<u>9 656</u>	<u>2 020</u>
	<u>9 656</u>	<u>2 020</u>
Non-current:		
Unearned income	<u>11 048</u>	<u>12 027</u>
	<u>11 048</u>	<u>12 027</u>
Total unearned income	<u>20 704</u>	<u>14 047</u>

Movements in carrying amounts

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Carrying amount at 1 July	14 047	16 001
Received during the year	8 023	198
Recognised in the Statement of Comprehensive Income	(1 366)	(2 152)
Carrying amount at 29 February 2012 (30 June 2011)	<u>20 704</u>	<u>14 047</u>

Consists of sales proceeds received in advance for Blakeview and rental income received in advance from Knight Frank, Mitsubishi and Flinders Ports.

29. Provisions

Provision for development expenditure:

Current:

Provision for development expenditure	11 660	13 269
Total provision	<u>11 660</u>	<u>13 269</u>

Movements in carrying amounts

Provision for development expenditure:

Carrying amount at 1 July	13 269	10 109
Additional provisions recognised	3 589	6 536
Reductions arising from payments	(5 198)	(3 376)
Total carrying amount at 29 February 2012 (30 June 2011)	<u>11 660</u>	<u>13 269</u>

Provisions have been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale.

Provisions for general expenditure:

Current:

Provision for general expenditure	5 967	-
Total provision for general expenditure	<u>5 967</u>	<u>-</u>

Movements in carrying amounts

Provision for general expenditure:

Carrying amount at 1 July	-	-
Additional provisions recognised	5 967	-
Total carrying amount at 29 February 2012 (30 June 2011)	<u>5 967</u>	<u>-</u>

Provisions for general expenditure have been set aside to meet future needs in relation to the termination of the PAWR Agreement with NQC.

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Total provisions	<u>17 627</u>	<u>13 269</u>

Note

30. Employee benefits

Current:

Accrued wages and salaries	109	-
Annual leave	574	640
LSL	55	42
	<u>738</u>	<u>682</u>

Non-current:

LSL	1 761	1 310
	<u>1 761</u>	<u>1 310</u>

Total employee benefits	<u>2 499</u>	<u>1 992</u>
Total current and non-current employees expense (ie aggregate benefits and employee related on-costs)	<u>2 862</u>	<u>2 134</u>

25

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

30. Employee benefits (continued)

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 2011. 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. The net financial effect of the changes in the current period is an increase in the LSL liability of \$397 000.

31. Other non-current liabilities

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Funds held in trust - Cheltenham funds	2 101	2 521
Total funds held in trust	<u>2 101</u>	<u>2 521</u>

These funds are being held in trust on behalf of the Minister for Housing and Urban Development. The funds are to be disbursed by the Corporation to the developer of the land formerly occupied by the Cheltenham race course upon achievement of key deliverables related to affordable housing and the development of open spaces.

32. Unrecognised contractual commitments - operating leases***Operating lease receivables***

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:		
Due not later than one year	9 549	8 251
Due later than one year but not later than five years	26 833	25 554
Due later than five years	22 809	22 382
Total operating lease receivables	<u>59 191</u>	<u>56 187</u>

Operating lease payables

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

Payable not later than one year	706	743
Payable later than one year but not later than five years	2 350	2 789
Payable later than five years	3 541	3 541
Total operating lease payables	<u>6 597</u>	<u>7 073</u>

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

33. Unrecognised contractual commitments - capital expenditure***Capital expenditure commitments arising from general operations***

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
At reporting date the Corporation had capital expenditure commitments from general operations as follows:		
Payable not later than one year	19 896	15 742
Payable later than one year but not later than five years	3 832	3 187
Payable later than five years	444	-
	<u>24 172</u>	<u>18 929</u>

The Playford Alive and Bowden projects contain a significant portion of commitments for 2012. As at 29 February 2012 commitments relating to Playford Alive were estimated to be \$12.209 million (\$13.032 million) and commitments for Bowden were estimated to be \$8.149 million (\$1.312 million).

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital expenditure commitments arising from Edinburgh Parks acquisition

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the Corporation, from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase are summarised as follows:

Stage 0 land and buildings

Based on the contractual agreements, an amount may be payable to DMITRE, representing 25% of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be \$1.911 million (\$2.129 million).

<i>Stage 0 land and buildings (continued)</i>	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Payable not later than one year	844	-
Payable later than one year but not later than five years	1 067	2 129
	<u>1 911</u>	<u>2 129</u>

Stages 1 and 3

Assets included in stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to DMITRE and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Stages 1 and 3 land:		
Payable later than one year but not later than five years	7 019	7 906
Payable later than five years	4 754	4 754
	<u>11 773</u>	<u>12 660</u>

Stage 2 had previously been completed by the former Department of Trade and Economic Development.

Stage 4 onwards

On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below:

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Stage 4 onwards land:		
Payable not later than one year	160	224
Payable later than one year but not later than five years	868	2 003
Payable later than five years	4 829	2 070
	<u>5 857</u>	<u>4 297</u>

Other expenditure commitments in respect of Edinburgh Parks

Other expenditure commitments:

Payable not later than one year	-	3 071
Payable later than one year but not later than five years	-	106
	<u>-</u>	<u>3 177</u>

Capital expenditure commitments arising from the PAWR project

Due to the termination of the Project Development Agreement with the NQC, which was announced on 31 October 2011, the Corporation is no longer contractually committed to the capital expenditure required by the agreement and has not recognised associated capital commitments.

Total capital expenditure commitments

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Payable not later than one year	20 900	19 037
Payable later than one year but not later than five years	12 786	15 331
Payable later than five years	10 027	6 824
	<u>43 713</u>	<u>41 192</u>

34. Contingent assets and liabilities*Contingent assets*

The Corporation has indemnities from the former Department of Trade and Economic Development relating to various industry assistance packages totalling \$1.762 million as at 29 February 2012 (\$1.762 million). These indemnities relate to purpose-built facilities constructed under the Premises SA Scheme and are provided as follows:

- (i) In respect of properties owned by the Corporation and leased to tenants, the indemnity covers any shortfall between current valuation and historical cost.
- (ii) In respect of properties that are subject to a deferred purchase arrangement, the indemnity covers any shortfall between current valuation and loan balance outstanding.

As at 29 February 2012, the Corporation has no other contingent assets related to land acquisitions.

Contingent liabilities**PAWR Project**

Due to the Corporation's termination of the PAWR Project Development Agreement (the Agreement) with the Newport Quays Consortium (NQC) on 31 October 2011, the Corporation is obliged to make certain payments (which are secured by the \$5 million performance bond provided by the Corporation to NQC), to NQC. The Corporation has calculated the quantum of the monies that the Corporation considers is payable by the Corporation to NQC arising from the Corporation's termination of the Agreement, to be in the order of \$5.96 million. NQC have disputed this quantum and has asserted that the quantum is in the order of \$25 million (which has been disputed by the Corporation). As at the reporting date no substantive claim has been made by NQC against the Corporation (Urban Renewal Authority as from 1 March 2012) arising from the extermination of the Agreement by the Corporation.

Dean Rifle Range

In October 2009, Cabinet approved the compulsory acquisition of the interest held by the Adelaide City Council (the ACC) in the Dean Rifle Range (the DRR), being a 50% interest in the DRR, with the remaining 50% equitable interest owned by the Corporation. The compulsory acquisition of the ACC's 50% equitable interest was completed on 11 February 2010 by the Minister for Environment and Conservation (the Minister). In 2011, the ACC instituted proceedings against the Minister disputing the compensation payable for the compulsory acquisition of the ACC's interest in the DRR.

The Corporation was nominated as the Minister's agent in relation to the compulsory acquisition of the ACC's 50% equitable interest in the DRR.

The Minister transferred the ACC's 50% equitable interest to the Corporation and as a result the Corporation has become the owner of 100% legal and equitable interest in the DRR.

As at 29 February 2012 the Minister (acting through the Corporation as the Minister's agent) and the ACC were still disputing the compensation amount. As this relates to ongoing court proceedings, no value has been disclosed.

Pursuant to the arrangement between the Corporation and the Minister in respect of the Corporation becoming the 100% legal and equitable owner of the DRR, the Corporation will be responsible for any compensation which may be determined to be payable, which exceeds the compensation amount paid by the Corporation to the Court.

35. Cash flow reconciliation

	01.07.11 to 29.02.12	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents - cash at 29 February 2012 (30 June 2011):		
Statement of Cash Flows	7 707	13 836
Statement of Financial Position	<u>7 707</u>	<u>13 836</u>

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

Total comprehensive result	(17 317)	7 689
Non-cash items:		
Share of net profits of joint venture entities	(2 957)	(2 786)
Net loss (gain) on disposal of plant and equipment	-	2
Depreciation and amortisation	298	206
Assets acquired free of charge	-	(666)
Investment property fair value adjustments	(580)	4 062
Movements in assets/liabilities:		
Mortgage debtor receivables	5 180	7 562
Other receivables	(3)	(243)
Prepayments	8	9
Work in progress	(633)	-
Inventories	(17 672)	(14 705)
Payables	(7 564)	(2 408)
Unearned income	6 657	(1 469)
Tax liabilities	(751)	(7 966)
Provision for development expenditure	(1 609)	3 160
Provision for general expenditure	5 967	-
Employee benefits	728	(75)
Non-current liabilities	(420)	2 521
Net cash provided by (used in) operating activities	<u>(30 668)</u>	<u>(5 107)</u>

36. Cash and cash equivalents	01.07.11	
	to 29.02.12	2011
	\$'000	\$'000
Deposits with the Treasurer	5 089	11 149
Short-term deposits with SAFA	152	147
Cash held in Cheltenham Trust Account	2 101	2 521
Cash held in escrow	300	-
Cash at bank and on hand	65	19
Total cash and cash equivalents	<u>7 707</u>	<u>13 836</u>

Deposits with the Treasurer

Includes funds held in the Corporation's operating account.

Short-term deposits

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

Interest rate risk

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

37. Financial instruments disclosure/Financial risk management**37.1 Categorisation of financial instruments**

The net fair value of cash, receivables and payables approximates their carrying amount.

The net fair value of mortgage debtor receivables and borrowings has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management considers that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	01.07.11 to 29.02.12		2011	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	7 707	7 707	13 836	13 836
Loans and receivables:				
Receivables	6 155	6 155	6 203	6 203
Mortgage debtors receivables	41 132	36 685	46 094	38 329
Allowance for doubtful debts	(551)	(551)	(292)	(292)
Total financial assets	<u>54 443</u>	<u>49 996</u>	<u>65 841</u>	<u>58 076</u>
Financial liabilities				
Financial liabilities at cost:				
Payables	6 198	6 198	13 861	13 861
Borrowings	232 484	219 603	213 327	189 093
Total financial liabilities	<u>238 682</u>	<u>225 801</u>	<u>227 188</u>	<u>202 954</u>
Net financial assets (liabilities)	<u>(184 239)</u>	<u>(175 805)</u>	<u>(161 347)</u>	<u>(144 878)</u>

37.2 Credit risk

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

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

37.3 Ageing analysis of receivables

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Not impaired:				
Receivables	6	-	28	34
Impaired:				
Receivables	-	-	551	551
2011				
Not impaired:				
Receivables	191	70	10	271
Impaired:				
Receivables	-	-	292	292

37.4 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2012				
Financial assets:				
Cash and cash equivalents	7 707	7 707	-	-
Loans and receivables:				
Receivables	6 155	2 599	3 556	-
Mortgage debtors receivables	41 132	7 918	27 943	5 271
Allowance for doubtful debts	(551)	(551)	-	-
Total financial assets	54 443	17 673	31 499	5 271
Financial liabilities:				
Financial liabilities at cost:				
Payables	6 198	6 198	-	-
Borrowings	232 484	121 770	98 422	12 292
Total financial liabilities	238 682	127 968	98 422	12 292
Net financial assets (liabilities)	(184 239)	(110 295)	(66 923)	(7 021)
2011				
Financial assets:				
Cash and cash equivalents	13 836	13 836	-	-
Loans and receivables:				
Receivables	6 203	6 203	-	-
Mortgage debtors receivables	46 094	7 615	29 841	8 638
Allowance for doubtful debts	(292)	(292)	-	-
Total financial assets	65 841	27 362	29 841	8 638
Financial liabilities:				
Financial liabilities at cost:				
Payables	13 861	13 861	-	-
Borrowings	213 327	78 064	119 650	15 613
Total financial liabilities	227 188	91 925	119 650	15 613
Net financial assets (liabilities)	(161 347)	(64 563)	(89 809)	(6 975)

37.5 Liquidity risk

Liquidity risk arises where the Corporation is unable to meet its financial obligations as they fall due. The Corporation 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 Corporation's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The largest Corporation risk is loan default by third parties secured over property assets, thus affecting the Corporation's ability to service loans payable, and is assessed to be low. If default should occur, cash facilities have been secured to manage this risk in the short-term.

37.5 Liquidity risk (continued)

The carrying amount of financial liabilities recorded in note 37.1 represents the Corporation's maximum exposure to financial liabilities.

37.6 Market risk

Market risk for the Corporation is primarily through price risk. Prices for residential, industrial and commercial property have been depressed as a consequence of the continuing effect of the global financial crisis. The Corporation also has exposure to interest rate risk arising through its borrowings. The Corporation's borrowings are managed through SAFA and any movement in interest rates are monitored regularly. There is no exposure to foreign currency risks.

37.7 Sensitivity analysis disclosure

A sensitivity analysis has not been undertaken for the interest rate risk of the Corporation as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial. The impact of price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

38. Events after the reporting period

Caroma site

During the period a deposit was paid for land and buildings in Norwood (the Caroma site), which was included in cash held in escrow. The Caroma site was settled after balance date on 5 June 2012.

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

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 25 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 2011-12, areas of review included:

- payroll
- legal expenditure
- other expenditure
- revenue and receipting
- intangible assets
- 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Commission. The main matters raised with the Commission and the responses are detailed below. They relate to the procurement and implementation of the LAW Office System.

LAW Office System

This system replaces the Commission's legacy legal case management system and came into operation in April 2012.

The new replacement system comprises two phases. In April 2012 the new legal case management application went live and was introduced with revised business processes. The second phase involving electronic lodgement and automated capability is anticipated to be completed in 2013.

The estimated approved budget cost of the replacement system is \$2.5 million.

The 2011-12 audit of the Commission included a review of aspects of the procurement of the system and its implementation and operation.

Certain matters arising from the review were raised with the Commission. The following describes the notable matters raised together with the Commission's responses.

Procurement approvals

The relevant approvals (business case approved by the Commission and acquisition plan approved by the Attorney-General's Department Accredited Purchasing Unit) were obtained in 2008 and 2009 respectively. The Accredited Purchasing Unit approval was required to satisfy compliance with the goods and services policy approval framework under the *State Procurement Act 2004*.

The abovementioned approvals were based upon the acquisition of a system solution that was being developed by the Victorian and New South Wales legal aid offices.

In November 2010, the Commission endorsed a changed system strategy. It involved ceasing to pursue the procurement and implementation of the Vic/NSW system and acquiring the Queensland legal aid office solution. The decision was taken as the development of the Vic/NSW system was not progressing to plan with consequential uncertainties regarding costings, system implementation and operation effectiveness and system governance arrangements with Victoria and New South Wales.

While the Commission formally considered and provided endorsement for the changed system implementation strategy, this material change was not formalised in a revised acquisition plan and forwarded to the Attorney-General's Department Accredited Purchasing Unit for appropriate re-evaluation and approval determination. As such the Commission has not complied with the approval framework of the *State Procurement Act 2004*.

In response the Commission acknowledged that the acquisition plan was not revised for the changed system acquisition strategy and that it would have been ideal to update the acquisition plan. However it considered that the benefits to the Commission have far outweighed the risk of not updating the acquisition plan.

Finalisation of certain implementation matters

During the review Audit identified some other salient matters regarding system implementation that required finalisation. The main matters included the finalisation of business continuity and disaster recovery plans; user documentation; change management policy and procedures; and the establishment of an escrow agreement.

In response the Commission advised that many of the issues raised would be addressed when the system implementation is finalised in 2013. The Commission is also reconsidering the need to obtain an escrow agreement for the replacement system.

Post-implementation review

The Commission initiated a post-implementation review of the phase one legal case management system. At the time of preparation of this Report this review is still progressing, with progress regularly monitored by the Law Office Implementation Committee.

A post-implementation issues register of outstanding issues awaiting attention has been established. This register is being used to raise outstanding defects, configuration issues, change requests and data migration requirements with the implementation contractors.

The 2012-13 audit program will include a follow-up of outstanding matters identified and any new matters raised from the post-implementation review. Audit will also consider developments associated with the phase two implementation of the new legal case management system.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	16.9	15.5
Legal expenses (including expensive criminal cases)	18.5	18.5
Other expenses	4.5	4.1
Total expenses	39.9	38.1
Income		
<i>Legal Practitioners Act</i> revenue	3.6	3.8
Other income	3.3	3.2
Total income	6.9	7.0
Net cost of providing services	33.0	31.1
Revenues from (Payments to) governments		
Commonwealth Government grants	15.5	15.0
State Government grants	20.5	18.6
Total revenues from governments	36.0	33.6
Net result and total comprehensive result	3.0	2.5

	2012 \$'million	2011 \$'million
Net cash provided by (used in) operating activities	4.1	2.2
Assets		
Current assets	20.1	17.3
Non-current assets	7.8	6.6
Total assets	27.9	23.9
Liabilities		
Current liabilities	3.2	2.7
Non-current liabilities	3.5	3.0
Total liabilities	6.7	5.7
Total equity	21.2	18.2

Statement of Comprehensive Income

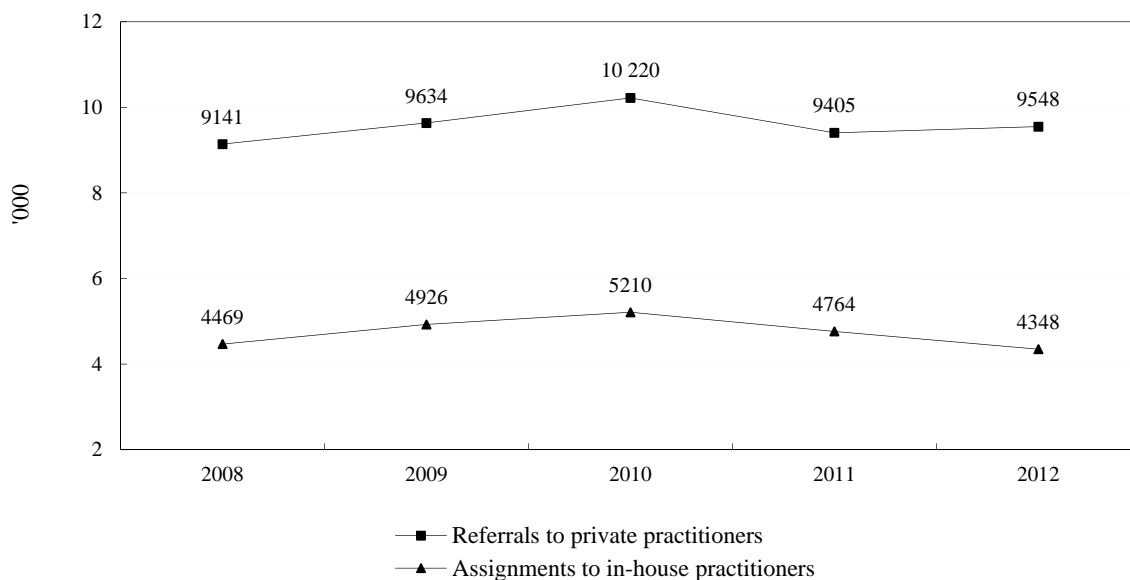
Operating expenses

The main operating expenses are employee benefits and private practitioner services. Employee benefits - salary and wages increased due to enterprise bargaining increases and three new positions.

Referrals to private and in-house practitioners

Legal aid is provided by the Commission's practitioners and by referrals to private practitioners.

The following chart shows the trend in referrals to private practitioners and assignments to in-house practitioners over the past five years.



Applications assigned to in-house practitioners totalled 4348 (4764) cases or 31% (34%) of new case applications approved.

Referrals to private practitioners totalled 9548 (9405) cases or 69% (66%) of new case applications approved. Fees to private legal practitioner for these cases (legal expenses) amounted to \$18.5 million (\$18.5 million) and comprised 46% (49%) of total expenses of the Commission.

In interpreting the relationship between case numbers and the cost of representation, the Commission has advised that a grant of legal aid for serious crime matters has a significant time lag, generally in excess of one year, before actual costs are incurred. Therefore, a timing difference between case referrals and cost of representation will cause fluctuation of legal expenses.

Note 22 to the Commission’s financial statements sets out legal expense commitments on legal cases referred to private practitioners that are still to be finalised at 30 June 2012.

Income

Commonwealth Government grants

Legal assistance is provided in South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government under an agreement between the Commonwealth and State Governments. Grants received are expended in accordance with the agreement.

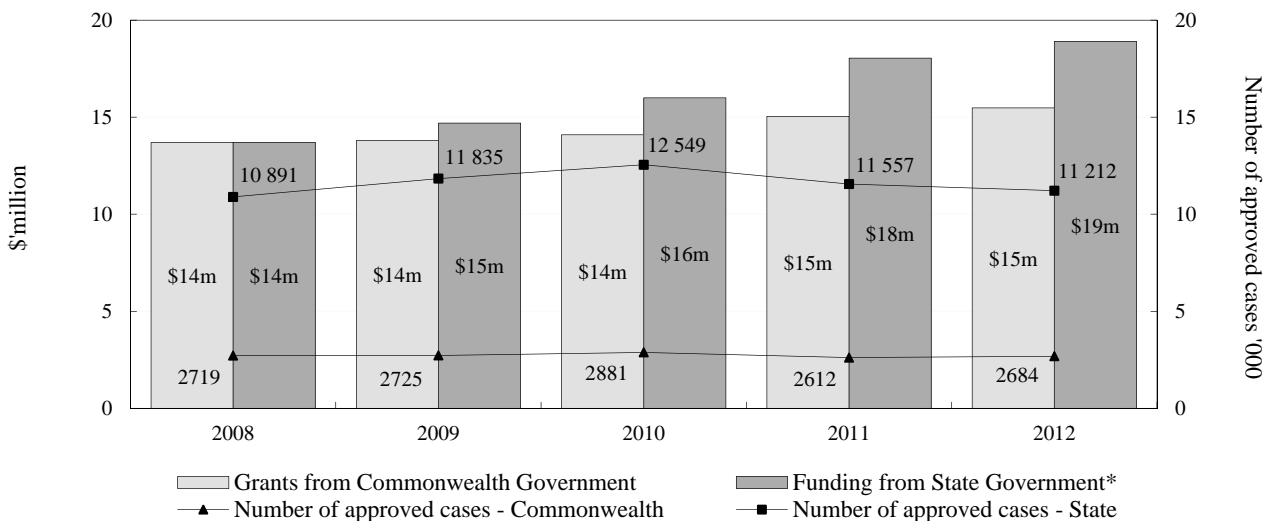
Grants from the Commonwealth Government totalled \$15.5 million (\$15 million) and comprised 43% (45%) of total revenues of the Commission.

State Government funding

The funding provided by the State is determined through the budgetary process of the SA Government. The State funding received by the Commission is expended on State law matters and these are predominantly criminal cases.

General funding from the State Government totalled \$18.9 million (\$18.1 million) and comprised 53% (54%) of total revenues of the Commission.

Specific State grants for expensive cases totalled \$1.6 million (\$532 000) and comprised 4% (1%) of total revenues of the Commission.



* Excluding expensive case grants

The above chart illustrates, for the past five years, the amounts of State and Commonwealth funding (not including expensive case funding) provided to the Commission. It also illustrates the number of approved cases that relate to Commonwealth and State funding. Grants received from the Commonwealth increased this year with the introduction of the National Partnership Agreement on Legal Assistance Services which guarantees funding through 2013-14.

Legal Practitioners Act *revenue*

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was \$3.6 million (\$3.8 million). This revenue varies from year to year as it is dependent on the level of trust monies held by legal practitioners in South Australia and the Law Society of South Australia and interest rates relating to these monies. Of note are the following items:

- statutory interest account revenue was \$1.3 million in 2011-12, a decrease of \$176 000 from the previous year
- interest on legal practitioners trust accounts increased by \$69 000 to \$2.22 million
- \$64 000 was received from the Legal Practitioners Guarantee Fund during 2011-12 due mainly to the receipt of an excess guarantee payment.

For further information, refer note 9 to the Commission's financial statements.

Net result

The net result was a surplus of \$3 million compared with a surplus of \$2.5 million in 2010-11. The improved result is due to additional revenues from the Commonwealth and State Governments.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
Net cash flows				
Operating	4.1	2.2	(2.3)	0.8
Investing	(1.1)	(0.4)	(0.2)	(0.2)
Change in cash	3.0	1.8	(2.5)	0.6
Cash at 30 June	18.3	15.3	13.5	16.0

The analysis of cash flows shows a steady level of cash held at the end of each reporting period except for 2010 which was due primarily to higher levels of demand for legal assistance in that year.

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefits expenses	4	16 858	15 470
Private practitioner services	2.14	16 837	17 976
Private practitioner services - State expensive case matters	5	1 618	513
Supplies and services	6	4 154	3 830
Depreciation and amortisation expense	7	317	269
Other expenses	8	95	97
Total expenses		39 879	38 155
Income:			
<i>Legal Practitioners Act</i> revenue	9	3 630	3 836
Statutory charges		975	1 024
Interest revenue		1 003	865
Costs recovered and contributions	10	429	434
Other income	11	869	870
Total income		6 906	7 029
Net cost of providing services		32 973	31 126
Revenues from (Payments to) governments:			
Commonwealth Government:			
Funding agreement	12	15 434	14 946
Immigration Advice and Application Assistance Scheme income	12	50	94
State Government:			
Funding	13	18 903	18 047
Expensive cases - other matters	13	1 618	532
Total revenues from governments		36 005	33 619
Net result		3 032	2 493
Total comprehensive result		3 032	2 493

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

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	21	18 252	15 260
Receivables	14	1 493	1 635
Other current assets	15	379	420
Total current assets		20 124	17 315
Non-current assets:			
Property, plant and equipment	16	968	1 018
Intangible assets	16.1	1 391	510
Statutory charge debtors	17	5 460	5 049
Total non-current assets		7 819	6 577
Total assets		27 943	23 892
Current liabilities:			
Legal payables		1 475	1 102
Payables	18	401	572
Employee benefits	19	1 300	997
Total current liabilities		3 176	2 671
Non-current liabilities:			
Payables	18	226	177
Employee benefits	19	3 262	2 797
Total non-current liabilities		3 488	2 974
Total liabilities		6 664	5 645
Net assets		21 279	18 247
Equity:			
Revaluation surplus		79	79
Commonwealth expensive case reserve	20	100	100
Retained earnings		21 100	18 068
Total equity		21 279	18 247
Total equity is attributable to the SA Government as owner			
Commitments	22,23		
Contingent liabilities	25		

Statement of Changes in Equity for the year ended 30 June 2012

	Revaluation surplus \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	79	100	15 575	15 754
Net result 2010-11	-	-	2 493	2 493
Total comprehensive result 2010-11	-	-	2 493	2 493
Balance at 30 June 2011	79	100	18 068	18 247
Net result 2011-12	-	-	3 032	3 032
Total comprehensive result 2011-12	-	-	3 032	3 032
Balance at 30 June 2012	79	100	21 100	21 279

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(15 962)	(15 233)
Supplies and services		(5 118)	(4 596)
Private practitioner services		(18 272)	(19 919)
Private practitioner services - State expensive case matters		(1 618)	(339)
Cash used in operations		(40 970)	(40 087)
Cash inflows:			
<i>Legal Practitioners Act</i> receipts		3 652	3 797
Costs recovered and contributions		385	500
Statutory charge receipts		680	740
Interest received		1 010	851
GST recovered from the ATO		2 204	2 094
Other receipts		1 000	885
Cash generated from operations		8 931	8 867
Cash flows from governments:			
Commonwealth Government:			
Funding agreement		15 434	14 946
Immigration Advice and Application Assistance Scheme income		50	94
State Government:			
Funding		18 903	18 047
Expensive cases - other matters		1 792	358
Total cash flows from governments		36 179	33 445
Net cash provided by (used in) operating activities	21	4 140	2 225
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		(1 148)	(458)
Cash provided by (used in) investing activities		(1 148)	(458)
Net increase (decrease) in cash and cash equivalents		2 992	1 767
Cash and cash equivalents at 1 July		15 260	13 493
Cash and cash equivalents at 30 June	21	18 252	15 260

Notes to and forming part of the financial statements

1. Objectives of the Legal Services Commission (the Commission)

The Commission was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of significant accounting policies

2.1 Statement of compliance

The 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 provision 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 2012.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in 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) board member and remuneration information, where a board 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 2012 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 and is independent of Executive 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 have been amended, comparative amounts have been reclassified unless reclassification is impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

2.5 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 following are specific recognition criteria:

Government funding

The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government funding expensive cases

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

Other revenue

Other revenue is recognised as it accrues.

2.9 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 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 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 \$62 000 (\$60 000).
- (b) The Commission contributed to various superannuation schemes towards the accruing government liability for superannuation in respect of all employees. Payments amounted to \$1.403 million (\$1.375 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.

The useful lives of all major assets held by the Commission are reassessed on an annual basis.

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Plant and equipment:	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	10
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.

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.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes 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 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 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 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 (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.

The revaluation surplus includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

Impairment

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

For revalued assets an impairment loss is offset against the 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.

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.

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 Commission.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

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

Legal payables represent invoices for work completed up to 30 June 2012.

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

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

Employee benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability.

Wages, salaries, annual leave and sick leave

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

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

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

An actuarial assessment of LSL undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012.

This calculation is consistent with the Commission's experience of employee retention and leave taken.

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 *Financial instruments*

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2012, are as follows:

Financial assets

Cash and cash equivalents (note 21) comprise cash and deposits at call with SAFA and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 3.4% and 5.1% for the year ended 30 June 2012 (4.4% and 5.1%).

Receivables (note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is recorded at the carrying amount.

Allowance for impairment loss is based on past experiences and expected changes in client credit rating and is reviewed at each reporting date. As at 30 June 2012, there is no evidence to indicate that financial assets are impaired.

Financial liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.14 Private practitioner services

Private practitioner services comprise solicitors' fees, counsel fees and disbursements due 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 2012, the total funds held were \$84 000 (\$68 000). These funds are not controlled by the Commission. As such they are not recognised in the financial statements.

3. New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies during 2011-12.

4. Employee benefits expenses

	2012	2011
	\$'000	\$'000
Salaries and wages	13 942	13 092
Superannuation	1 465	1 435
LSL	1 038	554
Payroll tax	323	314
Workers compensation	90	75
Total employee benefits expenses	16 858	15 470

Remuneration of employees

	2012	2011
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$134 000 - \$143 999	4	4
\$144 000 - \$153 999	1	3
\$154 000 - \$163 999	1	1
\$164 000 - \$173 999	2	2
\$184 000 - \$193 999	1	1
\$204 000 - \$213 999	1	1
\$234 000 - \$243 999	1	1
\$264 000 - \$273 999	1	1
Total	12	14

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 \$2.124 million (\$2.38 million).

5. State expensive case matters

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. Section 18(6) defines 'funding cap' to mean an amount fixed as the funding cap for criminal cases by the Commission for that 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 13).

6. Supplies and services

	2012	2011
	\$'000	\$'000
Accommodation	1 632	1 562
Computing and communications	1 166	1 078
Travel	287	250
Office requisites	318	266
Library	221	201
Consultancy fees	10	68
Other	520	405
Total supplies and services	4 154	3 830
Supplies and services provided by entities within the SA Government:		
Accommodation	205	185
Computing and communications	238	226
Travel	85	61
Office requisites	15	10
Other*	206	171
Total supplies and services - SA Government entities	749	653

* Includes auditor's fees paid/payable to the Auditor-General's Department of \$57 000 (\$58 000) relating to the audit of the financial statements.

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

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	2	10	5	12
Between \$10 000 and \$50 000	-	-	2	56
Total paid/payable to the consultants engaged	2	10	7	68

7. Depreciation and amortisation expense

	2012	2011
	\$'000	\$'000
Depreciation:		
Plant and equipment	163	183
Total depreciation	163	183
Amortisation:		
Leasehold improvements	71	86
Intangible assets	83	-
Total amortisation	154	86
Total depreciation and amortisation expense	317	269

8. Other expenses

Statutory charge bad debts	60	43
Other bad debts	35	54
Total other expenses	95	97

9. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

Amounts related to the:

Statutory Interest account	1 343	1 519
Interest on Legal Practitioners Trust accounts	2 223	2 154
Legal Practitioners Guarantee Fund	64	163
Total <i>Legal Practitioners Act</i> revenue	3 630	3 836

10. Costs recovered and contributions	2012	2011
	\$'000	\$'000
Costs recovered	169	145
Contributions*	260	289
Total costs recovered and contributions	<u>429</u>	<u>434</u>

* In addition, contributions of \$524 000 (\$635 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income		
Other income from entities external to the SA Government	703	588
Other income from entities within the SA Government	166	282
Total other income	<u>869</u>	<u>870</u>

12. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services was entered into between the Commonwealth of Australia and States and Territories. The agreement was effective from 1 July 2010. Pursuant to that agreement, the Commonwealth Government contributed funding of \$15.434 million (\$14.946 million) to South Australia for the year ended 30 June 2012.

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 \$50 000 (\$94 000).

13. State Government

In 2011-12 the State Government contributed funding of \$18.903 million (\$18.047 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 \$1.618 million (\$532 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables	2012	2011
	\$'000	\$'000
<i>Legal Practitioners Act</i> debtors	895	917
GST	288	287
Client debtors and other debtors	310	431
Total current receivables	<u>1 493</u>	<u>1 635</u>

15. Other current assets

Prepayments	379	359
Prepaid salaries and wages	-	61
Total other current assets	<u>379</u>	<u>420</u>

16. Property, plant and equipment

Leasehold improvements at fair value	870	865
Accumulated depreciation	(700)	(629)
	<u>170</u>	<u>236</u>

Plant and equipment at fair value	2 061	1 882
Accumulated depreciation	(1 554)	(1 391)
	<u>507</u>	<u>491</u>

Library	291	291
Total property, plant and equipment	<u>968</u>	<u>1 018</u>

16.1 Intangible assets		2012	2011
		\$'000	\$'000
Computer software		1 557	89
Computer software in progress		-	504
		<u>1 557</u>	<u>593</u>
Accumulated amortisation		(166)	(83)
Total intangible assets		<u>1 391</u>	<u>510</u>

16.2 Reconciliation of non-current assets				Total		Total
	Leasehold	Plant and	Library	property,	Computer	intangible
	imprvmnts	equipment		plant and	software	assets
	\$'000	\$'000	\$'000	equipment	\$'000	\$'000
2012						
Balance at 1 July	236	491	291	1 018	510	510
Additions	5	179	-	184	964	964
Depreciation/Amortisation expense	(71)	(163)	-	(234)	(83)	(83)
Balance at 30 June	<u>170</u>	<u>507</u>	<u>291*</u>	<u>968</u>	<u>1 391</u>	<u>1 391</u>
2011						
Balance at 1 July	318	502	291	1 111	-	-
Additions	4	176	-	180	510	510
Adjustments	-	(4)	-	(4)	-	-
Depreciation/Amortisation expense	(86)	(183)	-	(269)	-	-
Balance at 30 June	<u>236</u>	<u>491</u>	<u>291*</u>	<u>1 018</u>	<u>510</u>	<u>510</u>

* Library collections were valued by the Australian Valuation Office during the 2006-07 financial year.

17. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2012	2011
	\$'000	\$'000
Total statutory charge debtors	<u>5 460</u>	<u>5 049</u>

18. Payables

Current:

Creditors	215	395
Accrued expenses	44	53
Employment on-costs	142	124
Total current payables	<u>401</u>	<u>572</u>

Non-current:

Employment on-costs	226	177
Total non-current payables	<u>226</u>	<u>177</u>
Total payables	<u>627</u>	<u>749</u>

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate (35%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of \$19 000 and employee benefit expense of \$184 000. The estimated impact on 2013 and 2014 is \$19 500 and \$20 000 respectively.

19. Employee benefits

Current:

Annual leave	878	849
LSL	422	148
Total current employee benefits	<u>1 300</u>	<u>997</u>

19. Employee benefits (continued)	2012	2011
Non-current:	\$'000	\$'000
LSL	3 262	2 797
Total non-current employee benefits	<u>3 262</u>	<u>2 797</u>
Total employee benefits	<u>4 562</u>	<u>3 794</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 5.25% (2011) to 3% (2012).

The significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$740 000 and employee benefit expense of \$740 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

20. Commonwealth expensive case reserve	2012	2011
	\$'000	\$'000
Total Commonwealth expensive case reserve	<u>100</u>	<u>100</u>

Commonwealth expensive cases

The Commission did not use the Commonwealth expensive case allocation in 2011-12.

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:

	2012	2011
	\$'000	\$'000
Deposits at call - SAFA	18 042	15 100
Cash	210	160
Cash and cash equivalents disclosed in the Statement of Financial Position	<u>18 252</u>	<u>15 260</u>
Balance as per Statement of Cash Flows	<u>18 252</u>	<u>15 260</u>

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	4 140	2 225
Revenues from government	(36 005)	(33 619)
Non-cash items:		
Depreciation and amortisation	(317)	(269)
Bad debts	(95)	(97)
Movements in assets/liabilities:		
Statutory charge debtors	411	431
Receivables	(144)	355
Prepayments	(41)	(84)
Employee benefits	(715)	(207)
Legal payables	(373)	161
Payables	166	(22)
Net cost of providing services	<u>(32 973)</u>	<u>(31 126)</u>

22. Legal expense commitments

As at 30 June 2012, the Commission has a future commitment of \$4.321 million (\$3.213 million) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

22. Legal expense commitments (continued)

	Commonwealth		State	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Legal expense commitments	1 767	1 202	2 554	2 011

In addition the Commission has a future commitment of \$965 000 (\$1.279 million) on State expensive cases which will be funded separately. The Commission is also funding a further 22 cases relating to murder. To date, none have been identified as potential expensive criminal cases because funding is in its early stages. However, history suggests that some may require additional funding.

The Commission reviewed outstanding legal commitments and determined that commitments less the under-utilisation factor of 24.38% Commonwealth and 32.22% State (25.2% and 33.28%) would be recognised on all outstanding amounts raised since January 2011 (ie the previous 18 months). Commitments raised prior to this date have not been recognised. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

23. Commitments for expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

Operating lease commitments:	2012 \$'000	2011 \$'000
Not later than one year	354	466
Later than one year but not later than five years	508	75
Total operating lease commitments	<u>862</u>	<u>541</u>
Remuneration commitments:		
Not later than one year	2 096	2 607
Later than one year but not later than five years	1 489	3 872
Total remuneration commitments	<u>3 585</u>	<u>6 479</u>

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

24. Remuneration of board members

Members of the board during the 2012 financial year were:

Ms Dymphna Eszenyi	Chairman
Mr Michael Burgess	
Ms Geraldine Davison, SC	Appointed 16 February 2012 (Resigned 25 June 2012)
Mr Michael Dawson	
Mr Andrew English	
Mr Hugh Gilmore	
Mr David Mazzone	
Mr David Meyer	
Ms Tracee Micallef	
Ms Wendy Purcell	Retired 15 February 2012
Ms Maurine Pyke, QC	

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

24. Remuneration of board members (continued)

The number of members whose remuneration received or receivable fell within the following bands was:	2012	2011
	Number	Number
\$0	2	1
\$1 - \$10 000	2	1
\$10 001 - \$20 000	6	7
\$20 001 - \$30 000	1	1
Total	11	10

The total remuneration received or due and receivable by these members was \$110 000 (\$118 000).

Amounts paid to a superannuation plan for members was \$9000 (\$10 000).

25. Contingent liabilities

At balance date and at the date of certification of the financial statements by the Commission there were no known contingent liabilities. However, legal expense commitments existed as disclosed at note 22.

26. Financial instruments/Financial risk management

26.1 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	
		2012	2011
		\$'000	\$'000
Financial assets	Note		
Cash and cash equivalents	21	18 252	15 260
Receivables ⁽¹⁾	14	232	93
Total financial assets		18 484	15 353
Financial liabilities			
Financial liabilities - at cost:			
Payables ⁽¹⁾	18	-	-
Total financial liabilities		-	-

⁽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).

Fair value

The Commission does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 21, 14 and 18).

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 26.1 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. 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 receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 2.13 for information on the allowance for impairment in relation to receivables.

26.2 Ageing analysis of financial assets

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Not impaired:				
Receivables ⁽¹⁾	19	17	196	232
2011				
Not impaired:				
Receivables ⁽¹⁾	15	16	62	93

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they 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 appropriation 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 26.1 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 2011-12, specific areas of audit attention included:

- salaries of employees of the Legislature
- Members' salaries and allowances
- accounts payable and procurement
- general ledger.

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 2012, 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 2012, 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 2011-12 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 audit 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 detailed in a management letter to the Secretary, Joint Parliamentary Service Committee. The main matters raised with the Secretary and the related responses are provided below.

Appropriations

Funds appropriations for the Legislature are automatically transferred each day from the Government's Consolidated Account into the Legislature's bank account to cover that day's net receipts and payments.

Each month the Legislature notifies DTF (the Treasurer) of the appropriation it has received. However, the Legislature's calculation method of the appropriation amount can result, without resolution, in different appropriation disclosure amounts for the Legislature's financial statements and the Treasurer's financial statements. This matter occurred in 2009-10 and 2010-11 but was resolved before completing the Legislature's financial statements.

Audit recommended investigating a change in the Legislature's receipt of appropriation to prevent these differences reoccurring.

The Legislature and DTF have attempted to resolve this matter but were unsuccessful due to specific requirements of legislation affecting the Legislature. In 2011-12 differences occurred between the Legislature and DTF appropriation amounts that needed to be resolved before the finalisation of the financial statements.

Westpac Corporate Online user access

Access to Westpac Corporate Online should be appropriately restricted to those responsible officers with a specific need for access. Audit noted a former officer who resigned in August 2011 has not been removed as a user from Westpac Corporate Online.

Audit recommended removing this officer's access and initiating a regular review of user access to Westpac Corporate Online.

The Legislature advised that this user access has now been removed and in future access will be removed immediately when officers leave.

Westpac Corporate Online transaction limits

Electronic banking limits are set to minimise the risk of theft or misappropriation of monies. Transaction limits had not been set at an appropriate level within Westpac Corporate Online.

Audit recommended setting an appropriate transaction limit in electronic banking software.

The Legislature advised they have now reduced the transaction limit from \$10 million to \$2 million.

Interpretation and analysis of the financial reports

Highlights of the financial report

<i>House of Assembly</i>	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	2.3	2.1
Members' salaries and allowances	7.9	7.6
Other expenses	5.3	4.7
Total expenses	15.5	14.4
Revenue from SA Government	13.9	13.0
Total assets	3.6	4.9
Total liabilities	1.4	1.1
<i>Legislative Council</i>	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	1.9	1.8
Members' salaries and allowances	4.4	4.5
Other expenses	2.9	2.5
Total expenses	9.2	8.8
Revenue from SA Government	8.2	8.1
Total assets	2.5	3.3
Total liabilities	1.6	1.4
<i>Joint Parliamentary Service</i>	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	5.6	5.6
Other expenses	4.3	4.5
Total expenses	9.9	10.1
Total income	3.3	2.4
Revenue from SA Government	7.9	10.2
Total assets	86.3	85.2
Total liabilities	2.5	2.6

The Joint Parliamentary Service recognised building improvements of \$3.2 million relating to the installation of new audio systems in the chambers. The House of Assembly and the Legislative Council contributed towards the cost of these improvements. In 2011-12 they contributed \$3.2 million of assets to the Joint Parliamentary Service. The majority of this amount relates to the installation of a new CCTV control room and commencement of the Old Parliament House upgrade.

**Statement of Comprehensive Income
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefits expenses	4	2 338	2 096
Members' salaries and allowances	5	7 904	7 599
Supplies and services	6	3 022	2 566
Depreciation expense	7	216	401
Net loss on disposal of non-current assets	11	2	-
Net loss on revaluation of non-current assets	11	-	149
Assets provided at nil consideration	11	2 021	1 590
Total expenses		15 503	14 401
Income:			
Other income		1	32
Total income		1	32
Net cost of providing services		15 502	14 369
Revenue from SA Government	8	13 894	13 035
Net result		(1 608)	(1 334)
Other comprehensive income:			
Changes in plant and equipment revaluation surplus		-	51
Total comprehensive result		(1 608)	(1 283)

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	9	1 180	914
Receivables	10	81	36
Total current assets		1 261	950
Non-current assets:			
Property, plant and equipment	11	2 311	3 947
Total non-current assets		2 311	3 947
Total assets		3 572	4 897
Current liabilities:			
Payables	12	209	120
Employee benefits	13	355	334
Provisions	14	2	5
Total current liabilities		566	459
Non-current liabilities:			
Payables	12	41	31
Employee benefits	13	737	560
Provisions	14	7	18
Total non-current liabilities		785	609
Total liabilities		1 351	1 068
Net assets		2 221	3 829
Equity:			
Retained earnings		2 170	3 778
Revaluation surplus		51	51
Total equity		2 221	3 829
Unrecognised contractual commitments	15		
Contingent assets and liabilities	17		

Statement of Changes in Equity for the year ended 30 June 2012

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	-	5 112	5 112
Net result for 2010-11	-	(1 334)	(1 334)
Gain on revaluation of fixtures and fittings	11	-	11
Gain on revaluation of works of art	40	-	40
Total comprehensive result for 2010-11	51	(1 334)	(1 283)
Balance at 30 June 2011	51	3 778	3 829
Net result for 2011-12	-	(1 608)	(1 608)
Total comprehensive result for 2011-12	-	(1 608)	(1 608)
Balance at 30 June 2012	51	2 170	2 221

Statement of Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee benefit payments		(2 154)	(2 232)
Members' superannuation		(1 372)	(1 335)
Payments for supplies and services		(3 298)	(2 830)
Cash used in operations		(6 824)	(6 397)
Cash inflows:			
GST recovered from ATO		330	263
Other receipts		1	36
Cash generated from operations		331	299
Cash flows from SA Government:			
Receipts from SA Government		7 362	6 771
Cash generated from SA Government		7 362	6 771
Net cash provided by (used in) operating activities	19	869	673
Cash flows from investing activities:			
Purchase of property, plant and equipment		(603)	(579)
Net cash provided by (used in) investing activities		(603)	(579)
Net increase (decrease) in cash and cash equivalents		266	94
Cash and cash equivalents at 1 July		914	820
Cash and cash equivalents at 30 June	9	1 180	914

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 principle 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.

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 provision 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 2012. The House of Assembly has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the House of Assembly.

(b) Basis of preparation

The preparation of the financial statements requires:

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

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 2012 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.

Where the House of Assembly has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

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) **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 provides information about conditions that existed at 30 June.

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

(g) **Income**

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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

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.

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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

(h) 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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses include all cost 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.

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.

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

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

<i>Class of asset</i>	<i>Useful life</i>
Plant and equipment	5-10 years
Fixtures and fittings	5-10 years
Computer equipment	3 years

Depreciation (continued)

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.

(i) 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.

(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.

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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, 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.

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.

Non-current assets - acquisition and recognition (continued)

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 operate are recognised in the financial statements for the Joint Parliamentary Service.

Artwork 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 written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

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.

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina BAppSc (Val), AAPI (Associate member of the Australian Property Institute), 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 works of art, fixtures and fittings was conducted by Mr Stephen Sinclair at 30 June 2011, a recognised expert in the industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

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.

(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.

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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

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.

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 payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

The House of Assembly makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Leases

The House of Assembly 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 and sick leave*
The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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*
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 13). This calculation is consistent with the House of Assembly's experience of employee retention and leave taken.

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.

Provisions (continued)

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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 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).

(l) 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 2011-12.

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 2012. 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 expenses

	2012	2011
	\$'000	\$'000
Salaries and wages	1 970	1 738
Employment on-costs - superannuation	200	199
Employment on-costs - other	182	156
Workers compensation	(14)	3
Total employee benefits expenses	2 338	2 096

TVSPs

The number of employees who received a TVSP during the reporting period was 0.

Remuneration of employees

	2012	2011
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 000 - \$163 999	1	2
\$214 000 - \$223 999	1	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, payments in lieu of leave, 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 was \$376 000 (\$528 000).

5. Members' salaries and allowances	2012	2011
	\$'000	\$'000
Members' salaries and allowances	6 532	6 264
Superannuation	1 372	1 335
Total members' salaries and allowances	<u>7 904</u>	<u>7 599</u>

Members' salaries, electorate allowances and additional salaries of \$6.532 million (\$6.264 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 \$3.095 million (\$3.599 million) and superannuation of \$857 000 (\$928 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

6. Supplies and services	2012	2011
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Printing	512	363
Information technology	232	471
Leases	110	98
Publications	83	13
Security	99	50
Vehicle hire	13	14
Total supplies and services - SA Government entities	<u>1 049</u>	<u>1 009</u>

Supplies and services provided by entities external to the SA Government:		
Members' travel, accommodation, stationery and related expenses	908	885
Travelling expenses	54	63
FBT	173	166
Stationery	39	26
Publications	7	9
Information technology	120	135
Printing	14	14
Staff training and development	9	16
Commonwealth Parliamentary Association	20	-
Records and artwork management	235	7
Consultants fees	114	33
Other	280	203
Total supplies and services - non-SA Government entities	<u>1 973</u>	<u>1 557</u>
Total supplies and services	<u>3 022</u>	<u>2 566</u>

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	1	1	1	5
Between \$10 000 and \$50 000	-	-	1	28
Above \$100 000	1	113	-	-
Total paid/payable to consultants engaged	<u>2</u>	<u>114</u>	<u>2</u>	<u>33</u>

7. Depreciation expense	2012	2011
	\$'000	\$'000
Plant and equipment	3	18
Fixtures and fittings	8	13
Computer equipment	205	370
Total depreciation expense	<u>216</u>	<u>401</u>

8. Revenue from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	7 362	6 771
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	6 532	6 264
Total revenue from SA Government	<u>13 894</u>	<u>13 035</u>

9. Cash and cash equivalents	2012	2011
	\$'000	\$'000
Deposits with the Treasurer	1 180	914
Total cash and cash equivalents	<u>1 180</u>	<u>914</u>

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	2012	2011
	\$'000	\$'000
Receivables	11	7
Prepayments	40	29
Other	30	-
Total current receivables	<u>81</u>	<u>36</u>

11. Property, plant and equipment		
Plant and equipment:		
Independent valuation	53	58
Accumulated depreciation	(9)	(31)
Total plant and equipment	<u>44</u>	<u>27</u>

Fixtures and fittings:		
Independent valuation	242	242
Accumulated depreciation	(28)	(20)
Total fixtures and fittings	<u>214</u>	<u>222</u>

Computing equipment:		
At cost (deemed fair value)	860	667
Accumulated depreciation	(248)	(43)
Total computing equipment	<u>612</u>	<u>624</u>

Works of art:		
Independent valuation	669	669
Total works of art	<u>669</u>	<u>669</u>

Capital works in progress:		
Capital works in progress	772	2 405
Total capital works in progress	<u>772</u>	<u>2 405</u>
Total property, plant and equipment	<u>2 311</u>	<u>3 947</u>

Asset movement reconciliation

	Plant and equipment	Fixtures and fittings	Computer equipment	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
Carrying amount at 1 July 2011	27	222	624	669	2 405	3 947
Additions	22	-	193	-	548	763
Additions - transfers to (from) CWIP	-	-	-	-	(160)	(160)
Depreciation expense	(3)	(8)	(205)	-	-	(216)
Assets provided for nil consideration	-	-	-	-	(2 021)	(2 021)
Disposals	(2)	-	-	-	-	(2)
Carrying amount at 30 June 2012	<u>44</u>	<u>214</u>	<u>612</u>	<u>669</u>	<u>772</u>	<u>2 311</u>
2011						
Carrying amount at 1 July 2010	150	217	1 106	629	3 356	5 458
Additions	-	-	38	-	541	579
Depreciation expense	(18)	(13)	(370)	-	-	(401)
Net revaluation increment (decrement)	(8)	19	(149)	40	-	(98)
Assets provided for nil consideration	(98)	-	-	-	(1 492)	(1 590)
Other	1	(1)	(1)	-	-	(1)
Carrying amount at 30 June 2011	<u>27</u>	<u>222</u>	<u>624</u>	<u>669</u>	<u>2 405</u>	<u>3 947</u>

12. Payables	2012	2011
Current:	\$'000	\$'000
Creditors	62	15
Accrued expenses	107	68
Employee on-costs	40	37
Total current payables	<u>209</u>	<u>120</u>
Non-current:		
Employee on-costs	41	31
Total non-current payables	<u>41</u>	<u>31</u>
Total payables	<u>250</u>	<u>151</u>
 13. Employee benefits		
Current:		
Annual leave	202	184
Short-term LSL	150	150
Accrued salaries and wages	3	-
Total current employee benefits	<u>355</u>	<u>334</u>
Non-current:		
Long-term LSL	737	560
Total non-current employee benefits	<u>737</u>	<u>560</u>
Total employee benefits	<u>1 092</u>	<u>894</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique.

Based on this actuarial assessment, the LSL liability has increased significantly from 2011. This significant increase is mainly due to the decrease in the long-term discount rate, which is based on government bond rates as at reporting date.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$36 000 and employee benefit expense of \$36 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	2	5
Total current provisions	<u>2</u>	<u>5</u>
Non-current:		
Provision for workers compensation	7	18
Total non-current provisions	<u>7</u>	<u>18</u>
Total provisions	<u>9</u>	<u>23</u>
 <i>Provision movement</i>		
Carrying amount at 1 July	23	21
Additional provisions recognised	(14)	2
Reductions arising from payments	-	-
Carrying amount at 30 June	<u>9</u>	<u>23</u>

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	2012	2011
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	96	87
Later than one year but no longer than five years	358	350
Total operating lease commitments	<u>454</u>	<u>437</u>

The House of Assembly's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to six years with some leases having the right of renewal. Rent is payable in arrears.

16. Events after the reporting period
There have been no events after the reporting period.

17. Contingent assets and liabilities
The House of Assembly is not aware of any contingent assets or liabilities.

18. Auditor's remuneration
Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

19. Cash flow reconciliation	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 180	914
Balance as per the Statement of Cash Flows	<u>1 180</u>	<u>914</u>

Reconciliation of cash flows from operating activities to net cost of providing services

Net cash provided by (used in) operating activities	869	673
Revenues from SA Government	(7 362)	(6 771)
Non-cash items:		
Depreciation	(216)	(401)
Gain (Loss) on revaluation of non-current assets	(2)	-
Increments (Decrements) on revaluation of non-current assets	-	(149)
Assets provided for nil consideration	(2 021)	(1 590)
Members' salaries and allowances	(6 532)	(6 264)
Adjustments to plant and equipment	-	(1)
Movements in assets/liabilities:		
Receivables	45	(33)
Payables	(99)	31
Employee benefits	(198)	138
Provisions	14	(2)
Net cost of providing services	<u>(15 502)</u>	<u>(14 369)</u>

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.

Financial instrument	Note	2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	9	1 180	1 180	914	914
Receivables ⁽¹⁾⁽²⁾	10	41	41	7	7
		<u>1 221</u>	<u>1 221</u>	<u>921</u>	<u>921</u>
Financial liabilities:					
Payables ⁽¹⁾	12	169	169	83	83
		<u>169</u>	<u>169</u>	<u>83</u>	<u>83</u>

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

20.1 Categorisation of financial instruments (continued)

⁽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.

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 carrying amount of financial assets as detailed in note 20.1 represents the House of Assembly's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the House of Assembly.

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.

The carrying amount of financial liabilities recorded in note 20.1 represent the House of Assembly's maximum exposure to financial liabilities.

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 2012**

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefits expenses	4	1 902	1 788
Members' salaries and allowances	5	4 386	4 481
Supplies and services	6	1 586	1 526
Depreciation expense	7	126	201
Net loss from the disposal of non-current assets	11	4	-
Net loss from the revaluation of non-current assets	11	-	67
Assets provided for nil consideration	11	1 167	731
Total expenses		<u>9 171</u>	<u>8 794</u>
Income:			
Other income		1	-
Total income		<u>1</u>	<u>-</u>
Net cost of providing services		<u>9 170</u>	<u>8 794</u>
Revenue from SA Government	8	<u>8 185</u>	<u>8 111</u>
Net result		<u>(985)</u>	<u>(683)</u>
Other comprehensive income:			
Changes in plant and equipment revaluation surplus		-	76
Total comprehensive result		<u>(985)</u>	<u>(607)</u>

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	9	846	651
Receivables	10	29	13
Total current assets		875	664
Non-current assets:			
Property, plant and equipment	11	1 609	2 601
Total non-current assets		1 609	2 601
Total assets		2 484	3 265
Current liabilities:			
Payables	12	150	118
Employee benefits	13	472	450
Provisions	14	1	7
Total current liabilities		623	575
Non-current liabilities:			
Payables	12	51	42
Employee benefits	13	929	763
Provisions	14	5	24
Total non-current liabilities		985	829
Total liabilities		1 608	1 404
Net assets		876	1 861
Equity:			
Retained earnings		800	1 785
Revaluation surplus		76	76
Total equity		876	1 861
Unrecognised contractual commitments	15		
Contingent assets and liabilities	17		

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		-	2 468	2 468
Net result for 2010-11		-	(683)	(683)
Gain on revaluation of plant and equipment		3	-	3
Gain on revaluation of fixtures and fittings	11	67	-	67
Gain on revaluation of works of art	11	6	-	6
Total comprehensive result for 2010-11		76	(683)	(607)
Balance at 30 June 2011		76	1 785	1 861
Net result for 2011-12		-	(985)	(985)
Total comprehensive result for 2011-12		-	(985)	(985)
Balance at 30 June 2012		76	800	876

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(1 740)	(1 744)
Members' superannuation		(744)	(776)
Payments for supplies and services		(1 740)	(1 657)
Cash used in operations		(4 224)	(4 177)
Cash inflows:			
GST recovered from ATO		180	151
Other receipts		1	-
Cash generated from operations		181	151
Cash flows from SA Government:			
Receipts from SA Government		4 543	4 406
Cash generated from SA Government		4 543	4 406
Net cash provided by (used in) operating activities	19	500	380
Cash flows from investing activities:			
Purchase of property, plant and equipment		(305)	(289)
Net cash provided by (used in) investing activities		(305)	(289)
Net increase (decrease) in cash and cash equivalents		195	91
Cash and cash equivalents at 1 July		651	560
Cash and cash equivalents at 30 June	9	846	651

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.

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 provision 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 2012. The Legislative Council has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Legislative Council.

(b) *Basis of preparation*

The preparation of the financial statements requires:

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

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 2012 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.

Where the Legislative Council has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

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) **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 provides information about conditions that existed at 30 June.

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

(g) **Income**

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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

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.

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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal of agency specific examples are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

(h) 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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses include all cost 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.

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.

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

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

<i>Class of asset</i>	<i>Useful life</i>
Plant and equipment	5-10 years
Fixtures and fittings	5-10 years
Computer equipment	3 years

Depreciation (continued)

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.

(i) 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 Legislative Council 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.

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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, 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.

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.

Non-current assets - acquisition and recognition (continued)

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Artwork 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 written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

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.

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina BAppSc (Val), AAPI (Associate member of the Australian Property Institute), 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 works of art, fixtures and fittings was conducted by Mr Stephen Sinclair at 30 June 2011, a recognised expert in the industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

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.

(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.

Where a liability line item 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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

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 benefit on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

The Legislative Council makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

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 and sick leave*
The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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*
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 13).

This calculation is consistent with the Legislative Council's experience of employee retention and leave taken.

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.

Provisions (continued)

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 2012 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 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).

(I) 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 2011-12.

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 2012. 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 benefit expenses

	2012	2011
	\$’000	\$’000
Salaries and wages	1 473	1 344
Employment on-costs - superannuation	318	307
Employment on-costs - other	133	133
Workers compensation	(22)	4
Total employee benefit expenses	1 902	1 788

TVSPs

The number of employees who received a TVSP during the reporting period was 0.

Remuneration of employees

	2012	2011
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 000 - \$163 999	1	1
\$204 000 - \$213 999	-	1
\$214 000 - \$223 999	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, fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees was \$375 000 (\$380 000).

5. Members' salaries and allowances	2012	2011
	\$'000	\$'000
Members' salaries and allowances	3 642	3 705
Superannuation	744	776
Total members' salaries and allowances	<u>4 386</u>	<u>4 481</u>

Members' salaries, electorate allowances and additional salaries of \$3.642 million (\$3.705 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 \$709 000 (\$464 000) and superannuation of \$139 000 (\$132 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

6. Supplies and services	2012	2011
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Publications	13	-
Printing	293	211
Information technology	108	193
Lease	50	44
Members' global allowance	58	55
Security	98	50
Vehicle hire	31	28
Total supplies and services - SA Government entities	<u>651</u>	<u>581</u>

Supplies and services provided by entities external to the SA Government:		
Members' travel, accommodation, stationery and related expenses	276	270
Members' global allowance	265	296
Travelling expenses	80	40
FBT	87	112
Stationery	18	14
Publications	16	16
Printing	17	15
Telephones	4	5
Consultants fees	38	16
Commonwealth Parliamentary Association	-	32
Other	134	129
Total supplies and services - non-SA Government entities	<u>935</u>	<u>945</u>
Total supplies and services	<u>1 586</u>	<u>1 526</u>

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:		2012		2011
	Number	\$'000	Number	\$'000
Below \$10 000	3	8	3	16
Between \$10 000 and \$50 000	2	30	-	-
Total paid/payable to consultants engaged	<u>5</u>	<u>38</u>	<u>3</u>	<u>16</u>

7. Depreciation expense	2012	2011
	\$'000	\$'000
Plant and equipment	3	6
Fixtures and fittings	4	3
Computer equipment	119	192
Total depreciation expense	<u>126</u>	<u>201</u>

8. Revenue from SA Government	2012	2011
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	4 543	4 406
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	3 642	3 705
Total revenue from SA Government	8 185	8 111
9. Cash and cash equivalents		
Deposits with the Treasurer	846	651
Total cash and cash equivalents	846	651

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	2012	2011
	\$'000	\$'000
Receivables	-	1
Prepayments	-	12
Other	29	-
Total current receivables	29	13

11. Property, plant and equipment		
Plant and equipment:		
Independent valuation	43	48
Accumulated depreciation	(21)	(34)
Total plant and equipment	22	14
Fixtures and fittings:		
Independent valuation	524	526
Accumulated depreciation	(11)	(7)
Total fixtures and fittings	513	519
Computing equipment:		
At cost (deemed fair value)	456	351
Accumulated depreciation	(172)	(53)
Total Computing equipment	284	298
Works of art:		
Independent valuation	399	399
Total works of art	399	399
Capital works in progress:		
Capital works in progress	391	1 371
Total capital works in progress	391	1 371
Total property, plant and equipment	1 609	2 601

Asset movement reconciliation

	Plant and equipment	Fixtures and fittings	Computer equipment	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
Carrying amount at 1 July 2011	14	519	298	399	1 371	2 601
Additions	11	-	107	-	267	385
Additions - transfers to (from) CWIP	-	-	-	-	(80)	(80)
Depreciation expense	(3)	(4)	(119)	-	-	(126)
Assets provided for nil consideration	-	-	-	-	(1 167)	(1 167)
Disposals	-	(2)	(2)	-	-	(4)
Carrying amount at 30 June 2012	22	513	284	399	391	1 609
2011						
Carrying amount at 1 July 2010	17	455	557	393	1 813	3 235
Additions	-	-	-	-	289	289
Depreciation expense	(6)	(3)	(192)	-	-	(201)
Net revaluation increment (decrement)	3	67	(67)	6	-	9
Assets provided for nil consideration	-	-	-	-	(731)	(731)
Carrying amount at 30 June 2011	14	519	298	399	1 371	2 601

12. Payables	2012	2011
Current:	\$'000	\$'000
Creditors	30	11
Accrued expense	56	46
Employee on-costs	64	61
Total current payables	<u>150</u>	<u>118</u>
Non-current:		
Employee on-costs	51	42
Total non-current payables	<u>51</u>	<u>42</u>
Total payables	<u>201</u>	<u>160</u>
13. Employee benefits		
Current:		
Annual leave	372	350
Short-term LSL	100	100
Total current employee benefits	<u>472</u>	<u>450</u>
Non-current:		
Long-term LSL	929	763
Total non-current employee benefits	<u>929</u>	<u>763</u>
Total employee benefits	<u>1 401</u>	<u>1 213</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique.

Based on this actuarial assessment, the LSL liability has increased significantly from 2011. This significant increase is mainly due to the decrease in the long-term discount rate, which is based on government bond rates as at reporting date.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$15 000 and employee benefit expense of \$15 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	1	7
Total current provisions	<u>1</u>	<u>7</u>
Non-current:		
Provision for workers compensation	5	24
Total non-current provisions	<u>5</u>	<u>24</u>
Total provisions for workers compensation	<u>6</u>	<u>31</u>
Carrying amount at 1 July	31	27
Additional provisions recognised	(25)	4
Reductions arising from payments	-	-
Carrying amount at 30 June	<u>6</u>	<u>31</u>

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 at the reporting date but not recognised as liabilities are payable as follows:	2012	2011
	\$'000	\$'000
Within one year	43	39
Later than one year but no longer than five years	160	157
Total operating lease commitments	<u>203</u>	<u>196</u>

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to six years with some leases having the right of renewal. Rent is payable in arrears.

16. Events after the reporting period

There have been no events after the reporting period.

17. Contingent assets and liabilities

The Legislative Council is not aware of any contingent assets or liabilities.

18. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

19. Cash flow reconciliation

	2012	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	846	651
Balance as per the Statement of Cash Flows	846	651

Reconciliation of cash flows from operating activities to net cost of providing services

Net cash provided by (used in) operating activities	500	380
Revenues from SA Government	(4 543)	(4 406)
Non-cash items:		
Depreciation	(126)	(201)
Gain (Loss) on sale or disposal	(4)	-
Increments (Decrements) on revaluation	-	(67)
Assets provided for nil consideration	(1 167)	(731)
Members' salaries and allowances	(3 642)	(3 705)
Movements assets/liabilities:		
Receivables	16	(21)
Payables	(41)	-
Employee benefits	(188)	(39)
Provisions	25	(4)
Net cost of providing services	(9 170)	(8 794)

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.

Financial instrument	Note	2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	9	846	846	651	651
Receivables ⁽¹⁾⁽²⁾	10	29	29	1	1
		875	875	652	652
Financial liabilities:					
Payables ⁽¹⁾	12	86	86	57	57
		86	86	57	57

(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.

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.

Credit risk exposures (continued)

The carrying amount of financial assets as detailed in note 20.1 represents the Legislative Council's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the Legislative Council.

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.

The carrying amount of financial liabilities recorded in note 20.1 represent the Legislative Council's maximum exposure to financial liabilities.

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 2012

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefit expenses	4	5 600	5 585
Supplies and services	5	3 154	3 178
Depreciation expense	7	1 078	1 070
Loss on disposal of non-current assets	11	35	-
Loss on revaluation of non-current assets	11	-	250
Total expenses		9 867	10 083
Income:			
Assets acquired at nil consideration from House of Assembly	11	2 021	1 590
Assets acquired at nil consideration from Legislative Council	11	1 167	731
Net gain from disposal of non-current assets	11	4	-
Other income		37	50
Total income		3 229	2 371
Net cost of providing services		6 638	7 712
Revenue from SA Government	8	7 891	10 181
Net result		1 253	2 469
Other comprehensive income:			
Changes in property, plant and equipment revaluation surplus		-	14 069
Total comprehensive result		1 253	16 538

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	9	2 122	4 039
Receivables	10	278	171
Total current assets		<u>2 400</u>	<u>4 210</u>
Non-current assets:			
Property, plant and equipment	11	83 940	80 947
Total non-current assets		<u>83 940</u>	<u>80 947</u>
Total assets		<u>86 340</u>	<u>85 157</u>
Current liabilities:			
Payables	12	286	382
Financial liabilities/borrowings	13	-	8
Employee benefits	14	640	605
Provisions	15	38	106
Total current liabilities		<u>964</u>	<u>1 101</u>
Non-current liabilities:			
Payables	12	76	60
Employee benefits	14	1 379	1 082
Provisions	15	111	357
Total non-current liabilities		<u>1 566</u>	<u>1 499</u>
Total liabilities		<u>2 530</u>	<u>2 600</u>
Net assets		<u>83 810</u>	<u>82 557</u>
Equity:			
Retained earnings		69 741	68 488
Revaluation surplus		14 069	14 069
Total equity		<u>83 810</u>	<u>82 557</u>
Unrecognised contractual commitments	16		
Contingent assets and liabilities	19		

Statement of Changes in Equity for the year ended 30 June 2012

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	-	66 019	66 019
Net result for 2010-11	-	2 469	2 469
Gain on revaluation of land	13 835	-	13 835
Gain on revaluation of plant and equipment	78	-	78
Gain on revaluation of fixtures and fittings	156	-	156
Total comprehensive result 2010-11	14 069	2 469	16 538
Balance at 30 June 2011	14 069	68 488	82 557
Net result for 2011-12	-	1 253	1 253
Total comprehensive result 2011-12	-	1 253	1 253
Balance at 30 June 2012	14 069	69 741	83 810

Statement of Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee benefit payments		(5 582)	(5 764)
Supplies and services		(3 729)	(3 428)
Cash used in operations		(9 311)	(9 192)
Cash inflows:			
GST recovered from ATO		385	308
Other income		40	53
Cash generated from operations		425	361
Cash flows from SA Government:			
Receipts from SA Government		7 891	10 181
Cash generated from SA Government		7 891	10 181
Net cash provided by (used in) operating activities	17	(995)	1 350
Cash flows from investing activities:			
Purchase of plant and equipment		(914)	(589)
Net cash provided by (used in) investing activities		(914)	(589)
Cash flows from financing activities:			
Repayment of finance lease		(8)	(16)
Net cash generated from financing activities		(8)	(16)
Net increase (decrease) in cash and cash equivalents		(1 917)	745
Cash and cash equivalents at 1 July		4 039	3 294
Cash and cash equivalents at 30 June	9	2 122	4 039

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.

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 provision 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 2012. The Joint Parliamentary Service has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the Joint Parliamentary Service.

(b) *Basis of preparation*

The preparation of the financial statements requires:

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

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 2012 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.

Where the Joint Parliamentary Service has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

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) **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 for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(g) **Income**

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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

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.

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 determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal of agency specific examples are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

(h) 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 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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses include all cost 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.

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.

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

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

<i>Class of asset</i>	<i>Useful life</i>
Buildings	100 years
Plant and equipment	5-10 years
Fixtures and fittings	3-10 years
Computer equipment	3 years

The Joint Parliamentary Service estimates the remaining useful life of Parliament House to be 100 years ending in 2096.

Depreciation (continued)

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.

(i) 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.

(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.

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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, 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.

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.

Non-current assets - acquisition and recognition (continued)

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.

Artwork 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 written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

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.

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina BAppSc (Val), AAPI (Associate member of the Australian Property Institute), Certified Practising Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis. The valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in these financial statements.

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.

(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.

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.

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.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

Payables

Payables include 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.

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 payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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.

Borrowings

The Joint Parliamentary Service measures financial liabilities including borrowings/debt at historical cost.

Leases

The Joint Parliamentary Service 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 and sick leave*

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

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

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*
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer to note 14).

This calculation is consistent with the Joint Parliamentary Service's experience of employee retention and leave taken.

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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 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).

(l) 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 2011-12.

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 2012. 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 benefit expenses

	2012	2011
	\$'000	\$'000
Salaries and wages	5 068	4 740
Employment on-costs - superannuation	538	533
Employment on-costs - other	289	257
Workers compensation	(295)	55
Total employee benefit expenses	5 600	5 585

Targeted voluntary separation expenses

There were no targeted voluntary separation expenses paid in 2012.

Employee remuneration

	2012 Number	2011 Number
The number of staff whose remuneration received or receivable falls within the following bands:		
\$144 000 - \$153 999	1	1
\$224 000 - \$233 999	-	1
Total	1	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 \$144 000 (\$368 000).

5. Supplies and services

	2012 \$'000	2011 \$'000
Supplies and services provided by entities within the SA Government:		
Building maintenance	245	424
Utilities	68	61
Cleaning	181	-
Printing and publishing	484	190
Insurance	50	62
Information technology	23	30
Lease	47	42
Audit fees	75	74
Shared services	80	79
Other	56	48
Total supplies and services - SA Government entities	1 309	1 010

Supplies and services provided by entities external to the SA Government:

Building maintenance	133	320
Utilities	319	305
Cleaning	59	219
Minor works and equipment	171	96
Telephones	154	200
Information technology	524	648
Agency staff hire	51	25
FBT	52	48
Consultants fees	71	41
Other	311	266
Total supplies and services - non-SA Government entities	1 845	2 168
Total supplies and services	3 154	3 178

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

	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	4	20	7	14
Between \$10 000 and \$50 000	2	51	2	27
Total paid/payable to consultants engaged	6	71	9	41

6. Auditor's remuneration

	2012 \$'000	2011 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	75	74
Total auditor's remuneration	75	74

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

7. Depreciation	2012	2011
	\$'000	\$'000
Buildings	485	486
Plant and equipment	35	80
Fixtures and fittings	18	1
Computer equipment	540	503
Total depreciation	<u>1 078</u>	<u>1 070</u>
8. Revenue from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	7 635	10 181
Transfers from contingencies	256	-
Total revenue from SA Government	<u>7 891</u>	<u>10 181</u>
9. Cash and cash equivalents		
Cash on hand	-	-
Special deposit account	2 122	4 039
Total cash and cash equivalents	<u>2 122</u>	<u>4 039</u>
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	2012	2011
	\$'000	\$'000
Receivables	185	88
Prepayments	83	77
Other	10	6
Total receivables	<u>278</u>	<u>171</u>
11. Property, plant and equipment		
Land:		
Independent valuation	26 675	26 675
Total land	<u>26 675</u>	<u>26 675</u>
Buildings:		
Independent valuation	48 530	48 531
Accumulated depreciation	(485)	-
Total buildings	<u>48 045</u>	<u>48 531</u>
Plant and equipment:		
Independent valuation	970	971
Accumulated depreciation	(214)	(186)
Total plant and equipment	<u>756</u>	<u>785</u>
Fixtures and fittings:		
Independent valuation	869	869
Accumulated depreciation	(18)	-
Total fixtures and fittings	<u>851</u>	<u>869</u>
Computing equipment:		
At cost (deemed fair value)	8 344	5 072
Accumulated depreciation	(3 519)	(2 988)
Total computing equipment	<u>4 825</u>	<u>2 084</u>
Library:		
Independent valuation	1 495	1 495
Total library	<u>1 495</u>	<u>1 495</u>
Capital work in progress:		
Capital work in progress	1 293	508
Total capital work in progress	<u>1 293</u>	<u>508</u>
Total property, plant and equipment	<u>83 940</u>	<u>80 947</u>

Asset movement reconciliation

	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012								
Balance at 1 July	26 675	48 531	785	869	2 084	1 495	508	80 947
Additions	-	-	14	-	120	-	831	965
Additions - transfers to (from CWIP)	-	-	-	-	3 188	-	(3 235)	(47)
Depreciation/Amortisation expense	-	(485)	(35)	(18)	(540)	-	-	(1 078)
Assets acquired at nil consideration	-	-	-	-	-	-	3 188	3 188
Disposals	-	-	(7)	-	(24)	-	-	(31)
Net loss from disposal of non-current assets	-	(1)	-	-	(3)	-	-	(4)
Other	-	-	(1)	-	-	-	1	-
Carrying amount at 30 June	26 675	48 045	756	851	4 825	1 495	1 293	83 940
2011								
Balance at 1 July	12 840	45 769	1 342	713	2 592	1 531	500	65 287
Additions	-	-	-	-	-	-	589	589
Additions - transfers to (from CWIP)	-	3 359	(555)	-	-	-	(2 804)	-
Depreciation/Amortisation expense	-	(486)	(80)	(1)	(503)	-	-	(1 070)
Net revaluation increment (decrement)	13 835	(210)	78	156	(4)	(36)	-	13 819
Assets acquired at nil consideration	-	98	-	-	-	-	2 223	2 321
Other	-	1	-	1	(1)	-	-	1
Carrying amount at 30 June	26 675	48 531	785	869	2 084	1 495	508	80 947

	2012	2011
	\$'000	\$'000
12. Payables		
Current:		
Creditors	82	22
Accrued expenses	119	280
Employment on-costs	85	80
Total current payables	286	382
Non-current:		
Employee on-costs	76	60
Total non-current payables	76	60
Total payables	362	442

13. Borrowings

Current:		
Obligations under finance leases	-	8
	-	8

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amount of non-current assets pledged as security are:

Leased plant and equipment	-	5
	-	5

14. Employee benefits

Current:		
Annual leave	472	455
Short-term LSL	150	150
Accrued salaries and wages	18	-
Total current employee benefits	640	605
Non-current:		
Liability for LSL	1 379	1 082
Total non-current employee benefits	1 379	1 082
Total employee benefits	2 019	1 687

14. Employee benefits (continued)

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique.

Based on this actuarial assessment, the LSL liability has increased significantly from 2011. This significant increase is mainly due to the decrease in the long-term discount rate, which is based on government bond rates as at reporting date.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$49 000 and employee benefit expense of \$49 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	38	106
Non-current:		
Provision for workers compensation	111	357
	<u>149</u>	<u>463</u>
Carrying amount at 1 July	463	410
Additional provisions recognised	(285)	53
Reductions arising from payments	29	-
Carrying amount at 30 June	<u>149</u>	<u>463</u>

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 for at the reporting date but not recognised as liabilities are payable as follows:	2012	2011
	\$'000	\$'000
Less than one year	41	37
Between one and five years	153	149
More than five years	-	-
Total operating lease commitments	<u>194</u>	<u>186</u>

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to six 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:	2012	2011
	\$'000	\$'000
Less than one year	169	94
Between one and five years	77	131
Total other commitments	<u>246</u>	<u>225</u>

The Joint Parliamentary Service's other commitments are for agreements for computer and software related contracts.

Finance lease commitments

	2012		2011	
Future minimum lease payments under finance leases and hire purchase contracts together with present value of net minimum lease payments are as follows:	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Less than one year	-	-	8	8
Between one and five years	-	-	-	-
More than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>

Finance lease commitments (continued)		2012	2011
Included in the financial statements as:		\$'000	\$'000
	Note		
Current financial liabilities/borrowings		-	8
Non-current financial liabilities/borrowings	13	-	-
		<u>-</u>	<u>8</u>

The Joint Parliamentary Service had a finance lease for an item of equipment with a carrying amount of \$4000. This contract expired during the year. The lease had no terms of renewal. The weighted average interest rate implicit in the leases is 0%.

17. Cash flow reconciliation	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	2 122	4 039
Balance as per the Statement of Cash Flows	<u>2 122</u>	<u>4 039</u>

Reconciliation of cash flows from operating activities to net cost of providing services

Net cash provided by (used in) operating activities	(995)	1 350
Revenues from SA Government	(7 891)	(10 181)
Non-cash items:		
Depreciation expense of non-current assets	(1 078)	(1 070)
Gain (Loss) on sale or disposal of non-current assets	(31)	-
Increments (Decrements) on revaluation of non-current assets	-	(250)
Assets acquired at nil consideration	3 188	2 321
Adjustments to plant and equipment	-	1
Movements in assets/liabilities:		
Receivables	107	(24)
Payables	80	(38)
Employee benefits	(332)	232
Provisions	314	(53)
Net cost of providing services	<u>(6 638)</u>	<u>(7 712)</u>

18. Events after reporting date
There have been no events after the reporting date.

19. Contingent assets and liabilities
The Joint Parliamentary Service had no contingent assets or liabilities.

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.

Financial instrument	Note	2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	9	2 122	2 122	4 039	4 039
Receivables ⁽¹⁾⁽²⁾	10	195	195	94	94
		<u>2 317</u>	<u>2 317</u>	<u>4 133</u>	<u>4 133</u>
Financial liabilities:					
Payables ⁽¹⁾	12	201	201	302	302
Borrowings		-	-	8	8
		<u>201</u>	<u>201</u>	<u>310</u>	<u>310</u>

⁽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.

Credit risk exposures

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 carrying amount of financial assets as detailed in note 20.1 represents the Joint Parliamentary Service’s maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the Joint Parliamentary Service .

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.

The carrying amount of financial liabilities recorded in note 20.1 represent the Joint Parliamentary Service’s maximum exposure to financial liabilities.

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

	2012	2011
	\$’000	\$’000
Administered expenses:		
Members’ salaries	10 174	9 969
Total administered expenses	<u>10 174</u>	<u>9 969</u>
Administered income:		
Recurrent appropriations	10 174	9 969
Total administered income	<u>10 174</u>	<u>9 969</u>
Net cost of providing services	<u>-</u>	<u>-</u>

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 (PLS). 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 2011-12, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including cash receipting and banking
- subsidy payments to public libraries
- budgetary control and financial management reporting
- property, plant and equipment
- research and heritage collections.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of TIs 2 and 28 and SSSA control environments outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were raised in a management letter to the Director of the State Library and a response was received. The main matter communicated and the related response is provided below.

Implementation of TIs 2 and 28

TIs 2 and 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program of review of relevant policies and procedures, internal controls and financial reporting.

Previous Reports have conveyed that the Board was relating with DPC (which provides business support) to assist with the implementation of the TI requirements. In 2010-11 the Board indicated that it would assess the appropriateness of the financial management compliance program developed by DPC and implement it accordingly. The 2011-12 audit found that no progress had been made in implementing the program. The Board advised Audit in August 2012 that it was not sufficiently resourced to implement its own program and would meet with DPC to determine a way forward.

Shared Services SA – e-Procurement and electronic payment control environments

The audit review of the Department's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Expenses		
Staff benefits	12	11
Subsidies to public libraries	12	12
Other expenses	12	10
Total expenses	36	33

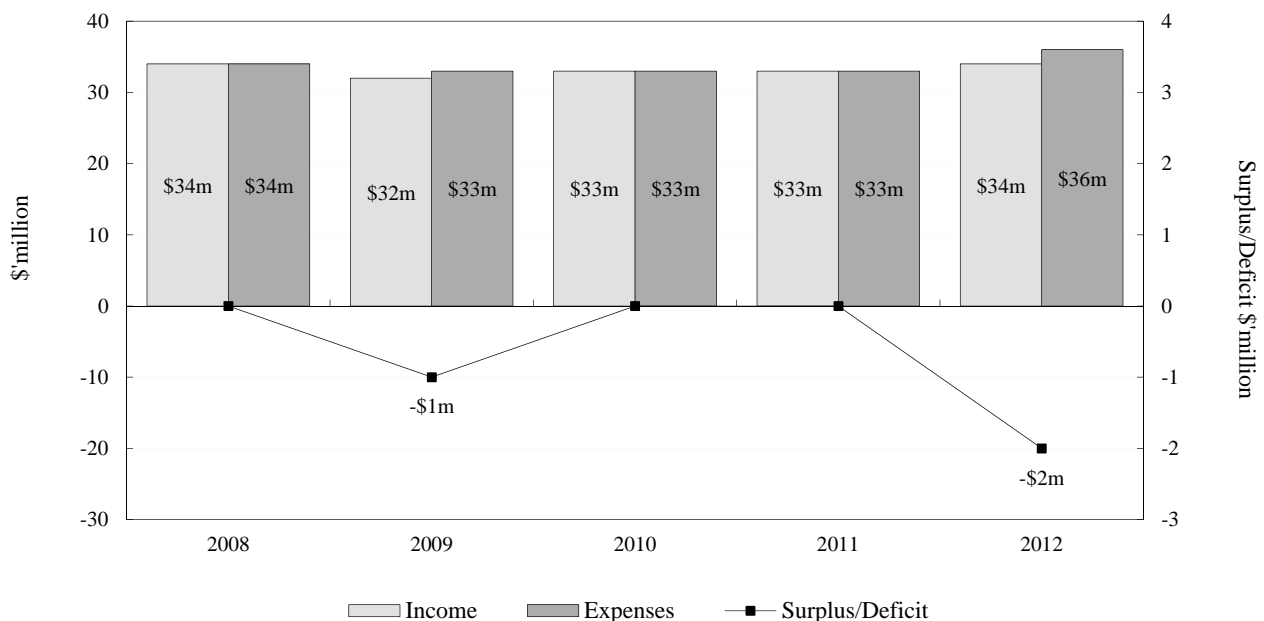
	2012 \$'million	2011 \$'million
Income		
State Government grants	31	31
Other income	3	2
Total income	34	33
Net result	(2)	-
Net cash provided by (used in) operating activities		
	2	2
Net cash provided by (used in) investing activities		
	-	(1)
Assets		
Current assets	8	7
Non-current assets	165	168
Total assets	173	175
Liabilities		
Current liabilities	2	1
Non-current liabilities	3	3
Total liabilities	5	4
Total equity	168	171

Statement of Comprehensive Income

Net result

The net result for the year was a deficit of \$2.4 million (\$301 000). The significant increase in the deficit was mainly as a result of a loss on disposal of non-current assets (\$2.5 million). In July 2011 the Board transferred its land and buildings at Hindmarsh to the Minister for the Arts for no consideration. The premises were no longer used by the Board since the transfer of the PLS to North Terrace and the transfer for no consideration was part of revised funding arrangements for the PLS.

The following chart shows income, expenses and surpluses/deficits for the five years to 2012.



Statement of Financial Position

The total assets of the Board at 30 June 2012 are \$173.1 million (\$175.4 million). \$48.7 million (28%) relates to the Board's property, plant and equipment which is predominantly land, buildings and improvements (\$46.5 million). The buildings are the State Library and Institute buildings on North Terrace. \$110.5 million (64%) relates to research and heritage collections, which are detailed in note 21 to the financial statements.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
Net cash flows				
Operating	2	2	2	1
Investing	-	(1)	(1)	(1)
Change in cash	2	1	1	-
Cash at 30 June	8	6	5	4

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Expenses:			
Staff benefits	4	11 812	11 275
Supplies and services	6	5 786	5 201
Accommodation and facilities	7	2 286	2 132
Depreciation and amortisation	8	1 569	2 164
Subsidies to public libraries		12 263	12 065
Net loss from disposal of non-current assets	9	2 426	52
Total expenses		<u>36 142</u>	<u>32 889</u>
Income:			
Fees and charges	10	383	431
Donations		53	93
Council contributions		114	91
Rent and facilities hire	11	296	271
Resources received free of charge	12	242	259
Interest and investment income	13	754	684
Recoveries	14	647	147
Other	15	207	184
Total income		<u>2 696</u>	<u>2 160</u>
Net cost of providing services		<u>33 446</u>	<u>30 729</u>
Revenues from SA Government:			
Recurrent operating grant		30 860	30 355
Capital grant		138	73
Total revenues from SA Government		<u>30 998</u>	<u>30 428</u>
Net result		<u>(2 448)</u>	<u>(301)</u>
Other comprehensive income:			
Change in value of research and heritage collections	21	-	63 600
Total other comprehensive income		<u>-</u>	<u>63 600</u>
Total comprehensive result		<u>(2 448)</u>	<u>63 299</u>

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

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash	17	7 810	6 378
Receivables	18	376	550
Total current assets		8 186	6 928
Non-current assets:			
Property, plant and equipment	19	48 628	52 076
Intangible assets	20	23	29
Research and heritage collections	21	110 486	110 003
Investments	22	5 805	6 370
Total non-current assets		164 942	168 478
Total assets		173 128	175 406
Current liabilities:			
Payables	23	655	527
Staff benefits	24	1 135	1 077
Provisions	25	29	69
Other	26	-	1
Total current liabilities		1 819	1 674
Non-current liabilities:			
Payables	23	226	202
Staff benefits	24	2 432	2 316
Provisions	25	120	235
Other	26	10	10
Total non-current liabilities		2 788	2 763
Total liabilities		4 607	4 437
Net assets		168 521	170 969
Equity:			
Retained earnings		88 424	90 022
Revaluation surplus		80 097	80 947
Total equity		168 521	170 969

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 27

Contingent assets and liabilities 28

Statement of Changes in Equity for the year ended 30 June 2012

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	17 347	90 323	107 670
Net result for 2010-11	-	(301)	(301)
Gain on revaluation of research and heritage collections	63 600	-	63 600
Total comprehensive result for 2010-11	63 702	(403)	63 299
Balance at 30 June 2011	80 947	90 022	170 969
Net result for 2011-12	-	(2 448)	(2 448)
Total comprehensive result for 2011-12	-	(2 448)	(2 448)
Transfer between equity components	(850)	850	-
Balance at 30 June 2012	80 097	88 424	168 521

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

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash outflows:			
Staff benefits		(11 762)	(11 113)
Supplies and services		(5 392)	(5 126)
Accommodation and facilities		(2 286)	(2 170)
Subsidies to public libraries		(12 263)	(12 207)
Cash used in operations		<u>(31 703)</u>	<u>(30 616)</u>
Cash inflows:			
Fees and charges		470	453
Donations		10	83
Council contributions		114	91
Rent and facilities hire		296	271
Interest and investment income		754	678
Recoveries		647	151
Other		207	169
Cash generated from operations		<u>2 498</u>	<u>1 896</u>
Cash flows from SA Government:			
Recurrent operating grant		30 860	30 355
Capital grant		138	73
Cash generated from SA Government		<u>30 998</u>	<u>30 428</u>
Net cash provided by (used in) operating activities	29	<u>1 793</u>	<u>1 708</u>
Cash flows from investing activities:			
Cash outflows:			
Purchase of heritage collections		(440)	(474)
Purchase of investments		(1 000)	(178)
Purchase of property, plant and equipment		(144)	(112)
Purchase of land and buildings		(167)	(91)
Cash used in investing activities		<u>(1 751)</u>	<u>(855)</u>
Cash inflows:			
Proceeds from the sale/maturity of investments		1 390	180
Cash generated from investing activities		<u>1 390</u>	<u>180</u>
Net cash provided by (used in) investing activities		<u>(361)</u>	<u>(675)</u>
Net increase (decrease) in cash		1 432	1 033
Cash at 1 July		6 378	5 345
Cash at 30 June	29	<u>7 810</u>	<u>6 378</u>

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

	2012			2011			
	(Activities - refer note 3)	1	2	Total	1	2	Total
Expenses:		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Staff benefits		9 384	2 428	11 812	9 652	1 623	11 275
Supplies and services		2 332	3 454	5 786	2 248	2 953	5 201
Accommodation and facilities		2 248	38	2 286	2 053	79	2 132
Depreciation and amortisation		1 545	24	1 569	2 077	87	2 164
Subsidies to public libraries		-	12 263	12 263	-	12 065	12 065
Net loss from the disposal of non-current assets		180	2 246	2 426	52	-	52
Total expenses		15 689	20 453	36 142	16 082	16 807	32 889
Income:							
Fees and charges		373	10	383	429	2	431
Donations		53	-	53	93	-	93
Council contributions		-	114	114	-	91	91
Rent and facilities hire		296	-	296	271	-	271
Resources received free of charge		240	2	242	258	1	259
Interest and investment income		602	152	754	561	123	684
Recoveries		87	560	647	114	33	147
Other		133	74	207	111	73	184
Total income		1 784	912	2 696	1 837	323	2 160
Net cost of providing services		13 905	19 541	33 446	14 245	16 484	30 729
Revenues from SA Government:							
Recurrent operating grant		13 203	17 657	30 860	12 995	17 360	30 355
Capital grant		138	-	138	73	-	73
Total revenues from SA Government		13 341	17 657	30 998	13 068	17 360	30 428
Net result		(564)	(1 884)	(2 448)	(1 177)	876	(301)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2012

	2012			2011			
	(Activities - refer note 3)	1	2	Total	1	2	Total
Assets:		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets		169 858	3 270	173 128	170 310	5 096	175 406
Total assets		169 858	3 270	173 128	170 310	5 096	175 406
Liabilities:							
Liabilities		3 819	788	4 607	3 708	729	4 437
Total liabilities		3 819	788	4 607	3 708	729	4 437

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
- maintain and expand collections of library materials
- administer the State Library
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of significant accounting policies

2.1 Statement of compliance

The 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 provision 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 2012. 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 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 judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:
 - (a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
 - (c) staff TVSP information
 - (d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

2.2 Basis of preparation (continued)

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 2012 and comparative information presented for the year ended 30 June 2011.

2.3 Sources of funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, rent, venue hire, investments, donations, bequests and other receipts, and uses the monies for the achievement of its objectives.

2.4 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Government grants and council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

Subsidies to public libraries

Public library services receive contributions from councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under subsidies to public libraries in the Statement of Comprehensive Income. The total amount received from councils for the year was \$114 000 (\$91 000).

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 12) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 12) and a corresponding amount included as a business services charge in supplies and services (note 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 2012. The total of these trust accounts is \$232 000 (\$198 000).

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.

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

2.8 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.9 Non-current asset acquisition and recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given 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 written down current cost (a proxy for fair value) and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

Any revaluation increment is credited to the 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 2008 by the Australian Valuation Office (AVO). The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and equipment

Plant and equipment, including computer equipment and compactus and shelving, on acquisition has been deemed to be held at fair value.

Public library service collections

The film collection is valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

Research and heritage collections

The Board’s research and heritage collections were revalued as at 30 June 2011 using the valuation methodology outlined below.

The State Library of South Australia appointed Ty Noble, Director-General Valuations, Plant and Equipment, of the AVO to undertake the valuation of all of the Library’s collections as at 30 June 2011. All valuations were carried out by specialists employed by the AVO.

Collections were valued by applying a fair value average price based on a sampling of items and then applying this value to the number of items held. Significant and unique objects were valued individually. Other collections were valued using the linear method of valuation. This method is based on an average cost per volume applied to the size of the collection. Sampling techniques were used to value other less significant elements of the heritage collection.

The fair value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset’s market buying price indicated by the replacement cost of the asset’s remaining future economic benefits.

Valuations were carried out by the following recognised industry experts:

Rare books	J Burdon
Framed works	D Hyles
Published and archival collections	K Adam
Miscellaneous	I & M Armstrong
Archival collections (records groups)	J Thompson

Collections which have been valued include: rare and special collections, 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.

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.

2.12 Depreciation of non-current assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land, research and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The estimated useful life of the following classes of assets are as follows:

<i>Class of asset</i>	<i>Useful life (years)</i>
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 and annual leave.

2.14 Staff benefits

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

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

Salaries, wages and annual leave

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at current remuneration rates. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

LSL

A liability for LSL is recognised after a staff member has completed zero years of service to which a 10% premium has been added. The benchmark for 2010-11 was five years of service. An actuarial assessment of LSL, undertaken by DTF based on a significant sample of employees throughout the South Australia public sector, determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of staff retention and leave taken.

On-costs

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 Workers compensation provision

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

2.16 Leases

The Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

2.17 Comparative information

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

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

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

2.18 Taxation

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

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Board as a purchaser is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of DPC, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

2.19 State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.20 Rounding

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

2.21 Insurance

The Board has arranged through SAICORP, a division of SAFA, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2012 is summarised below (refer to the Disaggregated Disclosures Schedules - Expenses and Income and Assets and Liabilities).

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through public library services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Staff benefits

	2012	2011
	\$'000	\$'000
Salaries and wages	9 198	8 867
Annual leave	2	36
Board fees	110	113
Superannuation	1 097	1 016
LSL	505	532
Payroll tax	540	524
TVSP payments (refer below)	385	-
Other staff related expenses	(25)	187
Total staff benefits	11 812	11 275

Remuneration of staff	2012	2011
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$143 999	-	1
\$154 000 - \$163 999	1	-
\$174 000 - \$183 999	1	1
\$194 000 - \$203 999	1	-
\$204 000 - \$213 999	-	1
Total	3	3

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was \$484 000 (\$526 000).

TVSPs	2012	2011
Amount paid to these staff:	\$'000	\$'000
TVSPs	385	-
Annual leave and LSL paid for the period	148	-
	533	-
Recovery from DTF	533	-
Net cost to the Board	-	-

Three (nil) staff were paid TVSPs during the reporting period.

5. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2011-12 financial year were:

Libraries Board

Mr J Bruce (Chairman)	Ms B S Davidson-Park (term expired 16 April 2012)
Dr P Goldsworthy, AM (term expired 6 November 2011)	Ms V Ciccarello (appointed 7 February 2012)
Mr P J Myhill (term expired 6 February 2012)	Mr A Luckhurst-Smith (appointed 7 February 2012)
Mrs F Adler	Ms L Spurling (appointed 24 November 2011)
Mr G E Coles, AO (term expired 6 February 2012)	Ms J Wisdom (appointed 14 May 2012)
	Ms H Nichols
	Mrs J Nitschke (term expired 28 July 2011)
	Mrs A Short

The number of board members whose remuneration received or receivable falls within the following bands:	2012	2011
	Number	Number
\$0 - \$9 999	8	1
\$10 000 - \$19 999	4	8
\$20 000 - \$29 999	1	1
Total	13	10

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 \$118 000 (\$126 000).

Amounts paid to superannuation plans for board members were \$8000 (\$10 000).

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

6. Supplies and services

	2012	2011
	\$'000	\$'000
Administration expenses	711	611
Artlab conservation	98	108
Business services charge	144	151
Communications	854	806
Conservation work	5	5

6. Supplies and services (continued)		2012	2011
		\$'000	\$'000
Consultants' fees		88	19
Contractors' fees		232	74
EDS charges		194	157
Electronic resources		384	407
Entertainment		9	5
Information technology		978	496
Insurance and risk management		147	184
Maintenance		568	756
Marketing and promotion		262	274
Minor equipment purchases and leasing		193	201
Motor vehicle expenses		29	33
P2 enhancements		5	50
Preservation activities		187	205
Projects		151	90
Travel and accommodation		96	101
Other		451	468
Total supplies and services		<u>5 786</u>	<u>5 201</u>
Supplies and services provided by entities within the SA Government:			
Administration expenses		83	33
Artlab conservation		98	108
Business services charge		144	151
Communications		1	4
EDS charges		-	20
Information technology		133	85
Insurance and risk management		147	184
Maintenance		115	173
Minor equipment purchases and leasing		1	5
Motor vehicle expenses		26	32
Other		61	85
Total supplies and services - SA Government entities		<u>809</u>	<u>880</u>
Payments to consultants			
The number and dollar amount of consultancies paid/payable that fell within the following bands:		2012	2011
	Number	\$'000	Number
Below \$10 000	2	18	1
Between \$10 000 - \$50 000	-	-	1
Greater than \$50 000	1	70	-
Total paid/payable to the consultants engaged	<u>3</u>	<u>88</u>	<u>2</u>
7. Accommodation and facilities		2012	2011
		\$'000	\$'000
Accommodation		959	820
Facilities		897	887
Security		430	425
Total accommodation and facilities		<u>2 286</u>	<u>2 132</u>
Accommodation and facilities provided by entities within the SA Government:			
Accommodation		340	167
Facilities		479	492
Security		1	1
Total accommodation and facilities - SA Government entities		<u>820</u>	<u>660</u>
8. Depreciation and amortisation			
Buildings and improvements		1 359	1 897
Compactus and lifts		76	79
Computer equipment		22	81
Intangibles		6	1
Plant and equipment		106	106
Total depreciation and amortisation		<u>1 569</u>	<u>2 164</u>

9. Net loss from disposal of non-current assets	2012	2011
Land and buildings:	\$'000	\$'000
Proceeds from land and buildings	-	-
Net book value of land and buildings disposed*	(2 250)	-
Net loss from sale of land and buildings	<u>(2 250)</u>	<u>-</u>
Investments:		
Proceeds from the sale of investments	1 390	180
Net book value of investments disposed	(1 566)	(232)
Net loss on sale of investments	<u>(176)</u>	<u>(52)</u>
Total assets:		
Total proceeds from disposal	1 390	180
Total net book value of assets disposed	(3 816)	(232)
Total net loss from disposal of non-current assets	<u>(2 426)</u>	<u>(52)</u>
* The Board on 18 July 2011 approved the transfer of the Hindmarsh land and buildings to the Minister for the Arts.		
10. Fees and charges		
Fees for services	148	145
Lecturing services	66	121
Microfilming services	16	15
Photocopying services	72	72
Other fees and charges	81	78
Total fees and charges	<u>383</u>	<u>431</u>
Fees and charges received/receivable from entities within the SA Government:		
Fees for services	112	142
Other fees and charges	8	8
Total fees and charges - SA Government entities	<u>120</u>	<u>150</u>
11. Rent and facilities hire		
Rent and facilities hire SA Government	131	68
Rent and facilities hire external to SA Government	165	203
Total rent and facilities hire	<u>296</u>	<u>271</u>
12. Resources received free of charge		
Resources received free of charge from entities within the SA Government:		
Conservation services	98	108
Business services	144	151
Total resources received free of charge	<u>242</u>	<u>259</u>
13. Interest and investment income		
Interest from entities within the SA Government	349	289
Interest and investment income from entities external to the SA Government	405	395
Total interest and investment income	<u>754</u>	<u>684</u>
14. Recoveries revenue		
Recoveries revenue from entities within the SA Government	567	46
Recoveries revenue from entities external to the SA Government	80	101
Total recoveries revenue	<u>647</u>	<u>147</u>
15. Other income		
Salary recoups	95	77
Other receipts	112	107
Total other income	<u>207</u>	<u>184</u>
Other income received/receivable from entities within the SA Government:		
Salary recoups	91	67
Other receipts	56	37
Total other income - SA Government entities	<u>147</u>	<u>104</u>

16. Auditor's remuneration	2012	2011
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
	39	39
Total audit fees - SA Government entities	<u>39</u>	<u>39</u>

Other services

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

17. Cash		
Deposits with the Treasurer	7 802	6 370
Cash on hand	8	8
Total cash	<u>7 810</u>	<u>6 378</u>

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 'Arts and Cultural Development 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 the 'Libraries Board of South Australia Account'. In 2011-12 deposits with the Treasurer were bearing a floating interest rate between 3.93% and 4.6% (4.35% and 4.6%).

18. Receivables	2012	2011
Current:	\$'000	\$'000
Prepayments	123	210
Receivables	93	193
Accrued income	160	147
Total receivables	<u>376</u>	<u>550</u>

There were no receivables from SA Government entities greater than \$100 000.

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 30.
- (b) Categorisation of financial instruments and risk exposure information - refer note 30.

19. Property, plant and equipment	2012	2011
Land, buildings and improvements:	\$'000	\$'000
Land at valuation	6 500	7 900
Buildings and improvements at valuation	67 342	68 076
Accumulated depreciation	(27 361)	(26 057)
Total land, buildings and improvements	<u>46 481</u>	<u>49 919</u>
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	2 384	2 378
Accumulated depreciation	(696)	(619)
Total compactus and lifts	<u>1 688</u>	<u>1 759</u>
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	1 658	1 667
Accumulated depreciation	(1 320)	(1 302)
Total plant and equipment	<u>338</u>	<u>365</u>

19. Property, plant and equipment (continued)	2012	2011
Computer equipment:	\$'000	\$'000
Computer equipment at cost (deemed fair value)	667	557
Accumulated depreciation	(546)	(524)
Total computer equipment	121	33
Total property, plant and equipment	48 628	52 076

Valuation of non-current assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2008.

Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2012.

Movement reconciliation of property, plant and equipment

	Land	Buildings & improvements	Works in progress	Compactus and lifts	Plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
2012					
Carrying amount at 1 July	7 900	42 019	-	1 759	365
Additions	-	167	-	5	83
Depreciation and amortisation	-	(1 359)	-	(76)	(106)
Disposals	(1 400)	(846)	-	-	(4)
Carrying amount at 30 June	6 500	39 981	-	1 688	338

	Computer equipment	Tangible assets total	Computer software	Intangible assets total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	33	52 076	29	29
Additions	110	403	-	-
Depreciation and amortisation	(22)	(1 563)	(6)	(6)
Disposals	-	(2 250)	-	-
Carrying amount at 30 June	121	48 628	23	23

	Land	Buildings & improvements	Works in progress	Compactus and lifts	Plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Carrying amount at 1 July	7 900	43 825	-	1 818	471
Additions	-	18	73	20	-
Depreciation and amortisation	-	(1 897)	-	(79)	(106)
Disposals	-	-	-	-	-
Transfer from capital work in progress	-	73	(73)	-	-
Carrying amount at 30 June	7 900	42 019	-	1 759	365

	Computer equipment	Tangible assets total	Computer software	Intangible assets total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	85	54 099	-	-
Additions	29	140	30	30
Depreciation and amortisation	(81)	(2 163)	(1)	(1)
Disposals	-	-	-	-
Transfer from capital work in progress	-	-	-	-
Carrying amount at 30 June	33	52 076	29	29

20. Intangible assets	2012	2011
Intangibles:	\$'000	\$'000
Computer software	44	44
Accumulated amortisation	(21)	(15)
Total intangibles	23	29

21. Research and heritage collections	2012			2011		
	At valuation \$'000	At cost \$'000	Total \$'000	At valuation \$'000	At cost \$'000	Total \$'000
Family history collection	-	1	1	-	-	-
Maps	760	7	767	760	-	760
Microfilm serials	1 584	43	1 627	1 584	-	1 584
Monographs	14 258	101	14 359	14 258	-	14 258
Mortlock audio-visual	2 135	23	2 158	2 135	-	2 135
Mortlock use collections	2 141	21	2 162	2 141	-	2 141
Newspapers purchased	281	90	371	281	-	281
Periodicals	2 995	144	3 139	2 995	-	2 995
Private archives	65 301	26	65 327	65 301	-	65 301
Purchased databases	-	27	27	-	19	19
Rare books and named collections	20 529	19	20 548	20 529	-	20 529
Total research and heritage collections	109 984	502	110 486	109 984	19	110 003

The valuation of the research and heritage collections was performed by the AVO as at 30 June 2011.

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.11		Balance 30.06.12		Revaluation increment		Balance 30.06.11	
	01.07.11 \$'000	Additions \$'000	30.06.12 \$'000	01.07.10 \$'000	Additions \$'000	(decrement) \$'000	30.06.11 \$'000	
Family history collection	-	1	1	136	1	(137)	-	
Maps	760	7	767	1 224	5	(469)	760	
Microfilm serials	1 584	43	1 627	1 670	40	(126)	1 584	
Monographs	14 258	101	14 359	17 338	130	(3 210)	14 258	
Mortlock audio-visual	2 135	23	2 158	120	7	2 008	2 135	
Mortlock use collections	2 141	21	2 162	150	13	1 978	2 141	
Newspapers purchased	281	90	371	1 169	96	(984)	281	
Periodicals	2 995	144	3 139	4 806	127	(1 938)	2 995	
Private archives	65 301	26	65 327	51	38	65 212	65 301	
Purchased databases	19	8	27	-	19	-	19	
Rare books and named collections	20 529	19	20 548	19 255	8	1 266	20 529	
Total carrying amounts of research and heritage collections	110 003	483	110 486	45 919	484	63 600	110 003	

22. Investments	2012	2011
	\$'000	\$'000
Non-current:		
Shares and other direct investments in companies	5 805	6 370
Total non-current investments	5 805	6 370
Total investments	5 805	6 370

The market value of investments as at 30 June 2012 is \$5.3 million (\$5.9 million).

23. Payables	2012	2011
Current:		
Creditors and accruals	513	393
Staff on-costs	142	134
Total current payables	655	527
Non-current:		
Staff on-costs	226	202
Total non-current payables	226	202
Total payables	881	729
Payables to SA Government entities:		
Creditors and accruals	81	77
Staff on-costs	177	336
Total payables - SA Government entities	258	413

23. Payables (continued)

An actuarial assessment performed by DTF determined that the percentage of the proportion of LSL taken as leave has changed from the 2011 rate of 35% to 40%, and the average factor for the calculation of employer superannuation on-cost has stayed constant at 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. 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 30.
 (b) Categorisation of financial instruments and risk exposure information - refer note 30.

24. Staff benefits

	2012	2011
	\$'000	\$'000
Current:		
Annual leave	547	565
LSL	588	512
Total current staff benefits	1 135	1 077
Non-current:		
LSL	2 432	2 316
Total non-current staff benefits	2 432	2 316
Total staff benefits	3 567	3 393

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 2011 (5.25%) to 2012 (3%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$45 000 and employee benefit expense of \$45 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of factors and assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

The salary inflation rate applied to annual leave remains constant at 4%.

25. Provisions

	2012	2011
	\$'000	\$'000
Current:		
Provision for workers compensation	29	69
Total current provisions	29	69
Non-current:		
Provision for workers compensation	120	235
Total non-current provisions	120	235
Total provisions	149	304
Carrying amount at 1 July	304	268
Increase (Decrease) in provision recognised	(155)	36
Carrying amount at 30 June	149	304

26. Other liabilities

Current:		
Deferred asset	-	1
Total current other liabilities	-	1

26. Other liabilities (continued)	2012	2011
Non-current:	\$'000	\$'000
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	10	11

27. 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	29	34
Later than one year and not later than five years	16	55
Total operating lease commitments	45	89

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:

	2012	2011
	\$'000	\$'000
Not later than one year	1 387	1 491
Total public libraries commitments	1 387	1 491

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	778	511
Later than one year and not later than five years	1 038	842
Total remuneration commitments	1 816	1 353

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	1 858	539
Later than one year and not later than five years	1 381	326
Total other commitments	3 239	865

28. Contingent assets and liabilities

The Board is not aware of any contingent assets and liabilities as at 30 June 2012.

29. Cash flow reconciliation

Reconciliation of cash at 30 June:

Cash as disclosed in the Statement of Financial Position	7 810	6 378
Balance as per Statement of Cash Flows	7 810	6 378

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	1 793	1 708
Revenues from SA Government	(30 998)	(30 428)

29. Cash flow reconciliation (continued)	2012	2011
Non-cash items:	\$'000	\$'000
Amortisation of intangibles	(6)	(1)
Depreciation of property, plant and equipment	(1 563)	(2 163)
Donations of heritage assets	43	9
Loss on sale of investments	(176)	(52)
Loss on sale of plant and equipment	(2 250)	-
Movements in assets/liabilities:		
Receivables	(119)	73
Payables	(152)	240
Staff benefits	174	(79)
Provisions	155	(36)
Other liabilities	1	-
Net cost of providing services	<u>(33 446)</u>	<u>(30 729)</u>

30. Financial instruments/Financial risk management

30.1 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	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents:					
Cash	17	7 810	7 810	6 378	6 378
Loans and receivables:					
Receivables ⁽¹⁾⁽²⁾	18	253	253	340	340
Available-for-sale financial assets:					
Investments	22	5 805	5 292	6 370	5 880
Financial liabilities					
Financial liabilities at cost:					
Payables ⁽¹⁾	23	474	474	393	393
Other	26	10	10	11	11

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables, payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs, which are determined via reference to the staff benefit liability to which they relate.

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 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.

Credit risk

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

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

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

Credit risk (continued)

The following table discloses the ageing of financial assets and the ageing of impaired assets:

30.2 Ageing analysis of financial assets

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Not impaired:				
Receivables	236	4	13	253
2011				
Not impaired:				
Receivables	321	8	11	340

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

30.3 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2012				
Financial assets:				
Cash	7 810	7 810	-	-
Receivables	253	253	-	-
Investments	5 805	-	-	5 805
Total financial assets	13 868	8 063	-	5 805
Financial liabilities:				
Payables	474	474	-	-
Other	10	-	10	-
Total financial liabilities	484	474	10	-
2011				
Financial assets:				
Cash	6 378	6 378	-	-
Receivables	340	340	-	-
Investments	6 370	-	-	6 370
Total financial assets	13 088	6 718	-	6 370
Financial liabilities:				
Payables	393	393	-	-
Other	11	1	10	-
Total financial liabilities	404	394	10	-

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 2011-12, areas of review included:

- investments
- borrowings
- deposits
- payroll
- derivatives
- bonus payments to councils and local government bodies.

To comply with TIs 2 and 28 the Authority engaged external parties to develop and execute a financial management compliance program. The financial management compliance program checked compliance with documented policies, procedures and internal controls.

The financial management compliance program executed by the external parties for 2011-12 was considered and reviewed to assist in the planning, conduct and assessment of specific areas of the Authority's operations that were subject to audit review and attention.

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 2012, 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

The matters arising from the audit were detailed in a letter to the Chairman and related to the Authority's progress in responding to matters identified by the external parties who undertook the financial management compliance program.

The external parties identified a number of matters for the Authority to consider including improving the documentation of certain policies and procedures and evidencing the performance of certain controls.

The Authority is to establish a schedule of outstanding matters to facilitate their appropriate resolution.

Interpretation and analysis of the financial report

The analysis that follows is based upon the financial information recorded within the financial report.

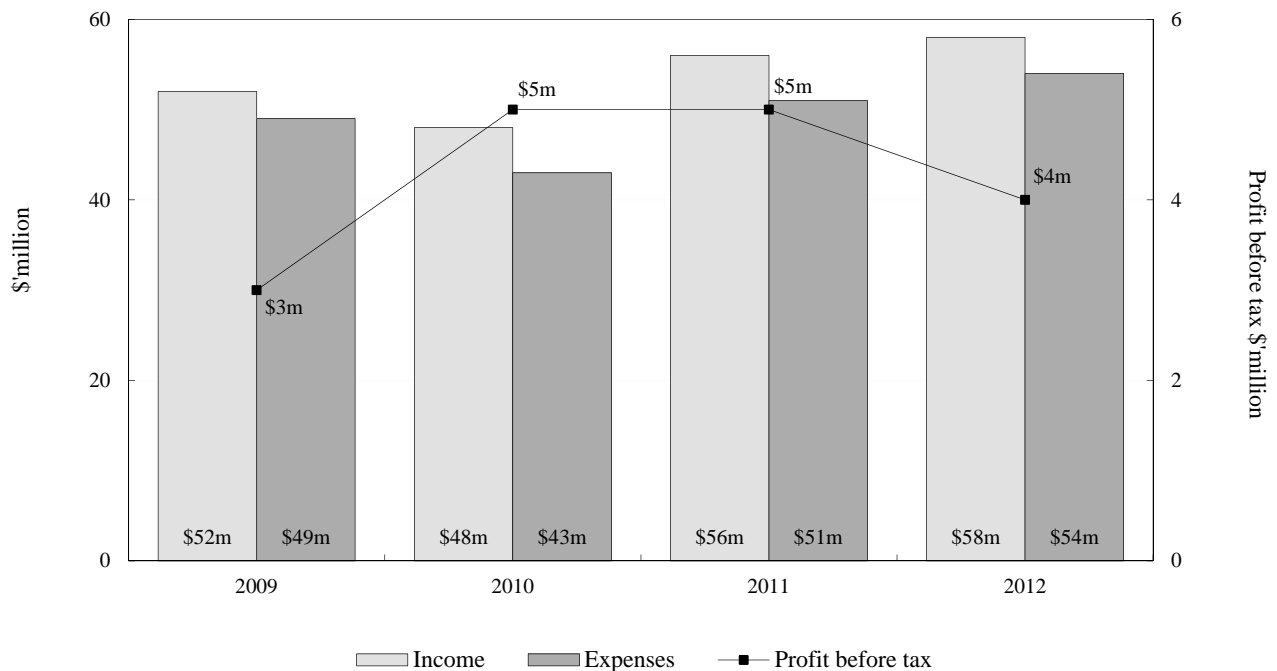
Highlights of the financial report

	2012 \$'million	2011 \$'million
Income		
Interest and other income	58	56
Expenses		
Interest expense	51	48
Guarantee fee and administration expenses	3	3
Total expenses	54	51
Profit before income tax equivalents	4	5
Total comprehensive result	3	3

	2012 \$'million	2011 \$'million
Net cash provided by (used in) operating activities	3	2
Assets		
Net loans and advances	630	579
Other assets	45	51
Total assets	675	630
Liabilities		
Deposits and borrowings	575	564
Other liabilities	45	11
Total liabilities	620	575
Total equity	55	55

Statement of Comprehensive Income

The following chart shows the income, expenses and profit before income tax expense for the four years to 2012.



Income

As the Authority is a financial institution servicing local government, its main operating revenue is interest income with other income being insignificant.

Interest income from loans and advances increased by \$3.5 million from the previous year reflecting:

- a \$1.9 million increase in debenture loan interest due to higher average daily loan balances while interest rates remained consistent with last year
- a \$1.1 million increase in cash advance interest due to higher average daily cash advances while interest rates remained consistent with last year.

Interest income from investments fell by \$570 000 to \$2.7 million due to lower daily investment balances while interest rates remained consistent with last year.

Expenses

The Authority’s main operating expense is interest expense with guarantee fees and administration expenses being less significant.

Interest expense increased by \$3 million from the previous year due mainly to:

- a \$1.6 million increase in short-term borrowing interest due to higher average daily borrowings offset by lower interest rates
- a \$1.8 million increase in derivative interest caused by higher swap loans payable while interest rates remained consistent with last year
- a \$576 000 decrease in deposit interest due to lower interest rates while average daily deposits remained consistent with last year.

Profit before tax

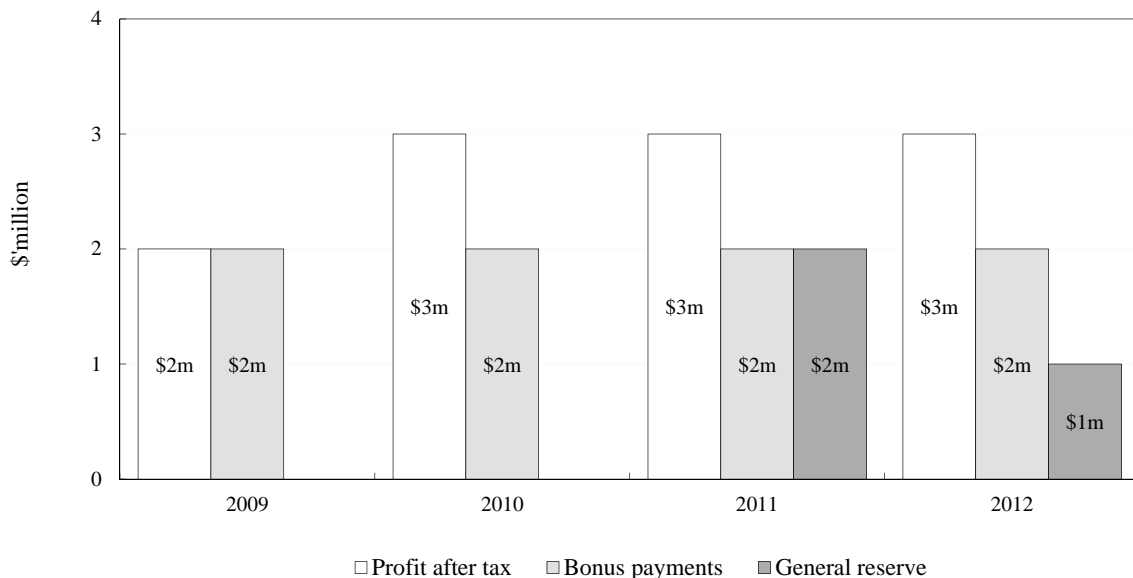
Profit before tax fell by \$911 000 to \$3.8 million. Interest income and interest expense increased by similar amounts in 2012 causing little impact on profit. The fall in profit resulted from revaluations of impaired available-for-sale assets and fair value hedges. The sensitivity of profit to interest rate movements is disclosed in note 23 to the financial statements.

Tax equivalent payments

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payments system. The amounts are paid into an account established with the State Treasurer titled the ‘Local Government Taxation Equivalents Fund’. The funds are available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for State/Local Government Relations in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was \$1 million.

Net profit and distributions

In 2012 the Authority achieved a profit after tax of \$2.6 million (\$3.3 million) which was available for distribution or transfer to a general reserve. The profit and principal distributions for the past four years are presented in the following chart.



Under 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 2012 the Authority provided \$1.7 million (\$1.7 million) for bonus payments.

The Authority also made a transfer to a general reserve of \$1 million (\$1.6 million).

Statement of Financial Position

Assets and liabilities

The Statement of Financial Position shows net assets of \$55.5 million (\$54.6 million).

The Authority's net loans and advances to customers increased by \$50.9 million while deposits from customers increased by \$37.6 million. This gap of \$13.3 million was funded mainly from a reduction in investment securities of \$5.3 million and an increase in derivatives of \$34.5 million offset by a reduction of \$26.6 million in borrowings. The \$50.9 million increase in net loans and advances included an upward fair value adjustment of \$34.3 million for certain hedged loan assets which corresponded with an upward fair value adjustment for derivative liabilities (refer notes 10 and 15 to the financial statements for details of the fair value adjustments).

Asset quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the council's general revenue. Notes 2(g) and 23(c) to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans. Consequently there is no provision for doubtful debts against the assets.

Liabilities of the Authority

The Authority funds loans to customers via customer deposits, borrowings or from its own accumulated reserves.

To mitigate this risk the Authority hedges its interest rate exposures using interest rate swap agreements and futures contracts. Note 23(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 2012

	Note	2012 \$'000	2011 \$'000
Income:			
Interest on investments	2(c)	2 744	3 314
Interest on loans and advances	2(c)	55 366	51 877
Other income	2(f),2(h),3	155	515
Total income		58 265	55 706
Expenses:			
Interest on deposits from councils and local government bodies	2(d)	17 866	18 442
Interest on borrowings	2(d)	33 347	29 810
Fees for the guarantee of the Treasurer of SA on liabilities	24	1 113	1 022
Administration expenses	4	1 750	1 749
Other expenses	2(f),2(h),5	417	-
Total expenses		54 493	51 023
Profit before income tax equivalents		3 772	4 683
Income tax equivalent expense	2(e),24	1 132	1 405
Profit after income tax equivalents		2 640	3 278
Total comprehensive result		2 640	3 278

Profit after income tax equivalents and total comprehensive result are attributable to the owners

**Statement of Financial Position
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Assets:			
Cash and liquid assets	6	-	169
Accrued interest receivable	7	4 276	4 027
Investment securities	2(f),8	40 526	45 831
Other assets	9	92	268
Net loans and advances	2(g),10	630 206	579 331
Property, plant and equipment	2(j),11	275	317
Total assets		<u>675 375</u>	<u>629 943</u>
Liabilities:			
Deposits from councils and local government bodies	2(k),12	396 149	358 514
Accrued interest payable	13	4 651	5 137
Borrowings	14	178 745	205 360
Derivatives	2(i),15	37 660	3 190
Provisions	2(l),16	2 500	2 812
Other liabilities	17	189	349
Total liabilities		<u>619 894</u>	<u>575 362</u>
Net assets		<u>55 481</u>	<u>54 581</u>
Equity:			
General reserve		55 000	54 000
Retained profits		481	581
Total equity		<u>55 481</u>	<u>54 581</u>
Total equity is attributable to the owners			
Contingent assets and liabilities	22		

Statement of Changes in Equity for the year ended 30 June 2012

	General reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 2010	52 400	643	53 043
Profit (Loss) after income tax equivalents for 2010-11	-	3 278	3 278
Total comprehensive result for 2010-11	-	3 278	3 278
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 600	(1 600)	-
Balance at 30 June 2011	54 000	581	54 581
Profit (Loss) after income tax equivalents for 2011-12	-	2 640	2 640
Total comprehensive result for 2011-12	-	2 640	2 640
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 000	(1 000)	-
Balance at 30 June 2012	55 000	481	55 481

All changes in equity are attributable to the owners

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Interest and bill discounts received		58 177	53 988
Interest paid		(51 537)	(47 610)
Fees paid re guarantee provided by the Treasurer of SA		(1 107)	(1 018)
Cash payments to suppliers and employees		(1 738)	(1 626)
Fees received		153	202
Income tax paid		(1 392)	(1 749)
Net cash provided by (used in) operating activities	19	2 556	2 187
Cash flows from investing activities:			
Loans to councils and local government bodies		(16 513)	(51 977)
Investment securities		5 000	16 000
Payments for property, plant and equipment		(86)	(189)
Proceeds from sale of property, plant and equipment		25	79
Net cash provided by (used in) investing activities		(11 574)	(36 087)
Cash flows from financing activities:			
Promissory notes		(6 980)	(1 600)
Deposits from councils and local government bodies		37 635	(6 648)
Short-term money market facilities		(29 260)	44 230
Fixed term borrowings		9 600	-
Bonus payments to councils and local government bodies		(1 740)	(1 740)
Other		(432)	(655)
Net cash provided by (used in) financing activities		8 823	33 587
Net increase (decrease) in cash held		(195)	(313)
Cash at 1 July		169	482
Cash (Bank overdraft) at 30 June	19	(26)	169

Notes to and forming part of the financial statements

1. **Objectives of the Local Government Finance Authority of South Australia (the Authority)**
The Authority was established pursuant to the *Local Government Finance Authority Act 1983*. The functions of the Authority are as follows:
 - (a) to develop and implement borrowing and investment program for the benefit of councils and prescribed local government bodies
 - (b) to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.
2. **Summary of accounting policies**
 - (a) **Basis of accounting**
The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and the requirements of the TIs relating to financial reporting by statutory authorities, which are issued pursuant to the PFAA.

(a) **Basis of accounting (continued)**

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain financial instruments that were valued in accordance with the valuation policy applicable.

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

(b) **Classification of financial instruments**

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

- Loans and receivables – measured at amortised cost. The Authority classifies loans and advances, accrued interest receivable, cash and liquid assets and other assets under this category.
- Held-to-maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.
- Available-for-sale financial assets – measured at fair value with fair value changes taken to equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (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 assets which are classified as available-for-sale financial assets and financial assets at fair value through profit and loss and deposits held with financial institutions during the year. The interest income is calculated on an accruals basis.

Interest on loans and advances

This item includes interest income from assets classified as loans and advances as well as interest income from derivatives that are classified under the fair value hedge category. The interest income is calculated on an accruals basis.

(d) **Interest expense**

Interest on deposits from councils and local government bodies

This item includes interest paid to councils and local government bodies and is calculated on an accruals basis.

Interest on borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

(e) **Income tax equivalents**

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payment system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

(f) Investment securities

The Authority has investments that are categorised as available-for-sale financial assets which have therefore been recorded at fair value with the change in fair value being adjusted against equity on the Statement of Financial Position. Where such investments are subsequently deemed to be impaired under the provisions of AASB 139 then the impaired amount is transferred from equity to the Statement of Comprehensive Income.

(g) Loans and advances

The majority of loan agreements are secured by debentures, providing a charge over council general revenue. Loans to prescribed local government bodies (totalling \$33.5 million as at 30 June 2012) 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 23).

Interest rate swaps are categorised as fair value hedges and futures contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

(j) Property, plant and equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	<i>Years</i>
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	4.5-6.7

(k) Concentrations of deposits

The Authority is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

(l) Employee benefits

A provision is made in respect of the Authority's liability for annual leave, LSL and related on-costs as at balance date. LSL is accrued for all employees from the date of commencement of service.

No provision is made in the accounts for sick leave entitlements.

(m) Accounting judgments, estimates and assumptions

Significant accounting judgments

In the process of applying the Authority's accounting policies, management has made judgments in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long-term fixed rate debenture loans as fair value hedges has enabled management to utilise the hedge accounting provisions of AASB 139.

Significant accounting estimates and assumptions

The fair values of available-for-sale financial assets, hedged long-term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore, no significant estimates or assumptions are used in their calculation.

(n) Comparative information

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

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(o) Rounding

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

(p) New and revised accounting standards

The Authority did not voluntarily change any of its accounting policies during 2011-12.

AASs and instructions that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2012.

The Authority has assessed the impact of AASB 9 and considers there will be no financial impact when it is due to be adopted in the financial year ending 30 June 2014.

3. Other income

	2012 \$'000	2011 \$'000
Gain on impaired available-for-sale assets revaluation	-	294
Gain on fair value hedges revaluation (hedge accounting)	-	69
Fee income	155	152
	<u>155</u>	<u>515</u>

4. Administration expenses

Salaries and on-costs	904	910
Depreciation	103	102
Auditor's fees	71	80
Consultancy fees	40	26
Other expenses	632	631
	<u>1 750</u>	<u>1 749</u>

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	45	59
Financial management compliance program by an external audit firm	26	21
	<u>71</u>	<u>80</u>

The number and dollar amount of consultancies paid/payable that fell within the following bands:

	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	1	2	2	6
\$10 000 - \$50 000	2	38	1	20
		<u>40</u>		<u>26</u>

5. Other expenses		2012	2011
		\$'000	\$'000
Loss on impaired available-for-sale assets revaluation		299	-
Loss on fair value hedges revaluation (hedge accounting)		118	-
		<u>417</u>	<u>-</u>
6. Cash and liquid assets			
Cash at bank		-	169
7. Accrued interest receivable*			
Interest receivable - loans to councils and local government bodies		3 028	2 800
Interest receivable - investment securities		1 248	1 227
		<u>4 276</u>	<u>4 027</u>
* 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.			
8. Investment securities			
Deposits and securities issued by banks		42 000	47 000
Accrued interest receivable		23	29
Fair value loss on impaired available-for-sale assets*		(1 497)	(1 198)
		<u>40 526</u>	<u>45 831</u>
* The unrealised impairment loss relates to the market value of perpetual floating rate capital notes, which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time the return on the initial investment of \$4 million remains constant at 75-100 basis points over the 90 day BBSW interest rate on the face value of the notes.			
9. Other assets		2012	2011
		\$'000	\$'000
Sundry debtors and prepayments		92	268
10. Net loans and advances			
Advances		136 187	130 049
Term loans		444 988	434 614
Loans and advances - at cost		<u>581 175</u>	<u>564 663</u>
Fair value adjustment (hedge accounting)		49 031	14 668
Net loans and advances		<u>630 206</u>	<u>579 331</u>
Unrecognised commitments - loans and advances:			
Unused cash advance facilities		345 348	268 241
Term loans approved not advanced		3 600	2 652
		<u>348 948</u>	<u>270 893</u>
11. Property, plant and equipment			
Plant, equipment and motor vehicles:			
At cost		1 006	1 016
Accumulated depreciation		(731)	(699)
Total property, plant and equipment		<u>275</u>	<u>317</u>
Reconciliation of property, plant and equipment			
Carrying amount at 1 July		317	319
Acquisitions		86	189
Disposals		(25)	(89)
Depreciation		(103)	(102)
Carrying amount at 30 June		<u>275</u>	<u>317</u>
12. Deposits from councils and local government bodies			
Deposits from councils and local government bodies		<u>396 149</u>	<u>358 514</u>

13. Accrued interest payable	2012	2011
Interest payable on:	\$'000	\$'000
Deposits from councils and local government bodies	4 011	4 290
Borrowings*	640	847
	<u>4 651</u>	<u>5 137</u>

* 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.

14. Borrowings		
Bank overdraft	26	-
Short-term money market facility	135 600	164 860
Fixed term borrowings	9 600	-
Promissory notes	33 519	40 500
	<u>178 745</u>	<u>205 360</u>

15. Derivatives		
Swap principal receivable	(9 068)	(8 587)
Interest receivable - interest rate swaps	(2 028)	(2 486)
Interest payable - interest rate swaps	4 580	4 428
Fair value adjustment	44 176	9 847
Interest rate swaps*	37 660	3 202
Futures contracts	-	(12)
	<u>37 660</u>	<u>3 190</u>

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

16. Provisions		
Employee benefits	313	367
FBT	18	16
Bonus payments to councils and local government bodies	1 740	1 740
Provision for income tax	429	689
	<u>2 500</u>	<u>2 812</u>

Movements of major provisions during the year

(i) <i>Bonus payments to councils and local government bodies</i>		
Opening balance 1 July	1 740	1 740
Increase in provision	1 740	1 740
Amounts paid	(1 740)	(1 740)
Closing balance 30 June	<u>1 740</u>	<u>1 740</u>

(ii) <i>Provision for income tax</i>		
Opening balance 1 July	689	1 033
Increase in provision	1 132	1 405
Amounts paid	(1 392)	(1 749)
Closing balance 30 June	<u>429</u>	<u>689</u>

17. Other liabilities		
Sundry creditors	189	229
Payments due to SAFA	-	120
	<u>189</u>	<u>349</u>

18. Superannuation commitments
The Authority contributes to the Local Government Superannuation Fund, in accordance with the rules of that fund. The fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability and temporary disability.

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 to the Local Government Superannuation Fund.

19. 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	2012 \$'000	2011 \$'000
Cash and liquid assets (Bank overdraft)	6,14	(26)	169

(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		2 640	3 278
Movements in assets/liabilities:			
Interest payable		(333)	651
Interest receivable		75	(1 213)
Sundry creditors		(40)	28
Provisions		(312)	(358)
Sundry debtors		6	53
Depreciation		103	102
Revaluation loss (gain)		118	(69)
Impairment loss (gain)		299	(294)
Loss (gain) on disposal of fixed assets		-	9
Net cash provided by (used in) operating activities		2 556	2 187

20. Remuneration of board members

The Authority operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of board member during the year is as follows:

Ms Wendy Campana	Mr Anthony Pederick, OAM
Mr Paul Cohen	Mr David Posaner
Councillor John Frogley	Councillor John Sanderson
Ms Susan McCormick	

Mr Paul Cohen stepped down from the role of Chairman to become Deputy Chairman effective from 21 February 2012.

Mr Anthony Pederick OAM accepted the role of Chairman effective 21 February 2012.

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with Section 13 of the *Local Government Finance Authority Act 1983*. The appointee of the Minister and the appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to board members for the financial year ended 30 June 2012 was \$49 577 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.

20. Remuneration of board members (continued)

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$0	2	3
\$1 - \$10 000	3	4
\$10 001 - \$20 000	2	1

21. 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 the financial year:

Mr Paul Slater (Chief Executive Officer)

Mr Robert Hardy (Manager Treasury)

Mr Ryan Easton (Manager Lending)

(b) Key management personnel remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$350 000 - \$359 999	1	-
\$330 000 - \$339 999	-	1
\$160 000 - \$169 999	1	1
\$150 000 - \$159 999	1	1

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level of \$134 012 (\$130 744), as determined by DTF. The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT and living away from home allowance. The total remuneration received by these employees for the year was \$670 541 (\$660 969).

22. 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 2012 the total liabilities guaranteed was \$619.894 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 2012 the amount guaranteed was \$27.068 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 2012 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 2012 the amount guaranteed was \$12 million.

(ii) Performance bond/guarantees (continued)*City of Charles Sturt*

The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Families, Housing, Community Services and Indigenous Affairs. As at 30 June 2012 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.

23. Financial risk management**(a) Risk management policies and procedures**

The Treasurer issued a revised consent dated 28 October 2010, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to local government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a Board approved risk policy document. A treasury management system is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the risk policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting. An Asset and Liability Committee has been appointed to direct and monitor risk management operations in accordance with the risk policy and is accountable to the Board.

(b) Market risk

Market risk for the Authority is primarily through interest rate risk and other price risk. There is no exposure to foreign currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk the Authority has entered into interest rate swap contracts and interest rate futures contracts to hedge actual financial transactions.

(i) Fair value sensitivity analysis for fixed rate instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

(ii) Sensitivity analysis for variable rate instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased (decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	2012			2011		
	Principal balance	+0.5%	-0.5%	Principal balance	+0.5%	-0.5%
Variable rate financial assets:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment securities	22 000	110	(110)	19 000	95	(95)
Advances	136 987	685	(685)	131 730	659	(659)
Variable rate financial liabilities:						
Council deposits	307 934	(1 540)	1 540	285 795	(1 429)	1 429
Short-term money market facility	135 600	(678)	678	164 860	(824)	824
Promissory notes	33 520	(168)	168	40 500	(203)	203
Variable rate derivatives:						
Interest rate swaps (notional principal)	425 740	2 129	(2 129)	411 212	2 056	(2 056)
Futures (notional principal/bond formula)	-	-	-	3 000	120	(120)
Profit (Loss) interest rate sensitivity		538	(538)		474	(474)

(ii) *Other price risk*

The Authority holds investments issued by Australian banks known as floating rate capital notes, which are traded on the Australian Stock Exchange and are therefore classified as available-for-sale assets. These investments are subject to price variations caused by factors other than interest rate fluctuations.

(c) **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's risk policy document is a credit risk limits policy which stipulates counterparty credit limits as follows:

(i) *Investments and derivatives*

Individual counterparties are assessed based on Standard & Poor's credit ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.

(ii) *Loans and advances*

Credit limits are applied to individual councils based on debt servicing levels not exceeding Board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the Council's general revenue.

The Authority has not incurred any bad debts since its inception in 1984.

A concentration of credit risk occurs in relation to loans and advances as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to councils and local government bodies (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.

	Short-term rating			Long-term rating				NR	Total
	A1+	A1	A2	AA-	A+	A	A-		
2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and liquid assets	-	-	-	-	-	-	-	-	-
Investment securities	-	23 000	5 000	10 000	2 000	-	2 000	-	42 000
Loans and advances	-	-	-	-	-	-	-	581 175	581 175
Derivatives	-	-	-	-	-	5 500	-	7	5 507
	-	23 000	5 000	10 000	2 000	5 500	2 000	581 182	628 682

	Short-term rating			Long-term rating				NR	Total
	A1+	A1	A2	AA	A+	A	BBB+		
2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and liquid assets	169	-	-	-	-	-	-	-	169
Investment securities	-	15 000	5 000	10 000	10 000	-	7 000	-	47 000
Loans and advances	-	-	-	-	-	-	-	564 663	564 663
Derivatives	-	-	-	-	-	5 400	-	177	5 577
	169	15 000	5 000	10 000	10 000	5 400	7 000	564 840	617 409

(d) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short-term financial liabilities and long-term financial assets exists.

The Authority has a State Government guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short-term borrowing arrangements with SAFA.

(d) Liquidity risk (continued)

A liquidity policy is included in the Authority's risk policy document which provides for regular management reporting in order to closely monitor the liquidity position. The risk policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contracted cash flows \$'000	0-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
2012						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	400 160	(400 160)	(311 945)	(83 215)	(5 000)	-
Borrowings	179 385	(180 358)	(169 894)	(432)	(10 032)	-
Derivative financial liabilities:						
Interest rate swaps - outflow	465 436	(554 759)	(12 888)	(60 310)	(234 632)	(246 929)
Interest rate swaps - inflow	(427 776)	504 238	15 462	47 580	206 258	234 938
2011						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	362 804	(362 804)	(290 085)	(51 719)	(21 000)	-
Borrowings	206 206	(206 488)	(206 488)	-	-	-
Other liabilities	120	(124)	-	(124)	-	-
Derivative financial liabilities:						
Interest rate swaps - outflow	416 845	(544 884)	(11 770)	(55 865)	(226 842)	(250 407)
Interest rate swaps - inflow	(413 643)	513 155	15 851	45 635	209 771	241 898

24. Transactions with SA Government

The following expense transactions were undertaken during the financial year between the Authority and the SA Government:

	2012 \$'000	2011 \$'000
Interest paid - short-term money market facility	6 228	4 700
Interest paid - fixed term borrowings	362	-
Interest paid - promissory notes	1 728	2 021
Fees for the guarantee of the Treasurer of SA on liabilities	1 113	1 022
Income tax equivalent expense	1 132	1 405
Audit fees	45	59
Payroll tax	18	16

The following financial liabilities were outstanding at the end of the financial year between the Authority and the SA Government:

	2012 \$'000	2011 \$'000
Short-term money market facility	135 600	164 860
Fixed term borrowings	9 600	-
Promissory notes	33 519	40 500
Interest payable - short-term money market facility	439	584
Interest payable - fixed term borrowings	30	-
Interest payable - promissory notes	171	263
Audit fees	45	59
Payroll tax	-	16

25. Fair value of financial instruments

The book value of financial assets and financial liabilities shown in the table 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.

Other assets

The carrying amount of sundry debtors is estimated to approximate fair value. Prepayments are not classified as financial assets and are therefore excluded from this analysis.

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 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.

	Note	2012		2011	
		Book value \$'000	Fair value \$'000	Book value \$'000	Fair value \$'000
Financial assets	2(b)				
Available-for-sale financial assets:					
Investment securities		2 526	2 526	2 831	2 831
Loans and receivables:					
Investment securities		39 247	39 663	44 227	44 596
Net loans and advances		167 799	181 175	165 284	171 455
Fair value hedge:					
Net loans and advances		465 436	465 436	416 845	416 845
Financial liabilities	2(b)				
Financial liabilities at amortised cost:					
Deposits from councils and prescribed bodies		400 160	401 025	362 803	362 383
Borrowings		179 385	179 633	206 207	206 178
Fair value hedge:					
Derivatives		37 660	37 660	3 202	3 202
Financial assets at fair value:					
Derivatives		-	-	(12)	(12)

(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 market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

(b) Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2012				
Financial assets:				
Investment securities	2 526	39 663	-	42 189
Net loans and advances	-	646 611	-	646 611
Financial liabilities:				
Deposits from councils and prescribed bodies	-	401 025	-	401 025
Borrowings	-	179 633	-	179 633
Derivatives	-	37 660	-	37 660
2011				
Financial assets:				
Investment securities	2 831	44 596	-	47 427
Net loans and advances	-	588 300	-	588 300
Financial liabilities:				
Deposits from councils and prescribed bodies	-	362 383	-	362 383
Borrowings	-	206 178	-	206 178
Derivatives	(12)	3 202	-	3 190

Lotteries Commission of South Australia

Functional responsibility

Establishment

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* with its principal function being to promote and conduct lotteries for South Australia.

Functions

The functions of the Commission are to administer and promote the following lotteries in South Australia:

- Monday/Wednesday X Lotto
- Oz Lotto
- Powerball
- Saturday X Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Special appeal lotteries
- Special lotteries
- Sports lotteries

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 18A(2) of the *State Lotteries Act 1966* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

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 2011-12, areas of review included:

- gaming system and revenue
- prizes
- Instant Scratchies inventory

- expenditure
- payroll
- general ledger
- cash
- internal audit areas of coverage.

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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Lotteries Commission of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were formally communicated to the Chief Executive of the Commission. Scope for improvement was identified in some of the areas reviewed. The main matters reported were:

- segregation of duties for expenditure functions could be improved by amending system access arrangements for invoice data entry, vendor master file changes and disbursement authorisation
- general ledger journal processing functions could be improved by documenting independent checks of general ledger journals and establishing a formal policy or procedure detailing the journal creation, authorisation and checking process
- payroll functions could be improved by ensuring that all absentee record sheets and timesheets are appropriately approved in accordance with applicable payroll procedures.

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

Information and Communications Technology and Control

In December 2011 the Commission entered into an agent agreement with a private online lotteries operator for the sale of lotteries game entries over the internet.

The agreement provides for the private operator to have sufficient access to the Commission's online lotteries system to enable lodgement of entries in lottery draws.

The agreement also provides for the private operator to provide a secure internet site for the purpose of selling lottery entries.

The internet (online) lotteries operations were put into effect in early September 2012.

Prior to the implementation of the private online operation, aspects of the proposed arrangement and operations were subject to assessment by the Commission's contracted internal auditor (a major audit firm). In addition the Commission sought an independent security audit of the private operator's system by a private independent gaming certification specialist.

The 2012-13 audit program will involve the review and assessment of the private online operator's arrangements recently assessed and implemented, including security and control over online lottery sales and the interaction with the Commission's lottery systems.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 \$'million	2011 \$'million
Income		
Sales	424	389
Cost of sales	(372)	(341)
Other revenue	7	7
Total income	59	55
Expenses		
Supplies and services	15	16
Employee benefits expenses	10	7
Other expenses	2	2
Total expenses	27	25
Profit before income tax equivalent	32	30
Income tax equivalent expense	10	9
Profit after income tax equivalent and total comprehensive result	22	21
Net cash provided by (used in) operating activities	1	4
Distribution paid to the Hospitals Fund and Recreation and Sport Fund	104	94
Assets		
Current assets	76	56
Non-current assets	12	14
Total assets	88	70
Liabilities		
Current liabilities	54	36
Non-current liabilities	11	10
Total liabilities	65	46
Total equity	23	24

Statement of Comprehensive Income

Income

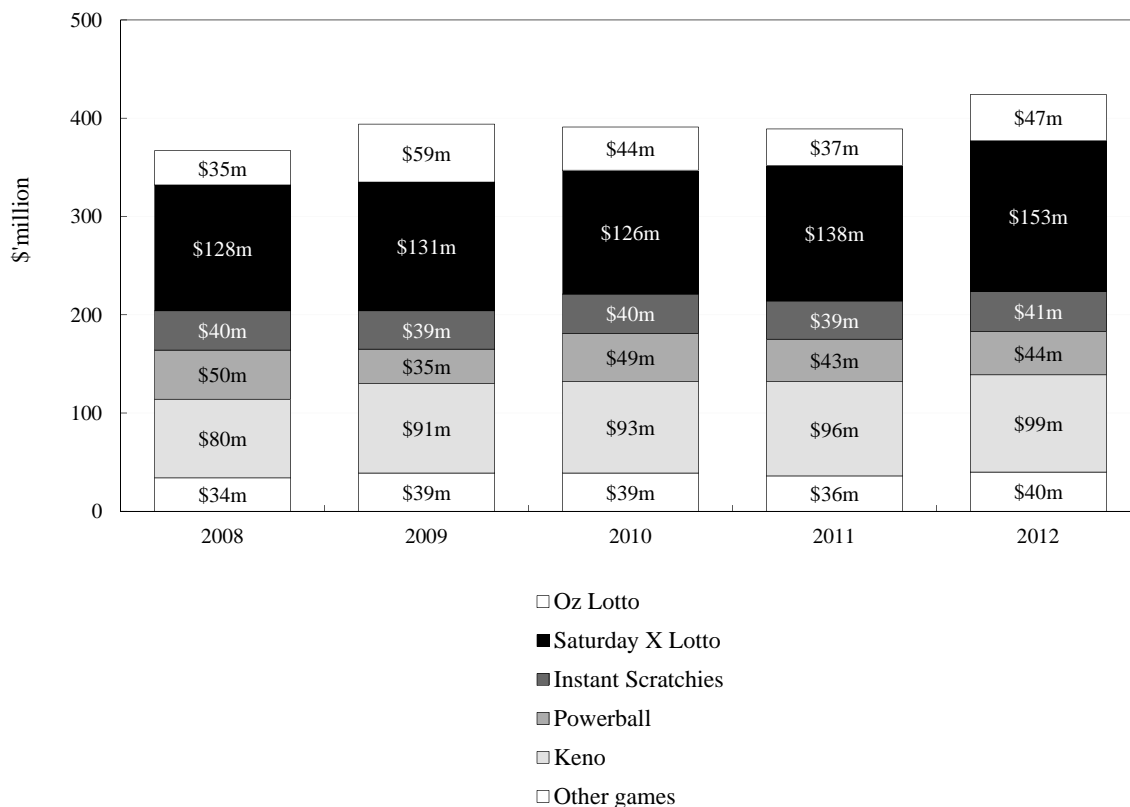
Total income for the year was \$59 million, an increase of \$4 million from the previous year. This reflects a \$35 million increase in sales, offset by an increase in cost of sales of \$31 million. The increase in sales is mainly associated with:

- significant Oz Lotto jackpots (prizes of \$70 million and \$50 million were offered during 2011-12)

- a higher number of Saturday X Lotto mega-draws compared to the prior year
- changes to the prize structure for Monday/Wednesday X Lotto, including an extra prize division and guaranteed jackpots
- marketing promotions such as ‘double dividends’ week and the Commission’s 45th anniversary draw
- a significant ‘Spot 10’ Keno jackpot offering
- an expansion of the sales agent network to convenience stores.

The increase in cost of sales (9%) is consistent with the increase in sales (9%), given prizes, gambling tax on net gambling revenue and agents’ commission are based on fixed percentages of sales for relevant games.

A structural analysis of sales revenue generated by the Commission’s lottery products in the five years to 2012 is presented in the following chart.



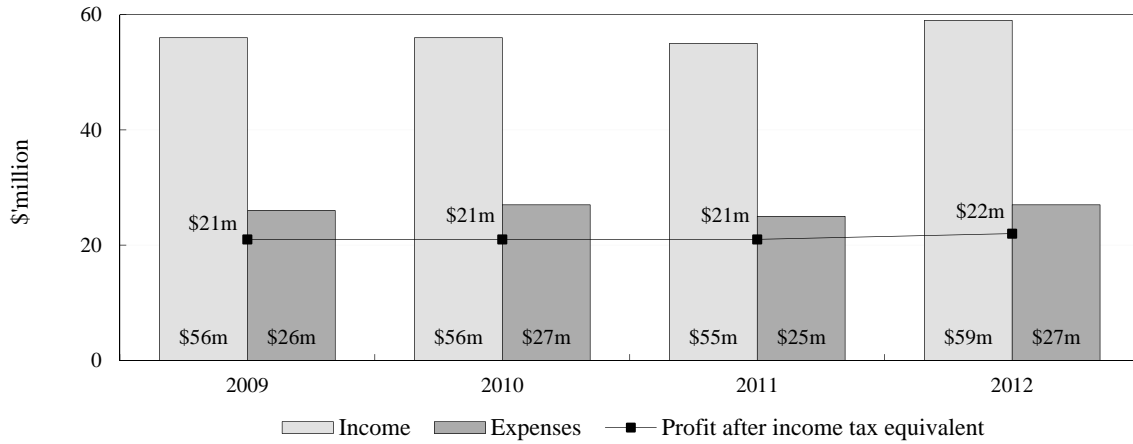
Saturday X Lotto sales, Keno sales and Oz Lotto sales represented 36%, 23% and 11% of total sales respectively.

Expenses

Total expenses increased by \$2 million to \$27 million. This is mainly attributable to an increase in the defined benefit superannuation plan liability reflected within employee benefits expenses, which resulted from a change in the discount rate used by the actuary for calculation purposes. Notes 2(n) and 26 to the financial statements provide details.

Profit after income tax equivalent

The following chart shows the income, expenses and profit after income tax equivalent for the four years to 2012.



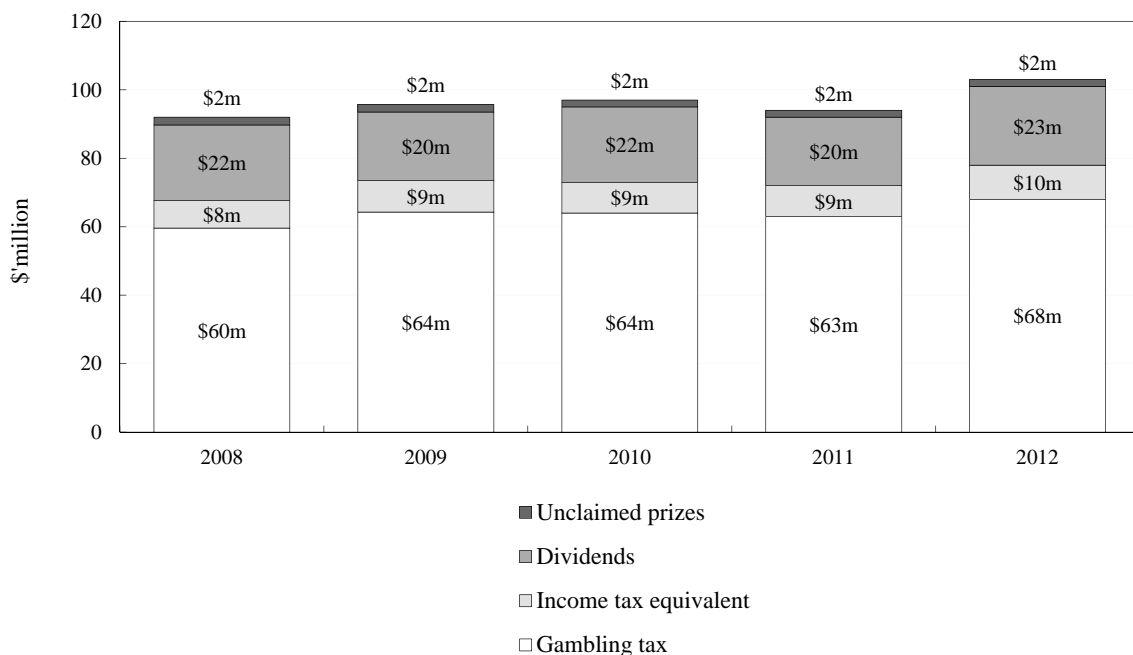
Profit after income tax equivalent has been consistent over the four years.

Distributions to government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the TIs which are detailed in notes 2(k) and 23 to the financial statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend and 50% of unclaimed prizes.

In 2011-12 the amount provided for distribution to government was \$103 million, an increase of \$9 million from the previous year. This reflects increases in the amounts provided for gambling tax (\$5 million), dividends (\$3 million) and income tax equivalent (\$1 million) - refer note 23 to the financial statements.

The following chart details the distributions provided to government for the five years to 2012.



Statement of Financial Position

Assets

Total assets increased by \$18 million to \$88 million, due mainly to a \$17 million increase in prize settlements receivable from interstate Bloc members relating to South Australian Division 1 prizes for Oz Lotto (\$14 million) and Saturday X Lotto (\$3 million). As at 30 June 2012, the prizes had not yet been paid to the winners and settlement had not yet been received from interstate Bloc members.

Liabilities

Total liabilities increased by \$19 million to \$65 million principally due to an increase in prizes payable of \$18 million. This is mainly due to an Oz Lotto Division 1 prize (\$14 million) and Saturday X Lotto Division 1 prize (\$3 million), being payable as at 30 June 2012.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
Net cash flows					
Operating	1	4	(10)	21	4
Investing	-	(1)	(11)	(1)	(1)
Financing	-	-	-	-	(1)
Change in cash	1	3	(21)	20	2
Cash at 30 June	54	53	50	71	51

The decrease in net cash flows from operating activities is attributable to increased payments to suppliers and employees. It also reflects an increase in distributions paid to the Hospitals Fund and Recreation and Sport Fund for gambling tax, dividends and income tax equivalents.

The decrease in net cash used in investing activities reflects reduced spending on property, plant and equipment purchases.

Further commentary on operations

Private operator of the Commission's brands and products

On 9 June 2011 the SA Government announced that it proposed to allocate the right to operate the Commission's brands and products to a private sector operator.

This has been disclosed in note 2(u) to the financial statements.

**Statement of Comprehensive Income
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Income:			
Sales revenue	5	423 632	388 940
Cost of sales	6	372 195	341 325
Gross margin		51 437	47 615
Interest revenue		2 460	2 465
Other revenues	7	5 110	4 676
Total income		59 007	54 756
Expenses:			
Employee benefits expenses	8	9 552	7 315
Supplies and services	9	15 427	15 646
Depreciation and amortisation expense	10	2 386	2 315
Net loss on disposal of non-current assets	11	4	18
Total expenses		27 369	25 294
Profit (Loss) before income tax equivalent		31 638	29 462
Income tax equivalent expense		9 491	8 839
Profit (Loss) after income tax equivalent		22 147	20 623
Total comprehensive result		22 147	20 623

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 2012**

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	13	53 480	52 546
Receivables	14	21 849	2 783
Inventories		571	635
Total current assets		75 900	55 964
Non-current assets:			
Receivables	14	136	133
Property, plant and equipment	15	11 841	13 888
Intangible assets	16	-	-
Total non-current assets		11 977	14 021
Total assets		87 877	69 985
Current liabilities:			
Payables	17	41 592	24 948
Employee benefits	18	716	666
Other current liabilities	19	11 135	10 397
Total current liabilities		53 443	36 011
Non-current liabilities:			
Payables	17	1 711	1 448
Employee benefits	18	2 902	1 341
Other non-current liabilities	19	6 603	6 939
Total non-current liabilities		11 216	9 728
Total liabilities		64 659	45 739
Net assets		23 218	24 246
Equity:			
Funds retained for capital purposes		636	636
Revaluation surplus		1 151	1 151
Reserves		21 431	22 459
Total equity		23 218	24 246
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	21		
Contingent assets and liabilities	22		

Statement of Changes in Equity for the year ended 30 June 2012

		Funds retained for capital purposes	Revaluation surplus	Building maintenance reserve	Capital asset reserve (note 20)	Keno prize reserve	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2010		636	849	65	17 834	4 235	-	23 619
Profit after income tax equivalent for 2010-11		-	-	-	-	-	20 623	20 623
Total comprehensive result for 2010-11		-	-	-	-	-	20 623	20 623
Transfers:								
From retained earnings		-	-	-	2 000	2 771	(4 771)	-
To retained earnings		-	-	(24)	(2 277)	(2 145)	4 446	-
Gain on revaluation of property in 2010-11	15	-	302	-	-	-	-	302
Dividend contribution to SA Government		-	-	-	-	-	(20 298)	(20 298)
Balance at 30 June 2011		636	1 151	41	17 557	4 861	-	24 246
Profit after income tax equivalent for 2011-12		-	-	-	-	-	22 147	22 147
Total comprehensive result for 2011-12		-	-	-	-	-	22 147	22 147
Transfers:								
From retained earnings		-	-	-	2 000	2 565	(4 565)	-
To retained earnings		-	-	-	(2 340)	(3 253)	5 593	-
Dividend contribution to SA Government		-	-	-	-	-	(23 175)	(23 175)
Balance at 30 June 2012		636	1 151	41	17 217	4 173	-	23 218

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

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers		388 275	360 906
Interest received		2 454	1 743
GST received from ATO		4 862	5 022
Cash generated from operations		395 591	367 671
Cash outflows:			
Prizes paid		(249 711)	(230 559)
Payments to suppliers and employees		(25 445)	(24 217)
GST paid to ATO		(15 611)	(14 476)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	23	(68 141)	(63 228)
Dividends	23	(24 019)	(20 160)
Unclaimed prizes	23	(1 599)	(2 072)
Distribution to the Hospitals Fund for income tax equivalent	23	(9 788)	(8 899)
Cash used in operations		(394 314)	(363 611)
Net cash provided by (used in) operating activities	24	1 277	4 060
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	1
Cash outflows:			
Purchase of property, plant and equipment		(343)	(1 604)
Net cash provided by (used in) investing activities		(343)	(1 603)
Net increase (decrease) in cash and cash equivalents		934	2 457
Cash and cash equivalents at 1 July		52 546	50 089
Cash and cash equivalents at 30 June	24	53 480	52 546

Notes to and forming part of the financial statements

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries)
SA Lotteries, established under the *State Lotteries Act 1966*, commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia.

2. Summary of significant accounting policies

(a) Statement of compliance

SA Lotteries 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.

SA Lotteries has applied AASs that are applicable to for-profit entities, as SA Lotteries is a for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2012. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying SA Lotteries' accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature
 - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and note 9). (The term 'consultant' is defined in APF II, APS 4.6)
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is 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.

SA Lotteries' Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises the Lotteries Commission of South Australia only.

(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.

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

(e) Rounding

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

(f) Taxation

Tax equivalent regime

In accordance with TI 22, SA Lotteries is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State taxation equivalent regime which applies the accounting profits method. This requires that the corporate income tax rate be applied to net profit. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

SA Lotteries is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalent and local government rate equivalents.

GST

SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the ATO. The GST on NGR is treated as a cost of sales.

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 SA Lotteries will occur and can be reliably measured.

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

Note 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday and 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 is treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- Revenues from services, fees and charges are derived from the provision of goods and services predominantly to agents. This revenue is recognised upon delivery of the goods or services to the recipients.

(h) *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SA Lotteries will occur and can be reliably measured.

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

Note 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

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

Employee benefits expenses (continued)

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- defined contributions made by SA Lotteries to the superannuation plans in respect of current employees
- defined benefits accrued during the reporting period.

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 SA Lotteries. 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 and intangible assets (software).

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

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

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

Land is not depreciated.

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

<i>Class of assets</i>	<i>Estimated useful life (years)</i>
Buildings	22
Plant and equipment	3-10
Online lotteries system	up to 7
Leasehold improvements	up to 10

(i) Current and non-current classification

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

(j) Assets

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

Note 27 discloses financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

Short-term deposits are held with SAFA in at call deposit and cash management fund accounts. Bank balances are held with Westpac Banking Corporation in at call deposit accounts.

Cash and cash equivalents (continued)

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

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

Agent debtors and sundry receivables

Agent debtors and sundry receivables are generally receivable within seven days and 14 days respectively and are carried at amounts due.

Collectability of agent debtors and sundry receivables are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SA Lotteries will not be able to collect the debt.

Prize settlements receivable from Blocs

Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

Inventories

Inventories are held for distribution and include Instant Scratchies tickets, game entry coupons and ticket rolls.

Inventories are measured at the lower of actual cost or their net realisable value.

Instant Scratchies ticket costs are allocated when the tickets are sold by the agent. Costs of game entry coupons and ticket rolls are allocated upon distribution to the agent.

Non-current asset acquisition and recognition

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

All non-current assets with a value of \$2000 or more are capitalised.

Componentisation of the online lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than \$1 million.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is only performed when their fair value is greater than \$1 million and estimated useful life is greater than three years.

SA Lotteries obtains an independent valuation of such assets at least every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

SA Lotteries has taken the exemption available under APF III, APS 3.8 to take asset revaluation adjustments to the 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.

Revaluation of non-current assets (continued)

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.

Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

(k) Liabilities

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

Note 27 discloses financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

Creditors and accrued expenses

Creditors represent the amounts owing for goods and services received prior to 30 June that are unpaid at 30 June. Creditors include all unpaid invoices received relating to the normal operations of SA Lotteries.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at 30 June and where an invoice has not been received.

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

Prizes payable

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the lotteries' rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratchies prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

Employment on-costs

Employment on-costs include superannuation contributions, payroll tax and workers compensation with respect to outstanding liabilities for salaries, LSL and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

Employee benefits

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

Salaries, annual leave and sick leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than 12 months.

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

LSL

An actuarial assessment of LSL undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 18). This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the LSL liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

Unclaimed Prizes Reserve

Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to SA Lotteries and transferred into the Unclaimed Prizes Reserve. Section 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries 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 SA Lotteries from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has not been complied with.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50% of the ex gratia payment, depending on the game played.

Distribution of funds to government

In accordance with section 16(3) of the *State Lotteries Act 1966*, SA Lotteries is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR
- making allowances for operating and capital expenses
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries
- retaining funds for certain designated purposes.

As detailed in note 2(f), SA Lotteries is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with TI 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- a gambling tax of 41% on NGR in respect of all lotteries conducted by SA Lotteries except sports lotteries, special lotteries and special appeal lotteries

Distribution of funds to government (continued)

- an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income
- a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes
- unclaimed prizes.

The composition of all amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 23.

(l) Special Appeal Lotteries

Section 13AB of the *State Lotteries Act 1966* enables SA Lotteries to conduct Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(m) Operating leases

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease for the remote computer site at Glenside (Kidman Park remote site lease expired 28 October 2010). In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

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

(n) Superannuation

SA Lotteries 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 SA Lotteries and SA Lotteries' obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 9 July 2012.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Statement of Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

The defined benefit superannuation plan asset/liability recognised in the Statement of Financial Position represents the surplus/deficit of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

(o) Funds retained for capital purposes

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

(p) 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.

(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.

Keno prize reserve

This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

(r) Unrecognised contractual commitments

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

(s) Insurance

SA Lotteries 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 material impact on the results of subsequent years.

(u) Private operator of SA Lotteries brands and products

On 9 June 2011 the SA Government announced that it proposed to allocate the right to operate the SA Lotteries brands and products to a private sector operator. The details, including the term and when the arrangement will take effect are still being determined. As of the reporting date, SA Lotteries is unable to make an assessment of the impact on the reported values of assets and liabilities contained within this financial report. All assets and obligations are reported in accordance with the information disclosed in notes 2(j) and (k), notes 21 and 22.

3. New and revised accounting standards and policies

SA Lotteries did not voluntarily change any of its accounting policies in 2011-12.

AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2012. SA Lotteries has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SA Lotteries.

4. Related party

SA Lotteries is controlled by the SA Government. Transactions and balances between SA Lotteries and related parties (ie other SA Government controlled entities) are disclosed in note 27.

5. Sales revenue

	2012	2011
	\$'000	\$'000
Saturday X Lotto	153 216	137 897
Monday/Wednesday X Lotto	37 422	34 684
Oz Lotto	46 695	36 871
Powerball	44 347	42 740
Keno	99 407	95 866
Instant Scratchies	40 737	39 113
Super 66	1 114	1 138
The Pools	694	631
Total sales revenue	423 632	388 940

Sales revenue includes agents' commission.

6. Cost of sales	Note	2012 \$'000	2011 \$'000
Prizes		257 379	235 412
Gambling tax on net gambling revenue		68 164	62 946
Agents' commission		31 538	29 010
GST on net gambling revenue paid to ATO		15 114	13 957
Total cost of sales		372 195	341 325
7. Other revenues			
Agents' fees and charges		3 922	3 649
Easiplay Club service fees		590	442
Sundry		598	585
Total other revenues		5 110	4 676
8. Employee benefits expenses			
Salaries (including annual leave)		6 375	5 997
LSL		468	137
Employment on-costs - superannuation contributions	26(j)	916	641
Increase (Decrease) in carrying value of defined benefit superannuation plan liability	26(e)	1 181	(7)
Employment on-costs - other		486	426
Commission members' fees		126	121
Total employee benefits expenses		9 552	7 315

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, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by these employees for the year was \$1.093 million (\$822 000).

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$144 000 to \$153 999	-	1
\$154 000 to \$163 999	1	-
\$164 000 to \$173 999	1	1
\$174 000 to \$183 999	-	1
\$184 000 to \$193 999	1	-
\$234 000 to \$243 999	1	-
\$314 000 to \$323 999	-	1
\$334 000 to \$343 999	1	-
Total	5	4

Key management personnel compensation

The key management personnel are Commission members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of SA Lotteries.

Commission members

The following persons held the position of member of the Lotteries Commission of South Australia for the full financial year:

H J Ohff, PhD, BA(Hons), FIEAust, CPEng - Presiding Member
 S J Mackenzie, BComm(Acc), LLB (Hons)
 W R Jackson, BEc, FASA
 A E Lindsay, BA(Hons), LLB(Hons)
 A E Heyworth, BA(Acc), MBA(AGSM), SF Fin, FAICD*

Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, FBT and professional indemnity insurance paid on behalf of Commission members.

Commission members' remuneration (continued)

	2012 Number	2011 Number
The number of Commission members whose remuneration received or receivable falls within the following bands:		
\$0 to \$9 999	1	1
\$20 000 to \$29 999	1	-
\$30 000 to \$39 999	2	3
\$40 000 to \$49 999	1	1
Total	5	5
	2012 \$'000	2011 \$'000
Total remuneration received or receivable by Commission members	152	148

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

No Commission member has entered into a contract with SA Lotteries since the end of the previous financial year and there were no material contracts with Commission members' interests at the end of the financial year.

Senior management team

The senior management team comprised the following persons for the full financial year:

J R Roache, BAcc, Grad Cert Mgt (Monash), FAICD, FCPA, FAIM, CPMgr - Chief Executive
 C I McSparran, BEc - Chief Financial Officer
 C M Mulvihill, BComm, CPA, MBA - General Manager Marketing and Sales
 J F Favretto, BA - General Manager Information and Communications Technology
 D G Hardy, LLB, BA GDLP - General Manager Legal and Risk Management/Company Secretary

	2012 \$'000	2011 \$'000
The compensation of key management personnel included in employee benefits expenses is as follows:		
Short-term employee benefits	1 046	865
Post-employment benefits**	202	181
Long-term employee benefits	19	18
Total key management personnel compensation	1 267	1 064

** Post-employment benefits include an allocation of the change in the defined benefit superannuation plan liability to key management personnel based on the share of the defined benefit obligation.

TVSPs

No employees were paid TVSPs during the reporting period.

9. Supplies and services

Marketing and promotions	6 837	6 471
Computer operations	3 043	2 998
Tickets, coupons, terminal rolls and ribbons	1 883	1 787
Operating leases	662	933
Other occupancy costs	584	635
Distribution and freight to agent costs	261	242
Motor vehicle fleet costs	216	224
Internal audit fees	166	171
External audit fees	150	151
Training costs	109	141
Insurance	57	72
Temporary staff and contractors	67	212
Gambling tax - other	23	72
Consultancies	5	19
Other	1 364	1 518
Total supplies and services	15 427	15 646

Consultancies

	2012		2011	
	Number	\$'000	Number	\$'000
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:				
Below \$10 000	2	5	2	5
Between \$10 000 and \$50 000	-	-	1	14
Above \$50 000	-	-	-	-
Total paid/payable to consultants engaged	2	5	3	19

10. Depreciation and amortisation expense	2012	2011
Depreciation:	\$'000	\$'000
Buildings	45	38
Plant and equipment	215	174
Online lotteries system	1 869	1 855
Total depreciation	<u>2 129</u>	<u>2 067</u>
Amortisation:		
Leasehold improvements	257	245
Intangible assets - software	-	3
Total amortisation	<u>257</u>	<u>248</u>
Total depreciation and amortisation	<u>2 386</u>	<u>2 315</u>

11. Net gain (loss) from disposal of non-current assets		
Proceeds from disposal	21	1
Net book value of assets disposed	(25)	(19)
Net gain (loss) from disposal of non-current assets	<u>(4)</u>	<u>(18)</u>

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

12. Auditor's remuneration		
<i>Audit services</i>		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	150	151
Total audit fees	<u>150</u>	<u>151</u>

The Auditor-General is the auditor of SA Lotteries.

Other services

No other services were provided by the Auditor-General.

13. Cash and cash equivalents		
Bank balances and cash on hand	8 980	10 546
Short-term deposits	44 500	42 000
Total cash and cash equivalents	<u>53 480</u>	<u>52 546</u>

Bank balances comprise unrepresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with SAFA.

Interest rate risk

Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 4.61% (4.93%).

Net fair values

The carrying amount of cash and cash equivalents represents fair value.

14. Receivables	2012	2011
Current:	\$'000	\$'000
Agent debtors	3 756	1 489
Prize settlements receivable from Blocs	17 433	611
Sundry receivables	446	339
Prepayments	214	344
Total current receivables	<u>21 849</u>	<u>2 783</u>
Non-current:		
Prepayments	136	133
Total non-current receivables	<u>136</u>	<u>133</u>
Total receivables	<u>21 985</u>	<u>2 916</u>

Ageing analysis of receivables

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Sundry receivables	433	10	3	446

Interest rate risk

All receivables are non-interest bearing.

Credit risk

Credit risk represents the loss that would be recognised if parties owing monies to SA Lotteries at the reporting date fail to honour their obligations. SA Lotteries minimises its credit risk in relation to agents by undertaking its sales transactions with a large number of agents and, in accordance with policy, requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

Net fair values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

15. Property, plant and equipment	2012 \$'000	2011 \$'000
Land and buildings:		
Land at fair value	920	920
Buildings at fair value	580	580
Accumulated depreciation	(45)	-
Total land and buildings	1 455	1 500
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 160	2 101
Accumulated depreciation	(1 786)	(1 596)
Total plant and equipment	374	505
Online lotteries system:		
Online lotteries system at cost (deemed fair value)	13 214	13 000
Accumulated depreciation	(4 032)	(2 164)
Total online lotteries system	9 182	10 836
Work in progress:		
Leasehold improvements at cost (deemed fair value)	-	1
Online lotteries system at cost (deemed fair value)	93	38
Total online lotteries system	93	39
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	2 475	2 531
Accumulated amortisation	(1 738)	(1 523)
Total leasehold improvements	737	1 008
Total property, plant and equipment	11 841	13 888

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2011-12 and 2010-11.

	Carrying amount 01.07.11 \$'000	Additions \$'000	Assets derecognised (incl disposals) \$'000	Transfers \$'000	Revaluation increment \$'000	Depreciation and amortisation \$'000	Carrying amount 30.06.12 \$'000
2012							
Land	920	-	-	-	-	-	920
Buildings	580	-	-	-	-	(45)	535
Plant and equipment	505	89	(5)	-	-	(215)	374
Online lotteries system	10 836	179	(2)	38	-	(1 869)	9 182
Work in progress	39	93	-	(39)	-	-	93
Leasehold improvements	1 008	3	(18)	1	-	(257)	737
Total	13 888	364	(25)	-	-	(2 386)	11 841

Reconciliation of property, plant and equipment (continued)

	Carrying amount 01.07.10	Assets derecognised (incl disposals)	Revaluation increment	Depreciation and amortisation	Carrying amount 30.06.11
	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Land	700	-	-	220	920
Buildings	536	-	-	(38)	580
Plant and equipment	450	246	(17)	(174)	505
Online lotteries system	12 671	20	-	(1 855)	10 836
Work in progress	-	39	-	-	39
Leasehold improvements	1 195	60	(2)	(245)	1 008
Total	15 552	365	(19)	302	13 888

Land and buildings assets comprise entirely of the Stepney warehouse.

Valuation of property, plant and equipment

The valuation of the warehouse property at 24-26 Payneham Road, Stepney was performed by Simon Hickin AAPI, Certified Practising Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2011. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis. The property was sold on 2 July 2012 (refer note 28).

	Note	2012 \$'000	2011 \$'000
The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:			
Land and buildings		324	335
Plant and equipment		374	505
Online lotteries system		9 182	10 780
Work in progress		93	39
Leasehold improvements		737	1 008
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost		10 710	12 667

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2012.

16. Intangible assets

Software:

Software at cost	182	182
Accumulated amortisation	(182)	(182)
Total intangible assets	-	-

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2011-12 and 2010-11:

Carrying amount at 1 July	-	3
Additions	-	-
Amortisation	-	(3)
Carrying amount at 30 June	-	-

Impairment

There were no indications of impairment of intangible assets at 30 June 2012.

17. Payables

Current:

Creditors and accrued expenses		1 738	2 539
Prizes payable		31 537	13 427
GST payable		986	790
Undistributed funds	23	7 225	8 090
Employment on-costs		106	102
Total current payables		41 592	24 948

17. Payables (continued)	2012	2011
Non-current:	\$'000	\$'000
Prizes payable	1 575	1 356
Employment on-costs	136	92
Total non-current payables	<u>1 711</u>	<u>1 448</u>
Total payables	<u>43 303</u>	<u>26 396</u>

Based on an actuarial assessment performed by DTF, the percentage of LSL expected to be taken as leave is 40% (35%). This rate is used in the calculation of employment on-costs. The net financial effect of the change on employment on-costs in the current financial year is an increase of \$19 000.

Interest rate risk

All payables are non-interest bearing.

Net fair values

The carrying amount of payables represents fair value due to the amounts being payable on demand.

18. Employee benefits	Note	2012	2011
Current:		\$'000	\$'000
Annual leave		541	542
LSL		175	124
Total current employee benefits		<u>716</u>	<u>666</u>
Non-current:			
LSL		1 300	920
Defined benefit superannuation plan liability	26(d)	1 602	421
Total non-current employee benefits		<u>2 902</u>	<u>1 341</u>
Total employee benefits		<u>3 618</u>	<u>2 007</u>
Total current and non-current employee liability (ie aggregate employee benefit (above) plus related employment on-costs (note 17)) is:		<u>3 860</u>	<u>2 201</u>

Based on an actuarial assessment by DTF the benchmark for measurement of the LSL liability has changed from the 2011 benchmark of five years to zero years plus a premium of 10% in 2012, resulting in an increase in LSL liability. The actuarial assessment takes into account such factors as changes in discount rates (decreased from 5.25% in 2011 to 3% in 2012) and salary inflation. The net financial effect of the change in the current financial year is an increase in employee benefits plus related employment on-costs liability and employee benefits expenses of \$271 000.

19. Other liabilities	2012	2011
Current:	\$'000	\$'000
Prize Reserve Fund ^(a)	8 659	8 349
Monday/Wednesday X Lotto Division 1 Prize Reserve ^(b)	1 194	-
Unearned revenue - sales in advance	1 282	2 048
Total current other liabilities	<u>11 135</u>	<u>10 397</u>
Non-current:		
Unclaimed Prizes Reserve ^(c)	6 603	6 939
Total non-current other liabilities	<u>6 603</u>	<u>6 939</u>
Total other liabilities	<u>17 738</u>	<u>17 336</u>
^(a) Prize Reserve Fund:		
Balance at 1 July	8 349	7 434
Allocated to Prize Reserve Fund	14 681	10 675
Applied to additional or increased prizes	(14 371)	(9 760)
Balance at 30 June	<u>8 659</u>	<u>8 349</u>

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools in the prize reserve fund in accordance with the rules of each game. These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

	2012	2011
(b) Monday/Wednesday X Lotto Division 1 Prize Reserve:	\$'000	\$'000
Balance at 1 July	-	-
Allocated to Prize Reserve	3 874	-
Applied to prizes	(2 680)	-
Balance at 30 June	<u>1 194</u>	<u>-</u>

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) in the Monday/Wednesday X Lotto Division 1 Prize Reserve in accordance with the game's rules, to fund Division 1 prizes.

	2012	2011
(c) Unclaimed Prizes Reserve:	\$'000	\$'000
Balance at 1 July	6 939	8 586
Unclaimed monies forfeited	3 870	4 102
Balance before distributions	<u>10 809</u>	<u>12 688</u>
Monies provided for distribution to the Hospitals Fund	(1 828)	(2 040)
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	(2 377)	(3 708)
Balance at 30 June	<u>6 603</u>	<u>6 939</u>

20. Capital asset reserve

Capital asset reserve comprises:

Capital fund account	6 032	4 396
Capital fund assets (at written down value)	11 185	13 161
	<u>17 217</u>	<u>17 557</u>

Capital Fund account:

Balance at 1 July	4 396	2 761
Transfer from retained earnings	2 000	2 000
Assets financed	(364)	(365)
Balance at 30 June	<u>6 032</u>	<u>4 396</u>

Capital Fund assets:

Written down value at 1 July	13 161	15 073
Assets financed	364	365
Depreciation	(2 315)	(2 258)
Written down value of assets disposed of	(25)	(19)
Written down value at 30 June	<u>11 185</u>	<u>13 161</u>

21. Unrecognised contractual commitments

Capital commitments

Capital expenditure contracted at the reporting date but not recognised as liabilities are payable as follows:

Within one year	167	-
Later than one year but not longer than five years	-	-
Total capital commitments	<u>167</u>	<u>-</u>

Operating lease commitments

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

Within one year	879	793
Later than one year but not longer than five years	776	1 528
Later than five years	-	-
Total operating lease commitments	<u>1 655</u>	<u>2 321</u>

Representing:

Non-cancellable operating leases	<u>1 655</u>	<u>2 321</u>
----------------------------------	--------------	--------------

The 10-year accommodation operating lease at 24-25 Greenhill Road (Head Office) is non-cancellable with rent payable monthly in advance. Rental provisions within the lease agreement require future lease payments to be increased by 3% per annum. The lease term expires 3 May 2014.

Operating lease commitments (continued)

A memorandum of administrative arrangement with the Department of Planning, Transport and Infrastructure for the remote computer site at Glenside is non-cancellable with rent payable monthly in advance. Rent payable is fixed for the term of the lease agreement. The five year term expires 30 June 2014.

SA Lotteries entered into a 12 month lease with no extension options, commencing 2 July 2012 for the warehouse at 24-26 Payneham Road Stepney. Rent is payable monthly in advance (refer note 28).

Other commitments	2012	2011
Other expenditure contracted at the reporting date but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	2 900	2 323
Later than one year but not longer than five years	3 294	4 980
Later than five years	-	517
Total other commitments	6 194	7 820

SA Lotteries' other commitments are for existing agreements relating to online lotteries system software, hardware, communications and associated services and other fixed services.

22. Contingent assets and liabilities

SA Lotteries is not aware of any contingent assets.

Certain employees have entered into retention arrangements to remain with SA Lotteries through to the transfer of the sublicence to a private operator. Any retention payment is contingent on the employee remaining with SA Lotteries until the date the new sublicence holder commences operations.

The previously disclosed claim for damages received by SA Lotteries on 15 July 2008 has been discontinued by the claimant.

SA Lotteries has made no guarantees.

23. Distribution of funds to SA Government

	Balance	Distribution		Balance	
	01.07.11	Provided	(Paid)	30.06.12	
	Note	\$'000	\$'000	\$'000	
Gambling tax	6,9	5 700	68 187	(68 141)	5 746
Income tax equivalent		713	9 491	(9 788)	416
Dividend		1 563	23 175	(24 019)	719
Unclaimed prizes		114	1 829	(1 599)	344
Totals 2011-12		8 090	102 682	(103 547)	7 225
Totals 2010-11		8 253	94 196	(94 359)	8 090

Comprising:

Distribution to Hospitals Fund:

Gambling tax	5 677	68 035	(68 007)	5 705
Income tax equivalent	713	9 491	(9 788)	416
Dividend	1 464	23 071	(23 928)	607
Unclaimed prizes	114	1 828	(1 598)	344
Totals	7 968	102 425	(103 321)	7 072

Distribution to Recreation and Sport Fund:

Gambling tax	23	152	(134)	41
Dividend	99	104	(91)	112
Unclaimed prizes	-	1	(1)	-
Totals	122	257	(226)	153

24. Cash flow reconciliation

Reconciliation of cash and cash equivalents:	2012	2011
Statement of Financial Position	\$'000	\$'000
Statement of Cash Flows	53 480	52 546
	53 480	52 546

Reconciliation of net profit (loss) after income tax equivalent to net cash provided by (used in) operating activities	2012	2011
	\$'000	\$'000
Profit (Loss) after income tax equivalent	22 147	20 623
Dividend contribution provided	(23 175)	(20 298)
Unclaimed prizes distribution provided	(1 829)	(2 041)
Non-cash items:		
Depreciation and amortisation expense	2 386	2 315
Net loss (gain) on disposal of non-current assets	4	18
Increase (Decrease) in carrying value of defined benefit superannuation plan net liability	1 181	(7)
Movements in assets/liabilities:		
Receivables	(18 899)	16 837
Inventories	64	63
Payables (including undistributed funds)	16 737	(15 125)
Employee benefits	430	(218)
Other liabilities	2 231	1 893
Net cash provided by (used in) operating activities	<u>1 277</u>	<u>4 060</u>
 Financing facility		
SA Lotteries has the following arrangements with SAFA:		
Working capital facility	8 000	8 000
Amount used	-	-
Unused working capital facility	<u>8 000</u>	<u>8 000</u>

The working capital facility was established on 22 June 2010 as a general operations contingency measure only.

25. Financial risk management

SA Lotteries is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and a corporate policy approved by SA Lotteries.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits). The maturity of financial assets and liabilities is disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and 10 years.

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

SA Lotteries' exposure to credit risk is minimal. SA Lotteries has policies and procedures in place to ensure that transactions occur with agents with appropriate credit history. SA Lotteries has no significant concentration of credit risk.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. SA Lotteries has consistent and stable cash flows from operations, which means its exposure to liquidity risk is minimal. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

26. Superannuation

(a) Expense (Income) recognised in the Statement of Comprehensive Income	Note	2012	2011
		\$'000	\$'000
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:			
Current service cost		292	300
Interest cost		299	286
Expected return on plan assets		(400)	(390)
Actuarial loss (gain)		1 499	95
Superannuation expense (income)		<u>1 690</u>	<u>291</u>
The expense (income) is recognised in the following item in the Statement of Comprehensive Income:			
Employee benefits expenses	26(e)	<u>1 690</u>	<u>291</u>

(b) Reconciliation of the present value of the defined benefit obligation	2012	2011
	\$'000	\$'000
Present value of defined benefit obligation at 1 July	6 641	6 588
Current service cost	292	300
Interest cost	299	286
Contributions by plan participants	184	200
Actuarial losses (gains)	1 087	153
Benefits paid	(388)	(777)
Taxes, premiums and expenses paid	(134)	(109)
Transfers in	-	-
Present value of defined benefit obligation at 30 June	7 981	6 641

(c) Reconciliation of the fair value of defined benefit plan assets		
Fair value of plan assets at 1 July	6 220	6 160
Expected return on plan assets	400	390
Actuarial gains (losses)	(412)	58
Employer contributions	509	298
Contributions by plan participants	184	200
Benefits paid	(388)	(777)
Taxes, premiums and expenses paid	(134)	(109)
Transfers in	-	-
Fair value of plan assets at 30 June	6 379	6 220

The fair value of plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- any of SA Lotteries' own financial instruments
- any property occupied by, or other assets used by, SA Lotteries.

(d) Reconciliation of the asset (liability) recognised in the Statement of Financial Position		
Defined benefit obligation	7 981	6 641
Fair value of plan assets	6 379	6 220
Surplus (Deficit)	(1 602)	(421)
Net superannuation asset (liability)	(1 602)	(421)

The amount included in the Statement of Financial Position arising from SA Lotteries' net superannuation asset/liability in respect of its defined benefit plan is shown in note 18:

Employee benefits (non-current):		
Defined benefit superannuation plan liability	1 602	421

(e) Movement in asset (liability) recognised in the Statement of Financial Position		
Net superannuation asset (liability) at 1 July	(421)	(428)
Income (Expense) recognised in Statement of Comprehensive Income	(1 690)	(291)
Employer contributions	509	298
Net movement	(1 181)	7
Net superannuation asset (liability) at 30 June	(1 602)	(421)

(f) Plan assets	Percentage invested*		Plan assets	
The percentage invested in each asset class at the reporting date:	2012	2011	2012	2011
	%	%	\$'000	\$'000
Australian equity	26	27	1 659	1 679
International equity	29	27	1 818	1 679
Fixed interest and bonds	17	14	1 084	871
Property	7	10	447	622
Alternative assets**	14	11	893	684
Cash	7	11	478	685
Total plan assets	100	100	6 379	6 220

(f) **Plan assets (continued)**

* The asset allocation at 30 April 2012 has been used as an approximation of the allocation as at the reporting date.

** Alternative assets generally comprise those investments which do not fit within the traditional broad asset classes (such as shares, property, fixed interest and cash).

(g) **Expected rate of return on plan assets**

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.

The expected rate of return for each asset class at 30 June is as follows:	Expected rate of return	
	2012	2011
	%	%
Australian equity	7.4	7.5
International equity	6.9	6.7
Fixed interest and bonds	4.3	4.7
Property	6.7	6.1
Alternative assets	5.7	5.7
Cash	4.0	3.8
Weighted average expected return	<u>6.30</u>	<u>6.75</u>

(h) **Actual return on plan assets**

	2012	2011
	\$'000	\$'000
Actual return on plan assets	<u>(12)</u>	<u>448</u>

(i) **Principal actuarial assumptions**

The principal actuarial assumptions at the reporting date (expressed as weighted averages):	2012	2011
	% p.a.	% p.a.
Discount rate (active members)	2.6	4.6
Expected rate of return on plan assets (active members)	6.30	6.75
Expected salary increase rate	3.5	2.5 for 1 year commencing 2012-13 3.5 thereafter

(j) **Contributions**

Contributions paid/payable by SA Lotteries to superannuation plans:	2012	2011
	\$'000	\$'000
Defined benefit members	485	262
Defined contribution (accumulation) members	427	376
Private funds	4	3
Total contributions	<u>916</u>	<u>641</u>

(k) **Expected employer contributions**

The estimated employer contributions expected to be paid to the plan during the year beginning after the reporting date	2012	2011
	<u>266</u>	<u>272</u>

The estimated employer contributions are based on a contribution rate of 14.4% of defined benefit members' salaries (refer note 26(m)(ii)).

(l) **Historical information**

	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	7 981	6 641	6 588	5 717	5 385
Fair value of plan assets	6 379	6 220	6 160	5 391	5 927
Surplus (Deficit) in plan	<u>(1 602)</u>	<u>(421)</u>	<u>(428)</u>	<u>(326)</u>	<u>542</u>
Experience adjustments gain (loss):					
Plan assets	(412)	58	75	(1 220)	(1 110)
Plan liabilities	<u>(33)</u>	<u>(188)</u>	<u>(86)</u>	<u>379</u>	<u>540</u>

(m) Funding arrangements for employer contributions

(i) Surplus (Deficit)

The following is a summary of the most recent financial position of the Lotteries Commission of South Australia Superannuation Plan (the Plan) calculated in accordance with AAS 25.

	As at 30.06.09 \$'000
Defined benefit members:	
Accrued benefits	4 807
Net market value of plan assets	4 653
Net surplus (deficit)	(154)
Accumulation members and additional accumulation accounts for defined benefit members:	
Assets and benefits	2 402

The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2009 by Stuart Mules, FIAA, of Mercer (Australia) Pty Limited. The report was dated 31 May 2010.

(ii) Current contribution rates

As at 30 June 2012, the current contribution rates, in accordance with actuarial advice and SA Lotteries endorsement, are:

- 14.4% of defined benefit members' salaries effective from 6 July 2009
- at the Superannuation Guarantee rate of 9% of accumulation members' salaries.

(iii) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the 'target' funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the 'target' funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of accrued benefits and above the total of the vested benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

(iv) Economic assumptions

	Weighted average assumptions % p.a.
The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2009 were:	
Expected rate of return on assets (discount rate)	6.75
Expected salary increase rate	2.5 for 3 years to 2011-12 3.5 thereafter

(n) Nature of asset/liability

SA Lotteries has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries is able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

27. Transactions with SA Government

As required by APF II, APS 4.1 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		Non-SA Government		Total	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Income:							
Sales revenue	5	-	-	423 632	388 940	423 632	388 940
Cost of sales:	6						
Prizes		-	-	(257 379)	(235 412)	(257 379)	(235 412)
Gambling tax on NGR		(68 164)	(62 946)	-	-	(68 164)	(62 946)
Agents' commission		-	-	(31 538)	(29 010)	(31 538)	(29 010)
GST on NGR paid to the ATO		-	-	(15 114)	(13 957)	(15 114)	(13 957)
Total cost of sales		(68 164)	(62 946)	(304 031)	(278 379)	(372 195)	(341 325)
Interest revenue		2 022	2 100	438	365	2 460	2 465
Other revenues	7	20	18	5 090	4 658	5 110	4 676
Total income		(66 122)	(60 828)	125 129	115 584	59 007	54 756

27. Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Expenses:	8						
Employee benefits expenses		428	365	9 124	6 950	9 552	7 315
Supplies and services:	9						
Marketing and promotions		-	-	6 837	6 471	6 837	6 471
Computer operations		48	52	2 995	2 946	3 043	2 998
Tickets, coupons, terminal rolls and ribbons		-	-	1 883	1 787	1 883	1 787
Operating leases		28	131	634	802	662	933
Other occupancy costs		22	22	562	613	584	635
Distribution and freight to agent costs		-	-	261	242	261	242
Motor vehicle fleet costs		214	223	2	1	216	224
Internal audit fees		-	-	166	171	166	171
External audit fees		150	151	-	-	150	151
Training costs		-	-	109	141	109	141
Insurance		57	72	-	-	57	72
Temporary staff and contractors		-	-	67	212	67	212
Gambling tax - other		51	72	(28)	-	23	72
Consultancies		-	-	5	19	5	19
Other		14	22	1 350	1 496	1 364	1 518
Total supplies and services		584	745	14 843	14 901	15 427	15 646
Total expenses (excluding depreciation and amortisation and net loss from disposal of non-current assets)		1 012	1 110	23 967	21 851	24 979	22 961
Financial assets:							
Receivables:	14						
Current:							
Agent debtors		-	-	3 756	1 489	3 756	1 489
Prize settlements receivable from Blocs		-	-	17 433	611	17 433	611
Sundry receivables		168	175	278	164	446	339
Prepayments		-	-	214	344	214	344
Total current receivables		168	175	21 681	2 608	21 849	2 783
Non-current:							
Prepayments		-	-	136	133	136	133
Total non-current receivables		-	-	136	133	136	133
Total receivables		168	175	21 817	2 741	21 985	2 916
Financial liabilities:							
Payables:	17						
Current:							
Creditors and accrued expenses		263	242	1 475	2 297	1 738	2 539
Prizes payable		-	-	31 537	13 427	31 537	13 427
GST payable		-	-	986	790	986	790
Undistributed funds		7 225	8 090	-	-	7 225	8 090
Employment on-costs		45	42	61	60	106	102
Total current payables		7 533	8 374	34 059	16 574	41 592	24 948
Non-current:							
Prizes payable		-	-	1 575	1 356	1 575	1 356
Employment on-costs		73	51	63	41	136	92
Total non-current payables		73	51	1 638	1 397	1 711	1 448
Total payables		7 606	8 425	35 697	17 971	43 303	26 396

28. Events after the reporting period

The carrying amount of the warehouse property located at 24-26 Payneham Road, Stepney was \$1.455 million as at 30 June 2012. The property was sold on 2 July 2012 for \$1.66 million (GST exclusive) and is being leased back from the purchaser for a 12 month term. The operating lease commitment is reflected in the within one year estimate of unrecognised contractual commitments (refer note 21).

Department for Manufacturing, Innovation, Trade, Resources and Energy

Functional responsibility

Establishment

The Department for Manufacturing, Innovation, Trade, Resources and Energy (the Department) is an administrative unit established under the PSA.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for Manufacturing, Innovation and Trade
- Minister for Mineral Resources and Energy
- Minister for Small Business.

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 2011-12, specific areas of audit attention included:

- financial assistance paid to organisations
- minerals and petroleum royalties and licences
- salaries, wages and other employee benefits expenses
- supplies and services payments
- update of the general ledger.

On 1 January 2012 a number of functions were transferred between the Department and other agencies. The main transferred functions were to the Department, involving the collection of licence fees and royalties from the mining and petroleum industry, provision of financial assistance to these industries and provision of financial assistance for the supply of energy to remote areas.

The transfer of functions between the Department and other agencies was an area of focus for this year's audit.

The audit took into account the controls and procedures performed by service providers including SSSA.

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

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Manufacturing, Innovation, Trade, Resources and Energy as at 30 June 2012, 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 the matter raised in relation to SSSA control environments 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 were provided in a management letter to the Chief Executive. The main matters raised related to enhancing documentation of control procedures for procuring goods and services using Basware.

Procurement of goods and services

A key element of Basware is the electronic approval of transactions. Importantly:

- purchase orders must have two officers involved, a requisitioner and an approver

- invoice (non-purchase order) transactions must have two officers involved, a certifier and an approver
- approvers are governed by the access regime established in Basware.

Audit recommended the Department's documented policies and procedures include the controls for confirming the:

- appropriateness of the access rights and approval limits of Basware users
- purchase order requisitioner or non-purchase order certifier has sufficient documentary evidence of compliance with the Department's procurement policies and procedures
- invoices awaiting approval are monitored, investigated and resolved promptly.

In response the Department indicated that it would document the controls in its policies and procedures.

Shared Services SA – e-Procurement and electronic payment control environments

The audit review of the Department's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Implementation of TIs 2 and 28

In response to the introduction of TIs 2 and 28 the Department established a financial compliance program. The program involves managers performing self-assessments of their control activities and internal audits of the self-assessments. The internal audits include the review of controls to ensure they are designed and operating in an effective manner.

Financial assistance grants

The Department provides financial assistance grants to organisations mainly for industry and regional development. The grant recipients must fulfil certain obligations specified in the grant agreements. The recipients must provide proof of fulfilling these obligations by the deadlines recorded in the Economic Development Integrated Database (EDID). If the recipients do not provide proof they may not receive further grants and may have to repay the grants.

Project managers are responsible for confirming that recipients have provided adequate proof of fulfilling obligations. They advise an officer who updates EDID to indicate the obligations are fulfilled.

In 2009-10, Audit noted a large backlog in overdue obligations. Improved reporting to the Chief Executive and continual follow-up of the outstanding obligations reduced the backlog to 140 at July 2010 with 66 being over 60 days late. Further improvement was noted during the 2010-11 audit. At 30 June 2011 there were 44 with 13 being over 60 days late. During 2011-12 the responsibility for providing some of these financial assistance grants was transferred to another agency. For the grants remaining with the Department there were 17 outstanding obligations at 30 June 2012 with one being over 60 days late.

Interpretation and analysis of the financial report

Highlights of the financial report	2012 \$'million	2011 \$'million
Expenses		
Employee benefits expenses	33	20
Supplies, services and other expenses	33	17
Grants and subsidies	23	17
Total expenses	89	54
Income		
Mining and petroleum fees and charges	6	-
Other revenues	9	2
Total income	15	2
Net cost of providing services	74	52
Revenues from (Payments to) SA Government		
Revenues from SA Government	73	61
Payments to SA Government	(5)	(3)
Net result and total comprehensive result	(6)	6
Net cash provided by (used in) operating activities	14	2
Assets		
Current assets	37	12
Non-current assets	32	7
Total assets	69	19
Liabilities		
Current liabilities	37	5
Non-current liabilities	11	4
Total liabilities	48	9
Total equity	21	10

Statement of Comprehensive Income

Net cost of providing services

In 2011-12 there was a significant increase in expenses reflecting the six months of expenses of the functions transferred to the Department from other agencies.

Employee benefits expenses increased reflecting the growth in the number of full time equivalent staff from approximately 121 at 30 June 2011 to 422 at 30 June 2012 which includes 301 net transfers of staff from other agencies effective on 1 January 2012.

Statement of Financial Position

Assets

Assets grew by \$50 million due mainly to:

- an increase of \$14 million in cash representing mainly unspent appropriations that were received to fund the functions transferred into the Department. The Department is to reimburse \$19 million to other agencies for paying the employees and other expenses of these transferred functions during the period 1 January 2012 until transfer onto the Department's payroll system and Basware system

- \$37 million in other assets transferred to the Department from other agencies on 1 January 2012. This includes \$10 million in receivables and \$27 million in property, plant and equipment.

Liabilities

Liabilities grew by \$39 million due mainly to:

- \$19 million in payables mainly to reimburse other agencies for paying the employees and other expenses of the transferred functions during the period 1 January 2012 until transfer onto the Department's payroll system and Basware system.
- \$19 million in other liabilities transferred to the Department from other agencies on 1 January 2012. This includes \$9 million in employee benefits and \$10 million in other liabilities. Other liabilities includes security deposits received to ensure mine operators rehabilitate sites and comply with statutory requirements on cessation of licences.

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 the Department on 1 January 2012. For the six months to 30 June 2012 the Department administered the collection of \$93 million in royalties which were paid into the Consolidated Account. A further \$83 million in royalties was collected and paid into the Consolidated Account by the transferor agency from 1 July to 31 December 2011. Overall a total of \$176 million in royalties was collected in 2011-12 compared to \$156 million for 2010-11.

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee benefits expenses	5	33 487	20 351
Supplies and services	6	30 924	14 718
Depreciation and amortisation expense	7	1 614	772
Grants and subsidies	8	22 547	17 482
Other expenses	9	144	26
Total expenses		88 716	53 349
Income:			
Revenues from fees and charges	12	6 141	-
Commonwealth revenues	13	1 057	537
Interest revenues	14	7	2
Other revenues	15	7 558	1 238
Total income		14 763	1 777
Net cost of providing services		(73 953)	(51 572)
Revenues from (Payments to) SA Government:			
Revenues from SA Government	16	72 607	60 756
Payments to SA Government	16	(5 054)	(2 927)
Net result		(6 400)	6 257
Total comprehensive result		(6 400)	6 257

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

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	17	25 239	11 432
Receivables	18	11 376	643
Financial assistance debtors	19	24	24
Other current assets	20	247	160
Total current assets		36 886	12 259
Non-current assets:			
Financial assistance debtors	19	954	875
Property, plant and equipment	21	31 693	5 623
Total non-current assets		32 647	6 498
Total assets		69 533	18 757
Current liabilities:			
Payables	22	24 928	3 324
Employee benefits	23	5 320	1 424
Provisions	24	97	45
Other current liabilities	25	6 725	380
Total current liabilities		37 070	5 173
Non-current liabilities:			
Payables	22	807	146
Employee benefits	23	8 705	1 677
Provisions	24	339	154
Other non-current liabilities	25	1 537	1 777
Total non-current liabilities		11 388	3 754
Total liabilities		48 458	8 927
Net assets		21 075	9 830
Equity:			
Retained earnings		17 200	9 786
Revaluation surplus		3 875	44
Total equity		21 075	9 830
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		44	5 000	5 044
Net result for 2010-11		-	6 257	6 257
Total comprehensive result for 2010-11		-	6 257	6 257
Net assets transferred out from restructure		-	(1 471)	(1 471)
Balance at 30 June 2011		44	9 786	9 830
Prior period adjustment		-	(96)	(96)
Restated balance at 30 June 11		44	9 690	9 734
Net result for 2011-12		-	(6 400)	(6 400)
Total comprehensive result for 2011-12		-	(6 400)	(6 400)
Transactions with SA Government as owner:				
Net assets transferred as a result of an administrative restructure	28	3 831	13 910	17 741
Balance at 30 June 2012		3 875	17 200	21 075

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

**Statement of Cash Flows
for the year ended 30 June 2012**

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(18 551)	(22 650)
Payments for supplies and services		(16 887)	(15 568)
Payments for grants and subsidies		(20 461)	(17 482)
Payments for financial assistance		(79)	(789)
Payments for Paid Parental Leave Scheme		(21)	-
GST paid to ATO		(3 422)	(3 071)
Payments for restructure activities		-	(1 951)
Cash used in operations		(59 421)	(61 511)
Cash inflows:			
Commonwealth revenues		1 254	537
Interest received		7	2
GST recovered from the ATO		3 033	3 136
Receipts for Paid Parental Leave Scheme		21	-
Other receipts		1 799	1 645
Cash generated from operations		6 114	5 320
Cash flows from SA Government:			
Receipts from SA Government		72 607	60 756
Payments to SA Government		(5 054)	(2 927)
Cash generated from SA Government		67 553	57 829
Net cash provided by (used in) operating activities	30	14 246	1 638
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(439)	(275)
Cash used in investing activities		(439)	(275)
Net cash provided by (used in) investing activities		(439)	(275)
Net increase (decrease) in cash		13 807	1 363
Cash and cash equivalents at 1 July		11 432	10 069
Cash and cash equivalents at 30 June	17,30	25 239	11 432

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

(Activities - refer note 4)	1		2		3		4	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:								
Employee benefits expenses	3 256	2 676	4 694	3 937	13 792	264	954	776
Supplies and services	2 155	1 070	4 594	5 769	15 606	144	630	833
Depreciation and amortisation expense	-	-	-	-	-	-	-	-
Grants and subsidies	10 009	7 007	2 857	4 663	6 135	185	526	1 466
Other expenses	-	-	-	-	-	-	-	-
Total expenses	15 420	10 753	12 145	14 369	35 533	593	2 110	3 075
Income:								
Revenues from fees and charges	-	-	-	-	6 141	-	-	-
Commonwealth revenues	483	158	308	300	230	-	-	-
Interest revenues	-	-	-	-	5	-	-	-
Other revenues	271	212	188	124	6 841	182	-	19
Total income	754	370	496	424	13 217	182	-	19
Net cost of providing services	(14 666)	(10 383)	(11 649)	(13 945)	(22 316)	(411)	(2 110)	(3 056)
Revenues from (Payments to)								
SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
Net result	(14 666)	(10 383)	(11 649)	(13 945)	(22 316)	(411)	(2 110)	(3 056)
(Activities - refer note 4)	5		6		7		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:								
Employee benefits expenses	10 137	9 976	405	1 011	249	1 711	33 487	20 351
Supplies and services	7 727	6 271	206	381	6	250	30 924	14 718
Depreciation and amortisation expenses	1 614	772	-	-	-	-	1 614	772
Grants and subsidies	162	44	2 858	3 890	-	227	22 547	17 482
Other expenses	144	26	-	-	-	-	144	26
Total expenses	19 784	17 089	3 469	5 282	255	2 188	88 716	53 349
Income:								
Revenues from fees and charges	-	-	-	-	-	-	6 141	-
Commonwealth revenues	-	-	36	79	-	-	1 057	537
Interest revenues	2	2	-	-	-	-	7	2
Other revenues	258	456	-	76	-	169	7 558	1 238
Total income	260	458	36	155	-	169	14 763	1 777
Net cost of providing services	(19 524)	(16 631)	(3 433)	(5 127)	(255)	(2 019)	(73 953)	(51 572)
Revenues from (Payments to)								
SA Government:								
Revenues from SA Government	72 607	60 756	-	-	-	-	72 607	60 756
Payments to SA Government	(5 054)	(2 927)	-	-	-	-	(5 054)	(2 927)
Net result	48 029	41 198	(3 433)	(5 127)	(255)	(2 019)	(6 400)	6 257

All of the Department's assets and liabilities are recognised under Activity 5 - Corporate Governance including mineral resources and energy assets of \$24.234 million.

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 it:

- connects industry, community, investors and opportunities
- enables greater innovation and industry capability
- delivers an effective regulatory environment.

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*

DMITRE 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 TIs and APSs 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 been recently issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2012. These are outlined in note 3.

(b) *Basis of preparation*

The preparation of the financial statements requires:

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

(b) 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 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 2012 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 Public Sector (Administrative Units of Public Service) Proclamation 2011 (dated 21 October 2011) declared that the title of the Department of Trade and Economic Development is altered to the Department of Manufacturing, Innovation, Trade and Resources effective from 21 October 2011.

The Public Sector (Administrative Units - Alteration of Titles and Responsible Minister) Proclamation 2011 (dated 17 November 2011) declared that the title of the Department of Manufacturing, Innovation, Trade and Resources is altered to the Department for Manufacturing, Innovation, Trade, Resources and Energy effective from 17 November 2011.

The financial statements and accompanying notes include all the controlled activities of DMITRE. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed as a 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 2011 (dated 1 December 2011) declared that:

- the Investment and Strategic Projects Division was transferred from Department of Primary Industries and Regions (PIRSA) to DMITRE effective from 1 January 2012 (refer note 28)
- Renewables SA was transferred from DPC to DMITRE effective from 1 January 2012 (refer note 28).

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 8 December 2011) declared that:

- Regional Development was transferred from DMITRE to PIRSA effective from 1 January 2012 (refer note 28)
- Strategic Policy and Population and Migration Policy was transferred from DMITRE to DPC effective from 1 January 2012 (refer note 28).

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 15 December 2011) declared that:

- the Energy Division was transferred from the Department of Planning, Transport and Infrastructure to DMITRE effective from 1 January 2012 (refer note 28)
- the Minerals and Energy Resources Division and the Olympic Dam Taskforce were transferred from PIRSA to DMITRE effective from 1 January 2012 (refer note 28)
- nominated employees of the Policy and Planning Division were transferred from PIRSA to DMITRE effective from 1 January 2012 (refer note 28).

(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 balance date

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 32).

(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 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:

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.

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 Land Management Corporation, effective from 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.

Land sales (continued)

The Public Corporations (Land Management Corporation) (Dissolution and Revocation) Regulations 2012 (dated 23 December 2012) declared that the Land Management Corporation was dissolved and established the Urban Renewal Authority. The Urban Renewal Authority now manages the land at Edinburgh Parks (Stages 0, 1 and 3).

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 & Geothermal Energy Act 2000*. Royalty revenue is recognised as income when received.

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 determined by comparing proceeds with 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 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 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.

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.

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:

Depreciation and amortisation (continued)

<i>Class of asset</i>	<i>Useful life (years)</i>
Leasehold improvements	Life of lease
Plant and equipment	2-60
Intangibles/Software	3-10
Land and improvements	4-80

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.

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.

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

The notes 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

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 OANDA.com exchange rate at 30 June.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable 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 loan 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 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 their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

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 recorded at written down cost (a proxy for fair value) until the next revaluation cycle (three years). Works of art and non-current assets or a group of assets when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years are revalued in accordance with the revaluation cycle. 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.

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.

Intangible assets (continued)

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.

(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.

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, 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.

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 payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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.

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

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 an operating lease in relation to premises 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:

Financial guarantees (continued)

- For those properties indemnified by the Minister for Manufacturing, Innovation and Trade 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 2012.
- 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 2012 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 2012 (there was no material liability recognised for financial guarantee contracts in 2011).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 27.

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.

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

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

LSL

An actuarial assessment of LSL undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. Based on this actuarial assessment, the shorthand method was used to measure LSL liability for 2012 (refer note 23). This calculation is consistent with the Department's experience of employee retention and leave taken.

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 2012 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.

(n) **Unrecognised contractual commitments and contingent assets and liabilities (continued)**

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 Department did not voluntarily change any of its accounting policies during 2011-12.

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 2012. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

The Department has identified seven broad activities that reflect the nature of the services delivered to the South Australian community. The activities undertaken under Thriving Regions and A Strategic Approach to Economic Development were transferred out as part of the machinery of government changes, effective 1 January 2012. The activities and their objectives of the Department are:

Activity 1: Manufacturing and Innovation

This program will further develop advanced manufacturing capability in South Australia and maximise supply chain opportunities for South Australian businesses. It includes the development of the Tonsley Park sustainable technologies precinct and mapping of mining supply chains to identify opportunities for South Australian companies.

Activity 2: Globally Integrating the SA Economy

This program supports sustainable economic growth by building on South Australia's competitive advantages. It includes facilitating investment in major projects across the State and trade and migration activities and the Invest in SA initiatives.

Activity 3: Mineral Resources and Energy

This program 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 program supports small businesses in their growth and expansion, complementing the role of the Small Business Commissioner.

Activity 5: Corporate Governance

This program includes the effective and efficient deployment of physical, financial and human resources, underpinned by high quality infrastructure systems, to achieve the objectives of the Department. It includes sound governance systems and practices, successful engagement with clients and stakeholders and a safe and healthy workplace.

Activity 6: Thriving Regions

This program works with South Australia's regional communities to maximise economic opportunity in these regions to maximise their contribution to the State's economy. It helps to build social capital, promote economic development initiatives and priorities and contribute to the funding of regional economic infrastructure.

Activity 7: A Strategic Approach to Economic Development

This program provides a strong strategic policy framework for economic development by focusing on South Australia being a place where people will choose to live, work and do business.

5. Employee benefits expenses

	Note	2012 \$'000	2011 \$'000
Salaries and wages		26 392	12 601
TVSPs (refer below)		346	3 784
LSL		772	419
Annual leave		1 845	1 175
Employment on-costs - superannuation		2 596	1 290
Employment on-costs - other		1 473	807
Workers compensation		(81)	240
Board fees	29	144	35
Total employee benefits expenses		33 487	20 351

TVSPs and early terminations

Amount paid to these employees:

TVSPs		346	3 784
Early terminations		400	296
Annual leave and LSL paid during the reporting period		291	1 107
Employment on-costs (payroll tax and SSSA processing fees)		22	119
Redeployment training support*		4	28
		1 063	5 334
Recovery from DTF		(422)	(5 334)
Net cost to the Department		641	-

The number of employees who received a TVSP or early termination payment during 2011-12 was 5 (51).

The recovery from DTF is reflected in the financial statements as revenues from SA Government - contingency appropriation of \$422 000.

* The recovery from DTF includes \$4000 (\$28 000) for redeployment training support, included in staff related expenses in supplies and services (refer note 6).

Remuneration of employees - paid by DMITRE

The table below shows the number of employees paid by the Department only, whose remuneration received or receivable falls within the following bands.

It does not capture employees transferring into the Department (due to machinery of government changes), who would ordinarily be reported in this table if they were employed by the Department for the entire year. Results for the entire year are shown in the table under 'Remuneration of employees - including all transferred in due to machinery of government changes 2011-12'.

Remuneration of employees The number of employees whose total remuneration received or receivable falls within the following bands:	Employees receiving		2012	2011
	TVSPs/early terminations Number	Other employees Number	Total employees Number	Total employees Number
\$130 700 - \$133 999*	-	-	-	2
\$134 000 - \$143 999	-	2	2	4
\$144 000 - \$153 999	-	-	-	2
\$154 000 - \$163 999	-	3	3	5
\$164 000 - \$173 999	-	2	2	2
\$174 000 - \$183 999	-	-	-	3
\$184 000 - \$193 999	-	-	-	7
\$194 000 - \$203 999	-	1	1	-
\$204 000 - \$213 999	-	1	1	-
\$214 000 - \$223 999	-	-	-	1
\$224 000 - \$233 999	-	-	-	3
\$234 000 - \$243 999	-	-	-	2
\$244 000 - \$253 999	-	-	-	4
\$254 000 - \$263 999	-	1	1	2
\$264 000 - \$273 999	-	-	-	-

Remuneration of employees (continued)

	Employees receiving TVSPs/early terminations Number	Other employees Number	2012 Total employees Number	2011 Total employees Number
\$274 000 - \$283 999	-	-	-	2
\$284 000 - \$293 999	-	-	-	1
\$304 000 - \$313 999	1	1	2	1
\$334 000 - \$343 999	-	-	-	2
\$444 000 - \$453 999	1	-	1	-
\$584 000 - \$593 999	1	-	1	-
Total	3	11	14	43

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

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 \$3.548 million (\$8.852 million). The total paid to employees receiving TVSPs or early terminations includes salaries, leave entitlements and TVSP package and/or contract amount was \$1.349 million in 2011-12 (\$6.099 million).

Remuneration of employees - including all transferred in due to machinery of government changes 2011-12

The table below shows the full year remuneration for all employees whose remuneration received or receivable falls within the following bandwidths and includes employees transferred into the Department as a result of machinery of government changes.

The number of employees whose remuneration received or receivable falls within the following bands:	Employees receiving TVSPs/early terminations Number	Other employees Number	2012 Total employees Number
\$134 000 - \$143 999	-	6	6
\$144 000 - \$153 999	-	5	5
\$154 000 - \$163 999	-	6	6
\$164 000 - \$173 999	-	6	6
\$174 000 - \$183 999	-	2	2
\$184 000 - \$193 999	-	2	2
\$194 000 - \$203 999	-	1	1
\$204 000 - \$213 999	-	1	1
\$214 000 - \$223 999	-	2	2
\$234 000 - \$243 999	-	1	1
\$254 000 - \$263 999	-	2	2
\$264 000 - \$273 999	-	1	1
\$304 000 - \$313 999	1	1	2
\$404 000 - \$413 999	-	1	1
\$444 000 - \$453 999	1	-	1
\$584 000 - \$593 999	1	-	1
Total	3	37	40

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 \$8.541 million. The total paid to employees receiving TVSPs or early terminations includes salaries, leave entitlements and TVSP package and/or contract amount was \$1.349 million in 2011-12.

6. Supplies and services		2012	2011
Supplies and services provided by entities within the SA Government:	Note	\$'000	\$'000
Accommodation and service costs		3 930	2 304
Accounting and audit fees	10	121	119
Communications and information technology		746	273
Contractors		480	10
Energy supply fuel and lubricants		8	-
Marketing		28	36
Overseas trade representation ⁽¹⁾		2	60
Staff related expenses		87	17
Travel and related expenses		688	254
Office administration expenses		1 016	443
Total supplies and services - SA Government entities		<u>7 106</u>	<u>3 516</u>
Supplies and services provided by entities external to the SA Government:			
Accommodation and service costs		575	392
Accounting and audit fees		257	218
Business training and development support		21	185
Communications and information technology		1 980	1 448
Contractors		6 952	2 657
Consultancies (refer below)		2 520	1 087
Energy supply fuel and lubricants		3 881	-
Lease incentive amortisation	25	(240)	(239)
Marketing		1 946	1 778
Overseas trade representation ⁽¹⁾		190	448
Staff related expenses		1 178	993
Travel and related expenses		1 286	888
Office administration expenses		3 272	1 347
Total supplies and services - non-SA Government entities		<u>23 818</u>	<u>11 202</u>
Total supplies and services		<u>30 924</u>	<u>14 718</u>

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice or payments related to third party arrangements.

⁽¹⁾ Represents payments made to trade organisations relating to activities promoting South Australia.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2012	2011	2012	2011
	Number	Number	\$'000	\$'000
Less than \$10 000	12	14	72	56
\$10 000 - \$50 000	25	14	529	395
More than \$50 000	19	8	1 919	636
Total paid/payable to the consultants engaged	<u>56</u>	<u>36</u>	<u>2 520</u>	<u>1 087</u>

7. Depreciation and amortisation expense		2012	2011
Depreciation:		\$'000	\$'000
Plant and equipment		504	105
Buildings and improvements		694	525
Total depreciation		<u>1 198</u>	<u>630</u>
Amortisation:			
Intangible/software assets		416	142
Total amortisation		<u>416</u>	<u>142</u>
Total depreciation and amortisation expense		<u>1 614</u>	<u>772</u>

8. Grants and subsidies		2012	2011		
Grants and subsidies paid/payable to entities within the SA Government:		\$'000	\$'000		
Class of assistance:					
Industry development		3 059	3 772		
Energy		1 056	-		
Minerals and petroleum		1 308	-		
Regional development		6	-		
Other		58	104		
Total grants and subsidies - SA Government entities		<u>5 487</u>	<u>3 876</u>		
Grants and subsidies paid/payable to entities external to the SA Government:					
Class of assistance:					
Industry development		8 826	9 060		
Energy		3 692	-		
Minerals and petroleum		921	-		
Regional development		3 190	4 471		
Other		431	75		
Total grants and subsidies - non-SA Government entities		<u>17 060</u>	<u>13 606</u>		
Total grants and subsidies		<u>22 547</u>	<u>17 482</u>		
9. Other expenses					
Other expenses paid/payable to entities external to the SA Government:					
Bad and doubtful debts		-	26		
Asset write-down		144	-		
Total other expenses - non-SA Government entities		<u>144</u>	<u>26</u>		
Total other expenses		<u>144</u>	<u>26</u>		
10. Auditor's remuneration					
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements		121	119		
Total audit fees - SA Government entities		<u>121</u>	<u>119</u>		
No other services were provided by the Auditor-General's Department.					
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.					
		Total		2012	2011
	China	Singapore	Dubai	India	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating expenses	468	379	282	540	1 669
Operating revenues	22	-	1	3	26
Funds advanced to overseas offices towards operating expenses	216	354	96	424	1 090
					2 275
12. Revenues from fees and charges				2012	2011
User fees and charges received/receivable from entities external to SA Government:				\$'000	\$'000
Mining and petroleum application fees, rentals and licences				6 141	-
Total revenues from fees and charges - non-SA Government entities				<u>6 141</u>	<u>-</u>
Total revenues from fees and charges				<u>6 141</u>	<u>-</u>
13. Commonwealth revenues					
Grants:					
Municipal and Essential Services Murputja and Watarru Power Station Fuel Contribution*				173	-
Renewable Remote Power Generation Program**				57	-
Total Commonwealth revenues - SA Government entities				<u>230</u>	<u>-</u>
Grants:					
TradeStart				308	300
Supplier Access to Major Projects Program - Australian Water Access to USA - California				350	-

13. Commonwealth revenues (continued)	2012	2011
Grants (continued):	\$'000	\$'000
Supplier Access to Major Projects Program - Olympic Dam Expansion	1	-
Supplier Access to Major Program - Domain Specialist - Water	132	158
Regional Development Australia Adelaide Metropolitan Advisory Board	36	79
Total Commonwealth revenues - non-SA Government entities	827	537
Total Commonwealth revenues	1 057	537

* Funding for this program is received via DPC.

** Funding for this program is received via DTF.

Contributions which have conditions of expenditure still to be met as at reporting date were \$1.06 million (\$599 000). These contributions relate to the Supplier Access to Major Projects Programs - Domain Specialist - Water; Olympic Dam Expansion and Australian Water Access to USA - California.

Conditions attached to the contributions relating to the Supplier Access to Major Projects Programs - Domain Specialist - Water; Olympic Dam Expansion; and Australian Water Access to USA - California, 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.

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 3.5 years ending 30 June 2014. As the grant is a non-recourse grant it has been recognised upon receipt.

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.

Renewable Remote Power Generation Program is an Australian Government funded initiative that provided financial support to increase the use of renewable generation in remote parts of Australia that rely on diesel and other fossil fuels for electricity supply. The final program extension agreement changed the focus to more of energy efficiency rather than renewable energy installation rebates.

Conditions attached to the contributions relating to the Regional Development Australia Adelaide Metropolitan Advisory Board state that funds are to be used for support services (including secretariat, administrative and research) for the Regional Development Australia Adelaide Metropolitan Advisory Board. This program was transferred to PIRSA as at 1 January 2012.

14. Interest revenues	2012	2011
	\$'000	\$'000
Interest revenues	7	2
Total interest revenues	7	2

15. Other revenues

Revenues received/receivable from entities within SA Government:

Sale of electricity - remote areas	1 113	-
Gas and electricity technical regulation and electricity emergency management*	2 290	-
Australian Energy Market Commission*	807	-
Management of Extractive Areas Rehabilitation Fund	176	-
Recoveries - financial assistance grants	41	-
Recoveries - other	357	657
Total other revenues - SA Government entities	4 784	657

Revenues received/receivable from entities external to SA Government:

Sponsorship revenues	40	54
Sale of electricity - remote areas	1 422	-
Fuel tax credits	900	-
Recoveries - financial assistance grants	66	40
Recoveries - business training and development support	22	11
Recoveries - other	324	476
Total other revenues - non-SA Government entities	2 774	581
Total other revenues	7 558	1 238

* Funding relates to licence fees on industry bodies levied by the Essential Services Commission of South Australia and is received via DTF.

16. Revenues from (Payments to) SA Government	2012	2011
	\$'000	\$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	71 735	56 291
Appropriations under other Acts (pursuant to Treasurer's contingency section 15 of the PFAA)	872	4 465
Total revenues from SA Government	<u>72 607</u>	<u>60 756</u>
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	5 054	2 927
Total payments to SA Government	<u>5 054</u>	<u>2 927</u>

Total revenues from Government consists of \$71.345 million (\$56.291 million) for operational funding and \$390 000 (\$0) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer notes 5 to 10 and 28.

The original amount appropriated to the Department under the annual *Appropriation Act* was not varied, however an additional advance of \$872 000 (\$4.465 million) was received pursuant to Treasurer's contingency. Contingency appropriation in 2011-12 included \$422 000 for TVSP reimbursement and \$431 000 for establishment costs for the Office of the Small Business Commissioner. Other contingency appropriation received in both financial years relates to enterprise bargaining supplementation.

17. Cash and cash equivalents	2012	2011
	\$'000	\$'000
Deposits at call - Westpac	20 609	7 099
Deposits with the Treasurer	4 456	3 890
Deposits at call - overseas offices	173	442
Other	1	1
Total cash and cash equivalents	<u>25 239</u>	<u>11 432</u>

Deposits with the Treasurer

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

Interest rate risk

Cash on hand is non-interest bearing. 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.

18. Receivables	2012	2011
Current:	\$'000	\$'000
Receivables	1 944	66
Allowance for doubtful debts	(161)	(3)
GST input tax recoverable	938	551
Accrued revenue	8 655	29
Total current receivables	<u>11 376</u>	<u>643</u>
Total receivables	<u>11 376</u>	<u>643</u>

Government/Non-government receivables

Receivables from SA Government entities:

Receivables	28	54
Accrued revenue	7 433	-
Total receivables from SA Government entities	<u>7 461</u>	<u>54</u>

Receivables from non-SA Government entities:

Receivables	1 755	9
GST input tax recoverable	938	551
Accrued revenue	1 222	29
Total receivables from non-SA Government entities	<u>3 915</u>	<u>589</u>
Total receivables	<u>11 376</u>	<u>643</u>

The increase in receivables is due to debtor balances associated with the transfer of new functions into the Department, resulting from machinery of government changes.

The increase in accrued revenue is due to revenue from PIRSA associated with machinery of government changes, including cash securities of \$4.521 million (refer note 25).

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.

	2012	2011
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(3)	(3)
Increase in the allowance	(161)	(1)
Amounts written off	3	1
Carrying amount at 30 June	<u>(161)</u>	<u>(3)</u>

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 33.3
- (b) Categorisation of financial instruments and risk exposure information - refer note 33.

19. Financial assistance debtors

	2012	2011
	\$'000	\$'000
Current:		
Financial assistance debtors	134	134
Allowance for doubtful debts	(110)	(110)
Total current financial assistance debtors	<u>24</u>	<u>24</u>
Non-current:		
Financial assistance debtors	954	875
Total non-current financial assistance debtors	<u>954</u>	<u>875</u>
Total financial assistance debtors	<u>978</u>	<u>899</u>

Financial assistance is provided to non-SA Government entities only.

Movements in the allowance for doubtful debts (impairment loss):

Carrying amount at 1 July	(110)	(460)
Increase in the allowance	-	(25)
Amounts written off	-	375
Carrying amount at 30 June	<u>(110)</u>	<u>(110)</u>

20. Other assets

Current:		
Prepayments	220	160
Inventory	27	-
Total other current assets	<u>247</u>	<u>160</u>
Government/Non-government other assets		
Other assets from SA Government entities:		
Prepayments	10	2
Total other assets from SA Government entities	<u>10</u>	<u>2</u>
Other assets from non-SA Government entities:		
Prepayments	210	158
Inventory	27	-
Total other assets from non-SA Government entities	<u>237</u>	<u>158</u>
Total other assets	<u>247</u>	<u>160</u>

21. Property, plant and equipment		2012	2011
Plant and equipment:		\$'000	\$'000
Plant and equipment at cost (deemed fair value)		22 803	693
Accumulated depreciation		(12 066)	(299)
Total plant and equipment		<u>10 737</u>	<u>394</u>
Leasehold improvements:			
Building improvements at fair value		18 597	5 112
Accumulated depreciation		(8 021)	(809)
Total leasehold improvements		<u>10 576</u>	<u>4 303</u>
Intangibles/software:			
Computer software		3 034	708
Accumulated amortisation		(2 065)	(247)
Total intangible assets		<u>969</u>	<u>461</u>
Land and improvements			
Land and improvements at fair value		8 955	-
Total land and improvements		<u>8 955</u>	<u>-</u>
Works of art:			
Works of art at fair value		100	47
Total works of art		<u>100</u>	<u>47</u>
Capital work in progress:			
Work in progress at cost		356	418
Total capital work in progress		<u>356</u>	<u>418</u>
Total property, plant and equipment		<u>31 693</u>	<u>5 623</u>

	Plant and equipment \$'000	Leasehold imprvmnts \$'000	Intangibles/ Software \$'000	Land and imprvmnts \$'000	Works of art \$'000	Work in progress \$'000	Total \$'000
2012							
Carrying amount at 1 July	394	4 303	461	-	47	418	5 623
Additions	418	-	173	-	-	306	897
Disposals/Transfers	-	-	519	-	-	(356)	163
Asset write-down	-	-	(377)	-	-	(62)	(439)
Depreciation and amortisation	(504)	(694)	(416)	-	-	-	(1 614)
Acquisition/Disposal through administrative restructuring	10 429	7 063	609	8 955	53	50	27 159
Other - changes in accounting policy	-	(96)	-	-	-	-	(96)
Carrying amount at 30 June	<u>10 737</u>	<u>10 576</u>	<u>969</u>	<u>8 955</u>	<u>100</u>	<u>356</u>	<u>31 693</u>

22. Payables		2012	2011
Current:		\$'000	\$'000
Creditors and accrued expenses		24 122	3 063
Employee on-costs		806	261
Total current payables		<u>24 928</u>	<u>3 324</u>
Non-current:			
Employee on-costs		807	146
Total non-current payables		<u>807</u>	<u>146</u>
Total payables		<u>25 735</u>	<u>3 470</u>
Government/Non-government payables			
Payables to SA Government entities:			
Creditors and accrued expenses		18 640	466
Employee on-costs		1 515	344
Total payables to other SA Government entities		<u>20 155</u>	<u>810</u>

Government/Non-government payables (continued)	2012	2011
Payables to non-SA Government entities:	\$'000	\$'000
Creditors and accrued expenses	5 482	2 597
Employee on-costs	98	63
Total payables to non-SA Government entities	<u>5 580</u>	<u>2 660</u>
Total payables	<u>25 735</u>	<u>3 470</u>

The increase in creditors and accrued expenses is due to the recognition of liabilities associated with reimbursing other agencies for expenses incurred relating to transferred functions.

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate of 35% to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained unchanged from the 2011 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefit expense of \$53 000. The estimated impact on 2013 and 2014 is not expected to vary from the impact reported for 2012.

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 33.3.
- (b) Categorisation of financial instruments and risk exposure information - refer note 33.

23. Employee benefits	2012	2011
Current:	\$'000	\$'000
Annual leave	3 211	1 053
LSL	2 109	371
Total current employee benefits	<u>5 320</u>	<u>1 424</u>
Non-current:		
LSL	8 705	1 677
Total non-current employee benefits	<u>8 705</u>	<u>1 677</u>
Total employee benefits	<u>14 025</u>	<u>3 101</u>

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of LSL liability has changed from the 2011 benchmark of five years to zero years. It is accepted practice to estimate the present value of future cash outflows associated with LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation. 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 2011 (5.25%) to 2012 (3%). This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net effect of the changes in the current financial year is an increase in the LSL liability of \$837 000 and employee benefit on-cost expense of \$20 000. The impact on future periods is impractical to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

24. Provisions	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	97	45
Total current provisions	<u>97</u>	<u>45</u>
Non-current:		
Provision for workers compensation	339	154
Total non-current provisions	<u>339</u>	<u>154</u>
Total provisions	<u>436</u>	<u>199</u>

24. Provisions (continued)	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	199	172
Additional provisions recognised	288	240
Payments	(51)	(213)
Carrying amount at 30 June	<u>436</u>	<u>199</u>

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

25. Other liabilities	2012	2011
Current:	\$'000	\$'000
Lease incentive	240	239
Security deposits	4 521	-
Unearned revenue	1 964	141
Total current other liabilities	<u>6 725</u>	<u>380</u>
Non-current:		
Lease incentive	2 156	2 156
Accumulated amortisation - lease incentive	(619)	(379)
Total non-current liabilities	<u>1 537</u>	<u>1 777</u>
Total other liabilities	<u>8 262</u>	<u>2 157</u>

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 (note 27) as the Department only has a claim on these funds if the licensee fails to meet its legislative requirements.

26. 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:

	2012	2011
	\$'000	\$'000
Within one year	31	76
Total capital commitments	<u>31</u>	<u>76</u>

Capital commitments at 30 June 2012 relate to the information technology systems development.

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:

	2012	2011
	\$'000	\$'000
Within one year	10 101	3 280
Later than one year but not longer than five years	16 368	3 975
Total remuneration commitments	<u>26 469</u>	<u>7 255</u>

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:

	2012	2011
	\$'000	\$'000
Within one year	12 578	14 230
Later than one year but not longer than five years	7 106	6 842
Total other commitments	<u>19 684</u>	<u>21 072</u>

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:

	2012	2011
	\$'000	\$'000
Within one year	10 693	2 022
Later than one year but not longer than five years	25 997	8 401
Later than five years	6 603	8 970
Total operating lease commitments	43 293	19 393
Representing:		
Cancellable operating leases	1 229	147
Non-cancellable operating leases	42 064	19 246
	43 293	19 393

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 DTF - Fleet SA with lease periods of up to three years. These are cancellable without notice.

27. 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 2012.

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 2012 is \$112 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 2012 the indemnities that can be reliably measured total \$3.212 million (\$1.762 million).

At this stage, the Department does not expect that any of these contingencies will be called upon.

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.

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 cannot be reliably estimated.

28. Transferred functions

Transferred in

Investment and Strategic Projects, Minerals and Petroleum, and Policy and Planning Division from PIRSA

The following functions were transferred into the Department:

Declared in the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 1 December 2011)

- the Investment and Strategic Projects Division was transferred from the PIRSA to DMITRE.

Investment and Strategic Projects, Minerals and Petroleum, and Policy and Planning Division from PIRSA (continued)

Declared in the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 15 December 2011)

- the Minerals and Energy Resources Division and the Olympic Dam Taskforce were transferred from PIRSA to DMITRE
- nominated employees of the Policy and Planning Division were transferred from PIRSA to DMITRE.

The effective date of the transfer was 1 January 2012. This included the transfer of 252 employees and expenditure budget funding of \$21.635 million for controlled activities and \$705 000 for administered activities.

Renewables SA from DPC

Also declared in the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 1 December 2011)

- Renewables SA was transferred from DPC to DMITRE. This included the transfer of five employees and expenditure budget funding of \$9.212 million.

The effective date of the transfer was 1 January 2012.

Energy Division from the Department of Planning, Transport and Infrastructure (DPTI)

The Energy Division was transferred from DPTI to DMITRE as declared in the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 15 December 2011). This included the transfer of 96 employees and expenditure budget funding of \$19.504 million for controlled activities and \$353 000 for administered activities.

The effective date of the transfer was 1 January 2012.

Controlled, administered and trust funds

The functions transferred in to the Department included controlled, administered and trust funds. The administered functions have been included in the schedule Disclosure of Administered Items at the end of the notes to the financial statements as they are not considered significant in relation to the Department's overall financial performance and position. The Disaggregated Disclosure - Administered Expenses and Income discloses expenses and income attributable to each administered function. Comparative information has not been included in the administered disclosures as this is the first time that administered items have been attached to the Department and are all the result of the restructuring arrangements announced above. Trust fund balances are disclosed in note 31.

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.

Controlled

The total income and expenses attributable to the controlled functions transferred for 2011-12 has been shown in the following table. The table shows six months of operations as per the transferor department and six months of operations within DMITRE.

	PIRSA 01.07.11 to 31.12.11	DPC 01.07.11 to 31.12.11	DPTI 01.07.11 to 31.12.11	DMITRE 01.01.12 to 30.06.12	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:					
Employee benefits expenses	11 040	209	3 989	15 961	31 199
Supplies and services	5 064	606	6 743	16 314	28 727
Depreciation and amortisation expense	522	-	293	825	1 640
Grants and subsidies	473	948	2 959	7 107	11 487
Other expenses	6	-	21	-	27
Total expenses	17 105	1 763	14 005	40 207	73 080
Income:					
Revenues from fees and charges	6 341	-	69	8 628	15 038
Commonwealth revenues	-	-	-	57	57
Sale of goods and services	-	-	499	2 535	3 034
Interest revenues	-	-	-	5	5
Other revenues	198	-	3 787	1 056	5 041
Intra-government transfers	-	-	-	980	980
Appropriation	10 637	1 753	9 920	35 533	57 843
Total income	17 176	1 753	14 275	48 794	81 998
Net result	71	(10)	270	8 587	8 918

Controlled (continued)

On transfer of these functions, the Department recognised the following assets and liabilities as at 1 January 2012:

	Transferred from			Total \$'000
	PIRSA \$'000	DPC \$'000	DPTI \$'000	
Current assets:				
Receivables	9 386	-	126	9 512
Other current assets	38	-	-	38
Total current assets	9 424	-	126	9 550
Non-current assets:				
Property, plant and equipment	21 024	-	5 477	26 501
Other non-current assets	475	-	184	659
Total non-current assets	21 499	-	5 661	27 160
Total assets	30 923	-	5 787	36 710
Current liabilities:				
Payables	446	6	951	1 403
Employee benefits	1 837	45	681	2 563
Provisions	69	-	15	84
Other liabilities	8 237	-	-	8 237
Total current liabilities	10 589	51	1 647	12 287
Non-current liabilities:				
Payables	460	9	110	579
Employee benefits	4 981	97	1 260	6 338
Provisions	233	-	52	285
Total non-current liabilities	5 674	106	1 422	7 202
Total liabilities	16 263	157	3 069	19 489
Total net assets transferred	14 660	(157)	2 718	17 221

Administered

The total income and expenses attributable to the administered functions transferred for 2011-12 has been shown in the following table. The table shows six months of operations as per the transferor department and six months of operations within DMITRE.

	PIRSA	DPTI	DMITRE	Total \$'000
	01.07.11 to 31.12.11 \$'000	01.07.11 to 31.12.11 \$'000	01.01.12 to 30.06.12 \$'000	
Expenses:				
Employee benefits expenses	-	-	177	177
Supplies and services	-	-	764	764
Grants and subsidies	-	210	155	365
Payment of royalties to the Consolidated Account	82 867	-	92 899	175 766
Other	801	-	1 120	1 921
Total expenses	83 668	210	95 115	178 993
Income:				
Revenues from SA Government	-	-	1 029	1 029
Commonwealth revenues	-	210	413	623
Royalties	82 867	-	92 899	175 766
Other	859	-	1 646	2 505
Total income	83 726	210	95 987	179 923
Net result	58	-	872	930

On transfer of these functions, the Department also recognised the following administered assets and liabilities as at 1 January 2012:

Administered (continued)

	Transferred from		Total
	PIRSA	DPTI	
Current assets:	\$'000	\$'000	\$'000
Cash	254	-	254
Receivables	19 762	210	19 972
Total current assets	20 016	210	20 226
Current liabilities:			
Payables	19 983	-	19 983
Total current liabilities	19 983	-	19 983
Total net assets transferred	33	210	243

Trust funds - Extractive Areas Rehabilitation Fund

The total income and expenses attributable to the Extractive Areas Rehabilitation Fund transferred for 2011-12 has been shown in the following table. The table shows six months of operations as per the transferor department and six months of operations within DMITRE.

	PIRSA	DMITRE	Total
	1.07.11 to 31.12.11	1.01.12 to 30.06.12	
Operations:	\$'000	\$'000	\$'000
Revenue	1 525	1 755	3 280
Expenditure	109	623	732
Total net operating surplus	1 416	1 132	2 548

On transfer of these functions, the Department also recognised the following assets and liabilities as at 1 January 2012:

	Total transferred from PIRSA
Current assets:	\$'000
Cash	16 006
Receivables	46
Total current assets	16 052
Total net assets transferred	16 052

Transferred out

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 8 December 2011) declared that:

- Regional Development was transferred from DMITRE to PIRSA
- Strategic Policy and Population and Migration Policy was transferred from DMITRE to DPC.

The effective date of the transfer was 1 January 2012.

The following controlled assets and liabilities were transferred out:

	Transferred to		2012 Total
	PIRSA	DPC	
Current liabilities:	\$'000	\$'000	\$'000
Payables	14	14	28
Employee benefits	105	96	201
Total current liabilities	119	110	229
Non-current liabilities:			
Payables	15	8	23
Employee benefits	172	96	268
Total non-current liabilities	187	104	291
Total liabilities	306	214	520
Total net assets transferred	(306)	(214)	(520)

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.

29. Remuneration of board and committee members

Members of boards and committees during the 2012 financial year were:

Manufacturing Consultative Council

Tom Koutsantonis* (Chair)	Glenn Hunt
John Snelling* (Deputy Chair)	Stephen Myatt
John Camillo	Victor Previn
Andrew Downs	Leanna Read (ex officio)
Chris Field	Christopher Stathy
Peter Gardner	Angus Story
Wayne Hanson	Grant Tinney

Business Development Council

Philip Sims (Chair)	Susan Lee
Antonio Piccolo* (Deputy Chair)	Conor McKenna (resigned 08.09.11)
Tegan Webb	Kym Webber
Debra Ferguson	Paulette Kolarz
Christopher Herrmann (resigned 01.05.12)	Bevan Roberts
Malcolm Johnson	Jo-ann Lokan
Christopher Johnston	Susan Chase

Business Development Council Family Business Sub-Committee

Christopher Johnston (Chair)	Malcolm Johnson
Debra Ferguson	Tegan Webb

The above members of the Business Development Council Family Business Sub-Committee were entitled to receive remuneration during the 2012 financial year.

Business Development Council Small Business Economy Sub-Committee

Bevan Roberts (Chair)	Susan Lee
Christopher Herrmann (resigned 01.05.12)	Paulette Kolarz

The above members of the Business Development Council Small Business Economy Sub-Committee were entitled to receive remuneration during the 2012 financial year.

Advanced Manufacturing Council

Nixon Apple (Chair) (appointed 15.03.12)	Donald McGurk (appointed 01.05.12)
Stephen Myatt (appointed 15.03.12)	Goran Roos (appointed 01.02.12)
Jonathan Law (appointed 15.03.12)	Geoff Knight* (ex-officio)
Rebecca Murrie* (ex-officio)	

Invest in SA Advisory Board

Kevin Osborn (Chair) (appointed 01.12.11)	Geoff Knight* (ex officio) (appointed 27.01.12)
Darren Thomas (appointed 23.03.12)	Jim Hallion* (ex officio) (appointed 27.01.12)
Corinne Namblard (appointed 23.03.12)	Lance Worrall* (ex officio) (appointed 27.01.12)
Bruce Carter (appointed 23.03.12)	Ray Garrard* (ex officio) (appointed 27.01.12)
David Kingberg (appointed 23.03.12)	Ian Nightingale* (ex officio) (appointed 27.01.12)

Boards transferred into the Department as a result of restructuring arrangements as at 1 January 2012

Energy Consumers Council

Owen Covick (Chair)	Christina Hagi
Maxwell Baldock (Deputy Chair)	Nigel Long
Jane Fisher	Helen Nichols (appointed 05.09.11)
Heather I'Anson	Rosalyn Williams
Anthony Moore	Lewis Stoll (proxy member) (appointed 17.12.11)
John Pike	Katharina Surikow (proxy member)
Antony Clarke (proxy member)	(appointed 03.01.12)
Jo De Silva (proxy member) (appointed 17.12.11)	

The Energy Consumer Council Special Needs Sub-Committee

Owen Covick (Chair)	Antony Clarke
Maxwell Baldock (Deputy Chair)	Christina Hagi
Jane Fisher	Nigel Long
Heather I'Anson	Helen Nichols (appointed 05.09.11)
Anthony Moore	Rosalyn Williams
John Pike	

The Energy Consumer Council Demand Side Management Sub-Committee

Owen Covick (Chair)	Antony Clarke (proxy member)
Maxwell Baldock (Deputy Chair)	Christina Hagi
Jane Fisher	Nigel Long
Heather I'Anson	Helen Nichols (appointed 05.09.11)
Anthony Moore	Rosalyn Williams
John Pike	

Renewables SA Board

Bruce carter (appointed 01.07.11)	Amelia Kean (appointed 01.08.11)
Brian Foster (appointed 01.07.11)	David Klingberg (appointed 01.07.11)
Nicole Halsey (appointed 01.07.11)	John O'Brien (appointed 01.07.11)

As per Cabinet decision in the Mid-Year Budget Review, the Renewables SA Board ceases on 30 June 2012.

Board of Examiners for Mine Managers

Gregory Marshall* (Chair)	Josephine Coker (appointed 15.12.11)
Peter Reynolds	Mark Van Leuven (appointed 15.12.11)
Anthony Ward	

Brukungu Minesite Remediation Board

Hume MacDonald (Chair)	Ronald MacDonald
Andrew Stuart	Edward Tyne*
Emily Jenke (appointed 26.09.11)	Carol Vincent (appointed 13.02.12)

Extractive Areas Rehabilitation Fund Project Assessment Panel

Catherine Miller (Chair) (appointed 21.11.11)	Edward Tyne* (appointed 21.11.11)
Heidi O'Neil (appointed 21.11.11)	Paul Whiffen (appointed 21.11.11)
Elsbeth Young* (appointed 21.11.11)	Michael Harvey (Deputy Member) (appointed 21.11.11)
John Barker* (Deputy Member) (appointed 21.11.11)	Timothy McDonald* (Deputy Member) (appointed 21.11.11)
Gregory Marshall* (Deputy Member) (appointed 21.11.11)	
Stephen Falland (appointed 21.11.11)	

Resources and Energy Sector Infrastructure Council

Hans Umlauff (Chair)	Bruce Carter
Dino Della Valle	Merrill Gray
Guistino Guglielmo	Rod Hook
Jason Kuchel	Lewis Owens
Jon Roberts	Jim White
Paul Heithersay*	Lance Worrall*

No members of the Resources and Energy Sector Infrastructure Council were entitled to remuneration.

Resources Industry Development Board

Keith Yates (Chair) (appointed 22.08.11)	Pauline Carr (appointed 22.08.11)
Derek Carter (appointed 22.08.11)	Barry Goldstein* (ex officio)
Roger Goldsworthy (appointed 22.08.11)	Ian Gould (appointed 22.08.11)
Guistino Guglielmo (appointed 22.08.11)	Paul Heithersay* (appointed 22.08.11)
Paul Holloway (appointed 7 May 2012)	George McKenzie (appointed 22.08.11)
Alice McCleary (appointed 22.08.11)	John Roberts (appointed 22.08.11)
Edward Tyne* (ex officio)	Tahlia Wanganeen (appointed 22.08.11)
James White (appointed 22.08.11)	Richard Yeeles (appointed 22.08.11)

Olympic Dam Community Consultative Forum

Paul Heithersay*
Greg Marshall*
Martin Reid*
Peter Bradshaw*
Michelle Shipard*
Graeme Palmer*
Paul Magarey*
David Calvert
Lachlan Wilkinson
Kelli-Jo Kovac
Steve Arndt

Edward Tyne*
Paul De Ionno*
Martin Fairclough*
Michael Smith*
Sam Walker*
Keith Baldry*
Ben Bruce*
Nicole Hinton
Katie Foxley
Steve Green

No members of the Olympic Dam Community Consultative Forum received remuneration.

Yumbarra Ministerial Advisory Committee

David Moye

Strathalbyn Community Consultative Committee

Charles Irwin (Chair)
Ben Brazzalotto
Mike Farrier
Adrian Pederick
Mark Dale
Rhonda McCarthy

Fred Carrangis
Susan Jettner
Anne Woolford
Karren Hawke
Malcolm Twartz

Penrice Community Consultation Group

Charles Irwin (Chair)
Ian Baldwin
Janette Rennie
Mal Millikan
Michael Sanderson

Robert Edwards
Peter Clarke
Bob Sloane
James Rowe

Roxby Downs Advisory Reference Group

William Cossey (Chair) (appointed 05.09.11)
Paul Heithersay*
Edward Tyne* (Deputy Member)
(appointed 05.09.11)

Margot Gall*
Natasha Jones
Michael Kelledy (Deputy Member)
(appointed 05.09.11)

Only the Chair of the Roxby Downs Advisory Reference Group received remuneration.

Boards transferred out of the Department as a result of restructuring arrangements as at 1 January 2012

Regional Communities Consultative Council

Peter Blacker (Chairman)
Deborah Agnew
Anita Crisp
George Beltchev
Ann Herraman
Kay Matthias

Mark Braes (Deputy Chair)
Bill Boehm
Marian Woodberry
Kate Duffy
Kenneth Lloyd

Only the Chair of the Regional Communities Consultative Council is entitled to remuneration.

Remuneration of board members - paid by DMITRE

The table below shows the number of members paid by the Department only, whose remuneration received or receivable falls within the following bands.

It does not capture members of boards and committees transferring into the Department (due to machinery of government changes), who would ordinarily be reported in this table if they were members paid by the Department for the entire year. Results for the entire year are shown in the table under 'Remuneration of board members - including all transferred in due to machinery of government changes 2011-12'.

Remuneration of board members - paid by DMITRE (continued)

	2012 Number	2011 Number
\$1 - \$9 999	51	14
\$10 000 - \$19 999	2	1
\$40 000 - \$49 999	1	-
Total	<u>54</u>	<u>15</u>

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 \$153 054 (\$37 847). The increase relates to a number of boards transferred into the Department effective 1 January 2012 associated with machinery of government changes and the establishment of two new boards.

Remuneration of board members - including all transferred in due to machinery of government changes 2011-12

The table below shows the full year remuneration for all board members whose remuneration received or receivable falls within the following bandwidths and includes members transferred into the Department as a result of machinery of government changes.

	2012 Number
\$1 - \$9 999	48
\$10 000 - \$19 999	5
\$20 000 - \$29 999	1
\$40 000 - \$49 999	<u>1</u>
Total	<u>55</u>

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 \$211 186.

* In accordance with 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.

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 the remuneration tables, 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.

30. 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

	2012 \$'000	2011 \$'000
Cash at 30 June 2012 as per Statement of Financial Position:		
Deposits at call - Westpac	20 609	7 099
Deposits with the Treasurer	4 456	3 890
Deposits at call - overseas offices	173	442
Other	<u>1</u>	<u>1</u>
Balance as per the Statement of Cash Flows	<u>25 239</u>	<u>11 432</u>

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

Net cash provided by (used in) operating activities	14 246	1 638
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(1 614)	(772)
Amortisation of lease incentive	240	239
Asset write-downs and transfers	(144)	1 951
Doubtful debts expense	-	(26)

Reconciliation of cash and cash equivalents at 30 June (continued)	2012	2011
	\$'000	\$'000
Movements in assets/liabilities:		
Receivables	1 931	271
Other assets	48	(73)
Payables	(18 748)	1 055
Provisions	132	(27)
Employee benefits	(2 491)	2 001
Net result	<u>(6 400)</u>	<u>6 257</u>

31. Trust funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund was transferred from PIRSA from 1 January 2012 as part of the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 15 December 2011).

This 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 from date of restructure to year ended 30 June are as follows:

Operations:	2012
	\$'000
Revenue	1 755
Expenditure	623
Net operating surplus	<u>1 132</u>
Net assets:	
Cash at bank	17 156
Receivables	28
Net assets	<u>17 184</u>
Funds:	
Balance of funds at 1 January	16 052
Net receipts	1 132
Fund balance at 30 June	<u>17 184</u>
Commitments in place at 30 June	<u>3 194</u>

32. Events after balance date

As at the date of this report there are no known or material events that have occurred after balance date.

33. Financial instruments/Financial risk management

33.1 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	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash:					
Cash	17,30	25 239	25 239	11 432	11 432
Loans and receivables:					
Receivables ⁽¹⁾⁽²⁾		11 416	11 416	1 105	1 105
Total financial assets at cost		<u>36 655</u>	<u>36 655</u>	<u>12 537</u>	<u>12 537</u>
Financial liabilities					
Financial liabilities at cost:					
Payables ⁽¹⁾		23 632	23 632	3 117	3 117
Total financial liabilities at cost		<u>23 632</u>	<u>23 632</u>	<u>3 117</u>	<u>3 117</u>

33.1 Categorisation of financial instruments (continued)

(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) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

(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, 17, 18, 20, 22, 25 and 30).

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 18 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of not impaired financial assets, past due.

33.2 Ageing analysis of financial assets

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2012				
Not impaired:				
Receivables	1 049	657	96	1 802
2011				
Not impaired:				
Receivables	37	24	12	73

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.

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

33.3 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual maturity		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2012				
Financial assets:				
Cash	25 239	25 239	-	-
Receivables	11 416	10 462	954	-
Total financial assets	36 655	35 701	954	-
Financial liabilities:				
Payables	23 632	23 632	-	-
Total financial liabilities	23 632	23 632	-	-

33.3 Maturity analysis of financial assets and liabilities (continued)

	Carrying amount \$'000	Contractual maturity		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2011				
Financial assets:				
Cash	11 432	11 432	-	-
Receivables	1 105	230	875	-
Total financial assets	12 537	11 662	875	-
Financial liabilities:				
Payables	3 117	3 117	-	-
Total financial liabilities	3 117	3 117	-	-

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. DMITRE 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. DMITRE 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.

DMITRE'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 33.1 represent 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 period ended 30 June 2012**

	01.01.12
	to 30.06.12
	\$'000
Expenses:	
Employee benefits expenses	177
Supplies and services	764
Grants and subsidies	155
Payment of royalties to the Consolidated Account	92 899
Other	1 120
Total expenses	<u>95 115</u>
Income:	
Revenues from SA Government	1 029
Commonwealth revenues	413
Royalties	92 899
Other	1 646
Total income	<u>95 987</u>
Net result	<u>872</u>
Total comprehensive result	<u><u>872</u></u>

**Statement of Administered Financial Position
as at 30 June 2012**

	2012
	\$'000
Current assets:	
Cash and cash equivalents	1 098
Receivables	23 302
Total current assets	<u>24 400</u>
Total assets	<u>24 400</u>
Current liabilities:	
Payables	23 285
Total current liabilities	<u>23 285</u>
Total liabilities	<u>23 285</u>
Net assets	<u>1 115</u>
Equity:	
Retained earnings	1 115
Total equity	<u>1 115</u>

Statement of Administered Changes in Equity for the period ended 30 June 2012

	01.01.12 to 30.06.12
Changes in equity:	\$'000
Balance at 1 January	-
Total recognised income and expense for period	872
Net assets transferred in	243
Balance at 30 June	1 115

Statement of Administered Cash Flows for the period ended 30 June 2012

	01.01.12 to 30.06.12
	Inflows (Outflows)
	\$'000
Cash flows from operating activities:	
Cash outflows:	
Employee benefit payments	(177)
Payments for supplies and services	(764)
Other	(1 120)
Total cash outflows	(2 061)
Cash inflows:	
Revenues from SA Government	1 029
Other receipts	1 876
Receipts on restructure	254
Total cash inflows	3 159
Net cash provided by (used in) operating activities	1 098
Net increase (decrease) in cash	1 098
Cash and cash equivalents at 1 January	-
Cash and cash equivalents at 30 June	1 098

The above Statement of Administered Cash Flows for the period ended 30 June 2012 does not include royalties received and paid to the Consolidated Account directly by PIRSA.

**Schedule of Expenses and Income
attributable to Administered Activities
for the period ended 30 June 2012**

	Small Business Commissioner \$'000	Minister's salary \$'000	Energy Policy and Regulation \$'000	Royalties \$'000
Expenses:				
Employee benefits expenses	-	177	-	-
Supplies and services	764	-	-	-
Grants and subsidies	-	-	155	-
Payment of royalties to the Consolidated Account	-	-	-	92 899
Other	-	-	-	-
Total expenses	764	177	155	92 899
Income:				
Revenues from SA Government	764	209	-	-
Commonwealth revenues	-	-	413	-
Royalties	-	-	-	92 899
Other	-	-	-	-
Total income	764	209	413	92 899
Net result	-	32	258	-

	Mintabie administration \$'000	Native Title Agreement \$'000	Total 01.01.12 to 30.06.12 \$'000
Expenses:			
Employee benefits expenses	-	-	177
Supplies and services	-	-	764
Grants and subsidies	-	-	155
Payment of royalties to the Consolidated Account	-	-	92 899
Other	-	1 120	1 120
Total expenses	-	1 120	95 115
Income:			
Revenues from SA Government	-	56	1 029
Commonwealth revenues	-	-	413
Royalties	-	-	92 899
Other	16	1 630	1 646
Total income	16	1 686	95 987
Net result	16	566	872

Small Business Commissioner

Appropriation funding for the Office of the Small Business Commissioner is paid by DTF to the Department for Manufacturing, Innovation, Trade, Resources and Energy (the Department). The funding is then provided to the Office of the Small Business Commissioner. The amounts transferred to the Office of the Small Business Commissioner represented appropriation funding only and not the entire budget for operations.

Energy, Policy and Regulation

The Department provides policy advice on energy issues, energy program delivery, and regulatory services for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community. This function comprises the Renewable Remote Power Generation Program, Natural Gas Authority of SA and Photovoltaic Rebate Program.

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 and Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection.

For the year end 30 June 2012, the Department of Primary Industries and Regions made direct payments to DTF for royalties collected on the Department's behalf due to administered transactions continuing to be processed through the PIRSA general ledger. Total amount paid to DTF on behalf of the Department was \$89.834 million.

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

Australian Accounting Standards - AASB – continued

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

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	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

Acronyms

Reference	Title
AASs	Australian Accounting Standards ¹
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Acronyms – continued

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
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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