



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2011

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Part B: Agency audit reports  
Volume 3

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

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Treasurer's Financial Statements (Statements A-L)

## Part B

### References to matters of significance

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

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

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

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# Motor Accident Commission

## Functional responsibility

### Establishment

The Motor Accident Commission (the Commission) is a statutory authority established pursuant to the *Motor Accident Commission Act 1992* (MAC Act).

### Functions

The main function of the Commission is to provide compulsory third party (CTP) insurance to motor vehicle users in South Australia.

The principal objectives of the Commission in providing CTP insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund (the CTP Fund)
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund
- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the MAC Act, the Minister must prepare, in consultation with the Commission, a Charter, which may limit the functions or powers of the Commission.

The Commission's Charter specifies that the Commission is empowered to undertake the following classes of insurance:

- CTP insurance (in accordance with the *Motor Vehicles Act 1959*)
- financial risk insurance.

Financial risk insurance is in 'run-off' mode.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Subsection 28(3) of the MAC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

#### *Assessment of controls*

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

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

## Scope of 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 statements and internal controls.

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

- investment assets
- investment income
- claims payable
- premiums
- management agreements (CTP)
- provision for outstanding claims
- accounts payable
- receivables.

## Audit findings and comments

### Auditor's report on the financial report

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

### Assessment of controls

In my opinion, the controls exercised by the Motor Accident Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Motor Accident Commission have been conducted properly and in accordance with law.

### Communication of audit matters

The review of the auditable areas (including financial report verification) indicated that the financial controls of the Commission were satisfactory. No matters arose during the audit that required management letter communication to the Commission.

## Interpretation and analysis of the financial report

### Highlights of the Commission's financial report

	2011 \$'million	2010 \$'million
<b>Underwriting result</b>		
Net premium	517	471
Net claims	(446)	(431)
Underwriting expenses	(100)	(84)
<b>Underwriting loss</b>	<b>(29)</b>	<b>(44)</b>

	2011 \$'million	2010 \$'million
<b>Investment result</b>		
Net investment revenue	91	66
Investment market value movements	131	146
<b>Revenue from investment activities</b>	222	212
<b>Total comprehensive result</b>	193	168
<b>Net cash inflows (outflows) from operating activities</b>	114	19
<b>Assets</b>		
Current assets	253	172
Non-current assets	2 428	2 209
<b>Total assets</b>	2 681	2 381
<b>Liabilities</b>		
Current liabilities	632	598
Non-current liabilities	1 618	1 545
<b>Total liabilities</b>	2 250	2 143
<b>Equity</b>	431	238

The Commission's financial performance is significantly influenced by two inter-related aspects of its business as outlined below:

- Underwriting result – underwriting operations are influenced by premium income, the number of claims and the estimated costs of settling those claims. The underwriting result is determined as premium revenue less claims expense (after the cost and recoveries associated with reinsuring a portion of the insurance portfolio's risk with third parties) and other underwriting costs.
- Investment result – investment operations is an integral part of any insurance business as the estimated return on invested funds is a significant component of the pricing strategy employed by the business.

AASB 1023 requires that 'market value accounting' be adopted in the accounting for and valuation of investments. This means that the investment result includes not only interest and related income received, but also changes in the market values of investments held at balance date. Changes in the market values of investments can be subject to wide fluctuations and it is important to emphasise that investment market value movements recognised in the Commission's financial statements are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

#### Statement of Comprehensive Income

##### *Underwriting result*

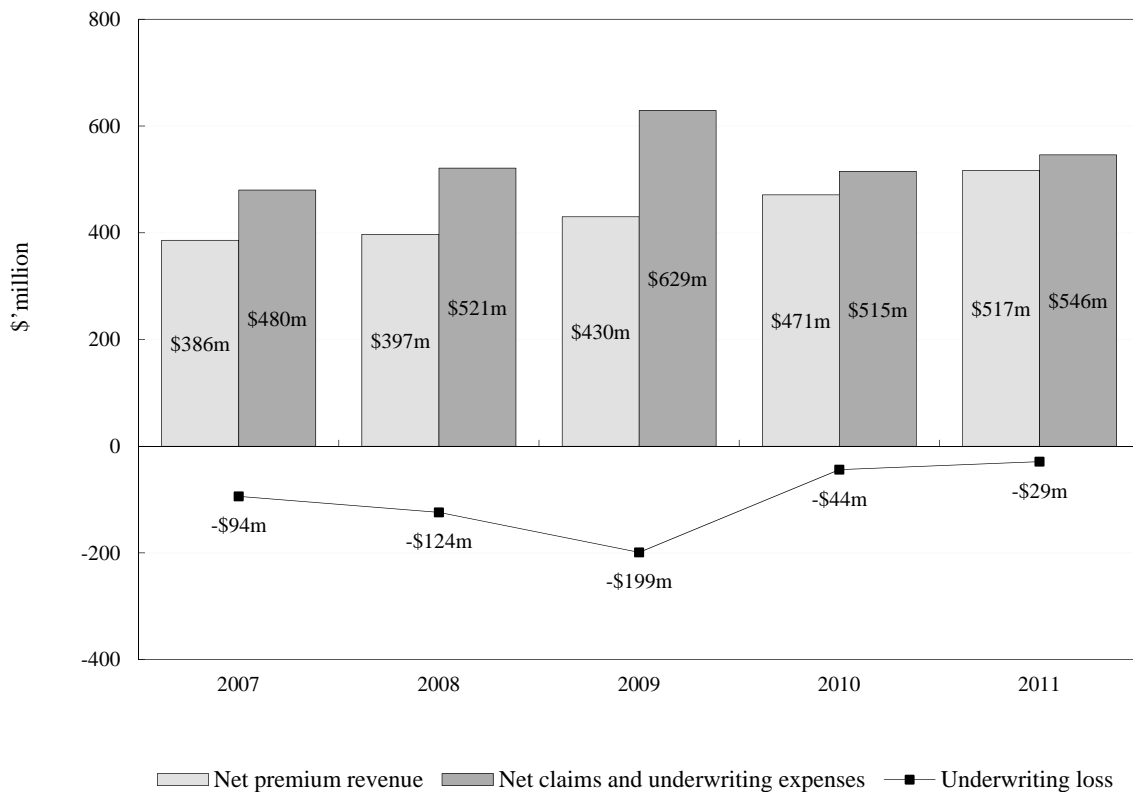
The underwriting loss reduced by \$14.8 million in 2011 to a loss of \$29 million. The main components of this result are outlined below.

Net premium revenue increased by \$46 million to \$517 million. This reflects the approved average increase in premiums of 7.3 percent for the 2010-11 financial year. Net premium revenue has increased by 34 percent over the past five years. This reflects the steady increase in premiums over that period which has assisted the Commission to achieve its solvency requirements. Details of premium increases over the five years to 2011 are provided under the heading 'Solvency level'.

Claims expense is a combination of actual claim payments and the movement in the outstanding claims provision. The claims expense for 2011 was \$451 million (\$435 million) and comprised gross claim payments of \$361 million (\$327 million) coupled with the increase in the outstanding claims provision of \$90 million (\$108 million) which is explained further under the heading ‘Outstanding claims’.

Other underwriting expenses (including unexpired risk expense) increased by \$16 million primarily as a result of an increase in levies and charges paid to DTF, up \$5 million, and management expenses, up \$5 million and a decrease in the offsetting reduction of the unexpired risk expense, down \$6 million. Note 9 provides an explanation of unexpired risk expense.

An analysis of the underwriting result for the Commission for the five years to 2011 is presented in the following chart.



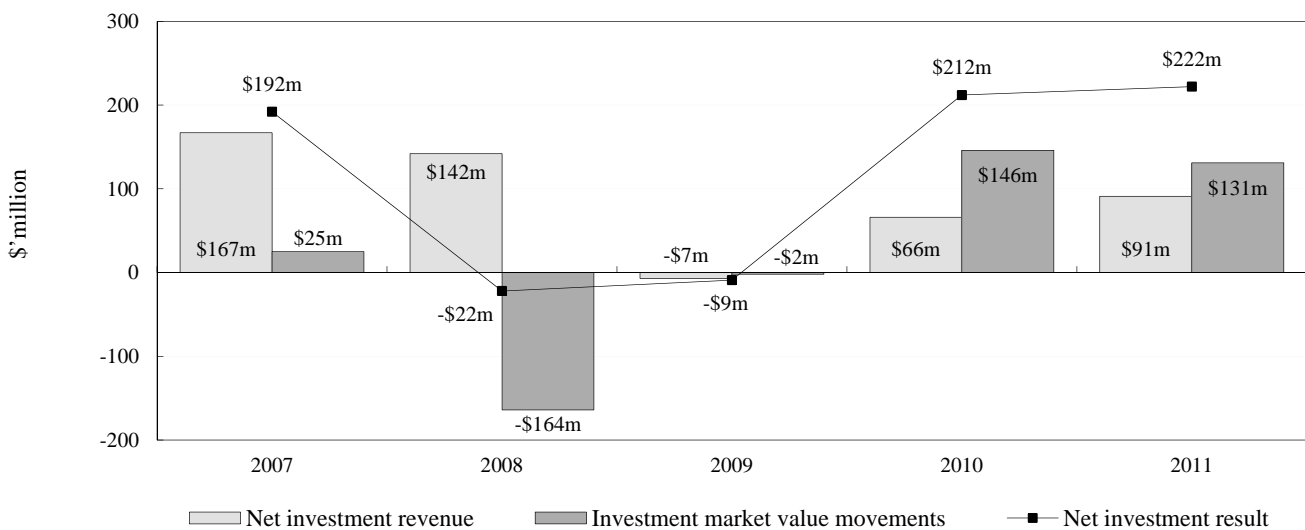
The underwriting loss incurred in 2010-11 is the lowest for the five year period.

**Investment result**

The net investment result is a combination of net investment revenue and investment market value movements. The net investment result this financial year was a surplus of \$222 million compared with \$212 million the previous year. This reflected the continued sound performance of investment markets in the past two years following the poor results experienced by investment markets in 2007-08 and 2008-09. Net investment revenue was a surplus of \$91 million, up \$25 million and the market value movement was an increase of \$131 million, down \$15 million.

Since 2008-09 the Commission has used Superannuation Funds Management Corporation of South Australia (Funds SA), the State Government investment body, to manage the majority of its investment portfolio. The Commission holds investments in unit trusts within Funds SA where the majority of income is derived through movement in the value of unit holdings rather than through direct receipt of interest and dividend income. The change in investment income components can be seen in the following chart.

An analysis of the investment result for the Commission for the five years to 2011 is shown in the following chart.



It can be seen from the chart that the positive net investment results for the years 2007, 2010 and 2011 far outweighed the losses incurred in 2008 and 2009. Equally, the chart highlights the volatility of investment markets in recent years. Note 19(6) to the Commission’s financial statements explains market risk and illustrates the effect of market movements.

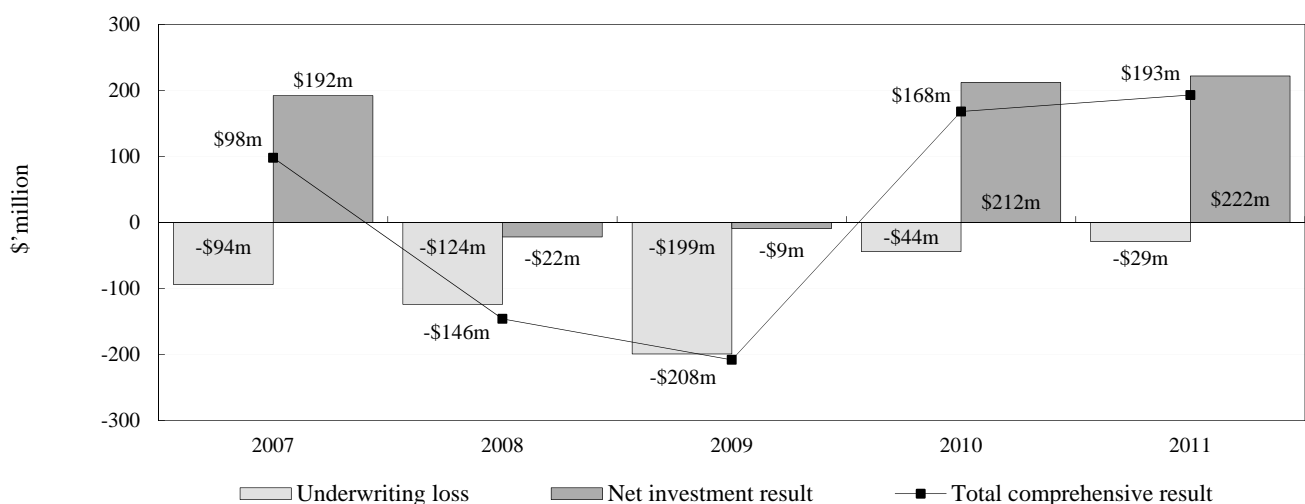
In 2011 the Commission achieved a return on its investment portfolio of 9.3 percent (10.2 percent) which compares with its internal benchmark of 9.1 percent (8.6 percent). Benchmark data is provided by the Commission and is unaudited.

**Total comprehensive result**

The Commission’s total comprehensive result was a profit of \$193 million compared to \$168 million in the previous year. This result highlights the importance of strong investment markets and the investment result to the overall operating result. In 2007, 2010 and 2011 the underwriting loss was well covered by the net investment returns, unlike 2008 and 2009 where both underwriting and investment activities incurred losses which resulted in a negative comprehensive result.

Underwriting losses have decreased significantly since 2009 and this coupled with strong net investment returns have resulted in 2010 and 2011 recording positive total comprehensive results.

The importance of strong investment returns to the Commission’s operating result can be seen from the following chart.



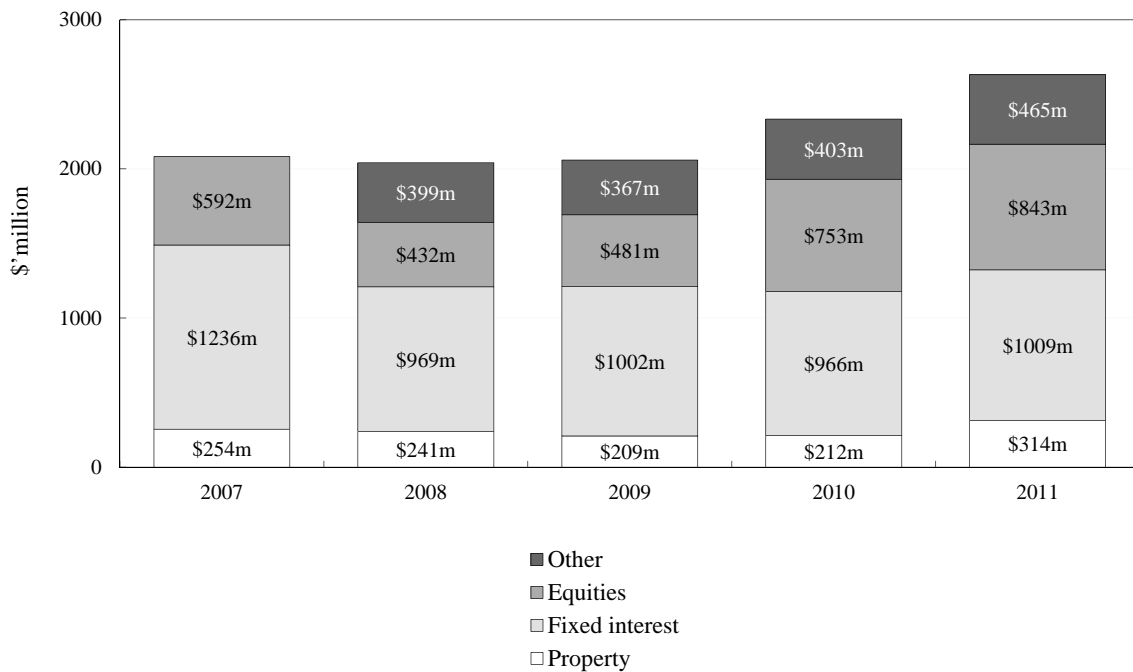
**Statement of Financial Position**

**Investments**

The total value of investment assets increased by \$549 million over the five years to 2011 with investments totalling \$2.6 billion as at 30 June 2011. The Commission does not directly hold investments such as equities but rather has interests in Funds SA’s pooled investment portfolios. The Commission is responsible for setting the investment objectives and strategic asset allocation for the various investment sectors. Funds SA is responsible for managing the investment portfolios in accordance with the agreed asset allocations and reporting investment performance to the Commission on a monthly basis.

As at 30 June 2011 fixed interest investments accounted for 38 percent (42 percent), equity 32 percent (32 percent), property (including property trusts) 12 percent (9 percent) and other investments, which included diversified strategies income investment and inflation linked securities, 18 percent (17 percent) of the investment portfolio.

For the five years to 2011 a structural analysis of investment assets is shown in the following chart.



**Outstanding claims**

The primary liability of the Commission is for outstanding claims. The liability covers claims reported but not yet paid, incurred but not yet reported, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance costs.

Calculation of the liability is an estimation process and a range of factors, including economic assumptions, affect the calculation. There is therefore a need for professional actuaries to undertake the calculation and for reporting purposes detailed disclosure of a range of the assumptions made in the calculation to be included in the notes to the financial statements.

The liability calculation is reviewed by independent actuaries for the Commission. Detail of the calculation is provided in notes 2(e) and 16 to the Commission’s financial statements.

The provision for outstanding claims has increased by \$487 million over the last five years. In 2011 the provision increased by \$89 million to \$2 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2010-11, any changes in the estimated cost of settling claims incurred in previous years, together with any payments made to settle claims.

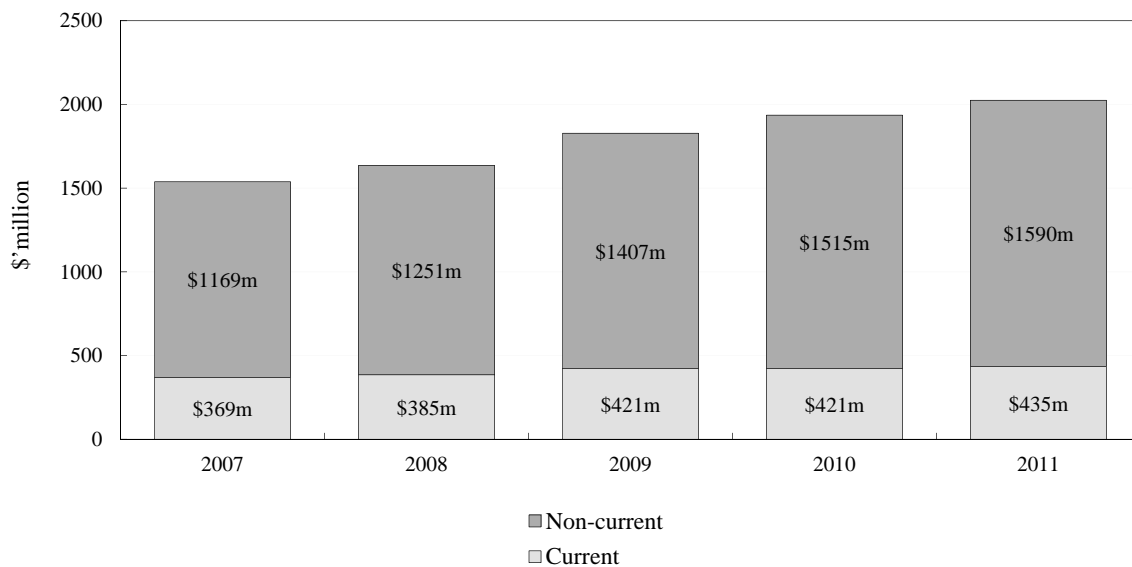
Factors considered by the Actuary which impact the estimate of amounts required to settle claims include the:

- number of claims incurred
- length of time taken to settle the claim
- average amount of claim payments
- inflation and discount rates used.

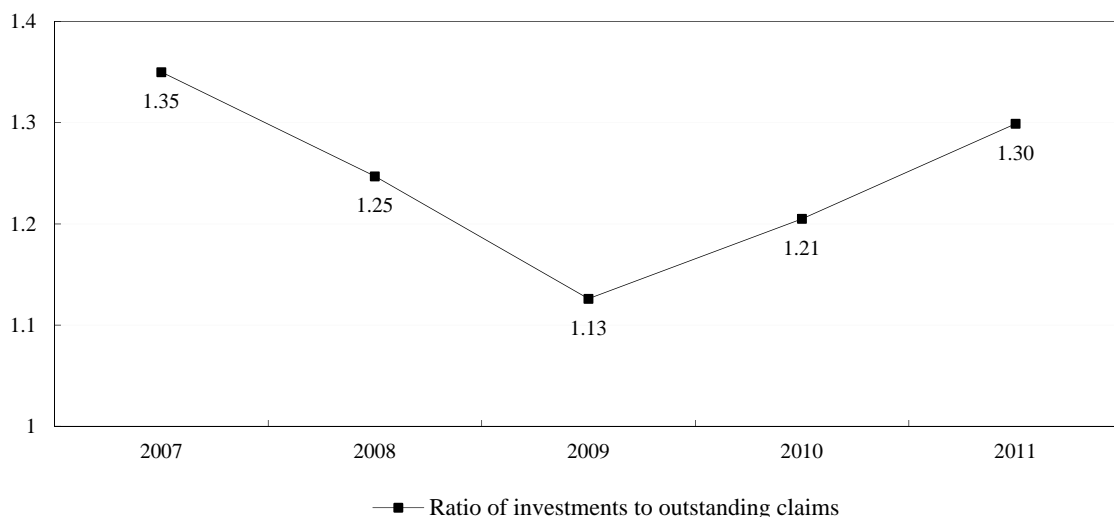
Also impacting on the calculation of the outstanding claims liability is the solvency requirements promulgated by the Treasurer pursuant to the MAC Act which requires a risk margin to be included in the provision to achieve an 80 percent probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority (APRA) nominated target of 75 percent probability of sufficiency, as set out in Prudential Standard GPS 310. Refer to further commentary provided in the next section ‘Solvency level’.

The 2010-11 provision includes \$277 million (\$265 million) for the risk margin and an increase of \$18 million (\$12 million) related to decreases in the inflation and discount rates used.

The following chart sets out details of the outstanding claims liability for the five years to 2011.



The ratio of investments to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission’s assets is sufficient to cover the value of its outstanding claims. The ratio increased in 2011 which reflects the increased value of investment assets.



**Solvency level**

Subsection 14(3) of the MAC Act requires the Commission to seek to achieve and maintain a sufficient level of solvency for the CTP Fund in accordance with a formula determined by the Treasurer.

The primary aim of establishing a benchmark level of solvency is to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due and essentially reflects the target level of reserves deemed by the Treasurer to be appropriate for the CTP Fund to provide comfort that the scheme will endure future market turbulence with minimal risk of falling into a negative net assets position.

The formula specifies that the CTP Fund will have a sufficient level of solvency if its assets exceed the sum of:

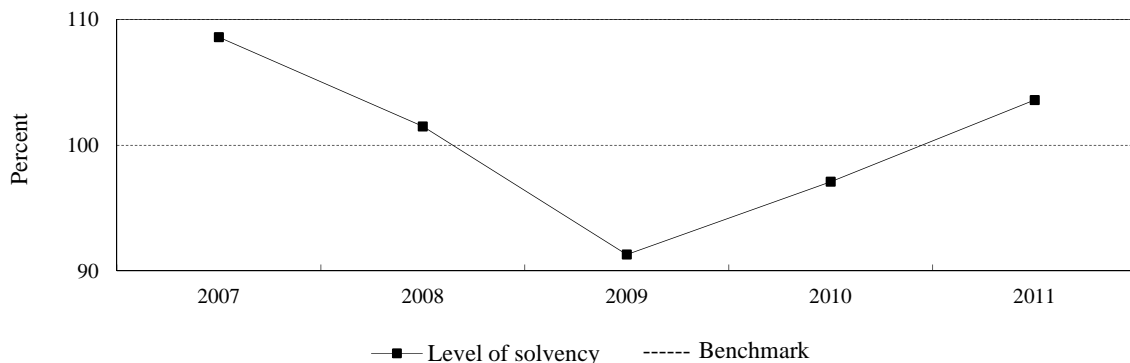
- the Fund’s liabilities
- 10 percent of the outstanding claims liabilities provision
- 10 percent of the premium liabilities provision
- 10 percent of the investments in equities and property.

The Treasurer also requires that the provisions for outstanding claims liabilities and premium liabilities include a prudential margin which will be calculated by reference to an 80 percent probability that the provisions will be adequate as reported in actuarial reports to the Commission and also that the calculation of these provisions comply with the requirements of:

- AASB 1023
- Professional Standard 300 ‘Valuations of General Insurance Claims’ issued by the Institute of Actuaries of Australia
- APRA Prudential Standard GPS 310 in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80 percent probability of sufficiency compared with the 75 percent probability APRA requires).

As at 30 June 2011 the target level of assets, as determined by application of the formula, was \$2587 million. The assets of the CTP Fund as at that date were \$2681 million or 103.6 percent of the target level of solvency, a surplus of \$94 million. This compares to 97.1 percent, a deficit of \$70 million the previous year.

The following chart shows the level of solvency achieved over the past five years. The chart highlights that in the two years prior to 2009 the level of solvency was achieved, although there was a downward trend in 2008. The downward trend continued in 2009 when the required level of solvency was not achieved due to poor investment markets coupled with the premium increase approved by the Treasurer being lower than that recommended by the independent Third Party Premium Committee (TPPC). In 2010 and 2011 investment markets improved and premiums also increased which contributed to the improved solvency level. Refer to the table below for more details on recent premium increases.





As set out in note 25 to the Commission's financial statements, the Commission has in place a strategic plan with a range of initiatives aimed specifically at reducing claim costs and increasing investment returns to assist the Commission to achieve and maintain its solvency target. The impact of these initiatives can be seen through the increase in net assets held by the Commission as at 30 June 2011 which increased by \$193 million to \$431 million.

As well as having a sound net assets position, other key characteristics of the Commission that assist to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due include the:

- annual income stream and cash flow from the receipt of statutory premium income
- liquidity of investments allowing redemption of a high proportion of investments as required
- prudential margins built into the outstanding claims estimate.

### **Third party insurance premiums**

The recent history regarding the implementation of premium changes recommended by the TPPC is outlined below:

	2011 Percent	2010 Percent	2009 Percent	2008 Percent	2007 Percent
<b>TPPC:</b>					
Recommended rise (effective for the year ending 30 June)	7.3	17.6	10.9	6	(0.9)
Actual rise	7.3	7	6.3	2.4	(0.9)
<b>Difference</b>	-	10.6	4.6	3.6	-

As can be seen from the foregoing table, for the years 2008, 2009 and 2010 the Treasurer approved premium increases less than the premiums recommended by the TPPC.

Subsection 25(3a) of the MAC Act requires that subject to any direction of the Treasurer to the contrary, the Commission must not, while there is less than sufficient level of solvency in the CTP Fund, fix its third party insurance premiums at amounts less than those determined by the TPPC. Application of this subsection since its promulgation in 2002 has contributed to the solvency level being achieved in the period 2005 to 2008 and again in 2011. In 2005-06 and 2006-07 a decrease in premiums charged was approved while in 2007-08, 2008-09 and 2009-10 an increase less than that recommended by the TPPC was implemented.

The risk of decreasing premiums or implementing a less than recommended increase is that it places additional reliance on achieving good investment returns. If this is not achieved or indeed when there is a significant downturn in investment performance, there may be little margin in the solvency position to absorb the impact of the downturn. In 2008 and 2009 poor investment returns were coupled with less than recommended premium increases which resulted in the solvency requirement not being achieved in 2009. In 2010 investment returns increased significantly, however this alone had not been enough to return the CTP Fund to its sufficient level of solvency. In 2011, investment returns again increased and this, coupled with the rise in premiums being at the level recommended by the TPPC, resulted in the required level of solvency being achieved.

Under the provisions of the MAC Act, two of the principal objectives of the Commission in providing CTP insurance are to achieve and maintain a sufficient level of solvency in the CTP Fund and to minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. The TPPC considers these two objectives when making its premium recommendation which is determined based on the circumstances prevailing at the time in relation to expected premium income, projected claim costs and investment returns. For the year commencing 1 July 2011 the TPPC recommended an increase in premiums for class 1 vehicles of 2.7 percent which was approved by the Treasurer.

**Statement of Cash Flows**

The following table summarises the net cash flows for the five years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
<b>Net cash flows</b>					
Operating	113 936	19 014	27 683	(39 414)	(11 212)
Investing	(50)	(45)	(104)	(12)	-
Change in cash	113 886	18 969	27 579	(39 426)	(11 212)
Cash at 30 June	170 861	56 975	38 006	10 427	49 853

The analysis of cash flows shows that the Commission's cash position has increased in 2011 as a result of cash provided by operating activities. Cash at 30 June includes deposits at call of \$165 million compared with \$52 million the previous year which reflects the change in investment policy to increase internally managed term deposits.

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

	Note	CTP		MAC	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Premium revenue	5	521 574	475 952	521 574	475 952
Outwards reinstatement expense		(4 996)	(4 897)	(4 996)	(4 897)
<b>Net premium</b>		<b>516 578</b>	<b>471 055</b>	<b>516 578</b>	<b>471 055</b>
Claims expense	6	(450 673)	(434 895)	(450 673)	(434 895)
Reinsurance and other recoveries	5	4 806	3 649	4 806	3 649
<b>Net claims</b>	20	<b>(445 867)</b>	<b>(431 246)</b>	<b>(445 867)</b>	<b>(431 246)</b>
Unexpired risk expense	9	5 875	11 723	5 875	11 723
Other underwriting expenses	7	(105 927)	(95 705)	(106 256)	(95 976)
<b>Underwriting loss</b>		<b>(29 341)</b>	<b>(44 173)</b>	<b>(29 670)</b>	<b>(44 444)</b>
Investment revenue	5	99 085	71 743	99 139	71 775
Other revenue	5	1 330	458	1 343	461
Investment management fee		(9 375)	(5 716)	(9 375)	(5 716)
<b>Net investment revenue</b>		<b>91 040</b>	<b>66 485</b>	<b>91 107</b>	<b>66 520</b>
<b>Net result before market value movements</b>		<b>61 699</b>	<b>22 312</b>	<b>61 437</b>	<b>22 076</b>
Investment market value movements	5	131 175	146 304	131 175	146 304
<b>Total comprehensive result</b>		<b>192 874</b>	<b>168 616</b>	<b>192 612</b>	<b>168 380</b>

Total comprehensive result is attributable to the SA Government as owner

## Statement of Financial Position as at 30 June 2011

	Note	CTP		MAC	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Current assets:</b>					
Cash		4 778	3 979	5 861	4 975
Receivables	8	9 064	7 406	9 084	7 419
Reinsurance and other recoveries receivable	10	2 588	2 341	2 588	2 341
Other financial assets	11	216 066	139 095	216 066	139 095
Prepayments		19 953	18 174	19 953	18 174
<b>Total current assets</b>		<b>252 449</b>	<b>170 995</b>	<b>253 552</b>	<b>172 004</b>
<b>Non-current assets:</b>					
Receivables	8	300	300	-	-
Reinsurance and other recoveries receivable	10	13 448	13 987	13 448	13 987
Other financial assets	11	2 176 604	2 040 104	2 176 604	2 040 104
Investment property	12	237 900	155 125	237 900	155 125
Property, plant and equipment	13	-	-	72	111
<b>Total non-current assets</b>		<b>2 428 252</b>	<b>2 209 516</b>	<b>2 428 024</b>	<b>2 209 327</b>
<b>Total assets</b>		<b>2 680 701</b>	<b>2 380 511</b>	<b>2 681 576</b>	<b>2 381 331</b>
<b>Current liabilities:</b>					
Payables	14	12 387	8 372	12 509	8 314
Unearned premium	15	182 973	166 728	182 973	166 728
Outstanding claims	16	434 600	420 698	434 602	420 700
Unexpired risk liability	9	1 694	2 105	1 694	2 105
Provisions	18	-	-	301	224
<b>Total current liabilities</b>		<b>631 654</b>	<b>597 903</b>	<b>632 079</b>	<b>598 071</b>
<b>Non-current liabilities:</b>					
Unearned premium	15	1 879	1 642	1 879	1 642
Outstanding claims	16	1 590 410	1 514 968	1 590 464	1 515 036
Unexpired risk liability	9	22 500	27 964	22 500	27 964
Provisions	18	3 350	-	3 536	112
<b>Total non-current liabilities</b>		<b>1 618 139</b>	<b>1 544 574</b>	<b>1 618 379</b>	<b>1 544 754</b>
<b>Total liabilities</b>		<b>2 249 793</b>	<b>2 142 477</b>	<b>2 250 458</b>	<b>2 142 825</b>
<b>Net assets</b>		<b>430 908</b>	<b>238 034</b>	<b>431 118</b>	<b>238 506</b>
<b>Equity:</b>					
Retained earnings		430 908	238 034	431 118	238 506
<b>Total equity</b>		<b>430 908</b>	<b>238 034</b>	<b>431 118</b>	<b>238 506</b>

Total equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	26

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

	CTP \$'000	MAC \$'000
Retained earnings at 30 June 2009	69 418	70 126
Total comprehensive result for 2009-10	168 616	168 380
Retained earnings at 30 June 2010	238 034	238 506
Total comprehensive result for 2010-11	192 874	192 612
<b>Retained earnings at 30 June 2011</b>	<b>430 908</b>	<b>431 118</b>

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

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

		CTP		MAC	
		2011 Inflows (Outflows)	2010 Inflows (Outflows)	2011 Inflows (Outflows)	2010 Inflows (Outflows)
	Note	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>					
Cash receipts in the course of operations		603 233	619 169	603 246	619 172
Cash payments in the course of operations		(495 708)	(602 134)	(495 637)	(601 654)
Interest and other investment income		6 274	1 464	6 327	1 496
<b>Net cash inflows (outflows) from operating activities</b>	24	<b>113 799</b>	<b>18 499</b>	<b>113 936</b>	<b>19 014</b>
<b>Cash flows from investing activities:</b>					
Payment for property, plant and equipment		-	-	(50)	(45)
<b>Net cash inflows (outflows) from investing activities</b>		<b>-</b>	<b>-</b>	<b>(50)</b>	<b>(45)</b>
<b>Net increase (decrease) in cash held</b>		<b>113 799</b>	<b>18 499</b>	<b>113 886</b>	<b>18 969</b>
<b>Cash at 1 July</b>		<b>55 979</b>	<b>37 480</b>	<b>56 975</b>	<b>38 006</b>
<b>Cash at 30 June</b>	2(q),24	<b>169 778</b>	<b>55 979</b>	<b>170 861</b>	<b>56 975</b>

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Activities of the Motor Accident Commission (MAC or the Commission)**  
MAC's principal activity is the underwriting of compulsory third party (CTP) insurance in South Australia. In addition, the inwards reinsurance business is managed in run-off.
2. **Statement of significant accounting policies**
  - (a) **Basis of preparation**  
The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA. Except for AASB 2009-12, which the Commission has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting year ending 30 June 2011.

(a) **Basis of preparation (continued)**

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for other financial assets and investment properties which are valued in accordance with the valuation policy applicable.

(b) **Premium revenue**

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year end on a daily pro-rata basis.

(c) **Investment income**

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) **Outwards reinsurance**

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) **Claims**

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) **CTP claims**

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80 percent.

(ii) **Other claims**

In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) **Reinsurance and other recoveries receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) **Unexpired risk**

AASB 1023 requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2011.

In order to meet the liability adequacy test (LAT), additional provisioning has been included at a probability of sufficiency of 80 percent.

**(h) Collection charges**

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

**(i) Levies and charges**

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

**(j) Receivables****(i) Trade debtors**

Trade debtors principally relate to premiums collected by the Department for Transport, Energy and Infrastructure, an agent of MAC, not yet passed over to the CTP Fund (or the Fund). The settlement of these amounts occurs within seven working days.

**(ii) Investment debtors**

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

**(k) Other financial assets**

AASB 1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

**(i) Unit trusts**

The bulk of MAC's investment portfolio is held with Funds SA, the SA Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

**(ii) Property securities**

By market quotations as at 30 June 2011.

**(iii) Other investments**

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

**(l) Investment properties**

Investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2011 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

**(m) Employee benefits**

A liability for employee benefits has been accrued at 30 June 2011.

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 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.

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

*Long service leave*

The liability for long service leave is recognised after an employee has completed five years (5.5 years) of service. (There is no impact of this change in recognition criteria). An actuarial assessment of long service leave undertaken by DTF, based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MAC’s experience of employee retention and leave taken.

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

*Superannuation*

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

**(n) Taxation**

MAC is an income tax exempt organisation pursuant to section 24AK of the ITAA.

MAC is liable for payroll tax, FBT, GST, Emergency Services levy, land tax and local government rates.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

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

**(o) Property, plant and equipment**

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

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

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

<i>Asset class</i>	<i>Depreciation method</i>	<i>Depreciation rate (percent)</i>
Plant and equipment	Diminishing value	20
Building fitout	Straight-line	Over the remaining useful life
Other	Straight-line	10

**(p) Payables**

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

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



**(p) Payables (continued)**

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

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

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

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

**(q) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call.

**(r) Provision for incentive payment**

A liability for payment of a financial outcome measure incentive to Allianz has been accrued at 30 June 2011. Payment of the incentive is based on Allianz's performance in reducing the cost of claims over the period from 1 January 2009 to 30 June 2012, compared to benchmarks in accordance with the terms of the CTP Services Contract. The scheme actuaries have determined the amount that would be payable as at 30 June 2011.

**3. Changes in accounting policies**

The Commission did not voluntarily change any of its accounting policies during the year.

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

In accordance with the revised APF II, MAC has changed its accounting policy and now discloses all employees who receive remuneration equal or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 3 (4).

**4. Net result**

	CTP		MAC	
Net result is arrived at after crediting and charging the following specific items:	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Credits:				
Interest received/receivable	8 861	2 822	8 915	2 854
Charges (Recoveries):				
Amounts set aside to provide for:				
Employee benefits	-	-	178	103
Depreciation of property, plant and equipment	-	-	45	35
Bad and doubtful debts	(3)	(2)	(3)	(2)

**5. Revenue**

Premium revenue:				
Direct	521 574	475 952	521 574	475 952
	<hr/>	<hr/>	<hr/>	<hr/>
Reinsurance and other recoveries:				
Other	4 806	3 649	4 806	3 649
	<hr/>	<hr/>	<hr/>	<hr/>
Investment revenue:				
Interest	8 861	2 822	8 915	2 854
Rentals	17 308	13 698	17 308	13 698
Profit (Loss) - investments realised	72 916	55 223	72 916	55 223
	<hr/>	<hr/>	<hr/>	<hr/>
	99 085	71 743	99 139	71 775

5. Revenue (continued)	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Investment market value movements - unrealised gains (losses):				
Fixed interest	39 414	60 001	39 414	60 001
Equities	104 888	79 740	104 888	79 740
Properties	1 621	3 379	1 621	3 379
Other	(14 748)	3 184	(14 748)	3 184
	<u>131 175</u>	<u>146 304</u>	<u>131 175</u>	<u>146 304</u>
Other revenue:				
Foreign exchange gains (losses)	-	-	13	3
Other	1 330	458	1 330	458
	<u>1 330</u>	<u>458</u>	<u>1 343</u>	<u>461</u>
Total revenue	<u>757 970</u>	<u>698 106</u>	<u>758 037</u>	<u>698 141</u>

6. Claims expense	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Claims paid*	361 329	327 318	361 329	327 318
Claims provision adjustment	71 149	95 114	71 149	95 114
Adjustment for economic assumptions	18 195	12 463	18 195	12 463
	<u>450 673</u>	<u>434 895</u>	<u>450 673</u>	<u>434 895</u>

\* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2011 \$'000	2010 \$'000
Ambulance and helicopter rescue services	6 095	6 095

7. Other underwriting expenses	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Management expenses*	38 129	32 831	38 458	33 102
Levies and charges**	56 298	51 374	56 298	51 374
Collection charges**	11 500	11 500	11 500	11 500
	<u>105 927</u>	<u>95 705</u>	<u>106 256</u>	<u>95 976</u>

\* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

	2011 \$'000	2010 \$'000
Audit services	114	112
Road safety supplies and services	1 564	1 857

\*\* In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

8. Receivables	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Trade debtors	6 019	5 921	6 026	5 930
Other debtors	-	-	10	2
	<u>6 019</u>	<u>5 921</u>	<u>6 036</u>	<u>5 932</u>
Investment debtors	3 092	1 535	3 095	1 537
Allowance for doubtful debts	(47)	(50)	(47)	(50)
	<u>3 045</u>	<u>1 485</u>	<u>3 048</u>	<u>1 487</u>
	<u>9 064</u>	<u>7 406</u>	<u>9 084</u>	<u>7 419</u>
Non-current:				
Payroll advance	300	300	-	-
	<u>9 364</u>	<u>7 706</u>	<u>9 084</u>	<u>7 419</u>

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

**Movement in the allowance for doubtful debts**

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying amount at 1 July	(50)	(52)	(50)	(52)
Increase in the allowance	-	(3)	-	(3)
Amounts written off	-	-	-	-
Amounts recovered during the year	3	5	3	5
Carrying amount at 30 June	(47)	(50)	(47)	(50)

**9. Unexpired risk**

AASB 1023 requires a LAT which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2011.

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Central estimate of present value of future claims	150 600	143 600	150 600	143 600
Risk margin	37 700	35 900	37 700	35 900
Present value of expected future claims	188 300	179 500	188 300	179 500
Unearned premium liability	184 852	168 370	184 852	168 370
Related reinsurance asset	(793)	(765)	(793)	(765)
Prepaid licence fees	(19 953)	(18 174)	(19 953)	(18 174)
Unexpired risk liability	24 194	30 069	24 194	30 069

In order to meet the LAT, additional provisioning for the premium liability has been included at a probability of sufficiency of 80 percent (80 percent) which results in a risk margin of 25 percent (25 percent). This risk margin is based on the actuary's knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unexpired risk liability:				
Balance at 1 July	30 069	41 792	30 069	41 792
Unexpired risk expense	(5 875)	(11 723)	(5 875)	(11 723)
Balance at 30 June	24 194	30 069	24 194	30 069
Unexpired risk liability:				
Current	1 694	2 105	1 694	2 105
Non-current	22 500	27 964	22 500	27 964
Total liability	24 194	30 069	24 194	30 069

**10. Reinsurance and other recoveries receivable**

Expected future recoveries (undiscounted)	21 341	19 759	21 341	19 759
Discount to present value*	(5 305)	(3 431)	(5 305)	(3 431)
Reinsurance and other recoveries receivable	16 036	16 328	16 036	16 328
Reinsurance and other recoveries receivable:				
Current	2 588	2 341	2 588	2 341
Non-current	13 448	13 987	13 448	13 987
	16 036	16 328	16 036	16 328

\* Refer note 16(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

**11. Other financial assets**

Investments are held primarily with Funds SA via unit trusts in a range of asset classes.

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Current:</b>				
Fixed interest:				
Cash and deposits	165 000	52 000	165 000	52 000
Cash - unit trust	26 058	62 548	26 058	62 548
Fixed interest - unit trust	16 358	17 030	16 358	17 030
Property:				
Sales/purchase deposits	8 650	7 517	8 650	7 517
Total current other financial assets	<u>216 066</u>	<u>139 095</u>	<u>216 066</u>	<u>139 095</u>
<b>Non-current:</b>				
Fixed interest:				
Fixed interest - unit trust	801 543	834 488	801 543	834 488
Equities:				
Australian equities - unit trust	447 355	389 230	447 355	389 230
International equities - unit trust	395 289	363 352	395 289	363 352
Property:				
Securities	67 542	49 537	67 542	49 537
Other:				
Diversified strategies income - unit trust	331 216	269 216	331 216	269 216
Inflation linked securities - unit trust	-	65 308	-	65 308
Internal inflation linked - unit trust	133 659	68 973	133 659	68 973
Total non-current other financial assets	<u>2 176 604</u>	<u>2 040 104</u>	<u>2 176 604</u>	<u>2 040 104</u>
Total other financial assets	<u>2 392 670</u>	<u>2 179 199</u>	<u>2 392 670</u>	<u>2 179 199</u>

**12. Investment property**

At fair value:

Balance at 1 July	155 125	172 900	155 125	172 900
Acquisitions	79 310	-	79 310	-
Disposals	-	(21 820)	-	(21 820)
Capitalised subsequent expenditure	1 844	666	1 844	666
Net gain (loss) from fair value adjustments	1 621	3 379	1 621	3 379
Balance at 30 June	<u>237 900</u>	<u>155 125</u>	<u>237 900</u>	<u>155 125</u>

Amounts recognised in the Statement of Comprehensive

Income for investment property:

Rental income	24 241	20 329	24 241	20 329
Direct operating expenses	(6 933)	(6 631)	(6 933)	(6 631)
Total amount recognised	<u>17 308</u>	<u>13 698</u>	<u>17 308</u>	<u>13 698</u>

**Valuation basis**

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2011 revaluations were based on independent assessments made by members of the Australian Property Institute.

**Leasing arrangements**

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Commitments under non-cancellable operating leases at the reporting date are receivable as follows:				
Not later than one year	22 104	13 742	22 104	13 742
Later than one year but no later than five years	71 066	34 106	71 066	34 106
Later than five years	18 461	13 433	18 461	13 433
	<u>111 631</u>	<u>61 281</u>	<u>111 631</u>	<u>61 281</u>

These operating leases are not recognised in the Statement of Financial Position as assets.

**Leasing arrangements (continued)**

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent payable is monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. Options exist to renew some of the leases at the end of the term of those leases. Our property managers have provided information regarding the likely renewal of leases in the multiple leased premises. Our valuers have provided calculations to determine the commitments under non-cancellable operating leases as at 30 June 2011. In determining those figures, our valuers have based their calculations on the requirements of AASB 117.

13. Property, plant and equipment	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Building fitout	-	-	15	94
Accumulated depreciation	-	-	-	(35)
	-	-	15	59
Plant and equipment	-	-	64	87
Accumulated depreciation	-	-	(16)	(46)
	-	-	48	41
Other	-	-	13	13
Accumulated depreciation	-	-	(4)	(2)
	-	-	9	11
Total property, plant and equipment	-	-	72	111
Building fitout:				
Carrying amount at 1 July	-	-	59	48
Additions	-	-	15	36
Disposals	-	-	(26)	-
Depreciation	-	-	(33)	(25)
Carrying amount at 30 June	-	-	15	59
Plant and equipment:				
Carrying amount at 1 July	-	-	41	43
Additions	-	-	35	9
Disposals	-	-	(18)	(2)
Depreciation	-	-	(10)	(9)
Carrying amount at 30 June	-	-	48	41
Other:				
Carrying amount at 1 July	-	-	11	12
Depreciation	-	-	(2)	(1)
Carrying amount at 30 June	-	-	9	11
14. Payables				
Current:				
Trade creditors	-	-	1	2
Other creditors and accruals	12 387	8 372	12 508	8 312
	12 387	8 372	12 509	8 314
15. Unearned premium				
Current	182 973	166 728	182 973	166 728
Non-current	1 879	1 642	1 879	1 642
	184 852	168 370	184 852	168 370
16. Outstanding claims				
(a) Expected future claims payments (undiscounted)	2 108 308	1 990 481	2 108 364	1 990 551
Risk margin applied (undiscounted)	333 915	315 316	333 915	315 316
Discount to present value:				
Central estimate	(360 398)	(319 552)	(360 398)	(319 552)
Risk margin applied	(56 815)	(50 579)	(56 815)	(50 579)
Liability for outstanding claims	2 025 010	1 935 666	2 025 066	1 935 736
Current	434 600	420 698	434 602	420 700
Non-current	1 590 410	1 514 968	1 590 464	1 515 036
Liability for outstanding claims	2 025 010	1 935 666	2 025 066	1 935 736

**16. Outstanding claims (continued)**

<b>(b)</b>	The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims: For the succeeding year:	CTP		MAC	
		2011 Percent	2010 Percent	2011 Percent	2010 Percent
	Inflation rate	7.0	6.5	7.0	6.5
	Discount rate	5.1	4.9	5.1	4.9
	For subsequent years:				
	Inflation rate	7.0	6.5	7.0	6.5
	Discount rate	5.1	4.9	5.1	4.9
<b>(c)</b>	The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:	CTP		MAC	
		2011 Years	2010 Years	2011 Years	2010 Years
		4.1	3.9	4.1	3.9

The method of calculating outstanding claims is set out in detail in note 2(e).

The claims provision as at 30 June 2011 for the CTP Fund has been reviewed by the fund actuaries, Mr L C Brett BSc, FIA, FIAA and Mr B A Watson BSc, FIAA of Brett & Watson Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the actuaries to achieve an 80 percent probability that the provision will prove to be adequate. A risk margin of 16 percent (16 percent) has been applied and is based on the actuary's knowledge of industry practice for CTP insurance portfolios. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For inwards reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

**Claims development**

	Accident year ending 30 June									Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	
Net ultimate claims cost estimate:										
At end of accident year	281 748	338 640	326 705	354 460	382 329	426 940	444 156	459 249	483 650	
One year later	323 292	313 058	343 157	355 875	386 338	394 295	426 282	458 570		
Two years later	328 682	302 311	331 398	352 055	378 015	397 754	433 527			
Three years later	306 755	312 080	353 662	364 139	380 349	397 925				
Four years later	311 494	308 606	359 694	379 637	383 684					
Five years later	308 554	321 533	358 224	380 167						
Six years later	305 794	308 436	345 525							
Seven years later	297 012	298 433								
Eight years later	297 032									
Current estimate of net ultimate claims cost	297 032	298 433	345 525	380 167	383 684	397 925	433 527	458 570	483 650	
Cumulative payments	(270 685)	(264 530)	(273 792)	(255 252)	(213 341)	(161 208)	(102 616)	(55 232)	(26 665)	
Net undiscounted claims liability for the nine most recent accident years	26 347	33 903	71 733	124 915	170 343	236 717	330 911	403 338	456 985	1 855 192
Discount to present value	(6 168)	(7 550)	(15 351)	(20 693)	(25 405)	(33 298)	(48 846)	(66 940)	(88 226)	(312 477)
Net discounted claims liability for the nine most recent accident years	20 179	26 353	56 382	104 222	144 938	203 419	282 065	336 398	368 759	1 542 715
Reconciliation:										
Claims handling expenses										106 689
Risk margin										82 470
Net discounted claims liability for accident years 2001-02 and prior										277 100
Net outstanding claims liability										2 008 974
Gross outstanding claims liability on the Statement of Financial Position										2 025 010
Reinsurance and other recoveries on outstanding claims liability										(16 036)
Net outstanding claims liability										2 008 974

**16. Outstanding claims (continued)**

Estimated timing of the net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

<i>Payments per year</i>	1 year and less \$'000	2-4 years \$'000	5-9 years \$'000	10-14 years \$'000	15-19 years \$'000	20-24 years \$'000	2011 Total \$'000
Liabilities	432 012	975 906	445 257	125 754	30 105	(60)	2 008 974

**17. Insurance contracts risk management**

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

***Risk management objectives and policies for mitigating insurance risk***

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

***Pricing***

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in claims experience and investment earnings and directions by the Minister to charge premiums other than those recommended by the TPPC.

***Reinsurance***

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of 'A-'. MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

***Claims management***

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

***Investment management***

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the notes to the accounts.

***Risk reduction***

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

**18. Provisions**

	CTP		MAC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Employee benefits	-	-	301	224
Total current provisions	-	-	301	224
Non-current:				
Employee benefits	-	-	186	112
Incentive payment	3 350	-	3 350	-
Total non-current provisions	3 350	-	3 536	112
Total provisions	3 350	-	3 837	336

**19. Additional financial instrument disclosures****(1) Categorisation of financial instruments**

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in property securities are classed as level 1 assets being the fair value that reflect unadjusted quoted prices in active markets for identical assets. All assets held in unit trusts are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

**(2) Derivative financial instruments**

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's investment fund manager may from time to time use derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies.

**(3) Foreign exchange risk**

As part of a diversified investment strategy, MAC has investments in funds invested in international markets. MAC's fund manager for international equities hedges a portion of the international equities investments to Australian dollars and MAC's fund manager for global listed property securities hedges 100 percent of these investments back to Australian dollars, as do MAC's fund managers for international fixed income securities.

**(4) Interest rate risk**

Interest rate risk is the risk that movement in interest rates will cause the value of fixed interest securities to deviate from expectations. MAC manages interest rate risk by using an appropriate asset/liability matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon of each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from a Global Investment Asset consultant.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2011</b>			
Financial assets:			
Cash and deposits	170 861	-	170 861
Receivables	-	9 084	9 084
Cash - unit trust*	-	26 058	26 058
Fixed interest - unit trust*	-	817 901	817 901
Australian equities - unit trust*	-	447 355	447 355
International equities - unit trust*	-	395 289	395 289
Other - unit trust*	-	464 875	464 875
Property securities	-	67 542	67 542
Sales/purchase deposits	8 650	-	8 650
Total financial assets	179 511	2 228 104	2 407 615
Weighted average interest rate (percent)	4.77		
Financial liabilities:			
Creditors	-	12 509	12 509
Total financial liabilities	-	12 509	12 509
Net financial assets	179 511	2 215 595	2 395 106

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.



**(4) Interest rate risk (continued)**

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2010</b>			
Financial assets:			
Cash and deposits	56 975	-	56 975
Receivables	-	7 419	7 419
Cash - unit trust*	-	62 548	62 548
Fixed interest - unit trust*	-	851 518	851 518
Australian equities - unit trust*	-	389 230	389 230
International equities - unit trust*	-	363 352	363 352
Other - unit trust*	-	403 497	403 497
Property securities	-	49 537	49 537
Sales/purchase deposits	7 517	-	7 517
Total financial assets	<u>64 492</u>	<u>2 127 101</u>	<u>2 191 593</u>
Weighted average interest rate (percent)	4.15		
Financial liabilities:			
Creditors	-	8 314	8 314
Total financial liabilities	-	<u>8 314</u>	<u>8 314</u>
Net financial assets	<u>64 492</u>	<u>2 118 787</u>	<u>2 183 279</u>

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

<i>Reconciliation of net financial assets</i>	2011 \$'000	2010 \$'000
Net financial assets	2 395 106	2 183 279
Reinsurance and other recoveries receivable	16 036	16 328
Prepayments	19 953	18 174
Investments - property assets	237 900	155 125
Property, plant and equipment	72	111
Unearned income	(184 852)	(168 370)
Outstanding claims	(2 025 066)	(1 935 736)
Unexpired risk provision	(24 194)	(30 069)
Provisions	<u>(3 837)</u>	<u>(336)</u>
Net assets	<u>431 118</u>	<u>238 506</u>

**(5) Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

*Recognised financial instruments*

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying fund managers. MAC is not materially exposed to any individual counterparty.

**(6) Market risk**

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long-term expectations over the short/medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short-term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and submarkets, and via a dynamic portfolio asset allocation process.

(6) **Market risk (continued)**

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in variable Percent	Financial impact	
		2011 \$'000	2010 \$'000
Interest rates	(1.0)	30 450	27 845
	(0.5)	14 837	13 560
	0.5	(14 060)	(12 837)
	1.0	(27 342)	(24 949)
Australian equity markets	(10)	(44 735)	(38 923)
	(5)	(22 368)	(19 462)
	(1)	(4 474)	(3 892)
	5	22 368	19 462
International equity markets	10	44 735	38 923
	(10)	(39 524)	(36 335)
	(5)	(19 762)	(18 168)
	(1)	(3 952)	(3 634)
	5	19 762	18 168
	10	39 524	36 335

(7) **Liquidity and cash flow risk**

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for redemptions are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand without incurring unacceptable losses. MAC ensures that a very high proportion of the CTP Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties. A future liability cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

20. **Net claims incurred**

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	CTP			MAC		
	Current year \$'000	Prior years \$'000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims incurred and related expenses - undiscounted	587 273	(89 518)	497 755	587 273	(89 518)	497 755
Reinsurance and other recoveries - undiscounted	(4 000)	(2 680)	(6 680)	(4 000)	(2 680)	(6 680)
Net claims incurred - undiscounted	583 273	(92 198)	491 075	583 273	(92 198)	491 075
Discount and discount movement - gross claims incurred	(108 417)	61 335	(47 082)	(108 417)	61 335	(47 082)
Discount and discount movement - reinsurance and other recoveries	957	917	1 874	957	917	1 874
Net discount movement	(107 460)	62 252	(45 208)	(107 460)	62 252	(45 208)
Total net claims incurred	475 813	(29 946)	445 867	475 813	(29 946)	445 867
<b>2010</b>						
Gross claims incurred and related expenses - undiscounted	558 380	(102 468)	455 912	558 380	(102 468)	455 912
Reinsurance and other recoveries - undiscounted	(3 526)	(225)	(3 751)	(3 526)	(225)	(3 751)
Net claims incurred - undiscounted	554 854	(102 693)	452 161	554 854	(102 693)	452 161
Discount and discount movement - gross claims incurred	(97 400)	76 383	(21 017)	(97 400)	76 383	(21 017)
Discount and discount movement - reinsurance and other recoveries	715	(613)	102	715	(613)	102
Net discount movement	(96 685)	75 770	(20 915)	(96 685)	75 770	(20 915)
Total net claims incurred	458 169	(26 923)	431 246	458 169	(26 923)	431 246

21. Commitments	CTP		MAC	
	2011	2010	2011	2010
<i>Operational expenditure commitments</i>				
Sponsorship expenditure:*	\$'000	\$'000	\$'000	\$'000
Contracted but not provided for and payable:				
Not later than one year	1 225	1 163	1 225	1 163
Later than one year but no later than five years	1 018	1 250	1 018	1 250
	<u>2 243</u>	<u>2 413</u>	<u>2 243</u>	<u>2 413</u>

\* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

#### Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expire on 31 December 2012. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an incentive fee arrangement. AAL is part of Allianz AG.

22. Auditor's remuneration	CTP		MAC	
	2011	2010	2011	2010
Amounts received or due and receivable for auditing the accounts of MAC:	\$'000	\$'000	\$'000	\$'000
Auditor-General's Department	103	101	114	112

The auditors provided no other services to MAC during the financial year.

#### 23. Employee benefits

Aggregate liability for employee benefits including on-costs:

Current:

Employee benefits provision:

Annual leave

On-costs

-	-	301	224
-	-	64	49
-	-	<u>365</u>	<u>273</u>

Non-current:

Employee benefits provision:

Long service leave

-	-	186	112
-	-	186	112
-	-	<u>551</u>	<u>385</u>

#### 24. Cash flow reconciliation

##### (1) Reconciliation of cash

Cash

Deposits at call

4 778	3 979	5 861	4 975
165 000	52 000	165 000	52 000
<u>169 778</u>	<u>55 979</u>	<u>170 861</u>	<u>56 975</u>

##### (2) Reconciliation of net cash inflows (outflows) from operating activities

Total comprehensive result

Non-cash items:

Depreciation

Loss (Profit) on disposal of assets

Amounts set aside to provisions

Loss (Profit) on sale and revaluation to market value of investments

Increase (Decrease) in taxes payable and provisions

Net cash inflows (outflows) from operating activities before changes in assets and liabilities

Change in assets and liabilities:

Decrease (Increase) in investments

Decrease (Increase) in receivables

Increase (Decrease) in payables and provisions

Increase (Decrease) in outstanding claims

Increase (Decrease) in unearned premium

Net cash inflows (outflows) from

operating activities

192 874	168 616	192 612	168 380
-	-	45	35
-	-	44	2
(3)	(2)	(3)	(2)
(204 091)	(195 298)	(204 104)	(195 301)
-	-	(31)	(25)
(11 220)	(26 684)	(11 437)	(26 911)
19 288	(62 254)	19 301	(62 251)
(1 709)	(1 389)	(1 349)	(1 226)
1 322	(9 509)	1 317	(8 929)
89 636	107 981	89 622	107 977
16 482	10 354	16 482	10 354
<u>113 799</u>	<u>18 499</u>	<u>113 936</u>	<u>19 014</u>

**25. Sufficient level of solvency**

Subsection 14(3) of the *Motor Accident Commission Act 1992* defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. A revised formula to calculate a sufficient level of solvency was issued by the Treasurer on 17 May 2006 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a sufficient level of solvency if its assets exceed the sum of the Fund’s liabilities plus 10 percent of the outstanding claims liabilities, 10 percent of the premium liabilities provision and 10 percent of the investments in equities and property.

Under the formula, provisions for outstanding claims liabilities and premium liabilities include prudential margins which are calculated by reference to an 80 percent probability of sufficiency that the provisions will be adequate.

As at 30 June 2011, the sufficient solvency target was \$2586.8 million (\$2450.5 million) which compares to the Fund’s assets of \$2680.7 million (\$2380.5 million) and this equates to 103.6 percent (97.1 percent) of the required level of sufficient solvency.

In recent years, there has been significant movement in MAC’s solvency, which demonstrates the volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain sufficient solvency.

The sufficient solvency target has created a prudential reserve for MAC which has effectively allowed it to weather the financial storm of the past few years and still remain in a strong net asset position (\$431.1 million). The sufficient solvency target has therefore fulfilled its role of underpinning the long-term viability of the CTP Fund.

Having easily met the sufficient solvency target for a number of years, recent year results reaffirm the need to return to and maintain sufficient solvency, whilst accepting that short-term fluctuations in the attainment of this target can and will occur.

In that regard, the MAC Board has approved a strategic plan aimed specifically at reducing claim costs and increasing investment returns along with a range of other strategic initiatives to improve scheme profitability and assist MAC to achieve its sufficient solvency target. It is anticipated that the achievement of successful outcomes against this plan, some of which are outside of MAC’s direct control, will go a long way towards MAC achieving and maintaining its sufficient solvency target.

The accounts are prepared on a going concern basis after consideration of the following issues:

- the Fund reports positive net assets as at 30 June 2011
- the Fund’s investment strategy ensures adequate liquidity to meet liabilities as and when they fall due
- the Fund’s investment strategy is designed to assist in maintaining sufficient solvency
- MAC is supported by a government guarantee pursuant to subsection 21(1) of the *Motor Accident Commission Act 1992*.

**26. Contingent assets and liabilities**

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

**27. External consultants used during the financial year**

	2011	2010
Total amount paid or due and payable to external consultants during the financial year	\$’000 3 963	\$’000 2 528
	2011	2010
The number and value of consultancies were:	Number	Number
Below \$10 000	12	15
Between \$10 000 and \$50 000	10	5
Above \$50 000	7	6

**28. Directors' remuneration**

The names of each person holding the position of director of MAC during the financial year are:

J H Brown	W M Griggs	R A Korotcoff
R A Cook, AM	T R Groom	Y Sneddon
A M Gallacher	J T Hazel	P L White

Total income paid or payable, or otherwise made available, to all Directors of MAC from the Commission	2011 \$'000	2010 \$'000
	380	396

The number of directors of MAC whose income from the Commission falls within the following bands:	2011 Number	2010 Number
\$0 - \$9 999	2	2
\$30 000 - \$39 999	1	-
\$40 000 - \$49 999	3	2
\$50 000 - \$59 999	2	4
\$90 000 - \$99 999	1	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with DPC Circular 16, government employees who act as a director do not receive any remuneration from the Commission during the financial year.

***Superannuation and retirement benefits***

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee charge of \$31 000 (\$33 000).

**29. Remuneration of employees**

	2011 \$'000	2010 \$'000
Salaries and wages	2 341	2 236
Long service leave	78	53
Annual leave	100	50
Employment on-costs:		
Superannuation	250	241
Other	177	165
Board and committee fees	349	363
Total employee remuneration expense	<u>3 295</u>	<u>3 108</u>

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$127 500 - \$130 699*	-	1
\$130 700 - \$140 699	1	1
\$140 700 - \$150 699	2	-
\$160 700 - \$170 699	-	2
\$170 700 - \$180 699	-	1
\$180 700 - \$190 699	1	-
\$190 700 - \$200 699	1	-
\$300 700 - \$310 699	-	1
\$310 700 - \$320 699	1	-

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.1 million (\$1.1 million).

**30. Related parties**

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

***Directors' transactions with the Commission***

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

R A Cook, AM	South Australian Motor Sport Board (Clipsal 500)	\$81 025	Contribution to Clipsal 500 Free Public Transport initiative and advertising signage
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# Museum Board

## Functional responsibility

### Establishment

The Museum Board (the Board) is established pursuant to the *South Australian Museum Act 1976*. The Board is responsible for the management of the South Australian Museum. For details of the Board's functions, refer note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Subsection 31(1)(b) of the PFAA and subsection 16(2) of the *South Australian Museum Act 1976* provide for the Auditor-General to audit the accounts of the Board for each financial year.

#### *Assessment of controls*

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

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

### Scope of audit

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

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

- expenditure, including accounts payable and payroll
- revenue, including sponsorship arrangements
- budgetary control and management reporting
- property, plant and equipment
- heritage collections revaluation.

## Audit findings and comments

### Auditor's report on the financial report

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

## Assessment of controls

In my opinion, the controls exercised by the Museum Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters regarding sponsorship arrangements and the implementation of TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

## Communication of audit matters

Issues arising during the course of the audit were detailed in a management letter to the Director of the South Australian Museum. The response to the management letter was generally considered to be satisfactory.

## Implementation of TIs 2 and 28

TI 2 and TI 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program of review of relevant policies and procedures, internal controls and financial reporting.

Previous Reports have conveyed that the Board was relating with DPC (which provides business support) to assist with the implementation of the TI requirements. There has been no progress on this matter in 2010-11. The Board has advised that compliance with the TI requirements is a major focus and a dedicated financial management compliance program will be implemented during 2011-12.

## Sponsorships

In previous years Audit has raised the need for the Board to formalise its sponsorship arrangements. In 2009-10, the Board advised that it would be instituting a template based agreement. In 2010-11, Audit noted that not all sponsorship arrangements had been formalised through use of the template. The Board has advised that the template is to be completed for all sponsorship arrangements.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2011	2010
	\$'million	\$'million
<b>Expenses</b>		
Staff benefits	6	6
Other expenses	8	8
<b>Total expenses</b>	14	14
<b>Income</b>		
SA Government grants	9	9
Other revenue	4	4
<b>Total income</b>	13	13
<b>Net result</b>	(1)	(1)
<b>Net cash provided by (used in) operating activities</b>	-	1
<b>Net cash provided by (used in) investing activities</b>	-	5
<b>Assets</b>		
Current assets	1	1
Non-current assets	380	184
<b>Total assets</b>	381	185



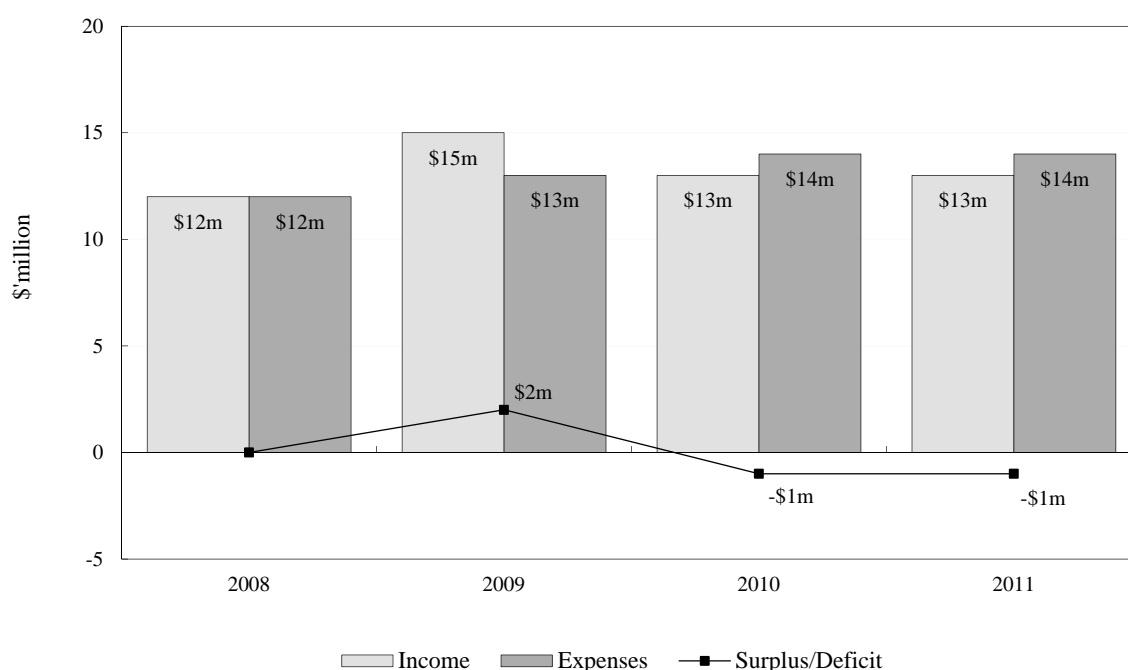
	2011 \$'million	2010 \$'million
<b>Liabilities</b>		
Current liabilities	1	1
Non-current liabilities	1	1
<b>Total liabilities</b>	<b>2</b>	<b>2</b>
<b>Total equity</b>	<b>379</b>	<b>183</b>

### Statement of Comprehensive Income

#### Net result

The Board recorded a deficit of \$1 million compared to a deficit of \$863 000 last year.

The following chart shows the income, expenses and surpluses/deficits for the four years to 2011.



### Statement of Financial Position

The total assets of the Board at 30 June 2011 were \$381 million, of which \$343 million (90 percent) relates to the Board's heritage collections.

In 2010-11, the heritage collections were revalued and this resulted in the collections increasing in value by \$197 million. Refer note 2.10 to the financial statements for further commentary.

### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
<b>Net cash flows</b>				
Operating	-	1	3	-
Investing	-	(5)	(2)	-
Change in cash	-	(4)	1	-
Cash at 30 June	1	1	5	4

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Staff benefits	4	6 405	6 374
Supplies and services	6	3 636	3 579
Accommodation and facilities	7	2 319	2 484
Depreciation and amortisation	8	1 894	1 604
Grants		89	90
Net loss from the disposal of non-current assets	13	28	18
<b>Total expenses</b>		14 371	14 149
<b>Income:</b>			
Grants	9	574	541
Fees and charges	10	679	483
Donations and bequests		524	1 084
Donations and heritage assets		756	235
Sponsorships	11	211	422
Interest and investment	12	208	178
Resources received free of charge	14	453	427
Recoveries		708	394
Other	15	165	220
<b>Total income</b>		4 278	3 984
<b>Net cost of providing services</b>		10 093	10 165
<b>Revenues from SA Government:</b>			
Recurrent operating grant		8 930	8 867
Capital grant		127	435
<b>Total revenues from SA Government</b>		9 057	9 302
<b>Net result</b>		(1 036)	(863)
<b>Other comprehensive income:</b>			
Change in heritage collections asset revaluation surplus		196 879	-
Total other comprehensive income		196 879	-
<b>Total comprehensive result</b>		195 843	(863)

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

**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash	23	741	844
Receivables	16	413	524
<b>Total current assets</b>		1 154	1 368
<b>Non-current assets:</b>			
Property, plant and equipment	17	35 965	37 721
Heritage collections	18	342 881	145 246
Investments	19	1 493	1 366
<b>Total non-current assets</b>		380 339	184 333
<b>Total assets</b>		381 493	185 701
<b>Current liabilities:</b>			
Payables	20	387	347
Staff benefits	21	791	899
Provisions	22	41	37
<b>Total current liabilities</b>		1 219	1 283
<b>Non-current liabilities:</b>			
Payables	20	98	111
Staff benefits	21	1 124	1 115
Provisions	22	138	121
<b>Total non-current liabilities</b>		1 360	1 347
<b>Total liabilities</b>		2 579	2 630
<b>Net assets</b>		378 914	183 071
<b>Equity:</b>			
Asset revaluation surplus		245 445	48 566
Retained earnings		133 469	134 505
<b>Total equity</b>		378 914	183 071
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	24		
Contingent assets and liabilities	25		

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

	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	48 566	135 368	183 934
Net result for 2009-10	-	(863)	(863)
Total comprehensive result for 2009-10	-	(863)	(863)
Balance at 30 June 2010	48 566	134 505	183 071
Gain on revaluation of heritage assets	196 879	-	196 879
Net result for 2010-11	-	(1 036)	(1 036)
Total comprehensive result for 2010-11	196 879	(1 036)	195 843
<b>Balance at 30 June 2011</b>	<b>245 445</b>	<b>133 469</b>	<b>378 914</b>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Staff benefits		(6 544)	(6 205)
Supplies and services		(3 107)	(3 108)
Accommodation and facilities		(2 296)	(2 531)
Grants		(89)	(104)
<b>Cash used in operations</b>		<b>(12 036)</b>	<b>(11 948)</b>
Cash inflows:			
Grants		613	640
Fees and charges		623	508
Donations and bequests		524	1 084
Sponsorships		345	268
Interest and investment		173	152
Recoveries		620	525
Other		172	230
<b>Cash generated from operations</b>		<b>3 070</b>	<b>3 407</b>
Cash flows from SA Government:			
Recurrent operating grant		8 930	8 867
Capital grant		127	435
<b>Cash generated from SA Government</b>		<b>9 057</b>	<b>9 302</b>
<b>Net cash provided by (used in) operating activities</b>	23	<b>91</b>	<b>761</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchases of heritage collections		-	(29)
Purchases of property, plant and equipment		(138)	(3 181)
Purchases of investments		(251)	(1 617)
<b>Cash used in investing activities</b>		<b>(389)</b>	<b>(4 827)</b>
Cash inflows:			
Proceeds from sale of investments		96	233
Proceeds from debtor		99	-
<b>Cash generated from investing activities</b>		<b>195</b>	<b>233</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(194)</b>	<b>(4 594)</b>
<b>Net increase (decrease) in cash</b>		<b>(103)</b>	<b>(3 833)</b>
<b>Cash at 1 July</b>		<b>844</b>	<b>4 677</b>
<b>Cash at 30 June</b>	23	<b>741</b>	<b>844</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Museum Board (the Board)

The functions of the Board, as prescribed under the *South Australian Museum Act 1976*, are as follows:

- undertake the care and management of the Museum
- manage all lands and premises vested in, or placed under the control of, the Board
- manage all funds vested in, or under the control of, the Board and to apply those funds in accordance with the terms and conditions of any instrument of trust or other instrument affecting the disposition of those monies
- carry out, or promote, research into matters of scientific and historical interest
- accumulate and care for objects and specimens of scientific or historical interest
- accumulate and classify data in regard to any such matters
- disseminate information of scientific or historical interest
- perform any other functions of scientific, educational or historical significance that may be assigned to the Board by regulation.

### 2. Summary of significant accounting policies

#### 2.1 *Statement of compliance*

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

Except for AASB 2009-12, which the Board has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2011. These are outlined in note 3.

#### 2.2 *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- 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
  - (c) staff TVSP information
  - (d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and comparative information presented.

### 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, admissions, donations, bequests, sponsorships 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 to the extent 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*

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the Board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants.

#### *Resources received free of charge*

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (refer note 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 and a corresponding amount included as a business services charge in supplies and services (refer 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. Assets and liabilities that will be realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

### 2.6 *Cash*

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

For the purposes of the Statement of Cash Flows, cash is defined above. Cash is measured at nominal value.

### 2.7 *Receivables*

Receivables include amounts receivable from trade, prepayments and other accruals.

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

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

### 2.8 *Investments*

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

### 2.9 *Non-current asset acquisition and recognition*

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

**2.9 Non-current asset acquisition and recognition (continued)**

All non-current assets with a value of \$10 000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

**2.10 Valuation 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 revalued to fair value.

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

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

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

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

*Land and buildings*

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2008 by the Australian Valuation Office.

*Plant and equipment*

Plant and equipment, including computer equipment, on acquisition has been deemed to be held at fair value.

*Heritage collections*

The Board's collections were revalued as at 30 June 2011 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116. These valuations were undertaken by both external valuers and internal specialists.

The collections were broadly valued on the following basis:

<i>Collection</i>	<i>Method of valuation</i>
Heritage collections	Net market valuation
Natural history collections	Cost of recovery

Heritage collection status applies to those collections where an established market exists. The net market valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Cultural Gifts program.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition. This has seen an increase in the value of each holotype from \$1000 to \$5000 per specimen.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuations where required.

Heritage collections deemed to have market value are Australian ethnology, foreign ethnology, malacology, butterflies, industrial history collection, mineralogy, Museum library and rare books.



*Heritage collections (continued)*

Natural history collections valued at cost of recovery are the Australian biological tissue bank, the Australian helminthological collection, entomology, arachnology, marine invertebrates, ichthyology, herpetology, ornithology, mammalogy, palaeontology and archaeology.

For the first time in the June 2011 valuation, the archaeology collection has been valued. Previously the collection was inaccessible due to storage limitations.

The external valuations were carried out by the following recognised industry experts:

<i>Collection</i>	<i>Industry expert</i>
Foreign ethnology	H Gallasch
Mineralogy	R Noble
Malacology (marine invertebrates)	I Van Streepen
Butterflies (terrestrial invertebrates)	L Mound
Mammalogy	R Schodde

Heritage collections assessed internally by staff with the necessary expertise:

<i>Collection</i>	<i>Industry expert</i>
Australian ethnology	P Jones
Foreign ethnology	B Craig

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology, secret sacred and archives.

**2.11 Impairment of assets**

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 asset revaluation surplus.

**2.12 Depreciation of non-current assets**

Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of each non-current asset over its expected useful life, except for land 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 expected useful lives are as follows:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	20-100
Plant and equipment:	
Exhibition	10
Commercial vehicles	20-25
Other	5-15
Computer equipment	3-5

Exhibitions with a life of less than one year are expensed.

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

**2.13 Payables**

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

#### **2.14 Staff benefits**

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

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

(i) *Salaries, wages and annual leave*

Liabilities for salaries, wages and annual leave have been recognised 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.

(ii) *Long service leave*

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

(iii) *On-costs*

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(iv) *Superannuation*

The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the relevant superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

#### **2.15 Workers compensation provision**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC.

#### **2.16 Leases**

The Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

#### **2.17 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 the Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or part of an item of expense.

**2.18 Taxation (continued)**

The net GST receivable from or payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of DPC, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

**2.19 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 and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

**2.21 Insurance**

The Board has arranged through SAICORP, a division of SAFA, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

**2.22 Unrecognised contractual commitments and contingent assets and liabilities**

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

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

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

**3. New and revised accounting standards**

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Board has disclosed all staff whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Board to disclose all staff whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 4.

Details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2010-11 are detailed below.

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

<b>4. Staff benefits</b>	2011	2010
	\$'000	\$'000
Salaries and wages	5 243	5 000
Long service leave	229	179
Annual leave	35	117
Staff on-costs - superannuation	541	588
Staff on-costs - other	284	275
TVSP payments	-	149
Board fees	42	34
Other staff related expenses	31	32
Total staff benefits	6 405	6 374
<b>TVSPs</b>		
Amount paid to these staff:		
TVSPs	-	149
Annual leave and long service leave paid during the reporting period	-	36
	-	185
Recovery from DTF	-	(149)
Net cost to Museum	-	36

**TVSPs (continued)**

The number of staff who were paid TVSPs during the reporting period was 0 (2).

**Remuneration of staff**

The number of staff whose remuneration received falls within the following bands:

\$130 700 - \$140 699  
 \$140 700 - \$150 699  
 \$160 700 - \$170 699  
 \$170 700 - \$180 699

	2011 Number	2010 Number
	1	-
	1	-
	-	1
	1	-
	<u>3</u>	<u>1</u>

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these staff members for the year was \$469 000 (\$167 000).

**Accounting policy change**

In accordance with the revised APF II, the Board has changed its accounting policy and now discloses all staff who receive remuneration equal to or greater than the base executive remuneration level rather than all staff who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of staff disclosed has reduced by 11 (9).

**5. Remuneration of board and committee members**

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

- Museum Board (eight members)
- Aboriginal Advisory Committee (six members).

**Museum Board**

Mr J Ellice-Flint (Chairperson)

Mr P Ah Chee (appointed 23 July 2010)

Ms N Buddle (appointed 23 July 2010)

Dr S Carthew (appointed 12 August 2010)

Mr R Edwards (term expired 22 August 2010)

Ms E D Perry (appointed 12 August 2010)

Mr A Simpson (term expired 25 July 2010)

Ms N Stott Despoja

**Aboriginal Advisory Committee**

Mr P Ah Chee

Dr S Miller

Mr L O'Brien

Ms L O'Donohue

Ms E D Perry

Mr M Turner

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

\$0 - \$9 999  
 \$10 000 - \$19 999  
 Total

	2011 Number	2010 Number
	8	12
	3	1
	<u>11</u>	<u>13</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The total remuneration received by members was \$45 000 (\$34 000).

Amounts paid to a superannuation plan for board/committee members were \$3150 (\$1650).

**Related party disclosures**

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

<b>6. Supplies and services</b>	2011	2010
Supplies and services:	\$'000	\$'000
Cost of goods sold	10	-
Insurance and risk management	368	343
Marketing	249	302
Administration	148	219
IT services and communications	253	351
Maintenance	82	80
Artlab conservation work	312	284
Business services charge	141	143
Collections	94	42
Exhibitions	160	78
Research	685	730
Travel and accommodation	150	132
Contractors	139	185
Motor vehicle expenses	66	66
Minor equipment	138	92
Fees	289	175
Consultants	42	35
Entertainment	6	41
Other	305	281
Total supplies and services	<u>3 636</u>	<u>3 579</u>

## Supplies and services provided by entities within the SA Government:

Insurance and risk management	368	343
Administration	1	1
IT services and communications	97	190
Maintenance	32	42
Artlab conservation work	312	284
Business services charge	141	143
Collections	5	-
Exhibitions	4	4
Research	3	45
Motor vehicle expenses	43	45
Minor equipment	1	-
Fees	6	-
Entertainment	2	-
Other	35	64
Total supplies and services - SA Government entities	<u>1 050</u>	<u>1 161</u>

**Consultants**

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2011		2010	
	Number	\$'000	Number	\$'000
Below \$10 000	3	13	1	5
\$10 000 - \$50 000	2	29	2	30
Total paid/payable to consultants engaged	<u>5</u>	<u>42</u>	<u>3</u>	<u>35</u>

**External auditor's remuneration**

External auditor's remuneration represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General.

	2011	2010
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	<u>28</u>	<u>27</u>
Total audit fees – SA Government entities	<u>28</u>	<u>27</u>

**7. Accommodation and facilities**

Accommodation and facilities:		
Accommodation	632	628
Facilities	877	1 061
Security	810	795
Total accommodation and facilities	<u>2 319</u>	<u>2 484</u>

<b>7. Accommodation and facilities (continued)</b>	2011	2010
Accommodation and facilities provided by entities within the SA Government:	\$'000	\$'000
Accommodation	338	334
Facilities	542	732
Security	1	10
Total accommodation and facilities - SA Government entities	<u>881</u>	<u>1 076</u>
<b>8. Depreciation and amortisation</b>		
Buildings and improvements	1 312	1 312
Plant and equipment	581	292
Computer equipment	1	-
Total depreciation	<u>1 894</u>	<u>1 604</u>
<b>9. Grants</b>		
State Government grants	-	20
Other general grants	322	314
Commonwealth grants	252	207
Total grants	<u>574</u>	<u>541</u>
<b>10. Fees and charges</b>		
Admissions	50	172
Functions	94	69
Fees for service	463	141
Other	72	101
Total fees and charges	<u>679</u>	<u>483</u>
<b>11. Sponsorships</b>		
Sponsorships received/receivable from entities external to the SA Government:		
Cash sponsorships	171	392
In-kind sponsorships	40	30
Total sponsorships	<u>211</u>	<u>422</u>
<b>12. Interest and investment income</b>		
Interest	47	100
Investments	161	78
Total interest and investment income	<u>208</u>	<u>178</u>
<b>13. Net loss from disposal of non-current assets</b>		
Investments:		
Proceeds from sale of investments	55	233
Net book value of investments	(83)	(251)
Net loss from sale of investments	<u>(28)</u>	<u>(18)</u>
Total assets:		
Total proceeds from disposal	55	233
Total net book value of investments	(83)	(251)
Total net loss from disposal of non-current assets	<u>(28)</u>	<u>(18)</u>
<b>14. Resources received free of charge</b>		
Resources received free of charge:		
Business services charge	141	143
Conservation work	312	284
Total resources received free of charge	<u>453</u>	<u>427</u>
<b>15. Other income</b>		
Other income received/receivable:		
Exhibition hire	25	39
Other	140	181
Total other income	<u>165</u>	<u>220</u>

<b>16. Receivables</b>	2011	2010
Receivables:	\$'000	\$'000
Receivables	319	488
Prepayments	22	-
Accrued income	72	36
Total receivables	<u>413</u>	<u>524</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 income are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

- (a) Maturity analysis of payables - refer note 27.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 27.

<b>17. Property, plant and equipment</b>	2011	2010
Land, buildings and improvements:	\$'000	\$'000
Land at valuation	7 440	7 440
Buildings and improvements at valuation	58 737	58 693
Accumulated depreciation	(35 377)	(34 065)
Total land, buildings and improvements	<u>30 800</u>	<u>32 068</u>

Plant and equipment:		
At cost (deemed fair value)	7 240	7 157
Accumulated depreciation	(2 085)	(1 504)
Total plant and equipment	<u>5 155</u>	<u>5 653</u>

Computer equipment:		
At cost (deemed fair value)	11	-
Accumulated depreciation	(1)	-
Total computer equipment	<u>10</u>	<u>-</u>
Total property, plant and equipment	<u>35 965</u>	<u>37 721</u>

**Reconciliation of property, plant and equipment 2010-11**

	Carrying amount 01.07.10	Additions	Depreciation	Other changes	Carrying amount 30.06.11
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>					
Land	7 440	-	-	-	7 440
Buildings and improvements	24 628	44	(1 312)	-	23 360
Work in progress	-	-	-	-	-
Plant and equipment	5 653	83	(581)	-	5 155
Computer equipment	-	11	(1)	-	10
Total tangible assets	<u>37 721</u>	<u>138</u>	<u>(1 894)</u>	<u>-</u>	<u>35 965</u>

	Carrying amount 01.07.09	Additions	Transferred out	Depreciation	Other changes	Carrying amount 30.06.10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2010</b>						
Land	7 440	-	-	-	-	7 440
Buildings and improvements	25 940	-	-	(1 312)	-	24 628
Work in progress	2 912	2 577	-	-	(5 489)	-
Plant and equipment	360	98	(2)	(292)	5 489	5 653
Computing equipment	1	-	(1)	-	-	-
Total tangible assets	<u>36 653</u>	<u>2 675</u>	<u>(3)</u>	<u>(1 604)</u>	<u>-</u>	<u>37 721</u>

**18. Heritage collections**

	2011			2010		
	At valuation \$'000	At cost \$'000	Total \$'000	At valuation \$'000	At cost \$'000	Total \$'000
Social/industrial history	278	-	278	239	-	239
Australian Aboriginal ethnographic	24 615	-	24 615	21 340	29	21 369
Foreign ethnology	8 430	-	8 430	7 035	-	7 035
Australian polar collection	4 664	-	4 664	3 744	-	3 744
Archaeology	69 305	-	69 305	-	-	-
Minerals	17 343	-	17 343	16 984	-	16 984
Malacology	7 686	-	7 686	4 110	-	4 110
Butterflies	41	-	41	35	-	35
Australian biological tissue bank	17 611	-	17 611	7 352	-	7 352
Australian helminthological collection	24 026	-	24 026	11 727	-	11 727
Entomology	79 904	-	79 904	31 686	-	31 686
Arachnology	11 026	-	11 026	4 795	-	4 795
Marine invertebrates	15 553	-	15 553	8 923	-	8 923
Ichthyology	4 824	-	4 824	1 819	-	1 819
Herpetology	6 480	-	6 480	4 200	-	4 200
Ornithology	12 475	-	12 475	8 939	-	8 939
Mammalogy	7 963	-	7 963	5 962	-	5 962
Fossil	24 259	-	24 259	719	-	719
Library	6 398	-	6 398	5 608	-	5 608
<b>Total heritage collections</b>	<b>342 881</b>	<b>-</b>	<b>342 881</b>	<b>145 217</b>	<b>29</b>	<b>145 246</b>

**Reconciliation of carrying amounts of heritage collections**

	Balance 01.07.10 \$'000	Additions \$'000	Revaluation increment \$'000	Balance 30.06.11 \$'000	Balance 01.07.09 \$'000	Additions \$'000	Balance 30.06.10 \$'000
Social/industrial history	239	-	39	278	239	-	239
Australian Aboriginal ethnographic	21 369	149	3 097	24 615	21 112	257	21 369
Foreign ethnology	7 035	333	1 062	8 430	7 027	8	7 035
Australian polar collection	3 744	-	920	4 664	3 744	-	3 744
Archaeology	-	-	69 305	69 305	-	-	-
Minerals	16 984	76	283	17 343	16 984	-	16 984
Malacology	4 110	-	3 576	7 686	4 110	-	4 110
Butterflies	35	-	6	41	35	-	35
Australian biological tissue bank	7 352	-	10 259	17 611	7 352	-	7 352
Australian helminthological collection	11 727	-	12 299	24 026	11 727	-	11 727
Entomology	31 686	198	48 020	79 904	31 686	-	31 686
Arachnology	4 795	-	6 231	11 026	4 795	-	4 795
Marine invertebrates	8 923	-	6 630	15 553	8 923	-	8 923
Ichthyology	1 819	-	3 005	4 824	1 819	-	1 819
Herpetology	4 200	-	2 280	6 480	4 200	-	4 200
Ornithology	8 939	-	3 536	12 475	8 939	-	8 939
Mammalogy	5 962	-	2 001	7 963	5 962	-	5 962
Fossil	719	-	23 540	24 259	719	-	719
Library	5 608	-	790	6 398	5 608	-	5 608
<b>Carrying amount at 30 June</b>	<b>145 246</b>	<b>756</b>	<b>196 879</b>	<b>342 881</b>	<b>144 981</b>	<b>265</b>	<b>145 246</b>

**19. Investments**

Investments with entities other than SAFA:

Non-current:

Shares, convertible notes and other investments in companies

Total non-current investments

Total investments

2011 \$'000	2010 \$'000
----------------	----------------

1 493 1 366

1 493 1 366

1 493 1 366

The market value of investments as at 30 June 2011 is \$1.5 million (\$1.3 million).



<b>20. Payables</b>	2011	2010
Current:	\$'000	\$'000
Creditors and accruals	279	217
Staff on-costs	108	130
Total current payables	<u>387</u>	<u>347</u>
Non-current:		
Staff on-costs	98	111
Total non-current payables	<u>98</u>	<u>111</u>
Total payables	<u>485</u>	<u>458</u>
Payables to SA Government entities:		
Creditors and accruals	71	41
Staff on-costs	94	241
Total payables - SA Government entities	<u>165</u>	<u>282</u>

An actuarial assessment performed by DTF determined that the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent, and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

***Interest rate and credit risk***

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

- (a) Maturity analysis of payables - refer note 27.
- (b) Categorisation of financial instruments and risk exposure information - refer note 27.

<b>21. Staff benefits</b>	2011	2010
Current:	\$'000	\$'000
Annual leave	543	513
Long service leave	248	235
Accrued salaries and wages	-	151
Total current staff benefits	<u>791</u>	<u>899</u>
Non-current:		
Long service leave	1 124	1 115
Total non-current staff benefits	<u>1 124</u>	<u>1 115</u>

The total current and non-current staff expense (ie aggregate staff benefit plus related on-costs) for 2010-11 is \$900 000 and \$1.2 million respectively.

As a result of an actuarial assessment undertaken by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years.

The salary inflation rate remains constant at 4 percent.

<b>22. Provisions</b>	2011	2010
Current:	\$'000	\$'000
Provision for workers compensation	41	37
Total current provisions	<u>41</u>	<u>37</u>
Non-current:		
Provision for workers compensation	138	121
Total non-current provisions	<u>138</u>	<u>121</u>
Total provisions	<u>179</u>	<u>158</u>

***Reconciliation of the provision for workers compensation***

Provision at 1 July	158	139
Increase (Decrease) in provision during the year	21	19
Provision for workers compensation at 30 June	<u>179</u>	<u>158</u>

**23. Cash flow reconciliation****Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2011 \$'000	2010 \$'000
Deposits with Treasurer	730	833
Cash on hand	11	11
Cash as recorded in the Statement of Financial Position	741	844

**Interest rate risk**

Cash is recorded at its nominal amount. 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 Deposit Account titled 'Museum Board'. Deposits with the Treasurer are bearing a floating interest rate between 4.35 percent and 4.6 percent.

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

	2011 \$'000	2010 \$'000
Net cash provided by (used in) operating activities	91	761
Revenues from SA Government	(9 057)	(9 302)
Non-cash items:		
Depreciation and amortisation of property, plant and equipment	(1 894)	(1 604)
Donations of heritage collections	756	235
Transfers from property, plant and equipment	-	(3)
Net loss on sale of investments	(28)	(18)
Changes in assets and liabilities:		
Increase (Decrease) in receivables	(12)	(108)
Decrease (Increase) in payables	(27)	28
Decrease (Increase) in staff benefits	99	(135)
Decrease (Increase) in provisions	(21)	(19)
Net cost of providing services	(10 093)	(10 165)

**24. 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	13	24
Later than one year but not later than five years	16	3
Total operating lease commitments	29	27

The operating lease commitments comprise:

- non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

**Capital commitments**

Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

Not later than one year	-	-
Later than one year but not later than five years	-	573
Total capital commitments	-	573

**Remuneration commitments**

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

Not later than one year	177	171
Later than one year but not later than five years	751	139
Total remuneration commitments	928	310

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

<b>Other commitments</b>	2011	2010
	\$'000	\$'000
Not later than one year	926	552
Later than one year but not later than five years	643	105
Total other commitments	<u>1 569</u>	<u>657</u>

The Board's other commitments are for agreements for security and cleaning.

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts at the end of their terms.

## 25. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2011.

## 26. Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.

## 27. Financial instruments/Financial risk management

### 27.1 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash	23	741	741	844	844
Loans and receivables:					
Receivables <sup>(1)</sup>	16	391	391	524	524
Investments	19	1 493	1 493	1 366	1 265
<b>Financial liabilities</b>					
Financial liabilities at cost:					
Payables <sup>(1)</sup>	20	279	279	217	217

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables, etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs which are determined via reference to the staff benefit liability to which they relate.

### Credit risk

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

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

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

**27.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets past due:

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>				
Not impaired:				
Receivables	277	57	57	391
<b>2010</b>				
Not impaired:				
Receivables	468	40	16	524

**27.3 Maturity analysis of financial assets and liabilities**

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

	Contractual maturity			Carrying amount \$'000
	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000	
<b>2011</b>				
Financial assets:				
Cash	741	-	-	741
Receivables	391	-	-	391
Financial assets	-	-	1 493	1 493
Total financial assets	1 132	-	1 493	2 625
Financial liabilities:				
Payables	279	-	-	279
Total financial liabilities	279	-	-	279
<b>2010</b>				
Financial assets:				
Cash	844	-	-	844
Receivables	515	9	-	524
Financial assets	-	-	1 366	1 366
Total financial assets	1 359	9	1 366	2 734
Financial liabilities:				
Payables	217	-	-	217
Total financial liabilities	217	-	-	217

# Parliamentary Superannuation Scheme

## Functional responsibility

### Establishment

The Parliamentary Superannuation Scheme (the Scheme) and the South Australian Parliamentary Superannuation Board (the Board) were established under the *Parliamentary Superannuation Act 1974*. The Board is responsible to the Treasurer.

### Functions

The Board is responsible for administering the Scheme, which provides for benefit payments to persons who have served as members of Parliament.

Under the *Parliamentary Superannuation Act 1974*, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Parliamentary Superannuation Fund.

The Board utilises the services of DTF - State Superannuation Office to administer the Scheme.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised 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 to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2010-11, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the 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 Parliamentary Superannuation Scheme as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised over the Parliamentary Superannuation Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to the implementation of TI 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Parliamentary Superannuation Scheme 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 Chairman, Parliamentary Superannuation Board.

### Implementation of TI 28

TI 28 requires the Board to establish and maintain a robust and transparent financial management compliance program (FMCP).

As the Board's FMCP was in draft and missing some elements at the time of the audit, it was not operational in 2010-11. The Board responded that the draft FMCP will be finalised and implemented prior to 30 September 2011 and will address certain matters raised for attention by Audit.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2011 \$'million	2010 \$'million
<b>Revenue</b>		
Contribution revenue	4.1	4.0
Investment revenue	19.9	20.5
<b>Total revenue</b>	<b>24.0</b>	<b>24.5</b>
<b>Expenses</b>		
Benefits and other expenses	18.4	19.8
<b>Total expenses</b>	<b>18.4</b>	<b>19.8</b>
Transfer from (to) Consolidated Account	(3.6)	(7.0)
<b>Operating result for the period</b>	<b>2.0</b>	<b>(2.3)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(7.7)</b>	<b>(12.0)</b>

	2011 \$'million	2010 \$'million
<b>Assets</b>		
Investments	177.8	166.9
Other assets	0.6	0.4
<b>Total assets</b>	<b>178.4</b>	<b>167.3</b>
<b>Liabilities</b>		
Liability for accrued benefits	178.1	169.1
Other liabilities	0.3	0.2
<b>Total liabilities</b>	<b>178.4</b>	<b>169.3</b>
<b>Excess (Deficit) of net assets over liabilities</b>	<b>-</b>	<b>(2.0)</b>

### Operating Statement

The operating result for the year was a surplus of \$2 million (deficit of \$2.3 million). The year's result took into account:

- returns on investments of \$19.9 million (\$20.5 million). Investment returns are further discussed in the audit commentary for Funds SA, elsewhere in Part B of this Report
- benefits expenses of \$17.1 million (\$18.7 million)
- a transfer of \$3.6 million to the Consolidated Account (\$7 million). A transfer was made out of the Scheme to maintain a balanced scheme.

### Statement of Financial Position

As at 30 June 2011, there was an excess of net assets over liabilities of \$48 000 (deficit of \$2 million).

The estimated liability for accrued benefits increased by \$9 million to \$178.1 million for which assets of \$178.4 million were available to pay benefits. The expected future benefit payments were determined using the pensioner mortality assumptions of the 2010 triennial actuarial review of the South Australian Superannuation Scheme. Refer note 7 to the financial statements for further explanation.

In comparison, vested benefits as at 30 June 2011 were \$197.4 million (\$187.6 million). Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are greater than accrued benefits as vested benefits are based on the involuntarily expiration of service. As a result members would be entitled to the benefits immediately.

### Further commentary on operations

#### Pensioners

The number of pensioners and pensions paid for the past four years were:

	2011	2010	2009	2008
Pensioners	118	118	105	109
Pensions paid (\$'000)	8 098	7 659	6 821	6 574

#### Contributions by employers

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

	2011	2010	2009	2008
Contributors	69	69	69	69
Contributions received (\$'000)	798	911	968	1 007

**Operating Statement  
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Revenue:</b>			
Investment revenue		19 867	20 480
Other revenue		7	5
Contribution revenue:			
Contributions by members		798	911
Contributions by employers		3 357	3 061
Rollovers from other schemes		10	-
<b>Total contribution revenue</b>		4 165	3 972
<b>Total revenue</b>		24 039	24 457
<b>Expenses:</b>			
Direct investment expenses	4	1 017	907
Administration expenses	5	216	209
Benefits expenses	7	17 136	18 648
<b>Total expenses</b>		18 369	19 764
<b>Transfer from (to) Consolidated Account</b>	3	(3 600)	(7 000)
<b>Operating result for the period</b>		2 070	(2 307)



**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Investments:</b>			
Inflation linked securities A		16 281	14 825
Property A		24 125	16 926
Australian equities A		51 870	48 257
International equities A		43 269	41 837
Long-term fixed interest		4 914	4 596
Short-term fixed interest		3 334	-
Diversified strategies growth A		9 718	9 231
Diversified strategies income		17 577	23 078
Cash		6 549	8 034
Socially responsible investment		163	127
<b>Total current assets</b>		<b>177 800</b>	<b>166 911</b>
<b>Other assets:</b>			
Cash and cash equivalents	11	629	409
Sundry debtors		8	9
		637	418
<b>Total assets</b>		<b>178 437</b>	<b>167 329</b>
<b>Current liabilities:</b>			
Sundry creditors		16	15
Benefits payable		291	266
<b>Total liabilities</b>		<b>307</b>	<b>281</b>
<b>Net assets available to pay benefits</b>	6	<b>178 130</b>	<b>167 048</b>
<b>Liability for accrued benefits</b>	7	<b>(178 082)</b>	<b>(169 070)</b>
<b>Excess (Deficit) of net assets over liabilities</b>		<b>48</b>	<b>(2 022)</b>

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Contributions received:			
Contributions by members		798	911
Contributions by employers		3 357	3 061
Rollovers from other schemes		10	-
		4 165	3 972
Other receipts		7	4
GST recoup from ATO		1	(1)
Benefits paid:			
Pension		(8 098)	(7 659)
Commutations		-	(1 114)
		(8 098)	(8 773)
Administration expenses		(216)	(208)
Transfer from (to) Consolidated Account	3	(3 600)	(7 000)
<b>Net cash provided by (used in) operating activities</b>	10	(7 741)	(12 006)
<b>Cash flows from investing activities:</b>			
Receipts from Funds SA		10 899	14 141
Payments to Funds SA		(2 938)	(1 949)
<b>Net cash provided by (used in) investing activities</b>		7 961	12 192
<b>Net increase (decrease) in cash and cash equivalents held</b>		220	186
<b>Cash and cash equivalents at 1 July</b>		409	223
<b>Cash and cash equivalents at 30 June</b>	11	629	409

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives and funding

##### (a) *Parliamentary Superannuation Scheme*

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* (the Amendment Act) was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme (new scheme) now known as the PSS2 scheme. PSS1 (old scheme) was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

**(b) South Australian Parliamentary Superannuation Board**

The Act charges the South Australian Parliamentary Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted DTF to provide the administrative services through a service level agreement.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

**(c) 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 Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in these financial statements are related to the investment activities of Funds SA (an SA Government entity).

**(d) Funding arrangements**

Under section 39(1) 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 ended 30 June 2011 payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, section 14A of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their basic salary (including any additional salary) to the Treasurer. Section 14A(2) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their basic salary and 11.5 percent of any additional salary. PSS3 members can elect to make contributions based on a percentage of the combined value of their salary and any additional salary ranging from 0 percent to 10 percent under section 14B of the Act. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Fund, with \$798 000 (\$911 000) being credited during the year ended 30 June 2011.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where a member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$3.4 million (\$3.1 million) being credited during the year ended 30 June 2011.

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, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

**2. Summary of significant accounting policies****(a) Basis of accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TIs and APSS promulgated under the provision of the PFAA, except as provided below.

The principal standard applied in preparing this financial report is AAS 25. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

The financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is prepared 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 comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

*(vii) Diversified strategies income*

The diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

*(viii) Cash*

The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

*(ix) Socially responsible investment*

The socially responsible portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

*(c) Taxation*

The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

*(d) Operation of investment portfolio*

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2011, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Scheme are invested in the growth option.

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

*(e) GST*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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.

*(f) Revenue*

Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

**3. Transfer from (to) Consolidated Account**

The Treasurer approved a transfer of \$3.6 million from the Parliamentary Superannuation Scheme Special Deposit Account to the Consolidated Account in 2010-2011 (\$7 million).

**4. Direct investment expenses**

Direct investment expense comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

**5. Administration expenses**

	2011	2010
	\$'000	\$'000
Administration expenses	201	196
Auditor's remuneration	15	13
	216	209

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 \$15 400 (\$14 740). No other services were provided by the Auditor-General's Department.

	2011 \$'000	2010 \$'000
<b>6. Net assets available to pay benefits</b>		
<b>(a) PSS1 and PSS2 division</b>		
Funds held at 1 July	164 232	156 866
Contributions by members	794	905
Contributions by employers	2 290	2 571
Investment revenue	19 505	20 177
Other revenue	7	5
	<u>22 596</u>	<u>23 658</u>
Benefits paid	(8 124)	(8 191)
Administration expenses	(216)	(209)
Transfer to Consolidated Account	(3 600)	(7 000)
Direct investment expenses	(997)	(892)
	<u>(12 937)</u>	<u>(16 292)</u>
Funds held at 30 June	<u>173 891</u>	<u>164 232</u>
<b>(b) PSS3 division</b>		
Funds held at 1 July	2 816	2 253
Contributions by members	4	6
Contributions by employers	1 067	490
Rollovers from other schemes	10	-
Investment revenue	362	303
	<u>1 443</u>	<u>799</u>
Benefits paid	-	(221)
Direct investment expenses	(20)	(15)
	<u>(20)</u>	<u>(236)</u>
Funds held at 30 June	<u>4 239</u>	<u>2 816</u>
Total net assets	<u>178 130</u>	<u>167 048</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.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the Scheme up to 30 June 2011. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2011.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2010 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5 percent per annum above the Adelaide CPI have been assumed. In accordance with AAS 25 the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by the State Superannuation Office of DTF is estimated at \$178.1 million (\$169.1 million) as at 30 June 2011.

	2011 \$'000	2010 \$'000
Liability for accrued benefits at 1 July	169 070	158 834
Benefits expenses <sup>(i)</sup>	17 136	18 648
Benefits paid/payable	(8 124)	(8 412)
Liabilities for accrued benefits at 30 June	<u>178 082</u>	<u>169 070</u>
Represented by:		
PSS1 and PSS2 division	173 843	166 254
PSS3 division	4 239	2 816
Liability for accrued benefits at 30 June	<u>178 082</u>	<u>169 070</u>

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

**8. Vested benefits**

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 value of vested benefits is greater than the liability for accrued benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately. The vested superannuation liability as at 30 June 2011 is estimated at \$197.4 million.

	2011 \$'000	2010 \$'000
Vested benefits - PSS1 and PSS2 division	193 141	184 806
Vested benefits - PSS3 division	4 239	2 816
	<u>197 380</u>	<u>187 622</u>

The liability for benefits from the Scheme is met partly by the SA Government and partly by member contributions.

**9. Guaranteed benefits**

The entitlements of members are specified by the Act.

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

Operating result	2 070	(2 307)
Benefits expenses	17 136	18 648
Benefits paid/payable	(8 124)	(8 412)
Investment revenue	(19 867)	(20 480)
Direct investment expenses	1 017	907
Decrease (Increase) in sundry debtors	1	(1)
Increase (Decrease) in sundry creditors	1	(420)
Increase (Decrease) in benefits payable	25	59
Net cash provided by (used in) operating activities	<u>(7 741)</u>	<u>(12 006)</u>

**11. Reconciliation of cash**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2011 \$'000	2010 \$'000
Cash and cash equivalents	<u>629</u>	<u>409</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.

## 12. Financial instruments (continued)

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.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

### (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 change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

#### (ii) *Interest rate risk*

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

#### (iii) *Other market price risk*

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

#### (iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in 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 investments assets from possible changes in market price risk.



(iv) *Sensitivity analysis*

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets \$'000
<b>2011</b>			
High growth	Nominal standard deviation	13.50	167
Growth	Nominal standard deviation	11.10	19 300
Balanced	Nominal standard deviation	10.00	252
Socially responsible	Nominal standard deviation	11.60	19
Total			<u>19 738</u>
<b>2010</b>			
High growth	Nominal standard deviation	14.70	140
Growth	Nominal standard deviation	11.90	19 555
Balanced	Nominal standard deviation	10.70	161
Socially responsible	Nominal standard deviation	12.50	16
Total			<u>19 872</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 option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) *Liquidity risk*

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

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.

(c) **Liquidity risk (continued)**

	Less than three months \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
<b>2011</b>			
Benefits payable	291	291	291
Sundry creditors	16	16	16
Vested benefits <sup>(i)</sup>	197 380	197 380	197 380
Total	197 687	197 687	197 687
<b>2010</b>			
Benefits payable	266	266	266
Sundry creditors	15	15	15
Vested benefits <sup>(i)</sup>	187 755	187 755	187 755
Total	188 036	188 036	188 036

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) **Fair value**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Financial assets at fair value through profit or loss</b> (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 \$'000	Total \$'000
<b>2011</b>		
Unlisted managed investments schemes:		
Funds SA	177 800	177 800
	177 800	177 800
<b>2010</b>		
Unlisted managed investments schemes:		
Funds SA	166 911	166 911
	166 911	166 911

(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.

**13. Related parties**

(a) **Board members**

The following are members of the Board who served during the course of the 2010-2011 financial year, along with the period served.

Robert Sneath	Chairman	1 July 2010 - 30 June 2011
Lyn Brewer	Member	1 July 2010 - 30 June 2011
Robert Schwarz	Member	1 July 2010 - 30 June 2011

(b) **Board members' remuneration**

Board members do not receive fees for their Board membership

# Department of Planning and Local Government

## **Functional responsibility**

### **Establishment**

The Department of Planning and Local Government (the Department) is an administrative unit established under the PSA.

### **Functions**

The Department is responsible for ensuring the sustainable development of land and to facilitate the relationship between State and Local Governments.

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

## **Audit mandate and coverage**

### **Audit authority**

#### ***Audit of the financial report***

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

#### ***Assessment of controls***

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the 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 to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

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

- expenditure
- payroll
- cash
- financial accounting
- fixed assets
- payment of grants from the Planning and Development Fund
- revenue, including controlled and administered regulatory fees
- the governance framework (including the financial management compliance program).

The audit included consideration of control arrangements implemented by the Department and Shared Services SA (SSSA).

## **Audit findings and comments**

### **Auditor's report on the financial report**

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

### **Assessment of controls**

In my opinion, the controls exercised by the Department of Planning and Local Government 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 payroll, revenue and expenditure outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Planning and Local Government have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are detailed below.

### ***Policies and procedures***

The 2009-10 review identified that policies and procedures were either in draft or not documented. It also identified instances where existing documented policies and procedures were not consistent with current business practices.

The 2010-11 review noted that while policies and procedures had been implemented in a number of areas there were still areas where documented policies and procedures were in draft or were incomplete.

The Department responded that finalising the draft and incomplete policies and procedures is the focus of the Governance and Ethics Committee which is now responsible for implementing key governance controls and continuous improvement.

### ***Payroll***

The 2008-09 and 2009-10 audits identified that bona fide certificates and leave returns were not controlled through a central register to confirm they were reviewed by pay point managers. In 2010-11 the Department implemented a central bona fide register. The review in 2010-11 identified:

- delays in the return of bona fide certificates and correction of errors identified by pay point managers
- inconsistent use of the central bona fide register by divisions
- the register was not used to monitor the review of leave returns.

Ineffective monitoring of bona fide certificates and leave returns increases the risk that:

- bona fide certificates are not reviewed in a timely manner and errors identified are not corrected by SSSA
- leave returns are not reviewed in a timely manner and hence leave taken by employees is not recorded.

As a result, Audit was unable to obtain assurance that the Department's payroll related transactions are valid, complete and accurately recorded.

In response to the audit findings the Department has nominated an officer to monitor the register to ensure it is used and updated on a timely basis and issues are followed up. The role of the pay point managers has also been reinforced.

The review of the control environment at SSSA identified the following areas for improvement:

- SSSA has not documented policies and procedures relating to the Department's payroll processing.
- There is limited segregation of duties for key payroll functions and access to CHRIS.

SSSA responded that it is defining a project scope to address the issues of segregation of duties and user access. The outcome of the review is expected to enable effective establishment of team structures based on functional capabilities across payroll services. Further, SSSA advised it will develop procedures when required or as part of implementing change initiatives and service standardisation.

### **Revenue**

The audit identified the following areas where controls related to revenue recording and receipting can be improved:

- The Department has implemented limited segregation of duties for key revenue raising and receipting functions.
- The review of adjustments to the calculation of Open Space contributions was not documented.
- A key system reconciliation relating to revenue from development application and assessment fees (EDALA to IPOS) was not performed throughout 2010-11.

In 2008-09 and 2009-10 it was reported that the Department had not implemented procedures that ensured regulatory fees payable by councils were received by the Department. Audit's review in 2010-11 noted the Department implemented measures to ensure fees were paid on a more timely basis, however the Department had not implemented controls to confirm the council fee transfers were complete.

The Department responded that it is committed to improving internal controls related to revenue, and indicated it:

- was considering the re-assignment of tasks to different officers and/or engaging additional resources to resolve the segregation of duties issue
- will reinforce the requirement that all calculations and adjustments of the Open Space fee are carefully performed and reviewed to ensure their accuracy
- will ensure the EDALA to IPOS reconciliation resumes and establish exception reports to enhance the review of this interface.

The Department also advised it has identified further changes to improve processes for determining and collecting fees payable by councils to the Department and that it is committed to working with councils to achieve the improvements.

**Expenditure - the e-Procurement control environment at SSSA**

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

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

**Implementation of TIs 2 and 28**

The audit in 2010-11 identified that the fraud and corruption prevention policy and business continuity management policy had not been endorsed.

The audit also identified that a risk management policy has been established however no framework, risk registers and treatment plans specific to the Department have been established in 2010-11.

The Department responded that redefining the role of the Governance and Ethics Committee will lead to an increased focus on implementing key governance controls and continuous improvement.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefit expenses	19	20
Supplies and services	6	7
Grants and subsidies	2	-
Other expenses	-	1
<b>Total expenses</b>	<b>27</b>	<b>28</b>
<b>Income</b>		
Revenue from fees and charges	7	7
Other revenues	2	1
<b>Total income</b>	<b>9</b>	<b>8</b>
<b>Net cost of providing services</b>	<b>18</b>	<b>20</b>
<b>Revenues from SA Government</b>	<b>18</b>	<b>19</b>
<b>Net result and total comprehensive result</b>	<b>-</b>	<b>(1)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>1</b>	<b>(1)</b>

	2011 \$'million	2010 \$'million
<b>Assets</b>		
Current assets	5	5
Non-current assets	1	1
<b>Total assets</b>	<b>6</b>	<b>6</b>
<b>Liabilities</b>		
Current liabilities	4	4
Non-current liabilities	3	3
<b>Total liabilities</b>	<b>7</b>	<b>7</b>
<b>Total equity</b>	<b>(1)</b>	<b>(1)</b>

### Statement of Comprehensive Income

The Department's main expenditure relates to employee benefit expenses. Fees and charges revenue relates mainly to fees collected pursuant to the *Development Act 1993*.

#### Expenses

Employee benefit expenses have decreased by \$474 000 as a result of decreases in the number of employees.

Supplies and services expenses have decreased by \$1.3 million principally due to a reduction in the level of consultant and advertising costs associated with the establishment of the 30 year plan incurred in 2009-10.

Grants and subsidies expenses have increased by \$1.5 million reflecting increased payments to the Local Government Association in respect of the National Partnership Agreement to support local government and regional development.

#### Income

Advances and grants have increased by \$1.6 million principally due to increased revenues from the Commonwealth for the National Partnership Agreement to support local government and regional development.

### Statement of Financial Position

The majority of the Department's assets are cash. The majority of the Department's liabilities are employee benefits.

### Statement of Cash Flows

The following table summarises the net cash flows for 2010-11 and 2009-10.

	2011 \$'000	2010 \$'000
<b>Net cash flows</b>		
Operating	1	(1)
Investing	-	-
Change in cash	1	(1)
Cash at 30 June	5	4

**Highlights of the financial statements - administered items**

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Grants and subsidies	183	172
Supplies and services	4	3
Other expenses	3	3
<b>Total expenses</b>	<b>190</b>	<b>178</b>
<b>Income</b>		
Advances and grants	168	154
Revenues from fees and charges	19	21
Other revenues	1	1
<b>Total income</b>	<b>188</b>	<b>176</b>
<b>Net cost of providing services</b>	<b>(2)</b>	<b>(2)</b>
<b>Revenues from SA Government</b>	<b>2</b>	<b>2</b>
<b>Net result and total comprehensive result</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by (used in) operating activities</b>	<b>6</b>	<b>1</b>
<b>Assets</b>		
Current assets	25	19
Non-current assets	10	10
<b>Total assets</b>	<b>35</b>	<b>29</b>
<b>Total liabilities</b>	<b>8</b>	<b>2</b>
<b>Total equity</b>	<b>27</b>	<b>27</b>

**Statement of Administered Comprehensive Income**

Administered revenue from advances and grants relates mainly to Commonwealth funding to the South Australian Local Government Grants Commission. Administered grants and subsidies expenditure relates mainly to payments by the South Australian Local Government Grants Commission to local government bodies.

Administered fees and charges relate mainly to regulatory fees collected by the Planning and Development Fund pursuant to the *Development Act 1993*.

**Statement of Administered Financial Position**

The majority of administered assets are cash and property, plant and equipment.

There has been an increase of \$6.5 million in payables relating to the Planning and Development Fund grants and the Local Government Tax Equivalent Fund that the Department was obligated to pay at the end of the year and which were paid after 1 July 2011.



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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses	6	19 107	19 581
Supplies and services	7	6 051	7 341
Depreciation and amortisation expense	8	253	167
Grants and subsidies	9	1 944	479
Other expenses	10	79	273
<b>Total expenses</b>		<u>27 434</u>	<u>27 841</u>
<b>Income:</b>			
Revenue from fees and charges	12	6 716	6 882
Advances and grants	13	2 000	416
Sale of goods	14	51	55
Interest revenue	15	12	21
Other income	16	7	114
<b>Total income</b>		<u>8 786</u>	<u>7 488</u>
<b>Net cost of providing services</b>		<u>18 648</u>	<u>20 353</u>
<b>Revenues from SA Government:</b>			
Revenues from SA Government	17	18 615	19 377
<b>Net result</b>		<u>(33)</u>	<u>(976)</u>
<b>Total comprehensive result</b>		<u>(33)</u>	<u>(976)</u>

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

**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash	18	4 720	3 920
Receivables	19	683	1 251
<b>Total current assets</b>		5 403	5 171
<b>Non-current assets:</b>			
Receivables	19	4	4
Plant and equipment	20	502	689
Intangible assets	21	564	330
<b>Total non-current assets</b>		1 070	1 023
<b>Total assets</b>		6 473	6 194
<b>Current liabilities:</b>			
Payables	22	2 447	1 563
Employee benefits	23	1 907	2 187
Provisions	24	39	35
<b>Total current liabilities</b>		4 393	3 785
<b>Non-current liabilities:</b>			
Payables	22	229	286
Employee benefits	23	2 617	2 872
Provisions	24	132	116
Other non-current liabilities		3	3
<b>Total non-current liabilities</b>		2 981	3 277
<b>Total liabilities</b>		7 374	7 062
<b>Net assets</b>		(901)	(868)
<b>Equity:</b>			
Retained earnings	25	(3 884)	(3 851)
Contributed capital	25	2 983	2 983
<b>Total equity</b>		(901)	(868)
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 2011**

		Contributed capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2009	Note	2 983	(2 523)	460
Changes in accounting policy		-	(352)	(352)
Restated balance at 30 June 2009		2 983	(2 875)	108
Net result for 2009-10		-	(976)	(976)
Total comprehensive result for 2009-10		-	(976)	(976)
Balance at 30 June 2010	25	2 983	(3 851)	(868)
Net result for 2010-11		-	(33)	(33)
Total comprehensive result for 2010-11		-	(33)	(33)
<b>Balance at 30 June 2011</b>	25	<b>2 983</b>	<b>(3 884)</b>	<b>(901)</b>

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

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

		2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefit payments		(19 833)	(19 109)
Payments for supplies and services		(8 449)	(10 565)
Payments of grants and subsidies		(868)	(352)
GST paid to the ATO		(260)	(275)
Other payments		(195)	(89)
<b>Cash used in operations</b>		(29 605)	(30 390)
Cash inflows:			
Fees and charges		7 067	7 136
Advances and grants		2 162	137
Sale of goods		107	84
Interest received		12	21
GST recovered from the ATO		2 446	3 067
Other receipts		7	78
<b>Cash generated from operations</b>		11 801	10 523
Cash flows from SA Government:			
Receipts from SA Government		18 615	19 377
<b>Cash generated from SA Government</b>		18 615	19 377
<b>Net cash provided by (used in) operating activities</b>	29	811	(490)
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of plant and equipment		(11)	(134)
Purchase of intangibles		-	(262)
<b>Cash used in investing activities</b>		(11)	(396)
<b>Net cash provided by (used in) investing activities</b>		(11)	(396)
<b>Net increase (decrease) in cash</b>		800	(886)
<b>Cash at 1 July</b>		3 920	4 806
<b>Cash at 30 June</b>	18	4 720	3 920

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

	(Activities - refer note 5)		1		2		3	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefit expenses	16 719	17 202	301	243	255	188		
Supplies and services	5 676	6 379	20	85	168	328		
Depreciation and amortisation expense	214	112	-	-	39	55		
Grants and subsidies	1 833	247	-	-	88	152		
Other expenses	76	270	-	-	3	3		
<b>Total expenses</b>	<b>24 518</b>	<b>24 210</b>	<b>321</b>	<b>328</b>	<b>553</b>	<b>726</b>		
<b>Income:</b>								
Revenue from fees and charges	6 716	6 882	-	-	-	-		
Advances and grants	2 000	416	-	-	-	-		
Sale of goods	51	55	-	-	-	-		
Interest revenue	12	21	-	-	-	-		
Other income	7	114	-	-	-	-		
<b>Total income</b>	<b>8 786</b>	<b>7 488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net cost of providing services</b>	<b>15 732</b>	<b>16 722</b>	<b>321</b>	<b>328</b>	<b>553</b>	<b>726</b>		
<b>Revenues from SA Government:</b>								
Revenues from SA Government	18 615	19 377	-	-	-	-		
<b>Net result</b>	<b>2 883</b>	<b>2 655</b>	<b>(321)</b>	<b>(328)</b>	<b>(553)</b>	<b>(726)</b>		

	(Activities - refer note 5)		4		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	1 832	1 948	19 107	19 581		
Supplies and services	187	549	6 051	7 341		
Depreciation and amortisation expense	-	-	253	167		
Grants and subsidies	23	80	1 944	479		
Other expenses	-	-	79	273		
<b>Total expenses</b>	<b>2 042</b>	<b>2 577</b>	<b>27 434</b>	<b>27 841</b>		
<b>Income:</b>						
Revenue from fees and charges	-	-	6 716	6 882		
Advances and grants	-	-	2 000	416		
Sale of goods	-	-	51	55		
Interest revenue	-	-	12	21		
Other income	-	-	7	114		
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>8 786</b>	<b>7 488</b>		
<b>Net cost of providing services</b>	<b>2 042</b>	<b>2 577</b>	<b>18 648</b>	<b>20 353</b>		
<b>Revenues from SA Government:</b>						
Revenues from SA Government	-	-	18 615	19 377		
<b>Net result</b>	<b>(2 042)</b>	<b>(2 577)</b>	<b>(33)</b>	<b>(976)</b>		

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Planning and Local Government (the Department)

The Department is responsible for establishing a progressive planning system and aligning state and local government activities to meet South Australia's strategic plan targets.

The Department supports the delivery of South Australian cities, towns and rural areas that are vibrant, attractive and liveable, as well as resilient to climate change. The Department achieves this by realising the State Government's integrated, long-term vision for sustainable growth - as set out in the South Australian Planning Strategy - and by supporting effective local government.

Objectives of the Department are to:

- maintain and administer legislation and practices related to South Australia's planning and local government systems
- develop policies and provide guidance and analysis related to sustainable land use, including urban design, buildings and open space
- develop policies and documents setting out appropriate standards of governance and accountability in local government
- produce plans that articulate the State's spatial future and guide development, as set out in the South Australian Planning Strategy
- develop policies and provide guidance related to development plans and amendments to development plans
- facilitate the assessment of and provide advice on development proposals, applications, projects and practices to ensure compliance with plans, policies and legislation
- support efforts to address economic, social and environmental issues in the southern and northern suburbs of Greater Adelaide
- support statutory authorities and independent bodies for which the Minister for Urban Development, Planning and the City of Adelaide and the Minister for State/Local Government Relations are responsible.

The principal sources of funds for the Department's programs consist of monies appropriated by Parliament and the collection of planning and development fees under the *Development Act 1993*.

### 2. Summary of significant accounting policies

#### (a) *Statement of compliance*

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

Except for the amendments to AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in note 4.

#### (b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its 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, 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, 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 reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies

**(b) Basis of preparation (continued)**

- (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
- (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 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 presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

**(c) Reporting entity**

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back 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**

In 2010-11 there were no transferred functions.

**(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.

**(g) Taxation (continued)**

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

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

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

**(h) Events after the reporting 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 (refer note 31).

**(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.

Transactions with SA Government entities below the threshold of \$100 000 have been included within the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

*Fees and charges*

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

*Advances and grants*

Advances and grants are recognised when the Department gains control of the grant which is generally upon receipt.

*Revenues from SA Government*

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

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

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 appropriation is recorded as contributed equity.

*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 the 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 costs of the asset from the proceeds 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.

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

*Superannuation*

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

*Depreciation and amortisation*

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

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and infrastructure	20-70
Water, sewerage and drainage	20-80
Plant and equipment	3-20
Intangibles	1-5

*Grants and subsidies*

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

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

**(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.

(l) **Assets**

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

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

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*

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 as defined above.

Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from the sale of goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other SA 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 Department will not be able to collect the debt. Bad debts are written off when identified.

*Inventories*

Inventories are measured at the lower of cost or their net realisable value and include maintenance consumables and spares used in the ordinary course of business. It excludes depreciating assets.

Cost is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised in the Statement of Comprehensive Income.

*Non-current asset acquisition and recognition*

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

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

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

*Revaluation of non-current assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value) 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 Department will revalue its land, buildings and leasehold improvements on a five yearly basis. 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.

*Revaluation of non-current assets (continued)*

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

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in 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 an asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

*Work in progress*

Work in progress relates to costs associated with systems development, purchases of plant and equipment and other developments.

*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 are reviewed on an annual basis.

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

**(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 combine 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.

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 and employment on-costs.

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

*Payables (continued)*

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

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, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

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

*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 salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date for 2009-10. In 2010-11 employees were paid on 30 June for the pay period ending 1 July 2011. This represents a prepayment of one day's salary and wages, which has been recognised as an asset at 30 June 2011 at the remuneration rate for that day. Prepayments are included in note 19.

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.

*Long service leave*

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

The unconditional portion of the long service leave provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

*Provisions*

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

*Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases.

*Operating leases*

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

(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 (refer note 27).

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 28).

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 instruments/Financial risk management**

***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 transactions occur with customers with appropriate credit history.

***Liquidity risk***

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 30 represents the Department's maximum exposure to financial liabilities.

***Market risk***

The Department has significant non-interest bearing assets (cash on hand and receivables) and interest bearing assets (deposits with the Treasurer). The Department's exposure to market risk and cash flow interest risk is minimal.

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 Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**4. Net and revised accounting standards and policies**

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 6.

The Department did not voluntarily change any of its accounting policies during 2010-11.

**5. Activities of the Department**

The Disaggregated Disclosures schedule provides details of expenses and revenues applicable to the activities of the Department. Information about the Department's activities is set out below and in the activity schedule.

***Activity 1: Urban Development and Planning***

Strategic land use agency administering the South Australian Planning and Development system, leading and presenting South Australia's land use and development planning and assessing applications for land use and development.

**Activity 2: Office for the Southern Suburbs**

To assist in the realisation of the Government's policy commitments to improve economic development, social and environmental outcomes for the communities identified as being of high need in the southern suburbs.

**Activity 3: Office for the Northern Suburbs**

To assist in the realisation of the Government's policy commitments to improve economic, social and environmental outcomes for the northern suburbs.

**Activity 4: State/Local Government Relations**

Provide policy and other advice to the Government on the constructive relationship between the State Government and councils and other associated local government representative groups; whole-of-government policy and legislative frameworks as they affect local government; and the constitution and operations of the local government system, including statutory authorities for which the Minister for State/Local Government Relations is responsible.

<b>6. Employee benefit expenses</b>	2011	2010
	\$'000	\$'000
Salaries and wages	13 273	14 002
TVSPs (refer below)	1 253	553
Annual leave	1 205	1 292
Long service leave	640	744
Employment on-costs - superannuation	1 489	1 588
Employment on-costs - other	852	920
Workers compensation	15	25
Board and committee fees	248	262
Other employee related expenses	132	195
Total employee benefit expenses	19 107	19 581
 <b>TVSPs</b>		
Amounts paid to these employees:		
TVSPs	1 253	553
Annual leave and long service leave paid during the reporting period	355	156
Total amount paid	1 608	709
 Recovery from DTF		
Net cost to agency	-	553
	1 608	156

The number of employees who were paid TVSPs during the financial period was 10 (6).

The Department will seek reimbursement from DTF in 2011-12 for the \$1.253 million paid to TVSP employees.

**Remuneration of employees**

The number of employees whose total remuneration received or receivable falls within the following bands:	2011	2010
	Number	Number
\$130 700 - \$140 699	2	-
\$140 700 - \$150 699	1	2
\$150 700 - \$160 699	1	-
\$160 700 - \$170 699	1	2
\$170 700 - \$180 699	1	2
\$180 700 - \$190 699	2	1
\$190 700 - \$200 699	1	1
\$210 700 - \$220 699	1	-
\$270 700 - \$280 699	-	1
\$290 700 - \$300 699	1	-
\$300 700 - \$310 699	-	2
\$310 700 - \$320 699	1	-
\$320 700 - \$330 699	1	-
\$370 700 - \$380 699	-	1
\$420 700 - \$430 699	-	1
Total	13	13

**Remuneration of employees (continued)**

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.594 million (\$3.048 million).

**Accounting policy change**

In accordance with the revised APF II the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 20 for 2010 and 41 for 2011.

<b>7. Supplies and services</b>	2011	2010
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Professional and technical services	292	449
Administrative and operating costs	146	78
Utility and property costs	334	439
Computing and communications costs	425	535
Shared Services SA costs	321	320
Operating lease costs	1 424	1 421
Total supplies and services - SA Government entities	<u>2 942</u>	<u>3 242</u>
Supplies and services provided by entities external to the SA Government:		
Professional and technical services <sup>(1)</sup>	1 560	2 299
Administrative and operating costs	590	636
Utility and property costs	8	-
Computing and communications costs	674	744
Travel	125	117
Vehicle and equipment operating costs	3	-
Staff development and safety	149	303
Total supplies and services - non-SA Government entities	<u>3 109</u>	<u>4 099</u>
Total supplies and services	<u>6 051</u>	<u>7 341</u>

(1) Includes consultants' costs which are further broken down below and audit fees payable to the Auditor-General (refer note 11).

The number and dollar amount of consultants paid/payable (included in supplies and services expense) that fell within the following bands:	2011		2010	
	Number	\$'000	Number	\$'000
Below \$10 000	4	30	3	17
Between \$10 000 and \$50 000	3	45	3	66
Above \$50 000	3	394	4	657
Total paid/payable to consultants	<u>10</u>	<u>469</u>	<u>10</u>	<u>740</u>

<b>8. Depreciation and amortisation expense</b>	2011	2010
Depreciation:	\$'000	\$'000
Plant and equipment	197	167
Total depreciation	<u>197</u>	<u>167</u>
Amortisation:		
Intangibles	56	-
Total amortisation	<u>56</u>	<u>-</u>
Total depreciation and amortisation	<u>253</u>	<u>167</u>

<b>9. Grants and subsidies</b>	2011	2010
Grants and subsidies paid/payable to entities within the SA Government:		
Grants and subsidies	151	49
Total grants and subsidies - SA Government entities	<u>151</u>	<u>49</u>
Grants and subsidies paid/payable to entities external to the SA Government:		
Grants and subsidies	1 793	430
Total grants and subsidies - non-SA Government entities	<u>1 793</u>	<u>430</u>
Total grants and subsidies	<u>1 944</u>	<u>479</u>

<b>9. Grants and subsidies (continued)</b>	2011	2010
Non-SA Government grants and subsidies recipients:	\$'000	\$'000
Universities and colleges	-	120
Local government	90	105
Local Government Association	1 528	80
Department of Innovation, Industry, Science and Research (Commonwealth)	143	70
Not-for-profit organisations	-	40
Department of Infrastructure and Planning (Qld)	15	15
Other	17	-
Total grants and subsidies - non-SA Government entities	1 793	430

<b>10. Other expenses</b>		
Other expenses paid/payable to entities external to the SA Government:		
Workers compensation revaluation	20	19
Refunds	59	96
Other	-	158
Total other expenses	79	273

<b>11. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	92	43
Under-accrued audit fees	54	20
Total auditor's remuneration	146	63

**Other services**

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

<b>12. Revenues from fees and charges</b>		
Fees and charges received/receivable from entities within the SA Government:		
Management fees	1 119	1 069
Crown development fees	294	785
Planning and building disbursement fees	-	38
Total revenues from fees and charges - SA Government entities	1 413	1 892
Fees and charges received/receivable from entities external to the SA Government:		
Development application and assessment fees	3 319	3 149
Council transfer application, planning and building fees	1 114	1 144
Crown development fees	284	542
Major development application fees	399	62
Other	187	93
Total revenues from fees and charges - non-SA Government entities	5 303	4 990
Total revenues from fees and charges	6 716	6 882

<b>13. Advances and grants</b>		
Advances and grants received/receivable from entities within the SA Government:		
DPC	10	160
Department of Health	128	123
Office for Water Security	-	37
South Australian Water Corporation	-	38
Land Management Corporation	2	34
Department for Transport, Energy and Infrastructure	90	10
DTF <sup>(1)</sup>	1 735	-
Other SA Government	-	14
Total advances and grants revenue - SA Government entities	1 965	416

(1) Commonwealth grants allocated by DTF for the National Partnership Programs.

Advances and grants received/receivable from entities external to the SA Government:		
City of Playford	15	-
City of Adelaide	20	-
Total advances and grants revenue - non-SA Government entities	35	-
Total advances and grants revenue	2 000	416



<b>14. Sale of goods</b>		2011	2010
		\$'000	\$'000
Sale of information and data		51	55
Total sale of goods		<u>51</u>	<u>55</u>
<b>15. Interest revenues</b>			
Interest revenues		12	21
Total interest revenues		<u>12</u>	<u>21</u>
<b>16. Other income</b>			
Other income received/receivable from entities external to the SA Government:			
Reimbursements/Recoveries		-	100
Other		7	14
Total other income		<u>7</u>	<u>114</u>
<b>17. Revenues from SA Government</b>			
Revenues from SA Government:			
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		18 615	19 377
Total revenues from SA Government		<u>18 615</u>	<u>19 377</u>
The Department received appropriation in accordance with the <i>Appropriation Act</i> for the financial year.			
<b>18. Cash</b>			
Deposits with the Treasurer		4 719	3 919
Cash on hand		1	1
Total cash		<u>4 720</u>	<u>3 920</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 or 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 between 4.35 percent (2.85 percent) and 4.6 percent (4.07 percent). The carrying amount of cash approximates fair value.

<b>19. Receivables</b>		2011	2010
Current:		\$'000	\$'000
Receivables		117	328
Workers compensation recoveries		1	1
Accrued revenue		-	78
GST input tax recoverable		431	773
Prepayments		134	71
Total current receivables		<u>683</u>	<u>1 251</u>
Expected to be recovered more than 12 months after reporting date:			
Workers compensation recoveries		4	4
Total non-current receivables		<u>4</u>	<u>4</u>
Total receivables		<u>687</u>	<u>1 255</u>
<b><i>Government/Non-government receivables</i></b>			
Receivables from SA Government entities:			
Receivables		99	250
Accrued revenue		-	22
Prepayments		25	-
Total receivables from SA Government entities		<u>124</u>	<u>272</u>
Receivables from non-SA Government entities:			
Receivables		18	78
Workers compensation recoveries		5	5
Other accrued revenues		-	56
GST receivables		431	773
Prepayments		109	71
Total receivables from non-SA Government entities		<u>563</u>	<u>983</u>
Total receivables		<u>687</u>	<u>1 255</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, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, 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.

<b>20. Plant and equipment</b>		2011	2010
		\$'000	\$'000
Plant and equipment at cost (deemed fair value)		1 297	1 408
Accumulated depreciation - plant and equipment		(795)	(719)
Total plant and equipment		502	689

**Reconciliation of plant and equipment**

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

Carrying amount at 1 July	689	653
Additions	10	203
Depreciation expense	(197)	(167)
Carrying amount at 30 June	502	689

**Carrying amount of plant and equipment**

Plant and equipment includes \$430 398 of fully depreciated plant and equipment still in use. No plant and equipment retired from active use.

**Impairment**

There were no indications of impairment on plant and equipment at 30 June 2011.

<b>21. Intangible assets</b>		2011	2010
		\$'000	\$'000
Computer software		1 902	1 283
Accumulated amortisation		(1 338)	(1 283)
Development of computer software		-	330
Total intangible assets		564	330

**Reconciliation of intangibles**

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

	Computer software	Computer software development	Total
Carrying amount at 1 July	-	330	330
Additions	620	-	620
Amortisation expense	(56)	-	(56)
Capitalisation	-	(330)	(330)
Carrying amount at 30 June	564	-	564

**Impairment**

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

<b>22. Payables</b>		2011	2010
Current:		\$'000	\$'000
Creditors		43	27
Accrued expenses		2 128	1 179
Employment on-costs		276	357
Total current payables		2 447	1 563

Expected to be paid more than 12 months after reporting date:

Employment on-costs	229	286
Total expected to be paid more than 12 months after reporting date	229	286
Total payables	2 676	1 849

<b>Government/Non-government payables</b>	2011	2010
	\$'000	\$'000
Payables to SA Government entities:		
Accrued expenses	369	305
Employment on-costs	259	350
Total payables to SA Government entities	<u>628</u>	<u>655</u>
Payables to non-SA Government entities:		
Creditors	43	27
Accrued expenses	1 759	874
Employment on-costs	246	293
Total payables to non-SA Government entities	<u>2 048</u>	<u>1 194</u>
Total payables	<u>2 676</u>	<u>1 849</u>

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from 2010 rate 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

**Interest rate 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 related 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 30.
- (b) Categorisation of financial instruments and risk exposure information - refer note 30.

<b>23. Employee benefits</b>	2011	2010
	\$'000	\$'000
Current:		
Annual leave	1 369	1 442
Long service leave	535	293
Accrued salaries and wages	3	452
Total current employee benefits	<u>1 907</u>	<u>2 187</u>
Non-current:		
Long service leave	2 617	2 872
Total non-current employee benefits	<u>2 617</u>	<u>2 872</u>
Total employee benefits	<u>4 524</u>	<u>5 059</u>

The total current and non-current employee expense (ie aggregate employee benefit in note 23 plus related on-costs in note 22) for 2011 is \$5.029 million (\$5.702 million).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The change has no financial impact on the long service leave liability for the 2010-11 reporting period. 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.

In addition, the actuarial assessment performed by DTF has determined the salary inflation rate as 4 percent for 2011 (4 percent).

<b>24. Provisions</b>	2011	2010
	\$'000	\$'000
Current:		
Provision for workers compensation	39	35
Total current provisions	<u>39</u>	<u>35</u>
Non-current:		
Provision for workers compensation	132	116
Total non-current provisions	<u>132</u>	<u>116</u>
Total provisions	<u>171</u>	<u>151</u>

<b>24. Provisions (continued)</b>	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	151	132
Additional provisions recognised	20	19
Carrying amount at 30 June	<u>171</u>	<u>151</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.

<b>25. Equity</b>	2011	2010
	\$'000	\$'000
Contributed capital	2 983	2 983
Retained earnings	(3 884)	(3 851)
Total equity	<u>(901)</u>	<u>(868)</u>

**26. Transferred functions**  
There were no functions transferred in 2010-11.

**27. Unrecognised contractual commitments**

*Operating lease commitments*

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

Within one year	1 331	1 291
Later than one year but not longer than five years	2 253	3 471
Later than five years	204	259
Total operating lease commitments	<u>3 788</u>	<u>5 021</u>

Representing:

Non-cancellable operating leases	<u>3 788</u>	<u>5 021</u>
Total operating lease commitments	<u>3 788</u>	<u>5 021</u>

Operating leases relate to office accommodation, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

<i>Remuneration commitments</i>	2011	2010
	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 753	2 085
Later than one year but not longer than five years	2 641	4 608
Total remuneration commitments	<u>4 394</u>	<u>6 693</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*

Within one year	235	254
Later than one year but not longer than five years	32	86
Total other commitments	<u>267</u>	<u>340</u>

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

**28. Contingent assets and contingent liabilities**

*Contingent assets*

The Department is not aware of any contingent assets as at 30 June 2011.

*Contingent liabilities*

The Department is currently engaged in a number of legal proceedings where the outcome will be determined in the future and the associated costs, if any, are still to be determined. These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible but not probable. This is disclosed as a contingent liability as its potential value had not yet been determined at balance date.

<b>29. Cash flow reconciliation</b>		
Reconciliation of cash at 30 June:		
Statement of Cash Flows	2011	2010
Statement of Financial Position	\$'000	\$'000
	4 720	3 920
	<u>4 720</u>	<u>3 920</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	811	(490)
Revenue from SA Government	(18 615)	(19 377)
Non-cash items:		
Depreciation and amortisation	(253)	(167)
Assets derecognised	(26)	-
Non-current assets accrual in payables	315	84
Changes in assets/liabilities:		
Increase (Decrease) in receivables	(568)	231
Decrease (Increase) in payables and provisions	(847)	(191)
Decrease (Increase) in employee benefits	535	(440)
Decrease (Increase) in other liabilities	-	(3)
Net cost of providing services	<u>(18 648)</u>	<u>(20 353)</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	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash	18	4 720	4 720	3 920	3 920
Receivables <sup>(1)</sup>	19	18	18	78	78
Total financial assets		<u>4 738</u>	<u>4 738</u>	<u>3 998</u>	<u>3 998</u>
<b>Financial liabilities</b>					
Payables <sup>(1)</sup>	22	43	43	27	27
Total financial liabilities		<u>43</u>	<u>43</u>	<u>27</u>	<u>27</u>

(1) Receivable and payable amounts disclosed here exclude statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Currently the Department does not hold any collateral as security to any of its financial assets. At reporting date, there is no evidence to indicate that any of the financial assets are impaired.

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

**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	
<b>2011</b>				
Not impaired:				
Receivables <sup>(1)</sup>	17	1	-	18
Impaired:				
Receivables <sup>(1)</sup>	-	-	-	-
Total financial assets	<u>17</u>	<u>1</u>	<u>-</u>	<u>18</u>

**30.2 Ageing analysis of financial assets  
(continued)**

	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	
<b>2010</b>				
Not impaired:				
Receivables <sup>(1)</sup>	65	11	2	78
Impaired:				
Receivables <sup>(1)</sup>	-	-	-	-
Total financial assets	65	11	2	78

(1) Receivable amounts here exclude statutory receivables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

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

**30.3 Maturity analysis of financial assets  
and liabilities**

	Contractual maturities			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2011</b>				
Financial assets:				
Cash	4 720	4 720	-	-
Receivables	18	18	-	-
Total financial assets	4 738	4 738	-	-
Financial liabilities:				
Payables	43	43	-	-
Total financial liabilities	43	43	-	-
<b>2010</b>				
Financial assets:				
Cash	3 920	3 920	-	-
Receivables	78	78	-	-
Total financial assets	3 998	3 998	-	-
Financial liabilities:				
Payables	27	27	-	-
Total financial liabilities	27	27	-	-

**31. Events after the reporting date**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 30 June 2011) proclaimed that effective from 1 July 2011 the Office for Recreation and Sport, the Office for Racing and nine employees will transfer from the Attorney-General's Department to the Department.

**32. Remuneration of board and committee members**

	2011 Number	2010 Number
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$9 999	48	46
\$20 000 - \$29 999	6	6
\$40 000 - \$49 999	1	1
Total	55	53

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 \$271 200 (\$284 871).

The total amount paid to superannuation plans for members was \$23 084 (\$22 699).

\* In accordance with DPC Circular 16, government employees, as indicated by an asterisk, did not receive any remuneration for board/committee duties during the financial year.

**32. Remuneration of board and committee members (continued)**

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.

***Boundary Adjustment Facilitation Panel***

Aldridge G M

Irving A (retired 31 December 2010)

Procter C

Maitland J W

Wagstaff M

***Building Advisory Committee***

Clausen K (retired 30 September 2010)

Corby B P (retired 30 September 2010)

Hopkins K R (retired 30 September 2010)

Mazzarolo J A (retired 30 September 2010)

Poupoulas D P (retired 30 September 2010)

Seppelt A (retired 30 September 2010)

***Building Rules Assessment Committee***

Corby B P (retired 1 May 2011)

Dodd I M - specialist member (retired 1 May 2011)

Douflias B (retired 1 May 2011)

Hopkins K (retired 1 May 2011)

Marsland M (retired 1 May 2011)

Mazzarolo J A (retired 1 May 2011)

Poupoulas D (retired 1 May 2011)

Prelgauskas E - specialist member (retired 1 May 2011)

Robinson D A - specialist member (retired 1 May 2011)

Sands R - specialist member (retired 1 May 2011)

Seppelt A K (retired 1 May 2011)

Vjestica M (retired 1 May 2011)

Wigg C A - specialist member (retired 1 May 2011)

***Development Policy Advisory Committee***

Barone M (retired 30 June 2011)

Fitzpatrick J (retired 30 June 2011)

Gagetti R L (retired 30 June 2011)

Hollidge E (retired 30 June 2011)

Moore J F (retired 30 June 2011)

Ogden P (retired 30 June 2011)

Poupoulas D (retired 30 June 2011)

Torr P (retired 8 December 2010)

Veitch A C G (retired 30 June 2011)

***Development Assessment Commission***

Brown D L

Byrt E

Dagas J

Douflias B

Fatchen T - specialist member

Fuller N - specialist member

Harvey N - specialist member

Kracman B - specialist member

Leydon M

Loveday G M

Rice R - specialist member

Roderick B R

Walker K - specialist member

Wigg C A

Williamson D - specialist member

***Local Heritage Advisory Committee***

Angas H (retired 28 December 2010)

El Chiekh N (retired 30 June 2011)\*

Faunt A J (retired 30 June 2011)

Leydon G J (retired 30 June 2011)

Keenan M (retired 30 June 2011)

Stroeher B (retired 30 June 2011)

Wigg C A (retired 30 June 2011)

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits expenses	A3	900	911
Supplies and services	A4	4 350	2 681
Depreciation	A5	261	247
Grants and subsidies	A6	183 001	172 475
Net loss from disposal of assets	A7	24	-
Other expenses	A8	1 311	1 710
<b>Total expenses</b>		<u>189 847</u>	<u>178 024</u>
<b>Income:</b>			
Revenue from fees and charges	A10	18 636	20 500
Advances and grants	A11	167 531	154 121
Interest revenue	A12	1 129	823
Sale of goods		7	5
Net gain from disposal of assets	A13	-	54
Other income	A14	165	140
<b>Total income</b>		<u>187 468</u>	<u>175 643</u>
<b>Net cost of providing services</b>		<u>(2 379)</u>	<u>(2 381)</u>
<b>Revenues from SA Government:</b>			
Revenues from SA Government	A15	<u>2 393</u>	<u>2 366</u>
<b>Net result</b>		<u>14</u>	<u>(15)</u>
<b>Total comprehensive result</b>		<u>14</u>	<u>(15)</u>

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



**Statement of Administered Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash	A16	24 104	18 006
Receivables	A17	1 288	711
Inventories	A18	-	20
<b>Total current assets</b>		<u>25 392</u>	<u>18 737</u>
<b>Non-current assets:</b>			
Plant and equipment	A19	9 700	9 877
<b>Total non-current assets</b>		<u>9 700</u>	<u>9 877</u>
<b>Total assets</b>		<u>35 092</u>	<u>28 614</u>
<b>Current liabilities:</b>			
Payables	A20	7 705	1 159
Employee benefits	A21	68	91
Provisions	A22	1	1
Other current liabilities	A23	-	88
<b>Total current liabilities</b>		<u>7 774</u>	<u>1 339</u>
<b>Non-current liabilities:</b>			
Payables	A20	18	17
Employee benefits	A21	201	173
Provisions	A22	3	3
<b>Total non-current liabilities</b>		<u>222</u>	<u>193</u>
<b>Total liabilities</b>		<u>7 996</u>	<u>1 532</u>
<b>Net assets</b>		<u>27 096</u>	<u>27 082</u>
<b>Equity:</b>			
Retained earnings	A24	24 254	24 240
Asset revaluation surplus	A24	2 842	2 842
<b>Total equity</b>		<u>27 096</u>	<u>27 082</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	A26		
Contingent assets and liabilities	A27		

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

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009		2 816	24 289	27 105
Prior period correction		26	(27)	(1)
Changes in accounting policy		-	(7)	(7)
Restated balance at 30 June 2009		2 842	24 255	27 097
Net result for 2009-10		-	(15)	(15)
Total comprehensive result for 2009-10		-	(15)	(15)
Balance at 30 June 2010	A24	2 842	24 240	27 082
Net result for 2010-11		-	14	14
Total comprehensive result for 2010-11		-	14	14
<b>Balance at 30 June 2011</b>	A24	<b>2 842</b>	<b>24 254</b>	<b>27 096</b>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(906)	(941)
Payments for supplies and services		(4 250)	(2 696)
Payments for grants and subsidies		(176 474)	(172 476)
Other payments		(1 311)	(1 671)
<b>Cash used in operations</b>		<b>(182 941)</b>	<b>(177 784)</b>
Cash inflows:			
User fees and charges		18 464	20 500
Advances and grants		166 954	153 685
Interest received		1 104	807
Sale of goods		7	5
Other receipts		172	436
<b>Cash generated from operations</b>		<b>186 701</b>	<b>175 433</b>
Cash flows from SA Government:			
Receipts from SA Government		2 393	2 996
<b>Cash generated from SA Government</b>		<b>2 393</b>	<b>2 996</b>
<b>Net cash provided by (used in) operating activities</b>	A28	<b>6 153</b>	<b>645</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of land, buildings and improvements		-	(625)
Purchase of plant and equipment		(55)	(114)
Purchase of water, sewerage and drainage assets		-	(217)
<b>Cash used in investing activities</b>		<b>(55)</b>	<b>(956)</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(55)</b>	<b>(956)</b>
<b>Net increase (decrease) in cash</b>		<b>6 098</b>	<b>(311)</b>
<b>Cash at 1 July</b>		<b>18 006</b>	<b>18 317</b>
<b>Cash at 30 June</b>	A16	<b>24 104</b>	<b>18 006</b>

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

(Activities - refer note A2)	1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	2	2	-	-	-	-	219	267
Supplies and services	1 052	941	-	-	-	-	239	141
Depreciation	-	-	-	-	-	-	-	-
Grants and subsidies	17 643	19 117	-	-	1 052	1 332	161 961	149 927
Net loss from disposal of assets	-	-	-	-	-	-	-	-
Other expenses	73	214	1 152	1 305	-	-	-	-
<b>Total expenses</b>	<b>18 770</b>	<b>20 274</b>	<b>1 152</b>	<b>1 305</b>	<b>1 052</b>	<b>1 332</b>	<b>162 419</b>	<b>150 335</b>
<b>Income:</b>								
Revenue from fees and charges	17 484	19 195	1 152	1 305	-	-	-	-
Advances and grants	9	-	-	-	-	-	163 297	151 178
Interest revenue	922	679	-	-	-	-	100	74
Net gain from disposal of assets	-	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	7	5
Other income	4	-	-	-	-	-	20	20
<b>Total income</b>	<b>18 419</b>	<b>19 874</b>	<b>1 152</b>	<b>1 305</b>	<b>-</b>	<b>-</b>	<b>163 424</b>	<b>151 277</b>
<b>Net revenue from (cost of) providing services</b>	<b>(351)</b>	<b>(400)</b>	<b>-</b>	<b>-</b>	<b>(1 052)</b>	<b>(1 332)</b>	<b>1 005</b>	<b>942</b>
<b>Revenues from SA Government:</b>								
Revenues from SA Government	-	-	-	-	1 326	1 326	-	-
<b>Net result</b>	<b>(351)</b>	<b>(400)</b>	<b>-</b>	<b>-</b>	<b>274</b>	<b>(6)</b>	<b>1 005</b>	<b>942</b>

(Activities - refer note A2)	5		6		Total	
	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	679	642	-	-	900	911
Supplies and services	3 059	1 599	-	-	4 350	2 681
Depreciation	261	247	-	-	261	247
Grants and subsidies	568	780	1 777	1 319	183 001	172 475
Net loss from disposal of assets	24	-	-	-	24	-
Other expenses	86	191	-	-	1 311	1 710
<b>Total expenses</b>	<b>4 677</b>	<b>3 459</b>	<b>1 777</b>	<b>1 319</b>	<b>189 847</b>	<b>178 024</b>
<b>Income:</b>						
Revenue from fees and charges	-	-	-	-	18 636	20 500
Advances and grants	2 476	2 461	1 749	482	167 531	154 121
Interest revenue	63	43	44	27	1 129	823
Net gain from disposal of assets	-	54	-	-	-	54
Sale of goods	-	-	-	-	7	5
Other income	141	120	-	-	165	140
<b>Total income</b>	<b>2 680</b>	<b>2 678</b>	<b>1 793</b>	<b>509</b>	<b>187 468</b>	<b>175 643</b>
<b>Net revenue from (cost of) providing services</b>	<b>(1 997)</b>	<b>(781)</b>	<b>16</b>	<b>(810)</b>	<b>(2 379)</b>	<b>(2 381)</b>
<b>Revenues from SA Government:</b>						
Revenues from SA Government	-	-	1 067	1 040	2 393	2 366
<b>Net result</b>	<b>(1 997)</b>	<b>(781)</b>	<b>1 083</b>	<b>230</b>	<b>14</b>	<b>(15)</b>

## NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

### A1. Summary of significant accounting policies

The Department of Planning and Local Government's (the Department's) accounting policies are contained in note 2. The policies in note 2 apply to both the Department and administered financial statements.

### A2. Administered funds of the Department

The Schedule of Expenses and Income Attributable to Administered Activities provides details of expenses and income for each of the administered activities. The schedule does not include internal transactions between the administered activities.

#### Activity 1: *Planning and Development Fund*

The Planning and Development Fund was established under section 79 of the *Development Act 1993*.

The key objective of the fund is to provide the Government with the means to implement open space and public realm programs across South Australia. It enables the Government to adopt a State-wide overview to strategically address open and public space issues in an objective manner, including through the Open Space and Places for People grant programs to local government.

The primary source of funding is from developers who are required, pursuant to section 50 of the *Development Act 1993*, to contribute to the Planning and Development Fund in lieu of the provision of 12.5 percent of the development as open space, in accordance with a prescribed formula and rate, where the number of allotments in a land subdivision are 20 or less. A contribution into the Planning and Development Fund is also required where developers create community titles.

#### Activity 2: *Planning Fees*

In accordance with Schedule 6 of the Development Regulations 1993, the Department on behalf of the Development Assessment Commission is required to transfer the relevant amount of land division application fees received, on a quarterly basis, to appropriate councils and State agencies, pursuant to the directions set out in Schedule 7 of the Regulations.

#### Activity 3: *West Beach Trust*

The Department reimburses West Beach Trust for payments it makes under the tax equivalent regime in recognition of non-profit making activities undertaken on behalf of the Government. Conversely, the Department receives government appropriation to fund these payments.

#### Activity 4: *South Australian Local Government Grants Commission*

The fund was established under the *South Australian Local Government Grants Commission Act 1992*. The primary purposes of the fund are to distribute untied Commonwealth Local Government Financial Assistance grants to South Australian local government authorities. The Commission's operating costs are predominantly funded by State Parliamentary appropriations.

#### Activity 5: *Outback Communities Authority*

As defined in the *Outback Communities (Administration and Management) Act 2009*, the functions of the Outback Communities Authority (the Authority) are to manage the provision of public services and facilities to outback communities; to promote improvements in the provision of public services and facilities to outback communities; and to articulate the views, interests and aspirations of outback communities.

The Authority is recognised as a local government authority by the South Australian Local Government Grants Commission and, as such, receives an annual grant allocation from the Commission.

#### Activity 6: *Local Government Taxation Equivalents Funds*

The fund was established under the *Local Government Finance Authority Act 1983*, and requires the Local Government Finance Authority of South Australia to make taxation equivalents payments into the fund. Monies from the fund are paid to the Local Government Association of South Australia and applied for local government research and development purposes.

<b>A3. Employee benefits expenses</b>	2011	2010
	\$'000	\$'000
Salaries and wages	607	643
Annual leave	55	48
Long service leave	28	34
Employment on-costs - superannuation	66	63
Employment on-costs - other	43	43
Board and committee fees	101	80
Total employee benefits expenses	900	911

**Accounting policy change**

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by one for 2010. There was no change for 2011.

<b>A4. Supplies and services</b>	2011	2010
	\$'000	\$'000
Supplies and services provided by entities within the SA Government:		
Professional and technical services <sup>(1)</sup>	3 001	1 646
Utility and property costs	163	74
Computing and communication costs	14	14
Vehicle and equipment operating costs	2	3
Operating lease costs	45	32
Total supplies and services - SA Government entities	3 225	1 769
Supplies and services provided by entities external to the SA Government:		
Professional and technical services <sup>(2)</sup>	298	338
Administrative and operating costs	276	140
Utility and property costs	424	332
Computing and communications costs	21	22
Travel and accommodation	59	42
Vehicle and equipment operating costs	30	27
Staff development and safety	17	11
Total supplies and services - non-SA Government entities	1 125	912
Total supplies and services	4 350	2 681

(1) Includes audit fees paid/payable to the Auditor-General (refer note A9).

(2) Includes consultancies costs which are further broken down below.

The number and dollar amount of consultants' costs paid/payable (included in supplies and services expense) that fell within the following bands:	2011		2010	
	Number	\$'000	Number	\$'000
Between \$10 000 and \$50 000	1	10	-	-
Total paid/payable to the consultants engaged	1	10	-	-

<b>A5. Depreciation expense</b>	2011	2010
	\$'000	\$'000
Depreciation:		
Plant and equipment	58	90
Buildings and infrastructure	139	92
Water, sewerage and drainage	64	65
Total depreciation expense	261	247

<b>A6. Grants and subsidies</b>		
Grants and subsidies paid/payable to entities within the SA Government:		
Planning and Development Fund	7 004	1 928
West Beach Trust	1 052	1 332
Outback Communities Authority	-	1
Total grants and subsidies - SA Government entities	8 056	3 261

<b>A6. Grants and subsidies (continued)</b>	2011	2010
Grants and subsidies paid to entities external to the SA Government:	\$'000	\$'000
Planning and Development Fund	10 640	17 189
Office of Local Government administered items	1 777	1 319
Outback Communities Authority	567	779
South Australian Local Government Grants Commission	161 961	149 927
Total grants and subsidies - non-SA Government entities	<u>174 945</u>	<u>169 214</u>
Total grants and subsidies	<u>183 001</u>	<u>172 475</u>
<b>A7. Net loss from the disposal of assets</b>		
Land and buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	24	-
Total net loss from disposal of assets	<u>24</u>	<u>-</u>
<b>A8. Other expenses</b>		
Other expenses paid/payable to entities within the SA Government:		
Refunds	-	84
Other	4	5
Total other expenses - SA Government entities	<u>4</u>	<u>89</u>
Other expenses paid/payable to entities external to the SA Government:		
Planning fees	1 152	1 305
Refunds	70	247
Other	85	69
Total other expenses - non-SA Government entities	<u>1 307</u>	<u>1 621</u>
Total other expenses	<u>1 311</u>	<u>1 710</u>
<b>A9. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	54	45
Over accrued audit fees	5	-
Total auditor's remuneration	<u>49</u>	<u>45</u>
<i>Other services</i>		
No other services were provided by the Auditor-General's Department.		
<b>A10. Revenue from fees and charges</b>		
Fees and charges received/receivable from entities external to the SA Government:		
Planning and development fees	5	-
Land division contribution revenue	10 460	9 658
Community title contribution revenue	7 019	9 537
Development application and assessment fees	1 152	1 305
Total revenue from fees and charges	<u>18 636</u>	<u>20 500</u>
<b>A11. Advances and grants</b>		
Advances and grants received/receivable from entities within the SA Government:		
Grants	1 653	1 022
Total advances and grants - SA Government	<u>1 653</u>	<u>1 022</u>
Advances and grants received/receivable from entities external to the SA Government:		
Commonwealth grants	164 114	152 617
Industry grants	1 764	482
Total advances and grants - non-SA Government entities	<u>165 878</u>	<u>153 099</u>
Total advances and grants	<u>167 531</u>	<u>154 121</u>
<b>A12. Interest revenue</b>		
Interest from entities within the SA Government	1 129	823
Total interest revenue	<u>1 129</u>	<u>823</u>

<b>A13. Net gain from the disposal of assets</b>	2011	2010
Plant and equipment:	\$'000	\$'000
Proceeds from disposal	-	54
Net book value of assets disposed	-	-
Total net gain from disposal of assets	-	54

**A14. Other income**

Other income received/receivable from entities within the SA Government:

Reimbursements/Recoveries	24	20
Total other income - SA Government entities	24	20

Other income received/receivable from entities external to the SA Government:

Reimbursements/Recoveries	70	57
Other	71	63
Total other income - non-SA Government entities	141	120
Total other income	165	140

**A15. Revenues from SA Government**

Revenues from SA Government:

Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	2 393	2 366
Total revenues from SA Government	2 393	2 366

The Department receives appropriation for its administered funds in accordance with the *Appropriation Act* for the financial year. Appropriation for the 'Administered Items for the Department of Planning and Local Government' is received into a Special Deposit Account. The appropriation received is subsequently paid to each fund controlled by those administrative units as detailed in note A2.

**A16. Cash**

	2011	2010
	\$'000	\$'000
Deposits with the Treasurer	24 104	18 006
Total cash	24 104	18 006

**Interest rate risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate between 4.35 percent (2.85 percent) and 4.6 percent (4.07 percent). The carrying amount of cash approximates fair value.

**A17. Receivables**

Current:	2011	2010
	\$'000	\$'000
Receivables	1 195	644
Accrued interest on deposits	89	67
Prepayments	4	-
Total current receivables	1 288	711
Total receivables	1 288	711

**Government/Non-government receivables**

Receivables from SA Government entities:

Receivables	1 190	-
Accrued interest revenues	89	67
Total receivables from SA Government entities	1 279	67

Receivables from non-SA Government entities:

Receivables	5	644
Prepayments	4	-
Total receivables from non-SA Government entities	9	644
Total receivables	1 288	711

**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 provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.



<b>A18. Inventories</b>		2011	2010
		\$'000	\$'000
Materials at cost		-	20
Total inventories		<u>-</u>	<u>20</u>
<b>A19. Property, plant and equipment</b>			
Land, buildings and infrastructure:			
Land at fair value		5 493	5 493
Buildings and infrastructure at fair value		3 976	3 966
Accumulated depreciation		(1 391)	(1 310)
Total land, buildings and infrastructure		<u>8 078</u>	<u>8 149</u>
Water, sewerage and drainage:			
Water, sewerage and drainage assets at fair value		2 265	2 246
Accumulated depreciation		(870)	(806)
Total water, sewerage and drainage		<u>1 395</u>	<u>1 440</u>
Plant and equipment:			
Plant and equipment at fair value		403	403
Accumulated depreciation - plant and equipment		(206)	(148)
Work in progress		30	33
Total plant and equipment		<u>227</u>	<u>288</u>
Total property, plant and equipment		<u>9 700</u>	<u>9 877</u>

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2010-11:

	Land	Buildings and infrastructure	Water, sewerage and drainage	Plant and equipment	WIP	Total
2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	5 493	2 656	1 440	255	33	9 877
Additions	-	59	19	-	30	108
Transfers from work in progress	-	33	-	-	(33)	-
Disposals	-	(24)	-	-	-	(24)
Depreciation expense	-	(139)	(64)	(58)	-	(261)
Carrying amount at 30 June	<u>5 493</u>	<u>2 585</u>	<u>1 395</u>	<u>197</u>	<u>30</u>	<u>9 700</u>

**Valuation of land, buildings and infrastructure, and water, sewerage and drainage assets**

A valuation of land, building and infrastructure, and water, sewerage and drainage was performed by independent valuers from Liquid Pacific Pty Ltd and Maloney Field Services as at 30 June 2008. The valuers arrived at fair value based on recent market transactions for similar land, buildings and infrastructure in the area taking into account zoning and restricted use.

**Impairment**

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

<b>A20. Payables</b>		2011	2010
		\$'000	\$'000
Current:			
Accrued expenses		7 695	1 140
Employment on-costs		10	19
Total current payables		<u>7 705</u>	<u>1 159</u>
Expected to be settled more than 12 months after reporting period:			
Employment on-costs		18	17
Total non-current payables		<u>18</u>	<u>17</u>
Total payables		<u>7 723</u>	<u>1 176</u>

<b>Government/Non-government payables</b>	2011	2010
Payables to SA Government entities:	\$'000	\$'000
Accrued expenses	859	684
Employment on-costs	18	19
Total payables to SA Government entities	<u>877</u>	<u>703</u>
Payables to non-SA Government entities:		
Accrued expenses	6 836	456
Employment on-costs	10	17
Total payables to non-SA Government entities	<u>6 846</u>	<u>473</u>
Total payables	<u>7 723</u>	<u>1 176</u>

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave is estimated to be 35 percent (45 percent) and the average factor for the calculation of employer superannuation on-cost is 10.3 percent (10.5 percent). These rates are used in the employment oncost calculation.

**Interest rate risk**

Creditors and accruals are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days and employment on-costs are settled when the related employee benefit is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

<b>A21. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Annual leave	60	57
Long service leave	5	8
Accrued salaries and wages	3	26
Total current employee benefits	<u>68</u>	<u>91</u>
Non-current:		
Long service leave	201	173
Total non-current employee benefits	<u>201</u>	<u>173</u>
Total employee benefits	<u>269</u>	<u>264</u>

The total current and non-current employee expense (ie aggregate employee benefit in note A21 plus related on-costs in note A20) for 2011 is \$297 000 (\$300 000).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark 5.5 years to five years. The change has no financial impact on the long service leave liability for the 2010-11 reporting period. The impact of 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.

In addition, the actuarial assessment performed by DTF has determined the salary inflation rate as 4 percent for 2011 (4 percent).

<b>A22. Provisions</b>	2011	2010
Current:	\$'000	\$'000
Provision for workers compensation	1	1
Total current provisions	<u>1</u>	<u>1</u>
Non-current:		
Provision for workers compensation	3	3
Total non-current provisions	<u>3</u>	<u>3</u>
Total provisions	<u>4</u>	<u>4</u>
Movement in provision:		
Carrying amount at 1 July	4	3
Increase in the provision	-	1
Carrying amount at 30 June	<u>4</u>	<u>4</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.

<b>A23. Other liabilities</b>	2011	2010
Current:	\$'000	\$'000
Unearned revenue	-	88
Total other liabilities	-	88

<b>A24. Equity</b>		
Retained earnings	24 254	24 240
Asset revaluation surplus	2 842	2 842
Total equity	27 096	27 082

**A25. Transferred functions**  
There were no functions transferred in 2010-11.

**A26. Unrecognised commitments**

*Operating lease commitments*

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

Within one year	41	33
Later than one year and not longer than five years	12	-
Total operating lease commitments	53	33

Representing:

Non-cancellable operating leases	53	33
Total operating lease commitments	53	33

Operating leases relate to property and accommodation occupied by the Outback Communities Authority. This lease is non-cancellable, with rental payable monthly in advance. Contingent rental provisions within the lease agreement allow for the review of lease payments every year.

*Other commitments*

	2011	2010
	\$'000	\$'000
Within one year	122	52
Total other commitments	122	52

The Department's other commitments are for agreements for maintenance and other service contracts outstanding at the end of the reporting period.

*Grant commitments*

Within one year	5 400	5 943
Later than one year and not longer than five years	4 400	4 800
Total grant commitments	9 800	10 743

The Government has entered into several open and public space, and urban regeneration initiatives including:

- One Million Trees
- Cheltenham Open Space
- Greenways
- Prospect Road Village Heart
- Seaford Heights/McLaren Vale Green Gateway.

**A27. Contingent assets and contingent liabilities**

The Department is not aware of any contingent assets or liabilities affecting the administered activities of the Department as at 30 June 2011.

**A28. Cash flow reconciliation**

Reconciliation of cash at 30 June:	2011	2010
Statement of Administered Financial Position	\$'000	\$'000
Statement of Administered Cash Flows	24 104	18 006
	24 104	18 006

<b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services</b>	2011	2010
	\$'000	\$'000
Net cash provided by (used in) operating activities	6 153	645
Revenue from SA Government	(2 393)	(2 366)
Non-cash items:		
Depreciation	(261)	(247)
Loss on disposal of assets	(24)	-
Other non-cash items	-	54
Non-current assets accrual in payables	53	-
Movement in assets and liabilities:		
Increase (Decrease) in receivables	577	(408)
Increase (Decrease) in inventories	(20)	-
Decrease (Increase) in payables and provisions	(6 547)	(32)
Decrease (Increase) in employee benefits	(5)	36
Decrease (Increase) in other liabilities	88	(63)
Net cost of providing services	<u>(2 379)</u>	<u>(2 381)</u>

**A29. Events after balance date**

No events have occurred after the reporting period that would affect the consolidated administered funds financial statements as at 30 June 2011.

**A30. Remuneration of board and committee members**

Members that were entitled to receive remuneration during the year are listed in the following summary table:	2011 Number	2010 Number
\$0 - \$9 999	12	10
\$10 000 - \$19 999	4	3
\$20 000 - \$29 999	2	1
Total	<u>18</u>	<u>14</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 \$127 203 (\$86 857).

Amounts paid to a superannuation plan for board/committee members were \$10 405 (\$6756).

\* In accordance with DPC Circular 16, government employees, as indicated by an asterisk, did not receive any remuneration for board/committee duties during the 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.

**SA Local Government Grants Commission**

Gascoigne C J	Patetsos M
Germein M L (retired 10 August 2010)	Ross J S

**Public Space Advisory Committee**

Deslandes M T (retired 31 May 2011)	Newbery I B (retired 31 May 2011)
Evans M J (retired 31 May 2011)	Patetsos M (retired 31 May 2011)
Matijevic N M (retired 1 March 2011)	

**Outback Communities Authority**

Bauer T N	Giles B E (retired 30 June 2010)
Beltchev G	Heylen M
Cleary J*	Katnich P L
Frahn F L W	McIntosh W R
Fuller G C (retired 30 June 2010)	

# Police Superannuation Scheme

## Functional responsibility

### Establishment

The Police Superannuation Scheme (the Scheme) and the Police Superannuation Board (the Board) were established under the *Police Superannuation Act 1990*. The Board is responsible to the Treasurer.

### Functions

The Board is responsible for administering the Scheme which provides for benefit payments to police officers who commenced employment before 1 June 1990. The Scheme comprises a Pension (Old Scheme) Division.

Police officers who commenced employment after 1 June 1990 are now members of the Southern State Superannuation Scheme (the Triple S Scheme) which is administered by the South Australian Superannuation Board.

The main financial administration arrangements of the Scheme involve:

- the Police Superannuation Fund, established under the *Police Superannuation Act 1990*, which records receipts (members' contributions and revenue earned from investment of those monies) and payments (the employee share of benefit payments and administration costs)
- the Police Superannuation Employer Contribution Account (the Police Employer Account), established under the PFAA, which records employer contributions on behalf of the members and payments of the employer share of benefits paid and administration costs.

The Superannuation Funds Management Corporation of South Australia is responsible for the investment and management of the Police Superannuation Fund and the Police Employer Account.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

## Scope of the audit

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

During 2010-11 areas of review included:

- receipting and banking of contributions
- benefit payments
- administration expenses
- liability for accrued benefits.

The audit of the investment and management of the Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia audit.

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the net assets of the Police Superannuation Scheme as at 30 June 2011, and changes in net assets for the year ended 30 June 2011 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 Police Superannuation 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 Police Superannuation Scheme have been conducted properly and in accordance with law.

### Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

## Interpretation and analysis of the financial report

### Highlights of the financial report

In accordance with AAS 25, the Board has elected to present their financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial statements.

	2011 \$'million	2010 \$'million
<b>Revenue</b>		
Contribution revenue	98	97
Investment revenue	89	80
<b>Total revenue</b>	<b>187</b>	<b>177</b>

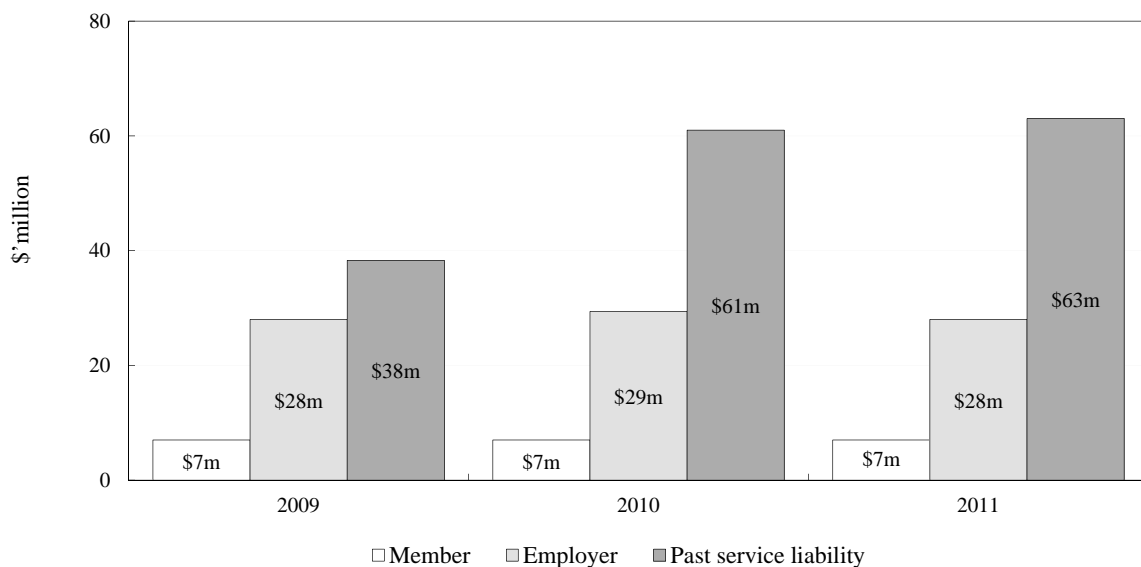
	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Benefits paid	59	57
Other expenses	5	4
<b>Total expenses</b>	<b>64</b>	<b>61</b>
<b>Net increase (decrease) in funds</b>	<b>123</b>	<b>116</b>
<b>Assets</b>		
Investments	855	733
Other assets	1	2
<b>Total assets</b>	<b>856</b>	<b>735</b>
<b>Liabilities</b>		
Current liabilities	-	2
<b>Total liabilities</b>	<b>-</b>	<b>2</b>
<b>Net assets available to pay benefits</b>	<b>856</b>	<b>733</b>

### Statement of Changes in Net Assets

#### Revenues

Investment activity for the year resulted in a positive return of \$89 million (\$80 million). Investment returns are discussed in the commentary for Superannuation Funds Management Corporation of South Australia elsewhere in Part B of this Report.

The following chart shows an analysis of contribution revenue for the three years to 2011.



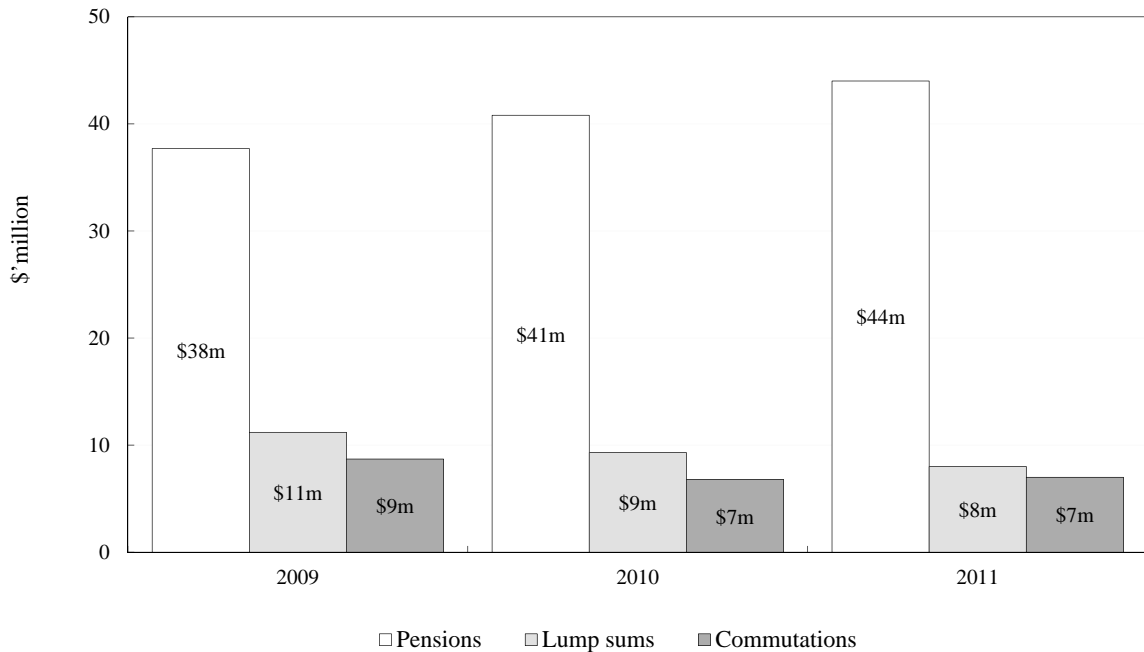
The chart shows that member and employer contributions have remained steady over the past three years.

Past service liability payments represent funding from the Government to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

#### Expenses

Benefits paid totalled \$59 million (\$57 million). Of this amount, \$44 million (\$41 million) was taken as pensions and \$15 million (\$16 million) as lump sum and commutation payments.

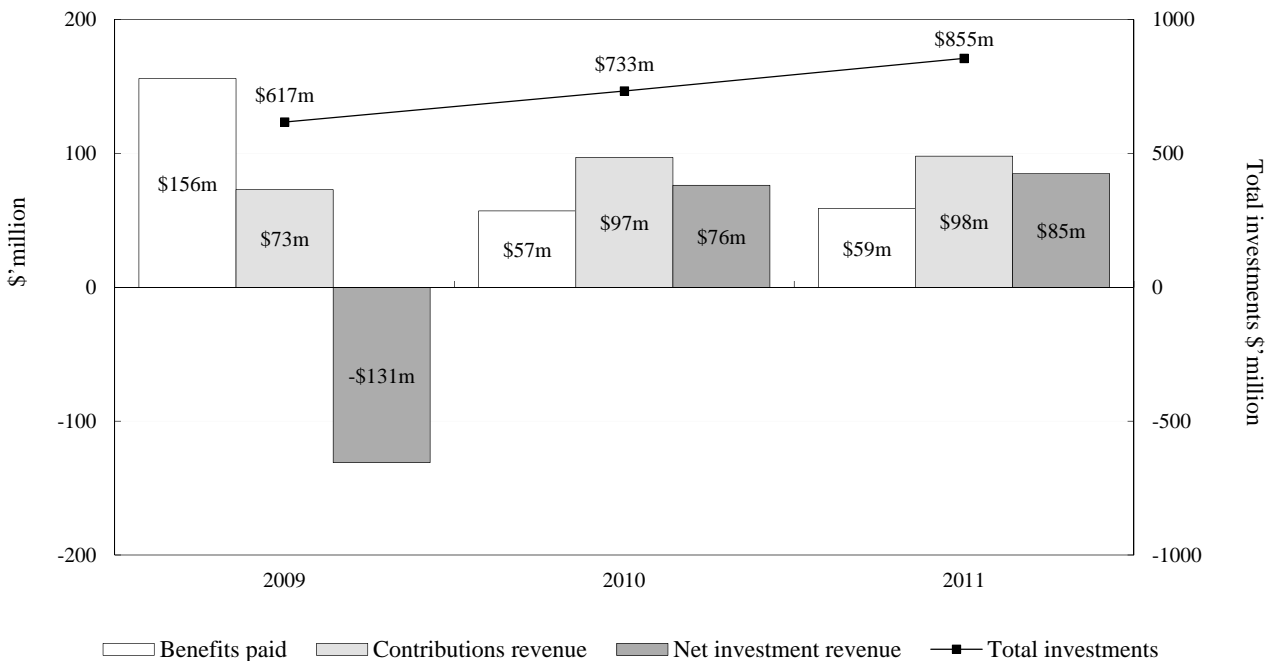
For the three years to 2011, the following chart shows an analysis of benefits paid. In 2008-09 a \$98 million transfer payment was made to the Triple S Scheme. This was as a result of legislative change that enabled lump sum members of the Scheme to transfer to the Triple S Scheme from 1 July 2008. The transfer payment in 2008-09 has been excluded from the chart.



Since 2009 there has been a steady increase in pensions. This is expected as the pensions paid are affected by increases in the number of pensioners, final salary and inflation adjustments. Note 11 to the financial statements provides a breakdown of benefits paid.

**Statement of Net Assets**

Investments increased by \$122 million to \$855 million.





The change in investments is the result of investment revenue, benefits paid and contributions revenue. While benefits and contributions trend consistently from year to year, investment revenue can fluctuate significantly depending on prevailing market conditions. This can significantly impact on the level of total investments held. The chart for 2009 includes the effect of the transfer of \$98 million to the Triple S Scheme in 2008-09, and the negative returns on investments from depressed financial markets.

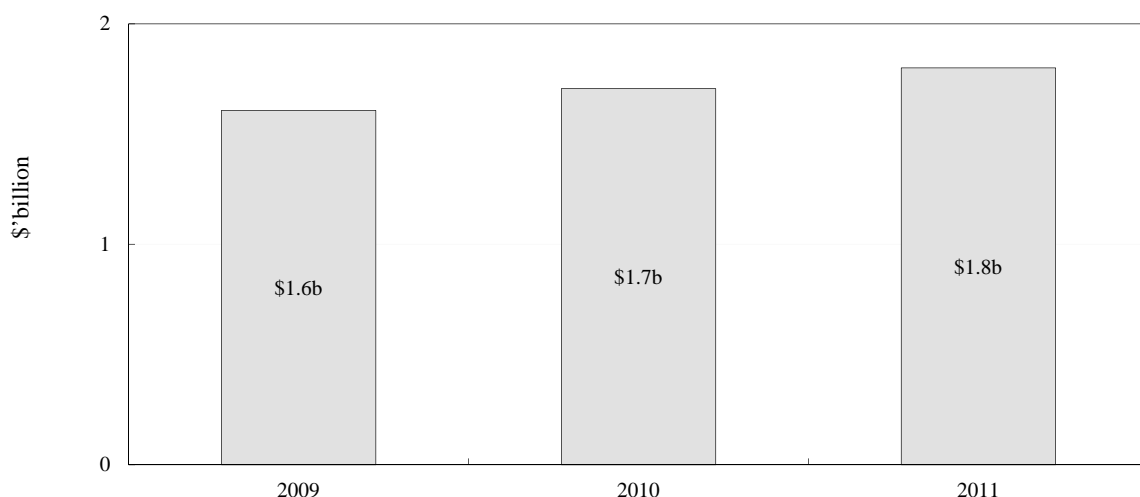
Investment returns are discussed in the commentary for Superannuation Funds Management Corporation of South Australia elsewhere in Part B of this Report.

## Further commentary on operations

### Liability for accrued benefits

The estimated liability for accrued benefits increased by \$46 million to \$1753 million for which net assets of \$856 million (\$733 million) were available to pay benefits. This has resulted in an excess of liabilities over net assets of \$897 million (\$974 million), which represents the unfunded liability at 30 June 2011.

For the three years to 2011, the following chart shows an analysis of the liability for accrued benefits.



An actuarial review is undertaken every three years with assumptions from this review used to calculate the accrued liability in years between reviews. The 2008 triennial actuarial review resulted in revised demographic assumptions including a reduction in pensioner mortality rates and lower rates of age retirement resulting in a further increase in the liability for accrued benefits. Note 3 to the financial statements provides further details.

### Net assets available to pay benefits

At 30 June 2011 the unfunded liability of the Scheme was \$897 million.

Analysis of the Police Employer Account revealed net assets available to pay benefits of \$512 million compared to an accrued liability of \$1446 million. This represents a shortfall of net assets over accrued liabilities of \$934 million. The Government transferred \$63 million to the Police Employer Account as funding for the accrued past service liability.

Analysis of the Police Superannuation Fund revealed net assets available to pay benefits of \$344 million compared to an accrued liability of \$307 million. This represents an excess of net assets over accrued liabilities of \$37 million.

**Pensioners**

The number of pensioners and pensions paid for the past three years were:

	2011	2010	2009
Pensioners	1 382	1 329	1 277
Pensions paid (\$'000)	44 593	40 810	37 749

**Contributions by members**

The number of contributors and contributions received from pension Old Scheme Division members for the past three years were:

	2011	2010	2009
Contributors (excludes preserved members)	1 589	1 670	1 747
Contributions received (\$'000)	6 836	6 951	7 034

**Statement of Net Assets  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Investments:</b>			
Inflation linked securities B		-	48 071
Inflation linked securities A		78 556	17 127
Property A		116 499	74 570
Australian equities A		249 650	211 986
International equities A		208 302	183 810
Long term fixed interest		23 460	19 984
Short term fixed interest		15 799	-
Diversified strategies growth A		46 658	40 487
Diversified strategies income		84 732	101 531
Cash		31 431	35 440
<b>Total investments</b>	9	855 087	733 006
<b>Other assets:</b>			
Cash and cash equivalents		986	2 041
Contributions receivable		136	-
Sundry debtors		16	12
<b>Total other assets</b>		1 138	2 053
<b>Total assets</b>		856 225	735 059
<b>Current liabilities:</b>			
Benefits payable		54	1 417
Sundry creditors		103	103
<b>Total liabilities</b>		157	1 520
<b>Net assets available to pay benefits</b>		856 068	733 539

**Statement of Changes in Net Assets  
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Net assets available to pay benefits at 1 July</b>		733 539	617 537
<b>Revenue:</b>			
Investment revenue		89 191	79 890
Other income		49	37
Contribution revenue:	10		
Past service liability		62 600	61 000
Employer contributions		28 343	29 438
Member contributions		6 836	6 951
Government Co-contributions		14	158
<b>Total contribution revenue</b>		<b>97 793</b>	<b>97 547</b>
<b>Total revenue</b>		<b>187 033</b>	<b>177 474</b>
<b>Expenses:</b>			
Direct investment expenses	6	(4 640)	(3 760)
Administration expenses	6	(491)	(581)
Benefits paid:	11		
Pensions		(44 593)	(40 810)
Commutations		(6 870)	(6 820)
Lump sums		(7 896)	(9 343)
Government co-contributions		(14)	(158)
<b>Total benefits paid</b>		<b>(59 373)</b>	<b>(57 131)</b>
<b>Total expenses</b>		<b>(64 504)</b>	<b>(61 472)</b>
<b>Net increase (decrease) in funds</b>		<b>122 529</b>	<b>116 002</b>
<b>Net assets available to pay benefits at 30 June</b>		<b>856 068</b>	<b>733 539</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Objectives and funding**

**(a) Police Superannuation Scheme (the Scheme)**

The Scheme was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for police officers who are contributors to the Scheme.

Contributors to the Scheme are members of the old scheme who are entitled to a pension based benefit. The old scheme was closed to new members in May 1990.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Police Superannuation Fund (the Fund). The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is made up of one division, being the Old Scheme (Pension) Division. The division consists of the contributions and the accretions arising from the investment of those contributions.

**(b) Police Superannuation Board (the Board)**

The Board, established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted South Australia Police to provide administrative services.

Pursuant to the Act, the Board is required to determine a rate of return which is credited to each contribution account within the Fund at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by investment of the division of the Fund.

**(c) 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 Fund and the Police Superannuation Scheme Employer Contribution Account (the Police Employer Account), reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

**(d) Funding arrangements**

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and Police Employer Account. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with subsection 14(3) of the Act, taking into account the most recent actuarial assessment.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the employer contributions made by South Australia Police that are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. From 1 July 2009, the rate for the Pension division was set at 20.5 percent.

For the year ended 30 June 2011 \$28.3 million (\$29.4 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2011 the Government transferred a further \$62.6 million (\$61 million) to the Police Employer Account to meet liabilities in respect of the Scheme.

**2. Summary of significant accounting policies****(a) Basis of accounting**

The financial report is a general purpose financial report prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ending 30 June 2011. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is presented 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, which are provided by Funds SA.

- (i) *Inflation linked securities A*  
The inflation linked securities A portfolio comprises two subsectors:
- *Externally managed inflation linked securities*  
Externally managed inflation linked securities are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
  - *Internally managed inflation linked securities*  
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 the balance date was performed by an independent valuer.
- (ii) *Property A*  
The property A portfolio comprises two subsectors:
- *Listed property trusts*  
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
  - *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 the 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 the balance date where applicable.
- (v) *Long-term and short-term fixed interest*  
The long-term and short-term fixed interest portfolios are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vi) *Diversified strategies growth A*  
The diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds 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 the balance date where applicable.
- (vii) *Diversified strategies income*  
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas 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 the balance date where applicable.

*(viii) Cash*

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

*(c) Taxation*

The investments of the Scheme are exempt from federal income tax because the Scheme has been declared as 'constitutionally protected' under the Regulations to the ITAA. Consequently, no income tax expense has been brought to account in this financial report.

*(d) Revenue*

Superannuation contributions and other revenue is brought to account on an accrual basis.

*(e) Receivables and payables*

Contributions receivable are contributions relating to the 2010-11 financial year received by the Scheme after 30 June 2011.

Other receivables are carried at nominal amounts due which approximate fair value. Payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2011 but who had not been paid until after 30 June 2011.

*(f) 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 Net Assets are shown exclusive of GST.

*(g) Comparative information*

The presentation and classification of items in the financial report 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 report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

**3. Liability for accrued benefits**

The accrued liabilities of the Scheme as determined by DTF are shown below.

The accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2011 based on membership data as at 30 June 2010.

The expected future benefit payments have been determined using the 2008 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the CPI have been allowed for. 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. A discount rate of 4.5 percent per annum above CPI of 2.5 percent has been applied.

	2011	2010
	Pension	Pension
	Scheme	Scheme
	Division	Division
	\$'million	\$'million
Changes in the liability for accrued benefits:		
Liability for accrued benefits at 1 July	1 706.9	1 607.4
Benefits expense	105.6	156.6
Benefits paid	(59.4)	(57.1)
Liability for accrued benefits at 30 June	1 753.1	1 706.9
Represented by:		
Police Superannuation Fund	306.8	294.1
Police Employer Account	1 446.3	1 412.8
Total	1 753.1	1 706.9

**3. Liability for accrued benefits (continued)**

Pursuant to the Act, actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to government and the proportion of future benefits that can be met from the Fund.

The last actuarial review as at 30 June 2008 was carried out by Mr S Mules, FIAA of Mercer Human Resource Consulting. In his report, dated 13 March 2009, Mr Mules made the following recommendations:

- (a) the funding proportion for the Fund Old Scheme Division to be decreased from the current level of 22 percent to 17.5 percent
- (b) the Government contribution for future service liabilities for the Pension Scheme Division be increased from the current level of 19.5 percent to 20.5 percent.

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

**4. Vested benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below assume that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

***Vested liabilities 30 June***

	2011 Pension Scheme Division \$'million	2010 Pension Scheme Division \$'million
Police Superannuation Fund	302.8	293.4
Police Employer Account	1 427.7	1 362.3
Total	1 730.5	1 655.7

**5. Guaranteed benefits**

Contributors' benefit entitlements are set out in the Act.

**6. Administration and direct investment expenses**

Administration expenses incurred by the Board are financed in the first instance from the Police Employer Account through a Special Deposit Account. Pursuant to subsection 10(7) of the Act, the Fund is required to meet a prescribed proportion, currently 30 percent, of the administration expenses incurred by the Scheme.

Administration expenses incurred by the Scheme for 2010-11 amounted to \$491 000 (\$581 000) of which the Fund is required to reimburse \$147 000 (\$174 000) to the Scheme through the Police Employer Account. Of the \$491 000, \$11 000 (\$8000) was spent on a consultant and \$285 000 (\$310 000) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

**7. Remuneration of board members**

The following are members of the Board who served during 2010-11, along with the period served.

<b><i>Board member</i></b>	<b>Period served during 2010-11</b>
Trevor Haskell*	1 July 2010 to 30 June 2011
Keryl Howie*	1 July 2010 to 30 June 2011
Kingsley Oakley	1 July 2010 to 30 June 2011
Michael Ramm	1 July 2010 to 30 June 2011
Bernadette Zimmermann*	1 July 2010 to 30 June 2011



**7. Remuneration of board members (continued)****Deputy member**

John Bruhn*	Period served during 2010-11 1 July 2010 to 30 June 2011
Garry Powell*	1 July 2010 to 30 June 2011
Michael Standing*	1 July 2010 to 30 June 2011
James Tappin*	1 July 2010 to 30 June 2011
Mark Trueman*	1 July 2010 to 30 June 2011

Members' remuneration is set according to State Government guidelines for statutory authorities.

\* In accordance with DPC Circular 16, members who are government employees do not receive remuneration for their board membership. Board members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by members of the Board in 2010-11 was \$9000 (\$9000). Total remuneration included superannuation of \$600 (\$700).

The number of board members whose remuneration was within the following bands is as follows:	2011 Number	2010 Number
\$1 - \$10 000	2	2

**8. Remuneration of auditors**

Amounts paid or payable to the Auditor-General's Department for auditing the accounts of the Board in 2010-11 total \$19 000 (\$19 000).

**9. Summary of investment holdings**

	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2011 Total \$'000	2010 Total \$'000
Investments:				
Inflation linked securities B	-	-	-	48 071
Inflation linked securities A	31 574	46 982	78 556	17 127
Property A	46 824	69 675	116 499	74 570
Australian equities A	100 341	149 309	249 650	211 986
International equities A	83 722	124 580	208 302	183 810
Long-term fixed interest	9 429	14 031	23 460	19 984
Short-term fixed interest	6 350	9 449	15 799	-
Diversified strategies growth A	18 753	27 905	46 658	40 487
Diversified strategies income	34 056	50 676	84 732	101 531
Cash	12 633	18 798	31 431	35 440
Total investments	343 682	511 405	855 087	733 006

**10. Changes in net assets**

Transactions within each division are summarised below:

	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2011 Total \$'000	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2010 Total \$'000
Net assets available to pay benefits at 1 July	312 130	421 409	733 539	280 992	336 545	617 537
Revenue:						
Investment revenue	37 412	51 779	89 191	36 041	43 849	79 890
Other income	8	41	49	6	31	37
Contribution revenue:						
Past service liability	-	62 600	62 600	-	61 000	61 000
Employer contributions	-	28 343	28 343	-	29 438	29 438
Member contributions	6 836	-	6 836	6 951	-	6 951
Government co-contributions	-	14	14	-	158	158
Total contribution revenue	6 836	90 957	97 793	6 951	90 596	97 547
Total revenue	44 256	142 777	187 033	42 998	134 476	177 474

**10. Changes in net assets (continued)**

	Fund Old Scheme Division	Police Employer Account	2011 Total	Fund Old Scheme Division	Police Employer Account	2010 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:						
Direct investment expense	(1 914)	(2 726)	(4 640)	(1 612)	(2 148)	(3 760)
Administration expense	(147)	(344)	(491)	(174)	(407)	(581)
Benefits paid:						
Pensions	(7 804)	(36 789)	(44 593)	(7 142)	(33 668)	(40 810)
Commutation lump sums	(1 202)	(5 668)	(6 870)	(1 202)	(5 618)	(6 820)
Lump sums	(1 429)	(6 467)	(7 896)	(1 730)	(7 613)	(9 343)
Government co-contributions	-	(14)	(14)	-	(158)	(158)
Total benefits paid	(10 435)	(48 938)	(59 373)	(10 074)	(47 057)	(57 131)
Total expenses	(12 496)	(52 008)	(64 504)	(11 860)	(49 612)	(61 472)
Net increase (decrease) in funds	31 760	90 769	122 529	31 138	84 864	116 002
Net assets available to pay benefits at 30 June	343 890	512 178	856 068	312 130	421 409	733 539

**11. Benefits paid**

All benefit payments were met in the first instance from the Special Deposit Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	2011 Fund Old Scheme Division	2010 Fund Old Scheme Division
	\$'000	\$'000
<b>Pensions:</b>		
Funded from:		
Police Superannuation Fund	7 804	7 142
Police Employer Account	36 789	33 668
Gross scheme costs	44 593	40 810
<b>Commutation lump sums:</b>		
Funded from:		
Police Superannuation Fund	1 202	1 202
Police Employer Account	5 668	5 618
Gross scheme costs	6 870	6 820
<b>Lump sums:</b>		
Funded from:		
Police Superannuation Fund	1 429	1 730
Police Employer Account	6 467	7 613
Gross scheme costs	7 896	9 343
<b>Government co-contributions:</b>		
Funded from:		
Police Employer Account	14	158
Gross scheme costs	14	158
<b>Total benefits paid:</b>		
Funded from:		
Police Superannuation Fund	10 435	10 074
Police Employer Account	48 938	47 057
Gross scheme costs	59 373	57 131

**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.

**12. Financial instruments (continued)**

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework. The 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.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

**(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 a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

**(ii) Interest rate risk**

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

**(iii) Other market price risk**

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

(iii) *Other market price risk (continued)*

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option. These standard deviations provide the risk variable to be applied to each option in the year ahead. 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
		Percent	\$'000
<b>2011</b>			
Growth	Nominal standard deviation	11.10	94 915
Total			<u>94 915</u>
<b>2010</b>			
Growth	Nominal standard deviation	11.90	87 228
Total			<u>87 228</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.

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 Net Assets 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 redemption 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.

**(c) Liquidity risk (continued)**

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
<b>2011</b>			
Benefits payable	54	54	54
Sundry creditors	103	103	103
Vested benefits <sup>(i)</sup>	1 730 000	1 730 000	1 730 000
Total	<u>1 730 157</u>	<u>1 730 157</u>	<u>1 730 157</u>
<b>2010</b>			
Benefits payable	1 417	1 417	1 417
Sundry creditors	103	103	103
Vested benefits <sup>(i)</sup>	1 656 000	1 656 000	1 656 000
Total	<u>1 657 520</u>	<u>1 657 520</u>	<u>1 657 520</u>

- (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 estimation**

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

**(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.

# Department of the Premier and Cabinet

## Functional responsibility

### Establishment

The Department of the Premier and Cabinet (the Department) is an administrative unit established pursuant to the PSA. For details of the Department's objectives refer note 1 of the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the 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 2010-11, specific areas of audit attention included:

- revenue, including invoicing and bank reconciliations
- expenditure, including accounts payable and payroll
- grants and subsidies
- overseas travel
- protocol unit
- governance
- service level agreements
- property, plant and equipment
- general ledger.

## Audit findings and comments

### Auditor's report on the financial report

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

### **Assessment of controls**

In my opinion, the controls exercised by the Department of the Premier and Cabinet 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 lack of management control over debtor recovery by SafeWork SA and the implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of the Premier and Cabinet have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the Department. The response to the management letter was satisfactory.

The principal matters raised with Department included the need:

- for the Department to review the roles and accountabilities of its governance groups/committees to identify any improvements for the effective operation within the overall strategic and financial governance framework of the Department
- to ensure that there is full compliance with the Commissioner's Standard with respect to overseas travel. This involves maintaining a register of overseas travel, providing justification for travelling business class and requiring the Chief Executive to approve business class travel
- for the Protocol Unit to develop a listing of preferred suppliers and prepare function briefs and budgets for all events
- for SafeWork SA to institute a management control over debtor recovery and to improve its collection process over outstanding debts
- to ensure compliance with TIs 2 and 28.

The Department advised the following remediation action:

- Governance arrangements have been reviewed and a new governance group established comprising senior executives of the Department.
- Existing arrangements for the approval and recording of overseas travel will be reviewed to identify opportunities for improvement.
- In relation to the Protocol Unit the preferred supplier list is under review and function briefs and budgets will be prepared for all events to ensure system uniformity.
- In relation to SafeWork SA debtor follow-up and management processes are to be enhanced.
- Progress has been taken to achieve compliance with TIs 2 and 28 as outlined hereunder.

At the time of the preparation of this Report, Audit was completing a review of certain grants and subsidies.

### **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 provided an update status on the Department's progress to meeting the requirements of TIs 2 and 28. Last year it was conveyed that the Department had dedicated resources to reviewing or preparing policies and procedures of high risk areas and establishing a compliance framework document.

The Department did not implement the compliance program in 2010-11. A financial management compliance program, supported by a compliance self-assessment survey and implementation plan, will be submitted to the Department's Audit and Risk Committee for endorsement in October 2011. The implementation plan involves a pilot rollout to a division of the Department before implementation across the remainder of the Department during 2011-12.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefits	87	91
Supplies and services	61	64
Grants and subsidies	130	141
Other expenses	7	8
<b>Total expenses</b>	<b>285</b>	<b>304</b>
<b>Income</b>		
Fees and charges	27	27
Grants	14	21
Other	9	5
<b>Total income</b>	<b>50</b>	<b>53</b>
<b>Revenues from (payments to) SA Government</b>		
Revenues from SA Government	241	247
Payments to SA Government	-	2
<b>Total revenues from (payments to) SA Government</b>	<b>241</b>	<b>245</b>
<b>Net result and total comprehensive result</b>	<b>6</b>	<b>(6)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>12</b>	<b>7</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(31)</b>	<b>(15)</b>
<b>Assets</b>		
Current assets	45	43
Non-current assets	161	128
<b>Total assets</b>	<b>206</b>	<b>171</b>
<b>Liabilities</b>		
Current liabilities	37	25
Non-current liabilities	17	18
<b>Total liabilities</b>	<b>54</b>	<b>43</b>
<b>Total equity</b>	<b>152</b>	<b>128</b>

### Statement of Comprehensive Income

The net result for the year was a surplus of \$6.2 million (\$6.2 million deficit). The turnaround in the net result is mainly due to a decrease in expenses of \$19 million.



Grants and subsidies represent 46 percent (46 percent) of total expenses. Payments decreased in 2010-11 by \$11 million to \$130 million. The most significant payments are listed in note 8 to the financial statements.

#### Statement of Financial Position

Total assets increased by \$35 million to \$206 million. The majority of this amount relates to the increase of \$33 million in property, plant and equipment. This increase is mainly the result of expenditure on the Adelaide Studios at Glenside.

#### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>Net cash flows</b>				
Operating	12	7	2	(14)
Investing	(30)	(15)	(10)	-
Financing	19	10	4	10
Change in cash	1	2	(4)	(4)
Cash at 30 June	35	34	32	36

The cash position has remained relatively steady since 2008. Investing activities in 2010-11 of \$33.6 million principally related to the costs associated with the development of the Adelaide Studios at Glenside.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits	6	86 685	91 122
Supplies and services	7	61 019	64 442
Grants and subsidies	8	130 328	141 095
Depreciation and amortisation	9	6 001	6 022
Net loss from disposal of non-current assets	10	665	1 093
Other expenses	11	424	548
<b>Total expenses</b>		285 122	304 322
<b>Income:</b>			
Fees and charges	13	27 493	27 040
Commonwealth revenues	14	5 124	1 942
Grants	15	14 304	21 299
Interest		31	26
Resources received free of charge	16	5	12
Community Development Fund		900	900
Recoveries from administered items		1 009	455
Other income	17	995	1 248
<b>Total income</b>		49 861	52 922
<b>Net cost of providing services</b>		235 261	251 400
<b>Revenues from (payments to) SA Government:</b>			
Revenues from SA Government	18	241 486	247 421
Payments to SA Government	18	-	2 236
<b>Total revenues from SA Government</b>		241 486	245 185
<b>Net result</b>		6 225	(6 215)
<b>Total comprehensive result</b>		6 225	(6 215)

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

## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	19	34 833	34 280
Receivables	20	10 448	8 388
Inventories		24	18
<b>Total current assets</b>		<u>45 305</u>	<u>42 686</u>
<b>Non-current assets:</b>			
Receivables	20	150	226
Property, plant and equipment	21	155 304	122 262
Works of art	21	4 698	4 698
Intangible assets	22	195	367
<b>Total non-current assets</b>		<u>160 347</u>	<u>127 553</u>
<b>Total assets</b>		<u>205 652</u>	<u>170 239</u>
<b>Current liabilities:</b>			
Payables	23	27 454	13 594
Employee benefits	24	8 249	10 313
Provisions	25	908	873
Other liabilities	26	49	243
<b>Total current liabilities</b>		<u>36 660</u>	<u>25 023</u>
<b>Non-current liabilities:</b>			
Payables	23	1 117	1 328
Employee benefits	24	12 711	13 398
Provisions	25	3 060	2 839
Other liabilities	26	202	74
<b>Total non-current liabilities</b>		<u>17 090</u>	<u>17 639</u>
<b>Total liabilities</b>		<u>53 750</u>	<u>42 662</u>
<b>Net assets</b>		<u>151 902</u>	<u>127 577</u>
<b>Equity:</b>			
Contributed capital		45 221	25 899
Asset revaluation surplus		14 544	14 544
Retained earnings		92 137	87 134
<b>Total equity</b>		<u>151 902</u>	<u>127 577</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	28		
Contingent assets and liabilities	29		

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

	Contributed equity \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	15 435	14 544	88 481	118 460
Net result for 2009-10	-	-	(6 215)	(6 215)
Total comprehensive result for 2009-10	-	-	(6 215)	(6 215)
Transactions with SA Government as owner:				
Equity contribution from the State Government	27 845	-	-	27 845
Equity distribution to the State Government	(17 381)	-	-	(17 381)
Net assets transferred in as a result of an administrative restructure	-	-	4 868	4 868
Balance at 30 June 2010	25 899	14 544	87 134	127 577
Net result for 2010-11	-	-	6 225	6 225
Total comprehensive result for 2010-11	-	-	6 225	6 225
Transactions with SA Government as owner:				
Equity contribution from the State Government	19 322	-	-	19 322
Net assets distributed from administrative restructures	-	-	(1 222)	(1 222)
<b>Balance at 30 June 2011</b>	<b>45 221</b>	<b>14 544</b>	<b>92 137</b>	<b>151 902</b>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits		(89 436)	(88 447)
Supplies and services		(58 353)	(60 704)
Grants and subsidies		(129 536)	(142 146)
GST paid to the ATO		(19 957)	(18 319)
Other payments		(424)	(415)
<b>Cash used in operations</b>		<u>(297 706)</u>	<u>(310 031)</u>
Cash inflows:			
Fees and charges		25 898	29 745
Commonwealth revenues		5 124	1 957
Grants		15 007	19 486
Interest received		31	24
Community Development Fund		900	900
Recoveries from administered items		1 009	455
GST recovered from the ATO		19 155	18 319
Other receipts		1 037	1 262
<b>Cash generated from operations</b>		<u>68 161</u>	<u>72 148</u>
Cash flows from SA Government:			
Receipts from SA Government		241 486	247 421
Payments to SA Government		-	(2 236)
<b>Cash generated from SA Government</b>		<u>241 486</u>	<u>245 185</u>
<b>Net cash provided by (used in) operating activities</b>	30	<u>11 941</u>	<u>7 302</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(30 710)	(15 291)
Purchase of intangible assets		-	(34)
<b>Cash used in investing activities</b>		<u>(30 710)</u>	<u>(15 325)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	1
<b>Cash generated from investing activities</b>		<u>-</u>	<u>1</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(30 710)</u>	<u>(15 324)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Capital distribution to the State Government		-	(17 381)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(17 381)</u>
Cash inflows:			
Capital contribution from the State Government		19 322	27 845
<b>Cash generated from financing activities</b>		<u>19 322</u>	<u>27 845</u>
<b>Net cash provided by (used in) financing activities</b>		<u>19 322</u>	<u>10 464</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		553	2 442
<b>Cash and cash equivalents at 1 July</b>		34 280	31 838
<b>Cash and cash equivalents at 30 June</b>	19	<u>34 833</u>	<u>34 280</u>

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

	(Activities - refer note 5)		1		2		3	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	6 220	6 469	1 985	2 174	9 556	7 047		
Supplies and services	1 954	2 462	915	1 085	7 204	6 623		
Grants and subsidies	7	-	-	5	9 796	11 821		
Depreciation and amortisation	163	272	6	4	11	4		
Net loss from the disposal of non-current assets	-	-	-	-	-	-		
Other expenses	-	-	-	-	-	-		
<b>Total expenses</b>	<b>8 344</b>	<b>9 203</b>	<b>2 906</b>	<b>3 268</b>	<b>26 567</b>	<b>25 495</b>		
<b>Income:</b>								
Fees and charges	54	1 588	655	601	517	406		
Commonwealth revenues	-	15	-	-	1 245	1 107		
Grants	-	-	-	-	967	1 586		
Interest	-	-	-	-	-	-		
Resources received free of charge	-	-	-	-	-	-		
Community Development Fund	-	-	-	-	-	-		
Recoveries from administered items	-	-	-	-	-	-		
Other income	-	1	9	1	10	-		
<b>Total income</b>	<b>54</b>	<b>1 604</b>	<b>664</b>	<b>602</b>	<b>2 739</b>	<b>3 099</b>		
<b>Net cost of providing services</b>	<b>8 290</b>	<b>7 599</b>	<b>2 242</b>	<b>2 666</b>	<b>23 828</b>	<b>22 396</b>		
<b>Revenues from (payments to) SA Government:</b>								
Revenues from SA Government	-	-	-	-	-	-		
Payments to SA Government	-	-	-	-	-	-		
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net result</b>	<b>(8 290)</b>	<b>(7 599)</b>	<b>(2 242)</b>	<b>(2 666)</b>	<b>(23 828)</b>	<b>(22 396)</b>		

	(Activities - refer note 5)		4		5		6	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	403	423	2 895	2 734	2 362	2 268		
Supplies and services	609	575	1 337	1 282	1 888	2 113		
Grants and subsidies	19 355	30 476	31 347	24 686	58 860	58 435		
Depreciation and amortisation	-	-	19	11	4 531	4 947		
Net loss from the disposal of non-current assets	-	-	-	-	-	1 109		
Other expenses	-	-	-	9	-	4		
<b>Total expenses</b>	<b>20 367</b>	<b>31 474</b>	<b>35 598</b>	<b>28 722</b>	<b>67 641</b>	<b>68 876</b>		
<b>Income:</b>								
Fees and charges	1	1	863	661	5 050	4 313		
Commonwealth revenues	-	-	-	-	709	540		
Grants	-	-	-	-	-	-		
Interest	-	-	-	-	-	-		
Resources received free of charge	-	-	5	-	-	12		
Community Development Fund	-	-	-	-	900	900		
Recoveries from administered items	-	-	-	-	-	-		
Other income	102	63	54	40	228	176		
<b>Total income</b>	<b>103</b>	<b>64</b>	<b>922</b>	<b>701</b>	<b>6 887</b>	<b>5 941</b>		
<b>Net cost of providing services</b>	<b>20 264</b>	<b>31 410</b>	<b>34 676</b>	<b>28 021</b>	<b>60 754</b>	<b>62 935</b>		
<b>Revenues from (payments to) SA Government:</b>								
Revenues from SA Government	19 529	18 078	33 961	29 776	61 386	58 489		
Payments to SA Government	-	-	-	-	-	-		
<b>Net revenues from (payments to) SA Government</b>	<b>19 529</b>	<b>18 078</b>	<b>33 961</b>	<b>29 776</b>	<b>61 386</b>	<b>58 489</b>		
<b>Net result</b>	<b>(735)</b>	<b>(13 332)</b>	<b>(715)</b>	<b>1 755</b>	<b>632</b>	<b>(4 446)</b>		

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

	(Activities - refer note 5)		7		8		9	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	19 174	19 762	384	305	8 147	6 335		
Supplies and services	13 704	13 117	179	255	13 574	10 331		
Grants and subsidies	3 315	9 263	(18)	80	3 550	3 551		
Depreciation and amortisation	638	274	-	-	96	84		
Net loss from the disposal of non-current assets	-	(16)	-	-	4	-		
Other expenses	419	515	-	-	5	1		
<b>Total expenses</b>	<b>37 250</b>	<b>42 915</b>	<b>545</b>	<b>640</b>	<b>25 376</b>	<b>20 302</b>		
<b>Income:</b>								
Fees and charges	1 903	570	-	-	3 294	2 747		
Commonwealth revenues	-	-	-	-	167	280		
Grants	389	85	262	340	1 748	858		
Interest	-	1	-	-	31	25		
Resources received free of charge	-	-	-	-	-	-		
Community Development Fund	-	-	-	-	-	-		
Recoveries from administered items	-	-	-	-	877	455		
Other income	388	964	24	-	10	1		
<b>Total income</b>	<b>2 680</b>	<b>1 620</b>	<b>286</b>	<b>340</b>	<b>6 127</b>	<b>4 366</b>		
<b>Net cost of providing services</b>	<b>34 570</b>	<b>41 295</b>	<b>259</b>	<b>300</b>	<b>19 249</b>	<b>15 936</b>		
<b>Revenues from (payments to) SA Government:</b>								
Revenues from SA Government	126 610	141 078	-	-	-	-		
Payments to SA Government	-	2 236	-	-	-	-		
<b>Net revenues from (payments to) SA Government</b>	<b>126 610</b>	<b>138 842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net result</b>	<b>92 040</b>	<b>97 547</b>	<b>(259)</b>	<b>(300)</b>	<b>(19 249)</b>	<b>(15 936)</b>		

	(Activities - refer note 5)		10		11		12	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	786	2 163	4 545	4 364	30 228	30 967		
Supplies and services	270	487	3 903	5 708	15 482	15 074		
Grants and subsidies	-	81	1	3	4 115	2 691		
Depreciation and amortisation	-	-	290	265	230	129		
Net loss from the disposal of non-current assets	-	-	-	-	661	-		
Other expenses	-	-	-	19	-	-		
<b>Total expenses</b>	<b>1 056</b>	<b>2 731</b>	<b>8 739</b>	<b>10 359</b>	<b>50 716</b>	<b>48 861</b>		
<b>Income:</b>								
Fees and charges	28	35	2 139	2 200	12 989	13 131		
Commonwealth revenues	-	-	-	-	3 003	-		
Grants	-	-	-	-	10 938	10 766		
Interest	-	-	-	-	-	-		
Resources received free of charge	-	-	-	-	-	-		
Community Development Fund	-	-	-	-	-	-		
Recoveries from administered items	-	-	-	-	132	-		
Other income	10	-	160	-	-	2		
<b>Total income</b>	<b>38</b>	<b>35</b>	<b>2 299</b>	<b>2 200</b>	<b>27 062</b>	<b>23 899</b>		
<b>Net cost of providing services</b>	<b>1 018</b>	<b>2 696</b>	<b>6 440</b>	<b>8 159</b>	<b>23 654</b>	<b>24 962</b>		
<b>Revenues from (payments to) SA Government:</b>								
Revenues from SA Government	-	-	-	-	-	-		
Payments to SA Government	-	-	-	-	-	-		
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net result</b>	<b>(1 018)</b>	<b>(2 696)</b>	<b>(6 440)</b>	<b>(8 159)</b>	<b>(23 654)</b>	<b>(24 962)</b>		

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

	(Activities - refer note 5)		13		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits	-	6 111	86 685	91 122		
Supplies and services	-	5 330	61 019	64 442		
Grants and subsidies	-	3	130 328	141 095		
Depreciation and amortisation	17	32	6 001	6 022		
Net loss from the disposal of non-current assets	-	-	665	1 093		
Other expenses	-	-	424	548		
<b>Total expenses</b>	<b>17</b>	<b>11 476</b>	<b>285 122</b>	<b>304 322</b>		
<b>Income:</b>						
Fees and charges	-	787	27 493	27 040		
Commonwealth revenues	-	-	5 124	1 942		
Grants	-	7 664	14 304	21 299		
Interest	-	-	31	26		
Resources received free of charge	-	-	5	12		
Community Development Fund	-	-	900	900		
Recoveries from administered items	-	-	1 009	455		
Other income	-	-	995	1 248		
<b>Total income</b>	<b>-</b>	<b>8 451</b>	<b>49 861</b>	<b>52 922</b>		
<b>Net cost of providing services</b>	<b>17</b>	<b>3 025</b>	<b>235 261</b>	<b>251 400</b>		
<b>Revenues from (payments to) SA Government:</b>						
Revenues from SA Government	-	-	241 486	247 421		
Payments to SA Government	-	-	-	2 236		
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>241 486</b>	<b>245 185</b>		
<b>Net result</b>	<b>(17)</b>	<b>(3 025)</b>	<b>6 225</b>	<b>(6 215)</b>		

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives of the Department of the Premier and Cabinet (the Department)

The Department is the principal government agency in South Australia. It delivers specialist policy advice to the Premier and Ministers, supports the Cabinet process and provides direction and leadership to the South Australian public service.

The Department leads the implementation of South Australia's Strategic Plan, has overarching responsibility for federal-state relations and drives key government initiatives across a range of services benefiting other government agencies and the community.

The Department works closely with these groups to develop policies and deliver programs in the areas of social inclusion, Aboriginal wellbeing, the arts, industrial relations, sustainability and climate change, occupational health and safety, recreation and sport, and government records access and preservation.

#### 2. Summary of significant accounting policies

##### 2.1 Statement of compliance

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

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ended 30 June 2011. These are outlined in note 4.

##### 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 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



## 2.2 *Basis of preparation*

- the selection and application of accounting policies in a manner that 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
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and comparative information presented for the year ended 30 June 2010.

## 2.3 *Reporting entity*

The Department is a government department of the State of South Australia established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown. The financial statements and accompanying notes encompass all the controlled activities of the Department.

### *Administered resources*

The Department administers, but does not control, certain resources on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Commonwealth and SA Governments.

Transactions and balances relating to these administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements attached to the general purpose financial statements. Except as otherwise disclosed, administered items are recognised on the same basis and using the same accounting policies as for the departmental items.

## 2.4 *Comparative information*

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

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

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

## **2.5 Rounding**

All amounts in the financial statements and accompanying notes have been 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, Emergency Services levy, land tax equivalents and local government rate equivalents.

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 as part of an item of expense
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as 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**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

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

The following are specific recognition criteria:

### *Fees and charges*

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

### *Grants*

Grants are recognised as income when the Department obtains control of the income or when the agreement or contract has been approved and executed or income received. Grants received by the Department with unconditional stipulations attached have been recognised as an asset and income upon receipt.

### *Resources received free of charge*

Resources received free of charge from external parties are recognised in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when the fair value can be determined reliably and the services would be purchased if they had not been donated.

### *Revenues from SA Government*

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

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

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

### *Other income*

Other income consists of refunds and other recoveries.

## 2.8 Expenses

Expenses are recognised when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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

### *Employee benefits expense*

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

### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

### *Grants and subsidies*

Grants and subsidies that the Department pays to other entities 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 or subsidy. These entities may be other SA Government agencies, non-government organisations or the public. The grants and subsidies given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Grants and subsidies paid by the Department generally have conditional stipulations attached.

### *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.

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	5-100
Transportable accommodation	10-20
Furniture and fittings	5
Office equipment	3-30
IT equipment	3-5
Motor vehicles	4
Intangibles - computer software	3-5

Works of art controlled by the Department 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 for this class of asset.

### *Net loss on non-current assets*

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

*Resources provided free of charge*

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

*Payments to SA Government*

Payments to the SA Government include the return of surplus cash pursuant to the Government's cash alignment policy, paid directly to the Consolidated Account.

**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 sold, consumed or realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be 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.

**2.10 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.

*Cash and cash equivalents*

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

*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 government agencies and to the public. Trade receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other government agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department determines the allowance for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue. Bad debts are written off when identified.

*Inventories*

Inventories are measured at the lower of cost or their net realisable value.

*Non-current assets held for sale*

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification. Non-current assets classified as held for sale are not depreciated or amortised.

*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.

*Non-current asset acquisition and recognition (continued)*

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor authority immediately before transfer.

In accordance with APF III, APS 2.15:

- 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.

*Revaluation of non-current assets*

All non-current physical assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every five years, the Department revalues its land 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.

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. These buildings and improvements have been valued using a fair value methodology.

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

Any accumulated depreciation as at 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 of assets*

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 class in the asset revaluation surplus.

*Intangible assets*

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

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

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised.

**2.11 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.

## 2.11 *Liabilities (continued)*

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

### *Payables*

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

Creditors represent the amounts owing for goods and services received before 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 processed.

All amounts are measured at their nominal amount and are normally settled within 30 days after the Department receives an invoice.

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

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. DTF centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

### *Employee benefits*

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

#### (i) *Salaries and wages*

Liabilities for salaries and wages are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

#### (ii) *Annual leave*

A liability for annual leave is calculated by determining the amount unpaid at the reporting date and estimating the nominal amount that is expected to be paid when the obligation is settled. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

#### (iii) *Employment on-costs*

Employment on-costs (payroll tax, superannuation and workers compensation) are recognised separately under payables and provisions.

#### (iv) *Long service leave*

A liability for long service leave is recognised for all employees who have completed five (5.5 years) or more years of service. The five years has been based on an actuarial calculation undertaken by DTF. The calculation was based on a significant sample of employees throughout the South Australian public sector and determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

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.

### *Workers compensation provision*

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

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an annual actuarial assessment as at 30 June performed by the consulting actuaries to the Public Sector Workforce Relations Division of the Department. The workers compensation provision 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.

*Workers compensation provision (continued)*

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

**2.12 Contributed/Distributed capital**

Where the investing activities of the Department are not funded through appropriations, operating receipts, proceeds of assets sales or grants, government funding is provided via a capital contribution. The Department received \$19.3 million in 2010-11 (\$27.8 million).

Capital distributed include the return of surplus cash pursuant to the Government's cash alignment policy, paid directly to the Consolidated Account. Where agencies have equity contributions from the Treasurer, part or all transfers of cash may be deemed a return of equity.

**2.13 Leases***The Department as lessee*

The Department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment 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.

*The Department as lessor*

The Department leases the Adelaide Festival Centre and Her Majesty's Theatre to the Adelaide Festival Centre Trust through an operating lease.

Income from operating leases is recognised as rental income in the period incurred, and is representative of the pattern of benefits derived from the leased assets.

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

**3. Hedging arrangements**

In accordance with government policy, the Department enters into hedges for all contracted expenditure in a foreign currency over A\$100 000. SAFA manages the foreign currency hedges on the Department's behalf.

The Department did not have any outstanding hedges at 30 June 2011.

**4. New and revised accounting standards**

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

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 6.

**5. Activities of the Department**

Activities are defined as goods or services produced, provided to or acquired for external customers. The Department has identified 13 major classes of activities that it delivers to the community and the Premier. The identity and description of each major activity class for the Department during the year ended 30 June 2011 are summarised below (refer to the Department's Disaggregated Disclosures - Expenses and Income). Assets and liabilities have not been presented as they cannot be reliably determined at a disaggregated level.

**5. Activities of the Department (continued)**

**Activity 1: *Cabinet Office***

Coordination and leadership of across government policy proposals for the Premier's and Cabinet's consideration; oversight of implementation of South Australia's Strategic Plan in government and the wider community; support to the Premier in intergovernmental relations; and provision of support to Cabinet and its committees.

**Activity 2: *Ethical Standards and Professional Integrity***

Provision of leadership for South Australia's Strategic Plan targets relating to the public sector workforce. This is achieved by developing and implementing whole-of-government frameworks, strategies, programs and services and supporting the Commissioner for Public Employment to meet his statutory responsibilities.

**Activity 3: *Strategic Policy Initiatives***

Provision of high-level support for strategic policy initiatives of the Government.

**Activity 4: *Library and Information Services***

Provision of information from library and resource centres to the public, industry and government agencies and funding of services provided by Public Library Services to public libraries.

**Activity 5: *Access to Art, Museum and Heritage Services and Preservation of State Collections***

Provision of museum, visual arts and preservation services that enable the State's cultural, heritage and arts assets to be maintained and kept accessible to the community.

**Activity 6: *Arts Industry Development and Access to Artistic Product***

Provision of services that enhance opportunities for artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

**Activity 7: *Support Services***

Provision of corporate services to the Department, a range of support services to the Premier's Office and protocol advice to the Premier, Ministers, government agencies, private organisations and the public.

**Activity 8: *Capital City***

Support the Capital City Committee, a legislated partnership between the Adelaide City Council and the SA Government, by providing executive support to the committee and ensuring coordination between the strategic objectives of the State and the Council to identify opportunities for the City of Adelaide.

**Activity 9: *Aboriginal Affairs and Reconciliation***

Provision of leadership in Aboriginal policy and program development, coordination and implementation of policies for Aboriginal affairs; monitoring the impact of government services on the wellbeing of Aboriginal families and communities in South Australia; protection and preservation of Aboriginal heritage and culture; facilitation of community development initiatives; provision and maintenance of essential services and infrastructure on Aboriginal Land Holding communities; support for the State's Aboriginal Land Holding Authorities; and leadership of, and contribution to, special government and strategic intervention projects.

**Activity 10: *Public Sector Performance Commission***

Provision of leadership to the revitalisation and reform of the public sector.

**Activity 11: *Community Services***

Provision of specialised services, support, information and policy to the community, government, industry and the Minister in the areas of records management, archives and government publishing.

**Activity 12: *Industrial Relations***

Provision of workplace industrial relations, safety advisory and regulatory services to the general community and the public sector.

**Activity 13: *Employee Advocacy***

Provision of services to ensure the rights and obligations of employees and employers are protected and the relevant law applied to prevent and resolve workplace disputes.



6. Employee benefits	2011 \$'000	2010 \$'000
Salaries and wages	61 441	62 524
Long service leave	2 667	3 433
Annual leave	5 145	5 172
Employment on-costs - superannuation	7 996	8 194
Employment on-costs - other	3 908	4 027
TVSPs (refer below)	2 136	4 420
Board and committee fees	1 185	733
Other employment related expenses	2 207	2 619
Total employee benefits	86 685	91 122
<b>TVSPs</b>		
Amounts paid to these employees:		
TVSPs	2 136	4 420
Annual leave and long service leave paid during 2010-11	508	1 310
	2 644	5 730
Recovery from DTF	2 529	4 429
Net cost to the Department	115	1 301

The number of employees who received a TVSP during 2010-11 was 23 (41).

#### **Remuneration of employees**

The table below includes employees who received remuneration of \$130 700 (\$127 500) or more during the year paid by the Department. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Termination payments have been included if employees meet the \$130 700 threshold.

The total remuneration received by employees listed in the table below, for the year was \$13.9 million (\$14.3 million).

The table includes the TVSP component paid where the employee meets the \$130 700 threshold on normal remuneration. In 2010-11, one employee included in the table received a TVSP.

The number of employees who received remuneration of \$130 700 or more during the year, falls within the following bands:	2011 Number	2010 Number
\$127 500 - \$130 699*	-	2
\$130 700 - \$140 699	12	16
\$140 700 - \$150 699	11	5
\$150 700 - \$160 699	4	8
\$160 700 - \$170 699	2	6
\$170 700 - \$180 699	6	4
\$180 700 - \$190 699	7	4
\$190 700 - \$200 699	2	2
\$200 700 - \$210 699	6	2
\$210 700 - \$220 699	2	3
\$220 700 - \$230 699	-	4
\$230 700 - \$240 699	1	1
\$240 700 - \$250 699	2	2
\$250 700 - \$260 699	1	5
\$260 700 - \$270 699	2	1
\$270 700 - \$280 699	1	1
\$280 700 - \$290 699	1	2
\$290 700 - \$300 699	3	2
\$300 700 - \$310 699	1	-
\$310 700 - \$320 699	2	1
\$340 700 - \$350 699	2	-
\$360 700 - \$370 699	-	2
\$390 700 - \$400 699	1	-
\$400 700 - \$410 699	-	1
\$420 700 - \$430 699	1	-
Total	70	74

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

**Remuneration of employees (continued)**

The impact of the change of accounting policy for 2011 has resulted in the number of employees disclosed reducing by 129 employees for 2011 and 87 employees for 2010.

<b>7. Supplies and services</b>			2011	2010
			\$'000	\$'000
Accommodation			11 295	10 447
Telecommunication			1 232	1 302
Staff development and recruitment			1 738	1 757
General administration and consumables			7 114	11 119
Promotion and marketing			4 565	4 593
Repairs, maintenance and minor equipment purchases			2 323	2 094
Service level agreements			6 945	6 372
IT and computing charges			4 268	4 323
Contractors and consultants			5 319	6 783
Cost of goods sold			254	353
Temporary and casual staff			1 789	1 746
Community infrastructure			10 206	6 993
Projects			1 354	2 247
Others			2 617	4 313
Total supplies and services			<u>61 019</u>	<u>64 442</u>
Supplies and services provided by entities within the SA Government:				
Accommodation			10 013	8 834
Telecommunication			860	814
Staff development and recruitment			20	85
General administration and consumables			2 350	2 618
Promotion and marketing			286	475
Repairs, maintenance and minor equipment purchases			1 204	1 060
Service level agreements			6 945	6 372
IT and computing charges			1 185	1 441
Contractors and consultants			92	-
Community infrastructure			4 084	1 986
Projects			161	1 208
Other supplies and services			1 767	2 452
Total supplies and services - SA Government entities			<u>28 967</u>	<u>27 345</u>
<b>Payments to consultants</b>				
		2011		2010
The number and dollar amount of consultants paid/payable (included in supplies and services) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	59	242	47	160
Between \$10 000 and \$50 000	36	784	33	772
Above \$50 000	11	909	13	1 390
Total number of consultants engaged	<u>106</u>	<u>1 935</u>	<u>93</u>	<u>2 322</u>
<b>8. Grants and subsidies</b>			2011	2010
			\$'000	\$'000
Recurrent grant			130 328	141 095
Total grants and subsidies			<u>130 328</u>	<u>141 095</u>
Grants and subsidies paid/payable to entities within the SA Government:				
Recurrent grant			91 531	98 796
Total grants and subsidies - SA Government entities			<u>91 531</u>	<u>98 796</u>
Grants and subsidies consist of the following:				
Libraries Board of South Australia operating grant			30 428	29 907
Adelaide Festival Centre Trust operating grant			14 551	14 437
Museum Board operating grant			9 057	9 303
Art Gallery Board operating grant			8 476	7 861
Country Arts SA operating grant			5 837	6 362
Arts industry assistance			9 247	7 307
Adelaide Festival Corporation operating grant			1 893	6 498

<b>8. Grants and subsidies (continued)</b>	2011 \$'000	2010 \$'000
South Australian Film Corporation operating grant	5 827	5 814
History Trust of South Australia operating grant	4 815	4 866
University of South Australia	48	3 080
The Australian Centre for Social Innovation	2 000	3 000
Arts Project assistance	2 599	2 574
South Australian Youth Arts Board operating grant	2 481	2 490
State Theatre Company of South Australia operating grant	2 296	2 265
Aboriginal Community assistance	1 689	1 873
Adelaide Symphony Orchestra operating grant	1 839	1 867
State Opera of South Australia operating grant	1 477	1 536
Adelaide Fringe operating grant	1 122	1 417
University of Adelaide	1 185	1 393
Department of Health	1 329	1 374
Anangu Pitjantjatjara operating grant	465	1 326
Wiltanendi Project	-	1 215
Better Pathways	-	1 064
Country Arts SA Debt Servicing Grant	169	1 015
Building Family Opportunities Program	2 804	1 008
Children's Theatre Company (Windmill) operating grant	1 015	1 000
Workplace Partnership program	950	1 000
University College London	769	990
Jam Factory Contemporary Craft and Design operating grant	989	984
Australian Dance Theatre operating grant	969	980
Timor Leste Basic Skills Training Project	400	948
International University Precinct Project	-	915
Carrick Hill Trust operating grant	1 081	790
Tandanya operating grant	792	780
Funding for SA Aboriginal Sports Training Academy	-	769
Macquarie Capital Advisers Ltd.	333	692
Safe Work Australia	665	658
SA Great	-	636
Building Innovation Fund grant	-	497
Working Women's Centre SA Inc	372	365
Aboriginal Community Essential Services assistance	274	344
Premier's Community Initiatives	232	340
OHS&W Commissioned Research grants	299	192
Occupational Health & Safety grants	305	178
OHS&W Australian Research Council Linkage Project Support grants	-	150
Breaking the Cycle program	-	43
Other grants and subsidies	9 249	6 992
Total grants and subsidies	130 328	141 095
 <b>9. Depreciation and amortisation</b>		
Depreciation:		
Land, buildings and improvements	5 188	5 187
Plant and equipment	604	494
Total depreciation	5 792	5 681
 Amortisation:		
Intangible assets	209	341
Total amortisation	209	341
Total depreciation and amortisation	6 001	6 022
 <b>10. Net gain (loss) from disposal of assets</b>		
Land, buildings and improvement:		
Proceeds from disposal	-	-
Net book value of assets disposed	(4)	(1 109)
Total net gain (loss) from disposal of land, buildings and improvements	(4)	(1 109)

<b>10. Net gain (loss) from disposal of assets (continued)</b>	2011	2010
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	-	16
Net book value of assets disposed	(661)	-
Total net gain (loss) from disposal of plant and equipment	<u>(661)</u>	<u>16</u>
Total assets:		
Proceeds from disposal	-	16
Net book value of assets disposed	(665)	(1 109)
Total net gain (loss) from disposal of non-current assets	<u>(665)</u>	<u>(1 093)</u>
<b>11. Other expenses</b>		
Bad and doubtful debts	177	19
Other	247	529
Total other expenses	<u>424</u>	<u>548</u>
Other expenses paid/payable to entities within the SA Government:		
Other	153	93
Total other expenses - SA Government entities	<u>153</u>	<u>93</u>
<b>12. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	199	187
Total audit fees	<u>199</u>	<u>187</u>
<i>Other services</i>		
No other services were provided by the Auditor-General's Department.		
<b>13. Fees and charges</b>		
Arts industry related fees	1 311	958
Salaries charged to other entities	557	1 954
Sale of goods	1 747	1 872
Regulatory fees	10 561	9 750
Fees for services	1 198	2 029
Rental income	4 273	4 131
Other	7 846	6 346
Total fees and charges	<u>27 493</u>	<u>27 040</u>
Fees and charges received/receivable from entities within the SA Government:		
Arts industry related fees	657	423
Salaries charged to other entities	462	1 891
Sale of goods	465	306
Regulatory fees	49	6 521
Fees for services	392	473
Rental income	4 048	3 949
Other	3 038	3 636
Total fees and charges - SA Government entities	<u>9 111</u>	<u>17 199</u>
<b>14. Commonwealth revenue</b>		
Commonwealth revenue	5 124	1 942
Total Commonwealth revenue	<u>5 124</u>	<u>1 942</u>
The Commonwealth revenue includes contributions for the East Timor Public Sector Capacity Development program, generator fuel and governance training.		
<b>15. Grants</b>		
Recurrent grant	12 905	20 069
Sponsorship	40	-
In-kind revenue	1 359	1 230
Total grants	<u>14 304</u>	<u>21 299</u>

<b>15. Grants (continued)</b>	2011	2010
Grants received/receivable from entities within the SA Government:	\$'000	\$'000
Recurrent grant	12 081	18 567
Sponsorship	5	-
In-kind revenue	1 359	1 230
Total grants - SA Government entities	<u>13 445</u>	<u>19 797</u>
<b>16. Resources received free of charge</b>		
Donated assets	5	12
Total resources received free of charge	<u>5</u>	<u>12</u>
<b>17. Other income</b>		
Other	995	1 248
Total other income	<u>995</u>	<u>1 248</u>
Other income received/receivable from entities within the SA Government:		
Other	230	501
Total other income - SA Government entities	<u>230</u>	<u>501</u>
<b>18. Revenues from/payments to SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	241 486	247 421
Total revenues from SA Government	<u>241 486</u>	<u>247 421</u>
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer note 2.8)	-	2 236
Total payments to SA Government	<u>-</u>	<u>2 236</u>
Net revenues from SA Government	<u>241 486</u>	<u>245 185</u>
<b>19. Cash and cash equivalents</b>		
Deposits at call	33 910	34 223
Deposits with the Treasurer	887	-
Other short-term deposits	36	57
Total cash and cash equivalents	<u>34 833</u>	<u>34 280</u>
<b><i>Deposits with the Treasurer</i></b>		
Includes funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use, ie funds can only be used once the Treasurer's/Under Treasurer's approval is received.		
<b><i>Interest rate risk</i></b>		
Deposits at call includes funds held for the Aboriginal Heritage Fund which earns a floating interest rate based on daily bank deposit rates. All other deposits at call are non-interest bearing.		
The carrying amount of cash and cash equivalents represents fair value.		
<b>20. Receivables</b>	2011	2010
Current:	\$'000	\$'000
Receivables	5 913	3 512
Allowance for doubtful debts	(179)	(2)
Prepayments	439	75
Accrued income	1 456	2 788
Loans	30	30
Allowance for doubtful loans	(30)	(30)
GST receivable	2 819	2 015
Total current receivables	<u>10 448</u>	<u>8 388</u>
Non-current:		
Prepayments	150	226
Total non-current receivables	<u>150</u>	<u>226</u>
Total receivables	<u>10 598</u>	<u>8 614</u>

<b>20. Receivables (continued)</b>	2011	2010
Receivables from SA Government entities:	\$'000	\$'000
Receivables	3 463	1 846
Accrued income	1 365	2 629
Total receivables from SA Government entities	<u>4 828</u>	<u>4 475</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, prepayments and accrued income are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

**Allowance for doubtful debts**

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

Movements in the allowance for doubtful debts (impairment loss) are as follows:	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	2	-
Increase in the allowance	177	2
Carrying amount at 30 June	<u>179</u>	<u>2</u>

**21. Property, plant and equipment****Valuations of land and buildings**

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. Buildings and improvements have been valued using a fair value methodology.

All other non-current assets controlled by the Department have been deemed to be held at fair value.

**Impairment**

There were no indications of impairment of property, plant and equipment, and intangible assets held at 30 June 2011.

Land, buildings and improvements:	2011	2010
	\$'000	\$'000
Land at fair value	20 945	20 945
Buildings and improvements at fair value	197 674	190 406
Accumulated depreciation	(114 079)	(110 177)
Total land, buildings and improvements	<u>104 540</u>	<u>101 174</u>
Plant and equipment:		
Plant and equipment at fair value	11 785	12 219
Accumulated depreciation	(8 856)	(8 399)
Total plant and equipment	<u>2 929</u>	<u>3 820</u>
Work in progress:		
Work in progress at cost	47 835	17 268
Total work in progress	<u>47 835</u>	<u>17 268</u>
Total property, plant and equipment	<u>155 304</u>	<u>122 262</u>
Works of art:		
Works of art fair value	4 698	4 698
Total works of art	<u>4 698</u>	<u>4 698</u>

**22. Intangible assets**

Computer software	1 668	1 631
Accumulated amortisation	(1 505)	(1 307)
Other intangibles	128	128
Accumulated amortisation	(96)	(85)
Total intangible assets	<u>195</u>	<u>367</u>

**Reconciliation of non-current assets**

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

2011	Land, buildings & imprvmnts \$'000	Plant and equipment \$'000	Work in progress	Works of art	Total tangible assets \$'000	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Net book value at 30 June 2010	211 351	12 219	17 268	4 698	245 536	1 631	128	1 759
Additions	279	304	40 281	-	40 864	36	-	36
Assets classified as held for sale	-	-	-	-	-	-	-	-
Other (includes reclassifications, disposals and retirements)	(1 075)	(780)	-	-	(1 855)	-	-	-
Revaluation increment (decrement)	-	-	-	-	-	-	-	-
Transfer out as a result of administrative restructure	(269)	(155)	(1 184)	-	(1 608)	-	-	-
Other changes	8 333	197	(8 530)	-	-	1	-	1
Balance at 30 June	218 619	11 785	47 835	4 698	282 937	1 668	128	1 796

2011	Land, buildings & imprvmnts \$'000	Plant and equipment \$'000	Work in progress	Works of art	Total tangible assets \$'000	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Accumulated depreciation/ amortisation balance as at 30 June 2010	(110 177)	(8 399)	-	-	(118 576)	(1 307)	(85)	(1 392)
Additions	-	-	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-
Other (includes reclassifications, disposals and retirements)	1 071	118	-	-	1 189	-	-	-
Revaluation increment (decrement)	-	-	-	-	-	-	-	-
Depreciation/Amortisation	(5 188)	(604)	-	-	(5 792)	(198)	(11)	(209)
Transfer out as a result of administrative restructure	215	29	-	-	244	-	-	-
Other changes	-	-	-	-	-	-	-	-
Balance at 30 June	(114 079)	(8 856)	-	-	(122 935)	(1 505)	(96)	(1 601)
Net book value at 30 June 2011	104 540	2 929	47 835	4 698	160 002	163	32	195
Net book value at 30 June 2010	101 174	3 820	17 268	4 698	126 960	324	43	367

2010	Land, buildings & imprvmnts \$'000	Plant and equipment \$'000	Work in progress	Works of art	Total tangible assets \$'000	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Net book value at 30 June 2009	199 682	11 091	10 770	4 686	226 229	2 042	128	2 170
Additions	7 478	501	13 519	12	21 510	-	-	-
Other (includes reclassifications, disposals and retirements)	(1 161)	(428)	-	-	(1 589)	(981)	-	(981)
Transfer out as a result of administrative restructure	-	-	-	-	-	-	-	-
Other changes	5 352	1 055	(7 021)	-	(614)	570	-	570
Balance at 30 June	211 351	12 219	17 268	4 698	245 536	1 631	128	1 759
Accumulated depreciation/ amortisation balance as at 30 June 2009	(104 966)	(8 379)	-	-	(113 345)	(1 931)	(86)	(2 017)
Additions	(76)	-	-	-	(76)	-	-	-
Other (includes reclassifications, disposals and retirements)	51	415	-	-	466	981	-	981
Depreciation/Amortisation	(5 187)	(494)	-	-	(5 681)	(330)	(11)	(341)
Transfer out as a result of administrative restructure	-	-	-	-	-	-	-	-
Other changes	1	59	-	-	60	(27)	12	(15)
Balance at 30 June	(110 177)	(8 399)	-	-	(118 576)	(1 307)	(85)	(1 392)
Net book value at 30 June 2010	101 174	3 820	17 268	4 698	126 960	324	43	367
Net book value at 30 June 2009	94 716	2 712	10 770	4 686	112 884	111	42	154

23. Payables	2011 \$'000	2010 \$'000
Current:		
Creditors	20 175	8 466
Accrued expenses	6 012	3 612
Employment on-costs	1 267	1 516
Total current payables	27 454	13 594
Non-current:		
Employment on-costs	1 117	1 328
Total non-current payables	1 117	1 328
Total payables	28 571	14 922

<b>23. Payables (continued)</b>	2011	2010
Payables to SA Government entities:	\$'000	\$'000
Creditors	16 368	3 597
Accrued expenses	3 005	1 006
Employment on-costs	621	2 844
Total current payables to SA Government entities	<u>19 994</u>	<u>7 447</u>
Non-current:		
Employment on-costs	655	1 328
Total non-current payables to entities within SA Government	<u>655</u>	<u>1 328</u>
Total payables to entities within SA Government	<u>20 649</u>	<u>8 775</u>

**Employment on-costs**

An actuarial assessment performed by DTF determined that the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent, and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. 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 to the amounts being payable on demand.

<b>24. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Accrued salaries and wages	-	1 986
Annual leave	5 358	5 573
Long service leave	2 891	2 754
Total current employee benefits	<u>8 249</u>	<u>10 313</u>
Non-current:		
Long service leave	12 711	13 398
Total non-current employee benefits	<u>12 711</u>	<u>13 398</u>
Total employee benefits	<u>20 960</u>	<u>23 711</u>

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark 5.5 years to five years.

The salary inflation rate is 4 percent.

<b>25. Provisions</b>		
Current:		
Provision for workers compensation	908	873
Total current provisions	<u>908</u>	<u>873</u>
Non-current:		
Provision for workers compensation	3 060	2 839
Total non-current provisions	<u>3 060</u>	<u>2 839</u>
Total provisions	<u>3 968</u>	<u>3 712</u>
Carrying amount at 1 July	3 712	3 465
Increase (Decrease) in provisions recognised	256	247
Carrying amount at 30 June	<u>3 968</u>	<u>3 712</u>
<b>26. Other liabilities</b>		
Current:		
Unearned income	26	214
Lease incentive	23	29
Total current other liabilities	<u>49</u>	<u>243</u>



<b>26. Other liabilities (continued)</b>	2011	2010
Non-current:	\$'000	\$'000
Lease incentive	202	74
Total non-current other liabilities	202	74
Total other liabilities	251	317

**27. Transferred functions**

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 July 2010, the Department relinquished responsibility for the Industrial Relations Court and Commission (IRCC), Workers Compensation Tribunal (WCT), Office of the Employee Ombudsman (OEO), Office for the WorkCover Ombudsman (OWO), Medical Panels SA (MPSA). Assets and liabilities relating to these business units were transferred to the Attorney-General's Department as at 1 July 2010. The Bragg Initiative (BI) was relinquished to the Department of Further Education, Science and Technology as at 1 July 2010.

Net assets transferred out	IRCC & WCT \$'000	OEO \$'000	OWO \$'000	MPSA \$'000	BI \$'000	Total \$'000
Current assets:						
Cash and cash equivalents	10	-	-	-	-	10
Receivables	743	-	89	1 736	-	2 568
Non-current assets:						
Property, plant and equipment	65	-	22	1 278	-	1 365
Total assets	818	-	111	3 014	-	3 943
Current liabilities:						
Payables	205	6	-	421	-	632
Employee benefits	649	14	4	-	9	676
Provisions	16	-	36	121	-	173
Other	-	-	-	103	-	103
Non-current liabilities:						
Payables	97	-	3	-	1	101
Employee benefits	976	-	35	2	11	1 024
Provisions	12	-	-	-	-	12
Total liabilities	1 955	20	78	647	21	2 721
Net assets transferred out	(1 137)	(20)	33	2 367	(21)	1 222

<b>28. Unrecognised contractual commitments</b>	2011	2010
<i>Remuneration commitments</i>	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	10 957	10 615
Later than one year but no later than five years	23 577	24 664
Total remuneration commitments	34 534	35 279

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

**Operating lease commitments***The Department as lessee*

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

Within one year	10 108	10 020
Later than one year but no later than five years	32 799	32 392
Later than five years	19 816	20 160
Total operating lease commitments	62 723	62 572
Representing:		
Non-cancellable operating leases	62 723	62 572
Total operating lease commitments	62 723	62 572

**Operating lease commitments (continued)**

At the reporting date, the Department's operating leases are for the lease of office accommodation and motor vehicles.

Office accommodation is leased from the real estate management business unit of the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging from two to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in advance.

Motor vehicle leases are non-cancellable, with rental payment 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 term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$10.2 million (\$10.7 million).

<i>The Department as lessor</i>	2011	2010
Lease receivable contracted for at the reporting date but not recognised as assets:	\$'000	\$'000
Within one year	4 453	4 453
Later than one year but no later than five years	19 190	18 953
Later than five years	75 227	76 278
Total operating lease commitments	<u>98 870</u>	<u>99 684</u>
Representing:		
Non-cancellable operating leases	98 870	99 684
Total operating lease commitments	<u>98 870</u>	<u>99 684</u>

The Department's lease as lessor relates to the Adelaide Festival Centre and Her Majesty's Theatre leased to the Adelaide Festival Centre Trust. The lease is non-cancellable for 20 years with the right of renewal.

**Capital commitments**

Within one year	5 045	47 460
Total capital commitments	<u>5 045</u>	<u>47 460</u>

The Department's capital commitments include:

- Adelaide Studios
- Dunstan Playhouse refurbishment project.

**Other commitments**

Within one year	6 662	8 766
Later than one year but no later than five years	12 000	13 337
Later than five years	18 450	20 332
Total other commitments	<u>37 112</u>	<u>42 435</u>

The Department's other commitments include:

- agreements for the provision of assistance to the University College London for the operations of the University of Adelaide
- provision of funding for maintenance work to be undertaken on the Adelaide Festival Centre
- grant funding agreements to be paid by the Department.

**29. Contingent assets and liabilities****Contingent assets***SA Government Salary Sacrificing Arrangement Panel Agreement (Public Sector Workforce Division)*

In 2008 the Government entered into salary sacrificing agreements with Maxxia Pty Ltd, Remunerator Pty Ltd and SmartSalary Pty Ltd. The agreements allow the Minister or his delegate to withdraw up to a total of \$800 000 when an unconditional financial undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees.

*Alice Springs to Darwin railway (commercial advice)*

Pursuant to section 6(ba) of the *Alice Springs to Darwin Railway Act 1997*, SAFA issued loans for the construction of the railway and the Premier gave SAFA a guarantee and indemnity in relation to its investment. This investment was assessed as impaired as at 30 June 2008 and, in 2008-09, the Department made a one-off payment to SAFA pursuant to the Premier's guarantee. The Premier now has an entitlement, on behalf of the SA Government, to any monies which may be recovered on account of the original debt.

In June 2011, subsequent to the sale of the railway business and after payment of senior debt, the SA Government received an interim distribution of \$966 821 in relation to these loans. A final distribution will be made once all financial matters relating to the sale of the railway business have been settled.

***Contingent liabilities***

*Legal proceedings (SafeWork SA)*

The Department is involved in prosecuting breaches under the *Occupational Health Safety and Welfare Act 1986*, *Fair Work Act 1994*, *Explosives Act 1936* and *Dangerous Substances Act 1979*. At balance date there were an average of 40 matters before the Industrial Relations Court that are yet to be resolved. In the event decisions are not awarded in favour of the Department, the contingent liability is estimated to be \$500 000 for the court and prosecution costs.

*Alice Springs to Darwin railway (commercial advice)*

The AustralAsia Railway Corporation (the Corporation) is the joint SA/NT Government body, which managed the awarding of a build, own, operate and transfer back concession for the Alice Springs to Darwin railway and protects the two Governments' investments in the railway for the 50 year concession term.

Guarantees and indemnities have been provided by the Corporation under the various project documents. The SA and NT Governments jointly guarantee the obligations of the Corporation.

The SA and NT Governments each accept responsibility for breach of an indemnity that is caused by its act or omission, to the extent to which it caused the event. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment process.

The project documents provide for the early termination of the concession arrangement by the concession holder in certain circumstances that would give rise to the payment of an early termination amount. The amount is calculated by reference to the market value of the business.

In December 2010, Genesee & Wyoming Inc purchased the assets of the railway business, including rights and responsibilities under the concession, for A\$334 million.

Changes to documentation were required to reflect the new company structure and to novate and transfer all the rights and assets to the new owner. It is considered that the Corporation and the two governments are in an improved position, compared with the original deal. The level of risk has been reduced to ensure that the remedy is within the control of either the Corporation or the governments. Also, the potential of the railway is more likely to be achieved by the new operator.

*Glenthorne Farm (commercial advice)*

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation, with the assistance of a grant from the SA Government in May 2001. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third-party claims resulting from any contamination which may be discovered on the property.

The SA and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the State Government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

*Copyright payments (State Records of South Australia)*

The Commonwealth *Copyright Act 1968* allows governments to copy copyrighted material for the services of government without infringing the Act if it pays equitable remuneration to a declared collecting society.

State Records has responsibility for negotiating the amount payable for the State's radio and television broadcast copying. Negotiations between State Records and the relevant collecting society are still in progress and therefore the amount payable cannot be reliably measured as at 30 June 2011.

<b>30. Cash flow reconciliation</b>	2011	2010
<b>Reconciliation of cash and cash equivalents</b>	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	34 833	34 280
Cash and cash equivalents disclosed in the Statement of Cash Flows	<u>34 833</u>	<u>34 280</u>
 <b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services</b>		
Net cash provided by (used in) operating activities	11 941	7 302
Revenues from SA Government	(241 486)	(247 421)
Payments to SA Government	-	2 236
Non-cash items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(6 001)	(6 022)
Donated assets	-	12
Bad and doubtful debt expense	(177)	-
Net loss on disposal of assets	(665)	(1 093)
Transfers from property, plant and equipment	-	(13)
Changes in assets/liabilities:		
Increase (Decrease) in receivables	1 985	(4 060)
Increase (Decrease) in inventories	6	(9)
Decrease (Increase) in payables	(3 425)	(740)
Decrease (Increase) in employee benefits	2 751	(1 169)
Decrease (Increase) in provisions	(256)	(247)
Decrease (Increase) in other liabilities	66	(176)
Net cost of providing services	<u>(235 261)</u>	<u>(251 400)</u>

**31. Financial instruments****(a) Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	2011		2010	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents:				
Cash and cash equivalents	34 833	34 833	34 280	34 280
Loans and receivables:				
Receivables <sup>(1)</sup>	7 190	7 190	6 298	6 298
<b>Financial liabilities</b>				
Financial liabilities at cost:				
Payables <sup>(1)</sup>	26 187	26 187	12 078	12 078
Other liabilities	251	251	317	317

(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 accounting standards define 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.

**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.

*Credit risk (continued)*

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 20 for information on the allowance for impairment in relation to receivables.

**(b) Ageing analysis of financial assets**

The following table discloses the ageing of financial assets and the ageing of 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	
<b>2011</b>				
Receivables	4 377	44	1 492	5 913
Allowance for doubtful debts	(179)	-	-	(179)
Accrued income	1 456	-	-	1 456
Loans	-	-	30	30
Allowance for doubtful loans	-	-	(30)	(30)
<b>2010</b>				
Receivables	2 603	89	820	3 512
Allowance for doubtful debts	(2)	-	-	(2)
Accrued income	2 788	-	-	2 788
Loans	-	-	30	30
Allowance for doubtful loans	-	-	(30)	(30)

**(c) Maturity analysis of financial assets and liabilities**

	Contractual maturities			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	34 833	34 833	-	-
Receivables	5 913	5 913	-	-
Allowance for doubtful debts	(179)	(179)	-	-
Accrued income	1 456	1 456	-	-
Loans	30	30	-	-
Allowance for doubtful loans	(30)	(30)	-	-
Total financial assets	42 023	42 023	-	-
Financial liabilities:				
Creditors	20 175	20 175	-	-
Accrued expenses	6 012	6 012	-	-
Unearned income	26	26	-	-
Other financial liabilities	225	23	100	102
Total financial liabilities	26 438	26 236	100	102
<b>2010</b>				
Financial assets:				
Cash and cash equivalents	34 280	34 280	-	-
Receivables	3 512	3 512	-	-
Allowance for doubtful debts	(2)	(2)	-	-
Accrued income	2 788	2 788	-	-
Loans	30	30	-	-
Allowance for doubtful loans	(30)	(30)	-	-
Total financial assets	40 578	40 578	-	-
Financial liabilities:				
Creditors	8 466	8 466	-	-
Accrued expenses	3 612	3 612	-	-
Unearned income	214	214	-	-
Other financial liabilities	103	29	74	-
Total financial liabilities	12 395	12 321	74	-

*Liquidity risk*

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

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

*Market risk*

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

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

**32. Remuneration of board and committee members**

The Department administers a number of boards and committees where members receive or are entitled to receive remuneration for their membership. Members during the year that were entitled to receive remuneration during the 2010-11 financial year were:

***Social Inclusion Board***

D Cappo*	L Hallahan	P Peel*
B Cass	G Hugo	M Wagstaff
K Colbung*	A McKenzie*	M Halsey
W Cossey	M Patetsos	

***South Australian Aboriginal Advisory Council***

A Agius	D James*	A Stuart
M Anderson	A Jones	K Telfer
L Bassani	L Liddle*	P Vandenberg*
D Bond	H Miller	S Wilson
S Gollan	J Robin	

***SA Strategic Plan Community Engagement Board***

D Agnew*	H Le*	T Vandenberg
P Blacker	E Moulds	M Wagstaff
D Bursill	J Rich	
A Edwards	S Starick	
L E Hallahan	D Thomas	

***State Records Council***

M Anderson*	S Froude*	S Vreugdenberg*
J C Browne	S Marsden	T Watson
P Crush	M Moore	
J Fetherstonhaugh	G Thompson*	

***Aboriginal Heritage Act 1988 Aboriginal Heritage Committee***

Y Agius	S Meagher	S Sparrow
M Ah Chee	G Owen	A Starkey*
M George	C Smith	A Stuart
D Likouresis	H Smith	L Wright

***Premier's Climate Change Council***

D Bursill	J Kerr	T O'Loughin
B Carter	D Klingberg	J Pettett
R Degaris	P McMichael	V Sanders
B Foster	I McMillen	J White
N Halsey	S Miller*	
T M W Kelly	J O'Brien	

## 32. Remuneration of board and committee members (continued)

**Public Sector Performance Commission Advisory Board**

E Bowman	M Hyde*	J Westacott
R Green	B Pocock	
J Hallion*	T Stubbs	

**South Australia's Strategic Plan Audit Committee**

I Chessell	M McGrath	A Mundkur
W Cossey	S Miller*	L Read
J Giles	P Mohoney	

**Privacy Committee of South Australia**

T Hosch	B Quirke*	T Ryan*
A Mills*	N Rogers*	A Stanley*

**Capital City Committee**

G Gago*	M Llewellyn-Smith	J Rau*
M Harbison	D Plumridge	F Wong
P Holloway*	M Rann*	S Yarwood

**Aboriginal Lands Trust Act 1966 Review Reference Group**

P Agius	H Miller	D Walker
J Chester	G Tongerie	
H Davey	K Wanganeen*	

**Public Sector Grievance Review Commission**

D Smythe

**Remuneration Tribunal**

H Bachmann	J Obst (formerly Meeking)	D Smythe
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**State Emergency Management Committee**

S Ashby*	H Fulcher*	G Lupton*
C Beattie	J Hallion*	J Maguire*
W Campana	A Holmes*	J Mazel*
R Creen*	A Howe*	D Nettleton*
C Eccles*	M Hyde*	D Place*
B Fahy	G Knight*	B Rowse*
E Ferguson*	S Lawson*	A Sherbon*

**Aboriginal Heritage Act 1979 Aboriginal Heritage Committee**

P Clarke*	M McBride	H Richards
L Dare	M McKenzie	S Sparrows
R Hillman	V McKenzie	A Starkey

**Asbestos Advisory Committee**

A Amorosi	S Humphries	D McMahon
C Brown	C Jones*	T Miller
K Hamer*	A Kay*	R Munn
D Hawkins*	J Lovatt*	D Roberts
M Howard	S Mangas	

**Work Life Balance Advisory Committee**

R Buckler	D Frith	J Spoehr
B Cowey*	M Hogan*	Y Swan
E Dabars	C Hudson	V Toovey*
S Dann	R Owens	B Wood*

**32. Remuneration of board and committee members (continued)*****Industrial Relations Advisory Committee***

D Blairs	J Giles	J McMahon
P Conlon*	D Gray	M Patterson*
F Donaghy	J Hanson	B Smedley
T Earls	T Hines	R Wortley*
P Eblen	P Holloway*	
T Evans	P Kolarz	

***Playford Memorial Trust Inc***

D Brown	R Hislop	M Walters
D Bursill*	D Hopgood	D Watson
K Delaporte	I McMillen	D Wotton
S Herzberg	D Standish	K Yates

***Occupational Health, Safety & Welfare Review Committee***

J Brownsea	D Frith	A Rau
J Cavanough	J Giles	B Smedley
C Cini	K Hopkins	A Taylor
G Colquhoun	N Kitchin	S Thomas
T Evans	R Martin	
E Flenley	M O'Malley	

***SafeWork SA Advisory Committee***

D Blairs	B Grant	M Patterson*
J Cavanough	M Heylen	T Phillips
D Frith	M Howard	R Thomson
J Giles	M O'Malley	

***Aboriginal & Torres Strait Islander Arts Development Program Peer Assessment Panel***

A Baker	N Harkin	D Siwes
B Croft	J Haynes	M Ware
S Keeler	C Rigney	

***Contemporary Music Peer Assessment Panel***

S Arlidge	B Lyon	A Shepherd
R Chalklen	P Murton	J Sweeney
S Dodd	A Poulton	A Tripiodi
T Koch	G D Shaw	

***Industry Development Organisations Assessment Panel***

B Cook	S Mayhew	S Verschoor
D Harris	L Newton	C Wellman
K Maragozidis	M Parmenter	
B McQueen*	A Peluso*	

***Literature Peer Assessment Panel***

P Allington	S Fleming	N Prescott
J Aquilina	R Hawke	C Raynes
F Bayet-Charlton	J Jones	
S Evans	N Pluss	

***Art for Public Places Committee***

R Ananda	W Keates	B Powles
D Ferretti	M Knights	R Reason
N Folland	L Matthews	

***Community Arts Development Assessment Panel***

R Ananda (Ananda)	S Ferguson	S Sheehan
O Black	S Johnston	P Watkins*
J Boase	B Noone	



**32. Remuneration of board and committee members (continued)*****Performing Arts Peer Assessment Panel***

C Anderson	M Ives	S Riley
J Barry-Knox	P Johnston	T A Sexton
M Bramwell	E Joyner	J Stone
A Cawrse	J Meiners	J Sweeney
S Chance	E Old	S Whittington
N Hughes	A Pak Poy	S Zahra

***Richard Llewellyn A & D Trust***

S Chance	P Hoban	R Maurovic
C De Bruin	N Lillecrapp	K Morgan*
H Frahn	S Luke	C Wainwright

***Visual Arts, Craft and Design Peer Assessment Panel***

G Artz	C De Rosa	F Mantelli
M Atkinson	W Fairclough	M Rackham
D Austin	G Healey	M Richardson
A Bezor	J Henderson	T Richardson
G E Bisetto	J Hylton	J Robinson
M Blackman	K Inglis	T Rosella
J Blyfield	P Johnson	P Sloan
A Carbone	I Kellenbach	A Turner
S Carson	M Knights	W Walker
K Coehlo	J Loughlin	
A Collett	A Main	

***Renewables SA Board***

B Carter	D Klingberg	M Oliphant
I Chessell*	M Kolhe	B Rajkowska
A Kean	F O'Hehir	T Roper

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

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$0 - 9 999	313	315
\$10 000 - \$19 999	26	36
\$20 000 - \$29 999	-	1
\$30 000 - \$39 999	1	3
\$40 000 - \$49 999	7	2
\$60 000 - \$69 999	2	-
Total	349	357

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 \$1.2 million (\$809 000).

Amounts paid to a superannuation plan for board/committee members was \$54 000 (\$76 000).

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.

**32. Events after balance date**

Adjustments would be 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 at balance date.

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

There are no such events after 30 June 2011.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits	A2	2 219	6 684
Grants and subsidies	A3	900	3 948
Intra-government transfers	A4	6 745	19 216
Supplies and services	A5	1 332	10 742
<b>Total expenses</b>		11 196	40 590
<b>Income:</b>			
Revenues from SA Government		12 047	14 991
Revenues from Commonwealth		432	710
Interest		1 384	7
Other		1 652	313
<b>Total income</b>		15 515	16 021
<b>Net result</b>		4 319	(24 569)
<b>Total comprehensive result</b>		4 319	(24 569)

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

## Statement of Administered Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents		44 495	46 115
Receivables		1 197	92
<b>Total current assets</b>		45 692	46 207
<b>Total assets</b>		45 692	46 207
<b>Current liabilities:</b>			
Payables	A6	2 998	5 475
Employee benefits	A7	-	224
Provisions	A8	1 161	2 062
<b>Total current liabilities</b>		4 159	7 761
<b>Non-current liabilities:</b>			
Payables	A6	-	12
Employee benefits	A7	-	121
Provisions	A8	6 272	7 675
<b>Total non-current liabilities</b>		6 272	7 808
<b>Total liabilities</b>		10 431	15 569
<b>Net assets</b>		35 261	30 638
<b>Equity:</b>			
Retained earnings		35 261	30 638
<b>Total equity</b>		35 261	30 638

Total equity is attributable to the SA Government as owner

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

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	55 207	55 207
Total comprehensive result for 2009-10	(24 569)	(24 569)
Balance at 30 June 2010	30 638	30 638
Net result for 2010-11	4 319	4 319
Total comprehensive result for 2010-11	4 319	4 319
Net assets distributed from administrative restructures	304	304
<b>Balance at 30 June 2011</b>	<b>35 261</b>	<b>35 261</b>

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

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

	2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(2 604)	(6 712)
Grants and subsidies	(900)	(3 948)
Intra-government transfers	(6 745)	(19 216)
Supplies and services payments	(6 086)	(2 488)
<b>Cash used in operations</b>	<b>(16 335)</b>	<b>(32 364)</b>
Cash inflows:		
Receipts from SA Government	12 047	14 991
Receipts from Commonwealth	432	710
Interest received	1 384	7
Other receipts	548	310
<b>Cash generated from operations</b>	<b>14 411</b>	<b>16 018</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(1 924)</b>	<b>(16 346)</b>
<b>Cash flows from financing activities:</b>		
Cash inflows:		
Cash distributed from administrative restructuring activities	304	-
<b>Cash generated from financing activities</b>	<b>304</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1 620)</b>	<b>(16 346)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>46 115</b>	<b>62 461</b>
<b>Cash and cash equivalents at 30 June</b>	<b>44 495</b>	<b>46 115</b>

**NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS**

**A1. Summary of significant accounting policies**

All departmental accounting policies are contained in note 2. The policies outlined in this note apply to both the Department of the Premier and Cabinet's (the Department) and administered financial statements.

**Administered items**

The following funds and financial transactions were administered by the Department as at 30 June 2011. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

- Special Act payments
- Bank of Tokyo cultural and social exchange
- SA Okayama account
- Promotion of the State
- TVSP Scheme
- Social Inclusion - Homelessness
- Social Inclusion - School retention action plan
- APY Lands
- Aboriginal Affairs administered
- Government Workers Rehabilitation Compensation Fund.

**A2. Employee benefits**

	2011 \$'000	2010 \$'000
Salaries and wages	639	3 645
Long service leave	-	57
Annual leave	-	110
Employment on-costs - superannuation	-	681
Employment on-costs - other	10	214
Other employment related expenses	1 570	1 977
<b>Total employee benefits</b>	<b>2 219</b>	<b>6 684</b>

**Remuneration of employees**

The number of employees who received remuneration of \$100 000 or more during the year falls within the following bands:

	2011 Number	2010 Number
\$140 700 - \$150 699	-	1
\$240 700 - \$250 699	-	1
\$250 700 - \$260 699	-	1
\$280 700 - \$290 699	-	1
\$290 700 - \$300 699	1	-
\$300 700 - \$310 699	-	1
\$340 700 - \$350 699	-	2
\$350 700 - \$360 699	-	2
\$360 700 - \$370 699	-	4
\$380 700 - \$390 699	1	-
<b>Total</b>	<b>2</b>	<b>13</b>

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The total remuneration received by employees listed in the table above for the year was \$683 000 (\$4.1 million)

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. There was no impact on the number of employees included in this note as a result of the change in APF 11, APS 4.8 from a base of \$100 000 to the base executive remuneration level.

**A3. Grants and subsidies**

	2011 \$'000	2010 \$'000
Grants and subsidies paid/payable to entities external to the SA Government:		
Recurrent grant	900	3 948
<b>Total grants and subsidies - non-SA Government entities</b>	<b>900</b>	<b>3 948</b>

<b>A4. Intra-government transfers</b>		2011	2010
		\$'000	\$'000
Other intra-government transfers		5 736	18 761
Recoveries by controlled items		1 009	455
Total intra-government transfers		<u>6 745</u>	<u>19 216</u>
<b>A5. Supplies and services</b>			
Community infrastructure		2 900	3 121
Government Workers Compensation Fund		(2 304)	6 889
Other supplies and services		736	732
Total supplies and services		<u>1 332</u>	<u>10 742</u>
<b>A6. Payables</b>			
Current:			
Creditors		2 998	5 447
Employment on-costs		-	28
Total current payables		<u>2 998</u>	<u>5 475</u>
Non-current:			
Employment on-costs		-	12
Total non-current payables		<u>-</u>	<u>12</u>
Total payables		<u>2 998</u>	<u>5 487</u>
<b>A7. Employee benefits</b>			
Current:			
Accrued salaries and wages		-	94
Long service leave		-	25
Annual leave		-	105
Total current employee benefits		<u>-</u>	<u>224</u>
Non-current:			
Long service leave		-	121
Total non-current employee benefits		<u>-</u>	<u>121</u>
Total employee benefits		<u>-</u>	<u>345</u>
<b>A8. Provisions</b>			
Current:			
Provisions for workers compensation		1 161	2 062
Total current provisions		<u>1 161</u>	<u>2 062</u>
Non-current:			
Provisions for workers compensation		6 272	7 675
Total non-current provisions		<u>6 272</u>	<u>7 675</u>
Total provisions		<u>7 433</u>	<u>9 737</u>
<b>A9. Transferred functions</b>			
	Employee and	Judges and	Total
	WorkCover	magistrates	
	Ombudsman		
	\$'000	\$'000	\$'000
Current assets:			
Receivables	92	-	92
Total current assets	<u>92</u>	<u>-</u>	<u>92</u>
Current liabilities:			
Payables	7	24	31
Employee benefits	57	175	232
Total current liabilities	<u>64</u>	<u>199</u>	<u>263</u>
Non-current liabilities:			
Payables	2	11	13
Employee benefits	15	105	120
Total non-current liabilities	<u>17</u>	<u>116</u>	<u>133</u>
Net assets transferred out	<u>11</u>	<u>(315)</u>	<u>(304)</u>

**A9. Transferred functions (continued)**

As a result of restructuring of administrative arrangements, the Department relinquished responsibility for the Special Act salary payments for the Employee Ombudsman, the WorkCover Ombudsman, judges and magistrates and the Industrial Tribunal payments into court.

Assets and liabilities relating to these administered items were transferred to the Attorney-General's Department as at 1 July 2010.

**A10. Events after balance date**

Adjustments would be 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 at balance date.

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

There are no such events after 30 June 2011.

# Department of Primary Industries and Resources

## Functional responsibility

### Establishment

The Department of Primary Industries and Resources (the Department) is an administrative unit established under the PSA.

### Functions

The Department's main responsibilities include ensuring the sustainable development of the State's natural, industrial and community resources and assets in accordance with South Australia's Strategic Plan.

For more information about the Department's role and objectives, refer note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the 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 2010-11 specific areas of audit attention included:

- financial accounting and reporting
- fixed assets
- expenditure:
  - goods and services procurement
  - credit card processing
  - payroll
  - grants and subsidies

- revenue:
  - Masterpiece accounts receivable debtor management and Reculver cash receipting
  - fees and charges
  - grants and advances
  - fisheries licensing revenue
  - minerals and petroleum royalties and licences
- cash at bank
- financial management compliance program.

The audit included consideration of control arrangements implemented by the Department and Shared Services SA (SSSA).

## **Audit findings and comments**

### **Auditor's report on the financial report**

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

### **Assessment of controls**

In my opinion, the controls exercised by the Department of Primary Industries and Resources 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 expenditure, payroll, fixed assets and Masterpiece accounts receivable and Reculver systems, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Primary Industries and Resources 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 and the Executive Director SSSA. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and SSSA and the related responses are detailed below.

### **Expenditure**

SSSA commenced processing the Department's purchasing and expenditure transactions through the e-Procurement and Basware systems during the year ended 30 June 2011. The audit for 2010-11 has considered the effectiveness of the new systems in addressing previous audit findings.

The 2010-11 audit included:

- review of the control arrangements implemented by the Department and SSSA
- detailed testing of transactions processed through the accounts payable module
- a review of credit card controls and transactions processed through the e-Crow system
- detailed testing of transactions processed through Basware and e-Procurement.

The audit identified the following matters:

- delegations of authority were not accurately recorded in Basware



- asset purchases exceeding officers' delegation
- the review of general ledger transaction reports by divisions was inconsistent and not evidenced for review.

The Department responded that:

- it has reviewed the delegations in Basware and they are now consistent with the Department's delegations of authority
- it would develop a procedure to review delegations of authority within Basware for accuracy on a timely basis
- the requirements of the Financial Transactions Review Guideline were reinforced to the divisional finance managers.

#### ***Expenditure - the e-Procurement control environment at SSSA***

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

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

#### ***Payroll***

The 2010-11 audit included a review of control arrangements implemented by the Department and SSSA and the testing of transactions processed through the CHRIS system. Specific areas of focus included:

- recording hiring and terminating personnel
- time and attendance recording
- payroll calculation and disbursement
- maintenance of employee data within the CHRIS system
- reconciliations between CHRIS and the general ledger
- review of prior year findings.

Audit's review in prior years has identified that bona fide certificates and leave returns are not recorded in a central register after they were reviewed by pay point managers. Audit recommended that the Department implement central registers for bona fide certificates and leave returns to monitor review of bona fide certificates and leave returns.

The risks associated with the absence of a central register are:

- bona fide certificates - the Department is not assured that all bona fide certificates are reviewed in a timely manner and action is taken to correct any errors or omissions
- leave returns - the Department is not assured that leave returns are reviewed in a timely manner and that leave taken by employees is recorded.

Review of the Department's control environment in 2010-11 identified:

- inconsistent practice in reviewing bona fide certificates
- inaccurate data on bona fide certificates
- inconsistent practice in reviewing leave returns
- no evidence of review of leave returns
- leave not recorded in CHRIS.

The Department acknowledged the findings but responded that the establishment of central registers for bona fide certificates and leave returns will not provide assurance that pay point managers have appropriately actioned any inaccuracies or anomalies. The Department advised that it will direct pay point managers to contact Human Resources immediately when an error is identified to have the appropriate action taken. Further the current guidelines for managers' review of bona fide certificate will be reviewed, strengthened and circulated to all pay point managers once finalised.

Audit's review of the control environment at SSSA identified that:

- existing policies and procedures require updating
- there is no documented policy or procedure for the disbursement of payroll
- there is limited segregation of duties for key payroll functions
- the service level determination requires updating to reflect current work practices.

SSSA acknowledged the findings and responded that it is committed to reviewing, and where required, updating all procedures. Approved policies and procedures will be circulated to staff. SSSA is in the process of defining a project to address the segregation of duties within payroll teams.

Testing of leave recording for one division identified differences between leave recorded in local time recording systems and the leave recorded in the CHRIS system. While some instances reflected different classification others reflected non-recording of leave taken in the CHRIS system resulting in an overstatement of the affected employees' leave entitlements.

The Department has advised that it has initiated an internal audit review across all areas of the Department to assess whether the external audit findings are representative of the whole Department. It also advised that the specific matters identified by the external audit were corrected.

#### ***Fixed assets***

The audit of control arrangements implemented by the Department and SSSA over fixed asset records in 2010-11 considered processes for:

- processing asset acquisitions
- processing asset disposals
- depreciating fixed assets
- maintaining the fixed asset register
- reconciling the fixed asset register to the general ledger.

The review of the control environment at SSSA identified that while reconciliations between the fixed asset register and general ledger were performed and reviewed on a timely basis most asset classes showed variances that changed over the period.

SSSA acknowledged the finding and advised it will investigate the cause of the variances in the reconciliation.

***Masterpiece accounts receivable (MPAR) and Reculver systems***

The review included consideration of control arrangements implemented by the Department and SSSA and the testing of transactions processed through the MPAR and Reculver systems. Specific areas of focus included:

- the review of policies and procedures
- cash receipting
- debtor management
- reconciliation of revenue feeder systems to MPAR
- reconciliation of MPAR to the general ledger.

The 2010-11 audit identified:

- the MPAR to general ledger reconciliation had an unsupported reconciling item
- a number of outstanding debts greater than 120 days old.

The Department acknowledged the finding and responded that it had worked with SSSA to address the unsupported reconciling item. Audit review at 30 June confirmed the reconciling item was cleared at the end of the financial year.

***Fisheries licensing revenue***

In 2010-11 the audit of the revenue collected by the Fisheries division of the Department included:

- review of the governing legislation
- review of policies and procedures
- licensing and invoicing
- cash receipting
- adjustments to licence invoices
- review of the reconciliation of the Primary Industries Information Management System (PIIMS) revenue system and MPAR.

The 2010-11 audit identified:

- instances where PIIMS to MPAR reconciliations were not performed on a timely basis
- adjustments to licence invoices that were authorised in excess of delegated authority
- the reconciliation of cash receipts to the revenue system was not independently reviewed
- Giant Crab entitlement fees were not raised by PIIMS.

The Department responded that:

- it is currently finalising a procedure to ensure reconciliations are completed each month
- it is increasing the authorised delegation limits for the Fisheries and Aquaculture unit to correspond with current business requirements
- procedures for the reconciliation of cash receipts are being updated and will require an independent review
- Giant Crab entitlement fees for 2011-12 will be raised with the 2012-13 fee.

## Interpretation and analysis of the financial report

### Highlights of the financial report - controlled items

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefit expenses	121	126
Grants and subsidies	40	77
Facilitation of infrastructure development	-	33
Supplies and services	74	65
Other expenses	10	13
<b>Total expenses</b>	<b>245</b>	<b>314</b>
<b>Income</b>		
Revenue from fees and charges	34	35
Advances and grants	46	44
Recoveries for facilitation of infrastructure development	-	89
Commonwealth revenues	22	51
Other income	14	20
<b>Total income</b>	<b>116</b>	<b>239</b>
<b>Net cost of providing services</b>	<b>129</b>	<b>75</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	130	137
Payments to SA Government	(5)	(62)
<b>Net result</b>	<b>(4)</b>	<b>-</b>
<b>Net cash provided by (used in) operating activities</b>	<b>24</b>	<b>2</b>
<b>Assets</b>		
Current assets	116	108
Non-current assets	139	141
<b>Total assets</b>	<b>255</b>	<b>249</b>
<b>Liabilities</b>		
Current liabilities	45	37
Non-current liabilities	34	29
<b>Total liabilities</b>	<b>79</b>	<b>66</b>
<b>Total equity</b>	<b>176</b>	<b>183</b>

### Statement of Comprehensive Income

#### *Employee benefit expenses*

Employee benefit expenses reduced from \$126.5 million to \$120.9 million in 2010-11 due to a reduction in TVSP payments (refer note 6 to the financial statements).

#### *Supplies and services*

The Department's expenditure on supplies and services increased by \$9 million mainly due to increases of \$4 million in administrative and operating costs, \$2.4 million in professional and technical services and smaller increases in computing and communication costs and travel expenses.

**Facilitation of infrastructure construction expense**

Support by the Department for the Jervois to Langhorne Creek and Currency Creek pipeline was substantially completed in 2009-10 reflecting a \$32 million reduction in expenses in 2010-11.

**Grants and subsidies expense**

Total grants and subsidies reduced by \$36.7 million to \$40.5 million in 2010-11 due to a reduction of \$32.6 million in exceptional circumstances interest rate subsidies paid and \$5.7 million in State drought programs. These reductions in grants paid were offset by increased grants and subsidies of \$1.4 million for the Plague Locust Control program.

**Commonwealth grants**

Commonwealth revenue decreased by \$29.3 million principally due to reduced funding provided for the exceptional circumstances interest rate subsidies program.

**Facilitation of infrastructure development recoveries**

The Jervois to Langhorne Creek and Currency Creek pipeline project is part of the State Government's Murray Futures project funded by the Australian Government's Water for the Future program. The pipeline was completed in 2009-10 and entered into a contractor warranty period in 2010-11. Ownership of the pipeline has been transferred to the Creeks Pipeline Company. As a consequence there were only residual recoveries in 2010-11.

**Other income**

Other income decreased due mainly to lower TVSP recoveries which reduced by \$6.6 million.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
<b>Net cash flows</b>				
Operating	24	2	(1)	1
Investing	(8)	(6)	6	(5)
Financing	4	1	(4)	(1)
Change in cash	20	(3)	1	(5)
Cash at 30 June	98	78	81	80

The Department's cash balance has increased by \$20 million principally due to receipt of \$11.9 million cash mainly relating to Exceptional Circumstances acquittals at 30 June 2010.

**Highlights of the financial report - administered items**

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Grants and subsidies	24	22
Payments of royalties to Consolidated Account	156	125
Other expenses	7	6
<b>Total expenses</b>	187	153

	2011 \$'million	2010 \$'million
<b>Income</b>		
Revenues from fees and charges	22	20
Levies collections	3	2
Royalties	156	125
Other income	3	3
<b>Total income</b>	<b>184</b>	<b>150</b>
<b>Net cost of providing services</b>	<b>(3)</b>	<b>(3)</b>
<b>Revenues from (Payments to) SA Government</b>	<b>4</b>	<b>4</b>
<b>Net result</b>	<b>1</b>	<b>1</b>
<b>Total comprehensive result</b>	<b>1</b>	<b>1</b>
<b>Net cash provided by (used in) operating activities</b>	<b>19</b>	<b>(4)</b>
<b>Assets</b>		
Current assets	51	32
<b>Total assets</b>	<b>51</b>	<b>32</b>
<b>Liabilities</b>		
Current liabilities	32	14
<b>Total liabilities</b>	<b>32</b>	<b>14</b>
<b>Total equity</b>	<b>19</b>	<b>18</b>

#### Statement of Administered Comprehensive Income

##### *Income from fees and charges/payment of grants and subsidies*

Increased revenue from fees and charges is principally due to increased licence fees and contributions from members of different industry groups. Funds collected are disbursed as grants and subsidies to support promotion, research and development and other activities to benefit the different industries.

##### *Royalties*

Income from royalties increased by \$31 million to \$156 million principally due to increased minerals royalties. The increased income is matched by increased payments to the Consolidated Account.

#### Statement of Administered Financial Position

Increased cash is principally due to an increase in funds held and payable to the Consolidated Account with respect to royalty collections.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses	6	120 887	126 484
Supplies and services	7	73 654	64 700
Facilitation of infrastructure construction	2(p)	104	32 640
Depreciation and amortisation expense	8	6 827	8 611
Grants and subsidies	9	40 489	77 136
Borrowing costs	10	59	57
Net loss from disposal of non-current assets	18	92	-
Net loss from disposal of other assets	18(a)	3	-
Other expenses	11	2 734	4 389
<b>Total expenses</b>		<b>244 849</b>	<b>314 017</b>
<b>Income:</b>			
Revenues from fees and charges	13	33 760	34 736
Advances and grants	14	46 022	44 069
Commonwealth revenues (National Partnership payments)	15	22 219	51 489
Interest revenues	16	2 391	1 742
Sale of goods	17	4 497	4 816
Recoveries for facilitation of infrastructure development	2(p)	104	89 490
Net gain from disposal of non-current assets	18	-	28
Other income	19	7 038	12 901
Resources received free of charge	20	-	49
<b>Total income</b>		<b>116 031</b>	<b>239 320</b>
<b>Net cost of providing services</b>		<b>128 818</b>	<b>74 697</b>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	21	129 816	137 100
Payments to SA Government	21	(4 690)	(61 924)
<b>Net revenues from SA Government</b>		<b>125 126</b>	<b>75 176</b>
<b>Net result</b>		<b>(3 692)</b>	<b>479</b>
<b>Total comprehensive result</b>		<b>(3 692)</b>	<b>479</b>

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

## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash	22	98 198	77 736
Receivables	23	15 475	28 418
Inventories	24	2 146	1 227
		<u>115 819</u>	<u>107 381</u>
Non-current assets classified as held for sale	26	198	249
<b>Total current assets</b>		<u>116 017</u>	<u>107 630</u>
<b>Non-current assets:</b>			
Receivables	23	3 181	425
Financial assets	25	4 501	4 503
Property, plant and equipment	27	126 728	130 806
Intangible assets	28	4 463	5 353
Inventories	24	206	262
		<u>139 079</u>	<u>141 349</u>
<b>Total non-current assets</b>		<u>139 079</u>	<u>141 349</u>
<b>Total assets</b>		<u>255 096</u>	<u>248 979</u>
<b>Current liabilities:</b>			
Payables	29	16 057	9 859
Employee benefits	31	9 868	12 502
Financial liabilities/Borrowings	30	1 795	1 471
Provisions	32	528	485
Other current liabilities	33	16 798	12 640
		<u>45 046</u>	<u>36 957</u>
<b>Total current liabilities</b>		<u>45 046</u>	<u>36 957</u>
<b>Non-current liabilities:</b>			
Payables	29	2 354	2 396
Employee benefits	31	25 445	22 884
Financial liabilities/Borrowings	30	2 790	-
Provisions	32	1 780	1 578
Other non-current liabilities	33	1 422	1 696
		<u>33 791</u>	<u>28 554</u>
<b>Total non-current liabilities</b>		<u>33 791</u>	<u>28 554</u>
<b>Total liabilities</b>		<u>78 837</u>	<u>65 511</u>
<b>Net assets</b>		<u>176 259</u>	<u>183 468</u>
<b>Equity:</b>			
Retained earnings	34	126 455	126 161
Asset revaluation surplus	34	49 288	49 288
Committed grants reserve	34	516	8 019
		<u>176 259</u>	<u>183 468</u>
<b>Total equity</b>		<u>176 259</u>	<u>183 468</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	36		
Contingent assets and liabilities	37		



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

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Committed grants reserve \$'000	Total \$'000
Balance at 30 June 2009		49 280	124 846	8 851	182 977
Prior period correction		12	-	-	12
Restated balance at 30 June 2009	34	49 292	124 846	8 851	182 989
Net result for 2009-10		-	408	-	408
Prior period correction		-	71	-	71
Restated net result for 2009-10		-	479	-	479
Transfer from reserve		-	832	(832)	-
Asset derecognition (revaluation surplus adjustments)		(4)	4	-	-
Total comprehensive result for 2009-10		(4)	1 315	(832)	479
Balance at 30 June 2010	34	49 288	126 161	8 019	183 468
Net result for 2010-11		-	(3 692)	-	(3 692)
Transfer from reserve		-	7 503	(7 503)	-
Total comprehensive result for 2010-11		-	3 811	(7 503)	(3 692)
Asset derecognition (accounting policy change)		-	(3 657)	-	(3 657)
Transactions with SA Government as owner:					
Net assets acquired from restructure	35	-	140	-	140
<b>Balance at 30 June 2011</b>		<b>49 288</b>	<b>126 455</b>	<b>516</b>	<b>176 259</b>

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

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

	2011	2010
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(123 714)	(127 843)
Supplies and services	(69 191)	(61 994)
Facilitation of infrastructure construction	(104)	(32 640)
Grants and subsidies	(39 149)	(78 541)
Interest paid	(70)	(57)
GST payments to ATO	(168)	(6 662)
GST paid to suppliers	(12 386)	(16 794)
Other payments	(2 922)	(4 326)
<b>Cash used in operating activities</b>	<u>(247 704)</u>	<u>(328 857)</u>
Cash inflows:		
Fees and charges	36 701	36 893
Sale of goods	4 961	3 712
Commonwealth revenues	32 044	40 655
Advances and grants	50 978	45 501
Interest received	2 234	1 713
Facilitation of infrastructure development	104	89 490
GST receipts from customers	6 549	13 813
GST recovered from ATO	6 115	10 676
Other receipts	7 463	13 127
<b>Cash generated from operating activities</b>	<u>147 149</u>	<u>255 580</u>
Cash flows from SA Government:		
Receipts from SA Government	129 816	137 100
Payments to SA Government	(4 690)	(61 924)
<b>Cash generated from SA Government</b>	<u>125 126</u>	<u>75 176</u>
<b>Net cash provided by (used in) operating activities</b>	<u>24 571</u>	<u>1 899</u>
	39	
<b>Cash flows from investing activities:</b>		
Cash outflows:		
Purchase of property, plant and equipment	(5 210)	(5 019)
Loans advanced to rural sector and industry	(4 612)	(697)
Purchase of intangibles	(306)	(561)
<b>Cash used in investing activities</b>	<u>(10 128)</u>	<u>(6 277)</u>
Cash inflows:		
Loans repaid by the rural sector and industry	1 616	510
Proceeds from the sale of property, plant and equipment	288	461
<b>Cash generated from investing activities</b>	<u>1 904</u>	<u>971</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(8 224)</u>	<u>(5 306)</u>
<b>Cash flows from financing activities:</b>		
Cash outflows:		
Repayment of borrowings	(1 420)	(274)
<b>Cash used in financing activities</b>	<u>(1 420)</u>	<u>(274)</u>
Cash inflows:		
Proceeds from borrowings	4 534	420
Cash transferred as a result of restructuring activities	1 001	-
<b>Cash generated from financing activities</b>	<u>5 535</u>	<u>420</u>
<b>Net cash provided by (used in) financing activities</b>	<u>4 115</u>	<u>146</u>
<b>Net increase (decrease) in cash</b>	<u>20 462</u>	<u>(3 261)</u>
<b>Cash at 1 July</b>	<u>77 736</u>	<u>80 997</u>
<b>Cash at 30 June</b>	<u>98 198</u>	<u>77 736</u>
	22	

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

(Activities - refer note 5)	1		2		3	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	577	-	19 457	20 977	99 319	103 833
Supplies and services	214	-	9 882	9 753	63 143	54 475
Facilitation of infrastructure construction	-	-	-	-	104	32 640
Depreciation and amortisation	6	-	1 147	740	5 675	7 866
Grants and subsidies	21	-	2 748	2 750	37 719	74 364
Borrowing costs	-	-	-	-	59	57
Net loss from disposal of non-current assets	-	-	-	-	92	-
Net loss from disposal of other assets	-	-	-	-	3	-
Other expenses	5	-	44	19	2 683	4 370
<b>Total expenses</b>	<b>823</b>	<b>-</b>	<b>33 278</b>	<b>34 239</b>	<b>208 797</b>	<b>277 605</b>
<b>Income:</b>						
Revenues from fees and charges	-	-	11 481	10 800	22 279	23 936
Advances and grants	1 242	-	98	449	44 682	43 615
Commonwealth revenues	-	-	-	-	22 219	51 489
Interest revenues	-	-	1	-	2 390	1 742
Sales of goods	-	-	197	84	4 300	4 732
Revenues for facilitation of infrastructure development	-	-	-	-	104	89 490
Net gain from disposal of non-current assets	-	-	-	29	-	(1)
Other income	-	-	399	2 514	6 639	10 382
Resources received free of charge	-	-	-	2	-	47
<b>Total income</b>	<b>1 242</b>	<b>-</b>	<b>12 176</b>	<b>13 878</b>	<b>102 613</b>	<b>225 432</b>
<b>Net cost of providing services</b>	<b>(419)</b>	<b>-</b>	<b>21 102</b>	<b>20 361</b>	<b>106 184</b>	<b>52 173</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	-	-	21 102	20 361	106 763	114 576
Payments to SA Government	-	-	-	-	(4 690)	(61 924)
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>21 102</b>	<b>20 361</b>	<b>102 073</b>	<b>52 652</b>
<b>Net result</b>	<b>419</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 111)</b>	<b>479</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

(Activities - refer note 5)	4		Total <sup>(1)</sup>	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefit expenses	1 534	1 674	120 887	126 484
Supplies and services	416	472	73 654	64 700
Facilitation of infrastructure construction	-	-	104	32 640
Depreciation and amortisation	-	5	6 827	8 611
Grants and subsidies	-	22	40 489	77 136
Borrowing costs	-	-	59	57
Net loss on disposal of non-current assets	-	-	92	-
Net loss on disposal of other assets	-	-	3	-
Other expenses	1	-	2 734	4 389
<b>Total expenses</b>	<b>1 951</b>	<b>2 173</b>	<b>244 849</b>	<b>314 017</b>
<b>Income:</b>				
Revenues from fees and charges	-	-	33 760	34 736
Advances and grants	-	5	46 022	44 069
Commonwealth revenues	-	-	22 219	51 489
Interest revenues	-	-	2 391	1 742
Sales of goods	-	-	4 497	4 816
Revenues for facilitation of infrastructure development	-	-	104	89 490
Net gain from disposal of non-current assets	-	-	-	28
Other income	-	5	7 038	12 901
Resources received free of charge	-	-	-	49
<b>Total income</b>	<b>-</b>	<b>10</b>	<b>116 031</b>	<b>239 320</b>
<b>Net cost of providing services</b>	<b>1 951</b>	<b>2 163</b>	<b>128 818</b>	<b>74 697</b>
<b>Revenues from (Payments to)</b>				
<b>SA Government:</b>				
Revenues from SA Government	1 951	2 163	129 816	137 100
Payments to SA Government	-	-	(4 690)	(61 924)
<b>Net revenues from SA Government</b>	<b>1 951</b>	<b>2 163</b>	<b>125 126</b>	<b>75 176</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>(3 692)</b>	<b>479</b>

(1) Comparatives for 2010 have been restated to include prior period adjustment.

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

(Activities - refer note 5)	1		2		3	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>						
Cash	1 105	-	-	4 092	51 953	47 405
Receivables	50	-	1 281	820	11 854	15 369
Inventories	-	-	33	55	2 113	1 172
Non-current assets classified as held for sale	-	-	-	-	198	249
<b>Total current assets</b>	<b>1 155</b>	<b>-</b>	<b>1 313</b>	<b>4 967</b>	<b>66 119</b>	<b>64 195</b>
<b>Non-current assets:</b>						
Receivables	-	-	7	-	3 166	370
Financial assets	-	-	-	-	4 501	4 503
Property, plant and equipment	11	-	26 384	6 535	97 785	102 129
Intangible assets	410	-	403	660	590	1 640
Inventories	-	-	-	-	206	262
<b>Total non-current assets</b>	<b>421</b>	<b>-</b>	<b>26 794</b>	<b>7 195</b>	<b>106 247</b>	<b>108 904</b>
<b>Total assets</b>	<b>1 576</b>	<b>-</b>	<b>28 107</b>	<b>12 162</b>	<b>172 367</b>	<b>173 099</b>
<b>Current liabilities:</b>						
Payables	69	-	1 433	935	9 199	7 278
Employee benefits	238	-	1 352	1 694	6 770	7 821
Financial liabilities/Borrowings	-	-	-	-	1 795	1 471
Provisions	65	-	342	65	7	343
Other current liabilities	-	-	4 984	4 999	11 540	7 327
<b>Total current liabilities</b>	<b>372</b>	<b>-</b>	<b>8 110</b>	<b>7 693</b>	<b>29 311</b>	<b>24 240</b>
<b>Non-current liabilities:</b>						
Payables	72	-	326	331	1 506	1 502
Employee benefits	802	-	3 554	3 166	16 187	14 342
Financial liability/Borrowings	-	-	-	-	2 790	-
Provisions	212	-	1 114	212	24	1 114
Other non-current liabilities	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>1 085</b>	<b>-</b>	<b>4 994</b>	<b>3 709</b>	<b>20 507</b>	<b>16 957</b>
<b>Total liabilities</b>	<b>1 458</b>	<b>-</b>	<b>13 105</b>	<b>11 402</b>	<b>49 818</b>	<b>41 198</b>
<b>Net assets</b>	<b>118</b>	<b>-</b>	<b>15 003</b>	<b>760</b>	<b>122 549</b>	<b>131 901</b>

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011 (continued)

(Activities - refer note 5)	4		General/ Not attributable		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>						
Cash	-	-	45 140	26 239	98 198	77 736
Receivables	-	7	2 290	12 222	15 475	28 418
Inventories	-	-	-	-	2 146	1 227
Non-current assets classified as held for sale	-	-	-	-	198	249
<b>Total current assets</b>	-	7	47 430	38 462	116 017	107 630
<b>Non-current assets:</b>						
Receivables	1	-	7	55	3 181	425
Financial assets	-	-	-	-	4 501	4 503
Property, plant and equipment	-	3	2 549	22 139	126 728	130 806
Intangible assets	-	-	3 060	3 053	4 463	5 353
Inventories	-	-	-	-	206	262
<b>Total non-current assets</b>	1	3	5 616	25 247	139 079	141 349
<b>Total assets</b>	1	10	53 046	63 709	255 096	248 979
<b>Current liabilities:</b>						
Payables	112	87	5 244	1 559	16 057	9 859
Employee benefits	92	141	1 417	2 846	9 868	12 502
Financial liabilities/Borrowings	-	-	-	-	1 795	1 471
Provisions	-	7	113	70	528	485
Other current liabilities	-	-	274	314	16 798	12 640
<b>Total current liabilities</b>	204	235	7 048	4 790	45 046	36 957
<b>Non-current liabilities:</b>						
Payables	36	33	414	530	2 354	2 396
Employee benefits	392	319	4 510	5 057	25 445	22 884
Financial liabilities/Borrowings	-	-	-	-	2 790	-
Provisions	-	24	431	228	1 780	1 578
Other non-current liabilities	-	-	1 422	1 696	1 422	1 696
<b>Total non-current liabilities</b>	428	376	6 777	7 511	33 791	28 554
<b>Total liabilities</b>	632	611	13 826	12 301	78 837	65 511
<b>Net assets</b>	(631)	(601)	39 220	51 408	176 259	183 468

The 2010 comparatives have been restated for prior years adjustments.

Note: Assets and liabilities are only attributed to activities where this can be done reliably.

Certain amounts like cash and taxation amounts receivable and due from operating transitions are not allocated.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by that activity. Where this criteria is not met the asset value is 'unallocated'.

In the construction of this report a negative 'net assets' position may result for an activity from the allocation method used and/or non-attribution of assets and liabilities to activities. However, total 'net assets' reconciles to the Statement of Financial Position.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Primary Industries and Resources (PIRSA or the Department)

The Department's aim of fostering sustainable and internationally competitive industries is set in targets in South Australia's Strategic Plan. These targets include increasing exports to \$25 billion by 2014, maintaining mining exploration investment at (or above) \$100 million a year until 2010, and the value of mineral production and processing to reach \$4 billion by 2014.

To assist in achieving South Australia's Strategic Plan targets PIRSA has the additional following objectives of:

- facilitating the development and growth of food, wine, fisheries, aquaculture and forestry sectors
- promoting growth of the mineral, petroleum and geothermal industries
- promoting sustainable resource management across the industry sectors
- facilitating the application of innovative new technologies, services, products and knowledge through its strong partnerships with industry sectors
- providing research and development capability to deliver innovation in the Agrifood, wine and bioscience industries
- delivering rural and remote community support services
- protecting Agrifood industries against potential biosecurity outbreaks.

The principal sources of funds for the Department's programs consists of monies appropriated by Parliament, research grants from industry research corporations, licence receipts, Commonwealth grants and trading operations.

### 2. Summary of significant accounting policies

#### (a) *Statement of compliance*

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

#### (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 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 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
  - (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.

**(b) Basis of preparation (continued)**

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 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 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 2011 and the comparative information presented.

**(c) Reporting entity**

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back 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.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

**(d) Transferred functions**

**2010-11**

*Biosecurity*

Effective from 1 July 2010, the Biosecurity Division of the former Department of Water, Land and Biodiversity Conservation, transferred to the Department. The gazettal was issued as Public Sector (Reorganisation of Public Sector Operations) Notice 2010 July 2010.

*Olympic Dam*

The Public Sector (Administrative Units of Public Service - Variation 4) Proclamation 2010 (dated 18 November 2010) proclaimed that effective from 1 December 2010 the establishment of an administrative unit and designation of a responsible minister. The attached office was assigned the title Olympic Dam Taskforce (ODTF) and was attached to the Department.

The Public Sector (Administrative Units of Public Service - Variation 2) Proclamation 2011 (dated 23 June 2011) proclaimed that effective from 23 June 2011 the attached office, ODTF, was abolished. The attached office was absorbed into the Department.

**2009-10**

During 2009-10 there were not any functions that transferred into or out of the Department.

**(e) 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 and classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation in these financial statements unless impracticable.

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

**(f) Rounding**

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



**(g) Taxation**

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

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

**(h) Events after the reporting period**

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

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

**(i) Income and expenses**

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the 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.

The notes accompanying the financial statements disclose income, expenses, financial assets and 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.

The following are specific recognition criteria:

*Revenues from (Payments to) SA Government*

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

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 appropriation is recorded as contributed equity.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not available to the Department for use in achieving its objectives and therefore are not recognised as revenues, but are reported as revenues in the Administered Financial Statements Schedule. Similarly, the amounts transferred are not recognised as expenses, but are reported as administered expenses in the Administered Financial Statements Schedule.

*Fees and charges*

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

*Contributions received/paid*

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

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

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

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

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

*Resources received/provided free of charge*

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Comprehensive Income at their fair value.

Resources provided free of charge (contributions of services) are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. These are recorded in the expense line items to which they relate.

*Administered - royalty receipts*

Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty revenue is recognised as income when received.

*Administered - contributions received from industry*

Under the *Primary Industries Funding Scheme Act 1988* certain administered industry funds may impose a levy on industry participants to raise funds for the conduct of approved projects to advance research or development in the industry sector. For each industry fund, regulations under the Act specify the amount and nature of levies payable. Revenue from this source is recognised as income when received.

*Net gain (loss) on non-current assets*

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

*Employee benefit expenses*

Employee benefit expense includes 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 of non-current assets*

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

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

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

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

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

Land, heritage assets and assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight-line basis either over the estimated useful life of the asset, where this can be reasonably determined or a class rate taken from the table below:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and infrastructure	20-70
Leasehold improvements	10
Plant and equipment	3-20
Intangibles	1-4

*Borrowing costs*

All borrowing costs are recognised as expenses.

**(j) Current and non-current classification**

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

**(k) Assets**

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

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

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 includes cash at bank and on hand and foreign currencies.

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

Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from the sale of goods and services, prepayments, loans, GST input tax credits recoverable and other accruals.

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

Collectability of trade 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.

*Other financial assets*

The Department measures financial assets at historical cost.

*Inventories*

(i) *Biological assets and agricultural produce*

Biological assets are livestock, vines and fruit trees and are valued at fair value less estimated point-of-sale costs. Agricultural produce, including wool, fruit and harvested crops, is valued at fair value less estimated point-of-sale costs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Statement of Comprehensive Income.

*Other inventories*

(ii) Other inventories are measured at the lower of cost or their net realisable value.

Inventories include maps, publications, seed stocks and other goods and property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential.

Cost is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

*Non-current assets (or disposal groups) held for sale*

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

*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.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

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 cost as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

Componentisation of complex assets is only performed when the asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

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

*Revaluation of non-current assets (continued)*

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

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

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.

(i) *Land and buildings*

Land, buildings and infrastructure were independently reviewed to fair value as at 30 June 2008. Valuations comprised independent valuations received from Liquid Pacific Pty Ltd who valued the Department's assets located in the metropolitan and near country areas. Valuation increments/decrements were recorded where applicable for land, buildings and infrastructure, which represents roads, fencing, signage etc.

Desktop reviews performed from June 2009 through to June 2011 have resulted in minor increases in value that fall under the threshold that requires revaluation changes.

(ii) *Leasehold improvements*

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) *Core trays*

Core trays were independently valued by Liquid Pacific Pty Ltd at 30 June 2008.

(iv) *Plant and equipment*

In accordance with APF III all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

*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 an asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the respective asset revaluation surplus for that class of asset.

*Construction and works in progress*

Works in progress relate to costs associated with systems development, purchases of plant and equipment and other developments.

*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 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.

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

*Intangible assets (continued)*

Water licences that are tradeable in an active open market are valued at fair value by reference to current market values for water trading at the locations where the licences are held. Other water licences are valued at fair value by reference to the current cost of water in the market where the licence is held and the costs incurred to acquire the right to access the resource. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised.

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.

**(l) Liabilities**

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

Where a liability line item combine 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.

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 and employment on-costs.

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

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

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

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

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

*Borrowings/Financial liabilities*

The Department measures debt at historical cost.

*Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases.

*Operating leases*

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

*Lease incentives*

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

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

Lease incentives that provide benefits up to a stipulated maximum amount in a mixed form are first recognised as a convertible lease right. These incentives generally provide for certain agreed capital improvement works to be undertaken within a specified time, after commencement of the lease agreement, with an option to take any remainder of the benefit as a cash payout or a rent free period.

As capital projects are completed the value of the right is reduced and a leasehold improvement asset is recognised and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

*Financial guarantees*

The Department may accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced and receives securities in accordance with Acts administered by the Department for mining and petroleum to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence.

The financial guarantees and securities are recognised as contingent assets (refer note 37) as the Department only has claim to the funds in the event that a borrower defaults on the conditions of a loan agreement or a mine licensee fails to perform its legislative requirements with respect to mine rehabilitation.

*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.

(i) *Wages, salaries, annual leave and sick leave*

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

The annual leave liability 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 for sick leave.

(ii) *Long service leave*

The liability for long service leave is recognised after an employee has completed five years of service (5.5 years). An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

(iii) *Employee benefit on-costs*

Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

*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.

*Provisions (continued)*

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.

**(m) Unrecognised contractual commitments and contingent assets and liabilities**

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 37).

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.

**(n) Reserves**

The committed grants reserve for Prudential and Rural Financial Services was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

**(o) Trust funds**

The Department has received monies in a trustee capacity for Trusts as set out in note 38. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

**(p) Facilitation of infrastructure construction and development**

The Jervois to Langhorne Creek and Currency Creek pipeline project is part of the State Government's Murray Futures project funded by the Australian Government's Water for the Future program. The Department entered into arrangements with the South Australian Water Corporation (SA Water), Department for Water (DFW), formally called the Department of Water, Land and Biodiversity Conservation (DWLBC) and the Creeks Pipeline Company to facilitate the construction and development of the pipeline. The State's contribution was funded by capital raisings undertaken by the Creeks Pipeline Company.

The pipeline was completed during the year and ownership was transferred with Creeks Pipeline Company receiving network access and water entitlements to the value of their investment while exclusive access to the reserve capacity in the pipeline for future increases in demand was vested to the Minister for Water under a Deed of Fixed Charge.

During 2010-11 the project entered into a contractor's warranty period and incurred a final payment of \$104 000 to SA Water, which was recovered from the Creeks Pipeline Company. A further \$10 000 was spent on audit activities which is recognised under note 7, 'Supplies and services - Professional and technical services'.

**3. Financial instruments/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 (deposits with the Treasurer) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

**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 transactions occur with customers with appropriate credit history.



**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 continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 40 represents the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

**4. Changes in accounting policies**

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 6.

**Voluntary change in departmental accounting policy**

During 2010-11 the Department changed its assets policy with its assets threshold changed from \$2000 to \$10 000 applicable only to tangible assets not subject to revaluation.

**5. Activities of the Department**

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

**Activity 1: Olympic Dam Taskforce**

To facilitate the State and Federal Government interaction with BHP Billiton towards approval of the Olympic Dam expansion and to ensure that South Australia maximises the benefits of this project. The Taskforce will manage this interaction by coordinating and overseeing case management of infrastructure projects, policy and regulatory requirements required by the proposed expansion.

**Activity 2: Mineral Resources Development**

The vision of the Mineral Resources Development program is to make South Australia a favoured mineral investment destination for private investment with mineral exploration expenditure to be maintained at (or above) \$100 million per annum until 2010 and mineral production and processing to reach \$4 billion by 2014. The Minerals Resources Development program will also lead the nation in attracting geothermal resource investment with a target of \$800 million of investment to establish geothermal energy resources in the period 2002-16.

**Activity 3: Agriculture, Food and Fisheries**

To deliver specialist services and advice across South Australia, fostering growth and development, prosperity, quality of life, while supporting environmentally sustainable development of the State's resources.

**Activity 4: Forestry Policy**

Support the sustainable development of an internationally competitive forest industry, regional development and the provision of services from State Government forest reserves.

The disaggregated disclosure schedule presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

Certain items of the Department's Statement of Financial Position are not allocated to activities and are reported as general/not attributable.

Assets and liabilities are only attributed to activities where this can be done reliably. Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by a specific activity. Where this criteria is not met the asset value is classified as general/not attributable.

<b>6. Employee benefit expenses</b>	2011	2010
	\$'000	\$'000
Salaries and wages	86 763	86 656
TVSP (refer below)	3 564	10 542
Annual leave	7 438	7 695
Long service leave	5 057	3 858
Employment on-costs - superannuation	9 944	10 061
Employment on-costs - other	5 584	5 563
Workers compensation	376	690
Board and committee fees	275	309
Other employee related expenses	1 886	1 110
Total employee benefit expenses	120 887	126 484
 <b>TVSPs</b>		
Amount paid to these employees:		
TVSPs	3 564	10 542
Annual leave and long service leave paid with TVSPs during the reporting period	1 308	3 633
Total amount paid	4 872	14 175
 Recovery from DTF <sup>(1)</sup>	(2 986)	(9 633)
Net cost to agency	1 886	4 542

The number of employees who were paid TVSPs during the reporting period was 34 (88).

- (1) Reimbursement for expenditure incurred by government agencies for payment of TVSPs is paid in arrears on an acquittal basis, and is recognised as revenue when received. At 30 June 2011 the Department had submitted to DTF acquittals for \$1.124 million. The outstanding amount will be recognised as revenue in 2011-12.

<b>Remuneration of employees</b>	2011	2010
The number of employees whose total remuneration received or receivable falls within the following bands:	Number	Number
\$127 500 - \$130 699*	-	5
\$130 700 - \$140 699	17	16
\$140 700 - \$150 699	18	10
\$150 700 - \$160 699	4	5
\$160 700 - \$170 699	7	4
\$170 700 - \$180 699	4	6
\$180 700 - \$190 699	-	2
\$190 700 - \$200 699	1	1
\$200 700 - \$210 699	4	4
\$210 700 - \$220 699	1	2
\$220 700 - \$230 699	1	2
\$230 700 - \$240 699	3	-
\$250 700 - \$260 699	-	3
\$260 700 - \$270 699	2	-
\$270 700 - \$280 699	-	3
\$280 700 - \$290 699	-	3
\$290 700 - \$300 699	-	1
\$310 700 - \$320 699	1	5
\$330 700 - \$340 699	1	2
\$360 700 - \$370 699	1	-
\$380 700 - \$390 699	1	-
Total	66	74

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, reportable fringe benefit amounts and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$11.524 million (\$14.008 million).

**Accounting policy change**

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 183 (125).

Analysis of the above table of remuneration of employees categorised by the number of executive and non-executive employees is provided below:

	2011 Number	2010 Number
Executives	28	35
Non-executives	38	39
Total	66	74

The total number of executives receiving remuneration whose aggregate annual earnings now exceed the threshold of \$130 700 decreased compared to 2010. This change is due to 11 retirements/resignations, one employee who moved from executive to non-executive, and four employees who moved from non-executive to executive.

The total number of non-executives receiving remuneration of \$130 700 or more decreased by one in 2011 compared to 2010. This change is the net effect of 16 retirements/resignations, one employee who moved from executive to non-executive. This changes were largely offset by 12 newly appointed employees and four employees that transferred into the Department as a result of machinery of government changes.

7. <b>Supplies and services</b>	2011	2010
Supplies and services provided by entities within SA Government:	\$'000	\$'000
Professional and technical services <sup>(1)</sup>	873	926
Administrative and operating costs	3	-
Utility and property costs	2 070	3 398
Computing and communications costs	2 096	2 307
Shared services costs	2 631	2 711
Fleet SA vehicle lease and operating costs <sup>(3)</sup>	5 008	4 937
Operating lease costs - accommodation costs	5 288	5 145
Other vehicle and equipment operating costs	91	91
Property and risk insurance	530	533
Total supplies and services - SA Government entities	18 590	20 048

Supplies and services provided by entities external to the SA Government:		
Professional and technical services <sup>(1)</sup>	18 407	15 984
Administrative and operating costs	15 877	12 052
Utilities and property costs	4 993	3 376
Computing and communications costs	7 002	5 811
Travel <sup>(2)</sup>	5 416	4 426
Other vehicle and equipment operating costs	1 265	979
Staff development and safety <sup>(2)</sup>	1 978	1 981
Operating lease costs	126	43
Total supplies and services - non-SA Government entities	55 064	44 698
Total supplies and services	73 654	64 700

(1) Includes consultancies costs which are further broken down below and audit fees payable to the Auditor-General (refer note 12).

(2) Includes payments to SA Government entities totalling less than \$100 000.

(3) Includes all payments to Fleet SA for leasing, operating and maintaining vehicles under short and long-term hire agreements.

7. <b>Supplies and services (continued)</b>	2011		2010	
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	8	38	12	58
Between \$10 000 - \$50 000	13	279	20	375
Above \$50 000	2	470	9	861
Total paid/payable to the consultants engaged	23	787	41	1 294

<b>8. Depreciation and amortisation expense</b>	2011	2010
Depreciation:	\$'000	\$'000
Plant and equipment	2 710	4 229
Buildings and infrastructure	2 492	2 554
Core trays	115	115
Total depreciation	<u>5 317</u>	<u>6 898</u>
Amortisation:		
Leasehold improvements	316	291
Intangibles	1 194	1 422
Total amortisation	<u>1 510</u>	<u>1 713</u>
Total depreciation and amortisation	<u>6 827</u>	<u>8 611</u>
<b>9. Grants and subsidies</b>		
<b><i>Grants and subsidies paid/payable to entities within the SA Government</i></b>		
The major grant programs paid to entities within the SA Government:		
Plague locust control programs	843	-
State drought assistance programs	525	2 740
All other payments individually valued at less than \$500 000	1 945	990
Total grants and subsidies - SA Government entities	<u>3 313</u>	<u>3 730</u>
The major grant programs paid to entities external to the SA Government:		
Exceptional circumstances (interest rate subsidies)	22 533	55 135
State drought assistance programs	2 830	6 354
Plan for accelerated exploration programs	1 531	300
National Branched Broomrape Eradication program	789	-
Rural assistance programs	766	964
Diagnostic tests for soil-borne pathogens - international collaboration	660	165
Marketing development management	558	646
Plague and Locust Control program	543	-
All other payments individually valued at less than \$500 000	6 966	9 842
Total grants and subsidies - non-SA Government entities	<u>37 176</u>	<u>73 406</u>
Total grants and subsidies	<u>40 489</u>	<u>77 136</u>
<b>10. Borrowing costs</b>		
Interest payable on borrowings	55	51
Guarantee fees	4	6
Total borrowing costs	<u>59</u>	<u>57</u>
<b>11. Other expenses</b>		
Other expenses paid/payable to entities external to the SA Government:		
Publications, seed and miscellaneous stocks - cost of sales	191	366
Write-down of stocks and assets to realisable value	-	15
Contributions to external bodies	146	4
Deemed cost of produce consumed <sup>(2)</sup>	1 223	2 851
Impairment reversal	(2)	(4)
Property, plant and equipment derecognised	722	2
Bad debts and allowances for doubtful debts	86	112
Royalty payments	109	91
Bounty payments	-	483
Workers compensation provision movement	231	265
Workers compensation liability revaluation	14	-
Other <sup>(1)</sup>	14	204
Total other expenses - non-SA Government entities	<u>2 734</u>	<u>4 389</u>
Total other expenses	<u>2 734</u>	<u>4 389</u>

(1) Includes payments to SA Government entities totalling less than \$100 000.

(2) Publications, seed and other miscellaneous stocks are disclosed separately from the cost of sales of agricultural and livestock. This line predominantly represents the value of the inventory movement within the year and excludes the cost of crop harvesting from the use of internal resources. These amounts are included within the financial statements under the notes for employee benefit costs and supplies and services.

**12. Auditor's remuneration**

	2011	2010
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department <sup>(1)</sup>	268	320
Total auditor's remuneration	<u>268</u>	<u>320</u>

(1) The 2010-11 comparative was restated.

**Other services**

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

**13. Revenues from fees and charges**

User fees and charges received/receivable from entities within SA Government:

Agriculture and Fisheries - consultancies and services	166	180
Rural Solutions - consultancies and services	5 848	8 913
South Australian Research and Development Institute - consultancies and services	10	104
Mining and petroleum application fees, rentals and licences	-	3
Other	946	599
Total revenues from fees and charges - SA Government entities	<u>6 970</u>	<u>9 799</u>

User fees and charges received/receivable from entities external to SA Government:

Agriculture and Fisheries - consultancies and services	2 819	2 676
Rural Solutions - consultancies and services	8 769	8 058
South Australian Research and Development Institute - consultancies and services	3 340	2 945
Mining and petroleum application fees, rentals and licences	11 527	10 760
Other	335	498
Total revenues from fees and charges non-SA Government entities	<u>26 790</u>	<u>24 937</u>
Total revenues from fees and charges	<u>33 760</u>	<u>34 736</u>

User fees and charges are categorised to reflect the nature of the income received and the division delivering the services sought.

**14. Advances and grants**

State grants	21 610	20 116
Commonwealth grants	2 529	839
Industry grants	21 883	23 114
Total advances and grants revenue	<u>46 022</u>	<u>44 069</u>

The above advances and grants are allocated to a large range of projects involving the Commonwealth, other State Government departments and industry groups. Advances and grants were applied to the following business sectors.

	2011	2010
	\$'000	\$'000
Advances and grants received/receivable from entities within SA Government:		
South Australian Research and Development Institute <sup>(1)</sup>	7 347	8 688
Fisheries <sup>(1)</sup>	6 632	6 564
Biosecurity	705	883
Prudential and Rural Financial Services	-	822
Aquaculture <sup>(1)</sup>	962	704
Agriculture and wine	200	598
Minerals and petroleum	93	350
Commercial Investment division	10	501
Olympic Dam Taskforce <sup>(2)</sup>	1 242	-
Other	31	29
Total advances and grants revenue - SA Government entities	<u>17 222</u>	<u>19 139</u>

<b>14. Advances and grants (continued)</b>	2011	2010
Advances and grants received/receivable from entities external to SA Government:	\$'000	\$'000
South Australian Research and Development Institute	24 444	24 016
Fisheries	125	35
Biosecurity	3 642	30
Aquaculture	253	208
Agriculture and wine	206	294
Prudential and Rural Financial Services <sup>(2)</sup>	-	180
Minerals and petroleum	-	99
Commercial Investment division	8	-
Rural Solutions	-	62
Other	122	6
Total advances and grants revenue - non-SA Government entities	28 800	24 930
Total advances and grants revenue	46 022	44 069

- (1) Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences and registration are applied to the delivery of projects in compliance, research and fishing industry development in the divisions of Fisheries, South Australian Research and Development Institute and Aquaculture.

In 2010-11 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$12.285 million (\$11.726 million).

- (2) During 2010-11, the Department of Trade and Economic Development (DTED) transferred the unspent amount of appropriation received for the ODTF.

The major contributions received during 2010-11, with a value exceeding \$500 000 were for the following projects and programs:	2011	2010
	\$'000	\$'000
Fishwatch management	5 066	5 096
Olympic Dam Taskforce <sup>(2)</sup>	1 242	-
SA Abalone Fishery	1 164	1 236
Branched Broomrape management	1 049	-
Rock Lobster Fishery	1 004	958
Aquaculture program management	962	678
National collaborative research infrastructure strategy - photobioreactor facility	831	1 020
Diagnostic tests for soil-borne pathogens - international collaboration	796	-
Marine Scale Fishery	790	764
National Oat Breeding program	757	765
Implementing Feral Camel National Action Plan	734	-
National Variety trials	713	790
Ovine Johnes Disease program	613	549
Irrigation Research and Technical Diffusion and education services	600	600
Murray River Fishway	596	-
Coorong Fish Movement and Ecology	523	-
All other projects with an individual value of less than \$500 000	28 582	31 613
Total advances and grants revenue	46 022	44 069

**15. Commonwealth revenues**

Exceptional circumstances/drought assistance	20 949	50 603
Exotic pest diseases preparedness	6	18
Branched Broomrape Eradication program	1 264	867
Total Commonwealth revenues <sup>(1)</sup>	22 219	51 489

- (1) Commonwealth funding for specific projects and to facilitate and/or reward states that deliver on nationally significant reforms are classified as National Partnership payments. These payments are received by the Department through DTF. Payments for the Branched Broomrape Eradication program are now received under the National Partnership program. In 2010 the amount received of \$867 000 was recognised under note 14.

**16. Interest revenues**

	2011	2010
	\$'000	\$'000
Interest from entities within the SA Government	2 279	1 646
Loans to the rural sector	92	93
Other	20	3
Total interest revenues	2 391	1 742

<b>17. Sale of goods</b>	2011	2010
Sale of goods received/receivable from entities external to SA Government:	\$'000	\$'000
Publications, books, maps and compact discs	226	276
Livestock	2 469	2 325
Agriculture produce	1 172	1 820
Other	630	395
Total sale of goods <sup>(1)</sup>	<u>4 497</u>	<u>4 816</u>
 (1) Includes revenues from SA Government entities totalling less than \$100 000.		
<b>18. Net gain (loss) from disposal of non-current assets</b>		
Land and buildings:		
Proceeds from disposal	71	330
Net book value of assets disposed	75	288
Net gain (loss) from disposal of land and buildings	<u>(4)</u>	<u>42</u>
 Plant and equipment:		
Proceeds from disposal	216	131
Net book value of assets disposed	304	145
Net gain (loss) from disposal of plant and equipment	<u>(88)</u>	<u>(14)</u>
 Total assets:		
Total proceeds from disposal	287	461
Total value of assets disposed	379	433
Total net gain (loss) from disposal of non-current assets	<u>(92)</u>	<u>28</u>
 (a) <i>Net gain (loss) from disposal of other assets</i>		
Other:		
Proceeds from disposal	1	-
Net book value of assets disposed	4	-
Total net gain (loss) from disposal of other assets	<u>(3)</u>	<u>-</u>
 <b>19. Other income</b>		
Other income received/receivable from entities external to SA Government:		
Seed and other royalties	928	556
Reimbursements/Recoveries	1 978	2 192
Reimbursements/Recoveries for separation payments <sup>(1)</sup>	2 986	9 633
Sponsorship contributions	136	198
Gain (Loss) from changes in fair value of biological assets <sup>(2)</sup>	523	(204)
Diesel fuel rebates	89	174
Other	398	352
Total other income - non-SA Government entities <sup>(3)</sup>	<u>7 038</u>	<u>12 901</u>
Total other income <sup>(1)</sup>	<u>7 038</u>	<u>12 901</u>
 (1) Reimbursement for expenditure incurred by government agencies for payment of TVSPs is paid in arrears on an acquittal basis, and is recognised as revenue when received. At 30 June 2011 the Department had submitted to DTF acquittals for \$1.124 million. The outstanding amount will be recognised as revenue in 2011-12.		
(2) The changes in fair values of livestock is reconciled along with the movement in inventory in note 24.		
(3) Includes revenue transactions with SA Government entities under \$100 000.		
 <b>20. Resources received free of charge</b>	2011	2010
Other income received/receivable from entities within SA Government:	\$'000	\$'000
Fair value of assets acquired free of charge	-	49
Total resources received free of charge - SA Government entities	<u>-</u>	<u>49</u>
Total resources received free of charge	<u>-</u>	<u>49</u>

There were no resources received free of charge in 2010-11.

<b>21. Revenues from (Payments to) SA Government</b>	2011	2010
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	129 684	134 931
Appropriation received from the Treasurer's Contingency Fund	132	1 695
Appropriation received from the Governor's Appropriation Fund	-	474
Total revenues from SA Government	129 816	137 100
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(4 690)	-
Appropriation returned to Treasury and Finance	-	(14 924)
Other payments to the Consolidated Account	-	(47 000)
Total payments to SA Government	(4 690)	(61 924)
Net revenues from SA Government	125 126	75 176

Total revenue from Government for operational and capital funding consisted of \$129.684 million (\$134.931 million), net of appropriation transferred under administrative restructures appropriated to the Department under the *Appropriation Act*. Additional amounts were received during the year from the Treasurer's Contingency Fund \$132 000 (\$1.695 million). At the end of the year \$4.69 million (\$nil) was returned to DTF from the surplus cash working account.

<b>22. Cash</b>	2011	2010
	\$'000	\$'000
Deposits with the Treasurer	98 183	77 720
Imprest account and cash on hand	15	16
Total cash	98 198	77 736

Deposits with the Treasurer include the following fund balances that have restricted conditions:

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)	6 259	10 704
Funds held pursuant to the <i>Rural Industry Adjustment and Development Act 1985</i> and other State and Commonwealth schemes for rural financial assistance	53 673	42 278
External funds held in the nature of grants or under cooperative agreements where unspent funds may be returned to the funder <sup>(1)</sup>	13 047	10 555
Cash securities held for mining remediation. The Department only has claims to these funds if the licensee fails to perform its legislative requirements - refer note 33	4 185	4 092
Deposits with the Treasurer held as working capital, but subject to DTF budget and cash alignment policies	21 019	10 091
Total deposits with the Treasurer	98 183	77 720

(1) 2010 comparative has been restated to recognise additional funds held on behalf of external parties.

***Interest rate risk***

Cash on hand is non-interest bearing. Interest bearing deposits at call and with the Treasurer are bearing a floating interest rate between 4.35 percent and 4.6 percent. The carrying amount of cash and cash equivalents approximates fair value.

***Restructuring of administrative arrangements***

Effective 1 July the Biosecurity Division of the former Department of Water, Land and Biodiversity Conservation transferred to the Department.

This restructure resulted in the Department assuming net assets of \$140 000 (\$nil) and cash of \$1.001 million (\$nil). Details with respect to the restructuring of administrative arrangements are set out in note 35.



	2011	2010
	\$'000	\$'000
<b>23. Receivables</b>		
Current:		
Receivables	9 339	11 162
Allowance for doubtful debts	(215)	(187)
	<u>9 124</u>	<u>10 975</u>
Loans receivable	<u>1 835</u>	<u>1 495</u>
Workers compensation recoveries	14	15
Accrued interest on loans and deposits	229	175
Other accrued revenue	1 397	13 232
GST receivable	1 844	2 238
Prepayments	1 032	288
	<u>4 516</u>	<u>15 948</u>
Total current receivables	<u>15 475</u>	<u>28 418</u>
Non-current:		
Loans receivable	3 129	370
Workers compensation recoveries	52	55
Total non-current receivables	<u>3 181</u>	<u>425</u>
Total receivables	<u>18 656</u>	<u>28 843</u>
Receivables from SA Government entities:		
Receivables	2 151	3 329
Accrued interest revenues	210	146
Other accrued revenue	296	1 386
Other	-	7
Total receivables from SA Government entities	<u>2 657</u>	<u>4 868</u>
Receivables from non-SA Government entities:		
Receivables	6 973	7 646
GST receivables	1 844	2 238
Other accrued revenues	1 101	11 846
Accrued interest revenues	19	29
Loan receivables	4 964	1 865
Other	1 098	351
Total receivables from non-SA Government entities	<u>15 999</u>	<u>23 975</u>
Total receivables	<u>18 656</u>	<u>28 843</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, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

In accordance with the APSs contained in the APF IV, the Department measures loans at historical cost. Where there is objective evidence that a loan is impaired, a provision equal to the difference between the carrying value and the present value of expected future repayments is made.

**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.

	2011	2010
	\$'000	\$'000
<b>Movement in the allowance for doubtful debts (impairment loss)</b>		
Carrying amount at 1 July	187	114
Increase (Decrease) in the allowance	86	112
Amounts written off	(58)	(39)
Carrying amount at 30 June	<u>215</u>	<u>187</u>

**Bad and doubtful debts**

The Department has recognised in other expenses an increase in the provision for doubtful debt expense of \$86 000 (\$112 000). The Department has written off debts of \$58 000 (\$39 000) during the year against provisions created in previous years. AASB 139 requires that there be objective evidence of impairment before an allowance for loss can be recognised.

24. Inventories	2011	2010
Current inventories:	\$'000	\$'000
Biological assets:		
Livestock (at fair value less estimated point of sale costs)	1 727	987
Agricultural produce (at fair value less estimated point of sale costs)	336	153
	<u>2 063</u>	<u>1 140</u>
Other inventories:		
Publications and maps (at the lower of cost and realisable value)	33	55
Plants and related items (at the lower of cost and realisable value)	50	32
	<u>83</u>	<u>87</u>
Total current inventories	<u>2 146</u>	<u>1 227</u>
Non-current inventories:		
Orchards and vineyards (at fair value less estimated point of sale costs)	206	262
Total non-current inventories	<u>206</u>	<u>262</u>
Total inventories	<u>2 352</u>	<u>1 489</u>
	Orchards, vineyards & agricultural produce	Livestock
	\$'000	\$'000
Balance at 1 July 2010	153	987
Increase due to acquisitions	94	431
Decrease due to sales	(535)	(862)
Used as feed stock	(234)	-
Harvests transferred to inventories	820	-
Increase (Decrease) due to natural accretion	-	505
Inventory changes (biological growth)	-	143
Change in fair value less estimated point of sale costs	38	523
Balance at 30 June 2011	<u>336</u>	<u>1 727</u>
Current	336	1 727
Non-current	206	-
	<u>542</u>	<u>1 727</u>

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2011 inventory included 10 269 sheep, 1091 cattle, 1947 tonnes of crops and grain and 41.04 hectares of vines and fruit trees.

Production for the year included 187.921 tonnes of grapes and fruit, 8 100 lambs, 607 calves, 57.935 tonnes of wool and 4844 tonnes of other grain crops.

25. Financial assets	2011	2010
Non-current:	\$'000	\$'000
Investments in shares	4 501	4 503
Total financial assets	<u>4 501</u>	<u>4 503</u>

The Department's investments include:

Ordinary shares in Australian Grain Technologies Pty Ltd, a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities.

The Department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and SunPrime. The Department's 14.8 percent (18 percent) shareholding has been recognised at cost.

**25. Financial assets (continued)**

An allocation of shares in Barossa Infrastructure Limited (\$12 500), acquired in 2000-01, to secure a water entitlement for the Department's research farm located at Nuriootpa. The investment has an associated 15 year water infrastructure levy payable (\$81 750) under a fixed schedule until 2014-15, calculated on the megalitres of water allocated under the scheme. The remaining commitment under the schedule is reflected under note 36.

Provisor Pty Ltd, entered into liquidation during 2010-11, at which time the Department received a final dividend on its investment.

<i>Movement in financial assets</i>	2011 \$'000	2010 \$'000
Carrying amount at 1 July	4 503	4 691
Investment write-down to recoverable amount	(2)	(188)
Carrying amount at 30 June	<u>4 501</u>	<u>4 503</u>

- (a) Maturity analysis of financial assets - refer note 40.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 40.

**26. Non-current assets classified as held for sale**

Land	150	75
Plant and equipment	48	174
Total property held for sale	<u>198</u>	<u>249</u>

The Department reviews its asset base annually. Property, plant and equipment that is surplus to requirements or no longer meets current business needs are regularly disposed of by sale or auction.

**Reconciliation of non-current assets classified as held for sale**

The following table shows the movement of non-current assets held for sale during 2010-11:

	2011 \$'000	2010 \$'000
Carrying amount at 1 July	249	378
Disposals Loxton land <sup>(1)</sup>	(75)	-
Disposals	(126)	(270)
Increase in land held for sale	150	141
Carrying amount at 30 June	<u>198</u>	<u>249</u>

- (1) In February 2009 land situated at sections 222, 223 and 224 Bookpurnong Road, Loxton, was converted from Crown Land to freehold title to facilitate disposal. The land was valued at fair realisable value by Southwick Goodyear Pty Ltd on 28 April 2009 and was reclassified to assets held for resale at 30 June 2009. Sections 223 and 224 were sold in October 2009 and section 222 was sold in November 2010.

**27. Property, plant and equipment**

Land and buildings:	2011 \$'000	2010 \$'000
Land at fair value	31 985	32 135
Buildings and infrastructure at fair value	77 138	76 710
Accumulated depreciation	(7 791)	(5 299)
Total land and buildings	<u>101 332</u>	<u>103 546</u>
Leasehold improvements:		
Leasehold improvements at fair value	8 636	6 577
Accumulated amortisation	(5 048)	(4 634)
Total leasehold improvements	<u>3 588</u>	<u>1 943</u>
Plant and equipment:		
Core trays at fair value	4 664	4 598
Accumulated depreciation - core trays	(339)	(225)
Plant and equipment at cost (deemed fair value)	35 392	51 610
Accumulated depreciation - plant and equipment	(19 938)	(32 523)
Constructions and works in progress	1 927	1 755
Total plant and equipment	<u>21 706</u>	<u>25 215</u>

<b>27. Property, plant and equipment (continued)</b>	2011	2010
Heritage assets:	\$'000	\$'000
Heritage assets at fair value	102	102
Total heritage assets	102	102
Total property, plant and equipment	126 728	130 806

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2010-11:

	Land	Buildings & infra-structure	Leasehold imprvmnts	Core trays	Plant & equipment	Construc-tions & works in progress	Heritage assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>								
Carrying amount at 1 July	32 135	71 411	1 939	4 373	19 064	1 775	102	130 779
Prior period adjustment <sup>(3)</sup>	-	-	4	-	23	-	-	27
Carrying amount after prior period correction	32 135	71 411	1 943	4 373	19 087	1 755	102	130 806
Asset threshold change <sup>(1)</sup>	-	-	-	-	(3 651)	-	-	(3 651)
Asset threshold change administrative restructuring <sup>(2)</sup>	-	-	-	-	(6)	-	-	(6)
Carrying amount after accounting policy change	32 135	71 411	1 943	4 373	15 430	1 755	102	127 149
Additions	-	9	1 847	67	2 270	2 014	-	6 207
Disposals	-	-	-	-	(178)	-	-	(178)
Depreciation/Amortisation expense	-	(2 492)	(316)	(115)	(2 710)	-	-	(5 633)
Acquisition (disposal) through administrative restructuring <sup>(4)</sup>	-	-	12	-	43	-	-	55
Transfer in	-	419	102	-	1 321	-	-	1 842
Transfer out	-	-	-	-	-	(1 842)	-	(1 842)
Transfers to held for sale	(150)	-	-	-	-	-	-	(150)
Property, plant and equipment derecognised	-	-	-	-	(722)	-	-	(722)
Carrying amount at 30 June	31 985	69 347	3 588	4 325	15 454	1 927	102	126 728

**(1) Accounting policy change**

During 2010-11 the Department changed its asset threshold from \$2000 to \$10 000, applicable only to assets not subject to revaluation. The impact of this policy change is a decrease of \$16.855 million in property, plant and equipment and a decrease in accumulated depreciation of \$13.204 million.

**(2) Derecognition of biosecurity assets below \$10 000 threshold, as a result of threshold changes as at 1 July 2010.****(3) Leasehold improvements**

Fisheries Accommodation project expenditure previously recognised \$4000 under minor works as at 30 June 2010.

**Property, plant and equipment**

A prior period adjustment has been recognised to reclassify expenditure on box trailers purchased in 2010 from operating to capital.

**(4) Effective from 1 July 2010, the Biosecurity Division of DFW, formerly DWLBC, transferred to the Department. The impact of this restructure increased property plant and equipment by \$38 375. The ODTF also transferred to the Department during the 2010-11 year. The impact of this restructure increased leasehold improvements by \$11 809 and increased property, plant and equipment by \$4718.****Valuation of land, buildings and infrastructure**

During 2007-08 land, buildings and infrastructure were reviewed and revalued to fair value as at 30 June 2008 in accordance with AASB 116. Valuations comprised independent valuations received from Liquid Pacific Pty Ltd who valued the Department's assets located in the metropolitan and near country areas. 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.

A desktop review of the movement in property, building and infrastructure values was also undertaken by Liquid Pacific Pty Ltd as at 30 June 2011. Land and building and improvement values were estimated to have changed by +5.23 percent and -0.36 percent respectively on aggregate 2007-08 values. The movement from the last formal valuation appraisal is not considered material and has not been reflected in the financial statements.

**Heritage assets**

During 2009 the Department received assets from DTED. These are assets in use and are valued at fair value for insurance purposes, taking into account their present condition. The assets were last valued on 12 May 2008 by Bonhams and Bruce, approved valuers of the Auctioneers and Valuers Association of Australia.

In 2005 the Department sponsored an art commission with the Tjunga Palya art group in the Anangu Pitjantjatjara Yankunytjatjara Lands (APY) through the PACE program. Three paintings were presented to the Department in 2007-08. These were valued by independent qualified valuer Harold E Gallasch of Tineriba Tribal Gallery.

Precious metals include medallions of historical significance and specimen stones. These were valued by Platinum Diagnostics at current replacement value from an antique or specialist coin dealer in the South Australian market.

**Impairment**

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

**Resources received free of charge**

There were no resources received free of charge as at 30 June 2011.

28. Intangible assets	2011	2010
Software:	\$'000	\$'000
Computer software	11 210	10 704
Accumulated amortisation	(9 075)	(7 881)
Total software	<u>2 135</u>	<u>2 823</u>
Computer software development (works in progress)	47	251
Water and convertible accommodation lease rights at fair value <sup>(1)</sup>	2 281	2 281
Impairment losses against water right	-	(2)
Total water and convertible accommodation lease rights at fair value <sup>(1)</sup>	<u>2 281</u>	<u>2 279</u>
Total intangible assets	<u>4 463</u>	<u>5 353</u>

**Reconciliation of intangibles**

The following table shows the movement of intangibles during the year:

	Computer software \$'000	Computer software development \$'000	Water and convertible accommodation lease rights \$'000	Total \$'000
Carrying amount at 1 July	2 823	251	2 279	5 353
Additions	-	306	-	306
Disposals	(4)	-	-	(4)
Transfers in	510	-	-	510
Transfers out	-	(510)	-	(510)
Amortisation expense	(1 194)	-	-	(1 194)
Impairment losses against water right	-	-	2	2
Carrying amount at 30 June	<u>2 135</u>	<u>47</u>	<u>2 281</u>	<u>4 463</u>

- (1) An agreement secures access to water resources for the research farm operated by the South Australian Research and Development Institute at Nuriootpa. This provides a perpetual right to an annual water allocation. This right is valued at fair value by reference to the current cost of water in the market where the licence is held, the cost incurred to acquire the right to access the resource and the value of infrastructure levy contributions to facilitate the development of the service. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised, conversely where there are no restrictions the impairment is removed. The water allocation in 2010-11 recognises the removal of impairment against the Nuriootpa water licence. Water allowances are now at 100 percent (62 percent), with no rationing.

The Department has no contractual commitments for the acquisition of intangible assets.

<b>29. Payables</b>	2011	2010
Current:	\$'000	\$'000
Creditors	-	559
Accrued expenses	14 492	7 196
Accrued interest on borrowings	6	17
Employment on-costs	1 559	2 087
Total current payables	<u>16 057</u>	<u>9 859</u>
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	2 354	2 396
Total expected to be paid more than 12 months after reporting date	<u>2 354</u>	<u>2 396</u>
Total payables	<u>18 411</u>	<u>12 255</u>

**Government/Non-government payables**

Payables to SA Government entities:		
Creditors	-	198
Accrued expenses	7 714	2 703
Accrued interest on borrowings	6	17
Employment on-costs	3 913	4 360
Total payables to SA Government entities	<u>11 633</u>	<u>7 278</u>
Payables to non-SA Government entities:		
Creditors	-	361
Accrued expenses	6 778	4 493
Employment on-costs	-	123
Total payables to non-SA Government entities	<u>6 778</u>	<u>4 977</u>
Total payables	<u>18 411</u>	<u>12 255</u>

The employer superannuation on-cost rate has increased from the 2010 rate of 11.69 percent to 11.71 percent, reflecting the superannuation mix of the Department's employee profile at 30 June 2011. In addition, the benchmark number of years for recognising long service leave liability reduced from 5.5 years in 2009-10 to five years in 2010-11.

**Interest rate 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 related 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 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

<b>30. Financial liabilities/Borrowings</b>	2011	2010
(a) Borrowings consist of:	\$'000	\$'000
Indebtedness to SAFA	2 790	91
Indebtedness to the Treasurer	1 795	1 380
Total financial liabilities/borrowings	<u>4 585</u>	<u>1 471</u>
(b) Balance of borrowings outstanding classifications:		
Current	1 795	1 471
Non-current	2 790	-
Total financial liabilities borrowings	<u>4 585</u>	<u>1 471</u>

Borrowings have no maturity date and are recognised at cost in accordance with APF IV, APS 2.1. The interest rate is determined by the Treasurer at the time of settling the loan approval and remains fixed over its term. The weighted average interest rate for borrowings as at 30 June 2011 is 3 percent (4.9 percent).

- (a) Maturity analysis of borrowings - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.
- (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

<b>Movement in financial liabilities/borrowings</b>	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	1 471	1 325
Additional borrowings during the year	4 534	420
Repayments of borrowings	(1 420)	(274)
Carrying amount at 30 June	<u>4 585</u>	<u>1 471</u>

**31. Employee benefits**

Current:		
Annual leave	7 065	7 133
Long service leave	2 783	2 678
Accrued salaries and wages	20	2 691
Total current employee benefits	<u>9 868</u>	<u>12 502</u>
Non-current:		
Long service leave <sup>(1)</sup>	<u>25 445</u>	<u>22 884</u>
Total non-current employee benefits	<u>25 445</u>	<u>22 884</u>
Total employee benefits	<u>35 313</u>	<u>35 386</u>

The total current and non-current employee expense (ie aggregate employee benefit in note 31 plus related on-costs in note 29) is \$39.226 million (\$39.869 million).

(1) Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability was revised to five years (5.5 years). The net financial effect of the change in the long service leave benchmark in 2010-11 was \$273 000.

**32. Provisions**

Current:	2011	2010
	\$'000	\$'000
Provision for workers compensation	<u>528</u>	<u>485</u>
Total current provisions	<u>528</u>	<u>485</u>
Non-current:		
Provision for workers compensation	<u>1 780</u>	<u>1 578</u>
Total non-current provisions	<u>1 780</u>	<u>1 578</u>
Total provisions	<u>2 308</u>	<u>2 063</u>
Carrying amount at 1 July	2 063	2 001
Additional provisions recognised	621	752
Reductions arising from payments/other sacrifice of future economic benefits	(376)	(690)
Carrying amount at 30 June	<u>2 308</u>	<u>2 063</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.

**33. Other liabilities**

Current:	2011	2010
	\$'000	\$'000
Lease incentive <sup>(1)</sup>	274	274
Unearned revenue	12 339	8 274
Security deposits <sup>(2)</sup>	4 185	4 092
Total current other liabilities	<u>16 798</u>	<u>12 640</u>
Non-current:		
Other liabilities	54	54
Lease incentive <sup>(1)</sup>	<u>1 368</u>	<u>1 642</u>
Total non-current other liabilities	<u>1 422</u>	<u>1 696</u>
Total other liabilities	<u>18 220</u>	<u>14 336</u>

(1) Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(2) Securities deposits are received to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. 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 37) as the Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

<b>34. Equity</b>	2011	2010
	\$'000	\$'000
Retained earnings	126 455	126 138
Asset revaluation surplus	49 288	49 311
Committed grants reserve	516	8 019
Total equity	<u>176 259</u>	<u>183 468</u>

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

**35. Transferred functions**  
**2010-11**

*Biosecurity*

Effective from 1 July 2010, the Biosecurity Division of DFW, formerly DWLBC, transferred to the Department. The gazettal was issued as Public Sector (Reorganisation of Public Sector Operations) Notice 2010 July 2010.

*Olympic Dam*

The Public Sector (Administrative Units of Public Service - Variation 4) Proclamation 2010 (dated 18 November 2010) proclaimed that effective from 1 December 2010 the functions of the ODTF, under DTED, would be established as a separate administrative unit and designation of a responsible minister. The attached office was assigned the title 'Olympic Dam Task Force' and was attached to the Department.

The Public Sector (Administrative Units of Public Service - Variation 2) Proclamation 2011 (dated 23 June 2011) proclaimed that effective from 23 June 2011 the attached office, ODTF, was abolished. The attached office was absorbed into the Department.

Total income and expenditure attributed to BiosecuritySA for 2010-11 was:

	PIRSA 01.07.10 to 30.06.11 \$'000	Total \$'000
Employee benefit expenses	2 889	2 889
Supplies and services	2 610	2 610
Grants and subsidies	441	441
Other expenses	2	2
Total expenses	<u>5 942</u>	<u>5 942</u>
Revenues from fees and charges	44	44
Advances and grants	2 358	2 358
Commonwealth revenues (National Partnership payments)	1 264	1 264
Sale of goods	89	89
Other income	10	10
Total income	<u>3 765</u>	<u>3 765</u>
Net cost of providing services	<u>2 177</u>	<u>2 177</u>

	DTED 01.07.10 to 30.11.10 \$'000	PIRSA 01.12.10 to 30.06.11 \$'000	Total \$'000
Employee benefit expenses	264	577	841
Supplies and services	145	214	359
Depreciation and amortisation expense	-	6	6
Grants and subsidies	2	21	23
Other expenses	-	5	5
Total expenses	<u>411</u>	<u>823</u>	<u>1 234</u>
Advances and grants	-	1 242	1 242
Total income	-	1 242	1 242
Net cost of providing services	<u>411</u>	<u>(419)</u>	<u>(8)</u>



*Olympic Dam (continued)*

On transfer of BiosecuritySA and the ODTF the Department recognised the following assets and liabilities:

	BiosecuritySA transferred from DFW \$'000	ODTF transferred from DTED \$'000	Total \$'000
Current assets:			
Cash	229	772	1 001
Inventory	435	-	435
	<u>664</u>	<u>772</u>	<u>1 436</u>
Non-current assets:			
Receivables			
Property, plant and equipment	38	17	55
	<u>38</u>	<u>17</u>	<u>55</u>
Total assets	<u>702</u>	<u>789</u>	<u>1 491</u>
Current liabilities:			
Payables	25	14	39
Employee benefits	147	127	274
	<u>172</u>	<u>141</u>	<u>313</u>
Non-current liabilities:			
Payables	69	34	103
Employee benefits	547	388	935
	<u>616</u>	<u>422</u>	<u>1 038</u>
Total liabilities	<u>788</u>	<u>563</u>	<u>1 351</u>
Total net assets received	<u>(86)</u>	<u>226</u>	<u>140</u>

Net assets received by the Department as a result of an administrative restructure were at the carrying amount. The net assets received were treated as a contribution by the Government as owner.

During 2009-10 there were no functions transferred into or out of the Department.

<b>36. Unrecognised contractual commitments</b>	2011	2010
<i>Operating lease commitments</i>	\$'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	5 657	5 112
Later than one year and not later than five years	21 371	20 352
Later than five years	7 638	10 291
Total operating lease commitments	<u>34 666</u>	<u>35 755</u>
Representing:		
Non-cancellable operating leases	34 666	35 755
Total operating lease commitments	<u>34 666</u>	<u>35 755</u>

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Non-cancellable operating leases have also been entered into for plant and office equipment. Rental is generally payable in advance. The rental period may continue beyond the expiry date expressed in the initial agreement, in which case, the agreement extends until either party gives written notice of their intention to terminate the agreement.

<i>Capital commitments</i>	2011	2010
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report are payable as follows:	\$'000	\$'000
Within one year	157	124
Total capital commitments	<u>157</u>	<u>124</u>

Capital commitments relate to current contractual agreements for the development and supply of plant and equipment.

**Remuneration commitments**

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts for executives in existence at the reporting date, and TVSP contracts signed at the reporting date, but not recognised as liabilities. The Department does not offer fixed-term remuneration contracts greater than five years.

	2011	2010
	\$'000	\$'000
Within one year	6 387	6 590
Later than one year but not later than five years	12 628	12 986
Total remuneration commitments	<u>18 995</u>	<u>19 576</u>

**Other commitments**

Within one year	2 603	2 875
Later than one year but not later than five years	1 824	2 427
Total other commitments	<u>4 427</u>	<u>5 302</u>

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

**Committed grants**

Grants committed but not advanced at the end of the year	<u>516</u>	<u>8 019</u>
Total committed grants	<u>516</u>	<u>8 019</u>

Grants committed in support of rural projects contain conditions to be met before payments are made.

**37. Contingent assets and contingent liabilities**

**Contingent assets**

The Department owns intangible assets consisting of intellectual property which includes core samples provided by the mineral and petroleum industries, which are stored by the Department. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

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 security deposits at 30 June 2011 is \$100 million in bank guarantees. The Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

The Department may also accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2011, have a potential realisable value of \$5.3 million (\$1.57 million). The Department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

**Contingent liabilities**

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and mining matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas, 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.

**38. Trust funds**

The Trust funds of the Department are:

***Pleuro Pneumonia Fund***

This fund consists of monies belonging to all state governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

***Extractive Areas Rehabilitation Fund***

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 these Trust funds for the year ended 30 June are as follows:

	Pleuro Pneumonia Fund \$'000	Extractive Areas Rehabilitation Fund \$'000	2011 \$'000	Total 2010 \$'000
<b>Operations:</b>				
Revenue	4	3 746	3 750	3 793
Expenditure	-	1 651	1 651	3 987
Net operating surplus	4	2 095	2 099	(194)
<b>Net assets:</b>				
Cash at bank	86	14 613	14 699	12 624
Receivables	-	42	42	-
Payables	-	19	19	-
Net assets	86	14 636	14 722	12 624
<b>Funds:</b>				
Balance of funds at 1 July	82	12 542	12 624	12 818
Net receipts	4	2 095	2 099	(194)
Fund balance 30 June	86	14 637	14 723	12 624
Commitments in place at 30 June	-	1 460	1 460	2 004

**39. Cash flow reconciliation**

Reconciliation of cash at 30 June:	2011	2010
Statement of Cash Flows	\$'000	\$'000
Statement of Financial Position	98 198	77 736
	98 198	77 736

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

Net cash provided by (used in) operating activities	24 571	1 899
Revenue from SA Government	(129 816)	(137 100)
Return to Consolidated Account	4 690	61 924
<b>Non-cash items:</b>		
Depreciation and amortisation	(6 827)	(8 611)
Loss on disposal of assets	(95)	28
Property, plant and equipment derecognised	(722)	-
Prior period adjustments	-	21
Doubtful debts written off	(58)	(39)
Other non-cash items	(28)	160
<b>Changes in assets/liabilities (net of restructure transfer):</b>		
Increase (Decrease) in receivables	(10 187)	11 459
Increase (Decrease) in inventories	863	(1 842)
Decrease (Increase) in payables and provisions	(7 398)	(45)
Increase (Decrease) in employee benefits	73	1 312
Decrease (Increase) in other liabilities	(3 884)	(3 863)
Net cost of providing services	(128 818)	(74 697)

**40. Financial instruments/Financial risk management**

***Categorisation of financial instruments***

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 3 of the significant accounting policies.

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash	22	98 198	98 198	77 736	77 736
Loans and receivables - at cost:					
Loans and receivables <sup>(1)</sup>	23	11 937	11 937	9 443	9 443
Investments - at cost:					
Other financial assets	25	4 501	4 501	4 503	4 503
Total financial assets		<u>114 636</u>	<u>114 636</u>	<u>91 682</u>	<u>91 682</u>
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables <sup>(1)</sup>	29	460	460	361	361
Interest bearing liabilities	30	4 585	4 585	1 471	1 471
Total financial liabilities		<u>5 045</u>	<u>5 045</u>	<u>1 832</u>	<u>1 832</u>

(1) Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Currently the Department does not hold any collateral as security to any of its financial assets.

***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	
<b>2011</b>				
Not impaired:				
Receivables	1 076	424	1 186	2 686
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	215	215
Total financial assets	<u>1 076</u>	<u>424</u>	<u>1 401</u>	<u>2 901</u>
<b>2010</b>				
Not impaired:				
Receivables	904	433	1 381	2 718
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	187	187
Total financial assets	<u>904</u>	<u>433</u>	<u>1 568</u>	<u>2 905</u>

***Maturity analysis of financial assets and liabilities***

	Contractual maturities			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2011</b>				
Financial assets:				
Cash	98 198	98 198	-	-
Loans and receivables	11 937	8 365	3 129	-
Other financial assets	4 501	4 501	-	-
Total financial assets	<u>114 636</u>	<u>111 064</u>	<u>3 129</u>	<u>-</u>
Financial liabilities:				
Payables	460	460	-	-
Interest bearing liabilities	4 585	1 795	2 790	-
Total financial liabilities	<u>5 045</u>	<u>2 255</u>	<u>2 790</u>	<u>-</u>

**Maturity analysis of financial assets and liabilities  
continued****2010**

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	\$'000	\$'000	\$'000	\$'000
Cash	77 736	77 799	-	-
Loans and receivables	9 443	9 075	370	-
Other financial assets	4 503	4 503	-	-
Total financial assets	91 682	91 377	370	-
Financial liabilities:				
Payables	361	361	-	-
Interest bearing liabilities	1 471	1 471	-	-
Total financial liabilities	1 832	1 832	-	-

**41. Events after balance date**

No events have occurred after balance date that would affect the financial statements of the Department as at 30 June 2011.

**42. Remuneration of board and committee members**

Members that were entitled to receive remuneration during the 2010-11 financial year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$0	237	176
\$1 - \$9 999	115	152
\$10 000 - \$19 999	7	6
\$20 000 - \$29 999	1	1
\$30 000 - \$39 999	-	-
\$40 000 - \$49 999	-	1
Total	360	336

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 \$267 150 (\$309 342).

Amounts paid to a superannuation plan for members was \$19 581 (\$19 984).

In accordance with DPC Circular 16, government employees do 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.

**Advisory Board of Agriculture**

Baldock H L	Knight G R*	Rathjen A*
Colliver P H	Konzag R B	Ridgway J E
Correll Y A	Loffler A R	Rose P F
Dennis M D	Murdoch R G	Wheaton P
Ferne N W (retired)	Page G M	Williams A M
Grossman M R	Pinder L K	Willson R L

**Aquaculture Tenure Allocation Board**

Bradsen J	O'Loughlin J M (retired)	Seamark R F (DM) (retired)
Gillanders B M (retired)	Prince D A	White M (DM)
Hill M K (retired)	Rigg C L	

**South Australian Alpaca Advisory Group**

Duncker B	Peters M (Retired)	Sims W G
Lang R A	Porter J	Warland S L
Mossop W*	Sadler L	

**42. Remuneration of board and committee members (continued)**

***Aquaculture Advisory Committee***

Anderson G I	Jeffriess B C	Stehr H
Coates J L	Mitchell M P	Stehr M A
Dolan P*	Montgomerie H L *	Westphalen G
Dyer A M	Payne S G	

***Board of Examiners for Mine Managers***

Coker J J	Reynolds P J	Ward A J
Marshall G*	Van Leuven M A	

***South Australian Deer Advisory Group***

Delaine M J	Schulz J L	Varcoe J R
Laycock B J *	Stevens M S	
Phillips J M	Tuckwell C D	

***South Australian Goat Advisory Group***

Bowen C	Gossip A J L	Litchfield K*
Carter L Z	James E	Nolan R S
Evans C	Lauterbach P C	Stokes A E

***Brukung Minesite Remediation Board***

Jenke E C	MacDonald R A	Tyne E D*
Macdonald H C	Stuart A	Vincent C

***Genetically Modified Crops Advisory Committee***

Annison G	Harvey H M (retired)	Pontifex N
Ankeny R A	Kemp N (retired)	Rhodes C K
Baldock H L	Levy J A W	Richards R H (retired)
Bowden M S	Masters G A (retired)	Roberts K (retired)
Cornish J G (retired)	McMullen G P	Spranz U B (retired)*
Cummins L K (retired)*	Peters J E	Way R J

***Barley Exporting Advisory Committee (disbanded 1 July 2010)<sup>(1)</sup>***

Andrew J N (retired)	Hill J H L (retired)	Treloar P A (retired)*
Coldrey M E (retired)	Murdoch S K (retired)	
Cooper C S (retired)	Roberts K (retired)	

***South Australian Horse Industry Advisory Group***

Adams S E	Cavanagh D R	Horridge P S
Axon J E	Fieldler J	Rolton G
Carr M R*	Hale S	

***Horticulture Industry Development Board (disbanded 30 September 2010)***

Cox J B (retired)	Mooney P A (retired)*	Walker C J (retired)
Demasi A (retired)	Stafford C R (retired)	Zerella C D (retired)
Little D J (retired)*	Tobin P J (retired)	

***Resources Industry Development Board***

Agius A (retired)	Guglielmo T	Roberts J B
Carr P F	Heithersay P S	Wanganeeen T L
Carter D N	McCleary A	White J L
Goldsworthy E R	McKenzie G*	Yates K R
Gould I G	McMillen I C	Yeeles R

***Mining Act Review Steering Group<sup>(1)</sup>***

Austin S (retired)	Mills L (retired)	Vincent C (retired)
Beckworth A (retired)	Moyle D W (retired)	Windle B (retired)*
Dalton P (retired)	Roberts J B (retired)	
Freeman P (retired)	Tyne E D (retired)*	

**42. Remuneration of board and committee members (continued)*****PIRSA Risk and Audit Committee***

Archer S*	Doroudi M*	Montgomerie H L (retired)*
Blencowe S G M	Heithersay P S (retired)*	
Brass P*	Mooney P A*	

***Meat Food Safety Advisory Committee***

Ackland T M	Martin G L	Smith G R
Bourne S L	Raven G D*	Wedd R B
Jenkins F*	Robinson J O	Wigg A P
Kidman S A	Rock M	Zammit L O
Knoll F P	Sandercock P	
Marinos M C	Sharman A	

***Olympic Dam Community Consultative Forum***

Baldry K*	Heithersay P S*	Walsh S
Brake L	Ludby N	Wilson G
Farrow M	McGrath I	Whitworth T
Forbes M	Mitchell M	Yeeles R
Harris F	Oag D	

***Rural Solutions SA Advisory Board***

Archer S*	Filby S M	Hills D G W
Cooper C S	Goodes W T*	Sneddon Y

***Strathalbyn Community Consultative Committee***

Brazzalotto B	Farrier M	Pederick A
Carrangis F	Hawke K	Rusby T
Currie J	Irwin C W	Sheldon T
Dale M	Jettner S	Twartz M
Davis B	McCarthy R	Woolford A

***Yumbarra Ministerial Advisory Committee***

Moyle D W

***Forest Industry Development Board***

Barnett C J	Fargher J D	Pinder L K
Bull L M	McCormack R J	
Dunstone A S	Peterson C	

***PIRSA Animal Ethics Committee***

Anderson C	Henderson W R	Maddocks S*
Bartlett D B (retired)	Herde P*	McGrath K
Cooper J G	Hocking-Edwards J*	McNicholl J E
Geier M	Jones D	Rudiger S*
Glatz P*	Kennedy E	Wyatt S (retired)*

***Rural Assistance Appeals Committee***

Davidson W M	Hollands D J	Hylton-Keele L*
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***Horticulture Plant Health Consultative Committee***

Chown M	Green A S	Raven G D*
Dalwood G W	Hannay J*	Redmond M L
Demasi A	Nankivell A	Sparron I
Fuller G C	Ranford T M	

***Horticulture Industry Charges Panel (disbanded 31 March 2011)***

Dalwood G W (retired)	Ranford T M (retired)	Stepien E A (retired)*
Hathaway S L (retired)	Redmond M L (retired)	
Potts C J (retired)	Scalzi P G (retired)	

**42. Remuneration of board and committee members (continued)**

***Resources & Energy Sector Infrastructure Council***

Carter B	Hook R*	White J
Dalla Valle D	Kuchel J	Heithersay P S*
Gray M	Owens L	Worrall L*
Guglielmo T	Roberts J	
Hallion J (retired)*	Umlauff H	

***Eyre Peninsula Farming System Board***

Bates A	Kulmann P	Stanley M*
Dunn M	Maddocks S*	Thomas G
Guerin S	McDonald G	Wilksch J
James C R	Smith B	Willmott D

***Beef Industry Development Board (disbanded 30 September 2010)***<sup>(1)</sup>

Bainger M T C (retired)	Maguire T (retired)	Umberger W J (retired)
Bell A K (retired)*	Ogilvie A D (retired)	Zammit L O (retired)
Buckley A L (retired)	Smith G R (retired)	
Maddocks S (retired)	Treloar B G A (retired)	

***Pork Industry Development Board (disbanded 30 September 2010)***<sup>(1)</sup>

Burford L K (retired)	Lewis B (retired)	Parish I G W (retired)
Hamann R K (retired)	McLean L N (retired)	Sapwell C M (retired)
Hampel G T (retired)	McMahon J (retired)	Starick S R (retired)

***Extractive Areas Rehabilitation Fund Project Assessment Panel***

Crimes A (retired)*	Marshall G*	Tyne E D*
Falland S G	Miller C M	Whiffen P
Heithersay P S (retired)*	O'Neil H E	

***Sheep Industry Development Board (disbanded 30 September 2010)***<sup>(1)</sup>

Arney L J (retired)	Gunner L (retired)	Ryan B G (retired)
Blake M L (retired)	Maddocks S (retired)*	Stephan C R (retired)
Dalla H M V (retired)	Pfeiffer I G (retired)	Wedd R B (retired)

***Dairy Industry Development Board (disbanded 30 September 2010)***<sup>(1)</sup>

Basham D K B (retired)	Kourou A G (retired)	Pfeiffer J L (retired)
Ewing V (retired)	Lloyd K (retired)	
Gilbert G J (retired)	MacDonald V F (retired)	

***Roxby Downs Advisory Reference Group***

Cossey W R	Case P J*	Heithersay P S*
Kelley M J		

***Fisheries Council of SA***

Barnett C J	Grady M A	Smallridge M (retired)*
Cooper C S	McShane P E (retired)	Smith A D M
Deane C H (retired)	Morison J B	Stevens RA
Doroudi M*	Pennington R T (retired)	Watts T J (retired)
Ferguson D L	Schahinger B M	Wright L
Filmer J E (retired)	Sherriff R J	

***SA Fisheries Research Advisory Board (disbanded 10 June 2011)***<sup>(1)</sup>

Cheshire A (retired)	Jeffriess B C (retired)	Zacharin W (retired)*
Doroudi M (retired)*	Montgomerie H L (retired)*	
Gillanders B M (retired)	Pennington R T (retired)	

***Penrice Community Consultation Group***

Baldwin I	Irwin C W	Sloane B
Carter M	Millikan M	Wright D
Clark P	Newland A	
Edwards R	Rennie J	



**42. Remuneration of board and committee members (continued)**

***MAC Branched Broomrape***

Arney J T  
Berger J A  
Cartwright D  
Cole M\*

Klitscher J G  
Marks R K  
McGorman J  
Piggott A

Saunders J  
Thiele M L  
Zacharin W\*

\* Government employees.

(1) During 2010-11 PIRSA ceased the functions of some of the Industry Development Boards.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits expenses	A4	754	588
Supplies and services	A5	1 371	1 167
Depreciation and amortisation expense	A6	8	-
Grants and subsidies	A7	24 340	21 730
Levies payments	A8	2 793	2 139
Payment of royalties to Consolidated Account	A15	155 915	124 990
Other expenses	A9	1 732	2 001
<b>Total expenses</b>		186 913	152 615
<b>Income:</b>			
Revenue from fees and charges	A11	21 955	20 385
Advances and grants	A12	906	98
Interest revenue	A13	770	536
Levies collection	A14	2 869	1 813
Royalties	A15	155 915	124 990
Sale of goods	A16	1	-
Other income	A17	1 807	1 852
<b>Total income</b>		184 223	149 674
<b>Net cost of providing services</b>		2 690	2 941
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	A18	3 888	3 796
<b>Net revenues from SA Government</b>		3 888	3 796
<b>Net result</b>		1 198	855
<b>Total comprehensive result</b>		1 198	855

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

**Statement of Administered Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash	A19	50 395	31 002
Receivables	A20	571	622
Inventories	A21	209	-
<b>Total current assets</b>		51 175	31 624
<b>Non-current assets:</b>			
Property, plant and equipment	A22	29	-
<b>Total non-current assets</b>		29	-
<b>Total assets</b>		51 204	31 624
<b>Current liabilities:</b>			
Payables	A23	29 446	11 561
Employee benefits	A24	27	8
Other liabilities	A25	2 617	2 449
<b>Total current liabilities</b>		32 090	14 018
<b>Non-current liabilities:</b>			
Payables	A23	4	-
Employee benefits	A24	47	-
<b>Total non-current liabilities</b>		51	-
<b>Total liabilities</b>		32 141	14 018
<b>Net assets</b>		19 063	17 606
<b>Equity:</b>			
Retained earnings	A26	19 063	17 606
<b>Total equity</b>		19 063	17 606

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

	Note	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009		16 751	16 751
Net result for 2009-10		761	761
Prior period correction		94	94
Restated net result 2009-10		855	855
Total comprehensive result for 2009-10		855	855
Balance at 30 June 2010	A26	17 606	17 606
Net result for 2010-11		1 198	1 198
Total comprehensive result for 2010-11		1 198	1 198
Accounting policy change - asset threshold		-	(7)
Transaction with SA Government as owner - net assets acquired from restructure		266	266
<b>Balance at 30 June 2011</b>		<b>19 063</b>	<b>19 063</b>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(687)	(580)
Supplies and services		(1 132)	(1 217)
Grants and subsidies		(24 340)	(21 730)
Payment of royalties to Consolidated Account		(138 365)	(130 460)
Levy payments		(2 793)	(2 139)
Other payments		(1 589)	(1 857)
<b>Cash used in operations</b>		<b>(168 906)</b>	<b>(157 983)</b>
Cash inflows:			
User fees and charges		21 955	20 787
Advances and grants		906	98
Interest received		752	518
Levy collections		2 956	2 128
Royalties		155 915	124 990
Other receipts		1 808	1 875
<b>Cash generated from operations</b>		<b>184 292</b>	<b>150 396</b>
Cash flows from SA Government:			
Receipts from SA Government		3 888	3 796
<b>Cash generated from SA Government</b>		<b>3 888</b>	<b>3 796</b>
<b>Net cash provided by (used in) operating activities</b>	A30	<b>19 274</b>	<b>(3 791)</b>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Proceeds from restructuring activities		119	-
<b>Cash generated from financing activities</b>		<b>119</b>	<b>-</b>
<b>Net cash provided by (used in) financing activities</b>		<b>119</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>		<b>19 393</b>	<b>(3 791)</b>
<b>Cash at 1 July</b>		<b>31 002</b>	<b>34 793</b>
<b>Cash at 30 June</b>	A19	<b>50 395</b>	<b>31 002</b>

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

	2011						
	(Activities - refer note A3)	1	2	3	4	5	6
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>							
Employee benefits and expenses	-	-	-	-	-	-	-
Supplies and services	5	58	49	201	14	34	-
Depreciation and amortisation	-	-	-	-	-	-	-
Grants and subsidies	92	750	430	600	290	500	-
Levies payments	-	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>97</b>	<b>808</b>	<b>479</b>	<b>801</b>	<b>304</b>	<b>534</b>	<b>-</b>
<b>Income:</b>							
Revenue from fees and charges	59	665	404	684	294	587	-
Advances and grants	-	-	-	-	-	-	-
Interest revenues	4	16	9	38	9	11	-
Levies collection	-	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
<b>Total income</b>	<b>63</b>	<b>681</b>	<b>413</b>	<b>722</b>	<b>303</b>	<b>598</b>	<b>-</b>
<b>Net cost of providing services</b>	<b>34</b>	<b>127</b>	<b>66</b>	<b>79</b>	<b>1</b>	<b>(64)</b>	<b>-</b>
<b>Revenues from SA Government:</b>							
Revenues from government	-	-	-	-	-	-	-
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>(34)</b>	<b>(127)</b>	<b>(66)</b>	<b>(79)</b>	<b>(1)</b>	<b>64</b>	<b>-</b>
	(Activities - refer note A3)	7	8	9	10	11	12
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>							
Employee benefits and expenses	-	-	-	-	-	-	-
Supplies and services	59	6	7	595	7	6	-
Depreciation and amortisation	-	-	-	-	-	-	-
Grants and subsidies	220	41	86	12 034	-	17	-
Levies payments	-	-	-	-	2 711	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-	-
Other expenses	(17)	-	-	(14)	-	-	-
<b>Total expenses</b>	<b>262</b>	<b>47</b>	<b>93</b>	<b>12 615</b>	<b>2 718</b>	<b>23</b>	<b>-</b>
<b>Income:</b>							
Revenue from fees and charges	290	211	73	12 901	-	30	-
Advances and grants	-	-	-	88	-	-	-
Interest revenues	8	135	1	-	15	1	-
Levies collection	-	-	-	-	2 741	-	-
Royalties	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	-
Other income	-	-	-	16	-	-	-
<b>Total income</b>	<b>298</b>	<b>346</b>	<b>74</b>	<b>13 005</b>	<b>2 756</b>	<b>31</b>	<b>-</b>
<b>Net cost of providing services</b>	<b>(36)</b>	<b>(299)</b>	<b>19</b>	<b>(390)</b>	<b>(38)</b>	<b>(8)</b>	<b>-</b>
<b>Revenues from SA Government:</b>							
Revenues from government	-	-	-	-	-	-	-
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>36</b>	<b>299</b>	<b>(19)</b>	<b>390</b>	<b>38</b>	<b>8</b>	<b>-</b>

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

	(Activities - refer note A3)	2011					
		13	14	15	16	17	18
<b>Expenses:</b>		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits and expenses		5	-	30	-	-	-
Supplies and services		8	5	72	13	72	7
Depreciation and amortisation		-	-	-	-	-	-
Grants and subsidies		552	1	1 903	140	387	73
Levies payments		-	-	-	-	-	-
Payment of royalties to the Consolidated Account		-	-	-	-	-	-
Other expenses		-	-	-	-	-	-
<b>Total expenses</b>		<b>565</b>	<b>6</b>	<b>2 005</b>	<b>153</b>	<b>459</b>	<b>80</b>
<b>Income:</b>							
Revenue from fees and charges		306	1	2 280	136	398	54
Advances and grants		-	-	145	-	-	-
Interest revenues		77	6	371	4	20	10
Levies collection		-	-	-	-	-	-
Royalties		-	-	-	-	-	-
Sale of goods		-	-	-	-	-	-
Other income		54	-	-	-	-	-
<b>Total income</b>		<b>437</b>	<b>7</b>	<b>2 796</b>	<b>140</b>	<b>418</b>	<b>64</b>
<b>Net cost of providing services</b>		<b>128</b>	<b>(1)</b>	<b>(791)</b>	<b>13</b>	<b>41</b>	<b>16</b>
<b>Revenues from SA Government:</b>							
Revenues from government		-	-	-	-	-	-
<b>Net revenues from SA Government</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>		<b>(128)</b>	<b>1</b>	<b>791</b>	<b>(13)</b>	<b>(41)</b>	<b>(16)</b>
	(Activities - refer note A3)	19	20	21	22	23	Total
<b>Expenses:</b>		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits and expenses		-	-	-	194	525	754
Supplies and services		-	-	-	121	32	1 371
Depreciation and amortisation		-	-	-	8	-	8
Grants and subsidies		2 190	3 305	-	729	-	24 340
Levies payments		-	-	-	-	82	2 793
Payment of royalties to the Consolidated Account		-	-	155 915	-	-	155 915
Other expenses		9	-	-	-	1 754	1 732
<b>Total expenses</b>		<b>2 199</b>	<b>3 305</b>	<b>155 915</b>	<b>1 052</b>	<b>2 393</b>	<b>186 913</b>
<b>Income:</b>							
Revenue from fees and charges		2 200	-	-	355	27	21 955
Advances and grants		-	-	-	673	-	906
Interest revenues		19	-	-	16	-	770
Levies collection		-	-	-	-	128	2 869
Royalties		-	-	155 915	-	-	155 915
Sale of goods		-	-	-	-	1	1
Other income		-	-	-	-	1 737	1 807
<b>Total income</b>		<b>2 219</b>	<b>-</b>	<b>155 915</b>	<b>1 044</b>	<b>1 893</b>	<b>184 223</b>
<b>Net cost of providing services</b>		<b>(21)</b>	<b>(3 305)</b>	<b>-</b>	<b>9</b>	<b>499</b>	<b>2 690</b>
<b>Revenues from SA Government:</b>							
Revenues from government		-	3 349	-	-	539	3 888
<b>Net revenues from SA Government</b>		<b>-</b>	<b>3 349</b>	<b>-</b>	<b>-</b>	<b>539</b>	<b>3 888</b>
<b>Net result</b>		<b>21</b>	<b>44</b>	<b>-</b>	<b>(9)</b>	<b>41</b>	<b>1 198</b>

## NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

### A1. Summary of significant accounting policies

The Department of Primary Industries and Resources SA (PIRSA or the Department) accounting policies are contained in note 2, in the PIRSA control financial statements.

### A2. Effect of changes in accounting policies, changes in accounting estimates and errors

During 2010-11 there were prior period adjustments of \$94 516 recognised in the Statement of Comprehensive Income.

### A3. Administered funds of the Department

The activity schedule provides details of income and expenses applicable to the administered funds of the Department:

Information about the Department's administered funds is set out below.

#### *Activity 1: Clare Valley Wine Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008. The primary purposes of the Fund are to promote the Clare Valley wine industry, undertake research and development and encourage communication and cooperation between participants in the Clare Valley wine industry.

#### *Activity 2: Barossa Wine Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the Barossa wine industry, undertake research and development and encourage communication and cooperation between participants in the Barossa wine industry.

#### *Activity 3: SA Grape Growers Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the SA grape growers industry, undertake research and development and encourage communication and cooperation between participants in the SA grape growers industry.

#### *Activity 4: Eyre Peninsula Grain Growers Rail Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 7 September 2006. The primary purpose of the Fund is to collect \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure.

#### *Activity 5: Adelaide Hills Wine Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the Fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and cooperation between participants in the Adelaide Hills wine industry.

#### *Activity 6: McLaren Vale Wine Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the Fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and cooperation between participants in the McLaren Vale wine industry.

#### *Activity 7: Rock Lobster Fishing Industry Fund*

The Fund was established under the *Primary Industry Funding Schemes Act 1998* on 19 June 2008. The primary purposes of the Fund are to collect industry funds for use by industry organisations to implement or facilitate research projects, industry development and management projects, and marketing projects for the benefit of the rock lobster fishing industry, in accordance with the strategic plan developed by the South Australian Rock Lobster Advisory Council Incorporated.

#### *Activity 8: SA Pig Industry Fund*

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001. The primary purposes of the Fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.



**Activity 9: Citrus Growers Fund**

The Fund was established under the *Primary Industry Funding Schemes Act 1998* on 20 October 2005. The primary purposes of the Fund are to collect industry funds for use by industry organisations to undertake or facilitate research and development and encourage communication and cooperation between participants in the citrus industry.

**Activity 10: Fisheries Research & Development Fund**

Under the *Fisheries Management Act 2007*, all commercial licence fees received by the Department are required to be paid into this Fund. The primary purposes of the Fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Act applies or promotion of any fishing, fish farming or fish processing activity.

**Activity 11: Grains Industry Levy Fund**

Two voluntary levies are collected from grain producers under the *Commonwealth Wheat Marketing Act 1989*, to support grains research and development in South Australia and the activities of the South Australian Farmers Federation (SAFF) Grains Industry Committee.

**Activity 12: Olive Industry Fund**

The Fund was established under the *Primary Industry Funding Schemes Act 1998* on 26 February 2009. The primary purposes of the Fund are to collect industry funds for use by industry organisations to undertake market development, branding and promotion activities, to facilitate research and development, and to promote the South Australian olive industry or olive products.

**Activity 13: SA Cattle Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000. The primary purposes of the Fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

**Activity 14: Deer Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 August 2002. The primary purposes of the Fund are to undertake programs relating to deer, deer products or any other aspect of the deer industry, and payment of compensation and other amounts in line with Regulations.

**Activity 15: SA Sheep Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998*. The purposes of the Fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake projects as recommended by the South Australian Sheep Advisory Group and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog-proof fence.

**Activity 16: Langhorne Creek Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and cooperation between participants in the Langhorne Creek wine industry.

**Activity 17: Riverland Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Riverland wine industry, undertake research and development and encourage communication and cooperation between participants in the Riverland wine industry.

**Activity 18: SA Apiary Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001. The primary purpose of the Fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry recommended by the Apiary Industry Advisory Group.

**Activity 19: Aquaculture Resource Management Fund**

The Fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the Fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

**Activity 20: ForestrySA Community Service Obligations**

The Department receives appropriation to make payment to ForestrySA representing community service obligations for the provision of: management of native forests for biodiversity conservation; community use of forest reserves; forest research programs; and provision of community fire protection services near forest reserves.

**Activity 21: Royalties**

The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account.

**Activity 22: Dog Fence Board**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The Dog Fence Board is responsible for the establishment and maintenance of particular dog fences in South Australia and may collect levies for that purpose under the *Dog Fence Act 1946*.

Effective from 1 July 2010, the Dog Fence Board transferred to the Department. The gazettal was issued as Public Sector (Reorganisation of Public Sector Operations 4) Notice 2010 July 2010.) The net assets received are represented under note A27.

**Activity 23: Other Funds**

This is the total of all other administered funds including the payment of the Minister's salary and allowances, production receipts from companies for forwarding to native title claimants, and seed levies collected and remitted pursuant to the *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991 No. 26, 1991*.

<b>A4. Employee benefits expenses</b>	2011	2010
	\$'000	\$'000
Salaries and wages	696	564
Annual leave	13	-
Employment on-costs - superannuation	15	1
Employment on-costs - other	9	1
Board fees	21	22
Total employee benefits expenses	754	588
<b>A5. Supplies and services</b>		
Supplies and services provided by entities within the SA Government:		
Professional and technical services <sup>(1)</sup>	176	121
Administrative and operating costs	4	-
Operating lease costs	23	-
Total supplies and services - SA Government entities	203	121
Supplies and services provided by entities external to the SA Government:		
Professional and technical services	526	548
Administrative and operating costs	576	455
Utilities and property costs	32	21
Computing and communications costs	12	4
Travel	20	8
Staff development and safety	2	10
Total supplies and services - non-SA Government entities	1 168	1 046
Total supplies and services	1 371	1 167
(1) Includes audit fees paid/payable to the Auditor-General - refer note A10.		
<b>A6. Depreciation and amortisation expense</b>		
Depreciation and amortisation:		
Plant and equipment	4	-
Buildings and infrastructure	4	-
Total depreciation and amortisation expense	8	-

<b>A7. Grants and subsidies</b>	2011	2010
	\$'000	\$'000
Grants and subsidies paid/payable to entities within the SA Government:		
Eyre Peninsula Grain Growers Rail Fund	600	650
SA Pig Industry Fund	36	76
Fisheries Research & Development Fund	11 324	11 023
SA Cattle Industry Fund	534	568
Deer Industry Fund	1	-
SA Sheep Industry Fund	1 599	1 193
SA Apiary Industry Fund	61	48
Aquaculture Resource Management Fund	962	704
ForestrySA - community service obligations payment	3 305	3 255
Total grants and subsidies - SA Government entities	18 422	17 517
Grants and subsidies paid/payable to entities external to the SA Government:		
Clare Valley Wine Industry Fund	92	63
Olive Industry Fund	17	29
Barossa Wine Industry Fund	750	693
SA Grape Growers Industry Fund	430	317
Adelaide Hills Wine Industry Fund	290	250
McLaren Vale Wine Industry Fund	500	190
Rock Lobster Fishing Industry Fund	220	210
SA Pig Industry Fund	5	17
Citrus Growers Fund	86	105
Fisheries Research & Development Fund	710	714
SA Cattle Industry Fund	18	22
SA Sheep Industry Fund	304	479
Langhorne Creek Wine Industry Fund	140	205
Riverland Wine Industry Fund	387	288
Aquaculture Resource Management Fund	1 228	600
SA Apiary Industry Fund	12	31
Dog Fence Board	729	-
Total grants and subsidies - non-SA Government entities	5 918	4 213
Total grants and subsidies	24 340	21 730
<b>A8. Levies payments</b>		
Grain levies <sup>(1)</sup>	2 711	1 961
Seed levies <sup>(2)</sup>	82	178
Total levies payments	2 793	2 139
(1) Grain levies collected pursuant to the <i>Wheat Marketing Act 1989</i> are paid to the South Australian Grain Industry Trust Fund and SAFF grains section (Grains Industry Committee). Income is recognised under note A14.		
(2) Seed levies collected pursuant to the <i>Pasture Seed Levy Collection Act 1989</i> are paid to the Commonwealth Department of Agriculture, Fisheries and Forestry. Fees charged by Australian Seed Authority Ltd (ASA) are, by an agreement with PIRSA, collected and remitted to the Authority. Income is recognised under note A14.		
<b>A9. Other expenses</b>	2011	2010
Non-SA Government entities:	\$'000	\$'000
Doubtful debts expense	-	92
Native Title - royalty payments	1 732	1 909
Total other expenses	1 732	2 001
<b>A10. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	94	72
Total auditor's remuneration	94	72

**Other services**

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

<b>A11. Revenue from fees and charges</b>	2011	2010
Fees and charges provided by entities external to SA Government:	\$'000	\$'000
Industry contribution	7 316	6 759
Fishing licences	11 956	11 280
Other fees and levies <sup>(1)</sup>	2 630	2 287
Penalties and fines	53	59
Total fees and charges	<u>21 955</u>	<u>20 385</u>

- (1) 2010 comparative has been restated to include \$150 000 of Rock Lobster Fishing Industry Fund levies that were originally recognised in that year as revenue in advance. This amount should have been recognised as revenue at the time the amount was received.

<b>A12. Advances and grants</b>	2011	2010
	\$'000	\$'000
State grants	343	15
Commonwealth grants	48	42
Industry grants	41	41
Intra-government transfer	474	-
Total advances and grants	<u>906</u>	<u>98</u>

<b>A13. Interest revenue</b>		
Interest from entities within the SA Government	770	536
Total interest revenue	<u>770</u>	<u>536</u>

<b>A14. Levies collection</b>		
Grain levies <sup>(1)</sup>	2 741	1 813
Seed levies <sup>(2)(3)</sup>	128	-
Total levies collection	<u>2 869</u>	<u>1 813</u>

- (1) Grain levies are collected pursuant to the *Wheat Marketing Act 1989* and provide for the collection of prescribed amounts to support grains research and development in South Australia and the activities of SAFF Grains Industry Committee. The South Australian Government Gazette dated 16 September 2010, prescribes that the amounts to be deducted from the proceeds of sales of all grain grown in the 2010-11 season are:

25 cents per tonne for the South Australian Grain Industry Trust Fund  
5 cents per tonne for the SAFF grains section (Grains Industry Committee).

Payments are recognised under note A8.

- (2) Seed levies comprise amounts collected pursuant to the *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and charges collection (Consequential Provisions) Act 1991 No 26, 1991* for certification of pasture seed by the State and fees charged by ASA under licence by the Commonwealth Department of Agriculture Fisheries and Forestry. ASA undertake the role of the National Designated Authority for the Organisation for Economic Cooperation and Development seed schemes, and, at the request of the Australian seed industry, operates the Australian Seed Certification Scheme which is used principally for seed not destined for export. PIRSA has an agreement with ASA to collect and remit the levy on their behalf.

Payments are recognised under note A8.

- (3) 2010 comparative has been restated.

<b>A15. Royalties</b>	2011	2010
	\$'000	\$'000
Royalties	155 915	124 990
Total royalties received from non-SA Government entities	<u>155 915</u>	<u>124 990</u>

Royalty revenue relates to minerals and petroleum production and are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum & Geothermal Energy Act 2000*.

<b>A15. Royalties (continued)</b>		
Royalty revenue for the year comprised:	2011	2010
	\$'000	\$'000
Minerals production	102 114	68 280
Petroleum production	53 801	56 710
Total royalties received from non-SA Government entities	<u>155 915</u>	<u>124 990</u>

Royalty receipts are returned to the Consolidated Account in the month following collection. During the year \$138.365 million (\$130.46 million) was paid to DTF (refer Statement of Cash Flows).

<b>A16. Sale of goods</b>		
Publications, books, maps and compact discs <sup>(1)</sup>	<u>1</u>	<u>-</u>
Total sale of goods	<u>1</u>	<u>-</u>

(1) Includes revenues from SA Government entities totalling less than \$100 000.

<b>A17. Other income</b>		
Reimbursements/recoveries	54	31
Reduction in provision for doubtful debts	4	-
Native Title - royalty receipts <sup>(1)</sup>	1 732	1 817
Other	<u>17</u>	<u>4</u>
Total other income <sup>(1)</sup>	<u>1 807</u>	<u>1 852</u>

(1) Royalties are received from producers party to Native Title Agreements. The revenue received is subsequently paid to claimants (refer note A9).

<b>A18. Revenues from SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> <sup>(1)</sup>	3 349	3 291
Reimbursements received for Parliamentary salaries and expense allowances	<u>539</u>	<u>505</u>
Total revenues from SA Government	<u>3 888</u>	<u>3 796</u>

(1) The Department receives appropriation for its administered funds in accordance with the *Appropriation Act* for the financial year. Appropriation is received for forestry related community service obligations that are delivered by ForestrySA and for Parliamentary salaries and electorate expense allowances.

<b>A19. Cash</b>	2011	2010
	\$'000	\$'000
Deposits with the Treasurer <sup>(1)</sup>	50 351	31 002
Imprest account and cash on hand	<u>44</u>	<u>-</u>
Total cash	<u>50 395</u>	<u>31 002</u>

(1) 2009-10 comparative has been restated to include \$68 000 for the SA Cattle Industry Fund. This amount was included in the controlled financial statements and was transferred to correctly represent that the cash formed part of the cash balance for the SA Cattle Industry Fund.

#### ***Interest rate risk***

Cash on hand is non-interest bearing. Interest bearing deposits and with the Treasurer are bearing a floating interest rate between 4.35 percent and 4.6 percent. The carrying amount of cash and cash equivalents approximates fair value.

#### ***Restructuring of administrative arrangement***

Effective from 1 July 2010, the Dog Fence Board transferred to the Department.

This restructure resulted in the Department assuming net assets of \$266 000 (\$nil). Details with respect to the restructuring of administrative arrangements are set out in note A27.

This restructure is not reflected in the Statement of Cash Flows.

**A20. Receivables**

	2011	2010
	\$'000	\$'000
Current:		
Receivables <sup>(1)</sup>	588	607
Allowance for doubtful debts <sup>(2)</sup>	(82)	(87)
	506	520
Accrued interest on deposits	65	102
	65	102
Total current receivables <sup>(3)</sup>	571	622
Receivables from SA Government entities:		
Accrued interest revenues	64	52
Total receivables from SA Government entities	64	52
Receivables from non-SA Government entities:		
Receivables <sup>(1)(2)</sup>	506	520
Prepayments	1	50
Total receivables from non-SA Government entities <sup>(3)</sup>	507	570
Total receivables	571	622

- (1) 2010 comparative has been restated to exclude \$68 000 for the SA Cattle Industry Fund. This amount was included as cash in the controlled financial statements. The receivable was reduced to correctly represent the receivables balance for the SA Cattle Industry Fund.
- (2) 2010 comparative has been restated to increase the balance of the provision for doubtful debts for the Rock Lobster Fishing Industry Fund by \$32 000, after a review of debtors during the audit of the Rock Lobster Fishing Industry Fund separate financial statements.
- (3) 2010 comparative has been restated to exclude \$24 000 of accrued revenue for Citrus Growers Fund. This accrual was incorrectly processed in 2010.

***Interest rate and credit risk***

All goods and services provided for which payment has not been received are classified as receivables. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value and there is no concentration of credit risk.

***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 Administered Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	87	7
Increase (decrease) in the allowance	(4)	92
Amounts written off	(1)	(12)
Carrying amount at 30 June	82	87

***Bad and doubtful debts***

The Department recognised a change in its bad and doubtful debt expense in the Statement of Administered Comprehensive Income, and debts to the value of \$1 000 (\$12 000) were written off during the year.

<b>A21. Inventories</b>	2011	2010
Current inventories:	\$'000	\$'000
Raw materials and stores (at the lower of cost and realisable value)	209	-
Total current inventories	209	-
Total inventories	209	-
<b>A22. Property, plant and equipment</b>		
Land and buildings:		
Land at fair value	2	-
Buildings and infrastructure at fair value	42	-
Accumulated depreciation	(15)	-
Total land and buildings	29	-
Plant and equipment:		
Plant and equipment at fair value	11	-
Accumulated depreciation	(11)	-
Total plant and equipment	-	-
Total property, plant and equipment	29	-

**Reconciliation of property, plant and equipment**

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

	Land \$'000	Buildings and infrastructure \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July	-	-	-	-
Acquisition/disposal through restructuring <sup>(1)</sup>	1	31	11	43
Asset threshold change <sup>(2)</sup>	-	-	(7)	(7)
Additions	1	-	-	2
Depreciation/amortisation expense	-	(4)	(4)	(8)
Carrying amount at 30 June	2	27	-	29

(1) Effective from 1 July 2010, the Dog Fence Board transferred to the Department. The impact of this restructure increased property plant and equipment by \$43 245.

(2) *Accounting policy change*  
During 2010-11 the Department changed its asset threshold from \$2000 to \$10 000, applicable only to assets not subject to revaluation. The impact of this policy change is a decrease of carrying amount of property, plant and equipment of \$7000.

**Impairment**

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

**Resources received free of charge**

There were no resources received free of charge as at 30 June 2011.

<b>A23. Payables</b>	2011	2010
Current:	\$'000	\$'000
Accrued expenses	1 502	1 180
Employment on-costs	14	-
Royalties payable to the Consolidated Account	27 919	10 368
Other	11	13
Total current payables	29 446	11 561
Non-current:		
Employment on-costs	4	-
Total non-current payables	4	-
Total payables	29 450	11 561

<b>Government/Non-government payables</b>	2011	2010
Payables to SA Government entities:	\$'000	\$'000
Accrued expenses	227	857
Royalties	27 919	10 368
Employment on-costs	18	-
Total payables to SA Government entities	<u>28 164</u>	<u>11 225</u>
Payables to non-SA Government entities:		
Accrued expenses	1 275	323
Other	11	13
Total payables to non-SA Government entities	<u>1 286</u>	<u>336</u>
Total payables	<u>29 450</u>	<u>11 561</u>

**A24. Employee benefits**

Current:		
Annual leave	10	-
Long service leave	5	-
Accrued salaries and wages	12	8
Total current employee benefits	<u>27</u>	<u>8</u>
Non-current:		
Long service leave	47	-
Total non-current employee benefits	<u>47</u>	<u>-</u>
Total employee benefits	<u>74</u>	<u>8</u>

The total current and non-current employee expense (ie aggregate of the employee benefit in note A24 plus related on-costs in note A23) for 2011 is \$92 000 (\$8000).

**A25. Other liabilities**

Unearned revenue	2 617	2 449
Total other liabilities	<u>2 617</u>	<u>2 449</u>

**A26. Equity**

Retained earnings	19 063	17 606
Total equity	<u>19 063</u>	<u>17 606</u>

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

**A27. Transferred functions**

**2010-11**

*Dog Fence Board*

Effective from 1 July 2010, the Dog Fence Board transferred to the Department. The gazettal was issued as Public Sector (Reorganisation of Public Sector Operations 4) Notice 2010 July 2010.

	Dog Fence Board	Total
	\$'000	\$'000
Current assets:		
Cash	119	119
Receivables	13	13
Inventories	219	219
	<u>351</u>	<u>351</u>
Non-current assets:		
Property, plant and equipment	43	43
	<u>43</u>	<u>43</u>
Total assets	<u>394</u>	<u>394</u>



*Dog Fence Board (continued)*

	Dog Fence Board transferred from DWLBC \$'000	Total \$'000
Current liabilities:		
Payables	52	52
Employee benefits	29	29
	<hr/>	<hr/>
	81	81
Non-current liabilities:		
Payables	4	4
Employee benefits	43	43
	<hr/>	<hr/>
	47	47
Total liabilities	<hr/>	<hr/>
	128	128
Net assets received	<hr/>	<hr/>
	266	266

Income and expenses attributable to the Dog Fence Board for the year are disclosed as activity 22 in the Schedule of Expenses and Income attributable to the Administered Activities.

Net assets transferred by the Department as a result of an administrative restructure were at the carrying amount. The net assets transferred were treated as a contribution by the Government as owner.

No transfers occurred during 2009-10 financial year.

<b>A28. Unrecognised contractual commitments</b>	2011	2010
<i>Other commitments</i>	\$'000	\$'000
Within one year	7	-
Total other commitments	<hr/>	<hr/>
	7	-

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

**A29. Contingent assets and liabilities**

The Department is not aware of any contingent assets or liabilities affecting the administered entities comprising the consolidated financial report as at 30 June 2011.

<b>A30. Cash flow reconciliation</b>	2011	2010
	\$'000	\$'000
Reconciliation of cash at 30 June:		
Statement of Administered Cash Flows	50 395	31 002
Statement of Administered Assets and Liabilities	50 395	31 002

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

Net cash provided by (used in) operating activities	19 274	(3 791)
Revenue from SA Government	(3 888)	(3 796)
Depreciation and amortisation	(8)	-
Increase (Decrease) in inventories	209	-
Increase (Decrease) in receivables	(51)	(350)
Decrease (Increase) in payables and provisions	(17 888)	5 406
Decrease (Increase) in employee benefits	(66)	(8)
Decrease (Increase) in other liabilities	(168)	(402)
Equity adjustments	(104)	-
Net cost of providing services	<hr/>	<hr/>
	(2 690)	(2 941)

**A31. Remuneration of board and committee members**

Members that were entitled to receive remuneration for membership during the year are listed below in the following summary table.

The number of members whose remuneration received or receivable falls within the following bands:	2011	2010
	Number	Number
\$0	6	12
\$1 - \$9 999	39	32
Total	<hr/>	<hr/>
	45	44

**A31. Remuneration of board and committee members (continued)**

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 \$29 141 (\$21 574).

Amounts paid to a superannuation plan for board and committee members was \$456 (\$685).

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.

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

*Dog Fence Board*

Effective from 1 July 2010, the Dog Fence Board transferred to the Department. The gazettal was issued as Public Sector (Reorganisation of Public Sector Operations 4) Notice 2010 July 2010.

***South Australian Ovine Johnes Disease Committee***

Altschwager P R	Gogel L D	Trengrove Dr C
Cooper L T	Hassell G M	Westbrook K D
Dennis K I	Heinrich A S	

***South Australian Pig Industry Advisory Group***

Flight K M	Lloyd B R	Sapwell C M
Fyfe A R	McLean L N	Schmidt P
Gierke S (retired)*	McMahon J	Starick M J
Hamann R K	Moore M*	

***South Australian Sheep Advisory Group***

Andrews F G	Kellock J	Pfeiffer I G
Hall J M	MacLachlan J H	Power G M
Hassell G M	Mills L J	Symons J B
Kidman S A (retired)	Petrenas E*	Westbrook K D

***South Australian Cattle Advisory Group***

Anderson M J*	Ogilvie A D	Stacey J C
Dennis K I	Oldfield A S	Withers I A S
Hassell G M (retired)	Smith K R	Young S M

***Dog Fence Board***

Ireland C	MacLachlan J H	Trowbridge P A
Litchfield L P	Nicolson D A	

\* Government employees.

# Rail Commissioner

## Functional responsibility

### Establishment

The Rail Commissioner was established as a body corporate by the *Rail Commissioner Act 2009* effective 3 December 2009. The Rail Commissioner is responsible to the Minister for Transport.

### *Transfer from TransAdelaide*

Effective 1 September 2010, Cabinet approved that all assets, contracts, rights and liabilities, expenditure and revenue, including the employment of staff, be transferred from TransAdelaide to the Rail Commissioner (as gazetted on 19 August 2010).

### *Transfer of staff to Department for Transport, Energy and Infrastructure (DTEI)*

In accordance with the Public Sector (Reorganisation of Public Sector Operations - Rail Commissioner) Notice 2011 effective 1 July 2011, each member of staff of the Rail Commissioner is transferred to employment in DTEI under the PSA, except for operational employees under various TransAdelaide employment awards.

## Functions

The primary function of the Rail Commissioner is to operate passenger transport services.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Rail Commissioner 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 statements and internal controls.

During 2010-11, areas of review included:

- payroll

- workers compensation
- accounts payable
- revenue and receipting
- financial accounting.

## **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 Rail Commissioner as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Rail Commissioner. Responses to the management letter were generally considered to be satisfactory. The main matters raised with the Rail Commissioner and the related responses are detailed below.

### **Payroll**

#### ***Management of annual leave entitlements***

Audit reviewed the management of annual leave balances at the Rail Commissioner. The Commissioner's Standard 3.4 (Commissioner for Public Employment) states no employee should have more than one year's recreation leave outstanding at the end of a service year without appropriate approval. Audit noted there were a number of employees with large annual leave balances. A review of a sample of these employees indicated a number did not have the carry forward of their annual leave balance approved at the end of their service year.

The Rail Commissioner responded that as part of the integration with DTEI, all managers were reminded of the requirements of Commissioner's Standard 3.4 and in particular the requirements regarding the management of leave balances.

#### ***Bona fide and leave taken reports***

Sample testing of bona fides and leave taken reports revealed there has been no follow up of bona fides and leave taken reports since January 2011. This includes:

- monitoring the review and certification of reports
- monitoring the return of reports to the finance section
- filing and retention of reports
- reporting of issues to payroll.

The Rail Commissioner responded that due to various changes to personnel during the transition to DTEI the regular follow-up of outstanding bona fides was delayed. Staffing issues have been resolved and bona fide follow-ups are being undertaken on a regular basis with amendments being advised through to payroll.

### **Controls over payroll reports**

Sample testing of the 'Commencement and Termination' and 'Exception' reports found that a number of these reports have not been independently reviewed. This means that an independent review is not being performed of information entered onto the payroll system for the commencement or termination of employees, timesheets, overtime, allowances, or leave.

The Rail Commissioner responded that changes have been introduced to the processing function of the payroll group which includes processes to check the accuracy, validity and authority for changes made in the payroll system. In addition 'Commencement and Termination' reports are provided to human resources and finance on a monthly basis and 'Exception' reports are reviewed and signed off by Senior Management.

### **Revenue and receipting**

The audit identified no segregation of duties between the accounts receivable and receipting activities. The accounts receivable officer performs the following functions:

- creates invoices
- processes credit notes
- receipts and banks the monies received
- reconciles the bank statement
- processes general ledger journals.

The Rail Commissioner responded that interim arrangements were put in place to ensure immediate segregation of duties. Further, from 1 July 2011 all transaction processing has been transferred to Shared Services SA and DTEI will continue to undertake the reconciliation of the bank account. In doing so the functions of preparing bank reconciliations have been separated from general ledger processing.

## **Interpretation and analysis of the financial report**

### **Highlights of the financial report**

The Rail Commissioner did not engage in any activities during the 2009-10 financial year which resulted in direct financial transactions that gave rise to revenues, expenses, assets or liabilities. As a consequence no balances are recorded in the Rail Commissioner's 2009-10 comparative figures.

Effective 1 September 2010, all assets, liabilities, and trading activities were transferred to the Rail Commissioner from TransAdelaide.

	2011 \$'million
<b>Expenses</b>	
Employee benefits expenses	55
Supplies and services	59
Depreciation and amortisation expense	6
<b>Total expenses</b>	<b>120</b>

2011  
\$'million

<b>Income</b>	
Provision of services	86
Government grants	9
Other revenue	28
<b>Total income</b>	<b>123</b>
<b>Net result</b>	<b>3</b>
<b>Total comprehensive result</b>	<b>3</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(3)</b>
<b>Assets</b>	
Current assets	20
Non-current assets	143
<b>Total assets</b>	<b>163</b>
<b>Liabilities</b>	
Current liabilities	15
Non-current liabilities	23
<b>Total liabilities</b>	<b>38</b>
<b>Total equity</b>	<b>125</b>

#### Statement of Comprehensive Income

##### *Expenses*

Employee benefits expenses account for 46 percent of total expenses including \$42 million in salaries and wages. Supplies and services account for 49 percent of total expenses including \$28 million in materials, parts and consumables expenses.

##### *Income*

As the Rail Commissioner's primary function is to provide rail passenger transport services under a contract with DTEI, its main operating revenue is from provision of services. Government funding and other revenue is less significant.

##### *Contract income - DTEI contract*

The DTEI contract requires the Rail Commissioner to provide passenger services in the specified service area in return for contract payments. All ticket revenue collected by the Rail Commissioner is remitted to DTEI.

Under the contract the Rail Commissioner must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Income of \$86 million from DTEI for the provision of passenger services represented 70 percent of the Rail Commissioner's income.

#### Statement of Financial Position

Non-current assets include \$142 million of plant and equipment transferred from TransAdelaide to the Rail Commissioner. Plant and equipment has remained relatively consistent since the transferred balance due to total additions of \$7 million being offset by depreciation of \$6 million.

TransAdelaide transferred \$23 million of current assets to the Rail Commissioner, including cash of \$10.4 million. At 30 June 2011, cash has decreased to \$475 000 as cash generated from operations was less than expenses.

Employee benefits, related on-costs and workers compensation liabilities totalled \$32 million and represented 84 percent of total liabilities.

#### Statement of Cash Flows

The following table summarises the net cash flows.

	2011 \$'000
<b>Net cash flows</b>	
Operating	(2.6)
Investing	(7.3)
Financing	10.4
Change in cash	0.5
Cash at 30 June	0.5

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits expenses	4	54 708	-
Supplies and services	5	59 386	-
Depreciation and amortisation expense	6	6 016	-
Other expenses	8	86	-
Net loss from the disposal of non-current assets	7	20	-
<b>Total expenses</b>		120 216	-
<b>Income:</b>			
Revenues from the provision of services	9	85 618	-
Interest revenues	10	395	-
Other revenues	11	28 252	-
Revenue from government grants	12	9 049	-
<b>Total income</b>		123 314	-
<b>Net result</b>		3 098	-
<b>Total comprehensive result</b>		3 098	-

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



## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	13	475	-
Receivables	14	14 543	-
Inventories	15	4 718	-
<b>Total current assets</b>		19 736	-
Non-current assets:			
Plant and equipment	16	143 528	-
Intangible assets	17	278	-
<b>Total non-current assets</b>		143 806	-
<b>Total assets</b>		163 542	-
<b>Liabilities:</b>			
Current liabilities:			
Payables	19	6 138	-
Employee benefits	21	7 340	-
Provisions	22	1 602	-
<b>Total current liabilities</b>		15 080	-
Non-current liabilities:			
Payables	19	1 674	-
Employee benefits	21	16 008	-
Provisions	22	5 579	-
<b>Total non-current liabilities</b>		23 261	-
<b>Total liabilities</b>		38 341	-
<b>Net assets</b>		125 201	-
<b>Equity:</b>			
Retained earnings		125 201	-
<b>Total equity</b>		125 201	-
Total equity is attributable to the SA Government as owner			
Commitments for expenditure	23		
Contingent assets and liabilities	24		

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

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	Note	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		-	-
Net result for 2010-11		3 098	3 098
Total comprehensive result for 2010-11		3 098	3 098
Transactions with SA Government as owner:			
Transfer of business from TransAdelaide	26	122 103	122 103
<b>Balance at 30 June 2011</b>		<u>125 201</u>	<u>125 201</u>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(54 372)	-
Payments for supplies and services		(64 542)	-
GST paid to the ATO		(6 478)	-
<b>Cash used in operations</b>		(125 392)	-
Cash inflows:			
Sales of goods and services		86 056	-
Interest received		481	-
Dividends received		473	-
GST recovered from the ATO		11 224	-
Other receipts		24 546	-
<b>Cash generated from operations</b>		122 780	-
<b>Net cash provided by (used in) operating activities</b>	25(b)	(2 612)	-
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of plant and equipment		(7 055)	-
Purchase of intangibles		(285)	-
<b>Cash used in investing activities</b>		(7 340)	-
<b>Net cash provided by (used in) investing activities</b>		(7 340)	-
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Transfer of cash from TransAdelaide		10 427	-
<b>Cash generated from financing activities</b>		10 427	-
<b>Net cash provided by (used in) financing activities</b>		10 427	-
<b>Net increase (decrease) in cash and cash equivalents</b>		475	-
<b>Cash and cash equivalents at 1 July</b>		-	-
<b>Cash and cash equivalents at 30 June</b>	25(a)	475	-

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives of the Rail Commissioner

The Rail Commissioner was established as a body corporate by the *Rail Commissioner Act 2009*. The *Rail Commissioner Act 2009* provided that the Rail Commissioner's principal activity was to operate passenger transport services, an activity that continued to be the primary focus until 30 June 2011.

Effective 1 September 2010, all assets, liabilities and trading activities were transferred to the Rail Commissioner from TransAdelaide as gazetted on 19 August 2010 (note 26 provides further details). This approval was part of a two-staged restructure of the State Government's public transport functions, involving the integration of TransAdelaide and the Department of Transport, Energy and Infrastructure's (DTEI) Public Transport Division.

**1. Objectives of the Rail Commissioner (continued)**

For stage two of the restructure, the Public Sector (Reorganisation of Public Sector Operations - Rail Commissioner) Notice 2011 effective 1 July 2011 transfers each member of staff from the Rail Commissioner to DTEI, except for operational employees under various TransAdelaide employment awards. The *Rail Commissioner (Miscellaneous) Amendment Act 2011* effective 1 July 2011, provides for the Rail Commissioner to hold accreditation under the *Passenger Transport Act 1994* to operate passenger transport services by train or tram as operated by the Rail Commissioner from time to time.

**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.

Except for AASB 2009-12, which the Rail Commissioner has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Rail Commissioner for the reporting period ending 30 June 2011. 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 Rail Commissioner's accounting policies. The areas involving high degrees 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, that have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The Rail Commissioner's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the 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 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 2011.

**(c) Reporting entity**

The financial statements cover the Rail Commissioner as an individual reporting entity. The Rail Commissioner is a body corporate pursuant to the *Rail Commissioner Act 2009*.

**(d) Comparative information**

No balances are recorded in the comparative information presented as the Rail Commissioner did not engage in any activities for the year ended 30 June 2010 which would give rise to revenues, expenses, assets or liabilities.

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.

**(e) Rounding**

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

**(f) Taxation**

The Rail Commissioner is not subject to income tax. The Rail Commissioner is liable for payroll tax, FBT and GST.

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 the 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.

**(g) Events after the reporting period**

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

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

**(h) Income and expenses**

Income and expenses are recognised to the extent that 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.

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

**Income**

The following are specific recognition criteria:

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the entity or authority.

Services directly related to the provision of rail services are disclosed under note 9. Other services provided on an ad hoc basis are disclosed as 'Other revenues' under note 11.

- *Interest income*  
Interest income is interest received from investments. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- *Revenues from SA Government*  
Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Rail Commissioner will comply with all attached conditions.

Government grants, including deferred income transferred from TransAdelaide relating to the purchase of plant and equipment have been recognised in the Statement of Comprehensive Income for the current reporting period.

- *Other revenue*  
Other revenue is recognised as income when the Rail Commissioner obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

Other revenue includes rental income arising on properties which are accounted for on a straight-line basis over the lease term.

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

Losses on disposal of equipment 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.

*Expenses*

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 Rail Commissioner to the superannuation plan in respect of current services of current Rail Commissioner staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.
- *Depreciation and amortisation on non-current assets*  
All non-current assets have a limited useful life and 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 plant and equipment.

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

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

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

<i>Class of assets</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Rollingstock - railcars	Straight-line	20-42
Machinery, plant and equipment	Straight-line	3-30
Intangibles	Straight-line	3

- *Supplies and services*  
Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Rail Commissioner. These items are recognised as an expense in the reporting period in which they are incurred.
- *Maintenance expenses*  
The Rail Commissioner undertakes major cyclical maintenance on the State's rail infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

(i) ***Current and non-current classification***

Assets and liabilities are characterised as either current or non-current in nature. The Rail Commissioner 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 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.

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

*Cash and cash equivalents*

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

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

Cash is measured at nominal value.

*Receivables*

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

Receivables arise in the normal course of selling goods and services to the public and other government agencies. Receivables are generally due 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 Rail Commissioner may not be able to collect the debt. Bad debts are written off when identified.

*Other non-current assets*

The Rail Commissioner measures other assets at the lower of cost or recoverable amount.

*Inventories*

Inventories include goods and other property held for use in the ordinary course of business. It excludes depreciating assets.

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average cost method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value or inventory losses are recognised as an expense in the Statement of Comprehensive Income in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

Inventories include train, tram and infrastructure spare parts.

*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 in excess of \$10 000 are capitalised.

*Revaluation of non-current assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value); 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 the estimated useful life is greater than three years.

Rollingstock is revalued every five years. The last revaluation was performed on 30 June 2009 when the assets were owned by TransAdelaide. 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 valuations are held at cost until the next valuation, where they are revalued to fair value.

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

The Rail Commissioner uses the gross method of revaluation where the gross asset value and the accumulated depreciation are both restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation surplus relating to the 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 asset revaluation surplus.

*Intangible assets*

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Rail Commissioner 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 (identifiably, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and reliable measurement and when the amount of expenditure is greater than or equal to \$10 000).

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Rail Commissioner has been unable to attribute this expenditure to the intangible asset.

**(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.

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 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 Rail Commissioner.

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

All payables are measured at their nominal amount 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, long service leave and annual leave.

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

*Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. All operating leases were transferred from TransAdelaide to the Rail Commissioner, effective 1 September 2010.

*Operating leases*

Operating leases 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.

*Employee benefits*

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

*Wages, salaries, annual leave and sick leave*

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

*Long service leave*

The liability for long service leave is recognised after an employee has completed five (5.5) years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Rail Commissioner's experience of employee retention and leave taken.

*Provisions*

Provisions are recognised when the Rail Commissioner has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

(l) **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.

(m) **Insurance**

The Rail Commissioner has arranged, through SAICORP, a division of SAFA, to insure all major risks of the Rail Commissioner.

There is a standard \$100 000 excess on all insurance cover with SAICORP.

3. **New and revised accounting standards and policies**

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Rail Commissioner has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Rail Commissioner to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 4.

The Rail Commissioner did not voluntarily change any of its accounting policies during 2010-11.

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

4. **Employee benefits expenses**

	2011 \$'000	2010 \$'000
Salaries and wages	41 605	-
Long service leave	927	-
Annual leave	3 876	-
Block book off	687	-
Retiring and death gratuity	5	-
Workers compensation	189	-
Employment on-costs - superannuation	4 032	-
Employment on-costs - payroll tax	2 563	-
Other employee related expenses	824	-
Total employee benefits expenses	54 708	-

**Remuneration of employees**

Total remuneration for employees below	671	-
--	-----	---

	2011 Number	2010 Number
The number of employees whose remuneration received or receivable falls within the following remuneration bands:		
\$130 700 - \$140 699	1	-
\$140 700 - \$150 699	1	-
\$150 700 - \$160 699	1	-
\$230 700 - \$240 699	1	-
	4	-

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.

In accordance with the revised APF II, the Rail Commissioner has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 28 for 2011.

**Remuneration of board and committee members**

No person held the position of board member for the Rail Commissioner during the financial year.

<b>5. Supplies and services</b>		2011	2010
Supplies and services provided by entities within the SA Government:		\$'000	\$'000
Accommodation and telecommunication		257	-
Information technology expenses		67	-
Legal costs		76	-
Contract supplies and maintenance		1 493	-
Vehicle leasing and fuel costs		1 005	-
Insurance		219	-
Other supplies and services		480	-
Total supplies and services - SA Government entities		<u>3 597</u>	-
Supplies and services provided by entities external to the SA Government:			
Security		2 829	-
Rollingstock maintenance		8 515	-
Rollingstock fuel and power		8 788	-
Materials, parts and consumables		27 975	-
Contractors		2 684	-
Other supplies and services		4 998	-
Total supplies and services - non-SA Government entities		<u>55 789</u>	-
Total supplies and services		<u>59 386</u>	-
<b>Consultants</b>			
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:			
		2011	2010
	Number	\$'000	Number
			\$'000
Below \$10 000	1	9	-
\$10 000 - \$50 000	1	14	-
Total paid/payable to the consultants engaged	<u>2</u>	<u>23</u>	<u>-</u>
<b>Auditor's remuneration</b>		2011	2010
		\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department		161	-
Total auditor's remuneration		<u>161</u>	-
<b>Other services</b>			
No other services were provided by the Auditor-General's Department.			
<b>6. Depreciation and amortisation expense</b>			
Depreciation:			
Rollingstock		5 745	-
Other plant and equipment		204	-
Total depreciation		<u>5 949</u>	-
Amortisation:			
Intangible assets		67	-
Total amortisation		<u>67</u>	-
Total depreciation and amortisation expense		<u>6 016</u>	-
<b>7. Net gain (loss) from the disposal of non-current assets</b>			
Total proceeds from disposal		-	-
Total value of assets disposed		(20)	-
Total net gain (loss) from disposal of non-current assets		<u>(20)</u>	-
<b>8. Other expenses</b>			
Other expenses paid/payable to entities external to the SA Government:			
Write-down of inventories to net realisable value		86	-
Total other expenses - non-SA Government		<u>86</u>	-
<b>9. Revenues from the provision of services</b>			
Services received by entities within SA Government		82 721	-
Services received by entities external to the SA Government		2 897	-
Total revenues from the provision of services		<u>85 618</u>	-

<b>10. Interest revenues</b>	2011	2010
	\$'000	\$'000
Interest received/receivable from entities within SA Government	395	-
Total interest revenues	<u>395</u>	<u>-</u>
<b>11. Other revenues</b>		
Other revenues from entities external to the SA Government:		
Property rental	1 018	-
Other revenue	1 218	-
Total revenues from entities external to the SA Government	<u>2 236</u>	<u>-</u>
Other revenues from entities within the SA Government:		
Other services provided to DTEI	26 004	-
Property rental	12	-
Total revenues from entities within the SA Government	<u>26 016</u>	<u>-</u>
Total other revenues	<u>28 252</u>	<u>-</u>
<b>12. Revenue from government grants</b>		
Capital grants from entities within SA Government:		
Grants previously deferred	9 049	-
Total revenue from government grants	<u>9 049</u>	<u>-</u>

The accounting policies adopted and the description of government grants received by the Rail Commissioner, including the conditions attached to the grants, have been disclosed in note 2.

In accordance with AASB 120, TransAdelaide deferred government grants received from DTEI for capital expenditure and amortised them over the life of the resulting asset. This liability was transferred to the Rail Commissioner on 1 September 2010. As the Rail Commissioner operates as a not-for-profit entity, this revenue has been recognised in the current period at the fair value of the contribution received.

<b>13. Cash and cash equivalents</b>	2011	2010
	\$'000	\$'000
Cash at bank	436	-
Imprest account/cash on hand	39	-
Total cash and cash equivalents	<u>475</u>	<u>-</u>

***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 and cash equivalents represents fair value.

<b>14. Receivables</b>		
Current:		
Gross accrued income	14 395	-
Allowance for doubtful debts	(9)	-
Prepayments	6	-
GST receivable	151	-
Total receivables	<u>14 543</u>	<u>-</u>
Receivables from SA Government entities:		
Accrued income	13 640	-
Prepayments	6	-
Total receivables from SA Government entities	<u>13 646</u>	<u>-</u>

The total receivable figure does not include 'non-current receivables' as the Rail Commissioner does not have any receivables that meet the definition of non-current. Any 'non-current receivables' would be disclosed in this note.

***Allowance for doubtful debts***

The allowance for doubtful debts 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.

<i>Allowance for doubtful debts (continued)</i>	2011	2010
Movements in the allowance for doubtful debts:	\$'000	\$'000
Carrying amount at 1 July	-	-
Transferred from TransAdelaide	9	-
Carrying amount at 30 June	9	-

**Bad and doubtful debts**

An assessment of outstanding debtors was performed and the Rail Commissioner has not recognised a bad and doubtful debt expense in the Statement of Comprehensive Income for the year ending 30 June 2011.

**15. Inventories**

Stores inventories	4 718	-
Total inventories	4 718	-

**16. Plant and equipment**

Rollingstock - railcars:		
Railcars at fair value	243 492	-
Accumulated depreciation	(115 966)	-
Total rollingstock - railcars	127 526	-
Other plant and equipment:		
Other plant and equipment at fair value	2 976	-
Accumulated depreciation	(2 020)	-
Total other plant and equipment	956	-
Assets under construction:		
Rollingstock - railcars	14 071	-
Other plant and equipment	975	-
Total assets under construction	15 046	-
Total plant and equipment	143 528	-

All major non-current assets are revalued every five years on an existing use, fair value basis in the financial statements at the revalued amounts.

In accordance with the APF, the Rail Commissioner has assessed that assets recorded at cost reflect fair value where such assets have not been independently revalued.

There were no indications of impairment of plant and equipment, rollingstock and intangible assets at 30 June 2011.

<b>17. Intangible assets</b>	2011	2010
Computer software:	\$'000	\$'000
Internally developed computer software	169	-
Accumulated amortisation	(124)	-
Other computer software	1 291	-
Accumulated amortisation	(1 058)	-
Total intangible assets	278	-

**18. Reconciliation of asset carrying amounts**

The following table shows the movement of non-current assets during 2010-11.

	Rolling- stock \$'000	Other plant and equipment \$'000	Assets under constrctn \$'000	Total plant and equipment \$'000	Intangible assets \$'000	Total non-current assets \$'000
<b>2011</b>						
Carrying amount at 1 July	-	-	-	-	-	-
Transferred from TransAdelaide	133 271	1 029	8 142	142 442	60	142 502
Additions	-	-	7 340	7 340	-	7 340
Disposals	-	(20)	-	(20)	-	(20)
Transfers	-	151	(436)	(285)	285	-
Depreciation and amortisation expense	(5 745)	(204)	-	(5 949)	(67)	(6 016)
Carrying amount at 30 June	127 526	956	15 046	143 528	278	143 806

New assets resulting from completed assets under construction have been treated as transfers.

<b>19. Payables</b>	2011	2010
Current:	\$'000	\$'000
Accrued expenses	5 331	-
Accrued employment on-costs	807	-
Total current payables	<u>6 138</u>	<u>-</u>
Non-current:		
Employment on-costs	1 674	-
Total non-current payables	<u>1 674</u>	<u>-</u>
Payables to SA Government entities:		
Accrued expenses	1 396	-
Employment on-costs	2 481	-
Total payables to SA Government entities	<u>3 877</u>	<u>-</u>

**20. Financial instruments/financial risk management**

*Categories 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 expense are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

*Credit risk*

Credit risk arises when there is the possibility of the Rail Commissioner's debtors defaulting on their contractual obligations resulting in financial loss to the Rail Commissioner. The Rail Commissioner measures credit risk on a fair value basis and monitors risk on a regular basis and has minimal concentration of credit risk. Policies and procedures are in place to ensure that transactions occur with customers with appropriate credit history.

In 2010-11 the Rail Commissioner has not engaged in any hedge activities.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Rail Commissioner does not hold any collateral as security to its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 14 for information on the allowance for impairment in relation to receivables.

	Note	2011 Carrying amount/ fair value \$'000
<b>Financial assets</b>		
Cash and cash equivalents	13	475
Receivables:		
Loans and receivables <sup>(1)</sup>	14	<u>14 386</u>
Total financial assets at cost		<u>14 861</u>
<b>Financial liabilities</b>		
Financial liabilities - at cost:		
Payables <sup>(1)</sup>	19	<u>5 331</u>
Total financial liabilities at cost		<u>5 331</u>

(1) All amounts recorded are carried at cost (not materially different from amortised cost). The fair value of all financial assets and liabilities is represented by their carrying amount. Amounts disclosed exclude amounts relating to statutory receivables and payables.

*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	
<b>2011</b>				
Not impaired:				
Receivables	8 425	2 572	3 398	14 395
Impaired:				
Receivables	-	-	9	9

**Maturity analysis of financial assets and liabilities**

All financial assets and liabilities mature within one year.

**Liquidity risk**

Liquidity risk arises where the Rail Commissioner is unable to meet its financial obligations as they fall due. The continued existence of the Rail Commissioner until 30 June 2011 was dependent on maintaining a service level agreement with the Transport Division of DTEI and the funding that flows.

The Rail Commissioner settles undisputed accounts within 30 days of the invoice date or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

**Market risk**

Market risk for the Rail Commissioner 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 agency as it has been determined that the possible impact on profit (loss) and total equity from fluctuations in interest rates is immaterial.

**Credit standby arrangements**

Rail Commissioner has a \$730 000 (\$nil) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2011 was \$662 000 (\$nil).

<b>21. Employee benefits</b>	2011	2010
	\$'000	\$'000
Current:		
Annual leave	3 370	-
Long service leave	965	-
Block book off	1 126	-
Retiring and death gratuity	25	-
Total current employee benefits provisions	5 486	-
Accrued wages and salaries	1 854	-
Total current employee benefits	7 340	-
Non-current:		
Annual leave	2 869	-
Retiring and death gratuity	80	-
Long service leave	13 059	-
Total non-current employee benefits	16 008	-
Total employee benefits	23 348	-
Employee benefits as above	23 348	-
Related on-costs included in payables	2 481	-
Aggregate employee benefits plus related on-costs	25 829	-

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$76 000 and employee benefits expense of \$4000. 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.

<b>22. Provisions</b>	2011	2010
	\$'000	\$'000
Current:		
Workers compensation claims	906	-
Third party accident damage	696	-
Total current provisions	1 602	-

<b>22. Provisions (continued)</b>	2011	2010
Non-current:	\$'000	\$'000
Workers compensation claims	5 579	-
Total non-current provisions	<u>5 579</u>	<u>-</u>
Total:		
Workers compensation claims	6 485	-
Third party accident damage	696	-
Total provisions	<u>7 181</u>	<u>-</u>

**(a) Reconciliation of provisions movements**

	Workers compensation claims \$'000	Third party accident damage \$'000	Total \$'000
Carrying amount at 30 June 2010	-	-	-
Transferred from TransAdelaide	6 935	696	7 631
Recognised provision in 2010-11	213	-	213
Payments made in 2010-11	(663)	-	(663)
Movement	<u>(450)</u>	<u>-</u>	<u>(450)</u>
Carrying amount at 30 June 2011	<u>6 484</u>	<u>696</u>	<u>7 181</u>

*Workers compensation*

This liability reflects unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of outstanding claims by Brett & Watson Pty Ltd as at 30 June 2011.

*Third party accident damage*

This liability reflects the Rail Commissioner's partial self insurance for this operational risk. The third party accident damage provision is based on an internal assessment of outstanding claims as at 30 June 2011 which were transferred from TransAdelaide. The Rail Commissioner has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997, exceeding \$1 million for claims between 1 July 1997 and 30 June 2008 and \$100 000 for claims post 1 July 2008.

**23. Commitments**

The following commitments were transferred from TransAdelaide to the Rail Commissioner, effective 1 September 2010:

<b>Capital commitments</b>	2011	2010
	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:		
Within one year	13 229	-
Later than one year but not longer than five years	13 041	-
Total capital commitments	<u>26 270</u>	<u>-</u>

The Rail Commissioner's capital commitments are for the refurbishment of the railcars that were retained as the Rail Commissioner assets.

**Remuneration commitments**

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

Within one year	4 139	-
Later than one year but not later than five years	5 066	-
Total remuneration commitments	<u>9 205</u>	<u>-</u>

Amounts disclosed include commitments arising from executive and other service contracts. The Rail Commissioner does not offer remuneration contracts greater than five years.

**Operating lease commitments**

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

Not later than one year	748	-
Later than one year but not later than five years	584	-
Total operating lease commitments	<u>1 332</u>	<u>-</u>



**Operating lease commitments (continued)**

The Rail Commissioner leases fleet vehicles under operating leases expiring from one to four years. The leases generally provide the Rail Commissioner with a right of renewal at which time all terms are negotiated.

**24. Contingent assets and liabilities**

The Rail Commissioner has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The life of various elements of the indemnities vary between one and six years from when AUSTRICS was sold in 2004-05. As at balance date, this could not be reliably measured.

Contingent liabilities currently exist in relation to two outstanding legal matters. As at balance date, the total amount of the claim could not be reliably measured but the total of this liability will not exceed \$100 000 due to SAICORP insurance cover.

<b>25. Cash flow reconciliation</b>	2011	2010
<i>(a) Reconciliation of cash and cash equivalents at the end of the reporting period</i>	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	475	-
Balance per the Statement of Cash Flows	<u>475</u>	<u>-</u>
 <i>(b) Reconciliation of net cash provided by (used in) operating activities to net result</i>		
Net cash provided by (used in) operating activities	(2 612)	-
Non-cash items:		
Depreciation and amortisation	(6 016)	-
Loss from disposal of non-current assets	(20)	-
Write-off on inventory	(86)	-
Movements in assets and liabilities:		
Increase (Decrease) in receivables	5 952	-
Increase (Decrease) in inventories	199	-
Decrease (Increase) in payables	(145)	-
Decrease (Increase) in employee benefits	(998)	-
Decrease (Increase) in provisions	449	-
Decrease (Increase) in other liabilities	6 375	-
Net result	<u>3 098</u>	<u>-</u>

The effective interest rate on cash deposits held throughout the year was 4.55 percent.

**26. Transfer of business due to Government restructure**

Transfer of business from TransAdelaide*	<u>122 103</u>	-
	<u>122 103</u>	<u>-</u>

\* On 19 August 2010, the Government announced the reorganisation of public sector operations, with the transfer of TransAdelaide's assets, liabilities and trading activities to the Rail Commissioner effective from 1 September 2010.

The following assets, liabilities and equities were transferred from TransAdelaide:

	Rail Commissioner \$'000
Current assets:	
Cash and cash equivalents	10 427
Receivables	8 591
Inventories	4 605
Total current assets	<u>23 623</u>
Non-current assets:	
Plant and equipment	142 442
Intangible assets	60
Total non-current assets	<u>142 502</u>
Total assets	<u>166 125</u>
Current liabilities:	
Payables	5 800
Employee benefits	6 317
Provisions	1 631
Other current liabilities	18
Total current liabilities	<u>13 766</u>

**26. Transfer of business due to Government restructure (continued)**

	Rail Commissioner
Non-current liabilities:	\$'000
Payables	1 866
Employee benefits	16 033
Provisions	6 000
Other non-current liabilities	6 357
Total non-current liabilities	<u>30 256</u>
Total liabilities	<u>44 022</u>
Net assets	<u>122 103</u>

**27. Events after the reporting period**

As continuation of stage two of the restructure of the State Government's public transport functions, Cabinet approval is being sought for the transfer of all assets, contracts, rights and liabilities from the Rail Commissioner to DTEI. Under this arrangement, the Rail Commissioner will exist for the purposes of employing operational staff employed under Federal Awards, with all ongoing liabilities associated with those employees reported under DTEI.

# South Australia Police

## Functional responsibility

### Establishment

The South Australia Police (SAPOL) is an administrative unit established under the PSA. SAPOL is responsible to the Minister for Police.

### Functions

The functions of SAPOL are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2010-11, areas of review included:

- payroll
- workers compensation
- accounts payable
- expiation revenue
- financial accounting
- revenue and receipting
- compliance with TIs 2 and 28
- ICT management.

## **Audit findings and comments**

### **Auditor's report on the financial report**

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

### **Assessment of controls**

In my opinion, the controls exercised by the South Australia Police in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australia Police 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 Commissioner of Police. Responses to the management letters were generally considered to be satisfactory. The main matters raised with SAPOL and the related responses are detailed below.

#### ***Workers compensation***

##### *Background*

SAPOL is a self-insurer and responsible for managing and funding its own workers compensation and rehabilitation programs.

In 2010, as part of its annual audit program, WorkCoverSA identified SAPOL was not complying with the WRCA, section 35(1) requirement to calculate workers compensation payments on a weekly basis. SAPOL historically calculated income maintenance payments on a fortnightly basis.

Prior to the WorkCoverSA audit findings, SAPOL had already identified there were incorrect payments (income maintenance payments) made to staff receiving workers compensation benefits over the period 1 July 2008 to 30 March 2010.

SAPOL engaged an external consultant to recalculate income maintenance payments on a weekly basis and update the workers compensation system (SIMS) for any recalculated underpayment. The recalculation of historical income maintenance payments resulted in a net underpayment and included accrued interest.

The main reasons for the incorrect income maintenance payments were:

- the conversion from fortnightly to weekly calculations of workers compensation payments
- administrative errors in calculations
- inconsistency of allowances used in calculations performed by different employees
- reconciling the amount paid to employees with the amount recognised by SIMS.

Further, to systematically calculate ongoing income maintenance payments on a weekly basis, an ongoing income maintenance calculator was created by the external consultant for use by SAPOL.

Audit reviewed the historical and ongoing income maintenance calculations and the related control environment. The following is a summary of matters identified:

*Reconciliation of SIMS to payroll system (HRMS)*

Fortnightly reconciliations between SIMS and HRMS were not prepared consistently during the 2010-11 financial year. Further, the following issues were noted with the reconciliations that were prepared:

- Reconciliations were generally not reviewed and signed off by a supervisor.
- No audit trail to verify the source data from SIMS or HRMS to the reconciliations.
- The amounts from SIMS and HRMS used in the reconciliations were adjusted amounts with no supporting audit trail.

SAPOL responded that reconciliations are being completed post transition of the income maintenance recalculation project.

*Retention of records for seven years*

The payroll information from HRMS used to calculate income maintenance payments is only kept for two years as SAPOL's policy is to overwrite electronic data every two years. The employee claim management files should include all the required information to support an employee's income maintenance calculation, however the records were found to be incomplete. For example, electronic timesheets from HRMS containing information on the allowances and leave codes were not in the files. Further the claim files are not compliant with the retention of records requirements of the WRCA and *State Records Act 1997*.

SAPOL responded that current policy and procedures on retention of physical records to support the income maintenance payments will be reviewed to ensure compliance with the requirements of WRCA and the *State Records Act 1997*.

*Independent review of income maintenance calculator*

The income maintenance calculator relies on the completeness of information imported from HRMS. Audit testing found no evidence the income maintenance payments calculated by the administration officer (using the ongoing calculator) were independently checked prior to the income maintenance payments being processed. This check would ensure the imported information is complete and accurately imported from HRMS.

SAPOL responded that quality assurance on the calculations will be validated and independent reviews undertaken.

*Controls over manually calculated claims (eg closed period and back pay claims)*

SAPOL handles a number of workers compensation claims that are unique and by nature cannot be input into the income maintenance calculator. Sample testing of manually calculated claims revealed no evidence of an independent review performed on the manually calculated claims.

SAPOL responded that an independent officer will be reviewing the accuracy of manual calculations.

*Closed workers compensation files*

Closed workers compensation claim files could not be provided for a sample of employees as evidence the claims were approved to close in accordance with SAPOL's Injury Management Work Instructions. Audit was informed by management that the files were either sent to archives and could not be easily located or were lost when SAPOL changed to a new archiving company. Sample testing of closed workers compensation claims also found SAPOL was not following its policy to complete the 'claim closure checklist' for all claims as evidence that claims were approved to close prior to closing of the workers compensation claim.

SAPOL responded that they maintain a comprehensive spreadsheet identifying the location of the injury management files. The work instructions have been reviewed to address the claims closure process.

*Other issues*

- An audit trail for the historical recalculations of income maintenance payments has not been maintained at SAPOL.
- Only one employee at SAPOL is trained to use the income maintenance calculator which is used to calculate income maintenance payments.
- The password to access the ongoing income maintenance calculator is unknown to SAPOL as it is maintained by the external consultant. This means SAPOL cannot modify the calculator to allow for changes to the calculation fields (eg allowances, leave codes or enterprise bargaining agreements).
- Policies and procedures are not in place to maintain the integrity of calculating income maintenance payments. This includes no documented policies to ensure the calculation fields in the calculator are kept current for any payroll changes and no documented procedures for use of the income maintenance calculator.

In response, SAPOL advised appropriate action would be taken to address these matters.

**Payroll**

*Controls over commissioned officers' leave*

Sample testing of 'Leave Taken Reports' revealed that not all the reports were being retained by local service areas as evidence of review of leave taken by employees. Audit recommended SAPOL ensures all local service areas are independently checking, signing, following up errors and filing the 'Leave Taken Reports' to ensure the leave taken for commissioned officers is recorded.

In response, SAPOL advised controls and procedures have been mandated in the general orders to address the issue specifically and compliance will be monitored by Corporate Shared Services Branch, Human Resources Branch and Shared Services SA (SSSA) payroll.

*Leave forms not being submitted*

Audit reviewed submission of leave forms when leave is taken and the report used to identify the employees who have leave recorded on their timesheet without submitting a leave form. Audit found there is no due date to follow up outstanding items on the report or a follow-up report to identify leave forms that are still outstanding. Audit recommended SAPOL implement a control to ensure leave forms not submitted after the report (used to identify missing leave forms) is produced are followed up and submitted in a timely manner; and establish procedures to ensure employees submit leave forms in a timely manner.

In response, SAPOL advised the issues have been addressed in the general orders and will be part of the New Employee Time Management System project.

### ***Accounts payable***

SSSA provide a delegation of authority report to SAPOL, for distribution to relevant managers. This report summarises delegations of authority established electronically in the e-Procurement system. The delegations of authority are updated by SSSA based on advice provided by SAPOL and delegations of authority change quite frequently. However, SAPOL does not have any controls in place to ensure the completeness and accuracy of the report. Controls should include:

- review of delegates sent to SSSA
- follow up with business unit managers for incorrect delegate authority
- quality control check of delegates included on the report (managers may approve delegate authority without thoroughly reviewing the form).

SAPOL responded that processes are currently being revised to incorporate the recommended controls. Further policies consistent with this process revision are being developed and will be implemented to coincide with the planned e-Procurement profile review in November 2011.

### ***Expenditure - the e-Procurement control environment at SSSA***

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

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

### ***ICT management***

#### *IT controls over key financial systems*

In 2010-11 Audit sought an updated understanding of SAPOL's high level management control arrangements over its IT infrastructure environment and key financial systems.

From examination of the information provided by SAPOL Audit made the following observations:

- Not all financial systems used by SAPOL had formal documented change management procedures. This included the SAPOL managed budget modelling system and also the financial data warehouse and the transaction listing system which are managed by SSSA within DTF. Such procedures provide a disciplined framework for the effective implementation of authorised changes to financial system functionality and data.
- An updated 2010 SAPOL IT control compliance self-assessment indicated that SAPOL had reduced compliance gaps from previous self-assessments. Further remediation activity however was still required.
- A number of deficiencies existed in relation to business continuity and disaster recovery. This included third party vendor and other government agencies' business continuity and disaster recovery arrangements used to support SAPOL financial data.

The response from SAPOL and SSSA indicated that action was in progress to address the matters raised.

*Mainframe computer system controls*

In 2009 Audit performed a review of the management of SAPOL's SYSB mainframe computing environment located at the Glenside Data Centre. This computing environment is managed by the agency and third party service providers.

The focus of the 2009 review was the controls for the cash receipting system from the expiation notice system and payroll from the human resource management system. The review also assessed the compliance aspects of selected clauses in contracts established between SAPOL and third party infrastructure service providers.

The purpose of the 2011 follow-up review was to assess the completeness and effective operation of SAPOL's remediation activities in response to the findings arising from the 2009 audit. The review also aimed to evaluate the progress and subsequent risks of any SAPOL issues yet to be resolved.

The 2011 review confirmed that remediation had occurred in relation to awareness training, updating security policy content, data transfer controls over vulnerable media, updating versions of in-scope software and the implementation of a monitoring regime over developer staff access to production data.

Despite this remediation progress a number of important audit issues were outstanding. Issues yet to be addressed by SAPOL included deficiencies in information classification, inadequate security report monitoring, password strength weaknesses, over reliance on key personnel and deficiencies in ongoing management of third party security obligations.

The remediation of some of these issues was held back by the departure of the IT Security Manager in mid-April 2011. In addition, changing password settings of the SYSB mainframe had integration dependencies with other Justice agency systems.

For the matters where SAPOL have not performed remediation activities Audit is of the opinion that some control risks still exist.

Of particular concern has been SAPOL's delay in classification of its information relating to information residing on the SYSB mainframe partition. This system holds critical and sensitive information. SAPOL has advised this will be completed by the end of 2011.

In the instances where SAPOL is placing reliance on the compensating controls to mitigate risks identified by Audit it was recommended that SAPOL regularly monitors those compensating controls for their effectiveness.

An August 2011 response from SAPOL indicated for the individual matters raised that either the matter had been addressed, compensating controls were sufficient to address the associated risks or remediation activities were progressing. In relation to the password settings matter, SAPOL advised that no further work was planned, as it was not currently feasible to make these changes due to the ongoing system integration dependencies with Justice systems.

*CARS IT control environment*

The SAPOL Expiation Notice Branch (ENB) is involved in the expiation notice processing for mobile and fixed speed detection, road traffic offences, drug offences and also for other agency expiation processing.



In conjunction with a number of other systems, such as traffic desk, the capture adjudication and reporting system (CARS) is used by the ENB to perform this role.

In late 2010 Audit conducted a review of CARS, taking into account issues raised in prior reviews.

Audit noted that the ENB had a detailed internal audit process and audit plan. There were also a number of controls in place to track missing expiation notices and prevent notices being withdrawn without appropriate review. In general, procedure documentation was also detailed and easy to follow. In addition, to restrict access to the CARS data there were a number of IT controls in place within the ENB network.

Despite these controls, the review found a number of control shortcomings in relation to the CARS system. In particular Audit recommended the immediate attention to weak access controls. This included the renaming of default system user accounts, removal of generic or shared user accounts and a formalised documented review of user access.

In addition, Audit recommended SAPOL strengthen password security controls, map SAPOL data classification ratings against the Government Information Management Framework Standards ratings, regularly review audit logs and update certain documentation, in particular for business continuity and disaster recovery.

The response from SAPOL indicated that action had been taken or was in progress to address the matters raised.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefits expenses	559	523
Supplies and services	124	120
Other expenses	16	17
<b>Total expenses</b>	<b>699</b>	<b>660</b>
<b>Income</b>		
Revenues from fees and charges	20	20
Other revenues	7	17
<b>Total income</b>	<b>27</b>	<b>37</b>
<b>Net cost of providing services</b>	<b>672</b>	<b>623</b>
<b>Revenues from SA Government</b>	<b>663</b>	<b>608</b>
<b>Net result</b>	<b>(9)</b>	<b>(15)</b>
<b>Other comprehensive income</b>	<b>22</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>13</b>	<b>(15)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>43</b>	<b>(10)</b>

	2011 \$'million	2010 \$'million
<b>Assets</b>		
Current assets	57	24
Non-current assets	328	262
<b>Total assets</b>	<b>385</b>	<b>286</b>
<b>Liabilities</b>		
Current liabilities	90	76
Non-current liabilities	222	208
<b>Total liabilities</b>	<b>312</b>	<b>284</b>
<b>Total equity</b>	<b>73</b>	<b>2</b>

**Statement of Comprehensive Income**

**Expenses**

The following chart shows a structural analysis of the main expense items for the four years to 2011.

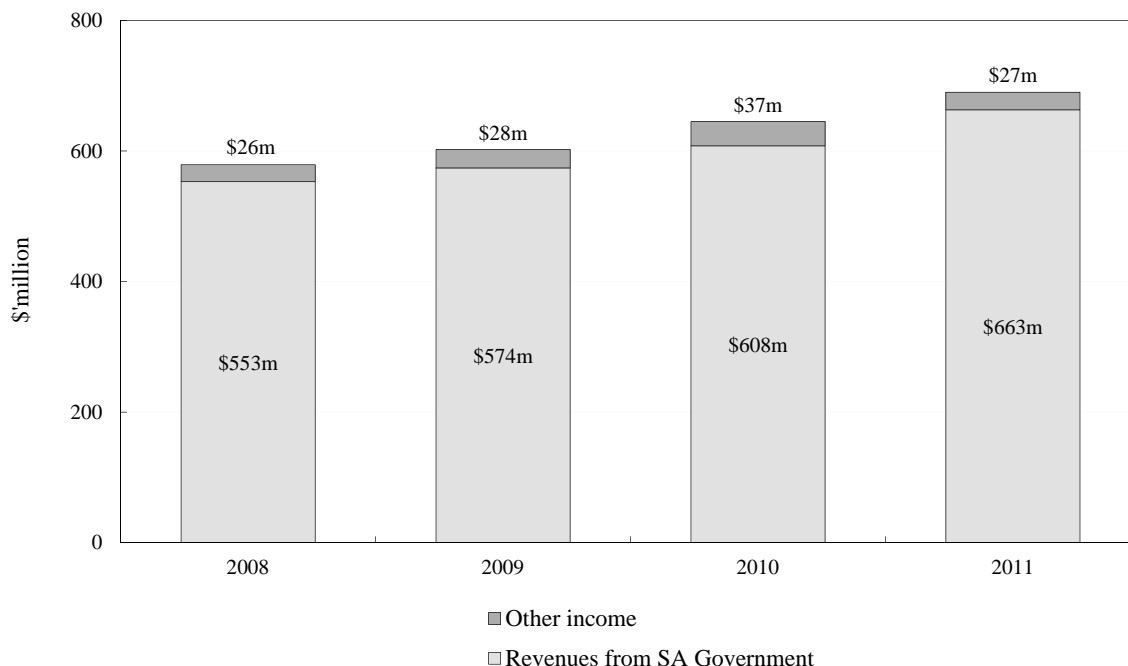


Employee benefits expenses account for 80 percent of total expenses and increased by \$36 million during 2010-11. The main components of the increase were salaries and wages expenses of \$23 million and annual and long service leave expenses of \$8 million. These increases were a result of a new enterprise bargaining agreement which increased salary rates and allowances for police officers. The increased salary rates also resulted in increased annual leave expenses.

Supplies and services account for 18 percent of total expenses including \$26 million in accommodation and property related expenses and \$26 million in communication and computing expenses. Supplies and services expenses increased by \$4 million during 2010-11. This was due mainly to a one-off payment of \$2.6 million in lieu of decommissioning the old police headquarters and an increase in rental expenses of \$1.1 million related to a new initiative.

**Income**

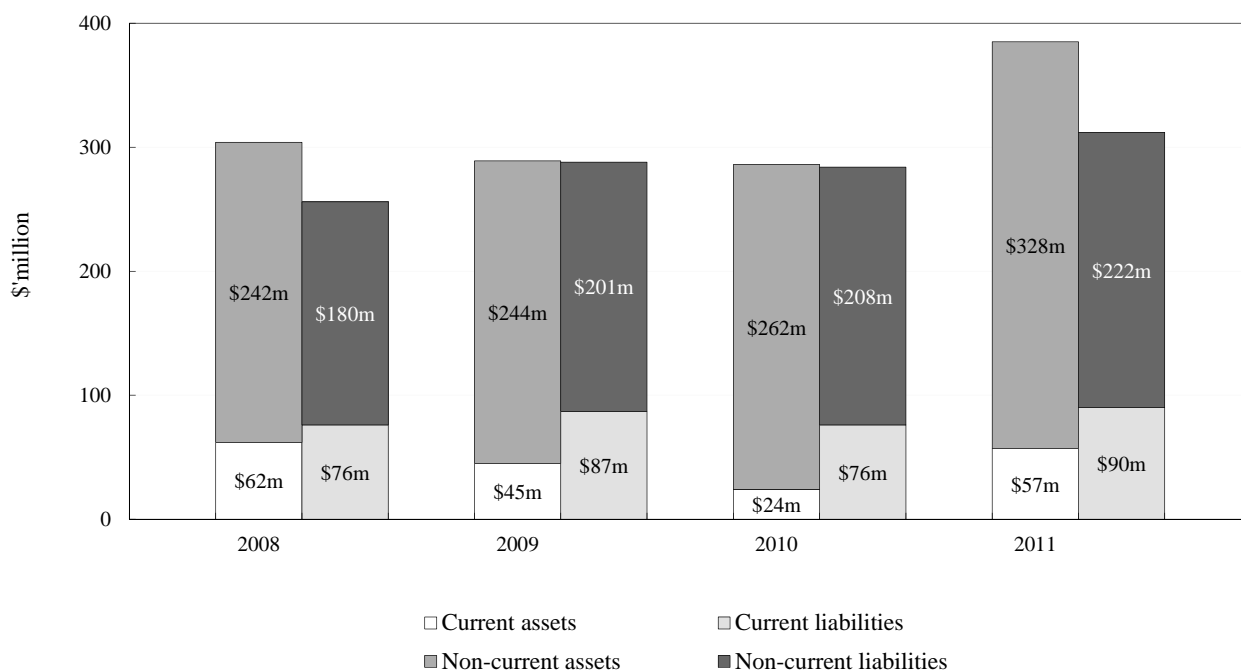
The following chart shows a structural analysis of the main income items for the four years to 2011.



SAPOL receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. Revenues from government increased by \$55 million (8 percent) to \$663 million. The increase reflects funding for the enterprise bargaining agreement, additional police officers, resourcing for the Safer, Faster and Easier Public Transport initiative and funding to enforce legislation changes. Other income decreased by \$10 million due to a \$12 million once-off payment received for construction of police facilities in APY Lands from DPC specific to the 2009-10 year.

**Statement of Financial Position**

For the four years to 2011, a structural analysis of assets and liabilities is shown in the following chart.



**Assets**

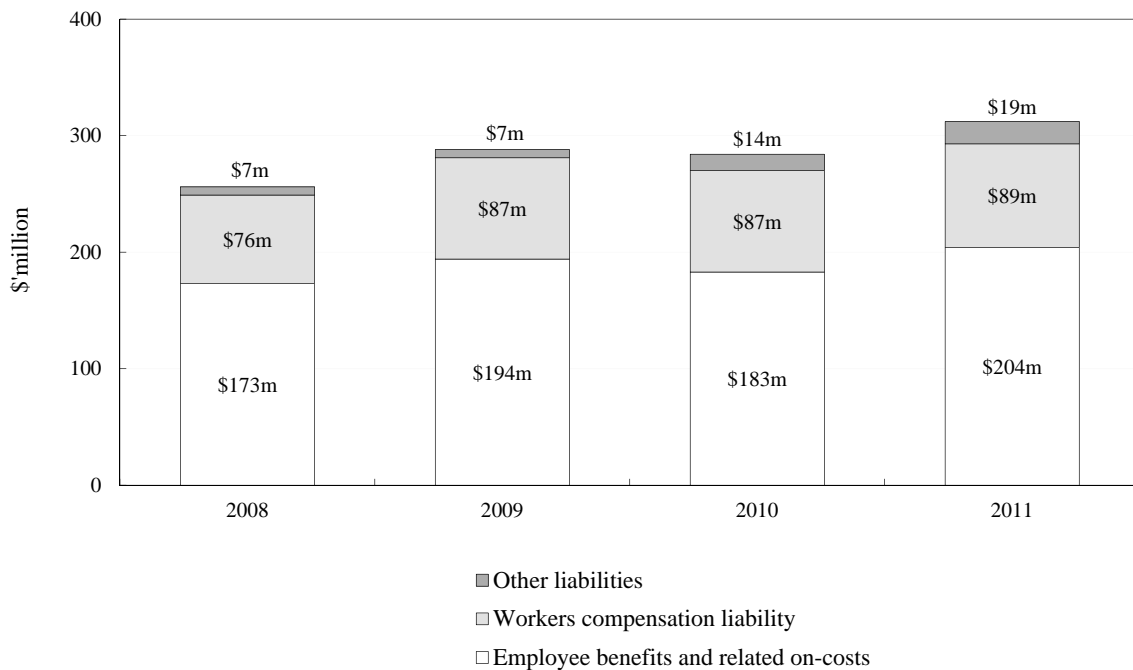
Current assets increased by \$33 million (138 percent) to \$57 million during 2011 due to an increase in cash and cash equivalents of \$42 million offset by a decrease in receivables of \$11 million. The increase in the cash position is due mainly to a budgeted increase in cash to cover accrual expenditure and SAPOL holding cash related to unpaid back pays associated with the enterprise bargaining agreement. The decrease in receivables is due mainly to two large invoices outstanding at 30 June 2010 that have subsequently been paid.

Non-current assets increased by \$66 million (25 percent) to \$328 million due to an increase in property, plant and equipment of \$47 million and an increase in capital works in progress of \$20 million. The capital works in progress is mainly for the construction of police stations, fitout of the new police headquarters and academy redevelopment. The increase in non-current assets took into account a net revaluation increment of \$22 million as at 30 June 2011. The revaluations were based on an independent valuer’s assessment of fair value in accordance with AASB 116. The impacts of the valuations were recognised as a gain to the asset revaluation surplus. Note 17 provides further information.

**Employee benefits and workers compensation**

Employee benefits, related on-costs and workers compensation liabilities totalled \$293 million (\$271 million) and represent 94 percent (95 percent) of total liabilities. At June 2011, the workers compensation liability of \$89 million (\$87 million) represented 29 percent (31 percent) of total liabilities of \$312 million (\$284 million). Employee benefits and related on-costs increased due to the new enterprise bargaining agreement.

The significance of employee related liabilities compared to total liabilities is shown in the following chart.



**Total equity**

Total equity and net assets increased by \$71 million due to the following:

- the Government made a capital contribution of \$58 million in 2010-11

- the revaluation of property, plant and equipment resulting in an increase to the asset revaluation surplus of \$22 million
- a net deficit of \$9 million.

### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
<b>Net cash flows</b>				
Operating	43	(10)	(1)	22
Investing	(60)	(36)	(17)	(12)
Financing	59	15	-	-
Change in cash	42	(31)	(18)	10
Cash at 30 June	46	4	35	53

Funding received from the SA Government in 2010-11 exceeded operating cash outflows. This resulted in net cash flows provided by operating activities of \$43 million. Additional funding was provided through a financing inflow of \$59 million in the form of a capital contribution. Note 14 provides further information.

### Administered items

#### *Expiation fees*

Expiation fees are collected by SAPOL on behalf of the Government. SAPOL treats the collection of expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996* as an administered item and pays them to the Consolidated Account. For 2011, the expiation fees collected were \$76 million and were consistent with the previous four years.

#### *Victims of Crime levy*

SAPOL collects monies associated with the *Victims of Crime Act 2001* from the expiation of offences included on expiation notices issued by police officers and other authorised officers. The *Victims of Crime Act 2001* provides for payment of compensation to persons who suffer injury as a result of criminal acts and recovery of monies from offenders.

SAPOL collects monies and remits them to a special interest bearing deposit account managed by the Attorney-General's Department.

During 2010-11 Victims of Crime levy receipts increased by \$3 million to \$12 million due to a doubling of the levy rate from 1 January 2011.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	559 161	522 876
Supplies and services	6	124 412	119 689
Depreciation and amortisation expense	7	15 581	17 283
Write-down of non-current assets		310	310
<b>Total expenses</b>		699 464	660 158
<b>Income:</b>			
Revenues from fees and charges	8	20 426	19 905
Interest revenues	9	98	8
Commonwealth revenues	10	350	232
Net gain from disposal of non-current assets	11	103	159
Other revenues	12	6 497	17 078
<b>Total income</b>		27 474	37 382
<b>Net cost of providing services</b>		671 990	622 776
<b>Revenues from SA Government:</b>			
Revenues from SA Government	13	609 746	554 740
Contributions from the Community Emergency Services Fund	13	18 861	18 418
Contributions from the Community Road Safety Fund	13	34 700	34 700
Commonwealth grants received via Treasury	13	-	172
<b>Net revenues from SA Government</b>		663 307	608 030
<b>Net result</b>		(8 683)	(14 746)
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment asset revaluation surplus		21 920	-
<b>Total comprehensive result</b>		13 237	(14 746)

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

**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	14	46 334	4 228
Receivables	15	7 871	18 958
Inventories		320	288
		<u>54 525</u>	<u>23 474</u>
Non-current assets held for sale	16	2 145	339
<b>Total current assets</b>		<u>56 670</u>	<u>23 813</u>
<b>Non-current assets:</b>			
Receivables	15	779	920
Property, plant and equipment	17	260 810	213 856
Capital works in progress		56 431	36 138
Intangible assets	18	10 290	11 174
<b>Total non-current assets</b>		<u>328 310</u>	<u>262 088</u>
<b>Total assets</b>		<u>384 980</u>	<u>285 901</u>
<b>Current liabilities:</b>			
Payables	19	26 136	20 503
Employee benefits	20	48 772	41 598
Provisions	21	14 603	13 789
<b>Total current liabilities</b>		<u>89 511</u>	<u>75 890</u>
<b>Non-current liabilities:</b>			
Payables	19	19 464	17 779
Employee benefits	20	126 964	116 584
Provisions	21	75 605	73 916
<b>Total non-current liabilities</b>		<u>222 033</u>	<u>208 279</u>
<b>Total liabilities</b>		<u>311 544</u>	<u>284 169</u>
<b>Net assets</b>		<u>73 436</u>	<u>1 732</u>
<b>Equity:</b>			
Contributed capital	22	73 484	15 017
Asset revaluation surplus	22	107 525	85 605
Retained earnings	22	(107 573)	(98 890)
<b>Total equity</b>		<u>73 436</u>	<u>1 732</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	24		
Contingent liabilities	25		

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

		Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	Note	-	85 605	(84 144)	1 461
Net result for 2009-10		-	-	(14 746)	(14 746)
Total comprehensive result for 2009-10		-	-	(14 746)	(14 746)
Transactions with SA Government as owner:					
Equity contribution received		15 017	-	-	15 017
Balance at 30 June 2010	22	15 017	85 605	(98 890)	1 732
Net result for 2010-11		-	-	(8 683)	(8 683)
Gain on transfer to asset revaluation surplus		-	21 920	-	21 920
Total comprehensive result for 2010-11		-	21 920	(8 683)	13 237
Transactions with SA Government as owner:					
Equity contribution received		58 467	-	-	58 467
<b>Balance at 30 June 2011</b>	22	<b>73 484</b>	<b>107 525</b>	<b>(107 573)</b>	<b>73 436</b>

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



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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(534 078)	(526 832)
Payments for supplies and services		(122 194)	(116 916)
GST paid to the ATO		(17 513)	(14 690)
<b>Cash used in operations</b>		<u>(673 785)</u>	<u>(658 438)</u>
Cash inflows:			
Fees and charges		20 016	20 700
Interest received		98	8
GST receipts from customers		2 007	3 112
GST recovered from the ATO		14 880	11 092
Other receipts		5 500	16 714
<b>Cash generated from operations</b>		<u>42 501</u>	<u>51 626</u>
Cash flows from SA Government:			
Receipts from SA Government		674 635	596 702
<b>Cash generated from SA Government</b>		<u>674 635</u>	<u>596 702</u>
<b>Net cash provided by (used in) operating activities</b>	23	<u>43 351</u>	<u>(10 110)</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(59 977)	(36 141)
Proceeds from the sale of property, plant and equipment		265	272
<b>Net cash provided by (used in) investing activities</b>		<u>(59 712)</u>	<u>(35 869)</u>
<b>Cash flows from financing activities:</b>			
Capital contributions from government		58 467	15 017
Cash transferred as a result of restructuring activities	26	-	(52)
<b>Net cash provided by (used in) financing activities</b>		<u>58 467</u>	<u>14 965</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>42 106</u>	<u>(31 014)</u>
<b>Cash and cash equivalents at 1 July</b>		4 228	35 242
<b>Cash and cash equivalents at 30 June</b>	14	<u>46 334</u>	<u>4 228</u>

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

	(Activities - refer note 4)		2			
	2011	2010	2011	2010		
	\$'000	\$'000	\$'000	\$'000		
<b>Expenses:</b>						
Employee benefits expenses	247 752	233 287	245 344	228 637		
Supplies and services	53 657	51 200	54 843	53 799		
Depreciation and amortisation expense	6 705	7 509	6 727	7 454		
Write-down of non-current assets	119	121	145	144		
<b>Total expenses</b>	<b>308 233</b>	<b>292 117</b>	<b>307 059</b>	<b>290 034</b>		
<b>Income:</b>						
Revenues from fees and charges	14 401	14 133	2 701	2 478		
Interest revenues	39	3	46	4		
Commonwealth revenues	142	95	163	108		
Net gain from disposal of non-current assets	40	55	48	79		
Other revenues	2 607	6 979	2 698	7 957		
<b>Total income</b>	<b>17 229</b>	<b>21 265</b>	<b>5 656</b>	<b>10 626</b>		
<b>Net cost of providing services</b>	<b>291 004</b>	<b>270 852</b>	<b>301 403</b>	<b>279 408</b>		
<b>Revenues from SA Government:</b>						
Revenues from SA Government	287 211	263 990	297 575	273 149		
<b>Net revenues from SA Government</b>	<b>287 211</b>	<b>263 990</b>	<b>297 575</b>	<b>273 149</b>		
<b>Net result</b>	<b>(3 793)</b>	<b>(6 862)</b>	<b>(3 828)</b>	<b>(6 259)</b>		
	(Activities - refer note 4)		3		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	66 065	60 952	559 161	522 876	559 161	522 876
Supplies and services	15 912	14 690	124 412	119 689	124 412	119 689
Depreciation and amortisation expense	2 149	2 320	15 581	17 283	15 581	17 283
Write-down of non-current assets	46	45	310	310	310	310
<b>Total expenses</b>	<b>84 172</b>	<b>78 007</b>	<b>699 464</b>	<b>660 158</b>	<b>699 464</b>	<b>660 158</b>
<b>Income:</b>						
Revenues from fees and charges	3 324	3 294	20 426	19 905	20 426	19 905
Interest revenues	13	1	98	8	98	8
Commonwealth revenues	45	29	350	232	350	232
Net gain from disposal of non-current assets	15	25	103	159	103	159
Other revenues	1 192	2 142	6 497	17 078	6 497	17 078
<b>Total income</b>	<b>4 589</b>	<b>5 491</b>	<b>27 474</b>	<b>37 382</b>	<b>27 474</b>	<b>37 382</b>
<b>Net cost of providing services</b>	<b>79 583</b>	<b>72 516</b>	<b>671 990</b>	<b>622 776</b>	<b>671 990</b>	<b>622 776</b>
<b>Revenues from SA Government:</b>						
Revenues from SA Government	78 521	70 891	663 307	608 030	663 307	608 030
<b>Net revenues from SA Government</b>	<b>78 521</b>	<b>70 891</b>	<b>663 307</b>	<b>608 030</b>	<b>663 307</b>	<b>608 030</b>
<b>Net result</b>	<b>(1 062)</b>	<b>(1 625)</b>	<b>(8 683)</b>	<b>(14 746)</b>	<b>(8 683)</b>	<b>(14 746)</b>

SAPOL has applied the trends from the February 2009 activity survey. The activity structure was reviewed in 2009-10 and reduced from five to three activities for presentation in the 2010-11 State Budget.

A Disaggregated Disclosures - Assets and Liabilities has not been produced as that information is not readily attributable to activities.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of South Australia Police

South Australia Police (SAPOL) operates within the *Police Act 1998*, the Police Regulations 1999 and the PSA.

The mission statement of SAPOL as set out in SAPOL's Future Directions Strategy 2010-13 is 'working together to reassure and protect the community from crime and disorder.' This mission statement is reflected in the following core functions:

- upholding the law
- preserving the peace
- preventing crime
- assisting the public in emergency situations
- coordinating and managing responses to emergency situations
- regulating road use and prevent vehicle collisions.

### 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 AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which SAPOL has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAPOL for the reporting period ending 30 June 2011. 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 SAPOL's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the manner of selection and application of accounting policies 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 APS 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 and 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) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SAPOL'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.

**(b) Basis of preparation (continued)**

The continued existence of SAPOL in its present form and with its present activities is dependent on government policy and on continuing appropriations by Parliament for SAPOL's administration and outputs.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

**(c) Reporting entity**

SAPOL is a government department of the State of South Australia and operates within the *Police Act 1998*, the *Police Regulations 1999* and the *PSA*. SAPOL is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of SAPOL. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to SAPOL's overall financial performance and position, they are disclosed in the administered financial statements at the back 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 controlled items.

**(d) Transferred functions**

The Public Sector Management Shared Services SA (13) Proclamation 2009 (dated 15 October 2009) declared that the taxation and financial services from SAPOL's Business Service transition to DTF Shared Services SA with effect from 19 October 2009 (refer note 26).

No functions were transferred during the 2010-11 financial year.

**(e) Comparative information**

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

Where presentation or classification of items in the financial statements have been amended, comparative amounts 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**

SAPOL is not subject to income tax. SAPOL 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 that:

- where the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables (with the exception of prepayments) 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.

GST recoverable from or payable to the ATO associated with administered items transactions is included in the SAPOL statements.

**(h) Events after the end of the reporting period**

Events after the end of the reporting period relates to disclosure 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.

There are no events for the reporting period after 30 June 2011.

**(i) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to SAPOL will occur and can be reliably measured.

Income has been aggregated according to its nature in accordance with APF II, APS 3.2 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:

*Fees and charges*

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

Fees and charges controlled by SAPOL are recognised as income in the SAPOL financial statements. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled are not recognised as income in the SAPOL financial statements but are reported as administered income in the administered financial statements. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by SAPOL (refer note A4).

*Contributions received*

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

Generally SAPOL has obtained control or the right to receive for:

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

All contributions received by SAPOL have been contributions with unconditional stipulations attached and have been recognised as an asset and income on receipt.

*Resources received free of charge*

Resources received free of charge are recorded as income in the Statement of Comprehensive Income at their fair value in accordance with the APF III, APS 2.12. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

*Net gain from disposal of non-current assets*

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings in accordance with APF III, APS 3.11.

Any gain (loss) on disposal is recognised at the date control of the asset passed to the buyer and is determined after the deduction from proceeds of the asset at that time.

*Revenues from SA Government*

Appropriations for program funding are recognised as income when SAPOL obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

*Other income*

Other income consists of donations, recoveries of employee benefits (ie where employees are seconded to Commonwealth programs and SAPOL continues to provide the ongoing salary for the employees) and goods and services (ie where SAPOL incurs expenditure on goods and services and later recovers the expenditure).

(j) *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SAPOL will occur and can be reliably measured.

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

The following are specific recognition criteria:

*Employee benefits*

Employee benefits 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 SAPOL to superannuation plans in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose 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 computer software, while depreciation is applied to tangible assets such as property, plant and equipment.

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings	up to 60
Vehicles and transport vessels	up to 10
Aircraft	up to 10
Computers and communications	up to 10
Sub class:	
Radio masts	up to 60
Other	up to 10
Sub class:	
Generators	up to 38
Leasehold improvements	life of lease
Intangible assets	up to 7

*Payments to SA Government*

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy which is paid directly to the Consolidated Account. Expiation fees received on behalf of the Government are an administered item and paid directly to the Department of Treasury and Finance Consolidated Account. This payment is recognised in the administered items financial statements.

**(k) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. SAPOL 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 have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**(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.

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand, and deposits at call that are readily converted to cash, used in the cash management function on a day-to-day basis 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.

Administered cash is shown in administered items financial schedules.

Cash is measured at nominal value.

*Receivables*

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public.

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

Collectability of receivables is reviewed on an ongoing basis. Bad debts are written off when identified.

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

*Inventories*

SAPOL holds inventories generally for internal distribution. Inventories held for distribution are measured at lower of cost and replacement value.

Inventories include stationery, capsicum sprays and police horses.

*Non-current assets held for sale*

Non-current assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the assets sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

*Non-current assets*

- *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.

- *Acquisition and recognition (continued)*  
Where assets are acquired at no value, or minimal purchase value, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible assets with a value of \$10 000 or greater are capitalised in accordance with APF III, APSs 2.15 and 7.2.

All other plant and equipment purchases are expensed in the year of purchase.

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.

- *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 a non-current asset, 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.

SAPOL has a policy of revaluing its land, buildings, leasehold improvements and aircraft every three 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, when they are revalued to fair value.

Land, buildings and leasehold improvements controlled by SAPOL, with the exception of leasehold improvements at police headquarters and several other CBD sites, were revalued as at 30 June 2011 following an independent valuation prepared by Valcorp Australia Pty Ltd using the fair value methodology. Land, buildings and leasehold improvements were last revalued as at 30 June 2008. The revaluation of leasehold improvements at police headquarters and several other CBD sites was not undertaken as SAPOL will be vacating these sites in September 2011 when staff relocate to the new police headquarters, SAPOL has written down the associated leasehold improvements accordingly. Aircraft controlled by SAPOL were revalued as at 30 June 2011 following and independent valuation prepared by Valcorp Australia Pty Ltd using the fair value methodology. This is the first time the aircraft have been revalued. Other non-current assets have been valued at their written down historic cost.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

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

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

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

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

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

Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.



*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. SAPOL 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 outlined in AASB 138 (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 in accordance with APF III, APS 2.15.

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

**(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.

*Payables*

Payables include creditors, accrued expenses, GST payable and employee benefit 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 SAPOL.

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received in accordance with TI 11.

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

SAPOL 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 the Police Superannuation Board and the South Australian Superannuation Board and externally managed superannuation schemes have assumed this liability. The only liability outstanding at balance date relates to any contributions due but not yet paid to Police Superannuation Board and 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.

SAPOL has entered into a number of operating lease agreements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Statement of Comprehensive Income in the period in which they are incurred.

*Public Private Partnership (PPP)*

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a project agreement.

The PPP includes police stations at Mt Barker and Gawler, police stations and court facilities at Port Lincoln, Victor Harbor and Berri, and court facilities at Port Pirie.

For accounting purposes the leases are an operating lease.

*Public Private Partnership (PPP) (continued)*

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites they occupy.

Lease expenditure and payables related to the facilities occupied by SAPOL are recognised in the SAPOL financial statements. Lease expenditure, revenue and associated payables and receivables related to the facilities occupied by CAA is recognised in the administered items financial statements.

*Employee benefits*

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Non-current employee benefits are measured at present value and current 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. Liabilities for annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate of pay expected to be paid when the leave is taken in respect of employee's services up to that 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.

- *Long service leave*

The liability for long service leave is recognised after an employee has completed 5.5 years (8 years) of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SAPOL's experience of employee retention and leave taken.

- *Employee benefit on-costs*

Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

- *Provisions*

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

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

- *Workers compensation*

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June provided by a consulting actuary through the Public Sector Workforce Relations Division of DPC (refer note 21). The workers compensation provision is for the estimated cost of ongoing payments to employees as required under current legislation.

SAPOL, as a self insurer, is responsible for the payment of workers compensation claims.

- *Civil actions against police*

A liability has been reported to reflect unsettled actions against SAPOL.

**(n) Professional indemnity and general public liability insurance**

SAPOL is a participant in the SA Government's Insurance Program. SAPOL pays an insurance premium through SAICORP, a division of SAFA. SAPOL is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of the funding for claims in excess of the deductible.

**(o) Unrecognised contractual commitments and contingent liabilities**

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

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.

**3. New and revised accounting standards and policies**

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

SAPOL did not voluntarily change any of its accounting policies during 2010-11.

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

**4. Activities of SAPOL**

SAPOL has identified three activities (five activities in 2009-10) that it delivers to the community and the Minister for Police. The identity and description of each SAPOL activity during the year ended 30 June is summarised below. Financial information relating to each activity is reported in the Disaggregated Disclosures - Expenses and Income.

**Activity 1: Public Safety**

Accessible, visible and responsive police services support the achievement of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing'. Access to police assistance, management of major events within the State, and the response, management and coordination of emergencies across the State by police working in partnerships with the community and other agencies helps make South Australia a safe place to live, visit and conduct business.

**Activity 2: Crime Prevention and Criminal Justice Services**

Effective police activity addressing crime prevention and reduction and support of the criminal justice system supports South Australia's Strategic Plan Objective 2: 'Improving Wellbeing'. SAPOL also works to prevent crime and reduce offending in problem solving partnerships with the community and other agencies to improve community safety and public confidence in the criminal justice system.

**Activity 3: Road Safety**

Effective policing for safer roads supports South Australia's Strategic Plan Objective 2: 'Improving Wellbeing'. SAPOL provides road safety services that include the regulation of road use, education and vehicle collision prevention. Working in partnership with the community and other agencies to achieve better road safety outcomes supports safer road use in South Australia.

**5. Employee benefits expenses**

	Note	2011 \$'000	2010 \$'000
Salaries and wages		387 973	365 352
Annual leave		49 453	44 861
Long service leave		21 999	18 377
Employment on-costs - superannuation		57 973	54 399
Employment on-costs - other		25 762	24 035
TVSPs (refer below)		251	691
Other employment related expenses		699	977
Workers compensation	21	15 051	14 184
Total employee benefits expenses		<u>559 161</u>	<u>522 876</u>

<b>TVSPs</b>	2011	2010
Amount paid to these employees:	\$'000	\$'000
TVSPs	251	691
Annual leave and long service leave paid during the reporting period	101	102
	<u>352</u>	<u>793</u>
Recovery from DTF	(251)	-
Net amount paid by SAPOL	<u>101</u>	<u>793</u>

The number of employees who were paid TVSPs during the reporting period was 4 (11).

#### **Employee remuneration**

The table below includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The table includes both controlled and administered employees. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$33.2 million (\$46.4 million).

The decrease in remuneration is because there are 101 less employees receiving remuneration at or above base executive level and because there has been one less pay period in the 2010-11 year (27 pay periods in 2009-10).

#### **Accounting policy change**

In accordance with the revised APF II, SAPOL has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 1703 (\$191.4 million) for 2011 and 1578 (\$176.2 million) for 2010.

#### **Remuneration of employees**

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$127 500 - \$130 699*	-	75
\$130 700 - \$140 699	114	129
\$140 700 - \$150 699	53	68
\$150 700 - \$160 699	32	32
\$160 700 - \$170 699	10	5
\$170 700 - \$180 699	2	2
\$180 700 - \$190 699	-	1
\$200 700 - \$210 699	1	-
\$210 700 - \$220 699	-	1
\$220 700 - \$230 699	1	2
\$230 700 - \$240 699	2	1
\$240 700 - \$250 699	4	4
\$250 700 - \$260 699	2	2
\$320 700 - \$330 699	1	1
\$370 700 - \$380 699	1	1
Total	<u>223</u>	<u>324</u>

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

#### **Remuneration of employees by category**

	2011 \$'000	2010 \$'000
Executive	12	12
Non-executive	211	312
Total	<u>223</u>	<u>324</u>
Police	215	319
Public servant	8	5
Total	<u>223</u>	<u>324</u>

<b>6. Supplies and services</b>	2011	2010
	\$'000	\$'000
Accommodation and property related	25 564	21 435
Administration	15 999	16 898
Communication and computing	26 426	26 591
Consultants	386	391
Employee related	9 683	9 475
Insurance	890	875
Legal	3 651	3 310
Minor equipment	4 068	2 677
Motor vehicle related	24 470	23 713
Shared Services SA	2 254	1 850
Uniforms	1 795	2 246
Utilities	3 456	3 621
Other	5 770	6 607
Total supplies and services	124 412	119 689

Pursuant to the contract arrangements with Justice Group (Plenary), the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and the CAA. SAPOL on-charges the CAA for lease costs associated with CAA sites. The income and expenditure associated with the sites occupied by CAA are recognised as administration items. The resulting revenue is not offset against expenditure.

#### **Consultants**

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2011	2010	2011	2010
	Number	Number	\$'000	\$'000
Below \$10 000	15	1	40	7
Between \$10 000 and \$50 000	4	3	72	100
Above \$50 000	2	2	274	284
Total paid/payable to the consultants engaged	21	6	386	391

#### **External auditor's remuneration**

External auditor's remuneration represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General's Department.

	2011	2010
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	243	235
Total external auditor's remuneration	243	235

#### **Supplies and services provided by entities within the SA Government**

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Accommodation and property related	19 496	16 040
Administration	1 124	1 750
Communication and computing	9 887	10 839
Employee related	6 543	5 688
Insurance	890	875
Legal	3 251	3 126
Minor equipment	38	176
Motor vehicle related	11 982	11 320
Shared Services SA	2 254	1 851
Utilities	1 017	1 082
Other	1 700	1 652
Total supplies and services provided by entities within the SA Government	58 182	54 399

#### **7. Depreciation and amortisation expense**

Depreciation:

Buildings and improvements	3 677	4 848
Computing and communications equipment	2 582	4 025
Vehicles and transport vessels	960	1 049
Aircraft	474	456
Other	2 880	2 468
Total depreciation	10 573	12 846

<b>7. Depreciation and amortisation expense (continued)</b>	2011	2010
Amortisation:	\$'000	\$'000
Leasehold improvements	2 181	1 711
Internally generated computer software	1 979	2 009
Other computer software	848	717
Total amortisation	5 008	4 437
Total depreciation and amortisation expense	15 581	17 283

The decrease in depreciation expense for computing and communications equipment from 2009-10 is due to several assets attaining their depreciable useful life in 2009-10.

<b>8. Revenues from fees and charges</b>		
Escorts - wide load/other	2 387	2 363
Firearms licence and registration fees	4 353	4 207
Hoon legislation recoveries	1 066	453
Police information requests	3 173	3 450
Police security services	7 677	7 645
Prosecution and other court fees	562	612
Other fees	1 208	1 175
Total revenues from fees and charges	20 426	19 905

***Fees and charges received/receivable from entities within the SA Government***

The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:

Escorts - wide load/other	3	1
Police information requests	56	155
Police security services	6 820	7 490
Other fees	13	8
Total fees and charges received/receivable from entities within the SA Government	6 892	7 654

<b>9. Interest revenues</b>		
Interest on deposit accounts - from entities external to the SA Government	98	8
Total interest revenues	98	8

SAPOL is recognising additional interest for 2011 due to the transfer of interest revenue, received over a number of years but not previously recognised in the accounts, following the closure of a police station bank account.

<b>10. Commonwealth revenues</b>	2011	2010
	\$'000	\$'000
Commonwealth revenues	350	232
Total Commonwealth revenues	350	232

During 2010-11 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- CrimTrac - Jurisdictional criminal history referrals
- Substance abuse information desk.

During 2009-10 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- CrimTrac - Jurisdictional criminal history referrals.

<b>11. Net gain from disposal of non-current assets</b>	2011	2010
Land and buildings:	\$'000	\$'000
Proceeds from disposal	24	-
Net book value of assets disposed	(29)	-
Net gain (loss) from disposal of land and buildings	(5)	-
Plant and equipment:		
Proceeds from disposal	241	272
Net book value of assets disposed	(133)	(113)
Net gain (loss) from disposal of plant and equipment	108	159

11. Net gain from disposal of non-current assets (continued)	2011	2010
Total assets:	\$'000	\$'000
Proceeds from disposal	265	272
Net book value of assets disposed	(162)	(113)
Net gain from disposal of total assets	103	159
<b>12. Other revenues</b>		
Contributed (donated) asset revenues	941	55
Employee benefits recoveries	1 147	1 081
Goods and services recoveries	553	729
Intra-government transfers	2 164	13 307
Rent revenues	256	250
Sundry receipts	600	635
Other sundry revenues	836	1 021
Total other revenues	6 497	17 078

During 2010-11 SAPOL recognised contributed assets related to road safety (fixed red light/speed cameras) of \$556 000 transferred from the Department for Transport, Energy and Infrastructure (DTEI) and public safety (Bearcat armoured vehicle) of \$385 000 transferred from the Australian Federal Government.

During 2009-10 SAPOL recognised contributed assets related to road safety (fixed red light/speed cameras) of \$55 000 transferred from DTEI.

In 2010-11 the intra-government transfer comprises:

- \$525 000 for the construction of police facilities in APY lands from DPC
- \$226 000 to support the Yuendumu Community from DFC
- \$153 000 for Rural Highways Saturation Program from the DTEI
- \$118 000 for the Early Intervention Pilot Program from SA Health
- \$519 000 for a Traffic training and promotion program from Motor Accident Commission
- \$346 000 to promote SAPOL's Drug and Alcohol policies and programs from SA Health
- \$202 000 to fund SAPOL's commitment to the Home and Community Care Program from Department of Families and Communities
- \$75 000 for other intra-government transfers

In 2009-10 the intra-government transfer comprises:

- \$153 000 for Rural Highways Saturation Program from the DTEI
- \$11.822 million for construction of a police facilities in APY Lands from DPC
- \$276 000 for a CCTV project from DPC
- \$304 000 for a Traffic training and promotion program from Motor Accident Commission
- \$330 000 to promote SAPOL's Drug and Alcohol policies and programs from SA Health
- \$65 000 for the National Motor Vehicle Theft Reduction Program from Department of Families and Communities
- \$199 000 to fund SAPOL's commitment to the Home and Community Care Program from Department of Families and Communities
- \$158 000 for the Early Intervention Pilot Program from SA Health

<b>Other revenues received/receivable from entities within the SA Government</b>	2011	2010
The following other revenues (included in the other revenues shown above) was received/receivable from entities within the SA Government:	\$'000	\$'000
Contributed (donated) asset revenues	556	55
Employee benefits recoveries	667	580
Goods and services recoveries	299	582
Intra-government transfers	2 164	13 307
Rent revenues	12	16
Sundry receipts	163	158
Other sundry revenues	7	5
Total other revenues received/receivable from entities within the SA Government	3 868	14 703

<b>13. Revenues from SA Government</b>	2011	2010
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	609 746	554 740
Contributions from the Community Emergency Services Fund	18 861	18 418
Contributions from the Community Road Safety Fund	34 700	34 700
Commonwealth grants received via Treasury	-	172
Total revenues from SA Government	<u>663 307</u>	<u>608 030</u>

In 2009-10 the Commonwealth grants received via Treasury comprised:

- \$172 000 for a substance abuse information desk project from DTF. The funding originated from the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

SAPOL is recognising a payment of \$nil (\$nil) to the Government in 2010-11, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

<b>14. Cash and cash equivalents</b>	2011	2010
	\$'000	\$'000
Deposits with the Treasurer	45 849	3 743
Cash held in imprest accounts and petty cash	485	485
Total cash and cash equivalents	<u>46 334</u>	<u>4 228</u>

***Deposits with the Treasurer***

Includes deposits at call and Accrual Appropriation Account.

SAPOL's cash holding increase from 30 June 2010 is predominantly net cash provided by operating activities of \$43.351 million (refer Statement of Cash Flows and note 23).

- The payment of invoices outstanding as at 30 June 2010 (total \$11.328 million) (refer note 15).
- A budgeted increase in cash to cover accrual expenditure (\$8.744 million)
- SAPOL holding cash related to unpaid back pays associated with the Police Enterprise Bargaining Agreement (\$5.814 million) (refer note 20).
- Below budget employee benefits expenditure.

<b>15. Receivables</b>	2011	2010
Current receivables:	\$'000	\$'000
Receivables	2 204	13 119
Accrued revenues	95	98
Prepayments	1 365	2 369
GST input tax recoverable	3 939	3 065
Workers compensation recoveries	268	307
Total current receivables	<u>7 871</u>	<u>18 958</u>

***Receivables from entities within the SA Government***

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Receivables	1 209	12 403
Accrued revenues	95	98
Prepayments	-	150
Total receivables from the SA Government	<u>1 304</u>	<u>12 651</u>

Non-current receivables:

Workers compensation recoveries	779	920
Total non-current receivables	<u>779</u>	<u>920</u>

The decrease in receivables of \$10.915 million is due mainly to two invoices: \$8.418 million due from South Australian Fire and Emergency Services Commission and \$2.91 million due from DTEI, outstanding as at 30 June 2010; that have subsequently been paid. These receivables are normally settled in the year of issue. The settlement of these receivables has contributed to the increase in cash held by SAPOL during 2010-11 (refer to Statement of Cash Flows and 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. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Ageing analysis of receivables - refer note 28.2.

<b>16. Non-current assets held for sale</b>	2011	2010
	\$'000	\$'000
Buildings and improvements	1 154	96
Land	991	243
Total non-current assets held for sale	<u>2 145</u>	<u>339</u>

**Reconciliation of non-current assets held for sale movements**

Carrying amount at 1 July	339	288
Disposals	(29)	(2)
Transfers from property, plant and equipment	1 579	53
Revaluation	256	-
Carrying amount at 30 June	<u>2 145</u>	<u>339</u>

During 2010-11 SAPOL:

- sold land and buildings associated with the former Iron Knob police station
- revalued the land and buildings associated with the former Stansbury, Kalangadoo and Loxton police stations to fair value
- declared land and buildings associated with the Port Broughton and Roxby Downs police stations surplus to requirements and transferred the assets to non-current assets held for sale. These assets were transferred at their revalued fair value
- land and buildings associated with the former Loxton, Stansbury, Kalangadoo, Port Broughton and Roxby Downs police stations remained unsold as at 30 June 2011.

During 2009-10 SAPOL:

- declared land and buildings associated with the Iron Knob and Kalangadoo police stations surplus to requirements and transferred the assets to non-current assets held for sale
- land and buildings associated with the former Loxton, Stansbury, Iron Knob and Kalangadoo police stations remained unsold as at 30 June 2010.

<b>17. Property, plant and equipment</b>	2011	2010
Land:	\$'000	\$'000
Land at fair value <sup>(1)</sup>	66 367	55 012
Land at cost	-	688
Total land	<u>66 367</u>	<u>55 700</u>
Buildings and improvements:		
Buildings at fair value <sup>(1)</sup>	142 515	129 764
Buildings at cost	189	1 148
Accumulated depreciation	(14)	(9 510)
Total buildings and improvements	<u>142 690</u>	<u>121 402</u>
Leasehold improvements:		
Leasehold improvements at fair value <sup>(1)</sup>	14 317	9 308
Leasehold improvements at fair value <sup>(2)</sup>	2 262	-
Leasehold improvements at cost	979	-
Accumulated amortisation	(2 414)	(3 450)
Total leasehold improvements	<u>15 144</u>	<u>5 858</u>
Computing and communications equipment:		
Computing and communications equipment at cost <sup>(3)</sup>	37 830	35 745
Accumulated depreciation	(28 144)	(25 655)
Total computing and communications equipment	<u>9 686</u>	<u>10 090</u>

17. Property, plant and equipment (continued)	2011	2010
Aircraft	\$'000	\$'000
Aircraft at fair value <sup>(1)</sup>	2 575	-
Aircraft at cost	-	5 235
Accumulated depreciation	-	(2 082)
Total aircraft	<u>2 575</u>	<u>3 153</u>
Vehicles and transport vessels:		
Vehicles and transport vessels at cost	8 805	7 925
Accumulated depreciation	(5 937)	(5 514)
Total vehicles and transport vessels	<u>2 868</u>	<u>2 411</u>
Other:		
Other - at cost (deemed fair value)	34 653	26 546
Accumulated depreciation	(13 173)	(11 304)
Total other	<u>21 480</u>	<u>15 242</u>
Total property, plant and equipment	<u>260 810</u>	<u>213 856</u>

- (1) Land, buildings and improvements, leasehold improvements and aircraft were revalued as at 30 June 2011 by officers from Valcorp Australia Pty Ltd.
- (2) Leasehold improvements were revalued as at 30 June 2008 by officers from Valcorp Australia Pty Ltd.
- (3) Intangible assets - computer software has been separately identified (refer note 18).

#### *Movement reconciliation of property, plant and equipment*

	Land \$'000	Buildings & imprvmnts \$'000	Leasehold imprvmnts \$'000	Computer & commnctn equipment \$'000	Vehicles & transport vessels \$'000	Other \$'000
<b>2011</b>						
Carrying amount at 1 July	55 700	121 402	5 858	10 090	2 411	15 242
Additions	-	-	-	-	-	-
Transfers to (from) capital WIP	-	26 657	1 449	1 998	921	7 758
Transfers between classes	-	(8 550)	7 140	167	251	741
Depreciation and amortisation expense	-	(3 677)	(2 181)	(2 582)	(960)	(2 880)
Net revaluation increment (decrement)	11 417	7 687	2 878	-	-	-
Donated assets	-	-	-	-	385	556
Asset - recognised through stocktake	-	-	-	93	-	64
Disposals	-	-	-	-	(133)	-
Assets written off	-	-	-	(80)	(7)	(1)
Capital WIP - expenses in current period	-	-	-	-	-	-
Transfers to assets held for sale	(750)	(829)	-	-	-	-
Carrying amount at 30 June	<u>66 367</u>	<u>142 690</u>	<u>15 144</u>	<u>9 686</u>	<u>2 868</u>	<u>21 480</u>
	Aircraft \$'000	Total property, plant & equipment \$'000	Work in progress \$'000	Intangible assets (internally generated) \$'000	Intangible assets (other compt software) \$'000	Total \$'000
Carrying amount at 1 July	3 153	213 856	36 138	8 574	2 600	261 168
Additions	-	-	61 429	-	-	61 429
Transfers to (from) capital WIP	201	38 984	(40 912)	982	946	-
Transfers between classes	88	(163)	-	-	163	-
Depreciation and amortisation expense	(474)	(12 754)	-	(1 979)	(848)	(15 581)
Net revaluation increment (decrement)	(319)	21 663	-	-	-	21 663
Donated assets	-	941	-	-	-	941
Asset - recognised through stocktake	-	157	-	-	-	157
Disposals	-	(133)	-	-	-	(133)
Assets written off	(74)	(162)	-	(148)	-	(310)
Capital WIP - expenses in current period	-	-	(224)	-	-	(224)
Transfers to assets held for sale	-	(1 579)	-	-	-	(1 579)
Carrying amount at 30 June	<u>2 575</u>	<u>260 810</u>	<u>56 431</u>	<u>7 429</u>	<u>2 861</u>	<u>327 531</u>

**Movement reconciliation of property, plant and equipment (continued)**

	Land	Buildings & imprvmnts	Leasehold imprvmnts	Computer & commnctn equipment	Vehicles & transport vessels	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	55 143	125 734	7 570	12 226	2 903	14 111
Transfers to (from) capital WIP	-	590	-	2 007	669	3 582
Additions	578	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Depreciation and amortisation expense	-	(4 848)	(1 711)	(4 025)	(1 049)	(2 468)
Net revaluation increment (decrement)	-	-	-	-	-	-
Donated assets	-	-	-	-	-	55
Asset - recognised through stocktake	-	-	-	29	1	81
Disposals	-	-	-	-	(113)	-
Assets written off	-	(42)	(1)	(147)	-	(119)
Capital WIP - expenses in current period	-	-	-	-	-	-
Transfers to assets held for sale	(21)	(32)	-	-	-	-
Carrying amount at 30 June	55 700	121 402	5 858	10 090	2 411	15 242

	Aircraft	Total property, plant & equipment	Work in progress	Intangible assets (internally generated)	Intangible assets (other compt software)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 609	221 296	8 545	9 941	3 008	242 790
Transfers to (from) capital WIP	-	6 848	(7 736)	592	296	-
Additions	-	578	35 549	-	14	36 141
Transfers between classes	-	-	-	-	-	-
Depreciation and amortisation expense	(456)	(14 557)	-	(2 009)	(717)	(17 283)
Donated assets	-	55	-	-	-	55
Asset - recognised through stocktake	-	111	-	50	-	161
Disposals	-	(113)	-	-	-	(113)
Assets written off	-	(309)	-	-	(1)	(310)
Capital WIP - expenses in current period	-	-	(220)	-	-	(220)
Transfers to assets held for sale	-	(53)	-	-	-	(53)
Carrying amount at 30 June	3 153	213 856	36 138	8 574	2 600	261 168

18. Intangible assets	2011	2010
	\$'000	\$'000
Computer software:		
Internally developed computer software - at cost (deemed fair value)	18 201	17 473
Accumulated amortisation	(10 772)	(8 899)
Total internally generated computer software	7 429	8 574

Other computer software:		
Other computer software	7 510	6 273
Accumulated amortisation	(4 649)	(3 673)
Total other computer software	2 861	2 600
Total computer software	10 290	11 174

19. Payables		
Current payables:		
Accrued employment on-costs	1 661	800
Creditors	17 759	13 005
Payables - employment on-costs	6 716	6 698
Total current payables	26 136	20 503

**Current payables to entities within the SA Government**

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Accrued employment on-costs	1 661	800
Creditors	8 421	5 637
Payables - employment on-costs	6 716	6 698
Total current payables to entities within the SA Government	16 798	13 135

<b>Current payables to entities within the SA Government (continued)</b>	2011	2010
Non-current payables:	\$'000	\$'000
Payables - employment on-costs	19 464	17 749
Other payables	-	30
Total non-current payables	<u>19 464</u>	<u>17 779</u>

**Non-current payables to entities within the SA Government**

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Employee benefit on-costs	19 464	17 749
Total non-current payables to entities within the SA Government	<u>19 464</u>	<u>17 749</u>

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.

<b>20. Employee benefits</b>	2011	2010
Current employee benefits:	\$'000	\$'000
Accrued salaries and wages	10 381	4 149
Annual leave	29 033	28 369
Long service leave	9 358	9 080
Total current employee benefits	<u>48 772</u>	<u>41 598</u>
Non-current employee benefits:		
Annual leave	621	747
Long service leave	126 343	115 837
Total non-current employee benefits	<u>126 964</u>	<u>116 584</u>
Total employee benefits	<u>175 736</u>	<u>158 182</u>

The increase in the accrued salary and wages in 2011 is mainly due to the recognition of unpaid back pays associated with the Police Enterprise Bargaining Agreement implemented in 2011 (\$5.814 million). The delay in the payment of back pays has contributed to the increase in cash held by SAPOL (refer note 14).

The total current and non-current employee benefit (ie aggregate employee benefits plus related on-costs) for 2010-11 is \$57.715 million and \$146.428 million respectively (\$49.096 million and \$134.333 million respectively).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of eight years to 5.5 years. The net financial effect of the changes in the current financial year is an increase in the long service liability of \$2.214 million and on-costs of \$333 000. 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.

<b>21. Provisions</b>		2011	2010
Current provisions:	Note	\$'000	\$'000
Provisions for workers compensation	5	13 831	13 176
Provision for civil actions against police		772	613
Total current provisions		<u>14 603</u>	<u>13 789</u>
Non-current provisions:			
Provisions for workers compensation		75 605	73 916
Total non-current provisions		<u>75 605</u>	<u>73 916</u>

**Provision movement**

Workers compensation:			
Carrying amount at 1 July		87 092	87 319
Additional provision recognised		15 051	14 184
Reduction due to payments		(12 707)	(14 411)
Carrying amount at 30 June		<u>89 436</u>	<u>87 092</u>

<b>Provision movement (continued)</b>	2011	2010
Civil actions against police:	\$'000	\$'000
Carrying amount at 1 July	613	570
Increase in the provision due to revision of estimates	646	315
Reduction due to payments	(487)	(272)
Carrying amount at 30 June	<u>772</u>	<u>613</u>

**22. Equity**

Contributed capital	73 484	15 017
Asset revaluation surplus	107 525	85 605
Retained earnings	(107 573)	(98 890)
Total equity	<u>73 436</u>	<u>1 732</u>

The retained earnings represents the residual interest in SAPOL's net assets. The SA Government holds the accumulated deficit interest in SAPOL on behalf of the community.

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

Land, buildings, leasehold improvements, with the exception of leasehold improvements at police headquarters and several other sites (refer note 2), and aircraft were revalued as at 30 June 2011 in accordance with APF III. SAPOL revalues assets on a three yearly cycle.

**23. Cash flows reconciliation**

Reconciliation of cash and cash equivalents:	2011	2010
	\$'000	\$'000
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	46 334	4 228
Cash and cash equivalents disclosed in the Statement of Cash Flows	<u>46 334</u>	<u>4 228</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	43 351	(10 110)
Revenues from SA Government	(609 746)	(554 740)
Contribution from the Community Emergency Services Fund	(27 279)	(10 000)
Contribution from Community Road Safety Fund	(37 610)	(31 790)
Intra-government transfer	-	(172)
Non-cash items:		
Depreciation and amortisation expense	(15 581)	(17 283)
Donated assets:		
Road safety cameras (transfer from DTEI)	556	55
Bearcat armoured vehicle (transfer from the Australian Federal Government)	385	-
Net gain from disposal of non-current assets	103	159
Write-down of non-current assets	(310)	(310)
Capital work in progress expensed	(224)	(220)
Assets recognised through stocktake	157	161
Capital accruals	1 451	-
Movement in assets and liabilities:		
Increase (Decrease) in receivables	100	(2 055)
Increase (Decrease) in inventories	32	(25)
Decrease (Increase) in payables	(7 318)	(4 046)
Decrease (Increase) in employee benefits	(17 554)	7 416
Decrease (Increase) in provisions	(2 503)	184
Net cost of providing services	<u>(671 990)</u>	<u>(622 776)</u>

**24. Unrecognised contractual commitments****Capital commitments**

The total value, net of GST of capital commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2011	2010
	\$'000	\$'000
Not later than one year	1 607	3 708
Later than one year but not later than five years	3 185	2 501
Later than five years	1 461	-
Total capital commitments	<u>6 253</u>	<u>6 209</u>
GST on capital commitments	<u>625</u>	<u>621</u>

**Capital commitments (continued)**

Major capital commitments as at 30 June 2011 include police records management system, mobile data terminals, laser replacement and e-Crime system (mobile data terminals, electronic control devices and mobile speed cameras).

**Other commitments**

The total value, net of GST of other commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2011 \$'000	2010 \$'000
Not later than one year	12 335	9 936
Later than one year but not later than five years	34 398	36 634
Later than five years	11 269	20 817
Total other commitments	<u>58 002</u>	<u>67 387</u>
GST on other commitments	<u>5 800</u>	<u>6 739</u>

Major other expenditure commitments as at 30 June 2011 include commissioning and decommissioning, market research and driver drug testing (fleet servicing, commissioning and decommissioning, driver drug testing and mobile radar).

**Operating lease commitments**

The total value, net of GST, of future non-cancellable operating lease commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2011 \$'000	2010 \$'000
Not later than one year	26 192	23 592
Later than one year but not later than five years	71 921	32 128
Later than five years	98 415	63 149
Total operating lease commitments	<u>196 528</u>	<u>118 869</u>
GST on operating lease commitments	<u>19 653</u>	<u>11 887</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to SAPOL occupancies only.

**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 as follows:

	2011 \$'000	2010 \$'000
Not later than one year	3 452	3 645
Later than one year but not later than five years	3 562	5 220
Later than five years*	29	-
Total remuneration commitments	<u>7 043</u>	<u>8 865</u>

\* Prior to 30 June 2011, one SAPOL executive, whose five year fixed term employment contract is due to expire in August 2011, committed to a further five year fixed term employment contract, to expire in August 2016.

Amounts disclosed include commitments arising from executive and other service contracts. SAPOL does not offer fixed-term remuneration contracts greater than five years. Amounts disclosed include commitments arising from the Commissioner of Police employment contract.

**25. Contingent liabilities****Rewards**

As at 30 June 2011 the value of outstanding rewards for unsolved murders was \$10.6 million (\$10.6 million). No provision has been made in the financial statements for this amount as considerable doubt exists as to the amount and timing of rewards that will actually be paid. The amount is not recognised in the Statement of Financial Position.

**26. Transferred functions*****Transferred out***

In September 2006, the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007, State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in the current state with the current employees, who have been providing these services within the agencies.

Tranche 2 services: general accounting, external reporting, cash management, fixed assets, financial systems support, tax compliance and purchase card services transitioned to Shared Services SA with effect from 19 October 2009.

During 2010-11 there were 0 (3) employee transfers to Shared Services SA.

	2011 \$'000	2010 \$'000
Cash	-	52
Total assets	-	52
Payables	-	5
Employee benefits	-	47
Total liabilities	-	52
Total net assets transferred	-	-

**27. Remuneration of tribunal and committee members**

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

***Police Review Tribunal***

D Swain

*The Police Act 1998*, at Schedule 1 (Police Review Tribunal) requires the Chief Magistrate of the Magistrates Court to, on the commencement of any proceedings under Divisions 1 or 2 of Part 8, select a Magistrate to constitute the Tribunal for the purpose of these proceedings.

***Firearms Review Committee***

S Aherns - appointment relinquished

15 October 2010

J Basheer

O Bevan

H Dodd

R Hamdorf

Y Hill

G Hyde

E Kosmala

A Swifte

I Wangel

R Warwick

All members of the Firearms Review Committee were appointed until 30 June 2011.

The number of members whose remuneration received/receivable falls within the following bands:	2011 Number	2010 Number
\$0 - \$9 999	12	13
\$10 000 - \$19 999	-	1
Total	12	14

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$16 000 (\$30 000).

During the 2010-11 financial year, tribunal/committee members were paid superannuation of \$1000 (\$2000).

Unless otherwise disclosed, transactions between members and SAPOL 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 purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

\* In accordance with DPC Circular 12 government employees did not receive any remuneration for board/committee duties during the financial year.

**28. Financial instruments/Financial risk management****28.1 Categorisation of financial instruments**

For 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 refer note 2.

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	14	46 334	46 334	4 228	4 228
Receivables:					
Receivables <sup>(1)</sup>	15	2 204	2 204	13 119	13 119
<b>Financial liabilities</b>					
Payables:					
Payables <sup>(1)</sup>	19	17 759	17 759	13 005	13 005

(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 disclosure. AASB 132 defines contract as enforceable by law. All amounts recorded are carried at cost.

*Credit risk*

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

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

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

**28.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets and the ageing of impaired assets:

	Current (not overdue) \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 31-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>					
Not impaired:					
Receivables	1 382	655	35	132	2 204
<b>2010</b>					
Not impaired:					
Receivables	12 693	179	20	227	13 119

SAPOL has assessed all receivables as not being impaired.

*Maturity analysis of financial assets and liabilities*

SAPOL has assessed the maturity of its financial assets and liabilities as being less than one year. Receivables and payables with a contractual obligation are settled within 30 days.



*Liquidity risk*

Liquidity risk arises where SAPOL is unable to meet its financial obligations as they are due to be settled. SAPOL is funded principally from appropriations by the SA Government. SAPOL 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. SAPOL 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.

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

*Market risk*

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

*Sensitivity analysis disclosure*

A sensitivity analysis of SAPOL's interest rate risk has not been undertaken as it has been determined that the possible impact on net result, total comprehensive result and equity from fluctuations in interest rates is immaterial.

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

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefits expenses		387	385
Supplies and services	A3	2 136	2 090
Intra-government transfers		12 660	9 531
<b>Total expenses</b>		15 183	12 006
<b>Income:</b>			
Revenues from fees, fines and charges	A4	90 211	87 856
<b>Total income</b>		90 211	87 856
<b>Revenues from (payments to) SA Government:</b>			
Revenues from SA Government	A5	548	543
Payments to SA Government	A5	(75 587)	(76 399)
<b>Net payments to SA Government</b>		(75 039)	(75 856)
<b>Net result</b>		(11)	(6)
<b>Total comprehensive result</b>		(11)	(6)

**Statement of Administered Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A6	13 472	13 871
Receivables and prepayments		202	327
<b>Total current assets</b>		<u>13 674</u>	<u>14 198</u>
<b>Total assets</b>		<u>13 674</u>	<u>14 198</u>
<b>Current liabilities:</b>			
Payables - employment on-costs		3	4
Other liabilities	A7	13 069	13 591
Employee benefits	A8	16	27
<b>Total current liabilities</b>		<u>13 088</u>	<u>13 622</u>
<b>Non-current liabilities:</b>			
Payables - employment on-costs		30	27
Employee benefits - long service leave	A8	193	175
<b>Total non-current liabilities</b>		<u>223</u>	<u>202</u>
<b>Total liabilities</b>		<u>13 311</u>	<u>13 824</u>
<b>Net assets</b>		<u>363</u>	<u>374</u>
<b>Equity:</b>			
Retained earnings		363	374
<b>Total equity</b>		<u>363</u>	<u>374</u>
Unrecognised contractual commitments	A10		

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

	Retained earnings \$'000
Balance at 30 June 2009	380
Net result for 2009-10	<u>(6)</u>
Total comprehensive result for 2009-10	<u>(6)</u>
Balance at 30 June 2010	374
Net result for 2010-11	<u>(11)</u>
Total comprehensive result for 2010-11	<u>(11)</u>
<b>Balance at 30 June 2011</b>	<u>363</u>

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits payments		(377)	(382)
Payments for supplies and services		(1 994)	(1 236)
Intra-government transfers		(13 324)	(9 253)
<b>Cash used in operations</b>		<u>(15 695)</u>	<u>(10 871)</u>
Cash inflows:			
Fees, fines and charges		88 294	85 748
Other revenues		2 041	2 106
<b>Cash generated from operations</b>		<u>90 335</u>	<u>87 854</u>
Cash flows from SA Government:			
Receipts from SA Government		548	421
Payments to SA Government		(75 587)	(76 180)
<b>Net cash paid to SA Government</b>		<u>(75 039)</u>	<u>(75 759)</u>
<b>Net cash provided by (used in) operating activities</b>	A9	<u>(399)</u>	1 224
<b>Net increase (decrease) in cash and cash equivalents</b>		(399)	1 224
<b>Cash and cash equivalents at 1 July</b>		13 871	12 647
<b>Cash and cash equivalents at 30 June</b>	A6	<u>13 472</u>	<u>13 871</u>

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

	(Refer below)		1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>										
Employee benefits expenses	-	-	-	-	387	385	-	-	-	-
Supplies and services	-	-	-	-	-	-	2 029	1 982	-	-
Intra-government transfers	-	-	12 464	9 349	-	-	-	-	-	-
<b>Total expenses</b>	-	-	12 464	9 349	387	385	2 029	1 982	-	-
<b>Income:</b>										
Revenues from fees, fines and charges	75 577	76 399	12 464	9 349	-	-	2 029	1 979	-	-
<b>Total income</b>	75 577	76 399	12 464	9 349	-	-	2 029	1 979	-	-
<b>Revenues from (payments to)</b>										
<b>SA Government:</b>										
Revenues from SA Government	-	-	-	-	383	381	-	-	-	-
Payments to SA Government	(75 582)	(76 399)	-	-	-	-	-	-	-	-
<b>Net revenues from</b>										
<b>(payments to) SA Government</b>	(75 582)	(76 399)	-	-	383	381	-	-	-	-
<b>Net result</b>	(5)	-	-	-	(4)	(4)	-	(3)	-	-

	(Refer below)		5		6		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	-	-	-	-	-	-	387	385
Supplies and services	-	-	-	-	107	108	2 136	2 090
Intra-government transfers	-	-	141	129	55	53	12 660	9 531
<b>Total expenses</b>	-	-	141	129	162	161	15 183	12 006
<b>Income:</b>								
Revenues from fees, fines and charges	-	-	141	129	-	-	90 211	87 856
<b>Total income</b>	-	-	141	129	-	-	90 211	87 856
<b>Revenues from (payments to)</b>								
<b>SA Government:</b>								
Revenues from SA Government	-	-	-	-	165	162	548	543
Payments to SA Government	-	-	-	-	(5)	-	(75 587)	(76 399)
<b>Net revenues from</b>								
<b>(payments to) SA Government</b>	-	-	-	-	160	162	(75 039)	(75 856)
<b>Net result</b>	-	-	-	-	(2)	1	(11)	(6)

1. Expiation fees
2. Victims of Crime levy
3. Special Acts
4. Public Private Partnership (PPP)
5. Firearms Safety Training levy
6. Other

**Schedule of Assets and Liabilities  
attributable to Administered Activities  
as at 30 June 2011**

	(Refer note A2)		1		2		3		4		5	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>												
Cash and cash equivalents	262	126	7 105	7 086	4 199	5 403	1 325	783	(24)	(141)		
Receivables and prepayments	-	-	-	-	-	-	-	-	-	32	144	
<b>Total current assets</b>	<b>262</b>	<b>126</b>	<b>7 105</b>	<b>7 086</b>	<b>4 199</b>	<b>5 403</b>	<b>1 325</b>	<b>783</b>	<b>8</b>	<b>3</b>		
<b>Current liabilities:</b>												
Payables - employment on-costs	-	-	-	-	-	-	-	-	-	3	4	
Other liabilities	262	126	7 105	7 086	4 199	5 402	1 325	783	-	-		
Employee benefits	-	-	-	-	-	-	-	-	-	16	27	
<b>Total current liabilities</b>	<b>262</b>	<b>126</b>	<b>7 105</b>	<b>7 086</b>	<b>4 199</b>	<b>5 402</b>	<b>1 325</b>	<b>783</b>	<b>19</b>	<b>31</b>		
<b>Non-current liabilities:</b>												
Payables - employment on-costs	-	-	-	-	-	-	-	-	-	30	27	
Employee benefits - long service leave	-	-	-	-	-	-	-	-	-	193	175	
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>202</b>	
<b>Total liabilities</b>	<b>262</b>	<b>126</b>	<b>7 105</b>	<b>7 086</b>	<b>4 199</b>	<b>5 402</b>	<b>1 325</b>	<b>783</b>	<b>242</b>	<b>233</b>		
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(234)</b>	<b>(230)</b>		

	(Refer note A2)		6		7		8		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>										
Cash and cash equivalents	-	-	8	11	597	603	13 472	13 871		
Receivables and prepayments	170	183	-	-	-	-	202	327		
<b>Total current assets</b>	<b>170</b>	<b>183</b>	<b>8</b>	<b>11</b>	<b>597</b>	<b>603</b>	<b>13 674</b>	<b>14 198</b>		
<b>Current liabilities:</b>										
Payables - employment on-costs	-	-	-	-	-	-	3	4		
Other liabilities	170	183	8	11	-	-	13 069	13 591		
Employee benefits	-	-	-	-	-	-	16	27		
<b>Total current liabilities</b>	<b>170</b>	<b>183</b>	<b>8</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>13 088</b>	<b>13 622</b>		
<b>Non-current liabilities:</b>										
Payables - employment on-costs	-	-	-	-	-	-	30	27		
Employee benefits - long service leave	-	-	-	-	-	-	193	175		
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>202</b>		
<b>Total liabilities</b>	<b>170</b>	<b>183</b>	<b>8</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>13 311</b>	<b>13 824</b>		
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>597</b>	<b>603</b>	<b>363</b>	<b>374</b>		

**NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS**

**A1. Summary of significant accounting policies**

All accounting policies for South Australia Police (SAPOL) are contained in note 2. The policies outlined in note 2 apply to both SAPOL and the administered items financial statements except as noted below.

**A1.1 Departures from SAPOL 'Summary of significant accounting policies'**

*Basis of accounting*

Income from expiation fees and Victims of Crime levy fees is recognised on a cash basis. All other elements of SAPOL's Statement of Administered Comprehensive Income, Statement of Administered Financial Position and Statement of Administered Changes in Equity have been prepared on an accrual basis.

**A2. Administered items**

The following financial transactions are administered by SAPOL as at 30 June 2011. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

**A2.1 Unclaimed property**

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to the Government. SAPOL treats these items in accordance with Police Regulations 1999.

**A2.2 Exhibit monies**

SAPOL holds exhibit property being items confiscated at the time of an offence ie items found at a crime scene or which were part of a theft. These items are held as an exhibit which may be presented to the court as evidence at the time the offence is heard. The court may decide that the items are returned or confiscated and passed to the Government.

**A2.3 Expiation fees**

SAPOL as a central processing agency of expiation notices collects expiation revenue arising from expiation notices issued by police officers and other authorised officers. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996*. Monies collected are paid into the Consolidated Account.

**A2.4 Victims of Crime levy**

SAPOL as a central processing agency of expiation notices collects Victims of Crime expiation revenues arising from the expiation of offences included on expiation notices issued by police officers and other authorised officers. SAPOL treats the collected Victims of Crime levy revenue pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department. These are shown as intra-government transfers in the Statement of Administered Comprehensive Income.

**A2.5 Special Acts**

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent Expenditure - Special Acts'.

**A2.6 Public Private Partnership**

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a project agreement.

The Public Private Partnership (PPP) includes court facilities at Port Lincoln, Victor Harbor, Berri and Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

**A2.7 Firearms Safety Training levy**

SAPOL collects the Firearms Safety Training levy as part of the Firearms Licence fees. The Firearms Safety Training levy is transferred to TAFE SA. The levy subsidises compulsory firearms safety training, run by TAFE SA, that all applicants for firearms licences must undertake before being issued with their firearms licence.

**A2.8 Other**

SAPOL receives appropriation with respect to grant payments to Safer Communities Australia Inc and the Australian Crime Prevention Council and a community service obligation payment to South Australian Water Corporation.

SAPOL has no control over the use of the funds listed above.

<b>A3. Supplies and services</b>	2011	2010
	\$'000	\$'000
PPP lease payments*	2 029	1 982
Other	107	108
Total supplies and services - non-SA Government entities	<u>2 136</u>	<u>2 090</u>
Total supplies and services	<u>2 136</u>	<u>2 090</u>

\* This relates to PPP lease payments on behalf of CAA (refer note A2.6). The expenditure is offset by cost recovery from CAA.

<b>A4. Revenues from fees, fines and charges</b>		
Expiation revenues	75 577	76 399
PPP cost recovery*	2 029	1 979
Victims of Crime levy	12 464	9 349
Firearms Safety Training levy	141	129
Total revenues from fees, fines and charges	<u>90 211</u>	<u>87 856</u>

***Fees and charges received/receivable from entities within the SA Government***

The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:

PPP cost recovery*	2 029	1 979
Total fees and charges received/receivable from entities within the SA Government	<u>2 029</u>	<u>1 979</u>

\* This amount includes cost recovery from the CAA for PPP lease payments (refer note A2.6).

<b>A5. Revenues from (payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	548	543
Total revenues from SA Government	<u>548</u>	<u>543</u>
Payments to SA Government:		
Other payments to the Consolidated Account*	(75 587)	(76 399)
Total payments to SA Government	<u>(75 587)</u>	<u>(76 399)</u>

\* This amount does not include a dividend/distribution to the SA Government as owner.

<b>A6. Cash and cash equivalents</b>		
Deposits with the Treasurer	13 472	9 604
Deposits with other institutions	-	4 267
Total cash and cash equivalents	<u>13 472</u>	<u>13 871</u>

As at 30 June 2010 SAPOL recognised \$4.267 million as deposits with other institutions. This represented exhibit monies held in various locally operated bank accounts which were closed during 2010-11. All exhibit monies are now held in SAPOL corporate bank accounts and are recognised as deposits with the Treasurer as at 30 June 2011.

<b>A7. Other liabilities</b>	2011	2010
	\$'000	\$'000
<b><i>Current other liabilities</i></b>		
Funds payable to SA Government	5 532	6 196
Exhibit monies held	7 105	7 086
Unclaimed property held for SA Government	262	126
Other payable to non-SA Government	170	183
Total other liabilities	<u>13 069</u>	<u>13 591</u>

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

***Current other liabilities payable to entities within the SA Government***

The following other liabilities (included in the other liabilities shown above) were payable to entities within the SA Government:

Funds payable to SA Government	5 532	6 196
Exhibit monies held	7 105	7 086
Unclaimed property held for SA Government	262	126
Total current other liabilities payable to entities within the SA Government	<u>12 899</u>	<u>13 408</u>



<b>A8. Employee benefits</b>	2011 \$'000	2010 \$'000
Current employee benefits:		
Accrued salaries and wages	1	-
Annual leave	15	27
Total current employee benefits	<u>16</u>	<u>27</u>
Non-current employee benefits:		
Long service leave	193	175
Total non-current employee benefits	<u>193</u>	<u>175</u>
<b>A9. Cash flows reconciliation</b>		
Reconciliation of cash and cash equivalents:		
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	<u>13 472</u>	<u>13 871</u>
Cash and cash equivalents disclosed in the Statement of Administered Cash Flows	<u>13 472</u>	<u>13 871</u>
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	(399)	1 224
Movement in assets and liabilities:		
Increase (Decrease) in receivables	(125)	127
Decrease (Increase) in payables and employee benefits	(9)	(6)
Decrease (Increase) in other liabilities	522	(1 351)
Net result	<u>(11)</u>	<u>(6)</u>

**A10. Unrecognised contractual commitments*****Operating lease commitments***

The total value, net of GST, of future non-cancellable operating lease commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2011 \$'000	2010 \$'000
Not later than one year	2 040	2 031
Later than one year but not later than five years	8 705	8 685
Later than five years	37 935	41 545
Total operating lease commitments	<u>48 680</u>	<u>52 261</u>
GST on operating lease commitments	<u>4 868</u>	<u>5 226</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions.

Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to CAA occupancies only.

# South Australian Asset Management Corporation

## Functional responsibility

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to 'manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of \$8.3 billion and \$8.2 billion respectively. At 30 June 2011 assets and liabilities of SAAMC stood at \$22.2 million and \$3.3 million respectively, leaving total equity of SAAMC at 30 June 2011 at \$18.9 million. This compared to total equity of \$1.5 million at 30 June 2010. The increase in total equity of \$17.4 million reflected the profit result of \$21.4 million and a dividend payment of \$4 million to the SA Government in June 2011.

At 30 June 2010 SAAMC staffing consisted of a part-time chief executive officer and one temporary employee.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by SAAMC 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 involved the review of financial systems and records and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2010-11, areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; and financial statements verification.

## 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 South Australian Asset Management Corporation as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the South Australian Asset Management Corporation 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 South Australian Asset Management Corporation have been conducted properly and in accordance with law.

### Communication of audit matters

The review of the auditable areas (including financial statements verification) indicated that the financial controls of SAAMC were satisfactory. No matters arose during the audit that required management letter communication to SAAMC.

## Interpretation and analysis of the financial report

The major objective of SAAMC involves the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

### Statement of Comprehensive Income

The following table shows the revenues/recoveries, expenses and net profits for the five years to 2010.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
Revenues/Recoveries	22	4	5	13	6
Expenses	-	-	1	1	1
<b>Net profit</b>	<b>22</b>	<b>4</b>	<b>4</b>	<b>12</b>	<b>5</b>

The 2011 net profit resulted from a significant recovery of \$20.6 million during the year in relation to a bad (doubtful) debt.

The general trend results of SAAMC in recent years of recording small profits, reflects the near completion of its core mission of the orderly divestiture of certain assets and the extinguishment of certain liabilities of the former State Bank of South Australia.

### Statement of Financial Position

The net asset position of SAAMC at 30 June 2010 was \$18.9 million (\$1.5 million).

The main movements in the net asset position of SAAMC during the year were:

- an increase in investments (refer note 14 to the financial statements) arising from the large profit result due to the significant recovery of monies in relation to a bad (doubtful) debt.

- a decrease in liability provision for workers compensation claims (refer note 18) resulting from the transfer in management of the claims from SAAMC to SAFA.

**Statement of Cash Flows**

The following table summarises the net cash flows for the five years to 2010.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
<b>Net cash flows</b>					
Operating	21	0.2	(1)	7	(2)
Investing	(17)	76	4	(4)	2
Financing	(4)	(76)	(4)	(4)	-
Change in cash	(0.2)	0.2	(1)	(1)	-
Cash at 30 June	-	0.2	1	1	2

Over the years cash flows from investing activities have been used in relation to financing activities, associated with repaying borrowings and/or contributed capital to the Government, or payment of dividends to the Government, or in reinvestment activity principally with SAFA.

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

	Note	2011 \$'000	2010 \$'000
<b>Income:</b>			
Interest revenues	5	1 006	3 199
Other revenues	6	151	415
Credit for bad and doubtful debts	12	20 577	374
<b>Total income</b>		21 734	3 988
<b>Expenses:</b>			
Employee benefits expenses	8	208	204
Supplies and services	9	80	61
Other expenses	10	15	52
<b>Total expenses</b>		303	317
<b>Profit before income tax equivalents</b>		21 431	3 671
Income tax equivalent expense	13	-	-
<b>Profit after income tax equivalents</b>		21 431	3 671
<b>Total comprehensive result</b>		21 431	3 671

Profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Assets:</b>			
Cash and cash equivalents	22(a)	30	237
Investments	14	22 055	6 797
Other financial assets	15	95	62
<b>Total assets</b>		22 180	7 096
<b>Liabilities:</b>			
Payables	16	3 079	2 739
Employee benefits	17	209	181
Provisions	18	-	2 715
<b>Total liabilities</b>		3 288	5 635
<b>Net assets</b>		18 892	1 461
<b>Equity:</b>			
Contributed capital		716	716
Retained earnings		18 176	745
<b>Total equity</b>		18 892	1 461
Commitments for expenditure	19		
Contingent assets and liabilities	20		

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

	Contributed capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	52 716	20 574	73 290
Profit after income tax equivalents for 2009-10	-	3 671	3 671
Total comprehensive result for 2009-10	-	3 671	3 671
Transactions with SA Government as owner			
Dividend paid	-	(23 500)	(23 500)
Repayment of contributed capital to SA Government	(52 000)	-	(52 000)
Balance at 30 June 2010	716	745	1 461
Profit after income tax equivalents for 2010-11	-	21 431	21 431
Total comprehensive result for 2010-11	-	21 431	21 431
Transactions with SA Government as owner			
Dividend paid	-	(4 000)	(4 000)
<b>Balance at 30 June 2011</b>	716	18 176	18 892

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

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

	Note	2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>			
Cash inflows:			
Receipts from the sale of goods and services		66	51
Interest received		6	7
GST receipts on receivables		-	4
GST input tax credits claimed		-	4
Other receipts		20 983	575
<b>Cash generated from operating activities</b>		21 055	641
Cash outflows:			
Employee benefit payments		(239)	(233)
Supplies and services		(23)	(206)
GST remitted to ATO		(4)	(18)
<b>Cash used in operating activities</b>		(266)	(457)
<b>Net cash provided by (used in) operating activities</b>	22(b)	20 789	184
<b>Cash flows from investing activities:</b>			
Cash inflows:			
Proceeds from the sales/maturities of investments		9 670	82 738
<b>Cash generated from investing activities</b>		9 670	82 738
Cash outflows:			
Transfer to SAICORP		(2 715)	-
Purchase of investments		(23 951)	(7 238)
<b>Cash used in investing activities</b>		(26 666)	(7 238)
<b>Net cash used in provided by (used in) investing activities</b>		(16 996)	75 500
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of contributed capital to SA Government		-	(52 000)
Dividend paid to SA Government		(4 000)	(23 500)
<b>Cash used in financing activities</b>		(4 000)	(75 500)
<b>Net cash provided by (used in) financing activities</b>		(4 000)	(75 500)
<b>Net decrease (increase) in cash and cash equivalents</b>		(207)	184
<b>Cash and cash equivalents at 1 July</b>		237	53
<b>Cash and cash equivalents at 30 June</b>		30	237

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Objectives of South Australian Asset Management Corporation (SAAMC)**  
SAAMC is incorporated under the *State Bank of South Australia Act 1983* (as amended). On 1 July 1994, this entity changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the *State Bank of South Australia Act 1983* (as amended). The objectives of SAAMC are:

**1. Objectives of South Australian Asset Management Corporation (SAAMC) (continued)**

- Meet the long-term obligations and commitments of what was previously known as State Bank of South Australia.
- Pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia.
- Disciplined downsizing of the Statement of Financial Position (Balance Sheet).
- Generate earnings through the realisation of assets and prudent management of funding.
- Manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task.
- Be fully accountable to the State of South Australia.
- Maintain a high standard of corporate and business ethics.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

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

The financial statements were authorised for issue by the Directors on 24 August 2011.

**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and assumptions requires management to exercise its judgment in the process of applying SAAMC's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, they 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 the financial statement:
  - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is within the SA Government as at reporting date, classified according to their nature.
  - (b) Expenses incurred as a result of engaging consultants (refer note 9).
  - (c) Employees whose normal remuneration is more than the public sector base executive remuneration level of \$141 362 (within \$10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 7).

SAAMC's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

**(c) Reporting entity**

The financial statements cover SAAMC as an individual reporting entity. SAAMC is a statutory authority of the State of South Australia, established pursuant to the *State Bank of South Australia Act 1983* (as amended).



**(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 APSS have required a change.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

**(e) Rounding**

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

**(f) Events after the end of the reporting period**

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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) Taxation**

SAAMC is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. SAAMC 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 components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO is classified as part of operating cash flows.

**(h) Bad and doubtful debts**

Provisioning for bad and doubtful debts is not required. SAAMC's assets are cash and other liquid investments with SAFA.

These assets have a minimum credit risk attached to them due to their nature and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Statement of Comprehensive Income.

**(i) Income and expenses**

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from SAAMC 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.

**(j) 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 purpose 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.

**(k) Investments**

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of SAAMC. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Comprehensive Income.

**(l) Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals. Receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment losses. 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 agreement. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is raised when there is objective evidence that SAAMC will not be able to collect the debt. Bad debts are written off when identified.

**(m) Employee benefits**

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on projected departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

*Salaries, annual leave and long service leave*

The provisions for employee entitlements to salaries and annual leave represent the amount that SAAMC has a present obligation to pay, resulting from employees' services provided up to reporting date. The provision has been calculated at nominal amounts, based on current salary rates, and includes related on-costs.

SAAMC's future obligations for long service leave entitlements, although immaterial, have been fully provided, including on-costs.

*Superannuation funds*

SAAMC contributes the prescribed employer contribution to the Triple S Scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made. Refer note 19. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not paid.

**(n) Provisions**

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

**(o) Insurance**

SAAMC has arranged, through SAFA, SAICORP Division, to insure all major risks of SAAMC. The excess payable under this arrangement varies depending on each class of insurance held.

**3. Changes in accounting policies**

SAAMC did not voluntarily change any of its accounting policies during 2010-11.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing the financial statements. These are not expected to have a significant effect on the financial statements of SAAMC.

**4. Revenues from (payments to) SA Government (direction from the Treasurer)**

Pursuant to subsections 20A(1) and 20A(3) of the *State Bank of South Australia Act 1983* (as amended) the Treasurer of South Australia (the Treasurer) may determine that capital provided to SAAMC may be repaid to the Treasurer. Also section 22 provides that any surplus of funds remaining after the costs of SAAMC have been met in any financial year must be paid into the Consolidated Account or otherwise dealt with as the Treasurer may determine.

On the 22 June 2011, the Treasurer specifically determined and approved the payment of a \$4 million dividend to the Consolidated Account on 30 June 2011. The dividend was paid from SAAMC's current earnings and retained profits.

<b>5. Interest revenues</b>	2011	2010
	\$'000	\$'000
Interest from entities external to the SA Government	8	7
Interest from entities within the SA Government	998	3 192
Total interest income	<u>1 006</u>	<u>3 199</u>

**6. Other income**

Other sundry income received from entities external to Government	151	415
Total other income	<u>151</u>	<u>415</u>

**7. Key management personnel and remuneration**

Key management personnel of SAAMC comprise the directors of SAAMC being Mr Brett G Rowse, Ms Linda Hart, Mrs Virginia Martindale and the Chief Executive Officer, Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by SAAMC for the discharge of their duties as directors. Remuneration payable to the chief executive officer is \$116 000 representing short-term benefits.

<b>8. Employee benefits costs</b>	2011	2010
	\$'000	\$'000
FBT	5	5
Salaries	116	115
Superannuation and retiring allowances	58	58
Other staff expenses	29	26
Total employee benefits costs	<u>208</u>	<u>204</u>

**9. Supplies and services**

Supplies and services provided by entities within the SA Government:

Insurance	4	4
Other	54	54
Total supplies and services - SA Government entities	<u>58</u>	<u>58</u>

Supplies and services provided by entities external to the SA Government:

Other	22	3
Total supplies and services - non-SA Government entities	<u>22</u>	<u>3</u>
Total supplies and services	<u>80</u>	<u>61</u>

SAAMC did not engage during the year any consultants as defined by the APF II.

**10. Other expenses**

Other	15	52
Total other expenses	<u>15</u>	<u>52</u>

The other expenses for 2011 reflect an accrual made for residual litigation and statutory charges relating to the finalisation of Hellenic Cadastre Consult which is now a defunct partnership between SAAMC and an offshore entity.

**11. Auditor's remuneration**

	2011	2010
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	39	30
Total audit fees – SA Government entities	<u>39</u>	<u>30</u>

The audit fee payable of \$38 500 at 30 June 2011 relates to the actual fee payable of \$21 500 for 2009-10 and an estimate of \$17 000 for 2010-11.

	2011	2010
<b>12. Bad and doubtful debts</b>		
Net credit for bad debts written off	\$'000	\$'000
Recoveries net of recovery costs	(20 577)	(374)
Net recoveries received	(20 577)	(374)
Credit for bad and doubtful debts	(20 577)	(374)
<b>13. Income tax</b>		
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense calculated at 30 percent (30 percent) on profit	6 429	1 101
Decrease in income tax expense due to non-tax assessable items:		
Tax exempt income - SAAMC	6 429	1 101
Income tax expense (benefit) on profit adjusted for permanent differences:		
Income tax under (over) provided in prior year	-	-
Tax rate differential on overseas income	-	-
Future income tax benefit not brought to account	-	-
Total income tax expense (benefit)	-	-
<b>14. Investments</b>		
Deposits with SA Government entities	22 055	6 797
Total investments	22 055	6 797
<b>15. Other financial assets</b>		
Debtors - SA Government entities	3	58
Debtors - non-SA Government entities	92	-
GST receivable	-	4
Total other financial assets	95	62
<b>16. Payables</b>		
Current:		
Creditors	3 001	200
Accrued expenses	78	35
Non-current:		
Creditors	-	2 504
Total payables	3 079	2 739
Government/Non-government payables:		
Payables to SA Government entities:		
Accrued expenses	65	35
Total payables to other SA Government entities	65	35
Payables to non-SA Government entities:		
Creditors	3 014	2 704
Accrued expenses	-	-
Total payables to non-SA Government entities	3 014	2 704
Total payables	3 079	2 739
<b>17. Employee benefits</b>		
Current:		
Annual leave	72	57
Accrued salaries	4	4
Long service leave	133	-
Total current employee benefits	209	61
Non-current:		
Long-term long service leave	-	120
Total employee benefits	209	181
<b>18. Provisions</b>		
Workers compensation claims	-	2 715
Total provisions	-	2 715

<b>18. Provisions (continued)</b>	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	2 715	3 143
Amount charged against the provision	-	(57)
Amount no longer required written back to profits	-	(371)
Transfer claims operations to SAFA (SAICORP)	2 715	-
Carrying amount at 30 June	-	2 715

**19. Commitments*****Superannuation commitments***

SAAMC contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds' requirements.

SAAMC had one part time and one temporary employee as at reporting date. There was one part time and one temporary employee at the same period last year.

**20. Contingent assets and liabilities*****Claims by and against SAAMC***

In the ordinary course of business, SAAMC is indirectly involved in litigation, which at the date of adoption of these financial statements has not been resolved. Acting on legal advice, the Directors are of the opinion that on balance the outcomes of any litigation will not have a material impact on the financial statements of SAAMC.

**21. Financial instruments/Financial risk management**

SAAMC has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about SAAMC's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of SAAMC and has established appropriate policy to manage the above risks.

**21.1 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	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	22(a)	30	30	237	237
Investments	14	22 055	22 055	6 797	6 797
Other financial assets:					
Receivables	15	95	95	62	62
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables	16	3 079	3 079	2 739	2 739

***Credit risk***

Credit risk arises when there is the possibility of SAAMC's debtors defaulting on their contractual obligations resulting in financial loss to SAAMC. SAAMC measures credit risk on a fair value basis and monitors risk on a regular basis. There is minimal concentration of credit risk and SAAMC does not engage in any hedging for its financial assets.

**Liquidity risk**

Liquidity risk arises where SAAMC is unable to meet its financial obligations as they fall due. SAAMC is an instrumentality of the Crown and is dependent on State Government policy and on an implicit guarantee from the State. SAAMC settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. SAAMC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

**Market risk**

Market risk for SAAMC is only through interest rate risk. Exposure to interest rate risk may arise through the interest revenues received from deposits. SAAMC's cash, cash equivalents and investments are managed through SAFA and any movement in interest rates is monitored on a daily basis. There is no exposure to foreign currency or other price risks.

**21.2 Maturity analysis of financial assets and liabilities**

	Floating interest rate \$'000	Fixed interest maturing			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
<b>2011</b>						
Financial assets:						
Cash and cash equivalents	30	-	-	-	-	30
Investments	22 055	-	-	-	-	22 055
Receivables	-	-	-	-	95	95
Total financial assets	22 085	-	-	-	95	22 180
Weighted average interest rate	5.05%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	3 079	3 079
Total financial liabilities	-	-	-	-	2 739	2 739
<b>2010</b>						
Financial assets:						
Cash and cash equivalents	237	-	-	-	-	237
Investments	6 797	-	-	-	-	6 797
Receivables	-	-	-	-	62	62
Total financial assets	7 034	-	-	-	62	7 096
Weighted average interest rate	3.95%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	2 739	2 739
Total financial liabilities	-	-	-	-	2 739	2 739

**Sensitivity disclosure analysis**

The degree by which interest income would be affected by fluctuations in interest rates in the next 12 months would depend on how the fluctuating rates would move the financial markets in which SAAMC invests through SAFA and how SAFA would manage the relevant investments. A change of 100 basis points in the interest rates received from SAFA at the reporting date would have increased (decreased) profit or loss by \$219 000 (\$70 000). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

**22. Notes to the Statement of Cash Flows****(a) Reconciliation of cash**

Cash as at reporting date as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial position as follows:

	2011 \$'000	2010 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	30	237
Balance as per the Statement of Cash Flows	30	237

**(b) Reconciliation of profit to net cash provided by (used in) operating activities**

	2011	2010
Profit for the year	21 431	3 671
Net cash provided by (used in) operating activities before change in assets and liabilities	21 431	3 671
Movement in assets and liabilities:		
Increase (Decrease) in net interest accrued	1 702	(3 177)
Increase (Decrease) in sundry creditors and accruals	(2 372)	(336)
Increase (Decrease) in employee entitlements	28	26
Net cash provided by (used in) operating activities	20 789	184

**23. Related party disclosures**

***Directors***

The names of each person holding the position of Director of SAAMC during the financial year ended 30 June 2011 are as follows:

Mr Andrew G Anastasiades  
Ms Linda Hart

Mrs Virginia Martindale  
Mr Brett G Rowse

***Directors' transactions***

No transactions took place between the Directors of SAAMC and related entities and their related parties, including director-related entities.

***SAFA***

Related party transactions with SAFA are disclosed in notes 5 and 14. In addition, SAAMC and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

**24. Events after the end of the reporting period**

There has not arisen in the interval between the end of the financial year and the date of this financial report any items, transactions or events of a material and unusual nature likely in the opinion of the Directors of SAAMC to affect significantly the operations of SAAMC, the results of those operations, or the state of affairs of SAAMC.

# South Australian Country Fire Service

## Functional responsibility

### Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Country Fire Service (SACFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SACFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian Country Fire Service
- South Australian State Emergency Service
- South Australian Metropolitan Fire Service.

### Functions and funding

The primary function of the SACFS is the prevention of fires, and provision of fire and emergency response services to regional and peri-urban areas of South Australia.

SAFECOM is responsible for developing and maintaining strategic policy and a sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding state-wide emergency management.

SAFECOM provides various services in support of the SACFS's primary functions, including financial management and accounting services. Also the operations of the SACFS are financed by the Community Emergency Services Fund, established by the *Emergency Services Funding Act 1998*.

### Status of the financial report

The financial report of the SACFS for the year ended 30 June 2011 will be included in a Supplementary Report to Parliament together with the financial reports of SAFECOM and the other emergency services agencies.

The section of this Part of the Report relating to the 'South Australian Fire and Emergency Services Commission' explains the reason for the inclusion of SACFS financial report in a Supplementary Report.



# South Australian Fire and Emergency Services Commission

## Functional responsibility

### Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) was established by the *Fire and Emergency Services Act 2005* (the FES Act). SAFECOM is managed and administered by a Board established as the governing body. SAFECOM and its Board are responsible to the Minister for Emergency Services.

The FES Act provides for the continuation of the South Australian Metropolitan Fire Service and the South Australian Country Fire Service as bodies corporate, and the establishment as a separate body corporate of the South Australian State Emergency Service.

The FES Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The FES Act requires that a consolidated financial report be prepared for the emergency services sector.

SAFECOM is responsible for developing and maintaining strategic policy and a sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding state-wide emergency management.

As part of the Government's shared services initiative the financial services function, including the preparation of agency financial statements, are provided by Shared Services SA. Accounts payable, accounts receivable and payroll services are also provided by Shared Services SA to the emergency services sector.

### Community Emergency Services Fund

SAFECOM is also responsible for administering the Community Emergency Services Fund (the Fund) which is established by the *Emergency Services Funding Act 1998*. Responsibility for administering the Fund was transferred from the Attorney-General's Department on 1 April 2006.

The Fund is the main source of funding for all emergency services sector agencies.

### Status of the financial report

The financial report including supporting records and information maintained by SAFECOM and related emergency service agencies for the year ended 30 June 2011 did not meet the expected quality standard. As such the audit could not be completed in sufficient time to allow for the inclusion of the financial report of SAFECOM and the related emergency services agencies in this Annual Report to Parliament.

Financial statements are included in the Annual Report on the basis that Audit has received all necessary information, records and explanations supporting an entity's financial statements. Draft financial statements for SAFECOM and the related emergency services agencies were received by the required date of 11 August 2011 and were certified by relevant officers.

In my Supplementary Report to Parliament tabled in February 2011, I commented on deficiencies relating to asset management and accounting and associated management trails. These deficiencies resulted in revised 2009-10 financial statements for SAFECOM and certain emergency services agencies being republished in the Supplementary Report. Deficiencies continued during the 2010-11 reporting period and resulted in difficulties for staff to locate records and information to:

- substantiate goods and/or services were received prior to the disbursement of funds
- ensure asset additions agreed to vendor issued invoices
- demonstrate that payments were appropriately approved.

In addition, management did not finalise asset valuation assessments when presenting the 2010-11 financial statements for audit or revised valuations in sufficient time for Audit to consider these and to allow for the inclusion of the financial report of SAFECOM and the related emergency services agencies in this Annual Report to Parliament.

The audited financial report of SAFECOM for the year ended 30 June 2011 will be included with the other emergency services agencies in a Supplementary Report to Parliament.

Audit commentary on the overall results of the 2010-11 emergency services audit will also be included in a Supplementary Report to Parliament.

# South Australian Forestry Corporation

## Functional responsibility

### Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000*. The Corporation is responsible to the Minister for Forests.

### Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State. For more information about the Corporation's functions refer note 1 to the financial statements.

The *South Australian Forestry Corporation Act 2000* specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

Under the PCA the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation's operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

### *Audit Committee*

The Corporation has an Audit Committee comprising two members of the Board and one external member and is attended by internal and external auditors as observers. The Audit Committee reports to the Board.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems. The responsibilities extend to monitoring risk management practices, approving and evaluating the internal audit program, reviewing the annual financial statements prior to approval of the Board and communicating on matters raised by the Auditor-General's Department.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Subsection 31(1)(b) of the PFAA and subsection 32(4) of the PCA provide for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

#### *Assessment of controls*

As required by subsection 36(1)(a)(iii) of the PFAA, the audit of the Corporation included an assessment of the controls exercised 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 on the financial report and internal controls.

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

- Forest Logging System revenue and expenditure
- expenditure
- payroll
- bank reconciliations
- contract management
- financial accounting
- information technology
- valuations for standing timber, land and buildings and structures.

In addition, specific audit review work and testing was undertaken on the Corporation's systems and processes that underpin the valuation estimate of standing timber disclosed in the financial statements of the Corporation.

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 the South Australian Forestry Corporation as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the South Australian Forestry Corporation 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 Corporation 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 of the Corporation and a satisfactory response was received.

The principal matters raised were the need to ensure appropriate documentation of key control processes for the Forest Logging System (FLS), strengthening of some aspects of control over FLS payments, and improvement in EFT control.

The Corporation advised that it will address the FLS documentation matter, improve aspects of the review and approval process over FLS payments, and is addressing EFT control.

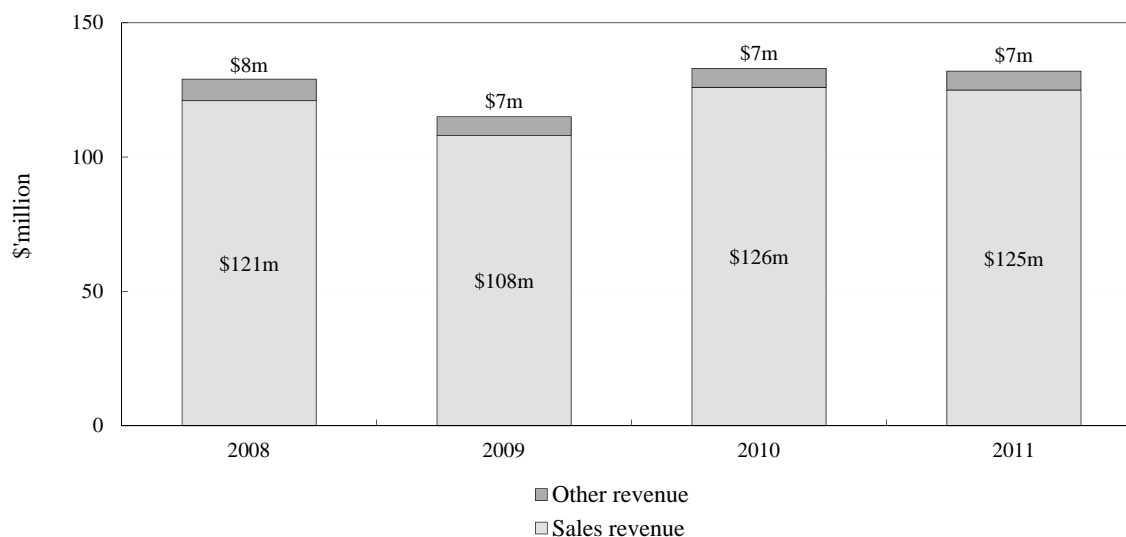
## Interpretation and analysis of the financial report

Highlights of the financial report	2011 \$' million	2010 \$' million
<b>Income</b>		
Sales - timber products	125	126
Revenues from SA Government	3	3
Other revenue	4	4
<b>Total income</b>	<b>132</b>	<b>133</b>
<b>Expenses</b>		
Employee benefits	15	16
Contractors and wood purchases	51	48
Other expenses	18	23
<b>Total expenses</b>	<b>84</b>	<b>87</b>
<b>Trading profit before revaluation of standing timber</b>	<b>48</b>	<b>46</b>
<b>Net profit (loss) (after revaluation and income tax equivalent expense)</b>	<b>(16)</b>	<b>113</b>
<b>Total comprehensive income (loss)</b>	<b>(10)</b>	<b>152</b>
<b>Net cash flows from operating activities</b>	<b>40</b>	<b>34</b>
<b>Net cash flows from investing activities</b>	<b>15</b>	<b>(33)</b>
<b>Assets</b>		
Current assets	148	147
Non-current assets	1 196	1 228
<b>Total assets</b>	<b>1 344</b>	<b>1 375</b>
<b>Liabilities</b>		
Current liabilities	22	17
Non-current liabilities	34	34
<b>Total liabilities</b>	<b>56</b>	<b>51</b>
<b>Total equity</b>	<b>1 288</b>	<b>1 324</b>

### Statement of Comprehensive Income

#### Income

The following chart analyses the main sources of income for the Corporation for the four years to 2011.

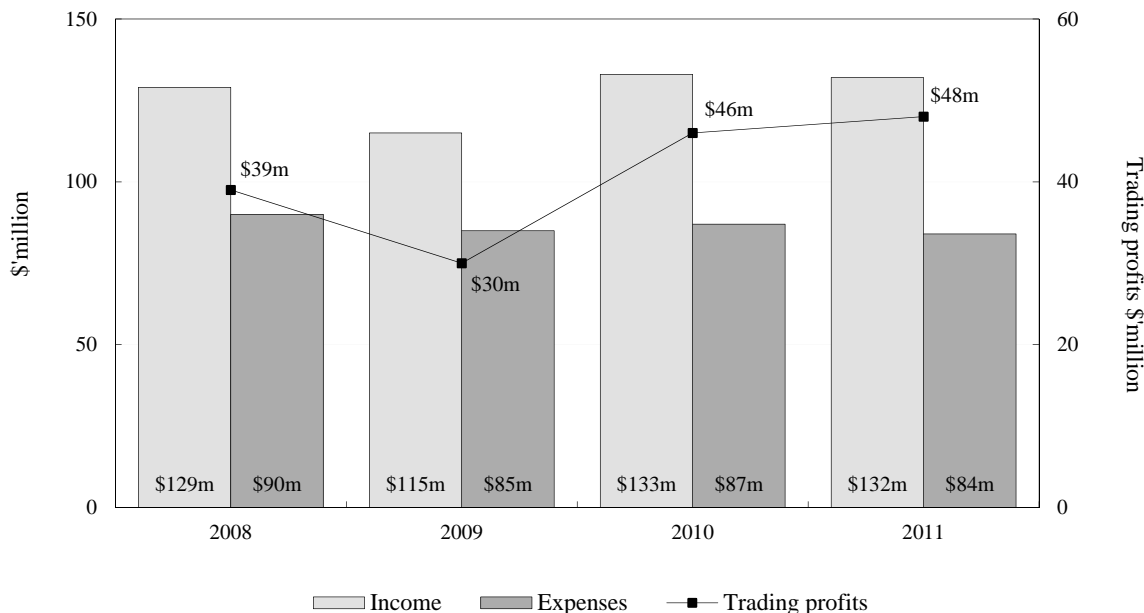


**Expenses**

Expenditure on contractors of \$48 million represents 57 percent of the Corporation’s total expenditure and of this amount \$43 million (\$37 million) relates to harvesting and transport costs.

**Trading results**

In 2011, the Corporation achieved a trading profit of \$48 million compared to a trading profit of \$46 million in 2010.

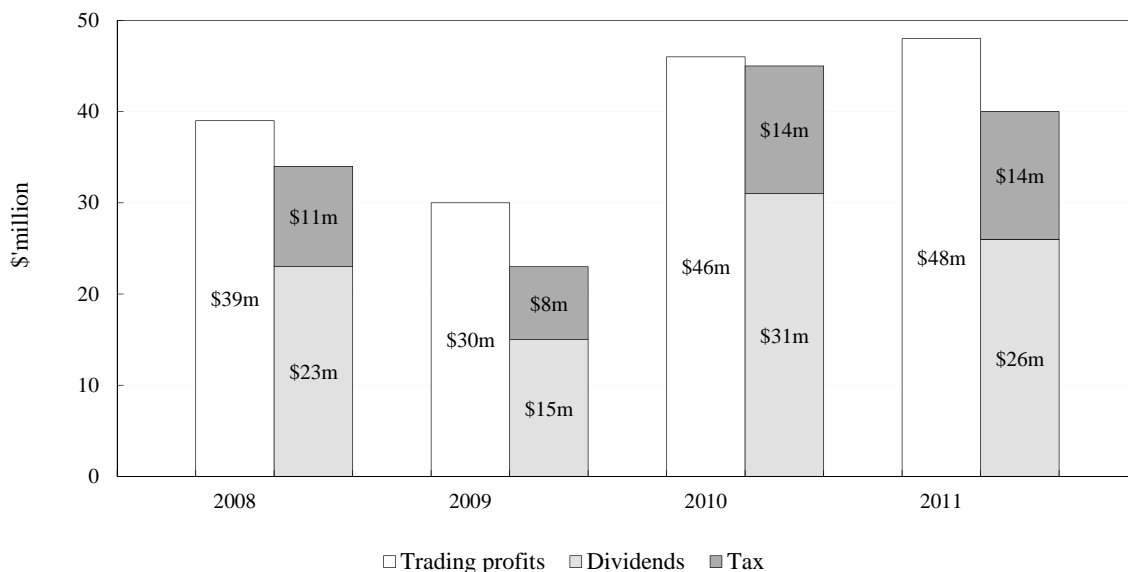


**Standing timber**

Standing timber is revalued every year and the net change in value for 2011 is a decrease of \$50 million. This compares to an increase of \$81 million in 2010. The variation results mainly from price changes (refer note 14 to the financial statements).

**Distributions to government**

For the four years to 2011 an analysis of the Corporation’s trading profits before revaluation of standing timber compared to returns to government is shown in the following chart.



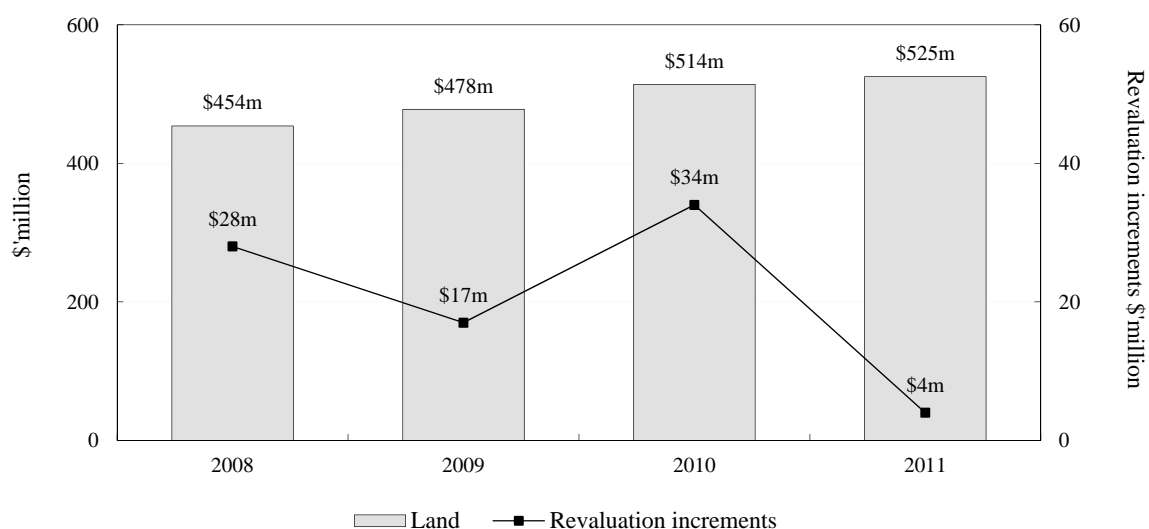
Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to government.

### Statement of Financial Position

Standing timber and land are significant assets and represent 93 percent of the total assets of the Corporation. Further comment and analysis follows below.

#### Land

An analysis of land balances for the four years to 2011 is presented in the following chart.



The valuation of land is undertaken each year by the Valuer-General in South Australia and local shires in Victoria at the current market value of unimproved land. The value of land has risen significantly over the past four years due mainly to a strong real estate market. The main reasons for the significant increases were adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the South East region of South Australia.

#### Standing timber

Note 2(n) to the financial statements explains the basis and main features of the Corporation's valuation methodology for standing timber.

The following table summarises valuations of standing timber for the past four years by region and revaluation results.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
Region				
South East region:				
Young plantations	41	42	41	39
Mature plantations	601	650	576	510
Central and northern regions:				
Young plantations	7	6	6	6
Mature plantations	72	70	63	60
	<u>721</u>	<u>768</u>	<u>686</u>	<u>615</u>
Revaluation increments (decrements)	<u>(50)</u>	<u>81</u>	<u>70</u>	<u>1</u>

The net change in the valuation of standing timber is a combination of the change in the volume of standing timber and the change in price. The revaluation decrement for 2011 results mainly from price changes. For further information refer note 14 to the financial statements.

### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>Net cash flows</b>				
Operating	40	34	26	34
Investing	15	(33)	(11)	(8)
Financing	(23)	(34)	(10)	(20)
Change in cash	32	(33)	5	6
Cash at 30 June	45	13	46	41

The Corporation's surplus cash that is generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid.

The large movement in 2011 in investing cash flows is mainly the transfer of funds from term deposits to a cash management fund at call. The lower financing cash flows reflect a decrease in dividend paid to government and additional borrowings of \$6 million.

### Proposed sale of forest rotations

On 3 May 2011, the SA Government announced that it would proceed with the forward sale of three forest rotations in the South East. Refer note 14 to the financial statements for further information.



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

	Note	2011 \$'000	2010 \$'000
<b>Income:</b>			
Sales - timber products		125 553	125 746
Revenues from SA Government	5(i)	2 990	3 258
Interest	5(i)	2 757	2 152
Other	5(i)	891	1 671
Net gain from disposal of non-current assets	5(ii)	-	111
<b>Total income</b>		<u>132 191</u>	<u>132 938</u>
<b>Expenses:</b>			
Employee benefits	7	15 438	16 027
Contractors		47 719	43 310
Wood purchases		3 338	4 179
Depreciation and amortisation	5(iii),15,16	2 267	2 465
Council rates		1 439	1 344
Finance costs	5(iii)	2 564	2 494
Materials		2 159	4 545
Equipment and vehicle costs		3 051	3 066
Purchased standing timber harvested	14	869	-
Other		4 690	5 109
Net loss from disposal of non-current assets	5(ii)	19	-
Net revaluation decrement on non-current assets		367	4 157
<b>Total expenses</b>		<u>83 920</u>	<u>86 696</u>
<b>Trading profit before revaluation of standing timber</b>		48 271	46 242
Net change in value of standing timber	14	(50 171)	80 581
<b>Profit (loss) before income tax equivalent</b>		(1 900)	126 823
Income tax equivalent expense	6	(14 288)	(13 737)
<b>Net profit (loss) after income tax equivalent</b>	9(ii)	<u>(16 188)</u>	<u>113 086</u>
<b>Other comprehensive income:</b>			
Land revaluation recorded in asset revaluation surplus	15	4 383	38 658
Buildings and structures revaluation recorded in asset revaluation surplus	15	1 934	-
<b>Total comprehensive income (loss)</b>		<u>(9 871)</u>	<u>151 744</u>

Net profit (loss) after income tax equivalent and total comprehensive income are attributable to the SA Government as owner

## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	9	44 755	12 941
Other financial assets	10	-	27 836
Receivables	11	18 180	20 266
Inventories	12	1 849	445
Standing timber	14	82 345	85 181
Assets classified as held for sale	13	413	243
<b>Total current assets</b>		147 542	146 912
<b>Non-current assets:</b>			
Standing timber	14	638 250	682 588
Property, plant and equipment	15	557 178	544 847
Intangible assets	16	744	749
<b>Total non-current assets</b>		1 196 172	1 228 184
<b>Total assets</b>		1 343 714	1 375 096
<b>Current liabilities:</b>			
Payables	17	8 593	7 907
Employee benefits	18	1 734	1 974
Interest bearing loans	19	7 172	2 926
Tax liabilities	6	3 992	2 858
Deferred income	20	841	1 006
Other provisions	21	123	111
<b>Total current liabilities</b>		22 455	16 782
<b>Non-current liabilities:</b>			
Payables	17	491	477
Employee benefits	18	2 602	2 520
Interest bearing loans	19	29 517	30 626
Deferred income	20	605	316
Other provisions	21	414	358
<b>Total non-current liabilities</b>		33 629	34 297
<b>Total liabilities</b>		56 084	51 079
<b>Net assets</b>		1 287 630	1 324 017
<b>Equity:</b>			
Contributed capital		4 984	4 984
Reserves		1 187 600	1 231 440
Retained earnings		95 046	87 593
<b>Total equity</b>		1 287 630	1 324 017

Total equity is attributable to the SA Government as owner

Commitments and contingencies

23

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

	Contributed capital \$'000	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Fire Insurance Fund reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009	4 984	441 329	652 982	17 365	86 860	1 203 340
Gain on revaluation of property, plant and equipment	-	38 658	-	-	-	38 658
Net income (expense) recognised directly in equity	-	38 658	-	-	-	38 658
Net profit (loss) for the period	-	-	-	-	113 086	113 086
Total comprehensive income for 2009-10	-	38 658	-	-	113 086	151 744
Dividend	-	-	-	-	(31 067)	(31 067)
Transfers to (from) equity	-	27	80 581	498	(81 106)	-
Total change for the period	-	38 685	80 581	498	913	120 677
Balance at 30 June 2010	4 984	480 014	733 563	17 863	87 593	1 324 017
Gain on revaluation of property, plant and equipment	-	6 317	-	-	-	6 317
Net income (expense) recognised directly in equity	-	6 317	-	-	-	6 317
Net profit (loss) for the period	-	-	-	-	(16 188)	(16 188)
Total comprehensive income for 2010-11	-	6 317	-	-	(16 188)	(9 871)
Dividend	-	-	-	-	(26 516)	(26 516)
Transfers to (from) equity	-	(689)	(50 171)	703	50 157	-
Total change for the period	-	5 628	(50 171)	703	7 453	(36 387)
<b>Balance at 30 June 2011</b>	<b>4 984</b>	<b>485 642</b>	<b>683 392</b>	<b>18 566</b>	<b>95 046</b>	<b>1 287 630</b>

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

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

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Receipts from customers		129 402	123 706
Payments to suppliers and employees		(78 723)	(78 119)
Finance costs		(2 564)	(2 495)
Interest received		2 532	2 187
Receipts from SA Government		2 591	2 081
GST receipts on sales		12 932	13 022
GST payments on purchases		(6 345)	(6 132)
GST remitted to ATO		(6 704)	(6 867)
Income tax equivalents paid	6	(13 155)	(12 965)
<b>Net cash flows from operating activities</b>	9(ii)	<u>39 966</u>	<u>34 418</u>
<b>Cash flows from investing activities:</b>			
Investment in other financial assets		27 836	(27 836)
Purchase of property, plant and equipment, including land and timber		(12 252)	(6 227)
Purchase of intangible assets		(362)	(334)
Proceeds from sale of property, plant and equipment		4	926
<b>Net cash flows from investing activities</b>		<u>15 226</u>	<u>(33 471)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings		6 061	-
Repayment of borrowings		(2 923)	(2 769)
Dividend paid		(26 516)	(31 067)
<b>Net cash flows from financing activities</b>		<u>(23 378)</u>	<u>(33 836)</u>
<b>Net increase (decrease) in cash held</b>		31 814	(32 889)
<b>Cash and cash equivalents at 1 July</b>		12 941	45 830
<b>Cash and cash equivalents at 30 June</b>	9(i)	<u>44 755</u>	<u>12 941</u>

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Corporate information

##### *Role and function of the South Australian Forestry Corporation (SAFC or the Corporation)*

SAFC was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. SAFC is subject to the provisions of the PCA. SAFC has key responsibilities to:

- manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management
- undertake and where appropriate commercialise forestry related research for the benefit of the Corporation and the State
- maximise the value of the Corporation
- encourage and facilitate regionally based economic activities based on forestry and other industries
- support regional forest resource protection initiatives and programs
- support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility
- support cooperative research activities within the forestry industry.

**Role and function of the South Australian Forestry Corporation (SAFC or the Corporation) (continued)**

In addition to its business operations, SAFC receives funding from the SA Government for the provision of certain community service obligations (CSOs). These are:

- community use of forests
- native forest management
- community protection (including fire protection).

**2. Summary of significant accounting policies****(a) Statement of compliance**

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

Except for AASB 2009-12, which SAFC has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFC for the reporting period ending 30 June 2011. These are outlined in note 2(e).

**(b) Basis of preparation**

SAFC's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

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

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

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

- (i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
- (ii) expenses incurred as a result of engaging consultants
- (iii) employee TVSP information
- (iv) 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 financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

**(c) Comparative information**

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

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

**(d) Rounding**

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

**(e) New and revised accounting standards**

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

**(f) Taxation**

SAFC is liable for income tax equivalent payments, payroll tax, FBT, GST, Emergency Services levy, land tax and local government rates.

*Income tax equivalent*

SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the SA Government Consolidated Account. The tax calculation method is prescribed by TI 22 and the tax equivalent payment is calculated on the accounting profits model. DTF provided SAFC with a ruling that excludes unrealised gains and losses relating to growing timber revaluations from the accounting profit used to calculate the income tax equivalent payment.

Under the accounting profits model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

*GST*

Income, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the ATO has been recognised as a receivable/payable 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 in SAFC's Statement of Comprehensive Income when and only when the flow of economic benefit(s) has occurred and can be reliably measured.

Income has been classified according to its nature and has not been offset unless required or permitted by a specific accounting standard.

Revenue from sale of timber is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account.

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III, APS 3.9.

**(h) Expenses**

Expenses are recognised in SAFC's Statement of Comprehensive Income when and only when the flow of economic benefit has occurred and can be reliably measured.

Expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

Finance costs are recognised as an expense on an accrual basis.

**(i) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular 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, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**(j) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value (refer note 9).

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and deposits at call that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

**(k) Other financial assets**

Other financial assets comprise deposits with an original maturity greater than three months and are measured at nominal value.

**(l) Receivables**

Receivables include trade receivables, prepayments and other revenue accruals. Receivables are recorded at amounts due to SAFC less a provision for doubtful debts.

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice or the goods/services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public.

If payment has not been received within the terms and conditions of the contractual arrangement, SAFC is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected.

**(m) Inventories**

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(n) Forestry accounting**

Standing timber of a marketable size is valued at its fair value less estimated point-of-sale costs and disclosed as a current asset for the portion expected to be realised within 12 months after the reporting date and as a non-current asset for the portion expected to be realised more than 12 months after the reporting date. The fair value is determined as the amount which could be expected to be received from disposal of the existing mix of forest products in an active and liquid market. SAFC has determined the fair value by sampling market conditions over the 12 months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This policy is in accordance with the requirements of AASB 141. All amounts are calculated in pre-tax dollars in accordance with the TIs.

Standing timber below a marketable size (classified as young forest in note 14) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applies to trees up to nine years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. The reduction in the value of standing timber attributable to fire during the period is reported under other expenses. All forest expenditure is recognised as an expense in the year the expenditure takes place.

(n) **Forestry accounting (continued)**

The net change in the value of standing timber is accounted for in the movement in the standing timber reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle, Mount Lofty Ranges and Mid-North forests the master database was last updated as at June 2011, affecting the standing timber valuation as at 30 June 2011.

The method used to determine the volume of timber contained in the radiata and non-radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practices. This ensures that the fair value is based upon expected realisable volumes.

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation of profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

(o) **Property, plant and equipment**

(i) **Recognition and measurement**

Assets are initially recorded at cost plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Statement of Financial Position.

SAFC individually capitalises all non-current physical assets with a value of \$1000 or greater, and a low value pool is created for assets between \$300 and \$1000. Componentisation of complex assets is performed when the complex asset's fair value at the time of acquisition is greater than \$1 million. This benchmark is within the limits prescribed in APF III.

Plant and equipment and roads and land improvements are stated at cost less accumulated depreciation and impairment losses.

Land, buildings and structures are measured at fair value less accumulated depreciation on buildings and structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, then the asset will be brought to account at its written down current cost.

(ii) **Impairment**

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income except for revalued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

(iii) **Non-current assets held for sale**

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



*(iv) Revaluation*

Land and buildings and structures have been revalued as at 30 June 2011, in accordance with APF III. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land is the current site value of the unimproved land. In accordance with this policy, land was revalued in 2010 and 2011 using valuations provided by the Valuer-General and/or local shires. SAFC undertakes an annual revaluation of land to fair value at the end of June. In accordance with APF III APS 3.8, SAFC has elected to take revaluation adjustments to the asset revaluation surplus on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its buildings and structures in June 2011.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than \$1 million and useful life greater than three years) as per APF III will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

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

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.

*(v) Depreciation and amortisation of non-current assets*

All non-current 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, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by SAFC are reassessed 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, included in plant and equipment, 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 sale are not depreciated.

The 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 structures	Straight-line	25-57
Leasehold improvements	Straight-line	Life of lease
Roads and land improvements	Straight-line	20-25
Plant and equipment	Straight-line	3-25

(vi) *Crown land*

The value of Crown land amounts to \$489 million (\$479 million). SAFC is entitled to the value of the Crown land and has the use of the Crown land for forestry purposes. Generally, the issue of title over Crown land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown land, as per DPC Circular 114.

(p) *Intangible assets*

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$1000.

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

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years, using the straight-line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(q) *Trade and other payables*

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

Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

Creditors represent the amounts owing for goods and services received prior to, but remaining unpaid, at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAFC.

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 amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

Deposits held represent funds SAFC holds on behalf of other organisations.

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

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as the schemes have assumed these. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

(r) *Employee benefits*

Employee 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.

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

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at the reporting date and is measured at the undiscounted amount expected to be paid.

In accordance with APF IV, APS 5.10, SAFC applies five years of service (5.5 years) by an employee as the benchmark at which a liability for long service leave is recognised.

**(s) Interest bearing loans**

In accordance with APF IV, APS 6.1, SAFC uses historical cost measurement for interest bearing loans.

All loans are measured at the principal amount. Interest and guarantee fees are recognised as an expense as they accrue.

**(t) Leases**

SAFC has entered into operating leases but has not entered into any finance leases.

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

**(u) Insurance**

SAFC has arranged through SAICORP, a division of SAFA, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is \$250 000 from an event or occurrence covered by the agreement.

SAFC is self-insured for major fire losses of the forest (refer note 2(x)). In addition, SAFC is self-insured for workers compensation.

**(v) Provisions**

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Relations Division of DPC of the estimated unsettled workers compensation claims.

**(w) Contributed equity**

Contributions made by the SA Government through its role as owner of SAFC, which increase the net assets of the entity, are treated as contributions of equity.

**(x) Fire Insurance Fund and reserve**

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes. The use of the Fire Insurance Fund available cash balance is restricted to fund annual fire losses to the plantation of greater than \$250 000. These funds will provide cash for clearing, re-establishment and associated costs. Monies in the Fire Insurance Fund are restricted and are therefore not available for distribution. The movement in the Fire Insurance Fund is transferred between retained earnings and the Fire Insurance Fund reserve.

**(y) Unrecognised contractual commitments and contingent liabilities**

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

Contingent assets and 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.

**3. Financial risk management**

SAFC has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits) and liabilities (borrowings from the SA Government). SAFC's exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the SAFC Board.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 82 percent of transactions for the financial year (86 percent) were transactions with the six largest of SAFC's customers.

As part of its financial risk management policies, SAFC manages and monitors log supply commitments to ensure the commitments are within the long-term forest yield forecasts, thereby maintaining SAFC's long-term viability and profitability.

**4. Segment information**

SAFC has no separately identifiable geographic or business segments which require separate preparation and disclosure of segment information.

<b>5. Revenue, other income and expenses</b>		2011	2010
Profit from ordinary activities before income tax has been determined after:	Note	\$'000	\$'000
<b>(i) Crediting as revenue</b>			
Community service obligation funding <sup>(1)</sup>	1	2 605	2 852
Government Radio Network funding		364	385
Deferred revenues from SA Government		21	21
Revenues from SA Government		2 990	3 258
 (1) CSO funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.			
Interest received or receivable:			
Interest received or receivable related to cash balances <sup>(1)</sup>		2 627	2 073
Interest received or receivable related to trade receivables		130	79
Interest revenue		2 757	2 152
 Other operating revenue:			
Other revenue from non-SA Government entities		891	1 671
<b>(ii) Net gain (loss) from disposal of assets</b>			
Land and buildings:			
Net proceeds (expenses) from disposal		(2)	444
Net book value of assets disposed	15	(22)	(289)
Net gain (loss) from disposal of land and buildings		(24)	155
 Plant and equipment:			
Net proceeds (expenses) from disposal		6	179
Net book value of assets disposed	15	(1)	(186)
Net gain (loss) from disposal of plant and equipment		5	(7)
 Assets classified as held for sale:			
Net proceeds (expenses) from disposal		-	303
Net book value of assets disposed		-	(340)
Net gain (loss) from disposal of assets held for sale		-	(37)
 Total assets:			
Net proceeds (expenses) from disposal		4	926
Net book value of assets disposed		(23)	(815)
Net gain (loss) from disposal of total assets		(19)	111
<b>(iii) Charging as expenses</b>			
Harvesting and transport costs		42 524	37 366
Interest and guarantee fee paid or payable <sup>(1)</sup>	19	2 564	2 494
Depreciation of non-current assets	15	2 023	2 311
Amortisation	16	244	154
Rental expense on property operating leases		37	104
Consultants <sup>(2)</sup>		53	5
Total other expenses related to SA Government entities		3 628	3 361
 (1) To or from SA Government entities. (2) Includes payments to one (one) consultant.			

**6. Income tax equivalent**

SAFC uses the accounting profits model to calculate the income tax equivalent payment, in accordance with TI 22. Under the accounting profits model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net result from operations determined in accordance with AASB 101.

- (i) The prima facie tax on operating profit is reconciled to the income tax equivalent payment provided in the accounts as follows:

*Income tax equivalent*

Accounting for income tax for the 2011 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State tax equivalent regime (STER) and the applicable accounting standards (refer note 2, not including AASB 112).

<i>Income tax equivalent (continued)</i>	2011	2010
Prima facie tax equivalent at 30 percent of trading profit before revaluation of standing timber <sup>(1)</sup> less Fire Insurance Fund contributions <sup>(2)</sup>	\$'000	\$'000
	14 288	13 737
Income tax expense	<u>14 288</u>	<u>13 737</u>

- (1) The Treasurer has provided SAFC with written approval to exclude gains and losses relating to standing timber revaluations from the accounting profit before SAFC calculates its income tax equivalent payment.
- (2) The contributions to the Fire Insurance Fund, which equate to \$643 000 (\$451 000) are treated as expenses for tax equivalent purposes.

(ii) The income tax equivalent expense comprises amounts set aside as:	2011	2010
Income tax equivalent expense	\$'000	\$'000
Paid during financial year related to financial year	14 288	13 737
Income tax equivalent payable as at 30 June	<u>(10 296)</u>	<u>(10 879)</u>
	<u>3 992</u>	<u>2 858</u>

## 7. Employee benefits

Salaries and wages	11 002	11 755
Long service leave	577	535
Annual leave	969	971
Employment on-costs - superannuation	1 754	1 750
TVSP	367	195
Employment on-costs - other	769	821
	<u>15 438</u>	<u>16 027</u>

### TVSPs

Amount paid to these employees, included in the above amounts:

TVSP	367	195
Annual leave and long service leave balance paid	138	33
	<u>505</u>	<u>228</u>

The number of employees who were paid TVSPs during the reporting period was 4 (2).

## 8. Auditor's remuneration

Amount received, or due and receivable, by the auditors for auditing the accounts	<u>108</u>	<u>106</u>
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## 9. Cash and cash equivalents

Cash	3	1
Deposit account - SAFC	26 190	12 940
Fire Insurance Fund	18 562	-
	<u>44 755</u>	<u>12 941</u>

During the reporting year the Fire Insurance Fund's assets were transferred from a 12 month term deposit to a cash management fund, available at call (refer note 10).

### Cash flows

(i) <i>Reconciliation of cash and cash equivalents at 30 June</i>	2011	2010
Cash and cash equivalents as per Statement of Financial Position	\$'000	\$'000
Cash and cash equivalents as per Statement of Cash Flows	44 755	12 941
	<u>44 755</u>	<u>12 941</u>
(ii) <i>Reconciliation of net profit after income tax equivalent payments to net cash flows from operating activities</i>		
Net profit after income tax equivalents	<u>(16 188)</u>	<u>113 086</u>
Other reconciling movements:		
Net change in value of standing timber - harvested purchased timber	869	-
Net change in value of standing timber - other	50 171	(80 581)
Loss (Gain) on revaluation of land	342	4 157
Loss (Gain) on property, plant and equipment valuation (not land)	25	-
Depreciation and amortisation	2 267	2 464
Other asset transactions	-	(265)
Loss (Gain) on sale of assets	19	(111)
	<u>53 693</u>	<u>(74 336)</u>

(ii) <i>Reconciliation of net profit after income tax equivalent payments to net cash flows from operating activities (continued)</i>	2011	2010
	\$'000	\$'000
Changes in operating assets and liabilities:		
Decrease (Increase) in debtors	2 410	(4 812)
Decrease (Increase) in GST receivable	(21)	(4)
Decrease (Increase) in interest receivable	(225)	34
Decrease (Increase) other debtors and prepayments	(99)	(128)
Decrease (Increase) in inventories	(1 405)	(180)
Increase (Decrease) in trade creditors	678	(512)
Increase (Decrease) in GST payable	(96)	28
Increase (Decrease) in employee provisions	(64)	728
Increase (Decrease) in income tax equivalent payable	1 134	772
Increase (Decrease) in other creditors	149	(258)
Net cash flows from changes in operating balances	2 461	(4 332)
Net cash flows from operating activities	39 966	34 418

**10. Other financial assets**

General account term deposit	-	10 000
Fire Insurance Fund term deposit	-	17 836
	-	27 836

During the reporting year the Fire Insurance Fund's assets were transferred from a 12 month term deposit to a cash management fund, available at call.

**11. Receivables**

Current:

Trade receivables	17 553	19 172
Other receivables	-	789
Accrued revenue	241	166
Prepayments	386	139
	18 180	20 266

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 until after 30 days. 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.

For details of credit and interest rate risks refer note 26.

As at 30 June 2011 \$3.7 million of trade receivables were overdue (\$5.4 million).

SA Government receivables:	2011	2010
	\$'000	\$'000
Trade debtors	12	25
Other than trade receivables	208	936
	220	961
Non-SA Government receivables:		
Trade debtors	17 540	19 147
Other than trade receivables	420	158
	17 960	19 305

**12. Inventories**

Current:

Roading rubble	106	91
Materials and stores	317	354
Nursery stock - trees	1 163	-
Nursery stock - seeds	263	-
	1 849	445

<b>13. Assets classified as held for sale</b>	2011	2010
Non-current assets classified as held for sale:	\$'000	\$'000
Land and buildings	413	243
	<u>413</u>	<u>243</u>
<b>14. Standing timber</b>		
Opening balance	767 769	685 986
New plantings	1 808	5 432
Harvesting	(84 994)	(77 961)
Inventory update increase	1 622	10 172
Physical changes (ie growth)	75 886	72 488
Price changes	(44 493)	70 450
Net change recorded in Statement of Comprehensive Income	(50 171)	80 581
New standing timber acquisitions	3 866	1 202
Purchased standing timber harvested	(869)	-
Closing balance	<u>720 595</u>	<u>767 769</u>
The standing timber comprises the following:		
Fair value:		
Mature forest	672 511	719 545
Young forest	48 084	48 224
Total fair value	<u>720 595</u>	<u>767 769</u>
Volume:		
	2011	2010
	'000 m <sup>3</sup>	'000 m <sup>3</sup>
Mature forest	19 415	19 021
Young forest	982	984
Total volume	<u>20 397</u>	<u>20 005</u>
Area:		
	2011	2010
	ha	ha
Mature forest	62 386	61 674
Young forest	25 683	26 014
Total area	<u>88 069</u>	<u>87 688</u>
Current asset:		
	2011	2010
	\$'000	\$'000
Current portion of standing timber valuation	82 345	85 181
Non-current asset:		
Non-current portion of standing timber valuation	<u>638 250</u>	<u>682 588</u>

***Proposed forward sale of SAFC's forest rotations***

The SA Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the Green Triangle. The transaction envisaged includes the sale of standing timber in the Green Triangle region at the time of the transaction, however excludes standing timber in the Mount Lofty Ranges and Mid-North regions, all land, the SAFC entity, operational management of the Green Triangle estate for an initial period, SAFC staff and carbon and water rights. The proposed sale is subject to a range of conditions including achievement of an acceptable price and agreement of the purchaser to the proposed terms of the sale which include a range of restrictions on future management of the Green Triangle estate.

SAFC considers that the criteria specified in AASB 5 have not been met at 30 June 2011 and accordingly the non-current Green Triangle standing timber has not been reclassified as a held for sale current asset. This is on the basis that an active program to locate a buyer and complete the sale had not yet been initiated and active marketing of the forward sale had not yet commenced, meaning that the proposed sale could not be classified as highly probable at that date as defined in AASB 5.

**15. Property, plant and equipment**

	Land	Buildings & structures	Roads & land imprvmnts	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>					
As at 1 July 2010, net of accumulated depreciation and impairment	513 881	9 809	4 828	16 329	544 847
Additions	6 656	307	626	1 041	8 630
Disposals	-	(40)	-	(15)	(55)
Assets reclassified as assets held for sale	(14)	(156)	-	-	(170)
Revaluation increments	4 773	2 483	-	-	7 256
Revaluation decrements	(732)	(575)	-	-	(1 307)
Depreciation charge for the year	-	(439)	(349)	(1 235)	(2 023)
Transfers within asset classes	-	1 157	34	(1 191)	-
Net of accumulated depreciation and impairment	524 564	12 546	5 139	14 929	557 178
<b>At 1 July:</b>					
Cost or fair value	513 881	11 089	8 314	27 192	560 476
Accumulated depreciation and impairment	-	(1 280)	(3 486)	(10 863)	(15 629)
Net carrying amount	513 881	9 809	4 828	16 329	544 847
<b>At 30 June:</b>					
Cost or fair value	524 564	12 556	8 827	26 498	572 445
Accumulated depreciation and impairment	-	(10)	(3 688)	(11 569)	(15 267)
Net carrying amount	524 564	12 546	5 139	14 929	557 178
<b>2010</b>					
As at 1 July 2009, net of accumulated depreciation and impairment	477 734	10 119	4 489	15 965	508 307
Additions	1 935	89	660	2 164	4 848
Disposals	(266)	(23)	(3)	(183)	(475)
Assets reclassified to assets held for sale	(23)	-	-	-	(23)
Revaluation increments	44 535	-	-	-	44 535
Revaluation decrements	(10 034)	-	-	-	(10 034)
Depreciation charge for the year	-	(376)	(318)	(1 617)	(2 311)
Net of accumulated depreciation and impairment	513 881	9 809	4 828	16 329	544 847
<b>At 1 July 2009:</b>					
Cost or fair value	477 734	11 149	7 660	26 411	522 954
Accumulated depreciation and impairment	-	(1 030)	(3 171)	(10 446)	(14 647)
Net carrying amount	477 734	10 119	4 489	15 965	508 307
<b>At 30 June 2010:</b>					
Cost or fair value	513 881	11 089	8 314	27 192	560 476
Accumulated depreciation and impairment	-	(1 280)	(3 486)	(10 863)	(15 629)
Net carrying amount	513 881	9 809	4 828	16 329	544 847

**Revaluation of land and buildings and structures**

SAFC uses the services of the Valuer-General in South Australia and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amounts for which the asset could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2011 (30 June 2010).

In 2011 SAFC engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluation is 30 June 2011.



**Fair value of roads and land improvements and plant and equipment**

The roads and land improvements and plant and equipment asset classes contain no single asset with a purchase price (regarded as the fair value at the time of acquisition) of over \$1 million. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value.

If land and buildings and structures were measured using the cost model the carrying amounts would be as follows:

	Land \$'000	Buildings & structures \$'000	Roads & land imprvmnts \$'000	Plant & equipment \$'000	Total \$'000
At 30 June 2011:					
Cost	53 381	8 554	8 827	26 498	97 260
Accumulated depreciation and impairment	(8 500)	(1 334)	(3 688)	(11 569)	(25 091)
Net carrying amount	44 881	7 220	5 139	14 929	72 169
At 30 June 2010:					
Cost	46 726	8 443	8 314	27 192	90 675
Accumulated depreciation and impairment	(7 923)	(1 280)	(3 486)	(10 863)	(23 552)
Net carrying amount	38 803	7 163	4 828	16 329	67 123

The carrying value of plant and equipment held under finance leases at 30 June 2011 is \$nil (\$nil).

Leasehold improvements are included in plant and equipment.

Included in the roads and land improvements and plant and equipment at 30 June 2011 and 30 June 2010 are some plant and improvements in the course of construction.

**Impairment**

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2011.

**16. Intangible assets**

The intangible assets consist of software for operational systems and water licences. SAFC has no contractual commitments for the acquisition of intangible assets.

Computer software:	2011 \$'000	2010 \$'000
As at 1 July, net of accumulated amortisation and impairment	536	405
Additions	127	285
Amortisation charge for the year	(244)	(154)
Total computer software, net of accumulated amortisation and impairment	419	536
As at 30 June:		
Cost or fair value	1 808	1 681
Accumulated amortisation and impairment	(1 389)	(1 145)
Net carrying amount	419	536
Water licences:		
As at 1 July, net of accumulated amortisation and impairment	213	-
Additions	112	213
Total water licences, net of accumulated amortisation and impairment	325	213
As at 30 June:		
Cost or fair value	325	213
Accumulated amortisation and impairment	-	-
Net carrying amount	325	213

<b>17. Payables</b>	2011	2010
Current:	\$'000	\$'000
Trade payables	7 444	6 656
Accrued expenses	737	904
Deposits held	59	22
Employee benefit on-costs	353	325
	<u>8 593</u>	<u>7 907</u>
Non-current:		
Employee benefit on-costs	491	477
	<u>491</u>	<u>477</u>
SA Government payables:		
Trade payables	256	270
Accrued expenses	212	193
	<u>468</u>	<u>463</u>
<b>18. Employee benefits</b>		
Current:		
Accrued salaries and wages	505	776
Long service leave	448	431
Annual leave	781	767
	<u>1 734</u>	<u>1 974</u>
Non-current:		
Long service leave	2 602	2 520
	<u>2 602</u>	<u>2 520</u>
The total current and non-current employee benefits and employee benefit on-costs for 2011 is \$5.2 million (\$5.3 million). Employee benefit related on-costs are disclosed as payables.		
<b>19. Interest bearing loans</b>		
Current:		
Unsecured <sup>(1)</sup>	7 172	2 926
	<u>7 172</u>	<u>2 926</u>
Non-current:		
Unsecured <sup>(1)</sup>	29 517	30 626
	<u>29 517</u>	<u>30 626</u>
(1) SAFC's loans are provided by SAFA and are unsecured.		
Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 26.		
Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (18 March 2019).		
<b>20. Deferred income</b>	2011	2010
Current:	\$'000	\$'000
Deferred income	841	1 006
	<u>841</u>	<u>1 006</u>
Non-current:		
Deferred income	605	316
	<u>605</u>	<u>316</u>
SA Government:		
Deferred income	214	235
	<u>214</u>	<u>235</u>
<b>21. Other provisions</b>		
Current:		
Workers compensation	123	111
	<u>123</u>	<u>111</u>
Opening balance	111	95
Payments	(111)	(95)
Increments (Decrements) in provision	123	111
Closing balance	<u>123</u>	<u>111</u>

<b>21. Other provisions (continued)</b>	2011	2010
Non-current:	\$'000	\$'000
Workers compensation	414	358
	<hr/>	<hr/>
Opening balance	358	268
Payments	(200)	(827)
Increments (Decrements) in provision	256	917
Closing balance	<hr/> 414	<hr/> 358

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

## 22. Equity

Equity represents the residual interest in the net assets of SAFC. The SA Government holds the equity interest in the Corporation on behalf of the community.

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for standing timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. SAFC declared dividends of \$26.5 million (\$31.1 million). This included an adjustment for prior year overpaid dividends of \$2.1 million (prior year underpayment of \$155 000). Based on the above agreement SAFC will include an adjustment increasing the 2011-12 interim dividend by \$1.4 million. In accordance with AASB 110 this amount has not been recognised in the 2010-11 financial statements.

<b>23. Commitments and contingencies</b>	2011	2010
(a) <b>Commitments</b>	\$'000	\$'000
(i) <i>Operating lease commitments</i>		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	523	623
Due later than one year but not later than five years	336	307
Total operating lease commitments	<hr/> 859	<hr/> 930

These operating lease commitments are not recognised in the financial statements as liabilities.

(ii) <i>Remuneration commitments</i>		
Due not later than one year	3 460	3 147
Due later than one year but not later than five years	6 042	1 983
Total remuneration commitments	<hr/> 9 502	<hr/> 5 130

The remuneration commitments relate to employee agreements SAFC has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures provide an indicative amount.

(iii) <i>Other commitments</i>	2011	2010
	\$'000	\$'000
Due not later than one year	24 231	27 463
Due later than one year but not later than five years	21 119	35 919
Total other commitments	<hr/> 45 350	<hr/> 63 382

SAFC's contracting commitments are for agreements for the harvesting and transport of log, silvicultural services and other commitments. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures only provide an indicative amount.

SAFC has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

## (b) Contingent liabilities

### *Defined benefit plans - South Australian Superannuation Board payments*

SAFC and the SA Superannuation Board entered into an arrangement at the time of incorporation of SAFC to allow officers and employees of SAFC, who were immediately before incorporation of SAFC contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988*.

*Defined benefit plans - South Australian Superannuation Board payments (continued)*

SAFC was notified by the SA Superannuation Board in 2009 of a \$5.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2009, requiring additional contributions over 15 years. The previous 2006 actuarial assessment indicated a deficit of \$2.5 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed \$497 000 (\$478 000) being the amount payable during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

**(c) Contingent assets**

Various banks have issued bank guarantees for SAFC customers to SAFC, which form a security in case of default on payment.

*South Australian 'Productivity Places for Existing Workers Program'*

SAFC administers a training scheme on behalf of the Minister for Employment, Training and Further Education. The Program aims to reduce skill shortages and to increase the number of people with qualifications.

SAFC holds cash until the registered training organisation has delivered the required training objectives. In 2011 SAFC held \$59 000 in cash (\$22 000).

	2011	2010
	\$'000	\$'000
Summary of cash flows:		
Cash at 1 July	22	-
Net funds received (paid)	37	22
Cash at 30 June	59	22

**24. Executive disclosures****(a) Details of key management personnel***Executive*

B Farmer	Chief Executive	to 5 November 2010
P Fuss	Executive General Manager - Human Resources	to 24 September 2010
A Hatch	General Manager - Sales	appointed 1 January 2011 previously Manager Sales GT
W Materne	Chief Financial Officer	
J O'Hehir	General Manager - Planning and Development	
I Robertson	Chief Executive	appointed 6 November 2010
	Executive General Manager - Operations	to 5 November 2010
G Saunder	General Manager - Operations	appointed 1 January 2011 previously Manager Operations GT

**(b) Compensation of key management personnel**

	2011	2010
	\$'000	\$'000
Short-term employee benefits paid or due and payable to or on behalf of key management personnel	900	842
Superannuation benefits paid or due and payable to or on behalf of key management personnel	93	88
Total	993	930

**(c) Compensation of employees whose income was over the base executive remuneration level**

	2011	2010
	Number	Number
The number of employees whose income was within the following bands:		
\$127 500 - \$130 699*	-	1
\$130 700 - \$140 699	2	2
\$140 700 - \$150 699	2	1
\$150 700 - \$160 699	1	-
\$180 700 - \$190 699	-	1
\$190 700 - \$200 699	1	-
\$200 700 - \$210 699	-	1
\$230 700 - \$240 699	1	-
\$240 700 - \$250 699	-	1
Total	7	7

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

**(c) Compensation of employees whose income was over the base executive remuneration level (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, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.1 million (\$1.2 million).

In accordance with the revised APF II, SAFC has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by seven for 2011 (five).

**25. Directors and related party disclosures**

The following persons held the position of director of the Corporation during the financial year:

J Ross - Chairman	G Foreman
K Adams	J Obst (nee Meeking)
S Duncan	

Transactions between SAFC and its directors are made at arm's length. There have been no such transactions in the financial year (\$nil).

<i>Directors' remuneration</i>	2011	2010
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	\$'000 198	\$'000 198
Superannuation benefits paid or due and payable to or on behalf of directors	18	18
Total	<u>216</u>	<u>216</u>

	2011	2010
The number of directors whose income was within the following bands:	Number	Number
\$10 000 - \$19 999	-	2
\$30 000 - \$39 999	2	1
\$40 000 - \$49 999	2	2
\$50 000 - \$59 999	1	1

**26. Financial instruments****(i) Credit risk exposures**

The credit risk on financial assets of the economic entity which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any doubtful debts.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 82 percent of transactions for the financial year were transactions with the six largest of SAFC's customers (86 percent).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts
- a risk assessment process is used for customers with balances over \$10 000
- bank guarantees are obtained for specific customers (refer note 23)
- interest is charged on overdue balances.

**(ii) Foreign currency risk exposures**

As at 30 June 2011 SAFC has no direct exposure to foreign currencies.

**(iii) Interest rate risk exposures**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 1.5 percent on the daily balance of the outstanding loan amounts (0.75 percent). The guarantee fee from 1 July 2011 is 1.5 percent.

**(iii) Interest rate risk exposures (continued)**

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2011 Total \$'000	2010 Total \$'000
			1 year or less \$'000	1-5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	44 755	-	-	-	-	44 755	12 941
Other financial assets	-	-	-	-	-	-	27 836
Receivables <sup>(1)</sup>	3 568	14 226	-	-	-	17 794	20 127
	<u>48 323</u>	<u>14 226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62 549</u>	<u>60 904</u>
Weighted average interest rate (percent)	5.44		-	-	-		
Financial liabilities:							
Interest bearing loans <sup>(2)</sup>	3 259	-	8 993	21 795	9 870	43 917	42 978
Payables <sup>(3)</sup>	-	8 182	-	-	-	8 182	7 560
	<u>3 259</u>	<u>8 182</u>	<u>8 993</u>	<u>21 795</u>	<u>9 870</u>	<u>52 099</u>	<u>50 538</u>
Weighted average interest rate (percent) including guarantee fee	7.15		7.79	7.49	8.29		
Net financial assets (liabilities)	<u>45 064</u>	<u>6 044</u>	<u>(8 993)</u>	<u>(21 795)</u>	<u>(9 870)</u>	<u>10 450</u>	<u>10 366</u>

- (1) Other than prepayments.  
(2) Based on contractual undiscounted cash flows.  
(3) Other than employee on-costs.

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of SAFC. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

All financial assets and liabilities have been recognised at the balance date at their net fair value, except for the following:

	Carrying amount		Net fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial liabilities:				
Interest bearing loans	36 689	33 552	35 834	34 975

**(iv) Financial liabilities carried at an amount in excess of net fair value**

Interest bearing loans with a carrying value of \$36.7 million (\$33.6 million) are recorded at the nominal principal amount to be settled. This is above their net fair value of \$35.8 million (\$35 million).

**(v) Net fair value of financial assets and liabilities**

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount.

*Short-term accrued revenue:* The carrying amount approximates fair value because of their short-term to maturity.

*Short-term borrowings:* The carrying amount approximates fair value because of their short-term to maturity.

*Long-term borrowings:* The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowings.

**(vi) Hedging instruments***Hedges of specific instruments*

SAFC has not entered into any hedging instruments.

**(vii) Liquidity risk**

Liquidity risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. SAFC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

# Part B

## Glossary of terms

### Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

## Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

## Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

## Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program



## Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

## Legislation

Reference	Title
ITAA	<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 <sup>1</sup>
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

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<sup>1</sup> '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.



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