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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

for the

Year ended 30 June 2005

Tabled in the House of Assembly and ordered to be published, 17 October 2005

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PART B

Volume III

By Authority: G. K. Parker, Acting Government Printer, South Australia

2005

Report of the Auditor-General 2004-05

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes I, II, III, VI and V of 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.

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia;
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

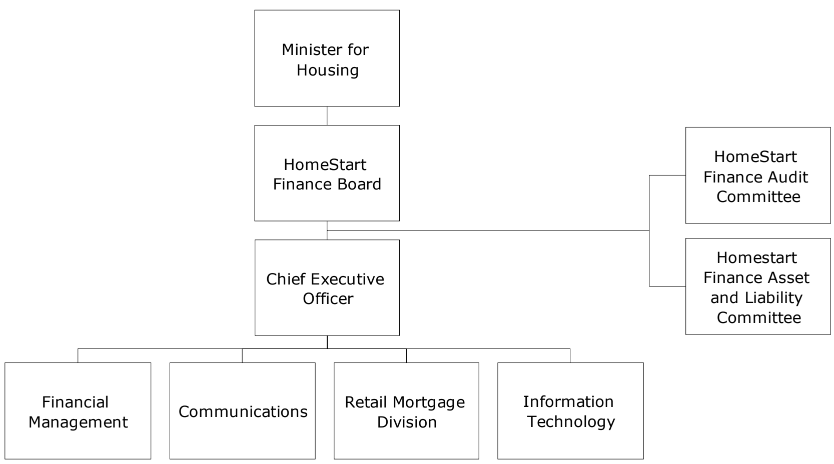
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- The management of concessional H.O.M.E. loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989.
- Management of loans advanced by the South Australian Housing Trust to enable tenants to purchase their Trust homes.

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Structure

The structure of HomeStart Finance is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of HomeStart Finance's internal controls. Specific areas in which reliance was placed on internal audit work included:

- new lending compliance
- arrears management compliance
- information technology environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of HomeStart Finance as at 30 June 2005, its financial performance and its cash flows for the year then ended.

Assessment of Controls

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

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Acting Chief Executive Officer in September 2005.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 **$'million**	2004 $'million	Percentage Change
Interest revenue	**65.4**	51.3	27
Borrowing costs	**43.8**	32.3	36
Net Interest Revenue	**21.6**	19.0	14
Other revenue	**8.8**	5.2	69
Other expenses	**24.0**	19.8	21
Profit from ordinary activities before income tax equivalents expense	**6.4**	4.4	45
Income tax equivalent expense	**1.9**	1.3	46
Profit from ordinary activities after income tax equivalents expense	**4.5**	3.1	45
ASSETS			
Housing loans and advances	**1 006.2**	802.0	25
Other assets	**35.5**	30.6	16
Total Assets	**1 041.7**	832.6	25
LIABILITIES			
Interest bearing liabilities	**899.8**	691.0	30
Other liabilities	**5.9**	5.1	16
Total Liabilities	**905.7**	696.1	30
EQUITY	**136.0**	136.5	-

Statement of Financial Performance

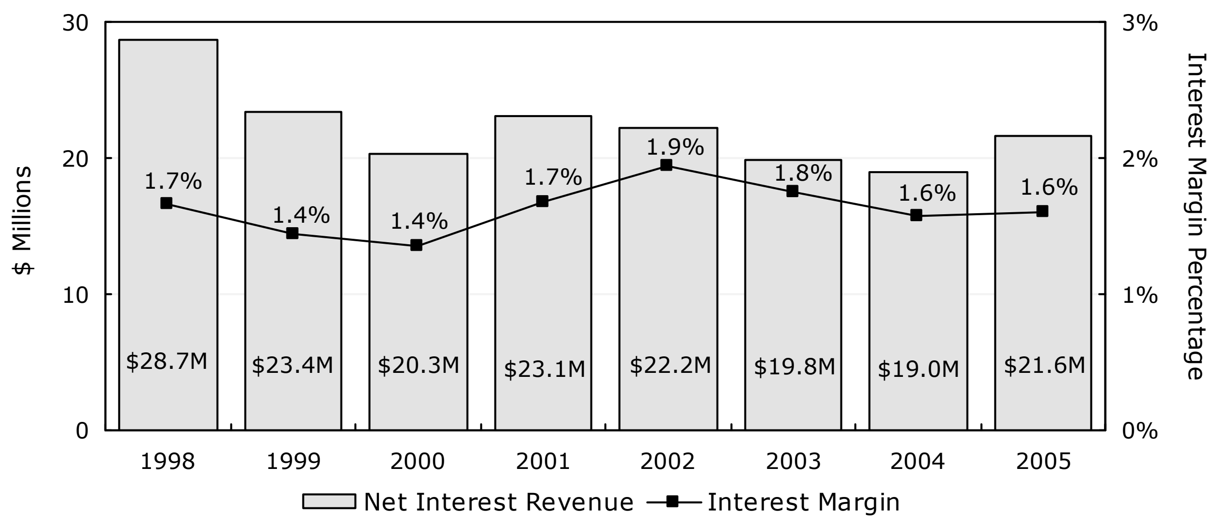
Operating Result

Profit after income tax equivalents increased to $4.5 million from $3.1 million in 2003-04. Primary factors contributing to this increase are outlined hereunder.

Net Interest Revenue

Net interest revenue increased by $2.6 million to $21.6 million. The increase was a result of an increase in lending as there was little change in interest rate margin between loans and cost of funds as demonstrated in the following chart.

Net Interest Revenue and Interest Margin



Other Expenses

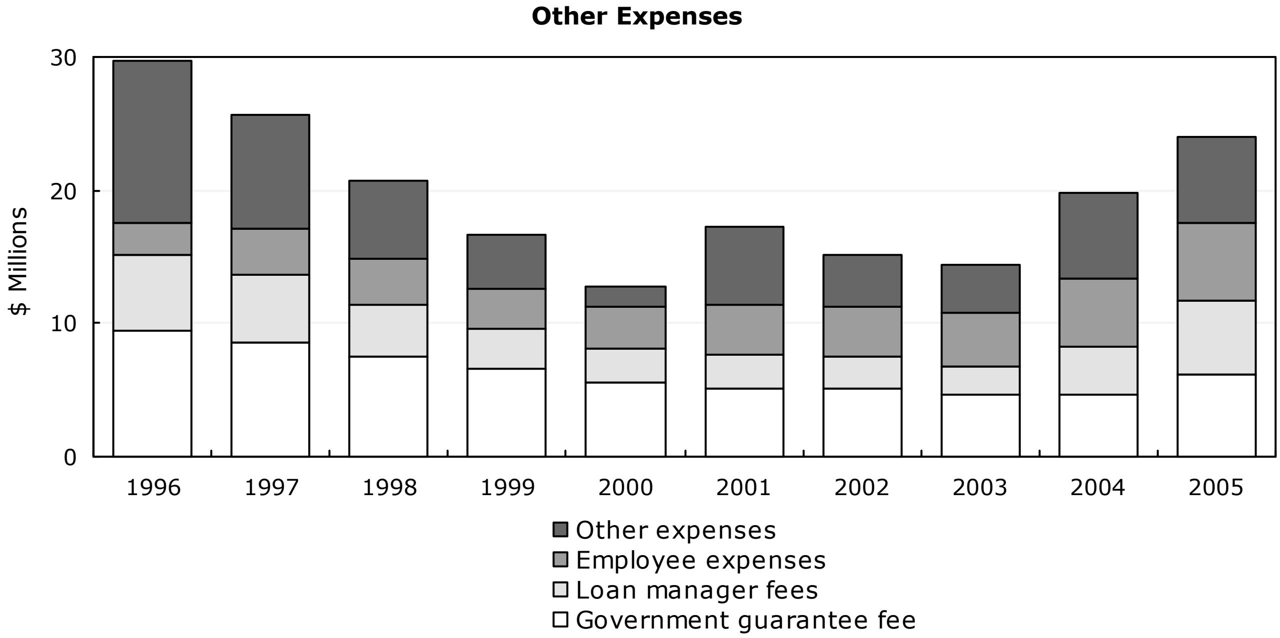
Other expenses increased by $4.2 million to $24.0 million. The increase resulted mainly from a:

- $1.8 million increase in loan manager fees due to new lending and the full year effect of a restructure of loan origination and management activities. There was an offsetting increase in fees and charges revenue (Note 6 refers).

- $0.9 million increase in employee expenses reflecting an increase in employees (Note 9 refers).

- $1.6 million increase in Government guarantee fee (Note 8 refers).

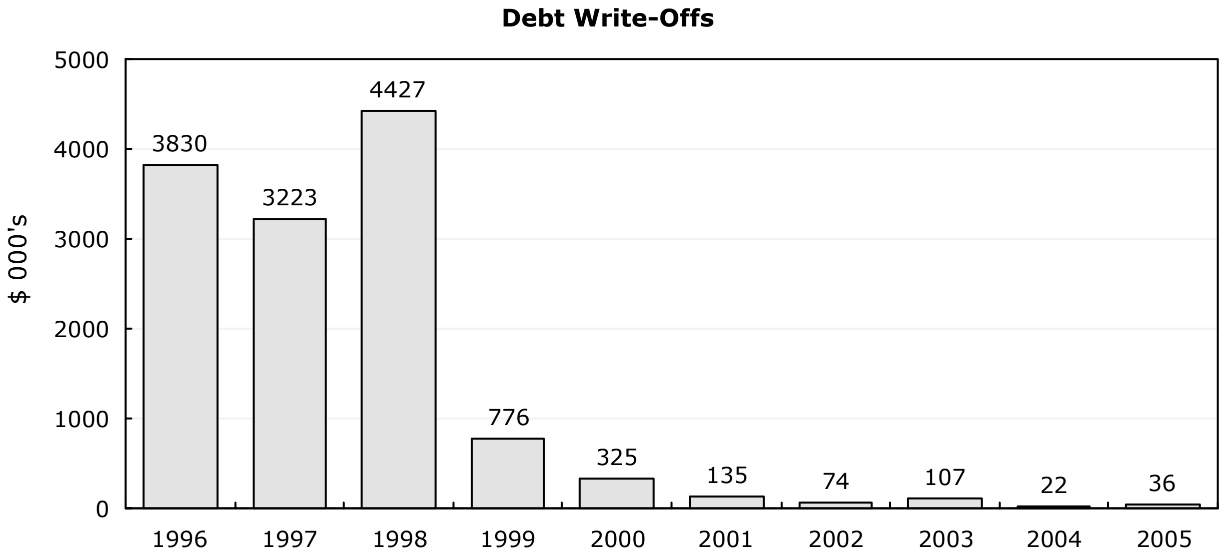
The movement in other expenses is demonstrated in the following chart.



Bad and Doubtful Debts Expense

The bad and doubtful debts expense for the year was $1.5 million, a decrease of $125 000 over the previous year. The decrease reflects the growth in the loan portfolio achieved in 2004-05 offset by HomeStart Finance decreasing the level of provision for doubtful debts as a percentage of the total loan portfolio.

While HomeStart Finance has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years as can be seen in the following chart.

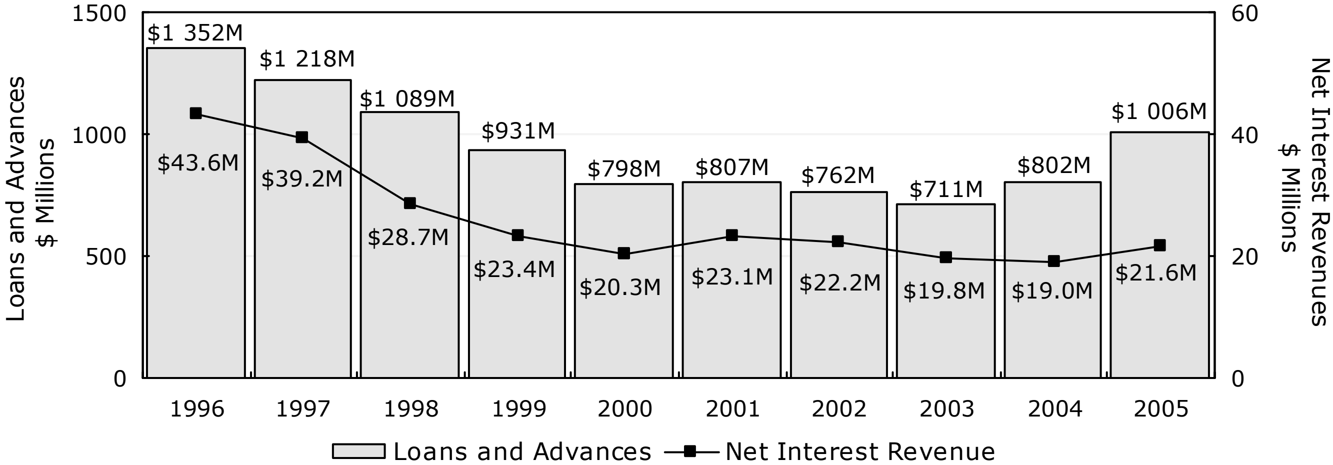


Statement of Financial Position

Loans and Advances

As mentioned, higher net interest revenue has principally been a result of the increase in lending to $1 006 million from $802 million in 2003-04. The extent of the increase in lending is demonstrated in the following chart, together with the trend in net interest revenue.

Loans and Advances and Net Interest Revenue



The increase in lending reflects a range of factors including:

- the approval of the State Government for HomeStart to grow its asset base;
- the market acceptance of new products during the year;
- the increase in property values in some areas, causing the average value of loans settled to increase thereby impacting the overall growth of the loans book.

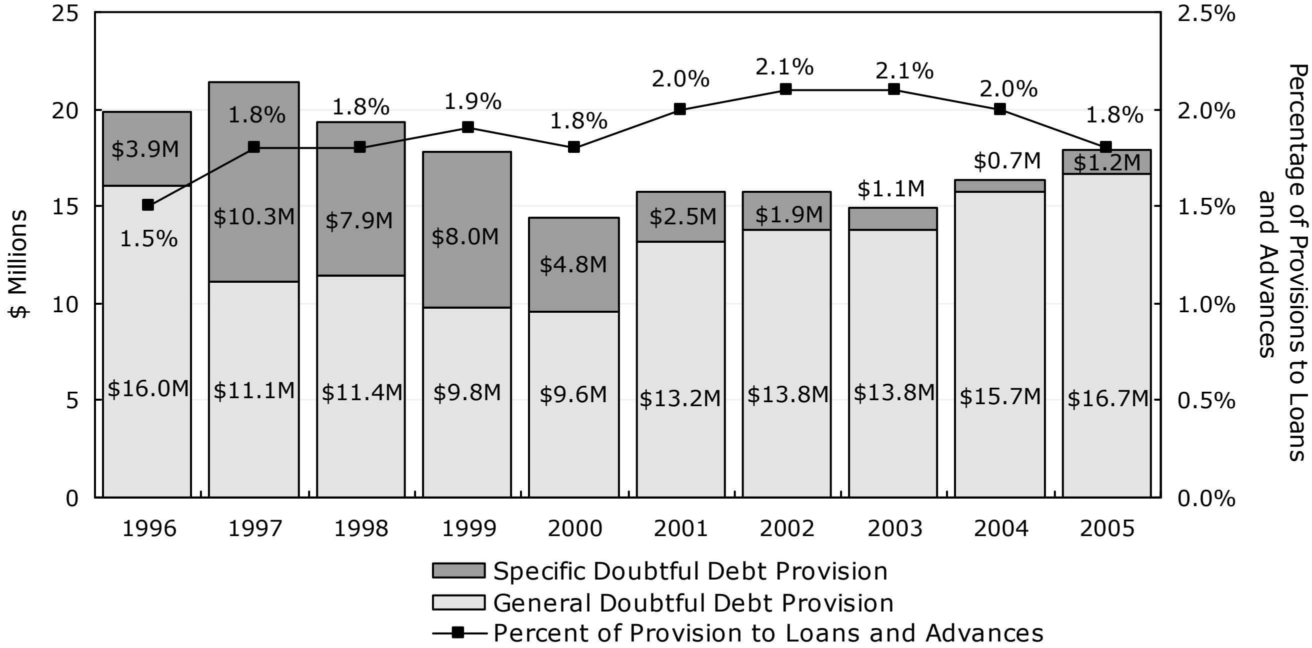
Asset Quality - Provision for Doubtful Debts

The market conditions have also influenced HomeStart Finance's provision for doubtful debts.

The total provision is comprised of two components being the specific and general provision.

- The specific provision (the estimate of potential loss exposure on identified problem loans) has increased a further $511 000 ($432 000 decrease) to $1 172 000 ($661 000) due to an increase in loans in arrears following slowing property value growth and a greater proportion of low deposit lending.
- The general provision (provision for presently unidentifiable losses that may arise in the portfolio) has increased by $907 000 to $16.7 million, reflecting the increase in total loans outstanding and decrease of the provision as a percentage of the portfolio. HomeStart Finance's projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio. Analysis in 2004-05 resulted in a reduction in the prudential margin for standard risk loans in recognition of the improved credit quality of these loans over a period of years. The prudential margin was maintained for new, low deposit lending (Note 2.9 refers).

The total provision for doubtful debts has increased by $1.4 million to $17.8 million. The following chart shows the level of the total doubtful debts provision and its composition over the past 10 years, and demonstrates that although the provision increased during the year, total provisions as a proportion of loans and advances was at a peak in 2002 and 2003 over the period.



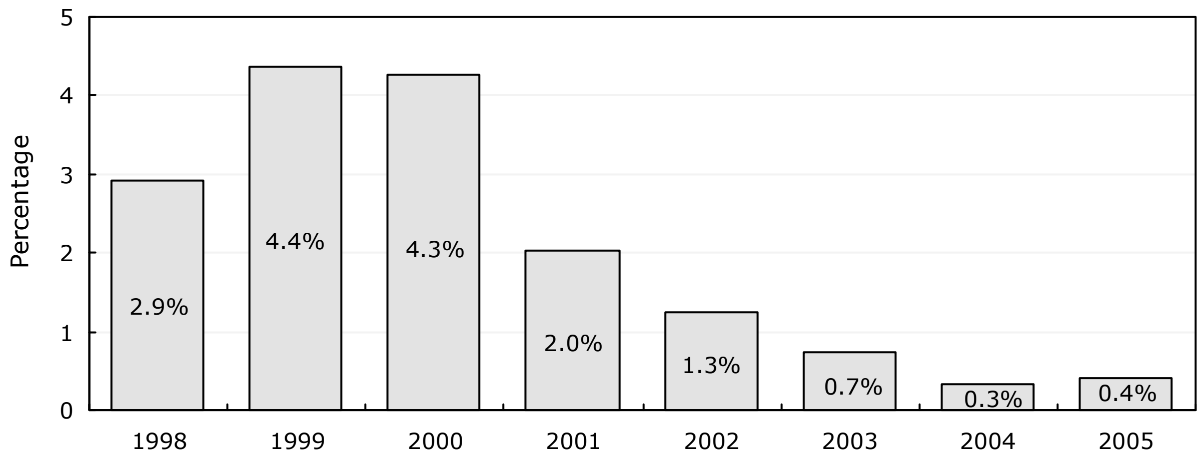
Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total Housing Loans and Advances (net of interest foregone) remains very low as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

Net Non-Accrual Loans to Total Housing Loans and Advances



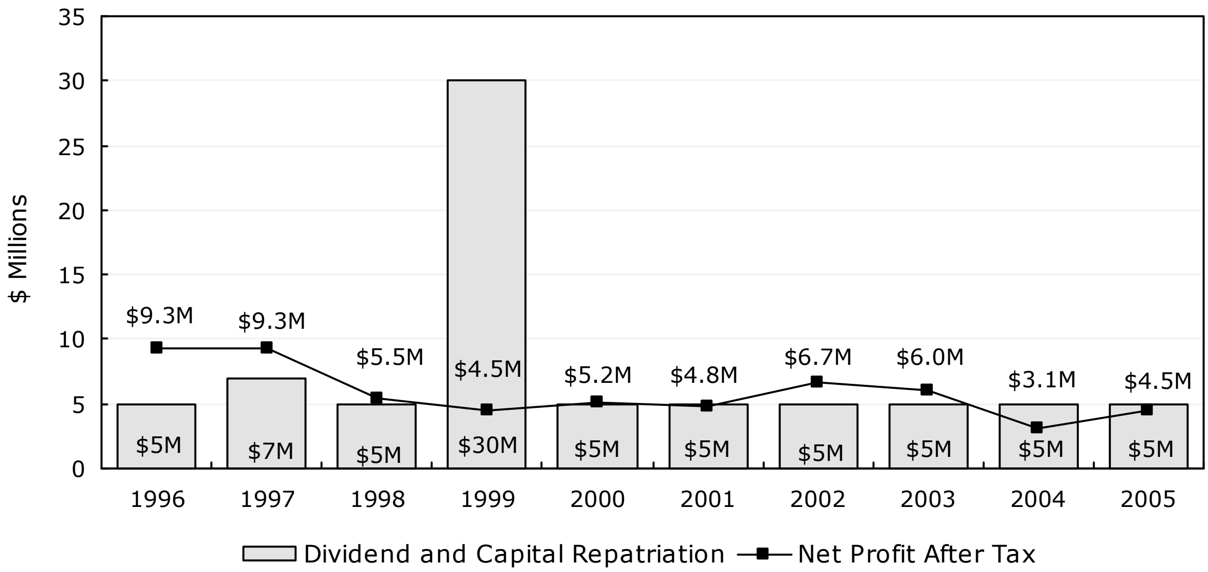
Statement of Cash Flows

Distributions to Government

HomeStart Finance has been required to maintain its distributions to the Government and in 2004-05 made a dividend payment of $1.5 million ($1 million) and a capital repatriation of $3.5 million ($4 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart Finance. It is, however, noted that the level of retained surplus at 30 June 2005 was $136.0 million ($136.5 million).

The following chart shows net profit after tax and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart Finance over the period and the consistency of contributions to Government.

Distributions to Government



In addition to these distributions, HomeStart Finance pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2004-05 was $6.2 million ($4.6 million).

HomeStart Finance is also subject to an income tax equivalent regime. The income tax expense in 2004-05 was $1.9 million ($1.3 million).

Net Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**0.5**	0.6	3.0	5.5
Investing	**(204.9)**	(93.0)	52.2	36.2
Financing	**203.8**	92.3	(54.2)	(52.7)
Change in Cash	**(0.6)**	(1.3)	1.0	11.0
Cash at 30 June	**1.3**	1.9	3.3	2.3

Most notable from the table is that the 2005 net cash inflows from financing increased by $111.5 million, offset by an increase in net cash outflows in investing of $111.9 million.

Statement of Financial Performance
for the year ended 30 June 2005

	Note	**2005** **$'000**	2004 $'000
Interest revenue	5	**65 418**	51 332
Borrowing costs	5	**43 829**	32 358
NET INTEREST REVENUE	5	**21 589**	18 974
Other revenue	6	**8 822**	5 240
Bad and doubtful debts expense	7	**(1 454)**	(1 579)
Government guarantee fee	8	**(6 155)**	(4 599)
Loan manager fees		**(5 530)**	(3 707)
Employee expenses	9	**(5 928)**	(4 985)
Depreciation and amortisation	12	**(409)**	(300)
Other expenses	13	**(4 506)**	(4 607)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENTS EXPENSE		**6 429**	4 437
INCOME TAX EQUIVALENT EXPENSE	2.4	**(1 929)**	(1 331)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENTS EXPENSE	25	**4 500**	3 106
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		**4 500**	3 106

Statement of Financial Position
as at 30 June 2005

	Note	**2005** **$'000**	2004 $'000
ASSETS:			
Cash	29	**1 290**	1 869
Investments	15	**32 930**	27 335
Housing loans and advances	16	**1 006 194**	802 042
Office and computer equipment	17	**857**	640
Other assets	18	**384**	670
Total Assets		**1 041 655**	832 556
LIABILITIES:			
Payables	19	**3 648**	3 450
Short-term interest bearing liabilities	20	**154 754**	80 700
Long-term interest bearing liabilities	20	**745 000**	610 275
Employee benefits	21	**887**	723
Tax liability	23	**1 108**	620
Other liabilities	24	**268**	298
Total Liabilities		**905 665**	696 066
NET ASSETS		**135 990**	136 490
EQUITY:			
Accumulated surplus	25	**135 990**	136 490
TOTAL EQUITY		**135 990**	136 490
Commitments for Expenditure	27		
Contingent Liabilities	28		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received on:			
Cash		**90**	17
Investments		**714**	688
Housing loans and advances		**65 259**	50 758
Fees and commissions received		**1 041**	840
Bad debts recovered		**153**	263
Other		**12**	-
Total Inflows from Operating Activities		**67 269**	52 566
CASH OUTFLOWS:			
Borrowing costs paid		**(43 781)**	(32 696)
Government guarantee fee paid		**(5 614)**	(4 599)
Payments to loan managers		**(5 494)**	(3 628)
Payments to employees		**(5 737)**	(4 733)
Payments to suppliers		**(4 624)**	(4 492)
Repayment of grant		**(18)**	(482)
Income tax equivalents paid		**(1 441)**	(2 581)
Total Outflows from Operating Activities		**66 709**	53 211
Net Cash Inflows (Outflows) from Operating Activities	29.2	**560**	(645)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Customer loans repaid		**184 707**	209 158
Proceeds on sale of office and computer equipment		**11**	3
Total Inflows from Investing Activities		**184 718**	209 161
CASH OUTFLOWS:			
Customer loans settled		**(385 961)**	(298 935)
Payments for investments		**(3 041)**	(2 879)
Payments for office and computer equipment		**(634)**	(375)
Total Outflows from Investing Activities		**(389 636)**	(302 189)
Net Cash Outflows from Investing Activities		**(204 918)**	(93 028)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**1 182 800**	1 045 500
Other		**-**	8
Total Inflows from Financing Activities		**1 182 800**	1 045 508
CASH OUTFLOWS:			
Repayment of borrowings		**(974 021)**	(948 216)
Repayment of capital		**(3 515)**	(3 975)
Dividends paid		**(1 485)**	(1 025)
Total Outflows from Financing Activities		**(979 021)**	(953 200)
Net Cash Inflows from Financing Activities		**203 779**	92 292
NET DECREASE IN CASH HELD		**(579)**	(1 381)
CASH AT 1 JULY		**1 869**	3 250
CASH AT 30 JUNE	29.1	**1 290**	1 869

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance

The role of HomeStart Finance is to operate in a commercial manner to:

- develop, market and manage home finance and housing initiatives.
- increase home ownership opportunities as a choice for lower-income households in South Australia.

HomeStart Loan

HomeStart provides home loans to lower income households and other needs groups with income linked and CPI indexed repayments. The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2005 was $988.1 million ($782.4 million).

Subsidies

HomeStart provides subsidised loans of up to $26 000 to lower income earners. The Advantage Loan has an interest rebate period of five years, after which the interest is indexed to the CPI. The outstanding value of Advantage Loans at 30 June 2005 was $36.3 million ($35.9 million).

In providing these loans HomeStart incurred a direct cost of subsidy estimated to be $2.1 million on the funds lent ($2 million). HomeStart does not receive any funding with respect to this subsidy.

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

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia.

HomeStart's Statement of Financial Performance and Statement of Financial Position 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.

2.2 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.3 Rounding

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

2.4 Taxation

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, HomeStart is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (30 percent) be applied to the net profit after extraordinary items.

HomeStart is liable for payroll tax, fringe benefits tax and goods and services tax.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by HomeStart as a purchaser, that is not recoverable from the Australian Taxation Office (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.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

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

2.5 *Revenue and Expenses*

Revenue and expenses are recognised in HomeStart's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenue and expenses have been classified according to their nature in accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered.

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken into account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual basis only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

Advantage Loan interest income is rebated if the loan is paid off within five years, otherwise interest income accumulated from inception is recognised as earned after five years and then as it accrues.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Other non-interest income is recognised when earned or recovered.

2.6 *Assets and Liabilities*

HomeStart is a financial institution as defined by Accounting Standard AASB 1032 'Specific Disclosures by Financial Institutions'. Accordingly, assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not required to be presented separately.

2.7 *Cash*

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

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

2.8 *Investments*

Investments in managed funds, regardless of their composition, are reflected in the financial statements at their market value at each balance date, which approximates their fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Statement of Financial Performance.

Investments in financial instruments such as bank accepted bills and cash are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.

2.9 *Housing Loans and Advances*

Housing loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to portfolios where specific identification is impracticable.

Specific Provision

The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed $3 000; or
- repayment reductions have been negotiated; or
- in other cases where HomeStart is taking action to manage the loan; or
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision
This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart Loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:
- the profile of past loan losses from the portfolio;
- changes to risk levels of the portfolio – for example due to changes in new business;
- the outlook for interest rates, the housing market and other key economic trends.

HomeStart uses internal projections and external actuary assessment of loan loss history to determine its general provision requirement.

A prudential margin has been included to provide sufficient confidence that the provision is adequate, reflecting the inherent uncertainty in assumptions made in relation to loss forecasts and loan portfolio risks. The prudential margin for 2005 averages 27 percent (50 percent) following review during the year. The prudential margin was reduced to 20 percent for standard lending with a 50 percent allowance maintained for loans with higher risk characteristics.

Bad and Doubtful Debts
All bad and doubtful debts are written off in the period in which they are identified. The write off of debts over $20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

2.10 Non-Current Asset Acquisition and Recognition
Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

HomeStart capitalises all non-current physical assets with a value of $500 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

2.11 Revaluation of Non-Current Assets
In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets':
- All non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation).
- Revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

If at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued.

2.12 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 other office and computer equipment.

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

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

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

Class of Asset	Depreciation Method	Useful Life (Years)
Leasehold improvements	Straight line	5
Other office and computer equipment	Straight line	3-5

2.13 Intangible Assets
The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of expenditure is greater than or equal to $500, in accordance with Accounting Policy Statement 2 'Asset Recognition', paragraph 24.

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

Costs in relation to web site development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a web site to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.14 Payables
Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after HomeStart Finance 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.

HomeStart makes contributions to various superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur.

2.15 Interest Bearing Liabilities
Interest bearing liabilities are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Payables.

2.16 Employee Benefits
These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

The liability for long service leave is recognised and measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the HomeStart experience of employee retention and leave taken.

2.17 Derivative Financial Instruments
HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk.

Derivative financial instruments are not held for speculative purposes.

The net amount receivable or payable under interest rate swap agreements, and realised losses and gains on forward rate agreements and futures contracts, are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense during the period.

2.18 Insurance
HomeStart Finance has arranged, through the South Australian Government Captive Insurance Corporation (SAICORP), to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

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

Lease incentives received by HomeStart in respect of operating leases have been recorded as a liability since the amount received as an incentive results in higher operating lease payments. The lease payments are apportioned between interest expense, repayment of the borrowing (the incentive) and lease rental expense.

3. Changes in Accounting Policies
Government/Non-Government Disclosures

In accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', HomeStart has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

4. Segment Reporting
HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net Interest Revenue

	2005	2004
Interest received/receivable from entities external to the SA Government:	**$'000**	$'000
Housing loans and advances	**65 345**	51 245
Deposits with banks	**73**	87
Total Interest Revenue - Non-SA Government Entities	**65 418**	51 332
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	**43 829**	32 358
Total Borrowing Costs - SA Government Entities	**43 829**	32 358
Net Interest Revenue	**21 589**	18 974

6. Other Revenue

Other Revenue received/receivable from entities external to the SA Government:		
Fees and charges	**5 366**	2 992
Bad debts recovered	**153**	263
Unrealised change in market value of investments	**590**	576
Managed funds distribution	**1 518**	650
Interest income from investments	**714**	654
Other	**35**	8
Total Other Revenues Received/Receivable from Entities external to the SA Government	**8 376**	5 143
Other Revenue received/receivable from entities within the SA Government:		
Realised change in market value of investments - SA Government	**446**	97
Total Other Revenue Received/Receivable from Entities within the SA Government	**446**	97
Total Other Revenue	**8 822**	5 240

7. Bad and Doubtful Debts Expense

Direct write-offs	**36**	22
Doubtful debts provisions expenses	**1 418**	1 557
Total Bad and Doubtful Debts Expense	**1 454**	1 579

8. Government Guarantee Fee

Government guarantee fee paid or payable to entity within the SA Government	**6 155**	4 599
Total Government guarantee fee paid or payable to Entity within the SA Government	**6 155**	4 599

HomeStart paid a guarantee fee of 0.75 percent (0.75 percent) of outstanding borrowings to the Department of Treasury and Finance in 2004-05.

9. Employee Expenses, Remuneration and Number of Employees

Salaries and wages	**5 023**	4 169
Charges to the provision for long service leave	**86**	57
Charges to the provision for annual leave	**61**	119
Employment on-costs - Superannuation	**470**	394
Employment on-costs - Other	**288**	246
Total Employee Expenses	**5 928**	4 985

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2005 Number of Employees**	2004 Number of Employees
$100 000 - $109 999	**2**	2
$130 000 - $139 999	**-**	2
$140 000 - $149 999	**1**	-
$150 000 - $159 999	**1**	-
$170 000 - $179 999	**-**	1
$180 000 - $189 999	**1**	-
$210 000 - $219 999	**-**	1
$220 000 - $229 999	**1**	-
	6	6

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $0.92 million ($0.86 million).

Number of Employees at the End of the Reporting Period

HomeStart employed 88 (78) people at the end of the reporting period.

10. Related Party Disclosure and Board Member Remuneration

All transactions between HomeStart and related parties are on arms length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report.

- Department for Families and Communities
- Department of Treasury and Finance
- Board members
- South Australian Government Financing Authority

The names of Board members who held office during the financial year were:

- Samuel Walters
- Jay Hogan
- Claude Long
- Stephen Mann
- Ann Darwin
- Estelle Bowman
- Sandra De Poi

No Board member has entered into a material contract with HomeStart during the financial year.

Board Members' Remuneration	**2005**	2004
The number of HomeStart Board members whose remuneration received or receivable falls within the following bands:	**Number of Members**	Number of Members
\$10 000 - \$19 999	**1**	1
\$20 000 - \$29 999	**3**	3
\$30 000 - \$39 999	**1**	1
Total Number of Board Members	**5**	5

	2005	2004
	\$'000	\$'000
Total income paid or payable or otherwise made available to all Board members of HomeStart	**130**	127

11. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

Loan Management Services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

12. Depreciation and Amortisation	**2005**	2004
Depreciation:	**\$'000**	\$'000
Office and computer equipment	**342**	271
Total Depreciation	**342**	271
Amortisation:		
Leasehold improvements	**67**	29
Total Amortisation	**67**	29
Total Depreciation and Amortisation	**409**	300

13. Other Expenses		
Other Expenses paid to entities within the SA Government:		
External auditor's remuneration	**92**	83
Insurance	**29**	14
Total Other Expenses Paid to Entities within the SA Government	**121**	97
Other Expenses paid to entities external to the SA Government:		
Office accommodation (minimum lease payments)	**363**	272
Marketing, product development and advertising	**1 456**	1 421
Internal audit fees	**154**	219
Loan administration	**174**	239
Information technology - Loan management systems	**68**	119
Information technology - Support and maintenance	**285**	300
Consultant's fees	**251**	259
Board fees	**122**	117
Human resources and staff development	**319**	281
Other	**1 193**	1 283
Total Other Expenses Paid to Entities external to the SA Government	**4 385**	4 510
Total Other Expenses	**4 506**	4 607

13. Other Expenses (continued)

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2005 Number	2005 $'000	2004 Number	2004 $'000
Below $10 000	**7**	**35**	8	20
Between $10 000 and $50 000	**6**	**142**	6	103
Above $50 000	**1**	**74**	2	136
Total Paid/Payable to the Consultants Engaged	**14**	**251**	16	259

14. Auditor's Remuneration

	2005 $'000	2004 $'000
Audit fees paid/payable to the Auditor-General's Department	**92**	83
Total Audit Fees - SA Government Entities	**92**	83

Other Services

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

15. Investments

15.1 Investments

Investment with entity within the SA Government:		
SAFA composite bond index investment (at fair value)	**6 431**	5 236
Total Investment with Entity within the SA Government	**6 431**	5 236
Investments with entities external to the SA Government:		
Bank bills (at cost)	**12 955**	13 440
Listed equities and properties funds (at fair value)	**13 544**	8 659
Total Investments with Entities external to the SA Government	**26 499**	22 099
Total Investments	**32 930**	27 335

15.2 Maturity Profile of HomeStart's Investments

At call	**13 544**	8 659
Not longer than 3 months	**12 955**	13 440
Longer than 3 months and not longer than 12 months	**6 431**	5 236
Total Investments	**32 930**	27 335

16. Housing Loans and Advances

16.1 Net Loans and Advances

Primary loans	**988 074**	782 447
Subsidised loans	**36 274**	35 924
Control accounts	**(82)**	364
Gross loans and advances	**1 024 266**	818 735
Specific provisions for impairment	**(1 172)**	(661)
Unearned income	**(242)**	(281)
	1 022 852	817 793
General provisions for impairment	**(16 658)**	(15 751)
Net Loans and Advances	**1 006 194**	802 042
Specific Provision for Doubtful Debts:		
Opening balance	**661**	1 093
Doubtful debts expense	**511**	(432)
Closing Balance	**1 172**	661
General Provision for Doubtful Debts:		
Opening balance	**15 751**	13 762
Doubtful debts expense	**907**	1 989
Closing Balance	**16 658**	15 751
Total Provision for Doubtful Debts	**17 830**	16 412

16.2 Asset Quality Disclosures

HomeStart provides for doubtful debts as described in Note 2.9. When management determines that loan recovery is doubtful, the principal amount and accrued interest on the obligations are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.

	2005 $'000	2004 $'000
Non-Accrual Loans:		
With provision	**4 977**	3 289
Without provision	**87**	417
Total Non-Accrual Loans	**5 064**	3 706

16.2 *Asset Quality Disclosures (continued)*

	2005	2004
	$'000	$'000
Specific provision	**1 137**	661
Interest foregone on non-accrual loans	**242**	281
Real Estate Acquired:		
Balance of loans at 30 June	**458**	44
Specific provision	**35**	-
Past Due Loans:		
Balance of loans at 30 June	**2 281**	4 626
Specific provision	**-**	-

The balance of housing loans and advances is shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2.9.

16.3 *Maturity Profile of HomeStart's Housing Loans and Advances*

	2005	2004
	$'000	$'000
Longer than 3 months and not longer than 12 months	**-**	1
Longer than 1 year and not longer than 5 years	**107**	77
Longer than 5 years	**1 024 159**	818 657
Total Gross Loans and Advances	**1 024 266**	818 735

The maturity distribution of housing loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart Loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period (around 60 percent of current customers will repay their loan in under 20 years).

Total loans either approved but not settled or settled but not fully drawn amounted to $35.4 million ($28.0 million).

17. Office and Computer Equipment

	2005	2004
Leasehold Improvements:	**$'000**	$'000
Leasehold improvements at cost	**273**	159
Accumulated amortisation	**(131)**	(64)
Total Leasehold Improvements	**142**	95
Other Office and Computer Equipment:		
Office and computer equipment at cost	**3 682**	3 220
Accumulated depreciation	**(2 967)**	(2 675)
Total Other Office and Computer Equipment	**715**	545
Total Office and Computer Equipment	**857**	640

	Leasehold Improve-ments $'000	Other Office and Computer Equipment $'000	**2005 Total $'000**
Carrying amount at 1 July	95	545	**640**
Additions	114	520	**634**
Disposals	-	(8)	**(8)**
Depreciation and amortisation	(67)	(342)	**(409)**
Carrying Amount at 30 June	142	715	**857**

18. Other Assets

	2005	2004
Other Assets - Entities within the SA Government:	**$'000**	$'000
Accrued interest on derivatives (SAFA)	**(1)**	339
Other	**25**	5
Total Other Assets - Entities within the SA Government	**24**	344
Other Assets - Entities external to the SA Government:		
Accrued interest on housing loans and advances	**202**	155
Accrued interest on cash at bank	**37**	54
GST recoverable	**40**	35
Prepayments	**81**	82
Total Other Assets - Entities external to the SA Government	**360**	326
Total Other Assets	**384**	670

19. Payables

	2005	2004
	$'000	$'000
Payables to entities within the SA Government:		
Creditors	-	5
Accrued administration expenses	100	94
Employment on-costs	137	110
Accrued interest payable	2 066	2 358
Accrued guarantee fee payable	541	-
Total Payables to Entities within the SA Government	**2 844**	2 567
Payables to entities external to the SA Government:		
Creditors	341	509
Accrued administration expenses	171	118
Accrued loan manager fees	292	256
Total Payables to Entities external to the SA Government	**804**	883
Total Payables	**3 648**	3 450

20. Interest Bearing Liabilities

20.1 Interest Bearing Liabilities

	2005	2004
Interest Bearing Liabilities payable to entity within the SA Government:		
Short term interest bearing borrowings	154 754	80 700
Long term interest bearing liabilities	745 000	610 275
Total Interest Bearing Liabilities Payable to Entity within the SA Government	**899 754**	690 975

20.2 Maturity Profile of HomeStart's Interest Bearing Liabilities

	2005	2004
At call	5 334	1 200
Not longer than three months	104 000	79 500
Longer than three months but not longer than one year	45 420	-
Longer than one year and not longer than five years	534 000	442 275
Longer than five years	211 000	168 000
Total Interest Bearing Liabilities	**899 754**	690 975

HomeStart sources its borrowings from the South Australian Government Financing Authority (SAFA) and is subject to a gross borrowing limit of $925 million ($825 million).

21. Employee Benefits

	2005	2004
Annual leave	281	220
Long service leave	522	436
Accrued salaries	84	67
Total Employee Benefits	**887**	723

The benchmark for the measurement of the long service leave lability is seven years.

22. Employee Benefits and Related On-Costs

	2005	2004
Accrued Salaries:		
On-costs included in payables (Note 19)	21	15
Provision for employee benefits (Note 21)	84	67
	105	82
Annual Leave:		
On-costs included in payables (Note 19)	39	30
Provision for employee benefits (Note 21)	281	220
	320	250
Long Service Leave:		
On-costs included in payables (Note 19)	77	65
Provision for employee benefits (Note 21)	522	436
	599	501
Aggregate Employee Benefits and Related On-Costs	**1 024**	833

23. Tax Liability

	2005	2004
Income tax payable to entity within the SA Government	1 108	620
Total Tax Liability Payable to Entity within the SA Government	**1 108**	620

24. Other Liabilities

	2005	2004
Other Liabilities payable to entity within the SA Government:		
Aboriginal loan security deposit	250	250
Total Other Liabilities Payable to Entity within the SA Government	**250**	250

		2005	2004
24.	**Other Liabilities (continued)**		
	Other Liabilities payable to entity external to the SA Government:	**$'000**	$'000
	Adelaide New Owners Grant	**18**	48
	Total Other Liabilities Payable to Entity external to the SA Government	**18**	48
	Total Other Liabilities	**268**	298

25.	**Accumulated Surplus**		
	Balance at 1 July	**136 490**	138 384
	Profit from ordinary activities after income tax equivalents expense	**4 500**	3 106
	Dividend paid	**1 485**	1 025
	Capital distribution	**3 515**	3 975
	Balance at 30 June	**135 990**	136 490

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995,* HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

During 2004-05, HomeStart recommended and paid a dividend of $5 million which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

26. Financial Instruments

26.1 Interest Rate Risk

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured daily and monitored by the Finance Sub-Committee on a weekly basis and the Asset and Liability Committee on a monthly basis.

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).

	2005			2004		
Interest Revenue:	**Average Balance $'000**	**Interest $'000**	**Average Interest Rate Percent**	Average Balance $'000	Interest $'000	Average Interest Rate Percent
Cash used for operating activities	**481**	**20**	**4.16**	552	18	3.26
Cash used for investing activities	**937**	**53**	**5.66**	1 296	69	5.32
Housing loans and advances	**934 765**	**65 345**	**6.99**	759 022	51 245	6.75
	736 183	**65 418**	**6.99**	760 870	51 332	6.75
Interest Expense:						
Interest on borrowings	**805 426**	**43 829**	**5.44**	626 156	32 358	5.17

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	2005						
			Fixed Interest Maturing in				
Financial Assets:	**Weighted Average Interest Rate Percent**	**Floating Interest Rate $'000**	**1 Year or Less $'000**	**1 Year to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Cash used for operating activities	**5.24**	**744**	**-**	**-**	**-**	**-**	**744**
Cash used for investing activities	**5.45**	**546**	**-**	**-**	**-**	**-**	**546**
Composite Bond Index Investment	**-**	**-**	**-**	**-**	**-**	**6 431**	**6 431**
Investment - Property and Equity	**-**	**-**	**-**	**-**	**-**	**13 544**	**13 544**
Bank Bills	**5.03**	**-**	**12 955**	**-**	**-**	**-**	**12 955**
Housing loans and advances	**7.25**	**890 990**	**35 629**	**97 644**	**-**	**3**	**1 024 266**
Other assets	**-**	**-**	**-**	**-**	**-**	**384**	**384**
		892 280	**48 584**	**97 644**	**-**	**20 362**	**1 058 870**
Financial Liabilities:							
Borrowings	**5.58**	**899 754**	**-**	**-**	**-**	**-**	**899 754**
Interest rate swaps (notional principal amounts)	**-**	**(154 000)**	**48 000**	**106 000**	**-**	**-**	**-**

26.1 Interest Rate Risk (continued)

Financial Assets:	Weighted Average Interest Rate Percent	Floating Interest Rate $'000	2004 Fixed Interest Maturing in 1 Year or Less $'000	1 Year to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Cash used for operating activities	2.64	550	-	-	-	-	550
Cash used for investing activities	5.20	1 319	-	-	-	-	1 319
Composite Bond Index Investment	-	-	-	-	-	5 236	5 236
Investment - Property and Equity	-	-	-	-	-	8 659	8 659
Bank Bills	5.43	-	13 440	-	-	-	13 440
Housing loans and advances	6.93	713 682	20 003	85 049	-	1	818 735
Other assets	-	-	-	-	-	670	670
		715 551	33 443	85 049	-	14 566	848 609
Financial Liabilities:							
Borrowings	5.43	690 975	-	-	-	-	690 975
Interest rate swaps (notional principal amounts)	-	(112 500)	28 500	84 000	-	-	-

The weighted average interest rate is calculated on the balances outstanding as at 30 June. The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

Off-Balance Sheet Derivative Instruments
Interest Rate Swaps
At 30 June 2005 HomeStart had floating/fixed swaps with a total notional value of $154 million with the fixed rates varying between 4.84 percent and 6.10 percent. This helps HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

At 30 June 2004 HomeStart had floating/fixed swaps with a total notional value of $112.5 million with the fixed rates varying between 4.84 percent and 6.11 percent. HomeStart also had floating/fixed swaps with a notional value of $20.0 million with the rates set at 30 and 180 day bank bill swap reference rate (BBSW).

26.2 Credit Risk

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts. HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower. HomeStart only lends in South Australia and is therefore only exposed to the property market in this State.

HomeStart's composite bond index investment and investments in listed property and equity funds represent exposure to the broader Australian bond, property and equities markets.

26.3 Net Fair Value

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2005 Carrying Value $'000	**2005 Net Fair Value $'000**	2004 Carrying Value $'000	2004 Net Fair Value $'000
Assets:				
Cash	**1 290**	**1 290**	1 869	1 869
Composite Bond Index Investment	**6 431**	**6 431**	5 236	5 236
Bank Bills	**12 955**	**12 955**	13 440	13 440
Housing loans and advances	**1 006 194**	**1 012 199**	802 042	805 612
Investments	**13 544**	**13 544**	8 659	8 659
Other assets	**384**	**384**	670	670
Liabilities:				
Borrowings	**899 754**	**901 176**	690 975	691 337

Cash
The carrying value of cash approximates its net fair value.

Housing Loans and Advances
The carrying value of loans and advances is net of specific and general provisions for impairment and impaired loans unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment
The net fair value of investments is based on quoted market prices.

All Other Financial Assets
The carrying values of all other financial assets approximate their net fair values.

Borrowings
The net fair value of HomeStart's borrowings was determined based on the quoted market prices.

Off-Balance Sheet Financial Instruments

The net fair value of off-balance sheet financial instruments held as at the reporting date are:	**2005** **$'000**	2004 $'000
Interest rate swaps	**(333)**	17

27. Commitments for Expenditure

27.1 Capital Commitments

HomeStart's capital commitments are for the completion of leasehold improvements at office accommodation at 153 Flinders Street.

Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**1 700**	-
Total Capital Commitments	**1 700**	-

27.2 Operating Lease Commitments

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in Note 13.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:	**2005** **$'000**	2004 $'000
Not later than one year	**704**	357
Later than one year but not later than five years	**3 678**	23
Later than five years	**-**	-
Total Operating Lease Commitments	**4 382**	380

28. Contingent Liabilities

HomeStart has no material contingent liabilities as at 30 June 2005.

29. Cash Flow Reconciliation

29.1 Reconciliation of Cash

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

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:		
Deposits at call	**744**	550
Money market deposits	**546**	1 319
Cash as Recorded in the Statement of Financial Position	**1 290**	1 869
Cash as Recorded in the Statement of Cash Flows	**1 290**	1 869

29.2 Reconciliation of Profit from Ordinary Activities after Income Tax Equivalents Expense to Net Cash Inflows (Outflows) from Operating Activities

Profit from ordinary activities after income tax equivalents expense	**4 500**	3 106
Add: Items Classified as Investing or Financing Activities:		
Gain on sale of fixed assets	**(3)**	(1)
Financial Instruments	**-**	(8)
Add: Non-Cash Items:		
Depreciation and amortisation expense	**409**	300
Unrealised change in market value of investments	**(590)**	(576)
Reinvestment of investment income	**(1 964)**	(746)
Bad debts written off	**36**	22
Unearned income on bad debts written off	**12**	5
Fees applied directly to loan accounts	**(4 325)**	(2 151)
Net Cash Outflows from Operating Activities Before Changes in Assets and Liabilities	**(1 925)**	(49)

29.2 Reconciliation of Profit from Ordinary Activities after Income Tax Equivalents Expense to Net Cash Inflows (Outflows) from Operating Activities (continued)	**2005 $'000**	2004 $'000
Change in Assets and Liabilities:		
Increase in provision for doubtful debts	**1 418**	1 557
Increase in payables	**198**	-
Increase in provision for employee benefits	**164**	119
Decrease in other liabilities	**(30)**	(701)
Decrease in unearned interest income	**(39)**	(466)
Increase (Decrease) in tax liability	**488**	(1 249)
Decrease in other assets	**286**	144
Net Cash Inflows (Outflows) from Operating Activities	**560**	(645)

30. Events After Balance Date

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, HomeStart will comply with Australian equivalents to the International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB). HomeStart will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

During the year, HomeStart has continued with its transition process from Australian GAAP to AIFRS. The transition to AIFRS is currently at the practical implementation phase and is substantially complete.

The opening AIFRS balance sheet as at 1 July 2004 has been completed as it forms the basis of accounting under AIFRS in the future and is required for the preparation of HomeStart's first fully compliant financial statements for the year ending 30 June 2006. This opening balance sheet will incorporate the choice of accounting policies available, including elective exemptions under AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'.

HomeStart has decided to apply the exemption provided in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' which permits entities not to apply the requirements of AASB 132 'Financial Instruments: Presentation and Disclosures' and AASB 139 'Financial Instruments: Recognition and Measurement' for the financial year ended 30 June 2005.

In accordance with the requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', it is declared that no material impacts are expected to the financial report at 30 June 2005, had it been prepared using the AIFRS. This is due to the application of the exemption provided by AASB 1 described above.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS. The standards will be applied from 1 July 2005. The impacts of the following changes are not currently known or reliably estimable.

30.1 Classification of Financial Instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item.

HomeStart's loan assets have been classified as loans and receivables. HomeStart's borrowings have been classified as financial instruments designated at fair value through profit and loss. This is a change of accounting policy, since the current accounting policy does not classify financial instruments.

30.2 Measurement of Financial Instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', all loan assets (apart from subsidised loans) will be initially recognised at 1 July 2005 at fair value being face value plus net transaction costs. Net transaction costs include both loan origination fees received and loan origination costs incurred.

Where HomeStart provides subsidised loans, such as the Advantage loans and Equity Start loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Statement of Financial Performance, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest on these subsidised loans will be brought to account using the amortised cost method noted below at a risk-free rate of interest, based on 5 year (for Advantage loans) and 10 year (for Equity Start loans) SAFA Bonds. Loans will be carried at amortised cost instead of book value in the Statement of Financial Position. The calculation of amortised costs will require some fees and costs directly attributable to the loans to be capitalised and brought to account on an effective yield basis. These fees and costs are currently recognised in the Statement of Financial Performance when received or paid.

30.3 Derivative Financial Instruments

Currently, HomeStart's derivative financial instruments are not recognised in the Statement of Financial Position, being recorded only in the Notes to the Annual Accounts. From 1 July 2005, AASB 139 'Financial Instruments: Recognition and Measurement' requires HomeStart to recognise its derivative financial instruments (mainly interest rate swaps) in the Statement of Financial Position at fair value.

AASB 139 requires that all derivatives (if not designated as effective hedging instruments) be measured at fair value through the Profit and Loss (Statement of Financial Performance). In order to prevent spurious fluctuations in reported profit, AASB 139 also contains extensive hedge accounting rules that apply to all hedging activity. This is a significant change from current practice.

Fixed interest rate loan assets will be valued at fair value being face value plus net transaction costs, and will be hedged by interest rate swaps, that will be designated as cash flow hedges, to enable the portion of the gain or loss that is effective, to be recognised in equity.

As these fluctuations can be substantial and will ultimately revert to zero by the time each swap matures, it is inappropriate to reflect fluctuations through the Statement of Financial Performance.

HomeStart must therefore ensure that its derivatives meet the specific hedge accounting criteria set out in AASB 139.

Interest rate swaps will be valued on a mark to market basis monthly using HomeStart's Epsilon Treasury System.

30.4 Impairment of Financial Assets

Under AASB 139 'Financial Instruments: Recognition and Measurement', an impairment provision can only be raised if there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has a reliably measurable impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

AASB 139 'Financial Instruments: Recognition and Measurement', requires that any provision for impaired assets is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. This differs from the current method of provision calculation, in that the estimated future cash flows of the financial assets are not discounted.

Under AASB 139, interest income must be recognised on impaired loan assets using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

HomeStart has in the past based its general provisioning on actuary determined loss rates for the entire HomeStart loan portfolio. AASB 139 will require a different approach to segregate the portfolio by different categories of risk and linking of defaults to identified 'loss events'. This requirement to link to loss events will mean that losses inherent in a portfolio but not yet identifiable will be precluded.

30.5 Changes in Accounting Policies

Changes in accounting policies (subsequent to the initial adoption of AIFRS) will be recognised by restating the comparatives rather than making current year adjustments with note disclosures of prior year impacts.

JUDGES' PENSIONS SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established pursuant to the *Judges' Pensions Act 1971* (the Act).

Functions

The Treasurer is responsible for the payment of Government contributions for Scheme members and for the payment of superannuation benefits to members and members' families. The Scheme is non-contributory for members.

The Scheme is administered through a Special Deposit Account (the Account). The Account records as income contributions and revenue derived from the investment of those monies, and also records benefit payments and administration costs.

The investment management responsibility for the Account is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

The services of the Department of Treasury and Finance — Superannuation Office (Super SA) are utilised to administer the Scheme.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Judges' Pensions Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised over the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- contributions by employers
- pension payments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987,* applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Judges' Pension Scheme as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

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

Audit Communications to Management

The audit of the Scheme indicated that the internal controls over its operations were satisfactory. No significant issues were raised as a result of the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 **$'million**	2004 $'million	Percentage Change
OPERATING REVENUE			
Employer contributions	**3.3**	3.1	6
Net investment revenue	**17.1**	17.9	(4)
Total Operating Revenue	**20.4**	21.0	(3)
OPERATING EXPENDITURE			
Transfers to other schemes	**-**	4.0	100
Benefits and other expenses	**23.5**	6.8	-
Total Operating Expenses	**23.5**	10.8	-
(Deficit) Surplus	**(3.1)**	10.2	(71)
Net Cash Flows from Operations	**(1.4)**	(1.0)	40
ASSETS			
Investments	**129.4**	113.8	14
Other assets	**0.1**	0.1	-
Total Assets	**129.5**	113.9	17
LIABILITIES			
Liability for accrued benefits	**125.3**	106.5	18
Other liabilities	**0.6**	0.7	(14)
Total Liabilities	**125.9**	107.2	17
EQUITY	**3.6**	6.7	(46)

Operating Statement

Operating Revenues

Investment activity for the year resulted in a positive return of $17.1 million. Investment returns are further discussed in the commentary for Funds SA.

Operating Expenses

Benefits expense increased by $16.7 million to $23.5 million for the year. This is predominantly due to the liability for accrued benefits increasing by $18.8 million. The expected future benefit payments were determined using the pensioner mortality assumptions of the 2004 triennial actuarial review of the South Australian Superannuation Scheme. There was a significant reduction in this assumption resulting in an increase in the Liability for Accrued Benefits. Refer to Note 6 'Liability for Accrued Benefits' to the Financial Statements for further explanation.

Transfers to Other Schemes

After an actuarial assessment of the employer accrued liabilities as at 30 April 2004, the Treasurer approved a transfer of $4 million in 2003-04 to the 'South Australian Government Employer Contribution Account' of the South Australian Superannuation Scheme. No transfer has occurred during 2004-05.

Operating Result

The operating result for the year records a deficit of $3.1 million compared to a surplus of $10.3 million last year. The year's result represents the excess of benefits expense of $23.5 million over contributions of $3.3 million and net investment revenue of $17.1 million.

Statement of Financial Position

As at 30 June 2005, there was an excess of net assets over liabilities of $3.6 million ($6.7 million). The estimated liability for accrued benefits increased by $18.8 million to $125.3 million for which net assets of $128.9 million ($113.2 million) were available to pay benefits, therefore the Scheme is fully funded.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

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

	2005	2004	2003	2002
Pensioners	**46**	43	41	38
Pensions paid ($'000)	**4 662**	4 117	3 738	3 425

Contributions by Employers

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

	2005	2004	2003	2002
Members	**46**	43	44	45
Contributions received ($'000)	**3 331**	3 119	2 816	2 765

Operating Statement
for the year ended 30 June 2005

	Note	2005 $'000	2004 $'000
INVESTMENT REVENUE:			
Net investment revenue		**17 114**	17 920
Interest income		**3**	3
		17 117	17 923
CONTRIBUTIONS REVENUE:			
Contributions by employers	1(c)	**3 372**	3 120
Transfer to other schemes	3	**-**	(4 000)
Administration expense	4	**(37)**	(36)
Consultancy expense	12	**(2)**	(2)
Audit expense	13	**(14)**	(6)
Benefits expense	6	**(23 544)**	(6 717)
OPERATING RESULT FOR THE PERIOD		**(3 108)**	10 282

Statement of Financial Position
as at 30 June 2005

	Note	2005 $'000	2004 $'000
INVESTMENTS:	2(b)		
Inflation linked securities		**13 130**	13 127
Property		**10 268**	9 557
Australian equities		**45 055**	38 437
International equities		**44 672**	43 739
Fixed interest		**7 413**	6 487
Cash		**3 173**	2 434
Diversified strategies - Growth		**2 330**	-
Diversified strategies - Income		**3 370**	-
		129 411	113 781
FIXED ASSETS		**8**	2
OTHER ASSETS:			
Cash and deposits at Treasury	10	**22**	26
Cash and deposits at Treasury - Funds SA		**8**	10
Interest, dividends and rent due - Funds SA		**13**	3
Sundry debtors - Funds SA		**1**	2
Contributions receivable		**54**	13
		98	54
Total Assets		**129 517**	113 837
CURRENT LIABILITIES:			
Rent paid in advance - Funds SA		**23**	30
Benefits payable		**82**	-
Sundry creditors	11	**187**	153
		292	183
NON-CURRENT LIABILITIES:			
Loan and finance facilities - Funds SA		**354**	475
Total Liabilities		**646**	658
NET ASSETS AVAILABLE TO PAY BENEFITS	5	**128 871**	113 179
Less: **LIABILITY FOR ACCRUED BENEFITS**	6	**125 300**	106 500
EXCESS OF NET ASSETS OVER LIABILITIES		**3 571**	6 679

Statement of Cash Flows for the year ended 30 June 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
Contributions by employers		**3 331**	3 119
Bank interest received		**3**	3
GST recoup		**3**	-
Pensions paid and transfers	6	**(4 662)**	(4 117)
Administration expense		**(40)**	(35)
Consultancy expense		**(2)**	(2)
Audit expense		**(7)**	(6)
Other expense		**-**	(1)
Net Cash used in Operating Activities	9	**(1 374)**	(1 039)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**4 310**	3 430
Payments to Funds SA		**(2 940)**	(2 510)
Net Cash provided by Investing Activities		**1 370**	920
NET DECREASE IN CASH HELD		**(4)**	(119)
CASH AT 1 JULY		**26**	145
CASH AT 30 JUNE	10	**22**	26

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(a) Judges' Pensions Scheme

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than ten years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (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 public sector superannuation funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the financial statements of Funds SA, an SA Government entity.

(c) Funding Arrangements

Under Section 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the scheme assets have broadly matched liabilities since 1997. The small size of the scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into Scheme, with $3 372 000 ($3 120 000) being credited during the year ended 30 June 2005.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

This financial report is a general purpose financial report and has been prepared on an accruals basis in accordance with applicable Accounting Standards, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (eg Urgent Issues Group Consensus Views), except as provided below.

The financial report of Funds SA, although not recording the administration activities of the public sector superannuation funds, is prepared in accordance with the principles of the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' where relevant. Directors believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial reports of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

As investments are revalued to their respective net market values at balance date, depreciation and amortisation are not provided for in this financial report.

Funds SA utilises the consolidation method of accounting. Assets and liabilities of Funds SA's controlled entities have been consolidated into the financial report at their net market values. The effects of transactions between entities in the economic entity are eliminated in full. Financial information in respect of the parent entity separate to that of the economic entity has not been provided as the application of market value reporting concepts results in the parent entity's financial report fully reflecting the economic activities of controlled entities. It is believed that disclosure of the parent entity's results separate to those of the economic entity would not provide information which would add value to users of the financial report.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where applicable.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at 30 June 2005 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date. Investments held by the external manager in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.

(ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Property*
  The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.

- *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 sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities

The Australian Equities 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*
The International equities 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) *Fixed Interest*
The Fixed Interest sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's fixed interest investments were administered through two separate sector funds, Australian fixed interest and International fixed interest. These sector funds were merged to create a single fixed interest sector fund.

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 the balance date. Investments held by the external managers in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.

(vi) *Diversified Strategies – Growth*
The Diversified Strategies (Growth) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's private equity and opportunistic real estate investments were administered through three existing sector funds: Australian equities (domestic private equity), international equities (international private equity) and property (opportunistic real estate).

The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds, and is invested and managed by external managers. Valuations of these funds are based on the most recently available valuations by the relevant managers. In the case of domestic funds, the valuations are generally in accordance with the Australian Development Capital Association Limited exposure draft guidelines. In the case of international funds, the valuations are generally in accordance with the National Venture Capital Association (NVCA) guidelines. 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) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy.

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.

(ix) *Fixed Assets*
Fixed assets have been valued at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. It is considered that this provides a reasonable estimate of net market value.

(x) *Other Assets and Liabilities*
These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) ***Taxation***
The assets of the Scheme under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936.* Consequently, no income tax expense has been brought to account in this financial report.

(d) ***Revenue***
Superannuation contributions are brought to account on an accrual basis.

(e) *Goods and Services Tax*

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates. Receivables and payables are stated with the amount of GST included in the value. The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

(f) *International Financial Reporting Standards (IFRS)*

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian International Financial Reporting Standards (AIFRS) will be first reflected in the Scheme's financial statements for the year ending 30 June 2006.

The Under Treasurer has implemented a process to ensure that the financial statements of the Scheme comply with all relevant AIFRS by the time the adoption of such standards is required on 30 June 2006.

The process has included discussions with external advisors to evaluate the impact on the financial statements and where appropriate, internal processes have been changed to ensure that all required information is captured.

The AASB has stated that AAS 25 will continue to apply for the foreseeable future.

The Under Treasurer believes that the adoption of AIFRS will have minimal impact on the financial statements of the Scheme as no significant change to accounting policies is expected as a result, however, some changes in presentation and disclosure are expected.

3. Transfer to Other Schemes

After an actuarial assessment of the employer accrued liabilities as at 30 April 2004, the Treasurer approved a transfer of $4 million to the South Australian Superannuation Scheme in 2003-04. No transfer occurred in 2004-05 as the actuarial assessment did not indicate a material surplus or deficiency.

4. Administration Expense

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities (deducted from investment revenue, that is investment revenue is reported net of direct investment expenses) and those costs incurred by the Department of Treasury and Finance in administering the Scheme.

Costs incurred by the Department of Treasury and Finance in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Judges' Pension Scheme Account.

5. Net Assets Available to Pay Benefits

		2005	2004
		$'000	$'000
Funds held at 1 July		**113 179**	100 297
Add:	Contributions by employers	**3 372**	3 120
	Investment earnings[(i)]	**17 114**	17 920
	Other income	**3**	3
		20 489	21 043
Less:	Transfers to other schemes	**-**	4 000
	Net benefits paid	**4 744**	4 117
	Administration expense	**37**	36
	Consultancy expense	**2**	2
	Audit expense	**14**	6
		4 797	8 161
	Funds Held at 30 June	**128 871**	113 179

(i) Shown net of direct investment expenses.

6. Liability for Accrued Benefits

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2004 triennial review of the South Australian Superannuation Scheme. The review salary promotion scale and economic assumptions have also been used, while general salary increases of 3.5 percent per annum above the Adelaide Consumer Price Index (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 of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance is estimated at $125.3 million ($106.5 million) as at 30 June 2005.

		2005	2004
		$'000	$'000
Liability for accrued benefits at 1 July		**106 500**	103 900
Add:	Benefits expense[(i)]	**23 544**	6 717
Less:	Benefits paid and transfers of members' balance	**4 744**	4 117
Liabilities for Accrued Benefits at 30 June		**125 300**	106 500

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

7. 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.

	2005	2004
	$'000	$'000
Vested Benefits	**86 900**	70 600

8. Guaranteed Benefits

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

9. Reconciliation of Net Cash used in Operating Activities to Operating Result

Operating result	**(3 108)**	10 282
Benefits expense	**23 544**	6 717
Benefits paid	**(4 744)**	(4 117)
Other	**-**	(1)
Transfers to other schemes	**-**	4 000
Decrease in sundry debtors	**-**	1
Increase in sundry creditors	**7**	-
Decrease (Increase) in contributions receivable	**41**	(1)
Investment earnings	**(17 114)**	(17 920)
Net Cash used in Operating Activities	**(1 374)**	(1 039)

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand deposits with the Department of Treasury and Finance. 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:

	2005	2004
	$'000	$'000
Cash and Deposits at Treasury	**22**	26

11. Sundry Creditors

Sundry creditors - Funds SA	**180**	153
Audit fees	**7**	-
	187	153

12. Consultancy Expenses

Consultancy expenses for the 2004-05 financial year have been deducted from the Scheme. These expenses relate to Superannuation Policy and Actuarial advice received.

13. Audit Expense

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 totalled $7 000 ($7 000).

14. Financial Instruments

The specific disclosure requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the Financial Statements of Funds SA and have not been repeated in this financial report.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the *Public Corporations Act 1993* (the Act). Its governing body is a board whose members are appointed by the Minister.

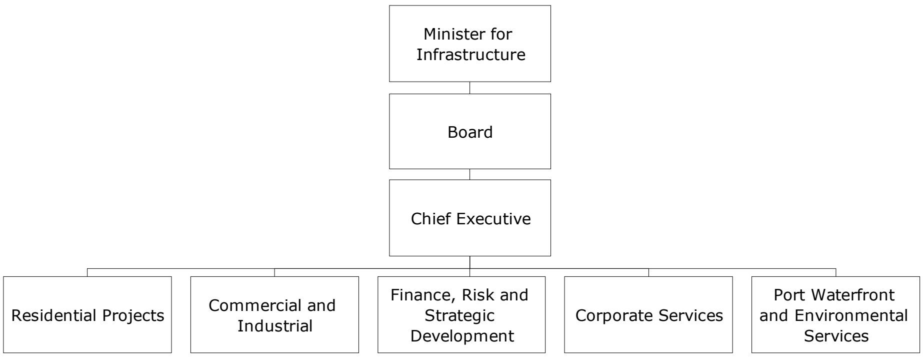
The Corporation was established on 24 December 1997 to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the then Minister for Government Enterprises.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing those functions the Corporation is required to ensure the orderly development of land.

Structure

The structure of the Land Management Corporation is illustrated in the following organisation chart.



Audit Committee

The Corporation has an Audit Committee comprising three members of the Board. The Audit Committee meets on a quarterly basis and reports to the Board. The Audit Committee Charter requires the Committee to assess the quality of financial reporting, the effectiveness of internal controls and to maintain an effective and efficient audit. It is also required to advise the Board on procedures and ways of working within the Corporation to align them with the organisation's strategic direction. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Clause 13(3) of the Schedule to the *Public Corporations Act 1993* requires the Auditor General to audit the accounts and financial statements of subsidiary corporations.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- budgetary control
- expenditure
- inventory - land bank
- inventory - work in progress
- property, plant and equipment
- revenue, receipting and banking
- payroll
- cash at bank.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the Land Management Corporation as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Land 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 Land Management Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive. The response to the management letter was generally satisfactory. Major matters raised with the Corporation and the related responses are considered herein.

Policies and Procedures

Audit reviewed the Corporation's practices to evaluate compliance with the prescribed elements of the Financial Management Framework (FMF). While the FMF is not mandatory for public corporations it provides a good benchmark for control assessment.

The FMF requires all Chief Executives to establish and maintain a control environment within an agency by documenting and making available to all staff policies and procedures for major activities.

Audit review of the Corporation's activities identified areas where it was considered sound control processes have been implemented by the Corporation. The review identified however, that the Corporation has not developed policies and procedures to support all areas of current operational practices.

The Corporation advised policies and procedures will be developed to support operational practices.

Review of Bona Fide Certificates

Control procedures require that bona fide certificates are to be reviewed each fortnight by designated managers. Audit understands managers are expected to review the certificate for accuracy and notify payroll of any inaccuracies.

Audit review of bona fide certificates and discussions with Corporation managers identified a variety of approaches to confirming the detail contained on the certificate. It was evident that some managers confirm all information while others only confirm parts of the certificate.

The Corporation advised a policy and procedure will be implemented detailing the review to be performed by managers.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Sales less cost of sales	**15.0**	28.6	(48)
Revenues from Government	**10.0**	23.8	(58)
Property income	**11.0**	7.2	53
Other revenue	**22.0**	13.2	67
Total Operating Revenue	**58.0**	72.8	(20)
OPERATING EXPENDITURE			
Salaries and related payments	**5.8**	5.5	5
Borrowing costs	**6.4**	4.6	39
Contractors and consultants	**6.6**	4.6	43
Write down of land held for sale	**4.6**	-	-
Net expense from take up of ICPC	**-**	7.1	-
Other expenses	**17.2**	12.9	33
Total Operating Expenses	**40.6**	34.7	17
Surplus from Ordinary Activities before Income Tax Equivalent	**17.4**	38.1	(54)
Dividends Paid/Payable	**2.2**	51.5	(96)
Net Cash Flows from Operations	**1.8**	36.9	(96)
ASSETS			
Current assets	**52.7**	73.5	(28)
Non-current assets	**155.3**	119.3	30
Total Assets	**208.0**	192.8	8
LIABILITIES			
Current liabilities	**39.1**	31.7	23
Non-current liabilities	**71.9**	73.5	(2)
Total Liabilities	**111.0**	105.2	6
EQUITY	**97.0**	87.6	11

Statement of Financial Performance

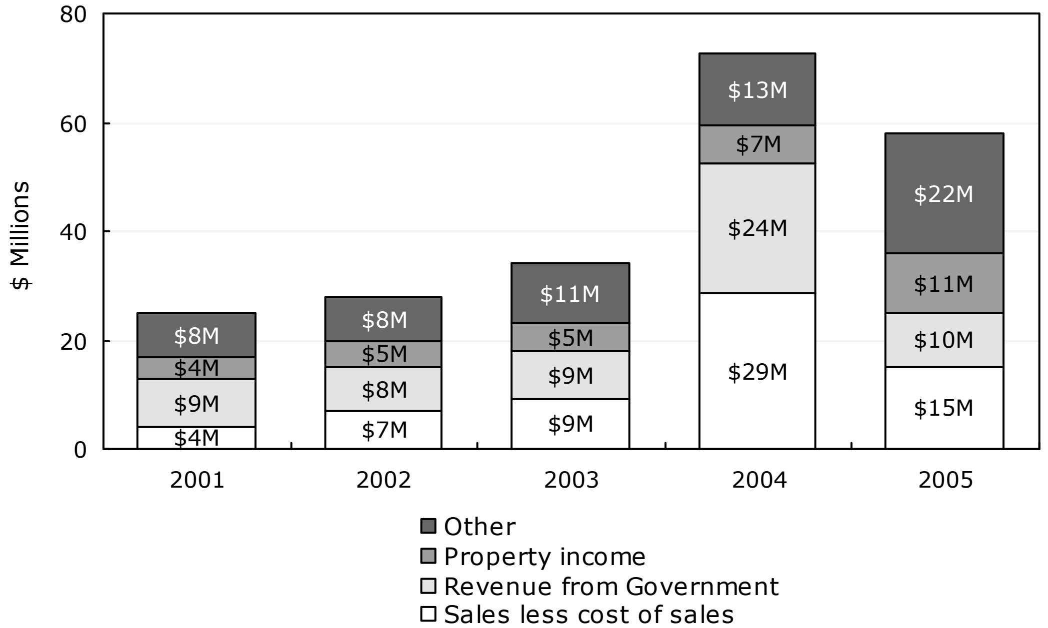
Contributions to the Government

In the three years to 30 June 2003 dividends paid by the Corporation to the Treasurer ranged from $6.1 million in 2003 to $1.8 million in 2001. In 2003-04 the Corporation paid a special dividend of $50 million as part of total dividends for the year of $51.5 million. In 2004-05 the Corporation paid $2.18 million in dividends.

The Corporation also makes TER payments to the Treasurer which in 2004-05 was $5.5 million and ranged from $11.4 million in 2004 to $4.1 million in 2001.

Operating Revenues

The following chart shows the changing composition of the Corporation's revenues over the past five years.



The above chart shows that revenue from both Sales and Government significantly decreased in 2004-05 compared with 2003-04. Total operating revenue decreased compared with 2003-04, however this revenue has steadily increased since 2001. In 2004-05 operating revenues decreased by $14.8 million (20 percent) compared to 2003-04 reflecting the impact of the following.

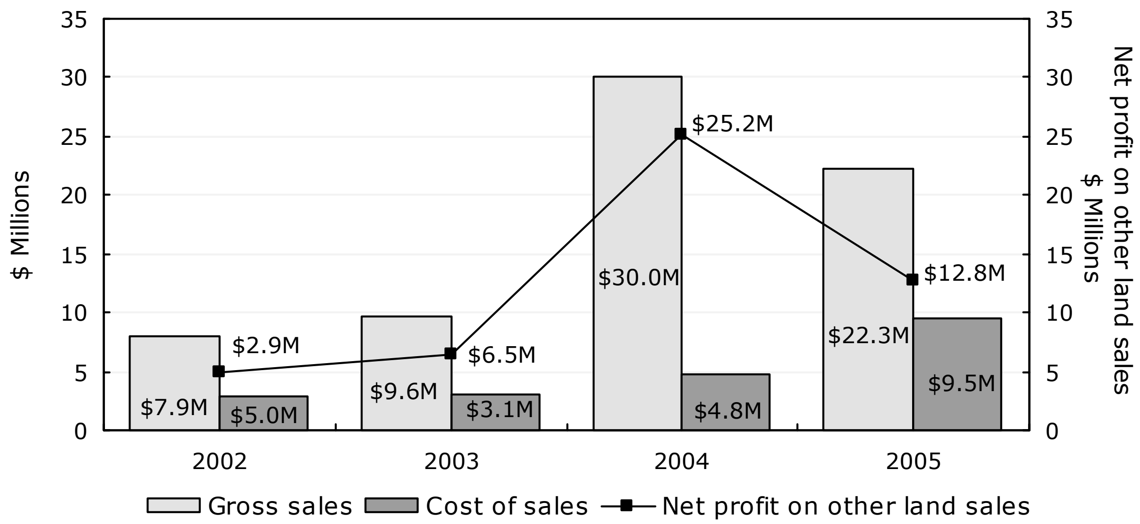
The Corporation's total land sales result from the following three areas of operation and are analysed below.

Joint Venture Land Sales

Gross Sales of land through Joint Venture entities, to which the Corporation is party, decreased by $1 million to $2.7 million in 2004-05. Additionally, cost of Sales decreased by $0.7 million to $0.4 million resulting in a decrease in Net Profit of land sales of $0.3 million to $2.3 million in 2004-05.

Other Land Sales

The following chart shows the value of other land sales by the Corporation over the last four years.



Analysis of the composition of other land sales identified that the:

- material land sales in 2004-05 occurred in Darlington, Huntfield Heights, Lonsdale and Seaford and totalled $11.7 million; while

- material land sales within 2003-04 occurred in Northfield, Blakeview and Seaford and totalled $23.4 million.

The majority of land released by the Corporation in 2004-05 was industrial land compared with 2003-04 which comprised of broad hectare land for residential development.

Industrial and Commercial Property Sales

The Corporation is responsible for providing industry assistance through the construction of purpose built commercial and industrial facilities through the Industrial and Commercial Premises Scheme. Construction projects in progress are recorded as work in progress in the Statement of Financial Position. On completion the Corporation enters into Deferred Purchase Agreements with the client for the recovery of costs incurred in constructing the premises. Properties are secured by title held in the name of the Corporation until settlement.

The Corporation funds the cost of construction with back to back interest bearing loans with SAFA. Under the terms and conditions of the Agreement clients make interest and principal repayments resulting in the reduction of the SAFA loans.

During 2004-05 the Corporation entered into Deferred Purchase Agreements recognising the sale of premises to clients totalling $12.6 million. The construction costs of $12.7 million have been recognised as cost of sales. In addition, the Corporation also recorded a loan receivable and an interest bearing liability.

Revenue from Government

The Corporation's revenue from Government decreased by $13.7 million to $10.0 million. The reduction is a result of the Corporation receiving a one-off payment of $10.0 million in 2003-04 to assist with costs associated with the Port Waterfront Redevelopment.

Property Income

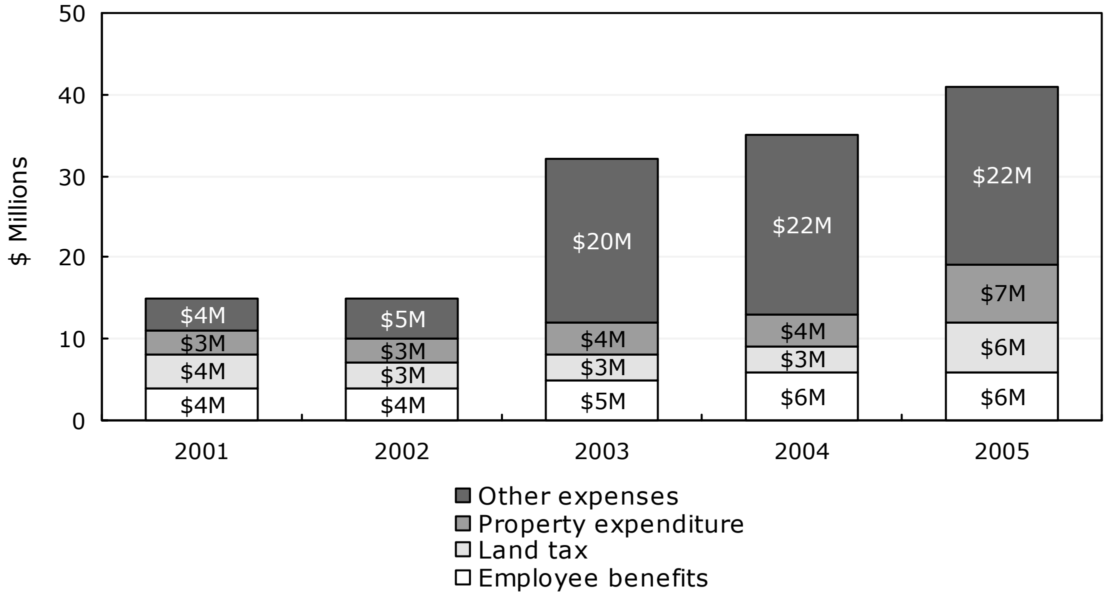
Property income increased during 2004-05 by $4.0 million due mainly to the additional properties owned as landlord following the transfer of properties from the former Industrial and Commercial Premises Corporation.

Other Revenue

Other revenue includes the Corporation's share of the net profits of joint venture entities and interest on cash balances held with Treasury. During 2004-05, other revenue has increased by $8.8 million, due mainly to the increase in Joint Venture revenue by $2.2 million, and the recognition of prior period errors of $3.8 million associated with the corporation depreciating investment properties.

Operating Expenses

For the five years to 2005, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Operating expenditure has consistently increased from 2002-03 to 2004-05. The increase in 2004-05 of $6.0 million compared with 2003-04 is associated mainly with:

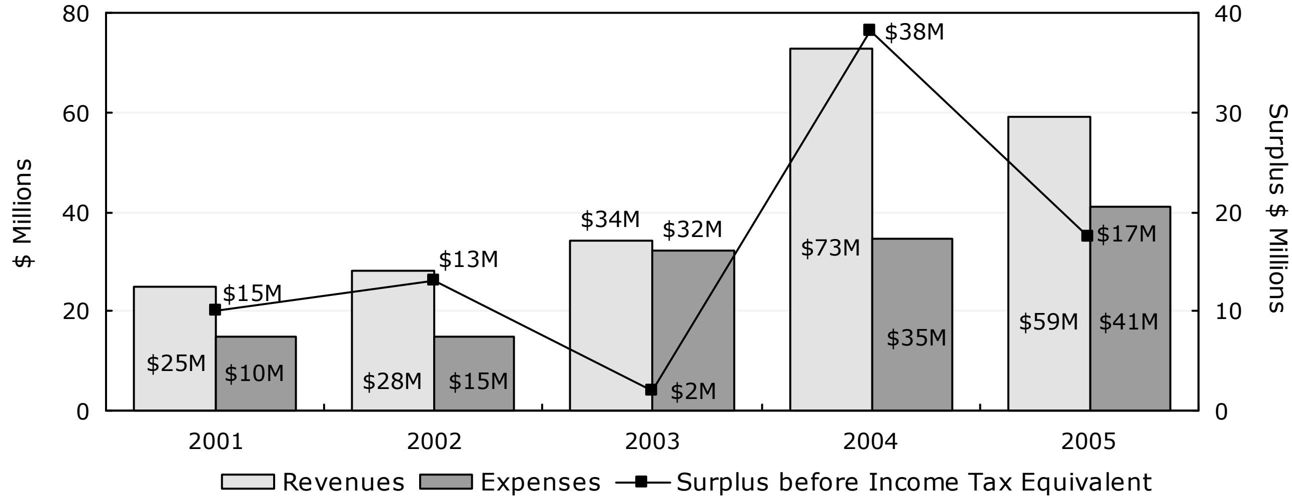
- increased land tax - $2.4 million;
- an increase in property expenditure of $3.1 million which reflects the property transferred from the Industrial and Commercial Premises Corporation in 2003-04;
- an increase of $2.0 million in payments to contractors and consultants;
- a once off write-down of $4.6 million associated with industrial premises constructed through the Industrial and Commercial Premises Scheme as detailed in 'Further Commentary on Operations' under the heading of 'Industrial and Commercial Premises'.

These increases which total $12.1 million are offset by the reduction in net expenses from the take up of ICPC of $7.1 million in 2003-04.

Operating Result

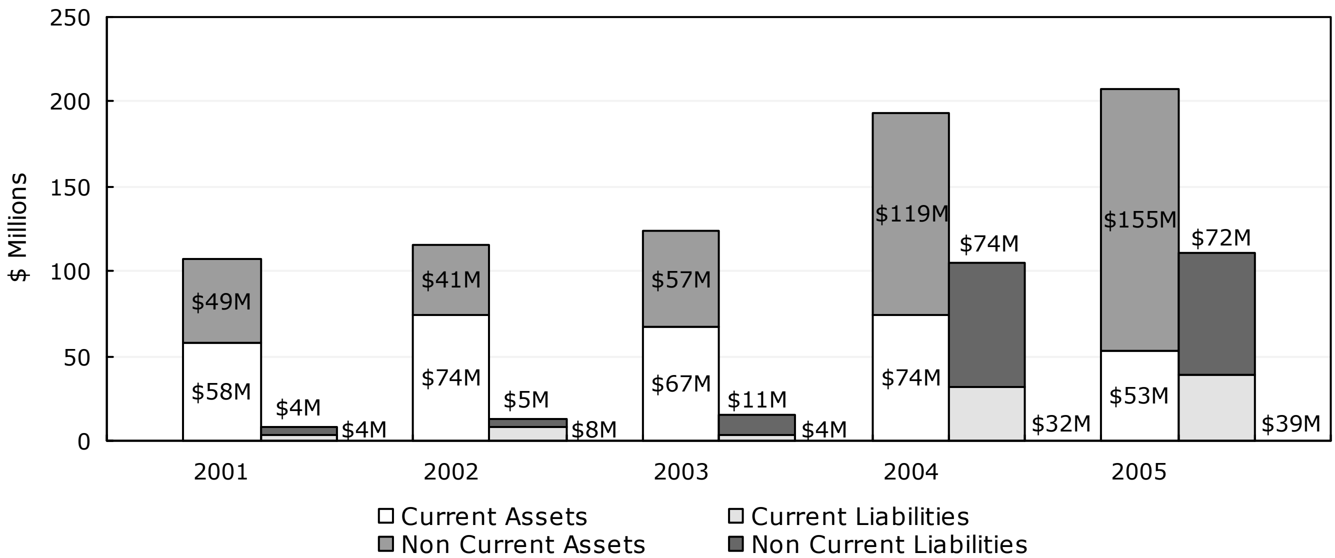
The decrease in total revenues, as discussed earlier, of $14.8 million in 2004-05, largely contributed to the reduction in surplus from ordinary activities, before income tax equivalent, of $17.4 million.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the five years to 2005.



Statement of Financial Position

A structural analysis of assets and liabilities for the five years to 2005 is shown in the following chart.



Over the period, the Corporation's net assets increased by $9.4 million to $97.0 million.

Assets

The Corporation's total assets increased by $15.2 million to $208.0 million reflecting:

- mortgage debtors increased by $7.1 million due to the establishment of additional Deferred Purchase Agreements under the Industrial and Commercial Premises Scheme;

- land inventory held by the Corporation for sale increased by $27.4 million due to the:

    - purchase of additional properties and development costs incurred;

    - transfer of costs from works in progress associated with the construction of the Southern Food Group Pty Ltd processing facility which is under administration; and

    - recognition of land held for sale at Edinburgh Parks;

- trade debtors decreased by $2.5 million as capital repayments receivable from the Mawson Lakes Joint Venture in 2003-04 were received during 2004-05;

- work in progress decreased by $22.9 million following the completion of construction of commercial premises now recognised as mortgage debtors or land inventory (in the case of Southern Food Group Pty Ltd);

- investment in the Mawson Lakes Joint Venture increased by $4.3 million;

- land and buildings increased by $2.9 million due to the revaluation of the JP Morgan Facility.

Liabilities

The Corporation's total liabilities increased by $5.8 million to $111.0 million reflecting:

- payables increased by $14.3 million due mainly to the recognition of $12.3 million payable to the Department of Trade and Economic Development for land sales at Edinburgh Parks and GST of $1.0 million payable for land sales at Mawson Lakes;

- tax liabilities decreased by $6.0 million in 2004-05 compared with 2003-04 due to the reduction in surplus from ordinary activities;

- interest bearing liabilities decreased by $3.6 million due to the repayment of borrowings to the South Australian Financing Authority during 2004-05.

Asset Valuations

Land held for resale is recognised in the Statement of Financial Position at the lower of original cost or net realisable value in accordance with AASB 1019 'Inventories'.

The land inventory value recorded by the Corporation with respect to land sold in 2004-05 in Darlington, Huntfield Heights, Lonsdale and Seaford was $3.4 million compared with the achieved gross sale price of $11.7 million.

In recognition that the market value is materially greater than the recorded book value, the Corporation have disclosed, by note to the financial statements (refer Note 2.7), the estimated market value of $234.3 million with respect to land held for sale as at 30 June 2003.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held for sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or the future property market conditions.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**(1.8)**	36.9	20.2	9.6
Investing	**6.4**	(4.9)	6.1	1.3
Financing	**(5.8)**	(58.4)	(28.9)	(3.0)
Change in Cash	**(1.3)**	(26.4)	(2.6)	7.9
Cash at 30 June	**34.5**	35.8	62.2	64.7

The analysis of cash flows shows that the Corporation's cash reserves have remained constant between 2004-05 and 2003-04 notwithstanding the significant cash lows from financing activities associated with the dividend payments of $50 million in 2004 and the repayment of loans of $22.7 million in 2003.

FURTHER COMMENTARY ON OPERATIONS

Mawson Lakes Government Infrastructure Project

As part of the joint venture arrangements for the Mawson Lakes Economic Development Project, the State Government committed to infrastructure works in July 1997 under a project commitment deed. The deed committed the State Government, through a number of government agencies (ie Transport SA, Planning SA, Passenger Transport Board and Land Management Corporation), to deliver specified infrastructure.

The Corporation's obligations, under the original project commitment deed, executed in July 1997, amounted to $17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is $1.302 million (in current dollars) to be spent in the next 12 months. It is anticipated the Corporation will have satisfied all its obligations under the commitment deed in 2005-06.

In February 2001 Cabinet approved a number of variations to the project commitment deed. In essence, the variations revised the scope of work associated with the Mawson Connector (previously the North East Ring Route) and the timing of certain works.

In October 2004 tenders were called for the construction of The Mawson Centre and the construction contract was awarded in December 2004. During 2004-05 construction of The Mawson Centre was completed. The Land Management Corporation, as joint funder, committed $1.7 million towards the construction of the Centre which was officially opened in May 2005.

Cabinet approved the variation of works in November 2003 relating to the Reclaimed Water Scheme. The variation accommodates an alternative water resource management system. During 2004-05 the works were completed on the Reclaimed Water Scheme. The Land Management Corporation as joint contributor committed $3.8 million towards the scheme. The Reclaimed Water Scheme was commissioned in April 2005.

To date the Corporation has spent a total of $20.4 million meeting the Government's obligations on Mawson Lakes infrastructure.

Port Adelaide Waterfront Redevelopment

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project of waterfront land at Port Adelaide. A key phase of the project involves completing a detailed development proposal for the economic and urban revitalisation of the inner Port Adelaide region. To facilitate the completion of this development proposal, Cabinet approved the Corporation proceeding with a registration of interest process. In June 2001 the Corporation, commenced this process to select two parties to prepare comprehensive development proposals for the project.

In September 2001, the Corporation selected two consortia which were subsequently contracted by the Corporation to prepare development proposals. Development proposals were submitted by the two selected consortia in April 2002 and in June 2002 the Board endorsed the selection of the Newport Quays Consortia.

During 2002-03 a public consultation process was undertaken regarding the development proposal while the Corporation and the Newport Quays Consortia were involved in negotiations to finalise the Development Agreement.

During 2003-04 negotiations between the Corporation and Newport Quays Consortia continued. The Corporation and Newport Quays Consortia reached in principle agreement of the terms and conditions of the Development Agreement, however at the time of the 2003-04 report the Development Agreement had not been signed.

In September 2004, the Board endorsed in principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In accordance with the Corporation's regulations, the Corporation have submitted a Marina Development Joint Venture Agreement to the Treasurer for approval. In July 2005, Cabinet approval was obtained to proceed with the Joint Venture.

The Corporation and Newport Quays Consortia signed the Development Agreement in October 2004. Since the signing of the agreement, the Corporation lodged an application with the Development Assessment Commission for the first stage of the remediation program. It is anticipated the procurement of the remediation and civil works will be finalised by September 2005.

The Corporation's obligations, under the Development Agreement amount to $41.861 million (in 2004 dollars) over the life of the agreement. The Corporation's most recent forecast of spending in the next 12 months under the arrangement is estimated at $5.022 million (in current dollars).

A Tripartite Commitment Deed between the Corporation, Newport Quays Consortia and the Port Adelaide Enfield Council was signed in December 2004 which establishes the Port Centre Coordination group who are responsible for, amongst other matters, aligning the capital works program of Newport Quays and the Council.

Industrial Commercial Premises

The Corporation's financial statements record the write-down of $4.6 million in the value of industrial premises built for the Southern Foods Group Pty Ltd under the Industrial and Commercial Premises Scheme. The company was an existing client of the Scheme which entered arrangements for the development of new premises prior to the transfer of the Scheme to the Corporation in 2003-04.

The development of the new facilities for the company was endorsed by the Industries and Development Committee in 2001 and referred to the Public Works Committee in November 2001. The estimated cost of the development at that time was $11.3 million and the company was required to pay a deposit of $1 million. The Department of Trade and Economic Development provided $500 000 to the company to assist it in paying this deposit.

The new premises were completed in May 2004. In April 2005 the company defaulted on its obligations to repay interest, costs arising from building recovery works and penalty interest and the Land Management Corporation commenced proceedings, as provided for in relevant contractual arrangements, with the company and other interested parties, to protect its interest in the premises.

In June 2005 the company initiated the appointment of a receiver and manager by its bank. The Corporation obtained an independent valuation of the premises to quantify its exposure to possible loss associated with this transaction and this valuation is reflected in the write down referred to above.

Statement of Financial Performance
for the year ended 30 June 2005

	Note	**2005** **$'000**	2004 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales	4	**37 617**	43 241
Less: Cost of sales		**22 635**	14 685
		14 982	28 556
Share of net profits of joint venture entities	5.1	**7 353**	5 157
Revenues from Government	6	**10 043**	23 773
Interest	3, 4	**5 029**	5 959
Property income		**10 984**	7 169
Other income		**5 750**	2 203
Net revenue resulting from the correction of an error	2.17	**3 832**	-
Total Revenues from Ordinary Activities		**57 973**	72 817
EXPENSES FROM ORDINARY ACTIVITIES:			
Land tax		**5 726**	3 335
Property expenditure		**7 287**	4 220
Contractors and consultants		**6 561**	4 604
Salaries and related payments		**5 826**	5 539
Accommodation		**417**	488
Borrowing costs	3	**6 418**	4 601
Depreciation	3	**184**	977
Other expenditure		**3 618**	3 789
Write down of land held for resale	2.7	**4 576**	-
Net expense from take up of ICPC	19.3	**-**	7 113
Total Expenses from Ordinary Activities		**40 613**	34 666
SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT		**17 360**	38 151
Income tax equivalent paid or payable to the State Government	8	**5 208**	11 445
SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT	19.1	**12 152**	26 706
Increase (Decrease) in asset revaluation reserve	19.2	**(627)**	3 578
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**11 525**	30 284

Statement of Financial Position
as at 30 June 2005

	Note	**2005** **$'000**	2004 $'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	24	**34 537**	35 814
Work in progress	2.9, 14	**-**	22 879
Inventories	11	**12 247**	4 520
Receivables	10	**5 827**	10 247
Prepayments	12	**45**	68
Total Current Assets		**52 656**	73 528
NON-CURRENT ASSETS:			
Receivables	10	**21 147**	12 793
Inventories	11	**47 651**	27 965
Property, plant and equipment	13	**66 982**	63 273
Investment in joint venture entities	5.1	**19 541**	15 263
Total Non-Current Assets		**155 321**	119 294
Total Assets		**207 977**	192 822
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15	**17 812**	6 750
Tax liabilities	8, 17	**4 326**	9 187
Interest bearing liabilities	16	**16 665**	15 506
Employee benefits	18.1	**266**	238
Total Current Liabilities		**39 069**	31 681
NON-CURRENT LIABILITIES:			
Payables	15	**3 816**	576
Interest bearing liabilities	16	**67 460**	72 251
Employee benefits	18.1	**626**	653
Total Non-Current Liabilities		**71 902**	73 480
Total Liabilities		**110 971**	105 161
NET ASSETS		**97 006**	87 661
EQUITY:			
Accumulated surplus	19.1	**84 448**	74 476
Asset revaluation reserve	19.2	**12 558**	13 185
TOTAL EQUITY		**97 006**	87 661
Commitments	21		
Contingent Liabilities	22		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Government grants and subsidies received	6	**10 043**	23 773
Land tax paid		**(5 726)**	(3 335)
Receipts from sales		**24 749**	33 752
Receipts from mortgage debtors		**10 062**	8 973
Receipts from tenants		**11 546**	6 199
Interest received		**1 477**	4 042
Deposits received under ICPC		**95**	242
Recoveries and sundry receipts		**12 247**	10 500
Payments for salaries and related costs		**(5 902)**	(5 305)
Payments to suppliers		**(21 466)**	(18 352)
Payments for land purchase and development		**(19 089)**	(11 164)
Payments for work in progress		**(2 264)**	(5 971)
Interest paid		**(6 114)**	(4 418)
GST receipts from taxation authority		**307**	1 473
GST payments to taxation authority		**(1 719)**	(1 943)
Income tax equivalent paid	8	**(10 069)**	(1 591)
Net Cash (used in) provided by Operating Activities	23	**(1 823)**	36 875
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital contributions to joint venture entities	5.1	**(6 900)**	(11 100)
Capital repayments by joint venture entities		**11 650**	6 350
Distributions of profit by joint venture entities		**1 675**	-
Proceeds from sale of property, plant and equipment		**3**	-
Purchase of property, plant and equipment		**(71)**	(102)
Net Cash provided by (used in) Investing Activities		**6 357**	(4 852)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**265**	1 103
Repayments of borrowings		**(3 896)**	(7 995)
Dividends paid	9	**(2 180)**	(51 479)
Net Cash used in Financing Activities		**(5 811)**	(58 371)
NET DECREASE IN CASH HELD		**(1 277)**	(26 348)
CASH AT 1 JULY		**35 814**	62 162
CASH AT 30 JUNE	24	**34 537**	35 814

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the *Public Corporations Act 1993* (the Act). The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of seven members appointed by the Minister (refer Note 30).

Pursuant to a proclamation in the South Australian Government Gazette on 23 October 2003 and effective from 1 December 2003, the assets and liabilities of the Industrial and Commercial Premises Corporation were transferred to and vested in or attached to the Corporation, and the Public Corporations (Land Management Corporation) Regulations 1997 were amended to include the functions of the dissolved Industrial and Commercial Premises Corporation.

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the Act:

(aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme;

(a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown;

(b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
- (i) managing the release of large areas of undeveloped (or under-developed) land; and
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes; and
- (iii) ensuring the orderly development of areas through the management and release of land, as appropriate;

(c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister;

(d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park;

(e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to facilitate economic development;

(f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown;

(g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes;

(h) To carry out other functions conferred on the Corporation by the Minister.

2. Statement of Significant Account Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views. The financial report has been prepared on an accrual basis and in accordance with the historical cost convention (except for assets measured and reported at their fair value - refer Notes 2.10 and 13). The accounting policies have been consistently applied, unless otherwise stated.

2.2 Monies Held in Trust

During a previous reporting period the Corporation received $1 250 000 from the Department of Education and Children's Services (DECS) as its contribution to construction of the Mawson Centre at Mawson Lakes (the Centre). These funds were held in trust pending payment to the University of South Australia in accordance with a Memorandum of Understanding. Transactions and balances relating to these monies have not been recognised in the Corporation's Statement of Financial Performance or Statement of Financial Position.

As at 30 June 2005 construction of the Centre was complete and a total of $Nil funds were being held (2004: $82 730).

2.3 Project Expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

2.4 Employee Benefits

The financial report includes accruals for employee benefits arising from services rendered by employees up to balance date. Related on-costs have been included in the determination of these liabilities. However, in accordance with the Treasurer's Accounting Policy Statement 9 'Employee Benefits', the related on-costs are included in payables. The aggregate of employee benefits is disclosed at Note 18.

(i) Annual Leave

A liability has been recorded for the unused component of annual leave as at balance date. The liability has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 2 percent has been applied and the liability is expected to be settled within 12 months.

(ii) Sick Leave

As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(iii) Long Service Leave

A liability for long service leave has been accrued as at balance date in accordance with Australian Accounting Standard AASB 1028 'Accounting for Employee Entitlements'. The short-hand method of determining the long service leave entitlements has been adopted and a liability has been recognised for all employees with seven or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

(iv) Superannuation

Salaries and related payments include the following superannuation contributions paid by the Corporation:

(a) During the reporting period, the Corporation paid $256 000 ($212 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Corporation's employees. The Corporation does not record a liability for the value of superannuation payments to be made to employees at preservation age, as this liability is recorded by the SA Superannuation Board; and

(b) In relation to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled $370 000 ($297 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

2.5 Revenue Recognition and Cost of Sales

(i) Inventories - Land Held for Resale

Sales revenue in respect of land made available to the Mawson Lakes Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Mawson Lakes Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

(ii) Work in Progress

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost (refer Note 2.7(ii)).

2.6 Interests in Joint Venture Entities

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as Investment in Joint Venture Entities. The Corporation's share of net profit from joint venture entities is included as revenue in the Statement of Financial Performance as Share of Net Profits of Joint Venture Entities. Details of the Corporation's interests in joint venture entities are shown in Note 5.

2.7 Inventories

(i) Land Held for Resale

Land held for resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

(i) Land Held for Resale (continued)

At the establishment of the Corporation (refer Note 1) land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes. For the year ended 30 June 2003 the Corporation obtained an independent valuation of its entire inventory of land. The valuation was prepared by Alex Smithson B App. Sc. (Val) FAPI, James Pledge B Bus. Prop. (Val) AAPI, Nick Bell B Bus. Prop. (Val) AAPI and Clinton Ramm B Bus. Prop. (Val) AAPI of Knight Frank. As a result of this valuation certain land holdings were revalued downwards to reflect a net market or realisable value which was lower than the carrying value for the particular asset.

The Corporation has recognised land inventory within the Statement of Financial Position in accordance with AASB 1019 'Inventories', however, the fair value of inventory held at the time of 30 June 2003 valuation referred to above, was $234.3 million.

The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the fair value does not reflect any impact on value which may apply if the entire portfolio were taken to market.

The fair value as at 30 June 2003 does not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time that a land parcel is sold.

The total fair value of the Corporation's land inventories will be updated when the Corporation once again obtains an independent valuation of its entire land portfolio for the year ended 30 June 2006.

(ii) Construction Projects Held for Resale

Construction projects held for resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

(iii) Write-down of Construction Project Inventory

During the reporting period a review was undertaken of the likely realisable value of purpose-built facilities recently constructed for the Southern Food Group Pty Ltd in Millicent. This review was supported by an independent valuation performed on a market realisation basis (Peta Rowe B Bus. Prop. (Val) AAPI, of Maloney Field Services, April 2005). The review indicated that a sale of the property would result in a shortfall of $4.576 million compared to total construction costs incurred.

As a consequence of Southern Food Group Pty Ltd being placed into administration on 30 June 2005, the need to recognise net realisable value in relation to this project was crystallised and the total value of construction inventory has been written down by $4.576 million at balance date. This write-down has been recognised as an expense in the Statement of Financial Performance for the period.

2.8 Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts (refer Note 10). An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

2.9 Work in Progress

(i) Construction Projects in Progress

Expenditure associated with the construction of projects held for resale is capitalised as work in progress as incurred, in accordance with Note 2.3 (refer Note 14). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

(ii) Deposits Received

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Industrial Premises Development Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

2.10 Property, Plant and Equipment

Property, plant and equipment is recognised at cost or fair value less, where applicable, any accumulated depreciation or amortisation (refer Note 13). The depreciable amounts of all property, plant and equipment assets (excluding investment property and freehold land) are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable asset are:

	Percent
Plant and equipment	10-33

2.10 Property, Plant and Equipment (continued)

From the commencement of the current reporting period the Corporation ceased its practice of depreciating investment/rental properties in order to comply with the requirements of Australian Accounting Standard AASB 1021 'Depreciation' (refer Note 2.17).

The Corporation's portfolio of land and building assets were revalued on a fair value basis as at 30 June 2003, in accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'. These valuations were prepared by Alex Smithson B App. Sc. (Val) FAPI, James Pledge B Bus. Prop. (Val) AAPI, Nick Bell B Bus. Prop. (Val) AAPI and Clinton Ramm B Bus. Prop. (Val) AAPI of Knight Frank. The resultant revaluation increment was credited direct to an asset revaluation reserve (refer Note 19.2).

During the previous reporting period the Corporation assumed control of properties which were owned by the former Industrial and Commercial Premises Corporation (refer Note 1). Valuations on a fair value basis were obtained for three properties within this portfolio as at 30 June 2004. These independent valuations were prepared by Simon Hickin B App. Sc. (Val) AAPI ASIA and Amy Tilden GAPI of Jones Lang LaSalle. The resultant revaluation increment was credited direct to an asset revaluation reserve (refer Note 19.2).

During the current reporting period the Corporation obtained an independent valuation of its property located at 196 O.G. Road Felixstow. The subject property comprises a purpose-built office building that was used by JP Morgan as a back office facility for financial services. The valuation was prepared on a fair value basis by Richard Wood B App. Sc. PRM (Val) AAPI of Colliers International and resulted in a revaluation increment being credited direct to an asset revaluation reserve (refer Note 19.2).

2.11 Payables

Trade and other creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Corporation (refer Note 15).

2.12 Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

2.13 Guarantees and Indemnities

The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Industrial and Commercial Premises Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry, Trade and Regional Development for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.14 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

2.15 Comparative Figures

The previous year's figures are provided in the financial report for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in presentation and classification in the current year.

2.16 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Corporation has a June balance date, therefore the first accounts to be prepared in accordance with the AIFRS will be for the financial year commencing 1 July 2005. In addition, comparative information for the year commencing 1 July 2004 will be provided in the 2005-06 financial report in accordance with AIFRS requirements.

Compared with reports prepared under existing Generally Accepted Accounting Principles (GAAP), AIFRS financial reports will include additional disclosures and will introduce a fourth financial statement, namely the Statement of Changes in Equity.

In accordance with requirements of AASB 1047 Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards, an assessment has been made of all known impacts on the financial reports for the current period, had they been prepared using the AIFRS. It has been concluded that the quantifiable impact on the reports as a result of the adoption of the AIFRS is immaterial. Consideration was given to the following:

AASB 1 'First-time Adoption of Australian Equivalents to International Reporting Standards'

Where an election allows prospective application of a standard, the Corporation will elect to apply prospectively thereby negating the requirement to restate comparative information.

AASB 116 'Property, Plant and Equipment'
The Corporation will continue to measure assets at fair value and continue to apply the $1 million/3 years thresholds contained in APS 3, whereby the cost of assets below these thresholds will be deemed fair value. The Corporation will recognise revaluation increments and decrements on an asset-by-asset basis and offset revaluation increments and decrements in the Statement of Financial Performance. In addition, when revaluing assets, the Corporation will continue to restate the net amount rather than the gross amount for assets revalued.

AASB 123 'Borrowing Costs'
The Corporation will expense borrowing costs which will not give rise to any financial impact as the Corporation has expensed borrowing costs in the past.

AASB 119 'Employee Benefits'
The Corporation will continue to use the short-hand method of determining employee entitlements to long service leave, and the Corporation's superannuation liabilities will continue to be managed externally or by the Department of Treasury and Finance.

AASB 112 'Income Tax'
The Corporation will continue to use the partial or accounting profit method to account for income tax equivalents, rather than the comprehensive or balance sheet method required by the standard.

AASB 140 'Investment Property'
The Corporation owns and controls a number of properties, comprising land and buildings, from which rental income is derived on an ongoing basis. These properties will be classified as Investment Property pursuant to AASB 140 'Investment Properties'.

In accordance with AASB 140, the corporation has elected to measure investment properties under the fair value model. AASB 140 requires the fair value of an investment property to reflect market conditions at the reporting date, with changes in fair value to be recognised in the Statement of Financial Performance for the period in which they arise.

Changes in the fair value of investment properties have previously been recognised through the asset revaluation reserve under Australian GAAP. Accordingly, this change in accounting treatment will result in the balance of the asset revaluation reserve being reversed against accumulated surplus with no net impact on total equity. The balance of the reserve is $12.6 million as at 30 June 2005.

AASB 136 'Impairment of Assets'
An asset is impaired when its carrying amount exceeds its recoverable amount. At the end of each financial year the Corporation will determine, by consideration of various external and internal indicators, whether there is any indication or evidence that an asset or group of assets may be impaired. Only if there is an indication that an asset may be impaired does the Corporation need to make a formal estimate of the asset's recoverable amount.

2.17 Net Revenue Resulting from the Correction of an Error

Until commencement of the current reporting period the Corporation has depreciated its various rental properties on a straight line basis over their estimated useful lives (refer Note 2.10). The Corporation has recognised that the rental properties held meet the definition of investment property as provided in Accounting Standard AASB 1021 'Depreciation' and therefore should not have been depreciated in prior periods as the Standard does not apply to investment properties.

As a result, the Corporation has written back the total balance of accumulated depreciation held as at 30 June 2004 for rental properties and reduced the balance of the asset revaluation reserve to adjust for the total of accumulated depreciation previously written back on revaluation of rental properties.

These adjustments have given rise to a net revenue item in the current reporting period, summarised as follows:

	2005	2004
	$'000	$'000
Accumulated depreciation write-back	**922**	-
Asset revaluation reserve adjustment	**2 910**	-
Total Net Revenue resulting from the Correction of an Error	**3 832**	-

3. Surplus from Ordinary Activities

(a) Surplus from ordinary activities before income tax equivalent has been determined after:

(i) Charging as Expenses

	2005	2004
Borrowing costs consisting of:		
Interest expense	**6 106**	4 489
Guarantee fees	**75**	75
Loan break costs	**22**	37
Indemnity margin	**215**	-
Depreciation of:		
Buildings	**-**	806
Plant and equipment	**184**	171
Bad and doubtful debts (refer Note 7)	**643**	10
Rental expense on operating leases	**612**	591
Transfer to employee benefits	**(2)**	151

	2005	2004
(ii) *Crediting as Income*		
Interest received or receivable on:	**$'000**	$'000
Cash balances	**1 463**	3 942
Mortgage debtors	**3 566**	2 017
Net gain on disposal of property plant and equipment	**3**	-

(b) Surplus from ordinary activities before income tax equivalent has been determined after charging as expenses the following supplies and services provided by entities within the SA Government:

Land tax	**5 726**	3 335
Property expenditure	**1 247**	618
Contractors and consultants	**728**	657
Accommodation	**338**	332
Borrowing costs	**6 418**	4 601
Other expenditure	**806**	641
Total Supplies and Services provided by Entities within the SA Government	**15 263**	10 184

4. Revenues from Ordinary Activities

(a) Sales Revenue

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Golden Grove and Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	2005	2004
Land sales to:	**$'000**	$'000
Joint ventures	**2 733**	3 741
Entities within SA Government	**-**	10 534
Other	**34 884**	28 966
Total Sales Revenue	**37 617**	43 241

(b) Other Revenue from Ordinary Activities

Other revenue from ordinary activities comprises:

Revenue received/receivable from entities within the SA Government:		
Interest received	**2 250**	3 288
Rent and other property income received	**336**	360
Revenues from Government (refer Note 6)	**10 043**	23 773
Recoveries and sundry income	**3 459**	576
Total Other Revenue from SA Government Entities	**16 088**	27 997
Revenue received/receivable from entities external to the SA Government:		
Interest received	**2 779**	2 671
Rent and other property income received	**10 648**	6 809
Share of net profit of joint venture entities (refer Note 5)	**7 353**	5 157
Proceeds on disposal of property, plant and equipment	**3**	-
Recoveries and sundry income	**2 288**	1 627
	23 071	16 264
Add: Net revenue resulting from the correction of an error (refer Note 2.17)	**3 832**	-
Total Other Revenue from Entities external to the SA Government	**26 903**	16 264
Total Other Revenue from Ordinary Activities	**42 991**	44 261

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint venture entities of $7 353 000 for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	2005	2004
	$'000	$'000
Revenues	**21 720**	20 966
Expenses	**14 367**	15 809
Profit from Ordinary Activities	**7 353**	5 157

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital contributions and acquisition of additional interest:		
Balance at 1 July	**1 400**	-
Contributions during the reporting period	**6 900**	11 100
Repayments during the reporting period	**(8 300)**	(9 700)
Balance at 30 June	**-**	1 400

5.1 Joint Venture Summary (continued)

	2005	2004
Share of accumulated profits:	**$'000**	$'000
Balance at 1 July	**13 863**	8 706
Profit for the reporting period	**7 353**	5 157
Distribution of profit to the Corporation during the reporting period	**(1 675)**	-
Balance at 30 June	**19 541**	13 863
Total Carrying Amount of Investment in Joint Venture Entities	**19 541**	15 263

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

Current Assets:		
Cash	**137**	430
Receivables	**1 264**	847
Inventories	**10 221**	7 084
Prepayments	**9**	6
	11 631	8 367
Non-Current Assets:		
Inventories	**10 732**	10 107
Property, plant and equipment	**479**	299
	11 211	10 406
Total Assets	**22 842**	18 773
Current Liabilities:		
Creditors and borrowings	**2 398**	1 488
Provisions	**903**	2 022
	3 301	3 510
Total Liabilities	**3 301**	3 510
Net Assets	**19 541**	15 263

5.2 Golden Grove Joint Ventures

The Corporation had a 50 percent interest in the Golden Grove Development joint venture, involving the development of land at Golden Grove by the Corporation and Delfin Lend Lease Ltd (formerly Delfin Property Group Limited). The joint venture was established pursuant to the *Golden Grove (Indenture Ratification) Act 1984* and operated under the Indenture and associated joint venture and management agreements.

All land made available to the joint venture by the Corporation was sold prior to 30 June 2004. Settlement of the final land sale triggered termination of the joint venture under the Project Completion Arrangements Deed and the formal structure of the joint venture was wound up with effect from 30 June 2003. Pursuant to the terms of the finalisation deed, provision has been made for the Joint Venture partners to share equally any final winding up costs incurred subsequent to 30 June 2003.

5.3 Mawson Lakes Economic Development Project

On 10 July 1997 documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at the Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project.

6. Revenues from Government

	2005	2004
Government appropriations received during the reporting period are as follows:	**$'000**	$'000
Land tax appropriation	**5 327**	3 334
Recurrent appropriation	**3 015**	12 743
Capital appropriation	**1 701**	7 696
	10 043	23 773

7. Bad and Doubtful Debts

Bad debts written off:		
Trade debtors	**4**	-
Transfer to provision for doubtful debts:		
Trade debtors	**639**	10
Total Bad and Doubtful Debts Expenses	**643**	10

7. Bad and Doubtful Debts (continued)

The provision for doubtful debts was increased by $629 000 during the reporting period to reflect the deteriorating risk profile of Southern Food Group Pty Ltd, which was placed into administration on 30 June 2005. A further $10 000 represents a general provision.

8. Tax Equivalents

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30 percent) be applied to the surplus after extraordinary items. The income tax equivalent paid or payable for the reporting period was $5.208 million ($11.445 million).

	2005	2004
	$'000	$'000
Income tax equivalent paid in respect of the surplus for the reporting period	**882**	1 591
Provision for income tax equivalent in respect of surplus for the reporting period (Refer Note 17)	**4 326**	9 854
Total Income Tax Equivalent paid or payable per the Statement of Financial Performance	**5 208**	11 445

The total income tax equivalent paid during the reporting period was as follows:

Income tax equivalent paid in respect of the surplus for the reporting period	**882**	1 591
Balance of income tax equivalent paid in respect of the previous reporting period	**9 187**	-
Total Income Tax Equivalent paid per the Statement of Cash Flows	**10 069**	1 591

9. Dividends

Pursuant to Regulations under the *Public Corporations Act 1993*, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that the total dividends of $2.180 million ($51.479 million) be paid in respect of the reporting period. The total dividend paid in respect of the previous reporting period included a special dividend of $50 million as part repatriation of retained earnings to Government.

10. Receivables

	2005	2004
Current:	**$'000**	$'000
Trade and other debtors[(a) (b)]	**2 836**	5 355
Mortgage debtor receivables	**3 700**	4 962
Provision for doubtful debts	**(709)**	(70)
	5 827	10 247
Non-Current:		
Mortgage debtor receivables	**22 147**	13 793
Provision for doubtful debts	**(1 000)**	(1 000)
	21 147	12 793
Total Receivables	**26 974**	23 040

(a) In the previous reporting period trade and other debtors included $3.350 million receivable from joint ventures in respect of capital repayments applicable to the reporting period but not received by the Corporation at balance date.

(b) Included in this balance are receivables from SA Government entities totalling $2.188 million ($1.717 million).

11. Inventories

	2005	2004
Current:	**$'000**	$'000
Cost of acquisition	**4 510**	2 601
Development cost capitalised	**7 737**	1 919
	12 247	4 520
Non-Current:		
Cost of acquisition	**37 718**	23 298
Development cost capitalised	**9 933**	4 667
	47 651	27 965
Total Inventories	**59 898**	32 485

12. Prepayments

Current:		
Prepayments	**45**	68
Total Prepayments	**45**	68

		2005	2004
13.	**Property, Plant and Equipment**	**2005**	2004
	Land and Buildings:	**$'000**	$'000
	Freehold land at fair value:		
	Independent valuation - 2003	**10 813**	13 693
	Independent valuation - 2004	**3 870**	3 870
	Independent valuation - 2005	**3 700**	-
		18 383	17 563
	Buildings at fair value:		
	Independent valuation - 2003	**14 751**	23 771
	Independent valuation - 2004	**22 380**	22 380
	Independent valuation - 2005	**11 100**	-
		48 231	46 151
	Accumulated depreciation	**-**	(922)
		48 231	45 229
	Total Land and Buildings	**66 614**	62 792
	Plant and Equipment:		
	At cost	**2 275**	2 248
	Accumulated depreciation	**(1 907)**	(1 767)
	Total Plant and Equipment	**368**	481
	Total Property, Plant and Equipment	**66 982**	63 273

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment are as follows:

Freehold Land:		
Carrying amount at 1 July	**17 563**	10 423
Transfer from ICPC	**-**	6 360
Revaluation increment	**820**	780
Carrying amount at 30 June	**18 383**	17 563
Buildings:		
Carrying amount at 1 July	**45 229**	14 071
Transfer from ICPC	**-**	29 283
Depreciation	**-**	(806)
Adjustment resulting from the correction of an error (refer Note 2.17)	**922**	-
Revaluation increment	**2 080**	2 681
Carrying amount at 30 June	**48 231**	45 229
Plant and Equipment:		
Carrying amount at 1 July	**481**	550
Additions	**71**	102
Depreciation	**(184)**	(171)
Carrying amount at 30 June	**368**	481
Total Carrying Amount at 30 June	**66 982**	63 273

14.	**Work in Progress**		
	Consists of:		
	Construction projects in progress	**-**	26 722
	Client deposits received	**-**	(3 843)
	Total Construction Projects in Progress	**-**	22 879
15.	**Payables**		
	Current:		
	Trade creditors	**6 461**	2 539
	Sundry creditors and accrued expenses	**11 351**	4 211
		17 812	6 750
	Non-Current:		
	Non-interest bearing loan - Department of Business, Manufacturing and Trade	**500**	500
	Sundry creditors and accrued expenses	**3 316**	76
		3 816	576
	Total Payables	**21 628**	7 326

The Total includes liabilities payable to SA Government entities, comprising:

Current:		
Trade creditors	**3 411**	559
Sundry creditors and accrued expenses	**7 519**	1 005
	10 930	1 564

15. Payables (continued)

	2005 $'000	2004 $'000
Non-Current:		
Non-interest bearing loan - Department of Business, Manufacturing and Trade	**500**	500
Sundry creditors and accrued expenses	**3 316**	76
	3 816	576
Total Payables to SA Government Entities	**14 746**	2 140

16. Interest-Bearing Liabilities

Current:		
Loans - South Australian Government Financing Authority[(a)]	**16 665**	15 506
Non-Current:		
Loans - South Australian Government Financing Authority[(a)]	**57 558**	62 298
Loans - South Australian Government Financing Authority[(b)]	**9 902**	9 953
	67 460	72 251
Total Interest-Bearing Liabilities	**84 125**	87 757

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding of industrial and commercial construction projects under the Industrial Premises Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Land Management Corporation.

17. Tax Liabilities

	2005 $'000	2004 $'000
Current:		
Income tax equivalent	**4 326**	9 187
Total Tax Liabilities	**4 326**	9 187

18. Employee Benefits

18.1 Total Employee Benefits

Current:		
Annual leave	**226**	198
Long service leave	**40**	40
	266	238
Non-Current:		
Long service leave	**626**	653
Total Employee Benefits	**892**	891

18.2 Aggregate Employee Benefits and Related On-Costs

Accrued salaries and wages	**77**	55
Annual leave - Current:		
Liability for employee benefits	**226**	198
On-costs included in payables (refer Note 15)	**23**	21
	249	219
Long service leave - Current:		
Liability for employee benefits	**40**	40
On-costs included in payables (refer Note 15)	**4**	4
	44	44
Long service leave - Non-Current:		
Liability for employee benefits	**626**	653
On-costs included in payables (refer Note 15)	**68**	72
	694	725
Aggregate Employee Benefits and Related On-Costs	**1 064**	1 043

19. Equity

Equity represents the residual interest in the Corporation's net assets. The South Australian Government holds the equity interest in the Corporation on behalf of the community. Equity comprises:

19.1 Accumulated Surplus

Balance at 1 July	**74 476**	99 249
Surplus from ordinary activities for the year after income tax equivalent	**12 152**	26 706
Dividend paid or payable to the Treasurer (refer Note 9)	**(2 180)**	(51 479)
Accumulated Surplus at 30 June	**84 448**	74 476

19.2 Asset Revaluation Reserve

	2005	2004
	$'000	$'000
Balance at 1 July	**13 185**	9 607
Transfer from Industrial and Commercial Premises Corporation (Refer Note 19.3)	**-**	117
Adjustment resulting from the correction of an error (refer Note 2.17)	**(2 910)**	-
Revaluation increment - Land and buildings (refer Note 2.10, 13)	**2 900**	3 461
Adjustment to increment arising from expenditure on land and buildings incurred during the year	**(617)**	-
Balance at 30 June	**12 558**	13 185

19.3 Equity Transferred from Industrial and Commercial Premises Corporation

During the 2003-04 financial year the activities of the former Industrial and Commercial Premises Corporation (ICPC) were transferred to the Land Management Corporation and accordingly the ICPC net liabilities ($6.999 million) were transferred to the Corporation. Details of the assets and liabilities transferred were:

		2004
Current Assets:	$'000	$'000
Cash		70
Receivables		3 871
Accruals and prepayments		939
		4 880
Non-Current Assets:		
Receivables		11 795
Construction projects in progress	30 309	
Deposits received	(3 822)	
		26 487
Property, plant and equipment		35 643
		73 925
Total Assets		78 805
Current Liabilities:		
Creditors and borrowings		25 512
Provisions		162
Other Accruals		985
		26 659
Non-Current Liabilities:		
Creditors and borrowings		59 145
		59 145
Total Liabilities		85 804
Net Liabilities		(6 999)
Equity:		
Asset revaluation reserve		114
Accumulated deficit		(7 113)
Total Equity		(6 999)

20. Administered Transactions

With the exception of funds held on behalf of the Department of Education and Children's Services (DECS) in relation to construction of the Mawson Centre (refer Note 2.2), there were no administered projects or items under the control of the Corporation for the reporting period.

21. Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

	2005	2004
	$'000	$'000
Payable not later than one year	**492**	886
Payable later than one year but not later than five years	**1 515**	1 578
Payable later than five years	**16**	355
	2 023	2 819

Operating lease commitments comprise a property lease and leases for computer equipment and motor vehicles. The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Motor vehicles and computer equipment are leased over varying terms up to 3 years.

Capital Expenditure Commitments
At the reporting date the Corporation had capital expenditure commitments from general operations as follows:

	2005	2004
	$'000	$'000
Payable not later than one year	**2 023**	6 702
Payable later than one year but not later than five years	**-**	-
Payable later than five years	**-**	-
	2 023	6 702

The majority of these commitments comprise the Corporation's remaining commitment for the State Government's component of the infrastructure works at Mawson Lakes (refer Note 5.3), estimated to be $1.302 million ($5.676 million).

Additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital Expenditure Commitments arising from Edinburgh Parks Acquisition
On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the Land Management Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase from the Department of Trade and Economic Development are summarised as follows:

Stage 0 Land and Buildings
An amount may be payable to the Department of Trade and Economic Development, representing 25 percent of the net operating surplus arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be in the order of $1.0 million (2004 $1.0 million), potentially payable later than one year but not later than five years from balance date.

Stages 1, 2 & 3

Assets included in Stages 1 and 3 will be acquired by the Corporation on a deferred payment basis. The net proceeds from Stage 1 will be remitted to the Department of Trade and Economic Development on receipt, and are estimated to total $10.4 million ($11.1 million). The Land Management Corporation is acting in the capacity as manager on behalf of the Department of Trade and Economic Development in regard to this stage. $4.34 million was paid to DTED in the 2004-05 financial year. A further $3.0 million is expected to be paid in the 2005-06 year, based on current sales forecasts. The balance will be paid no later than five years, subject to the sale of remaining allotments.

Previously expended Stage 3 costs ($3.1 million) will be reimbursed to the Department of Trade and Economic Development on completion and sale of Stage 3. It is forecast that this amount will be paid in the 2006-07 financial year.

Stage 2 had previously been completed by the Department of Trade and Economic Development.

On 1 June 2005 a further 505.6 hectares was acquired from the Commonwealth. Based on current sales forecasts this represents a future obligation of $4.9 million payable to the Commonwealth Department of Defence.

Other Expenditure Commitments
Other expenditure commitments at balance date were $635 000 payable within 12 months (2004: $46 000).

22. Contingent Liabilities	2005	2004
Mawson Lakes Joint Venture (refer Note 5.3)	**$'000**	$'000
Indemnity for letter of guarantee in favour of Local and State Government Authorities. The maximum liability amounts to $5 882 000 ($4 189 000).		
The Corporation's contingent liability in respect of this amount is 50 percent	**2 941**	2 095

Former Industrial and Commercial Premises Corporation
In the previous reporting period, the Corporation disclosed a contingent liability to provide funding, via the Industrial and Commercial Premises Scheme, up to the amount of $3.85 million, subject to execution of a deferred purchase agreement by the contracting party. This project did not proceed and consequently the Corporation did not enter into contractual arrangements with the other party.

Port Adelaide Waterfront Redevelopment Project
Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement October 2004, the Corporation has provided an initial performance bond of $5 million, issued by the South Australian Government Financing Authority in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in $1 million decrements over the development period proportionate to the remaining precincts to be developed.

Port Adelaide Waterfront Redevelopment Project (continued)

The performance bond is part of mutual obligations as security for:

i) the performance by LMC and the development consortium of their respective obligations pursuant to the Agreement; and
ii) the liability of either party upon termination pursuant to the Agreement.

Other

The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

23. **Reconciliation of Cash Flows from Operating Activities with Surplus from Ordinary Activities after Income Tax Equivalent**	**2005 $'000**	2004 $'000
Surplus from Ordinary Activities after Income Tax Equivalent	**12 152**	26 706
Non-cash flows in Surplus from Ordinary Activities after Income Tax Equivalent:		
Share of net profit of joint venture entities	**(7 353)**	(5 157)
Net gain on disposal of property, plant and equipment	**(3)**	-
Depreciation	**184**	977
Movement in income tax equivalent payable	**(4 861)**	9 187
Provision for long service leave	**(29)**	158
Provision for annual leave	**27**	(7)
Provision for employee entitlement - On-costs	**(2)**	11
Provision for doubtful debts	**639**	10
Net revenue resulting from correction of an error	**(3 832)**	-
Net expense on take up of ICPC	**-**	7 113
Changes in assets and liabilities:		
(Increase) Decrease in receivables	**(7 921)**	7 162
(Increase) Decrease in prepayments	**24**	(8)
(Decrease) in asset revaluation reserve	**(617)**	-
(Increase) Decrease in work in progress	**22 879**	(5 971)
(Increase) in inventories	**(27 412)**	(6 397)
Increase in payables	**14 302**	3 091
Net Cash (used in) provided by Operating Activities	**(1 823)**	36 875

24. **Cash Assets**		
Cash at Treasury	**34 160**	35 091
Cash in trust, at bank and on hand	**377**	723
Cash shown in the Statement of Financial Position and Statement of Cash Flows	**34 537**	35 814

25. Financial Instruments Disclosure

25.1 Credit Risk

The credit risk on financial assets of the Corporation which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any provision for doubtful debts.

25.2 Interest Rate Risk Exposure

The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:

		2005 Fixed Interest Rate Maturing				
	Floating Interest Rate	**Up to 1 Year**	**More than 1 year up to 5 Years**	**More than 5 Years**	**Total**	2004 Total
Financial Assets:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Cash assets	**34 537**	**-**	**-**	**-**	**34 537**	35 814
Trade and other debtors	**4 426**	**-**	**-**	**-**	**4 426**	8 541
Mortgage debtors	**-**	**2 567**	**9 702**	**11 988**	**24 257**	15 569
	38 963	**2 567**	**9 702**	**11 988**	**63 220**	59 924
Weighted Average Interest Rate	**5.15%**	**7.77%**	**7.40%**	**7.21%**		
Financial Liabilities:						
Payables	**21 628**	**-**	**-**	**-**	**21 628**	7 326
Interest-bearing liabilities	**20 909**	**15 208**	**12 868**	**35 140**	**84 125**	87 757
	42 537	**15 208**	**12 868**	**35 140**	**105 753**	95 083
Weighted Average Interest Rate	**3.12%**	**10.18%**	**7.22%**	**6.75%**		
Net Financial (Liabilities)	**(3 574)**	**(12 641)**	**(3 166)**	**(23 152)**	**(42 533)**	(35 159)

25.3 Net Fair Value of Financial Instruments

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of receivables and payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2005		2004	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash assets	**34 537**	**34 537**	35 814	35 814
Trade and other debtors	**4 426**	**4 426**	8 541	8 541
Mortgage debtors	**24 257**	**18 842**	15 569	11 509
Provision for doubtful debts	**(1 709)**	**(1 709)**	(1 070)	(1 070)
Total Financial Assets	**61 511**	**56 096**	58 854	54 794
Financial Liabilities:				
Payables	**21 628**	**21 628**	7 326	7 326
SAFA loans	**84 125**	**87 108**	87 757	89 979
Total Financial Liabilities	**105 753**	**108 736**	95 083	97 305
Net Financial (Liabilities)	**(44 242)**	**(52 640)**	(36 229)	(42 511)

26. Directors' Remuneration

The number of Directors of the Board whose remuneration from the Corporation was within the following bands were:	**2005 Number of Directors**	2004 Number of Directors
$Nil	**3**	3
$10 001 - $20 000	**1**	6
$20 001 - $30 000	**3**	-
$30 001 - $40 000	**1**	-
$50 001 - $60 000	**-**	1

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $130 000 ($136 000), including fees received by two Directors in relation to the appointment to the Mawson Lakes Joint Venture Committee.

The number of Directors who held office at 30 June 2005 was 7 (7).

27. Employees' Remuneration

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated fringe benefits tax.

The number of employees whose remuneration from the Corporation was within the following bands were:	**2005 Number of Employees**	2004 Number of Employees
$100 001 - $110 000	**-**	2
$110 001 - $120 000	**4**	7
$120 001 - $130 000	**5**	1
$140 001 - $150 000	**1**	-
$150 001 - $160 000	**-**	1
$160 001 - $170 000	**1**	1
$170 001 - $180 000	**1**	-
$190 001 - $200 000	**1**	-
$220 001 - $230 000	**-**	1

Total income received or due and receivable by the above employees for the period they held office was $1.74 million ($1.69 million).

The number of employees at the reporting date was 70.4 (71.2).

28. Auditors' Remuneration

	2005	2004
Amounts received or due and receivable by the principal auditors for auditing the accounts	**$'000**	$'000
	70	60
Total Auditors' Remuneration	**70**	60

29. External Consultants

	2005	2004
Fees and expenses incurred during the reporting period as a result of engaging consultants were:	**$'000**	$'000
Recognised in the Statement of Financial Performance	**425**	559
Capitalised (Written Back) in the Statement of Financial Position	**880**	(8)
Total	**1 305**	551

30. Related Party Disclosure

Directors

The Directors of the Corporation appointed in accordance with the Regulations under the *Public Corporations Act 1993* were:

M J Terlet AO, Chairman (appointed 1.3.05)	L Hart (appointed 1.3.05)
J B Hogan, Chairman (resigned 28.2.05)	R G Hook
B M Deed	A Maddern
B P Gardner	P J Martin
P F Grimes (resigned 11.2.05)	

Details of Directors' remuneration are set out in Note 26.

During the period of their appointment to the Land Management Corporation:

Mr Terlet was Chairman of the International Wine Investment Fund, United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies and the SDS Corporation Ltd. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of Louminco Pty Ltd and The University Senior College. He was a board member of Business SA and Operation Flinders. He was a member of the Engineering Employers Association Committee of Management.

Mr J B Hogan was Chairman of the South Australian Housing Trust Board, Presiding Member of the Torrens Catchment Water Management Board, Deputy Chairman of HomeStart Finance and Board Member of other unrelated companies.

Ms B M Deed was Vice-Chairman of the Australian Red Cross SA Divisional Board.

Mr B P Gardner was Executive Director of the Housing Industry Association, Board Member of the Construction Industry Training Board, Board Member of GullyCorp Ltd, and a Board Member of HIA Group Apprentice Scheme.

Dr P F Grimes was Deputy Under Treasurer, Department of Treasury and Finance, and a Board Member of the South Australian Superannuation Board.

Ms L Hart was Executive Director, Policy Analysis, Department of Treasury and Finance, a Director of Generation Lessor Corporation, Distribution Lessor Corporation, RESI Corporation, Transmission Lessor Corporation and Transmission Leasing Pty Ltd.

Mr R G Hook was Executive Director, Office for Infrastructure Development, Chair of the South Australian Infrastructure Corporation (and Chair of the Management Committee for the Adelaide Thunderbirds Netball Team until 31 December 2004, and the State League Netball Management Committee).

Ms A Maddern was a full time employee of WMC (Olympic Dam Corporation) Pty Ltd, a wholly owned subsidiary of WMC Resources Ltd. As from 3 June 2005, WMC Resources Limited became a member of the BHP Billiton group of companies.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Board Member of the South Australian Film Corporation, AustralAsia Railway Corporation, Adelaide to Outback GP Training Program Inc., a member of the Walford Council of Governors and a Council Member of the University of Adelaide.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Land Management Corporation had entered into a transaction during the year ended 30 June 2005.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the Act). Subsection 6(3) of the Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

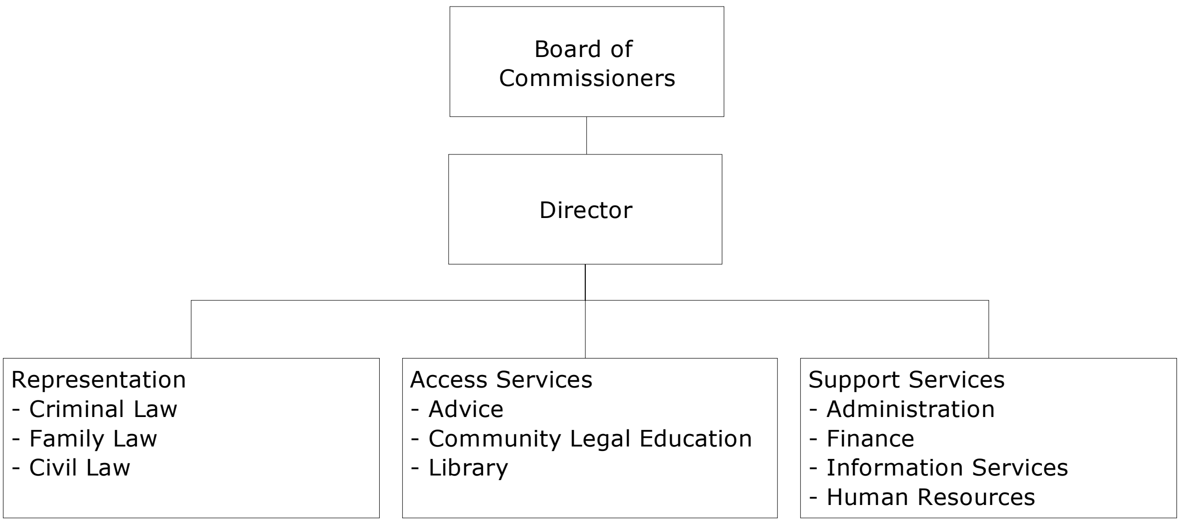
Functions

The Act provides for the Commission to undertake a variety of functions concerning legal assistance including:

- provide, or arrange for legal assistance and determine the criteria under which that assistance is to be granted;
- co operate and make reciprocal arrangements with persons administering schemes of legal assistance in other States and Territories of the Commonwealth or elsewhere;
- initiate and carry out educational programmes to promote an understanding by the public of their rights, powers, privileges and duties under the laws of the Commonwealth or the State;
- perform other functions as the Attorney-General may direct.

Structure

The structure of the Commission is illustrated in the following organisation chart.



Audit and Risk Management Committee

The Commission has an Audit and Risk Management Committee which comprises three Commissioners including the Director. The Committee meets at least three times a year and reports to the Board of Commissioners. The Committee's primary function is to monitor and oversee audit and risk management and associated policies and procedures. Representatives of the Auditor-General's Department attend meetings of the Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 25 of the *Legal Services Commission Act 1977* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* 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 those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- cash at bank
- minor works
- budgetary control

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Commission as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of the Commission have been conducted properly and in accordance with law.

Audit Communications to Management

The audit of the Commission's control environment revealed that internal controls were operating satisfactorily. Notwithstanding this observation, Audit identified opportunities to improve the existing controls. These matters were detailed in a management letter to the Chairperson of the Commission for consideration and a satisfactory response was received. The principle matter raised with the Commission is detailed herein.

Legal Aid Expenditure

As part of the 2004-05 review of legal expenditure, a number of legal aid recipient files were selected for review. The emphasis of the review was to test management controls designed to ensure appropriate compliance with funding guidelines and the Commission's endorsed policies and procedures including collection of documentation used to assist in means testing of applicants.

While audit testing did not reveal instances of non-compliance, Audit raised with management the need to consider documentation received as required by Commission policy.

The Commission's response noted that relevant policy documents are to be reviewed to ensure they reflect current circumstances.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

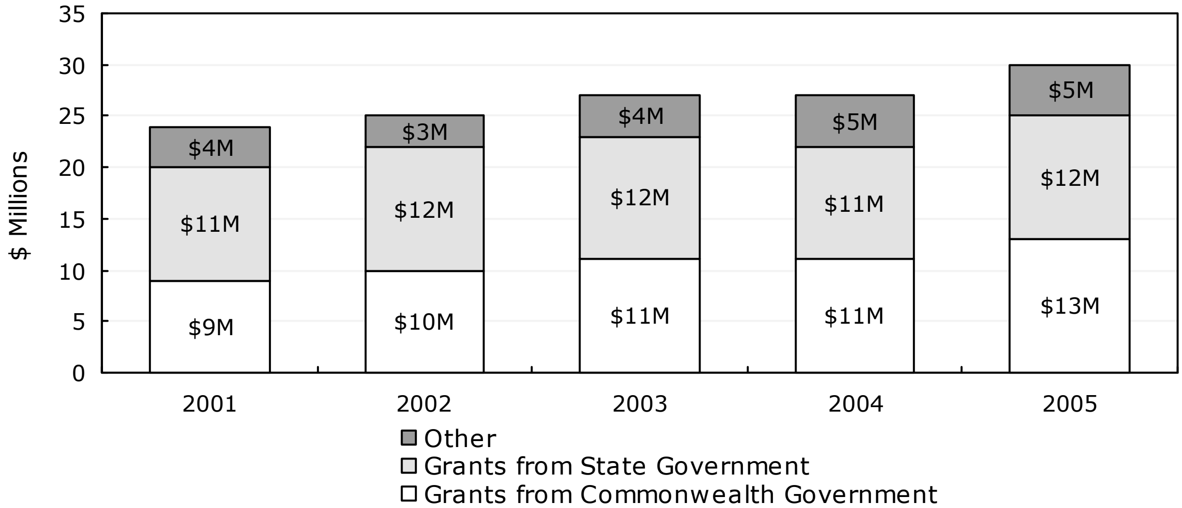
Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Commonwealth Government grants	**12.9**	11.3	14
State Government grants	**12.2**	11.3	8
Other Revenue	**4.9**	4.6	7
Total Operating Revenue	**30.0**	27.2	10
OPERATING EXPENDITURE			
Employment expenses	**11.0**	10.7	3
Legal expenses	**13.2**	12.6	5
Other expenses	**3.3**	3.1	6
Total Operating Expenses	**27.5**	26.4	4
Operating Surplus from Ordinary Activities	**2.5**	0.8	-
Net Cash Flows from Operations	**2.9**	1.4	107
ASSETS			
Current assets	**11.9**	9.6	24
Non-current assets	**4.4**	4.0	10
Total Assets	**16.3**	13.6	20
LIABILITIES			
Current liabilities	**2.4**	2.3	4
Non-current liabilities	**1.7**	1.6	6
Total Liabilities	**4.1**	3.9	5
EQUITY	**12.2**	9.7	26

Statement of Financial Performance

Operating Revenues

A structural analysis of operating revenues of the Commission for the five years to 2005 is presented in the following chart.



The majority of the Commission's revenue is provided by the State and Commonwealth Governments.

Commonwealth Government Grants

In meeting the cost of providing legal aid, the Commission receives funding from the Commonwealth Government in accordance with an agreement between the Commonwealth and State Governments. A new agreement was signed 4 April 2005 and covers a period to 31 December 2008.

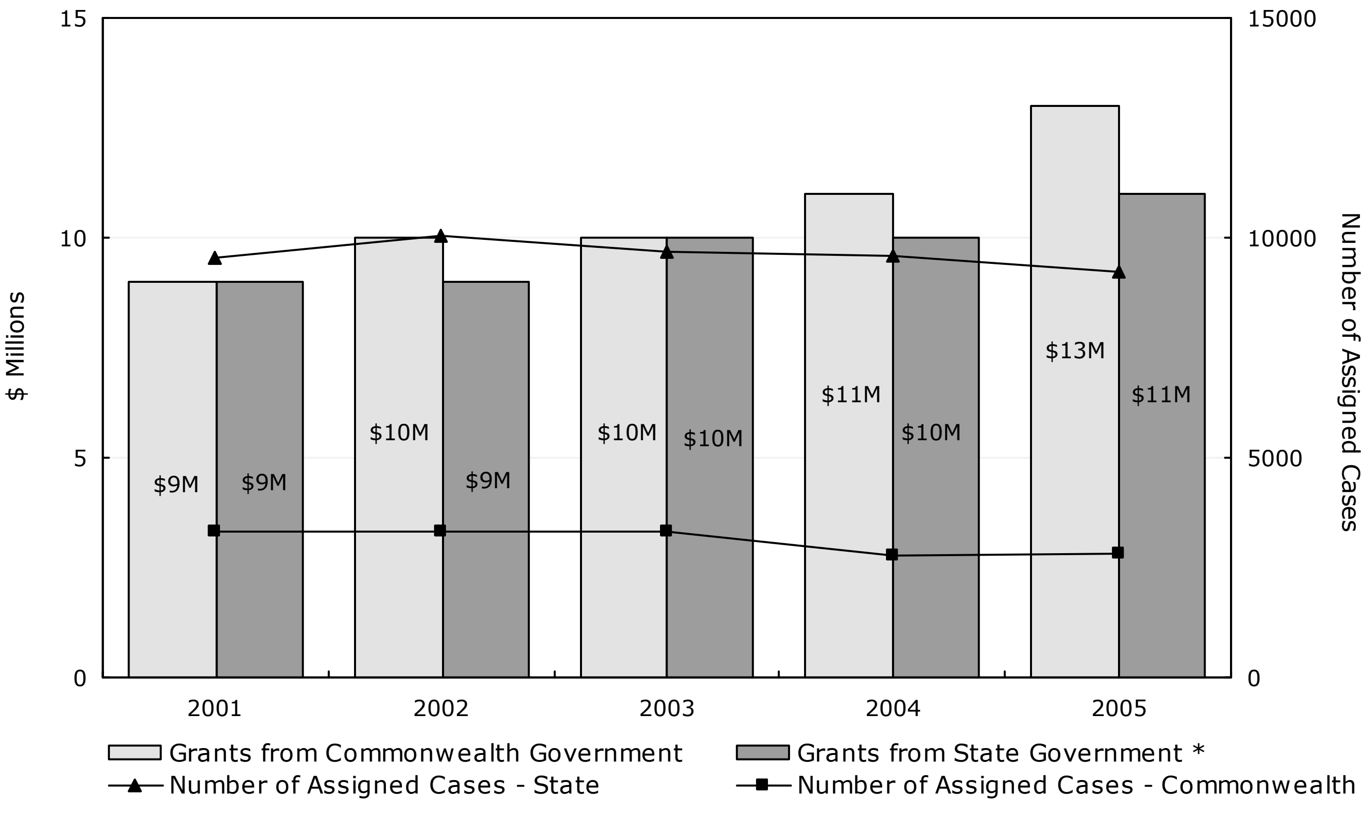
The Commonwealth grants received by the Commission are expended in accordance with the agreement between the Commonwealth and State Governments. Legal assistance is provided within South Australia for matters arising under Commonwealth law which are a matter of priority. The matters of priority are predominantly in the areas of family law, criminal law, and specific civil matters.

General grants from the Commonwealth Government provided in accordance with the funding agreement, (excluding specific Commonwealth grants) totalled $12.0 million ($10.8 million) and comprised 40 percent (40 percent) of total Revenues of the Commission. Further information as to the nature of Commonwealth Government Grants is disclosed in Note 10 to the financial statements.

State Government Grants

The funding provided by the State is determined through the budgetary process of the South Australian Government. The State grants received by the Commission are expended on State Law matters and these are predominately criminal cases, and community advice and education.

General grants from the State Government 2004-05 totalled $11.0 million ($9.9 million) and comprised 37 percent (36 percent) of total Revenues of the Commission. This amount excludes specific State grants for expensive cases of $1.2 million ($1.4 million).

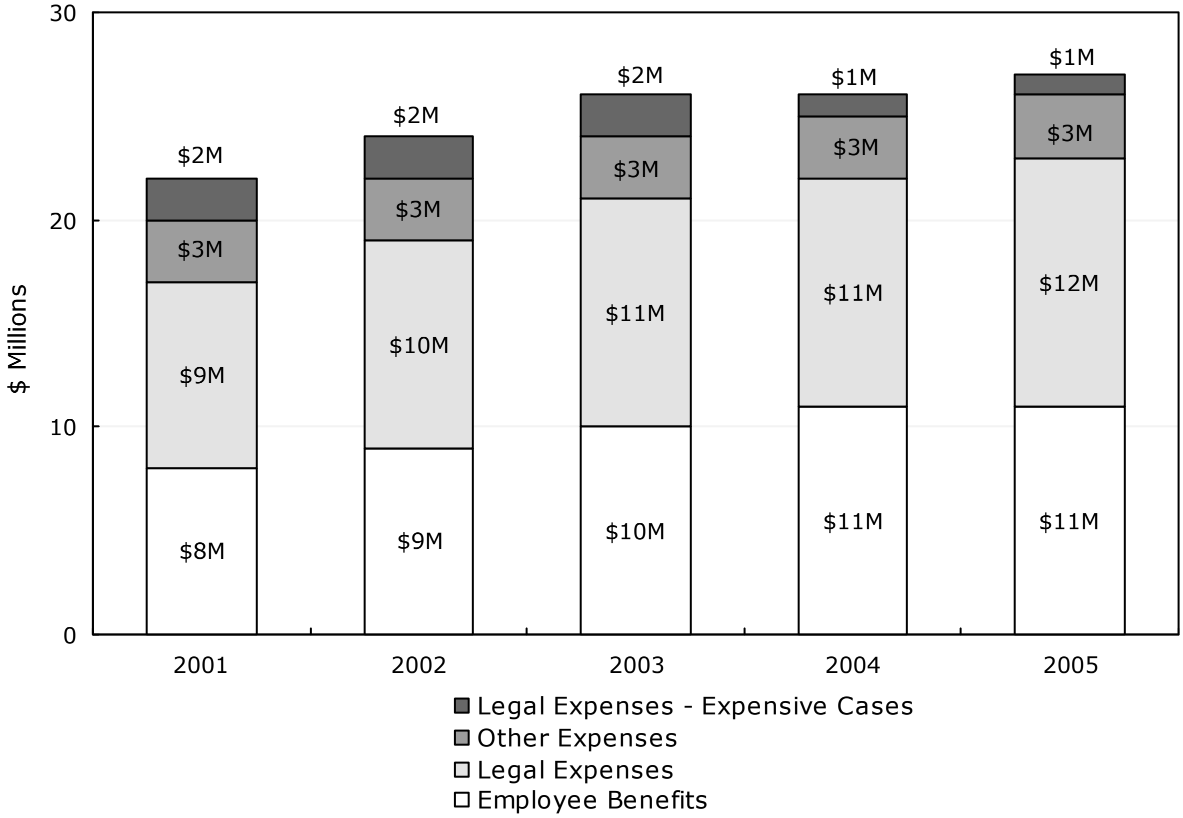


* Excluding Expensive Case Grants

The foregoing chart illustrates, for the past five years, the proportions of State and Commonwealth general grant funding provided in accordance with the agreement between the Governments (general grants only). It also illustrates the number of cases that have been assigned that relate to Commonwealth and State grant funding. The chart indicates the significant increase in Commonwealth Government funding in 2004-05. This contrasts with a relatively consistent number of Commonwealth assigned cases contributing to the increased operating result and proportionate increase in cash balances.

Operating Expenses

A structural analysis of the main operating expense items for the Commission is shown in the following chart which illustrates that the composition of the Commission's expenses has remained relatively constant with a gradual increase in employee benefits and legal expenses.

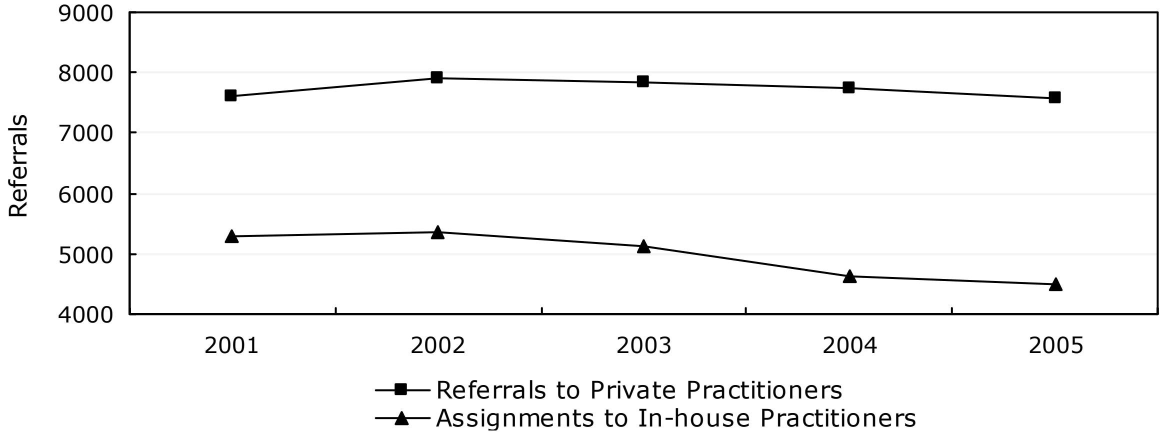


The item 'Legal Expenses – Expensive Cases' in the chart above includes expenditure relating to the provision of legal representation to the defendants in the 'Bodies in the Barrels' Case. As at 30 June 2005 a total of $8.9 million has been spent on this case, for which the equivalent amount of State Government grant funding has been received over the period of four years.

Referrals to Private and In-house Practitioners

Referrals to private practitioners for the year totalled 7562 cases (7739) or 63 percent (63 percent) of approvals. Fees to private legal practitioners for these cases (legal expenses) amounted to $12.2 million ($11.4 million) and comprised 44 percent (43 percent) of total Expenses from Ordinary Activities. Applications assigned to the in-house practitioners totalled 4495 cases (4625) or 37 percent (37 percent).

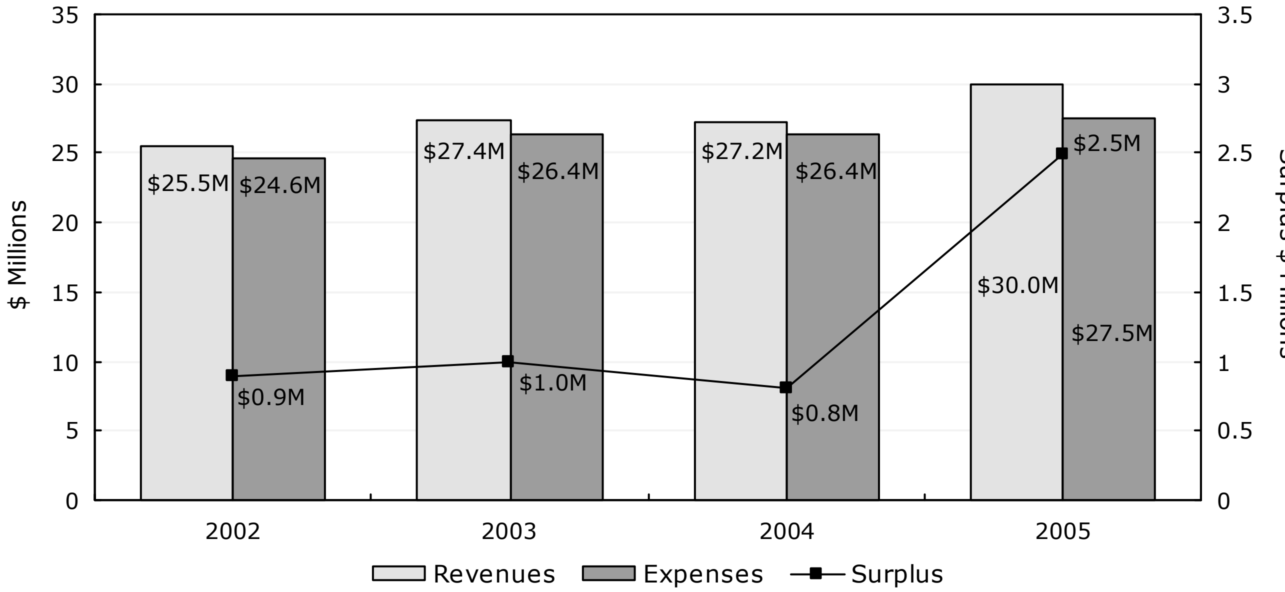
The following chart shows the trend in referrals to private practitioners and assignment to in-house practitioners over the past five years.



Operating Result

The Statement of Financial Performance for the year ended 30 June 2005 reports total revenues of $30.0 million ($27.2 million) and total Expenses from Ordinary Activities of $27.5 million ($26.4 million), resulting in a Net Result from Ordinary Activities of $2.5 million ($0.8 million).

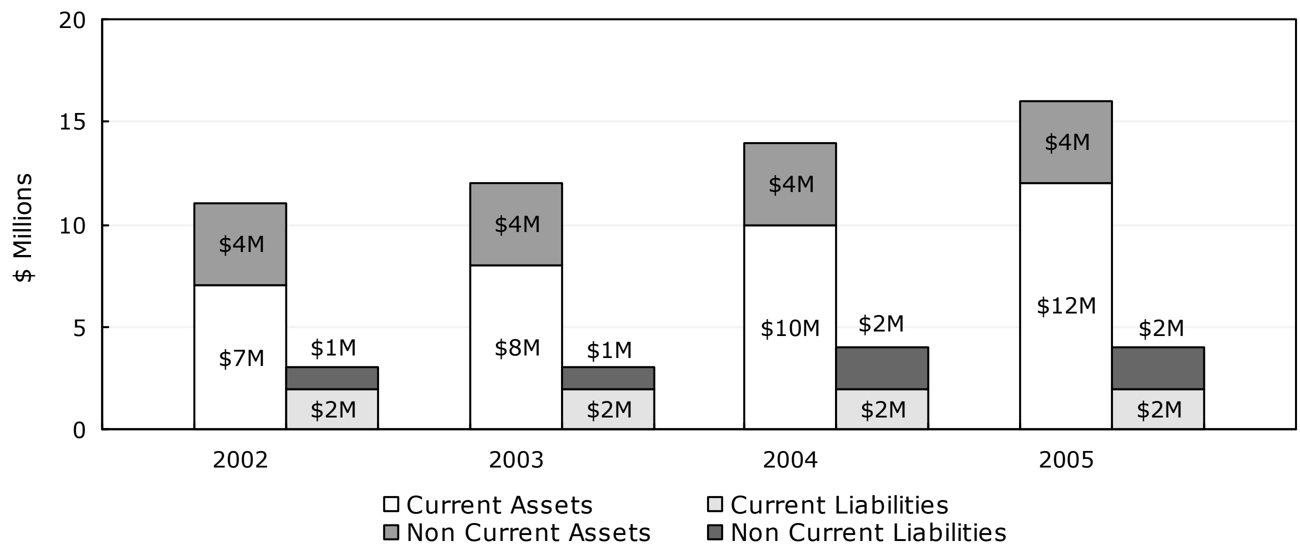
The following chart shows the revenues, expenses and surplus for the four years to 2005.



The chart highlights that the Commission has consistently achieved a small surplus every year over the period. The increase in Surplus in 2005 relates principally to Commonwealth Government funding yet to be expended, resulting in a proportionate increase in cash balances.

Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



This analysis shows a gradual increase in assets and minimal change in liabilities over the past four years. Total assets have grown by 45 percent since 2002. This growth is primarily a result of an increase in cash at bank which has grown over the four years by $4.4 million to $10.9 million at 30 June 2005.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**2.9**	1.4	1.1	1.4
Investing	**(0.3)**	(0.3)	(0.4)	(0.6)
Change in Cash	**2.6**	1.1	0.7	0.8
Cash at 30 June	**10.9**	8.3	7.2	6.5

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period primarily as a result of a build up in government funding yet to be expended. This trend is consistent with the operating surpluses achieved each year.

The cash balance of $10.9 million as at 30 June 2005 is sufficient to meet the Commission's outstanding current liabilities of $2.4 million, future commitments of $3.6 million (as disclosed in Note 20) and reserves of $1.2 million allocated for specific purposes (as disclosed in Notes 2.13 and 17).

Statement of Financial Performance for the year ended 30 June 2005

	Note	**2005 $'000**	2004 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4	**10 959**	10 653
Private practitioner services	2.16	**12 198**	11 418
Private practitioner services - Bodies in the Barrels	5	**425**	1 214
Private practitioner services - Other expensive State matters	5	**623**	-
Supplies and services	6	**2 952**	2 661
Depreciation and amortisation	7	**328**	379
Bad and doubtful debt		**19**	70
Total Expenses from Ordinary Activities		**27 504**	26 395
REVENUES FROM ORDINARY ACTIVITIES:			
Legal Practitioners Act revenue	8	**2 510**	2 212
Statutory charges		**949**	1 047
Interest		**609**	550
Costs recovered and contributions	9	**198**	247
Other		**617**	515
Total Revenues from Ordinary Activities		**4 883**	4 571
Net Cost of Services from Ordinary Activities		**22 621**	21 824
REVENUES FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement	10	**11 952**	10 802
Primary dispute resolution	10	**310**	125
Family duty solicitor service	10	**310**	-
Child support - Stage One matters	10	**357**	332
State Government:			
Funding	11	**10 962**	9 943
Expensive cases - Bodies in the Barrels	11	**655**	1 214
Expensive cases - Other matters	11	**565**	191
Total Revenues from Governments		**25 111**	22 607
NET RESULT FROM ORDINARY ACTIVITIES		**2 490**	783
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		**2 490**	783

Statement of Financial Position
as at 30 June 2005

	Note	**2005**	2004
CURRENT ASSETS:		**$'000**	$'000
Cash at bank and on hand	19	**10 887**	8 335
Receivables	12	**893**	1 134
Other	13	**108**	144
Total Current Assets		**11 888**	9 613
NON-CURRENT ASSETS:			
Library	2.9	**333**	333
Computers and other equipment	14	**965**	937
Statutory charge debtors	15	**3 133**	2 681
Total Non-Current Assets		**4 431**	3 951
Total Assets		**16 319**	13 564
CURRENT LIABILITIES:			
Legal payables		**1 144**	1 182
Employee benefits	16	**741**	626
Payables		**562**	458
Total Current Liabilities		**2 447**	2 266
NON-CURRENT LIABILITIES:			
Employee benefits	16	**1 678**	1 594
Total Non-Current Liabilities		**1 678**	1 594
Total Liabilities		**4 125**	3 860
NET ASSETS		**12 194**	9 704
EQUITY:			
Reserves	17	**1 186**	1 006
Accumulated surplus	18	**11 008**	8 698
TOTAL EQUITY		**12 194**	9 704
Commitments, Contingent Liabilities	20, 21, 23		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	2005 Inflows (Outflows) $'000	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee payments		**(10 693)**	(10 388)
Supplies and services		**(2 919)**	(2 709)
Private practitioner services		**(12 182)**	(11 232)
GST payments on purchases		**(1 793)**	(1 678)
GST remitted to ATO		**(192)**	(149)
Private practitioner services - Bodies in the Barrels		**(495)**	(1 144)
Private practitioner services - Other expensive State matters		**(565)**	-
Total Outflows from Ordinary Activities		**(28 839)**	(27 300)
CASH INFLOWS:			
Legal Practitioners Act receipts		**2 768**	2 135
Costs recovered and contributions		**178**	245
Statutory charge receipts		**590**	886
GST receipts on receivables		**172**	139
GST receipts from taxation authority		**1 712**	1 601
Other		**1 170**	1 079
Total Inflows from Ordinary Activities		**6 590**	6 085
CASH FLOWS FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement		**11 952**	10 802
Child support - Stage One matters		**357**	332
Primary dispute resolution		**310**	125
Family duty solicitor services		**310**	-
State Government:			
Funding		**10 962**	9 943
Expensive Cases - Bodies in the Barrels		**655**	1 214
Expensive Cases - Other matters		**565**	191
Total Cash Flows from Governments		**25 111**	22 607
Net Cash Inflows from Operating Activities	19	**2 862**	1 392
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(310)**	(259)
Total Outflows from Investing Activities		**(310)**	(259)
NET INCREASE IN CASH HELD		**2 552**	1 133
CASH AT 1 JULY		**8 335**	7 202
CASH AT 30 JUNE	19	**10 887**	8 335

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission of South Australia

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia

The Commission's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for the valuation of the library, which is at an independent valuation.

2.2 Comparative Figures

The previous year's figures are provided in the financial report for comparative purposes. Where applicable, comparative figures have been adjusted to conform to changes in presentation and classification in the current year.

2.3 Rounding

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

2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the Australian Tax Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for Goods and Services Tax (GST).

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of the amount of (GST), except:

(a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

2.5 Revenue and Expenses

Revenue and Expense are recognised in the Commission's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenues and Expenses have been classified according to their nature in accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Government Funding

The Commission receives funding from the State and Commonwealth governments, which are recognised as income when monies are received.

Other Revenues

Other Revenue is recognised as it accrues.

2.6 Current and Non-Current Items

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

2.7 Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

2.8 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.

2.8 Depreciation and Amortisation of Non-Current Assets (continued)

The useful lives of all major assets held by the Legal Services Commission of SA are reassessed on an annual basis.

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

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

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Computers	Straight Line	3-5
Office equipment	Straight Line	5-13
Furniture and fittings	Straight Line	13
Leasehold improvements	Straight Line	10

2.9 Library

In October 2001, the Commission obtained an independent revaluation of the library at market or market replacement value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by Lawyers Books, which valued the library at $333 000.

2.10 Payables

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

Creditors represent the amounts owing for goods and services received prior to the ending 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 Legal Services Commission of SA.

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Legal Services Commission of SA 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 Legal Services Commission of SA makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance relates to any contributions due but not yet paid to the SASB.

2.11 Employee Benefits

Provision has been made in the financial report for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. However, in accordance with the Treasurer's Accounting Policy Statements 9 'Employee Benefits', the on-cost component is included in creditors. The aggregate of employee benefits is disclosed at Note 16.

1. *Annual Leave*
   Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

2. *Sick Leave*
   No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

3. *Long Service Leave*
   Provision has been made for the Commission's liability for long service leave at balance date on a basis, which is consistent with measurement techniques outlined in Australian Accounting Standard AASB 1028 'Accounting for Employee Entitlements'. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with seven or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

4. *Superannuation*
   Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

4. *Superannuation (continued)*

(a) The Commission paid an amount to 'Comsuper' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to $93 000 ($98 000).

(b) During 2004-05 the Commission paid $957 000 ($911 000) to the South Australian Department of Treasury and Finance towards the accruing government liability for superannuation in respect of all employees.

The Commission has no responsibility for benefits in relation to future superannuation payments to employees, as these are assumed by the superannuation funds.

2.12 Workers Compensation

The Commission pays a workers compensation levy to the WorkCover Corporation to cover any claims. The levy rates varies slightly depending on the location of the Commission office or chambers.

2.13 Reserves

The Commission has established the following reserves (refer Note 17):

Asset Revaluation Reserve
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

Asset Replacement Reserve
The Commission utilised the reserve of $296 000 in 2004-05 for upgrade and extension of the Adelaide office. Planned expenditure to upgrade personal computers in the 2004-05 years was delayed until 2005-06. The balance of the unspent 2004-05 asset replacement budget has been transferred to the asset replacement reserve.

Commonwealth Expensive Case Reserve
The Commission did not use the Commonwealth Expensive Case Reserve in the 2004-05 year. The amount in the reserve has been retained in the 2005-06 year.

State Expensive Case Reserve
The Commission has retained the State Expensive Case Reserve for specific state matters that exceed the State Guideline cap.

State Legal Assistance Scheme Reserve
The Commission utilised $46 000 of the State Legal Assistance Scheme reserve on State matters approved by Commissioners and the Law Society of SA and subject to specific conditions. The balance of the reserve has been retained in 2005-06.

2.14 Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2005, are as follows:

Financial Assets
Cash at Bank (Note 19) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 5.15 percent and 5.70 percent for the year ended 30 June 2005 (4.65 percent and 5.53 percent).

Receivables (Note 12) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

Financial Liabilities
Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.15 Computer and Other Equipment

In accordance with the Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and the Commission's revaluation policy, Computers and Other Equipment are recognised at cost unless the fair value of the group (at the time of acquisition) is greater than $1 million.

2.16 Legal Payables

Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.17 Trust Funds

Pursuant to the *Legal Practitioners Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2005, the total funds held were $38 000 ($25 000).

These funds are not controlled by the Commission. As such they are not recognised in the financial report.

3. Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Legal Services Commission of South Australia will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

At 30 June 2005 and in accordance with requirements of AASB 1047 'Disclosing the Impacts of Australian Equivalents to International Financial Reporting Standards' the Commission reports no known impacts on the financial report had it been prepared using AIFRS.

4. Employee Expenses

	2005	2004
	$'000	$'000
Salaries and wages	**9 311**	9 013
Superannuation	**1 049**	1 009
Long service leave	**285**	267
Payroll tax	**225**	220
Annual leave	**46**	80
Workers compensation	**43**	64
Total Employee Expenses	**10 959**	10 653

Remuneration of Employees

Amounts received or receivable by employees of the Commission whose remuneration is greater than $100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits.

The number of employees whose remuneration received or receivable fell within the following bands was:

	Number of Employees	
	2005	2004
$100 001 - $110 000	**3**	5
$110 001 - $120 000	**4**	4
$120 001 - $130 000	**5**	1
$170 001 - $180 000	**1**	
$180 001 - $190 000	**-**	-
$190 001 - $200 000	**-**	-
$200 001 - $210 000	**-**	1
$210 001 - $220 000	**1**	-
$230 001 - $240 000	**-**	1
$250 001 - $260 000	**1**	-

The total remuneration received or due and receivable by these employees was $2 033 000 ($1 562 000).

On average, the Commission employed 165 (157) people throughout the reporting period.

5. State Expensive Case matters

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the normal funding cap. These matters are separately funded by the State Government (refer Note 11).

6. Supplies and Services

	2005	2004
Accommodation:	**$'000**	$'000
Rental	**771**	691
Other	**374**	288
Computer maintenance and processing	**427**	491
Telephone and postage	**358**	360
Travel	**128**	153
Office requisites	**283**	177
Loss on disposal of assets	**5**	1
Library	**165**	140
Consultancy fees	**90**	41
Other*	**351**	319
	2 952	2 661

* Includes Auditor's remuneration of $43 000 ($41 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

The Commission did not incur material expenditure on government supplies and services.

6. Supplies and Services (continued)

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

	2005 Number of Consultancies	**2005** $'000	2004 Number of Consultancies	2004 $'000
Below $10 000	**5**	**19**	9	41
Between $10 000 and $50 000	**1**	**19**	-	-
Above $50 000	**1**	**52**	-	-
Total Paid/Payable to the Consultants Engaged	**7**	**90**	9	41

Loss on Disposal of Asset	**2005 $'000**	2004 $'000
Proceeds from disposal	**-**	-
Book value of asset scrapped	**5**	1
Loss on Scrapping of Assets	**5**	1

7. Depreciation and Amortisation

Depreciation:		
Computer equipment	**247**	304
Plant and equipment	**30**	28
Total Depreciation	**277**	332
Amortisation:		
Leasehold improvements	**51**	47
Total Amortisation	**51**	47
Total Depreciation and Amortisation	**328**	379

8. Legal Practitioners Act Revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

Statutory interest account	**1 126**	973
Interest on legal practitioners trust accounts	**1 352**	1 238
Legal Practitioners Guarantee Fund	**32**	1
	2 510	2 212

9. Costs Recovered and Contributions

Costs recovered	**55**	72
Contributions*	**143**	175
	198	247

* In addition contributions of $315 000 ($349 000) in relation to referred cases were paid or are payable directly to private practitioners by clients

10. Commonwealth Government

A Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement was effective from 1 July 2004. Pursuant to that Agreement:

- the Commonwealth contributed $11 952 000 in service payments in 2004-05.
- The Commonwealth also contributed $310 000 for the provision of Primary Dispute Resolution Services, $310 000 for the provision of a Family Law Duty Services and $356 610 for the provision of legal assistance in Child Support Stage One carer-parent matters. With the exception of Stage One carer-parent matters funding which is an agreed amount for each year to 2007-08, all other funding will be indexed each year by the factor used in the Australian Government annual budget process.
- The Commonwealth allows up to 25 percent of Commonwealth revenue to be held by the Commission as an allowed surplus in a financial year. Reserves exceeding this level may be returned to the Commonwealth Government.

11. State Government

The State Government increased funding in the normal budget process to maintain the Legal Services Commission overall funding. In 2004-05 the State contributed funding of $10 962 000 ($9 943 000).

The Legal Services Commission of South Australia is separately funded by the State Government for matters that exceed the Legal Services Commission's cap on funding. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided $655 000 ($1 214 000) to the 'Bodies in the Barrels' case during 2004-05 and provided $565 000 ($191 000) for approved expensive cases that exceeded the Commission cap.

12. Receivables

	2005		2004	
	$'000	**$'000**	$'000	$'000
Legal Practitioners Act		**507**		764
Goods and Services Tax		**241**		256
Client debtors and other debtors	**158**		127	
Less: Provision for doubtful debts	**13**	**145**	13	114
Total Current Receivables		**893**		1 134

13. Other

	2005	2004
	$'000	$'000
Prepayments	**108**	144

14. Computers and Other Equipment

	2005		2004	
	$'000	**$'000**	$'000	$'000
Computer - Major hardware equipment at fair value	**364**		346	
Less: Accumulated depreciation	**249**		196	
		115		150
Computer - Software and applications at fair value	**281**		495	
Less: Accumulated depreciation	**200**		412	
		81		83
Computer - Minor hardware at fair value	**373**		468	
Less: Accumulated depreciation	**338**		351	
		35		117
Office equipment at fair value	**146**		175	
Less: Accumulated depreciation	**96**		113	
		50		62
Furniture and fittings at fair value	**155**		162	
Less: Accumulated depreciation	**47**		39	
		108		123
Leasehold improvements at fair value	**717**		492	
Less: Accumulated depreciation	**141**		90	
		576		402
		965		937

14.1 Reconciliation of Computers and Other Equipment

	Major Computer Hardware $'000	Computer Software $'000	Minor Computer Hardware $'000	Office Equipment $'000	Furniture And Fittings $'000	Leasehold Improve-ments $'000	**Total $'000**
Balance at 30 June 2004	346	495	468	175	162	492	**2 138**
Add: Additions	61	59	8	8	-	225	**361**
Less: Disposals	43	273	103	37	7	-	**463**
Balance at 30 June 2005	364	281	373	146	155	717	**2 036**
Accumulated Depreciation:							
Balance at 30 June 2004	196	412	351	113	39	90	**1 201**
Less: Disposals	43	273	103	36	3	-	**458**
Add: Depreciation expense	96	61	90	19	11	51	**328**
Balance at 30 June 2005	249	200	338	96	47	141	**1 071**
Net Book Value:							
As at 30 June 2004	**150**	**83**	**117**	**62**	**123**	**402**	**937**
As at 30 June 2005	**115**	**81**	**35**	**50**	**108**	**576**	**965**

15. Statutory Charge Debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2005	2004
	$'000	$'000
Statutory charge debtors	**3 283**	2 831
Less: Provision for doubtful debts	**150**	150
	3 133	2 681

16. Employee Benefits

Current Liabilities:		
Annual leave	**602**	561
Long service leave	**139**	65
	741	626
Non-Current Liabilities:		
Long service leave	**1 678**	1 594
	2 419	2 220

16.1 *Employee Benefits and Related On-costs*

	2005	2004
Accrued Salaries and Wages:	**$'000**	$'000
On-costs included in payables - Current	**24**	15
Creditors - Current	**155**	111
	179	126
Annual Leave:		
On-costs included in payables - Current	**78**	73
Provision for employee benefits - Current	**602**	561
	680	634
Long Service Leave:		
On-costs included in payables - Current	**13**	6
Provision for employee benefits - Current	**139**	65
	152	71
On-costs included in payables - Non-Current	**139**	136
Provision for employee benefits - Non-Current	**1 678**	1 594
	1 817	1 730
Aggregate Employee Benefits and Related On-costs	**2 828**	2 561

17. Reserves

Movements during the year were:

Asset Replacement Reserve:		
Balance at 1 July	**296**	103
Less: Transfer to accumulated funds	**296**	-
Add: Transfer from accumulated funds	**522**	193
Balance at 30 June	**522**	296
Commonwealth Expensive Case Reserve:		
Balance at 1 July	**100**	200
Less: Transfer to accumulated funds	**-**	100
Balance at 30 June	**100**	100
State Expensive Cases Reserve:		
Balance at 1 July	**100**	200
Less: Transfer to accumulated funds	**-**	100
Balance at 30 June	**100**	100
State Legal Assistance Scheme Reserve:		
Balance at 1 July	**389**	389
Less: Transfer to accumulated funds	**46**	-
Balance at 30 June	**343**	389
Asset Revaluation Reserve:		
Balance at 1 July	**121**	121
Balance at 30 June	**121**	121
Total Reserves	**1 186**	1 006

18. Accumulated Surplus

Balance at 1 July	**8 698**	7 908
Add: Transfer from reserve	**342**	200
Less: Transfer to reserve	**522**	193
Operating surplus from ordinary activities	**2 490**	783
Balance at 30 June	**11 008**	8 698

19. Reconciliation of Cash

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

	2005	2004
	$'000	$'000
Deposits at call - South Australian Financing Authority	**10 870**	8 320
Cash at bank and on hand	**17**	15
Cash as recorded in the Statement of Financial Position	**10 887**	8 335
Cash as recorded in the Statement of Cash Flows	**10 887**	8 335

Reconciliation of Net Cash provided by Operating Activities to Net Cash provided by Operating Activities

Net cash provided by (used in) operating activities	**2 490**	783
Add (Less): Non-cash items:		
Depreciation and amortisation	**328**	379
Microsoft licence - DAIS	**(54)**	-
Loss on disposal of equipment	**5**	1

Reconciliation of Net Cash provided by Operating Activities to Net Cash provided by Operating Activities	**2005 $'000**	2004 $'000
Changes in Assets/Liabilities:		
Increase in statutory charge debtors	**(452)**	(213)
(Decrease) Increase in receivables	**241**	(55)
Decrease (Increase) in prepayments	**36**	(37)
Increase in employee provisions	**199**	167
Increase in payables	**107**	76
(Decrease) Increase in legal payables	**(38)**	291
Net Cash Inflows from Ordinary Activities	**2 862**	1 392

20. Legal Expense Commitments

As at 30 June 2005, the Commission has a future commitment of $3 077 000 ($2 543 000) on legal cases referred to private practitioners which are still to be finalised. In addition the Commission has a future commitment of $512 000 ($402 000) on a State Expensive case which will be funded separately.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 26.26 percent Commonwealth and 31.45 percent State would be recognised on all outstanding amounts raised since December 2003 (ie the previous 18 months). Commitments raised prior to this date have been dismissed. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

21. Commitments for Expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2005	2004
Operating lease commitments payable:	**$'000**	$'000
Not later than one year	**69**	21
Later than one year but not later than five years	**145**	64
	214	85

22. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman)	Appointed 5 February 2005
Ms Phuong Chau	Appointed 13 January 2005
Ms Maurine Pyke	Appointed 24 March 2005
Mr David Bullock	Resigned 5 September 2004
Mr Kym Pennifold	Resigned 31 October 2004
Mr Brian Withers (Chairman)	Resigned 24 December 2004
Mr Gordon Barrett	Resigned 18 May 2005
Mr Michael Burgess	
Mr Hugh Gilmore	
Mr David Meyer	
Ms Deborah McCulloch	
Mr Brian Nitschke	

The members of the Commission are appointed by the Governor in accordance with the provisions of the *Legal Services Commission Act 1977* and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:	**2005 Number of Members**	2004 Number of Members
$nil	**1**	1
$1 - $10 000	**10**	9
$10 001 - $20 000	**1**	1

The total remuneration received or due and receivable by these members was $66 000 ($79 000).

23. Contingent Liabilities

At balance date and at the date of the certification of this financial report by the Commission, there was a known contingent liability as disclosed at Note 20 'Legal Expense Commitments'.

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Libraries Board of South Australia is appointed pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system.

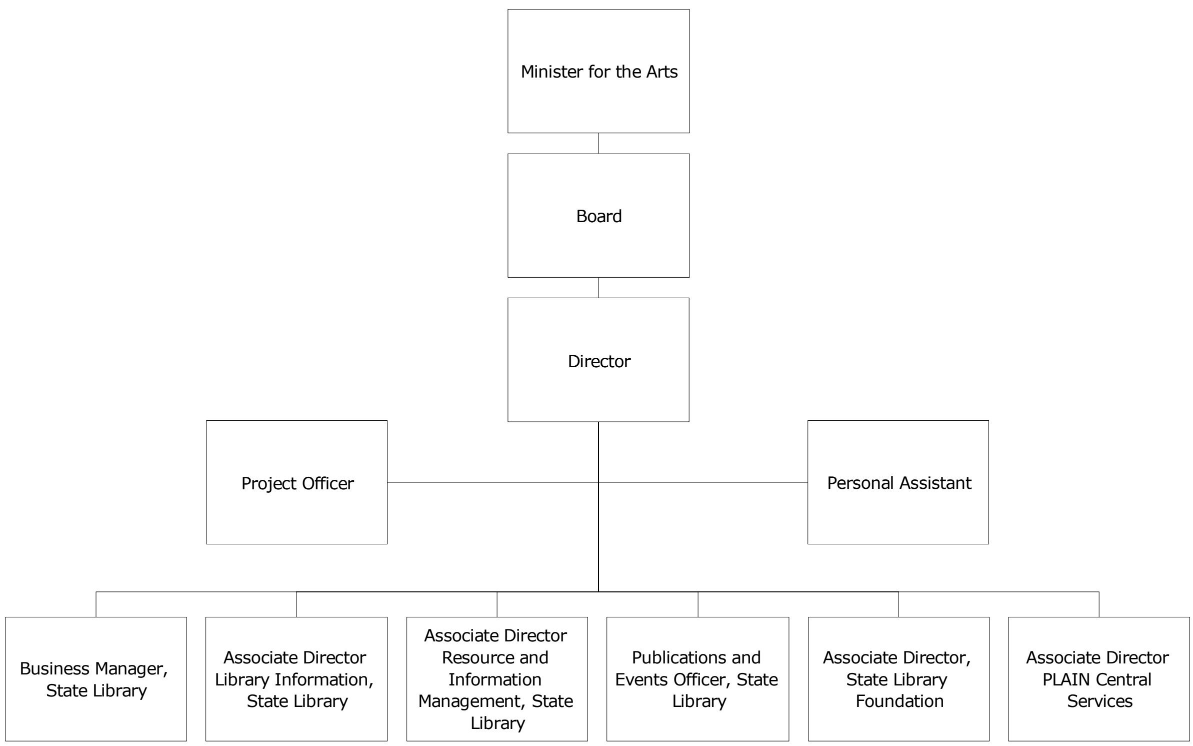
Functions

The functions of the Libraries Board are as follows:

- Formulate policies and guidelines for the provision of public library services.
- Establish, maintain and expand collections of library materials.
- Administer the State Library.
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

Structure

The structure of the Libraries Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 18(2) of the *Libraries Act 1982* provides for the Auditor-General to audit the accounts of the Libraries Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Libraries 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 those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- expenditure including accounts payable and salaries and wages
- property, plant and equipment registers
- revenue including cash receipting and banking
- investments
- subsidy payments to public libraries
- research and heritage collections management.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Libraries Board as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Libraries 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 related to Payroll which are commented upon under 'Matters raised with the Department', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board have been conducted properly and in accordance with law.

Audit Communications to Management

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

The issues raised by Audit related mainly to the need for the Libraries Board to establish policies and procedures and develop and strengthen controls for the following:

- payroll
- revenue
- Bradman Exhibition shop operations.

In addition, in relation to PLAIN Central Services, Audit identified the need to disclose in the Notes to the Financial Statements:

- the commitment relating to orders for library materials placed by public libraries through PLAIN but not received as at 30 June. The commitment at 30 June 2005 is $1.463 million;

- unspent public libraries subsidies held by PLAIN as 'cash at bank' on behalf of public libraries which at 30 June 2005 were $394 000.

These disclosures have been recognised in the Libraries Board's Financial Statements for 30 June 2005 in Note 22 and 24 respectively.

Payroll

In September 2004, the Department of the Premier and Cabinet signed a new agreement with the Department for Administrative and Information Services (DAIS) for the provision of payroll services. This new agreement included the provision of a payroll bureau service for the State Library of South Australia.

A review of the new arrangements identified:

- areas for improvement in the Service Level Agreement entered into by the Department with DAIS;

- the need to develop and document an internal control framework including policies and procedures which specify the responsibilities of each agency;

- weaknesses in procedures and controls to ensure the completeness, accuracy and recording of payroll data in the CHRIS payroll system;

- the need to prepare documented policies and procedures which support an effective review of Bona Fide Certificate reports by Libraries Managers;

- the Leave Reports provided to check that leave taken was updated to the CHRIS payroll system did not reflect all leave taken.

The audit findings were provided to Libraries Board and Department of the Premier and Cabinet officers who have identified action to address the matters which arose from the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	$'000	$'000	Change
OPERATING REVENUE			
Government grants	**27 713**	31 983	(13)
Other income	**3 363**	2 285	47
Total Operating Revenue	**31 076**	34 268	(9)
OPERATING EXPENDITURE			
Employee costs	**9 353**	9 489	(1)
Subsidies to Public Libraries	**10 519**	10 280	2
Other expenses	**10 217**	11 737	(13)
Total Operating Expenses	**30 089**	31 506	(4)
Net Result from Ordinary Activities	**987**	2 762	(64)

	2005 $'000	2004 $'000	Percentage Change
Net Cash Flows from Operating Activities	**3 034**	4 569	(34)
ASSETS			
Current assets	**9 798**	8 617	14
Non-current assets	**98 142**	95 433	3
Total Assets	**107 940**	104 050	4
LIABILITIES			
Current liabilities	**2 003**	1 675	20
Non-current liabilities	**2 095**	2 005	4
Total Liabilities	**4 098**	3 680	11
EQUITY	**103 842**	100 370	3

Statement of Financial Performance

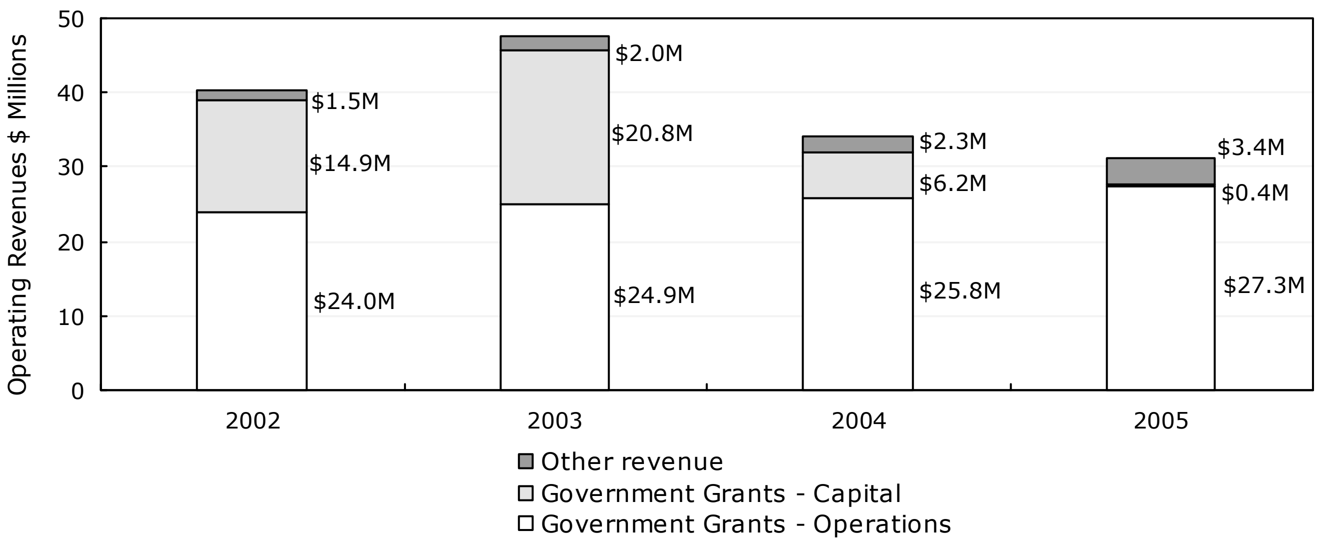
Operating Revenues

Revenues from Ordinary Activities for the year totalled $3.4 million ($2.3 million). The increase of $1.1 million is mainly attributable to an increase in:

- user charges of $289 000. This increase reflects fee for service revenue for the provision of library services to other government agencies;
- donations of $724 000 of which $601 000 was received from the State Library Foundation to fund a number of projects including $230 000 for the Treasures Wall Exhibition and $252 000 for the Bradman Exhibition.

Note 2.16 to the Financial Statements records the Board is dependent on the ongoing financial support of the State Government. Grants from the State Government for operating and capital purposes totalled $27.7 million ($32 million). This represents a decrease of $4.3 million (13 percent) which is mainly attributable to reduced capital funding of $397 000 ($6.2 million). The capital funding received in 2003-04 was to complete the redevelopment of the State Library North Terrace precinct.

A structural analysis of operating revenues for the Board in the four years to 2005 is presented in the following chart.



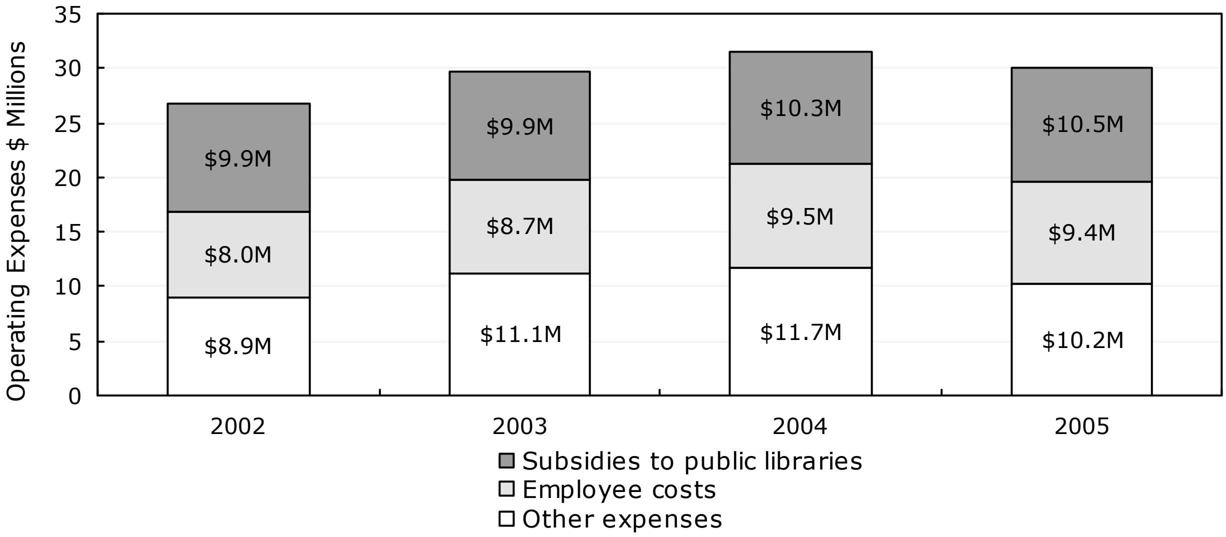
Operating Expenses

Expenditure for the year decreased by $1.4 million to $30.1 million. While expenditure on Supplies and Services decreased by $2 million, expenditure on Accommodation and Facilities increased by $458 000.

The reduction in expenditure on supplies and services, was due largely to lower contractor's fees paid in 2004-05 of $802 000 ($1.4 million) following completion of the Library redevelopment.

The increase in accommodation and facilities expenses relates mainly to increased cleaning charges of $149 000 and increased security charges of $236 000.

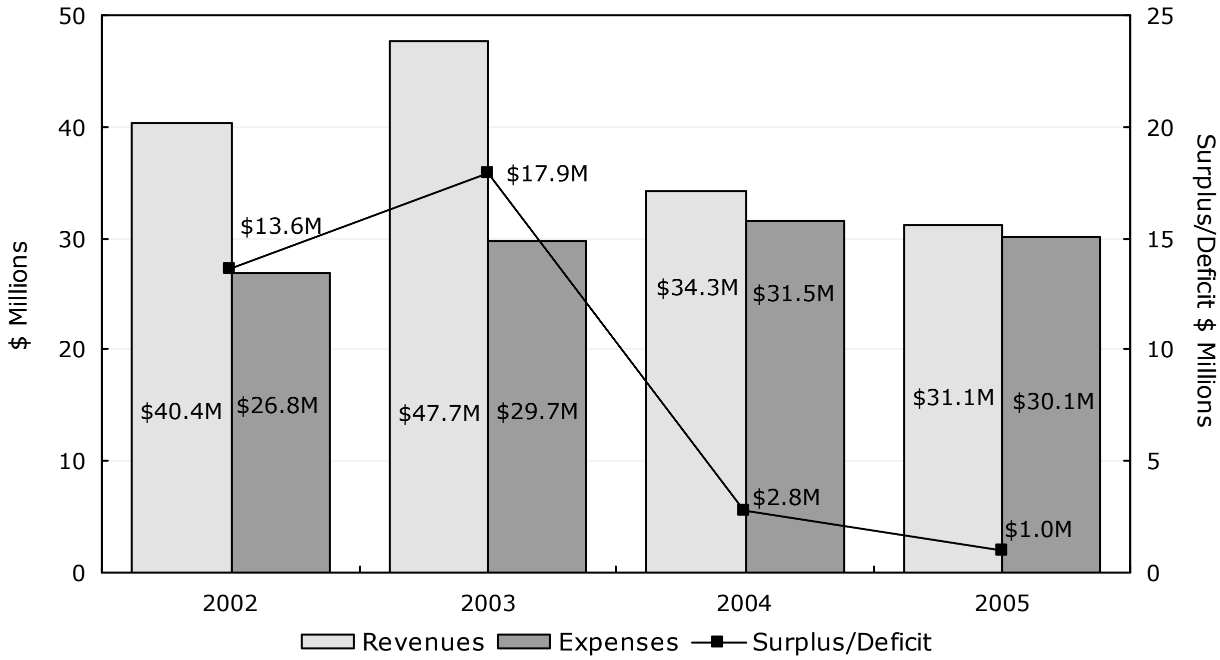
A structural analysis of the operating expense items for the Board is shown in the following chart.



Net Result from Ordinary Activities

The operating result for the year was a Surplus from Ordinary Activities of $987 000 compared with a surplus of $2.8 million in the previous year. The decrease of $1.8 million in the surplus achieved in 2004-05 is attributable mainly to the decrease in capital grants provided by the State Government to fund the redevelopment of the Library. Capital grants received in 2004-05 totalled $397 000, a decrease of $5.8 million from the previous year.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2005.



Statement of Financial Position

The total assets of the Libraries Board at 30 June 2005 are $108 million, of which $55.4 million (51 percent) relates to the Libraries Board's property, plant and equipment and $42.8 million (40 percent) relates to the research and heritage collections.

The Library's liabilities at 30 June 2005 totalled $4.1 million ($3.7 million) of which $2.6 million ($2.4 million) relates to employee benefits.

Non-Current Assets

Property, Plant and Equipment

The Library's land and buildings were revalued at 30 June 2005 using the fair value basis of valuation as required by APS 'Valuation of Non-Current Assets'. Following the revaluation the value of land increased by $740 000 and the value of buildings increased by $1.745 million.

Research and Heritage Collections

The research and heritage collections were revalued to fair value as at 30 June 2003 (refer Note 2.6). Research and heritage collections purchased during the year totalled $1 million, increasing the value of these assets to $42.8 million.

Statement of Financial Performance for the year ended 30 June 2005

	Note	**2005 $'000**	2004 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4	**9 353**	9 489
Supplies and services	5	**6 344**	8 346
Accommodation and facilities	6	**2 140**	1 682
Subsidies to public libraries		**10 519**	10 280
Depreciation	7	**1 726**	1 562
Net loss from disposal of assets	8	**7**	147
Total Expenses from Ordinary Activities		**30 089**	31 506
REVENUES FROM ORDINARY ACTIVITIES:			
Sale of goods		**37**	44
User charges		**613**	324
Donations		**1 332**	608
Sponsorships		**-**	200
Council contributions		**142**	117
Rent and facilities hire		**223**	155
Resources received free of charge	2.21	**178**	-
Interest and investment income	9	**537**	468
Other	10	**301**	369
Total Revenues from Ordinary Activities		**3 363**	2 285
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**(26 726)**	(29 221)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenue from SA Government - Recurrent operating grant		**27 316**	25 817
Revenue from SA Government - Capital grant		**397**	6 166
Total Revenues from SA Government		**27 713**	31 983
Net Result from Ordinary Activities		**987**	2 762
Increase in the asset revaluation reserve	20	**2 485**	-
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity		**2 485**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**3 472**	2 762

Statement of Financial Position
as at 30 June 2005

	Note	2005 $'000	2004 $'000
CURRENT ASSETS:			
Cash	24	**3 349**	2 661
Receivables	12	**274**	131
Inventories		**26**	32
Investments	13	**5 973**	5 654
Other	14	**176**	139
Total Current Assets		**9 798**	8 617
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**55 357**	53 681
Research and heritage collections	16	**42 785**	41 752
Total Non-Current Assets		**98 142**	95 433
Total Assets		**107 940**	104 050
CURRENT LIABILITIES:			
Payables	17	**1 182**	931
Employee benefits	18	**775**	692
Provisions	19	**46**	52
Total Current Liabilities		**2 003**	1 675
NON-CURRENT LIABILITIES:			
Payables	17	**201**	194
Employee benefits	18	**1 777**	1 688
Provisions	19	**117**	123
Total Non-Current Liabilities		**2 095**	2 005
Total Liabilities		**4 098**	3 680
NET ASSETS		**103 842**	100 370
EQUITY:			
Retained profits	20	**95 685**	94 698
Asset revaluation reserve	20	**8 157**	5 672
TOTAL EQUITY		**103 842**	100 370
Commitments for Expenditure	22		
Contingent Liabilities	23		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Payments to employees		**(9 173)**	(9 106)
Payments to suppliers		**(5 973)**	(8 768)
Accommodation and facilities		**(2 180)**	(1 641)
Subsidies to public libraries		**(10 382)**	(10 095)
Total Outflows from Operating Activities		**(27 708)**	(29 610)
CASH INFLOWS:			
Sale of goods		**37**	51
User charges		**507**	249
Donations		**1 312**	562
Sponsorships		**-**	200
Council contributions		**142**	117
Rent and facilities hire		**208**	155
Interest and investment income		**532**	487
Other		**291**	375
Total Inflows from Operating Activities		**3 029**	2 196
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government - Recurrent operating grant		**27 316**	25 817
Receipts from SA Government - Capital grant		**397**	6 166
Total Cash Flows from SA Government		**27 713**	31 983
Net Cash Inflows from Operating Activities	24	**3 034**	4 569
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for investments		**(319)**	(296)
Payments for property, plant and equipment		**(1 018)**	(4 943)
Payments for heritage collections		**(1 009)**	(1 239)
Total Outflows from Investing Activities		**(2 346)**	(6 478)
CASH INFLOWS:			
Proceeds from the sale/maturity of investments		**-**	1 625
Total Inflows from Investing Activities		**-**	1 625
Net Cash Outflows from Investing Activities		**(2 346)**	(4 853)
NET INCREASE (DECREASE) IN CASH HELD		**688**	(284)
CASH AT 1 JULY		**2 661**	2 945
CASH AT 30 JUNE	24	**3 349**	2 661

Activities Schedule of Revenues and Expenses for the year ended 30 June 2005

(Refer Note 3)	**2005 Activity 1 $'000**	**2005 Activity 2 $'000**	**2005 Total $'000**	2004 Activity 1 $'000	2004 Activity 2 $'000	2004 Total $'000
Expenses from ordinary activities:						
Employee expenses	**7 778**	**1 575**	**9 353**	7 942	1 547	9 489
Supplies and services	**3 290**	**3 054**	**6 344**	5 288	3 058	8 346
Accommodation and facilities	**2 019**	**121**	**2 140**	1 553	129	1 682
Subsidies to public libraries	**-**	**10 519**	**10 519**	-	10 280	10 280
Depreciation	**1 320**	**406**	**1 726**	1 172	390	1 562
Net loss from disposal of assets	**4**	**3**	**7**	145	2	147
Total Expenses from Ordinary Activities	**14 411**	**15 678**	**30 089**	16 100	15 406	31 506
Revenues from ordinary activities:						
Sale of goods	**37**	**-**	**37**	44	-	44
User charges	**612**	**1**	**613**	318	6	324
Donations	**1 332**	**-**	**1 332**	608	-	608
Sponsorships	**-**	**-**	**-**	200	-	200
Council contributions	**-**	**142**	**142**	-	117	117
Rent and facilities hire	**223**	**-**	**223**	155	-	155
Resources received free of charge	**178**	**-**	**178**	-	-	-
Interest and investment income	**426**	**111**	**537**	338	130	468
Other	**204**	**97**	**301**	367	2	369
Total Revenues from Ordinary Activities	**3 012**	**351**	**3 363**	2 030	255	2 285
Net Cost of Services from Ordinary Activities	**(11 399)**	**(15 327)**	**(26 726)**	(14 070)	(15 151)	(29 221)
Revenues from/Payments to SA Government:						
Revenue from SA Government:						
Recurrent Operating Grant	**12 025**	**15 291**	**27 316**	10 916	14 901	25 817
Capital Grant	**397**	**-**	**397**	6 166	-	6 166
Total Revenues from SA Government	**12 422**	**15 291**	**27 713**	17 082	14 901	31 983
NET RESULT FROM ORDINARY ACTIVITIES	**1 023**	**(36)**	**987**	3 012	(250)	2 762

Activities Schedule of Assets and Liabilities as at 30 June 2005

(Refer Note 3)	**2005 Activity 1 $'000**	**2005 Activity 2 $'000**	**2005 Total $'000**	2004 Activities 1 $'000	2004 Activities 2 $'000	2004 Total $'000
Assets:						
Assets	**103 661**	**4 279**	**107 940**	100 367	3 683	104 050
Total Assets	**103 661**	**4 279**	**107 940**	100 367	3 683	104 050
Liabilities:						
Liabilities	**2 796**	**1 302**	**4 098**	2 710	970	3 680
Total Liabilities	**2 796**	**1 302**	**4 098**	2 710	970	3 680

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board (The Board)

The functions of the Libraries Board, as prescribed under the *Libraries Act 1982,* are as follows:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary Of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards, and
- Other mandatory professional reporting requirements in Australia.

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

2.2 Sources of Funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Libraries Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Board will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment has been made of any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

In accordance with AASB 119 'Employee Benefits', the Board will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

This standard will have some impact on the financial statements, although it is expected that the impact will not be significant.

Government/Non-Government Disclosures

In accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', the Board has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the notes to the accounts.

2.4 Revenue

Revenue 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. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Government Grants are recognised as revenues in the period in which the Board obtains control over the grants.

2.5 Acquisition of Assets

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.

2.6 Valuation of Non-Current Assets

Land and Buildings

Land and buildings have been valued at fair value. An independent valuation of the land and buildings was conducted as at 30 June 2005 by the Australian Valuation Office. Land and buildings are independently valued every three years.

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

The Public Libraries Automated Information Network (PLAIN) Central Services collections, consisting of Video and Print Disability collections and Languages other than English collections, were revalued according to fair value methodology as at 30 June 2003 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2002-03 financial year including the cost of acquisition and then depreciated, based on the age of the item. Items that have been culled from the collection are valued at zero on the basis that they will be transferred to a public library or similar institution for no consideration.

Items in the Public Library collection are disposed of for no consideration at the end of their useful life to public libraries and similar institutions. On this basis, no residual value is placed on those assets.

The Film collection was valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed of under the terms of its original acquisition.

Research and Heritage Collections
The Libraries Board research and heritage collections were revalued as at 30 June 2003 using the valuation methodology outlined below in accordance with fair value principles adopted under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

The Libraries Board's research and heritage collections comprise the respective research and heritage holdings of the State Library of South Australia and the Public Libraries (PLAIN Central Services) and the following methodology has been adopted for valuing those collections.

The State Library of South Australia appointed Graeme Addicott, Regional Manager of the Australian Valuation Office (AVO) to undertake the valuation of the Library's collections as at 30 June 2003. The AVO was responsible for the review of valuations undertaken by State Library staff specialists and to perform valuations where external expertise was required.

Internal valuations were carried out by staff specialists in their related fields. The valuations were based on knowledge of the particular collections, an understanding of the valuation techniques and the markets that exist for the collection items. The AVO undertook testing and confirmation of internal valuations.

The Fair Value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Research collections were valued using the linear method of valuation by State Library staff. This method is based on an average cost per volume applied to the size of the collection. This methodology was reviewed and confirmed by the AVO.

Selected heritage collections were valued by an external valuer on a market value basis, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuations done by both the State Library staff and the AVO.

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

Rare Books	J Burdon
Framed Works	D Hyles

Research and Heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collections, Periodicals, Newspapers purchased and Mortlock Use Collections.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value, or where the materials have been acquired largely through the legal deposit provisions of the *Libraries Act 1982*. The Mortlock South Australiana Collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement.

Collections which were not valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections and some unpublished Named and Special Collections.

2.7 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land, research and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:	Useful Life (Years)
Class of Asset:	
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-15
Computer equipment	3-5
Video and Print Disability collections	8
Languages other than English collections	8
Compactus and Lifts	30

The research and heritage collections are kept under special conditions to minimise 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. The Public Library collection has been depreciated as indicated above.

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

2.9 Investments

Investments are brought to account at cost.

2.10 Employee Benefits

(i) Liabilities for Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of seven years of service and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

2.11 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

2.12 Leases

The Libraries Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

2.13 Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash at bank and cash on hand. Cash is measured at nominal value.

2.14 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required in 2004-05.

2.15 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the Urgent Issues Group UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, 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 Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office 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 the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

2.16 State Government Funding

The financial reports are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.17 Rounding

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

2.18 Current and Non-Current Items

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

2.19 Payables

Payables include creditors, accrued expenses and employment 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 amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Board 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.

2.20 Insurance

The Board has arranged, through the SA Government Captive Insurance Corporation, to insure all major risks of the authority. The excess payable is fixed under this arrangement.

2.21 Resources Received Free of Charge

Under an arrangement with Arts SA and Artlab Australia, a division of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the State Library's heritage collections. The value of this work performed is recognised as resources free of charge in Revenues from Ordinary Activities and a corresponding amount is Artlab conservation expenditure in the Expenses from Ordinary Activities (refer Note 5 'Supplies and Services').

3. Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Libraries Board during the year ended 30 June 2005 is summarised below (refer to the Activities Schedule – Expenses and Revenues and Assets and Liabilities).

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through PLAIN (Public Library Automated Information Network) Central Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Employee Expenses

	2005	2004
	$'000	$'000
Salaries and wages	**7 524**	7 554
Superannuation and payroll tax	**1 324**	1 346
Annual and long service leave	**349**	451
Other employee related expenses	**156**	138
Total Employee Expenses	**9 353**	9 489

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2005 Number of Employees**	2004 Number of Employees
$100 000 - $109 999	**-**	3
$110 000 - $119 999	**2**	-
Total Number of Employees	**2**	3

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was $228 000 ($316 000).

Targeted Voluntary Separation Packages (TVSPs)

Amount paid to these employees:	**2005 $'000**	2004 $'000
TVSPs	**-**	70
Annual leave and long service leave paid during the reporting period	**-**	28
Total Targeted Voluntary Separation Packages	**-**	98
Recovery from the Department of the Premier and Cabinet	**-**	98

Number of employees who were paid TVSPs during the reporting period were nil (3).

Remuneration of Board Members

The number of Board Members who received income from the Board fell within the following bands:	**2005 Number of Board Members**	2004 Number of Board Members
$0 - $9 999	**2**	5
$10 000 - $19 999	**8**	6
Total Number of Board Members	**10**	11

The total income received by these Board Members for the year was $102 000 ($99 000).

Related Party Disclosures

During the financial year the following persons held a position on the Libraries Board of South Australia:

Dr P Goldsworthy, Chair, Mr P Myhill, Deputy Chair, Mr G E Coles, Mrs R H Craddock (to 14 April 2005), Mrs J K Nitschke, Ms J Connolly, Ms B Davidson-Park (from 25 November 2004), Mr John McDonnell, Mr Hieu Van Le and Mr T Zappia (from 1 July 2004 to 30 August 2004 and from 9 June 2005).

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

5. Supplies and Services

Supplies and Services provided by entities external to the SA Government:	**2005 $'000**	2004 $'000
Administration expenses	**475**	479
Board expenses	**101**	99
Preservation activities	**202**	98
Library databases	**91**	96
Cataloguing	**108**	63
Reference materials	**30**	31
Conservation	**39**	8
Consultant's fees	**-**	10
Contractor's fees	**802**	2 241
Cost of goods sold	**23**	22
Entertainment	**6**	8
Communications	**1 003**	1 081
Information Technology	**347**	444
Maintenance	**103**	106
Marketing and promotion	**284**	326
Minor equipment purchases and leasing	**321**	121
Operating lease expenditure	**312**	312
P2 enhancements	**104**	73
Travel and accommodation	**43**	44
Other	**185**	111
Total Supplies and Services - Non-SA Government Entities	**4 579**	5 773

5. Supplies and Services (continued)

	2005	2004
Supplies and Services provided by entities within the SA Government:	**$'000**	$'000
Administration expenses	**95**	97
Audit fees	**32**	35
Business services charge	**443**	443
Artlab conservation work	**178**	161
EDS charges	**617**	857
Insurance and risk management	**180**	199
Communications	**135**	143
Information Technology	**11**	24
Maintenance	**28**	517
Motor vehicle expenses	**46**	31
Contractor's fees	**-**	66
Total Supplies and Services - SA Government Entities	**1 765**	2 573
Total Supplies and Services	**6 344**	8 346

Payments to Consultants

	2005	2004
The dollar amount of Consultancies paid/payable that fell within the following band:	**Number of Consultants**	Number of Consultants
$0 - $10 000	**1**	2
Total Number of Consultancies	**1**	2

The total amount paid/payable to Consultants in 2004-05 was $375 ($10 000).

6. Accommodation and Facilities

	2005	2004
Accommodation and Facilities provided by entities external to the SA Government:	**$'000**	$'000
Accommodation	**636**	668
Facilities	**12**	11
Total Accommodation and Facilities - Non-SA Government Entities	**648**	679
Accommodation and facilities provided by entities within the SA Government:		
Accommodation	**266**	299
Facilities	**765**	479
Security	**461**	225
Total Accommodation and Facilities - SA Government Entities	**1 492**	1 003
Total Accommodation and Facilities	**2 140**	1 682

7. Depreciation

Buildings and improvements	**995**	873
Compactus and lifts	**92**	93
Plant and equipment	**204**	188
Computer equipment	**35**	25
Public Library Research Collections	**400**	383
Total Depreciation	**1 726**	1 562

8. Net Loss from Disposal of Assets

Plant and Equipment:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**7**	84
Net Gain (Loss) from Disposal of Plant and Equipment	**(7)**	(84)
Investments:		
Proceeds from the sale of investments	**-**	1 625
Net book value of investments	**-**	1 688
Net Gain (Loss) from Sale of Investments	**-**	(63)
Total Assets:		
Total proceeds from disposal	**-**	1 625
Total net book value of assets disposed	**7**	1 772
Total Net Gain (Loss) from Disposal of Assets	**(7)**	(147)

9. Interest and Investment Income

Interest from entities within the SA Government	**218**	172
Investment Income from entities external to the SA Government	**319**	296
Total Interest and Investment Income	**537**	468

		2005	2004
10.	**Other Revenues from Ordinary Activities**	**2005**	2004
	Other Revenues received/receivable from entities external to the SA Government:	**$'000**	$'000
	Refund of imputation credits	**112**	(4)
	Contribution to IT traineeship project	**90**	-
	Other receipts	**42**	31
	Total Other Revenues from Ordinary Activities - Non-SA Government Entities	**244**	27
	Other Revenues received/receivable from entities within the SA Government:		
	Other grants and subsidies	**-**	134
	Salary recoup	**48**	136
	Other receipts	**9**	72
	Total Other Revenues from Ordinary Activities - SA Government Entities	**57**	342
	Total Other Revenues from Ordinary Activities	**301**	369
11.	**Auditor's Remuneration**		
	Audit fees paid/payable to the Auditor-General's Department:		
	State Library of South Australia	**20**	20
	Support of Public Library Services	**10**	10
	Total Audit Fees - SA Government Entities	**30**	30

Other Services

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

		2005	2004
12.	**Receivables**		
	Receivables from SA Government entities	**233**	112
	Receivables from non-SA Government entities	**41**	19
	Total Receivables	**274**	131
13.	**Investments**		
	Unit trusts - with non-SA Government entities	**5 973**	5 654
	Total Investments	**5 973**	5 654

The market value of the unit trust investments as at 30 June 2005 was $6.5 million ($5.8 million).

		2005	2004
14.	**Other Current Assets**		
	Other current assets - with non-SA Government entities:		
	Accrued Revenue	**37**	6
	Total Other Current Assets - Non-SA Government Entities	**37**	6
	Other Current Assets - with SA Government entities:		
	Prepayments	**122**	122
	Accrued revenue	**17**	11
	Total Other Current Assets - SA Government Entities	**139**	133
	Total Other Current Assets	**176**	139
15.	**Property, Plant and Equipment**		
	Land, buildings and improvements:		
	Land at valuation	**5 635**	4 895
	Buildings and improvements at valuation	**58 123**	36 079
	Buildings and improvements at cost	**-**	12 837
	Works in progress	**-**	6 159
	Accumulated depreciation	**(12 929)**	(11 742)
	Total Land, Buildings and Improvements	**50 829**	48 228
	Compactus and Lifts:		
	Compactus and lifts at cost (deemed fair value)	**2 302**	2 776
	Accumulated depreciation	**(154)**	(93)
	Total Compactus and Lifts	**2 148**	2 683
	Plant and Equipment:		
	Plant and equipment at cost (deemed fair value)	**1 539**	2 012
	Accumulated depreciation	**(845)**	(750)
	Total Plant and Equipment	**694**	1 262

15. Property, Plant and Equipment (continued)

	2005	2004
Computer Equipment:	**$'000**	$'000
Computer equipment at cost (deemed fair value)	**288**	201
Accumulated depreciation	**(110)**	(171)
Computer Equipment	**178**	30
Public Library Collections:		
Public library collections at valuation	**6 405**	6 733
Public library collections at cost	**740**	309
Accumulated depreciation	**(5 637)**	(5 564)
Total Public Library Collections	**1 508**	1 478
Total Property, Plant and Equipment	**55 357**	53 681

Valuation of Non-Current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2005.

Reconciliation of Property, Plant and Equipment

	Land	Bldgs & Impr-ments	Works in Progress	Compct & Lifts	Plant & Equip	Comp. Equip	Public Library Collctns	**2005 Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July	4 895	37 174	6 159	2 683	1 262	30	1 478	**53681**
Additions	-	-	236	-	73	183	432	**924**
Disposals	-	-	-	-	(4)	-	(3)	**(7)**
Depreciation	-	(995)	-	(93)	(204)	(35)	(399)	**(1 726)**
Transfers to buildings and improvements	-	7 270	(6 395)	(442)	(433)	-	-	**-**
Revaluation increments (decrements)	740	1 745	-	-	-	-	-	**2 485**
Carrying Amount at 30 June	**5 635**	**45 194**	**-**	**2 148**	**694**	**178**	**1 508**	**55 357**

16. Research and Heritage Collections

	2005			2004		
	At Valuation	**At Cost**	**Total**	At Valuation	At Cost	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Rare books and named collections	**14 702**	**578**	**15 280**	14 702	401	15 103
Maps	**1 166**	**20**	**1 186**	1 166	8	1 174
Mortlock audio-visual	**50**	**18**	**68**	50	9	59
Microfilm serials	**1 387**	**77**	**1 464**	1 387	35	1 422
Monographs	**16 510**	**585**	**17 095**	16 510	315	16 825
Electronic resources	**39**	**351**	**390**	39	157	196
Family history collection	**105**	**18**	**123**	105	9	114
Periodicals	**4 628**	**438**	**5 066**	4 628	234	4862
Newspapers purchased	**846**	**206**	**1 052**	846	100	946
Mortlock use collections	**81**	**22**	**103**	81	12	93
CLRC book collection	**958**	**-**	**958**	958	-	958
Total Research and Heritage Collections	**40 472**	**2 313**	**42 785**	40 472	1 280	41 752

Reconciliation of Carrying Amounts of Research and Heritage Collections

	2005			2004		
	Balance 1.7.04	**Additions**	**Balance 30.6.05**	Balance 1.7.03	Additions	Balance 30.6.04
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Rare books and named collections	**15 103**	**177**	**15 280**	14 702	401	15 103
Maps	**1 174**	**12**	**1 186**	1 166	8	1 174
Mortlock audio-visual	**59**	**9**	**68**	50	9	59
Microfilm serials	**1 422**	**42**	**1 464**	1 387	35	1 422
Monographs	**16 825**	**270**	**17 095**	16 510	315	16 825
Electronic resources	**196**	**194**	**390**	39	157	196
Family history collection	**114**	**9**	**123**	105	9	114
Periodicals	**4 862**	**204**	**5 066**	4 628	234	4 862
Newspapers purchased	**946**	**106**	**1 052**	846	100	946
Mortlock use collections	**93**	**10**	**103**	81	12	93
CLRC book collection	**958**	**-**	**958**	958	-	958
Total Carrying Amounts of Research and Heritage Collections	**41 752**	**1 033**	**42 785**	40 472	1 280	41 752

17. Payables

	2005	2004
Current:	**$'000**	$'000
Creditors and accruals	**1 063**	825
Employee on-costs	**119**	106
Total Current Payables	**1 182**	931

			2005	2004
17.	**Payables (continued)**		**2005**	2004
	Non-Current:		**$'000**	$'000
	Employee on-costs		**201**	194
	Total Non-Current Payables		**201**	194
	Total Payables		**1 383**	1 125
	Payables to Non-SA Government Entities:			
	Creditors and accruals		**960**	571
	Total Payables - Non-SA Government Entities		**960**	571
	Payables to SA Government Entities:			
	Creditors and accruals		**103**	254
	Employee on-costs		**320**	300
	Total Payables - SA Government Entities		**423**	554
	Total Payables		**1 383**	1 125
18.	***(a)***	***Employee Benefits***		
		Current:		
		Annual leave	**508**	459
		Long service leave	**154**	147
		Accrued salaries and wages	**113**	86
		Total Current Employee Benefits	**775**	692
		Non-Current:		
		Long service leave	**1 777**	1 688
		Total Non-Current Employee Benefits	**1 777**	1 688
		Total Employee Benefits	**2 552**	2 380
18.	***(b)***	***Employee Benefits and Related On-costs***		
		Accrued Salaries and Wages:		
		On-costs included in payables - Current (refer Note 17)	**20**	14
		Provision for employee benefits - Current (refer Note 18 (a))	**113**	86
		Total Accrued Salaries and Wages	**133**	100
		Annual Leave:		
		On-costs included in payables - Current (refer Note 17)	**81**	75
		Provision for employee benefits - Current (refer Note 18 (a))	**508**	459
		Total Annual Leave	**589**	534
		Long Service Leave:		
		On-costs included in payable - Current (refer Note 17)	**18**	17
		Provisions for employee benefits - Current (refer Note 18 (a))	**154**	147
		On-costs included in payable - Non-current (refer Note 17)	**201**	194
		Provisions for employee benefits - Non-current (refer Note 18 (a))	**1 777**	1 688
		Total Long Service Leave	**2 150**	2 046
		Total Employee Benefits and Related On-costs	**2 872**	2 680
19.	**Provisions**			
	Current:			
	Provision for workers compensation		**46**	52
	Total Current Provisions		**46**	52
	Non-Current:			
	Provision for workers compensation		**117**	123
	Total Non-Current Provisions		**117**	123
	Total Provisions		**163**	175
	Reconciliation of the Provision for Workers Compensation:			
	Provision at 1 July		**175**	203
	Decrease in provision during the year		**(12)**	(28)
	Provision for Workers Compensation at 30 June		**163**	175
20.	**Equity**			
	Retained profits		**95 685**	94 698
	Asset Revaluation Reserve		**8 157**	5 672
	Total Equity		**103 842**	100 370

		2005	2004
20.	**Equity (continued)**		
	Retained Profits:	**$'000**	$'000
	Balance at 1 July	**94 698**	91 936
	Net result from ordinary activities	**987**	2 762
	Balance at 30 June	**95 685**	94 698
	Asset Revaluation Reserve:		
	Balance at 1 July	**5 672**	5 672
	Increment in land, buildings and improvements due to revaluation	**2 485**	-
	Balance at 30 June	**8 157**	5 672
	Total Equity at 30 June	**103 842**	100 370

21. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	24	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Libraries Board are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Libraries Board of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is currently 5.35 percent as at 30 June 2005.
Receivables	12	Receivables are recorded at amounts due to the Libraries Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	13	Investments are brought to account at cost. Interest and investment income is credited to revenue as it is received.	Portfolio of unit trusts. Investment income is received quarterly and six monthly.
Financial Liabilities			
Payables	17	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

The interest rate risk is outlined below for the following financial assets and liabilities:

	2005				2004			
Financial Instrument	**Interest Rate Percent**	**Interest Bearing - Floating Interest $'000**	**Non-Interest Bearing $'000**	**Total $'000**	Interest Rate Percent	Interest Bearing - Floating Interest $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets:								
Cash assets	**5.35**	**3 341**	**8**	**3 349**	5.10	2 653	8	2 661
Receivables		**-**	**274**	**274**		-	131	131
Investments	**10.20**	**5 973**	**-**	**5 973**	13.93	5 654	-	5 654
		9 314	**282**	**9 596**		8 307	139	8 446
Financial Liabilities:								
Payables	**-**	**-**	**1 063**	**1 063**		-	825	825
		-	**1 063**	**1 063**		-	825	825

(c) Net Fair Value of Financial Assets and Liabilities

Financial Instrument	Note	**2005 Total Carrying Amount $'000**	**Net Fair Value $'000**	2004 Total Carrying Amount $'000	Net Fair Value $'000
Financial Assets:					
Cash assets	24	**3 349**	**3 349**	2 661	2 661
Receivables	12	**274**	**274**	131	131
Investments	13	**5 973**	**6 536**	5 654	5 816
		9 596	**10 159**	8 446	8 608
Financial Liabilities:					
Payables	17	**1 063**	**1 063**	825	825
		1 063	**1 063**	825	825

The net fair value is determined as the carrying value of all assets and liabilities, except investments which are listed at the redemption value.

(d) Credit Risk Exposure

The Libraries Board's maximum exposure to credit risk at reporting date in relation to financial assets is the carrying amount of those assets as indicated on the Statement of Financial Position. The Libraries Board has no significant exposures to any concentrations of credit risk.

22. Commitments for Expenditure

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2005	2004
	$'000	$'000
Not later than one year	**371**	113
Later than one year and not later than five years	**371**	152
Total Operating Lease Commitments	**742**	265

The operating lease commitments comprise:

- Non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- Non-cancellable motor vehicle leases, with rental payable monthly in arrear. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.
- Non-cancellable photocopier 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.

Public Libraries Commitments

Committed orders placed by public libraries through PLAIN for libraries materials at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2005	2004
	$'000	$'000
Not later than one year	**1 463**	1 722
Total Public Libraries Commitments	**1 463**	1 722

Capital Commitments

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

Not later than one year	**-**	700
Total Capital Commitments	**-**	700

The commitments for 2003-04 include contracts for the redevelopment of the State Library.

23. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2005.

24. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash include cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2005	2004
	$'000	$'000
Deposits with Treasurer	**3 341**	2 653
Cash on hand	**8**	8
Cash as Recorded in the Statement of Financial Position	**3 349**	2 661

Included in the Deposits with Treasurer is an amount of $394 000 that relates to unspent subsidies held by PLAIN on behalf of the public libraries.

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

Net cash provided by operating activities	**3 034**	4 569
Less: Revenues from SA Government	**(27 713)**	(31 983)
Add (Less) non-cash items:		
Depreciation of property, plant and equipment	**(1 726)**	(1 562)
Loss on redemption of investments	**-**	(63)
Loss on disposal of plant and equipment	**(7)**	(84)
Donations of heritage assets	**20**	45

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services (continued)

	2005	2004
	$'000	$'000
Changes in Assets and Liabilities:		
Increase in receivables	**143**	68
Increase (Decrease) in inventories	**(6)**	7
Increase (Decrease) in other assets	**37**	(37)
(Increase) Decrease in payables	**(348)**	155
(Increase) in employee benefits	**(172)**	(364)
Decrease in provisions	**12**	28
Net Cost of Services from Ordinary Activities	**(26 726)**	(29 221)

25. Events After Balance Date

There were no events occurring after balance date.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Authority, a body corporate, was established under the *Local Government Finance Authority Act 1983* (the Act). It is managed and administered by a Board of Trustees.

Functions

The functions of the Authority, as specified in subsection 21(1) of the Act, are to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies; and to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interest of local government.

In addition, subsection 21(2a) of the Act provides that the Authority must not make a loan, other than one to a Council or prescribed local government body; make an investment; or enter into a partnership or joint venture or form a company, except with the approval of the Treasurer.

Structure

The Authority operates with a staff of six including a Chief Executive Officer, a Manager Lending, and a Manager Money Market with other staff providing accounting and administrative support.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the Act are guaranteed by the Treasurer pursuant to subsection 24(1) of the Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 33(2) of the *Local Government Finance Authority Act 1983* specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Local Government Finance Authority of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- Board of Trustee minutes
- Budgetary control and management reporting
- Investments and investment income
- Debenture loans, cash advance debentures and interest income
- Short term borrowings, deposits, borrowings and interest expense
- Derivatives transactions
- Operating expenses and salaries and wages
- Computer information systems environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Local Government Finance Authority of South Australia as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

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

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally considered to be satisfactory. Major matters raised with the Authority and the related responses are considered herein.

LGCS — E-Commerce Venture

A follow-up review was conducted of audit matters raised in 2003-04 in relation to the loan provided by the Authority to the Ecouncils e-commerce venture, which commenced operations during 2000-01. It was noted that Board approval was given for the Authority to participate in this venture. Approval was also obtained from the Minister for Local Government and the Treasurer, as involvement in the e-commerce proposal constituted an investment of a nature which required approval under the *Local Government Finance Authority Act 1983*.

The Authority has provided the LGCS Unit Trust (LGCS), the organisation trading as Ecouncils, a convertible cash advance debenture facility of $700 000 of which $683 000 has been drawn down. As LGCS has no major tangible assets, this cash advance debenture is effectively unsecured (unlike council loans which are secured over general revenue of the council). As there is no effective security for the loan, the recovery of the loan is dependent upon the success of the venture. As the loan is due for repayment in January 2006, Audit reviewed the financial performance of the Trust to assess likely recoverability of the loan.

The follow-up review included an examination of the Trusts' latest available audited financial statements for the year ended 30 June 2004 and review of the recoverability of the loan. That review revealed that LGCS accumulated losses (as at 30 June 2004) were $839 000 and its net assets deficiency $739 000 (liabilities exceeded assets).

The above would indicate that the recovery of the loan in January 2006 is doubtful unless the operating performance of LGCS is significantly improved in the foreseeable future. The matter was raised in a management letter to the Chief Executive Officer and the recommendation made for the Board to consider a provision for doubtful debts.

In response to the matter raised, the Chief Executive Officer advised that a restructure of LGCS during the previous year and a reduction in overheads has increased the prospect of a profit in the future. The authority intends to extend the term of the loan, therefore a provision for doubtful debts is not warranted at this stage.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

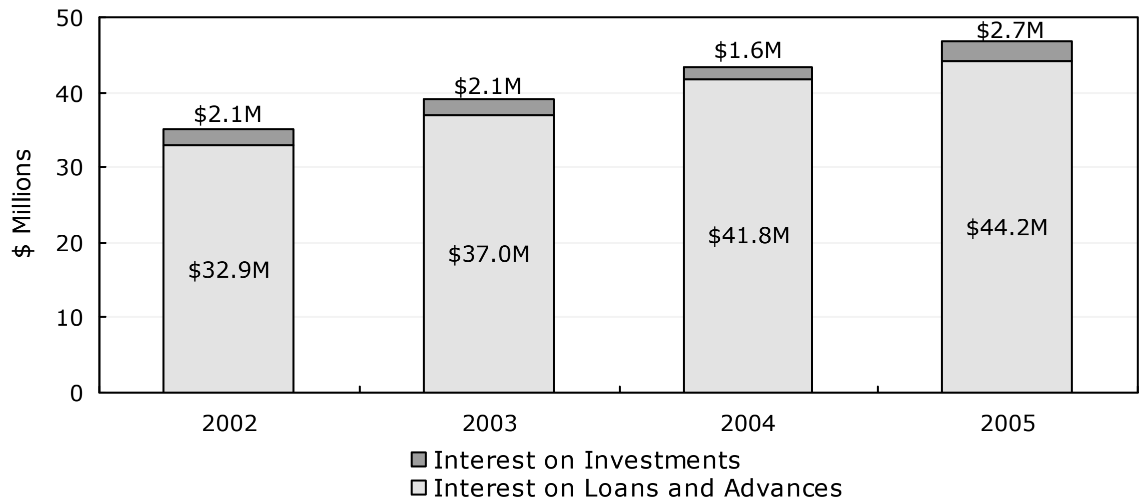
Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Interest income	**46.9**	43.4	8
Total Operating Revenue	**46.9**	43.4	8
OPERATING EXPENDITURE			
Interest expense	**41.4**	38.1	9
Guarantee fee, administration and other expenses	**2.1**	2.0	5
Total Operating Expenses	**43.5**	40.1	8
Surplus before tax	**3.4**	3.3	3
Income tax expense	**1.0**	1.0	-
Net Profit	**2.4**	2.3	4
Net Cash Flows from Operations	**2.8**	2.6	8
ASSETS			
Investments, loans and advances	**404.7**	393.5	3
Other assets	**16.3**	15.0	9
Total Assets	**421.0**	408.5	3
LIABILITIES			
Deposits and borrowings	**361.5**	350.5	3
Other liabilities	**10.8**	10.4	4
Total Liabilities	**372.3**	360.9	3
EQUITY	**48.7**	47.6	2

Statement of Financial Performance

Operating Revenues

As the Authority is a financial institution servicing Local Government, its main operating revenue is interest income with other income being insignificant. For the four years to 2005 a structural analysis of interest income for the Authority is presented in the following chart.

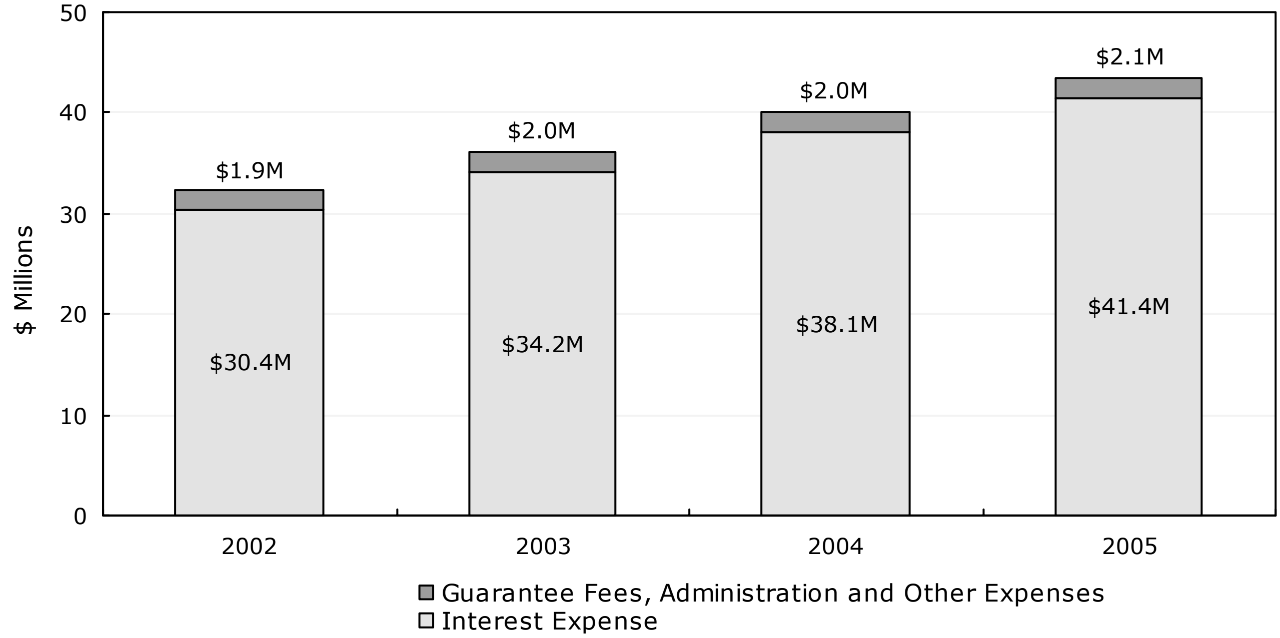


The increase in interest income in 2005 reflects increases in the average balance of investments, loans and advances and the hedge receipts notional balance. Details of interest income, interest rates and balances are provided in Note 23 to the accounts.

Operating Expenses

As the Authority is a financial institution servicing Local Government, its main operating expense is interest expense with guarantee fee, administration and other expenses being less significant.

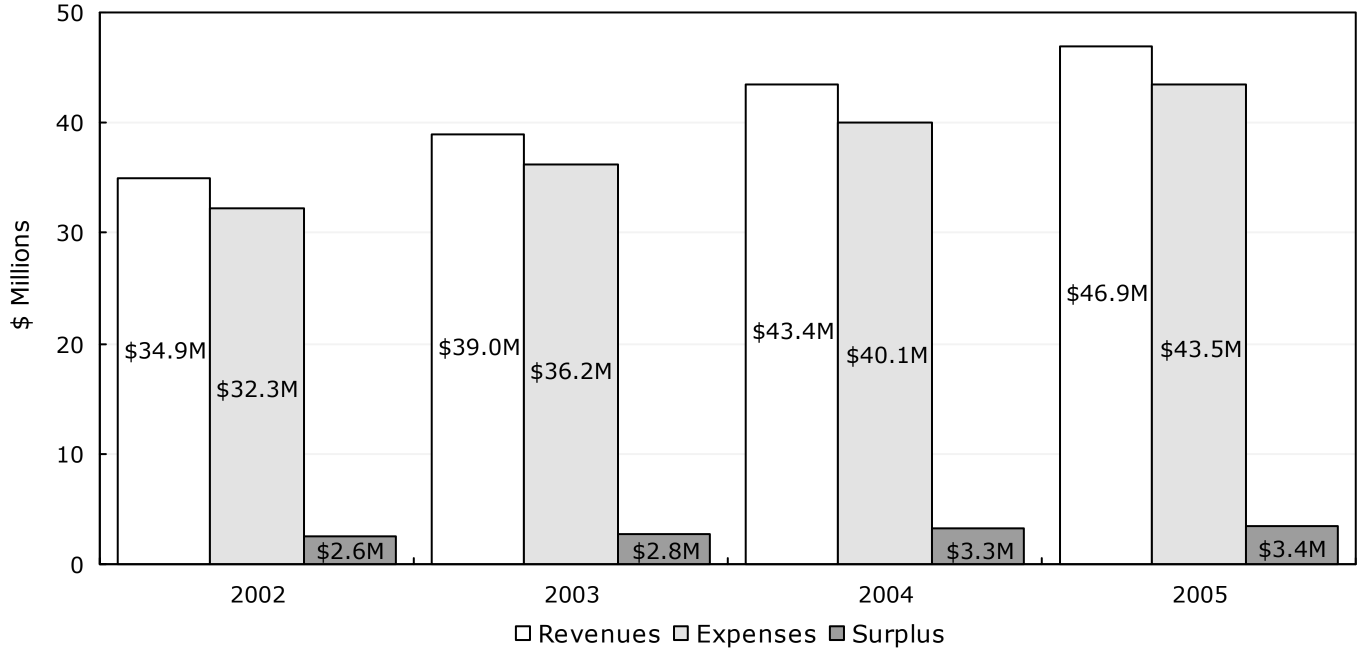
For the four years to 2005 a structural analysis of the main operating expense items for the Authority is shown in the following chart.



The increase in interest expense in 2005 reflects increases in the average balance of deposits and the hedge payments average notional balance. Details of interest expense, interest rates and balances are provided in Note 23 to the accounts.

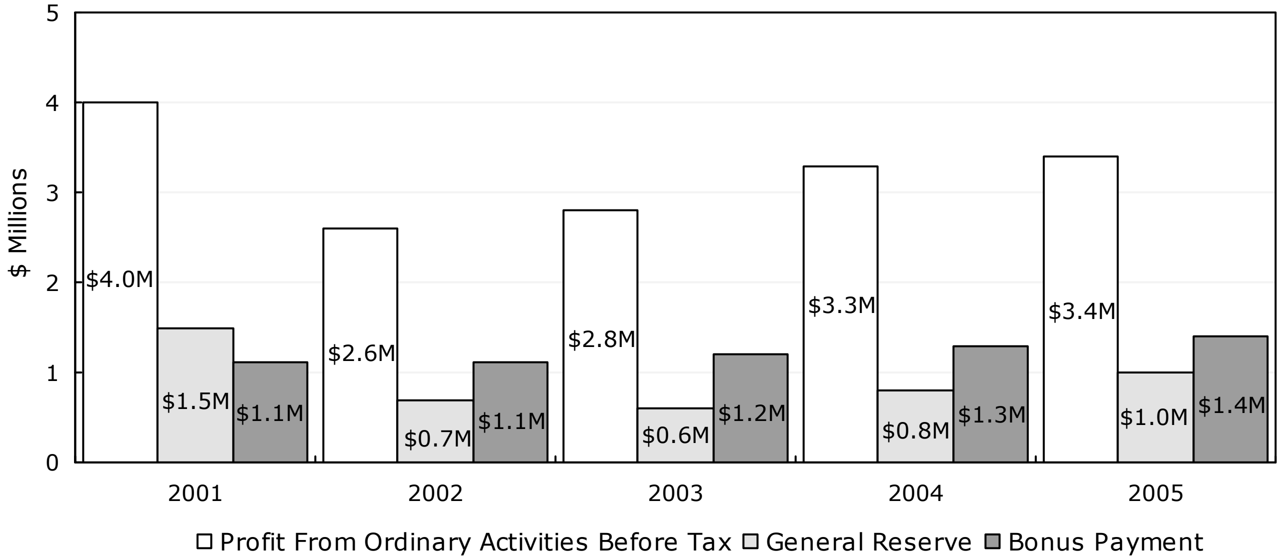
Operating Result

The following chart shows the operating revenues, operating expenses and surpluses before income tax expense for the four years to 2005.



Profit and Distributions

In 2004-05 the Authority achieved a profit from ordinary activities before tax of $3.4 million ($3.3 million) and a net profit of $2.4 million ($2.3 million) which was available for appropriation. The profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following chart.

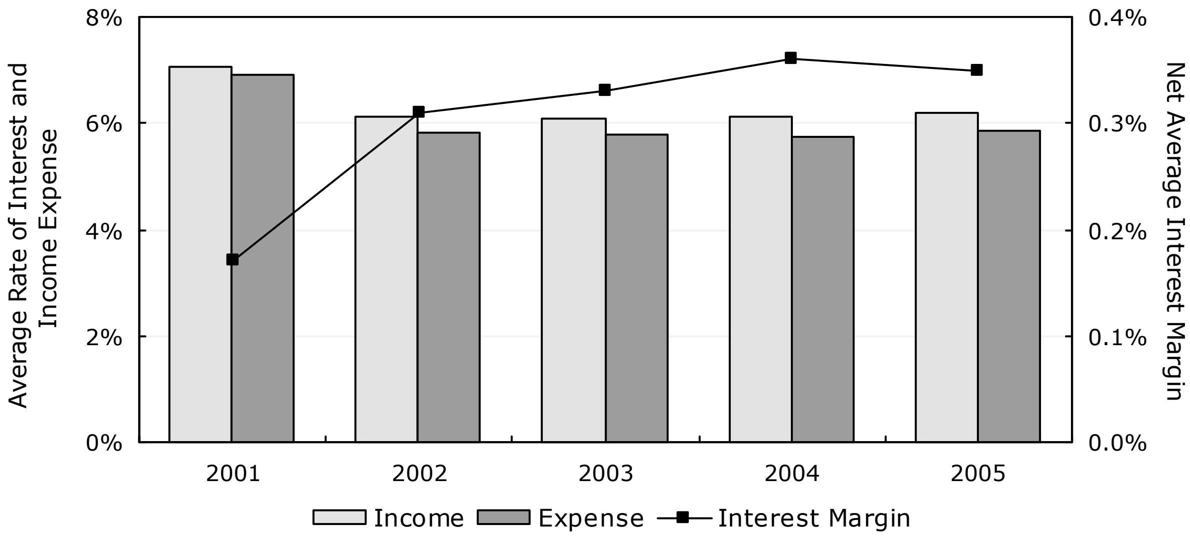


The profit from ordinary activity before tax results for the 2001 year was higher than those for the 2002 to 2005 years. This is due to other income (commission) generated from a structured finance deal which finally matured in 2001.

The profit from ordinary activities before tax result for 2005 increased by $113 000 (3.4 percent) from the previous year due to interest income increase of $3.5 million while interest expense only increased by $3.3 million. That reflects minimal changes in interest rates but some increases in the average balances of investments and loans, deposits and borrowings (Note 23 refers).

Net Average Interest Margin

The following chart highlights that the Authority has established a net average interest margin of the same order for the past four years.



The lower net average interest margin in 2001 reflects slightly lower increases in interest rates on loans and advances and hedge receipts than the slightly higher increase in interest rates on borrowings and deposits, thus lowering the margin in that year. Details of interest margins are provided in Note 23 to the accounts.

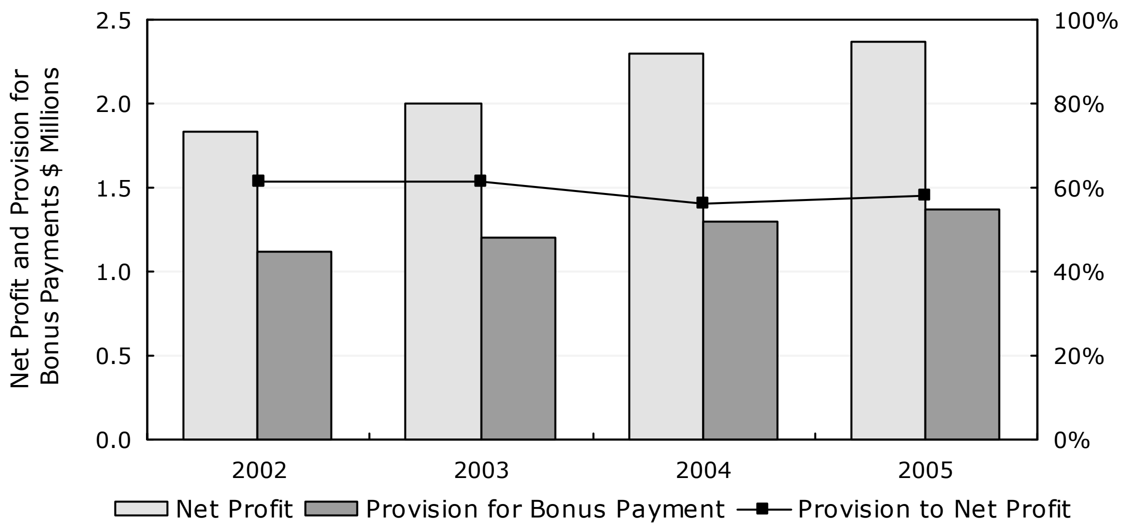
Tax Equivalent Payments

As from 1 June 1996, the Authority came under a Taxation Equivalent Payments System and is required to make payments equivalent to Company Income Tax. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund'. The funds are available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for Local Government in accordance with section 31A of the *Local Government Finance Authority Act 1983*. For this financial year, the amount payable for income tax equivalent was $1.0 million.

Provision for Bonus Payments:

Under subsection 22(2) of the *Local Government Finance Authority Act 1983*, the Authority has discretion to make distributions from the surplus for the year to Councils and local government bodies. These distributions are recorded as bonus payments in the financial statements. In 2004-05, a provision for a bonus payment of $1.4 million was made which was consistent with amounts provided in the previous year.

The following chart shows net profit, the provision for bonus payments and the ratio of the provision for bonus payments to net profit for the past four years.

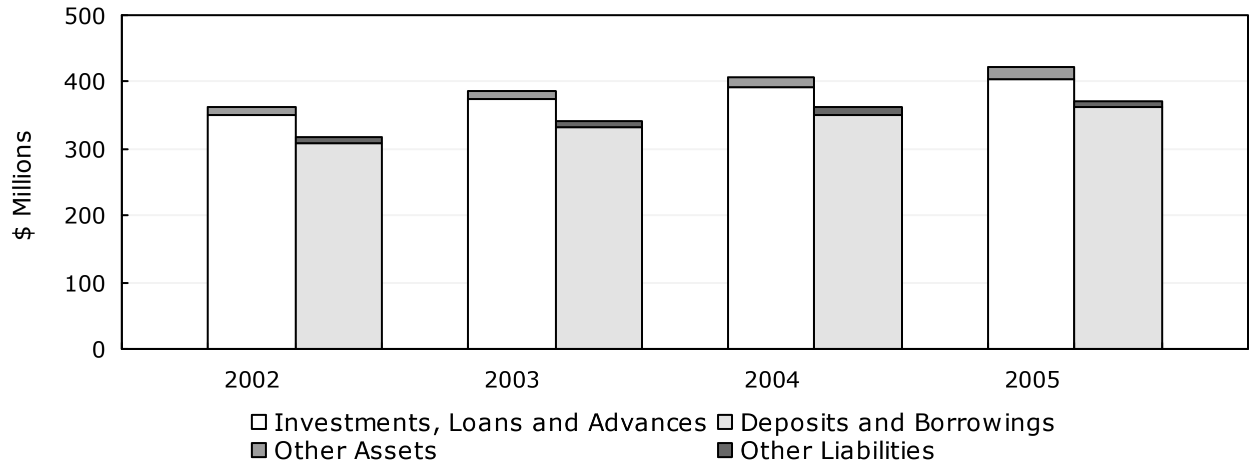


This chart highlights the consistency of the amount of the provision for bonus payments, (average of $1.3 million per year) for the 2002 to 2005 years.

Statement of Financial Position

Assets and Liabilities

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



The Statement of Financial Position shows assets of $421 million and liabilities of $372 million at 30 June 2005 compared with corresponding amounts of $409 million and $361 million at 30 June 2004.

The increase in assets and liabilities was due mainly to:

- an increase in the Asset — Loans and Advances made to Councils and Local Government Bodies of $11.2 million (2.9 percent);
- an increase in the Liability — Deposits from Councils and Local Government bodies of $31.6 million (13.4 percent) offset by a decrease in borrowings of $20.6 million (18 percent).

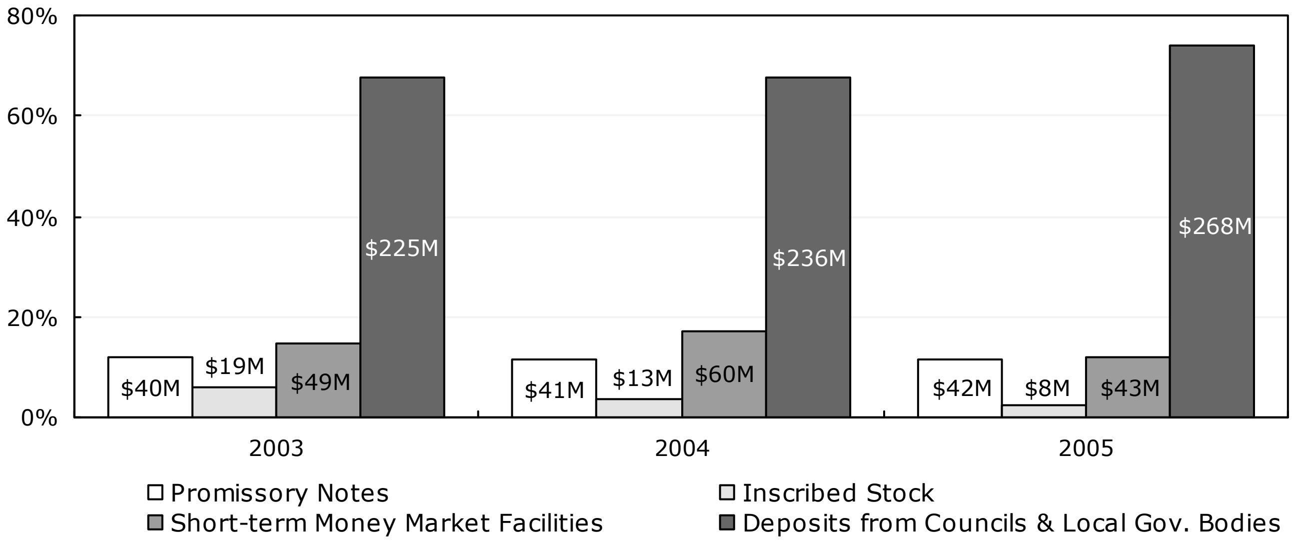
Asset Quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the Council's general revenue. Note 1(g) and Note 9 to the accounts explain the details.

The Authority has not experienced defaults or losses associated with those loans and as a consequence has no provision for doubtful debts against the assets.

Liabilities of the Authority

The following chart displays the variations in the composition of major liabilities over the period 2002-03 to 2004-05. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.



The chart highlights the trend in the composition of the Authority's liabilities.

During recent years, the Authority has moved towards placing more reliance on the funding of loans to Councils via deposits lodged by Councils. Put simply, the Authority borrows short term to take advantage of low interest rates and lends long term. Interest rate exposures are hedged through the use of interest rate swap agreements and futures contracts. The fixed side of the 'swap' is organised so that the Authority achieves a small interest profit margin on each loan. On the variable side of the 'swap', the Authority receives from its derivative financial institution, the 90 day bank bill swap rate which covers the interest paid to Councils for deposits at the at call rate. Therefore, any movements in interest rates are hedged allowing the Authority to achieve a small interest rate margin. Note 21(a) to the Financial Statements refers to interest rate risk management.

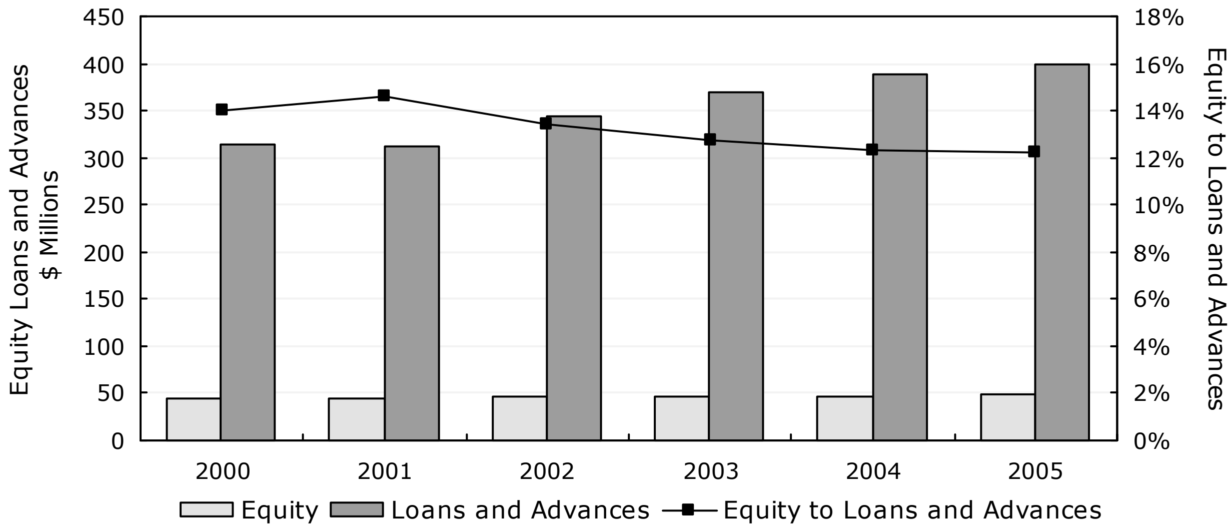
General Reserve and Equity

The Authority appropriated $1 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2005 of $48.1 million.

Total equity of the Authority amounted to $48.7 million as compared to total assets of $421 million. The equity comprises the General Reserve of $48.1 million, and Retained Profit of $0.6 million. The earlier produced table titled Profit and Distributions demonstrates the policy of regularly appropriating a significant portion of the profit to the General Reserve ($4.6 million over the five years to 30 June 2005).

The total equity is invested in financial securities and in loans and advances. Equity has no corresponding cost of capital and generates investment returns. These returns provide a buffer for the Authority against unforeseen unfavourable impacts on revenues and expenses.

The following chart shows the trend of equity to loans and advances over the past six years.



The chart highlights that, notwithstanding the increase in equity through retained profits and transfers to reserves, the ratio has fallen in 2002 through to 2005 with the increase in loans and advances (2.9 percent in 2005). As indicated previously, the majority of these loans are secured by debentures.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**2.8**	2.6	2.5	1.4
Investing	**(11.2)**	(19.6)	(24.5)	(32.8)
Financing	**8.9**	17.0	22.1	31.3
Change in Cash	**0.5**	0.0	0.1	(0.1)
Cash at 30 June	**0.6**	0.1	0.1	0.0

The Statement of Cash Flows shows that the main inflow was financing activities of $8.9 million. The main source of this inflow was deposits from Councils and Local Government Bodies of $31.6 million offset by repayment of short term money market facilities of $16.9 million and repayment of inscribed stock of $5.1 million. These inflows were used to fund investing activities, which mainly represented loans to Councils and Local Government Bodies of $11.2 million.

Statement of Financial Performance
for the year ended 30 June 2005

	Note	**2005**	2004
REVENUES FROM ORDINARY ACTIVITIES:	Note	**$'000**	$'000
Interest on investments	23	**2 704**	1 632
Interest on loans and advances	23	**44 225**	41 792
Other income	3	**15**	12
Total Revenues		**46 944**	43 436
EXPENSES FROM ORDINARY ACTIVITIES:			
Interest on deposits from councils and local government bodies	23	**15 982**	13 483
Interest on borrowings	22, 23	**25 405**	24 658
Fees for the guarantee of the Treasurer of SA on liabilities	22	**824**	772
Administration expenses	4	**1 342**	1 245
Total Expenses		**43 553**	40 158
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**3 391**	3 278
Income tax expense relating to ordinary activities	1(e), 22	**1 017**	983
NET PROFIT	16	**2 374**	2 295
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNERS AS OWNER		**2 374**	2 295

Statement of Financial Position
as at 30 June 2005

	Note	**2005**	2004
ASSETS:	Note	**$'000**	$'000
Cash and liquid assets	5	**552**	68
Accrued interest receivable	6	**7 566**	7 514
Other assets	7	**7 821**	7 043
Investment securities	8	**5 100**	5 100
Loans and advances	9	**399 637**	388 451
Property, plant and equipment	10	**318**	343
Total Assets		**420 994**	408 519
LIABILITIES:			
Deposits from councils and local government bodies	11	**268 065**	236 445
Accrued interest payable	12, 22	**8 342**	8 002
Provisions	13	**2 128**	2 072
Other liabilities	14	**351**	322
Borrowings	15, 22	**93 440**	114 009
Total Liabilities		**372 326**	360 850
NET ASSETS		**48 668**	47 669
EQUITY:			
Reserves	16	**48 100**	47 100
Retained profits	16	**568**	569
TOTAL EQUITY		**48 668**	47 669
Commitments	9		
Contingent Liabilities	21		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
Interest and bill discounts received		**46 887**	42 548
Interest paid		**(41 057)**	(37 179)
Fees paid re guarantee provided by the Treasurer of SA		**(823)**	(769)
Cash payments to suppliers and employees		**(1 190)**	(1 112)
Fees received		**11**	13
Income tax paid		**(1 049)**	(888)
Net Cash provided by Ordinary Activities	18	**2 779**	2 613
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		**(11 233)**	(19 618)
Payments for property, plant and equipment		**(102)**	(271)
Proceeds from sale of property, plant and equipment		**48**	165
South Australian Government Financing Authority		**47**	63
Net Cash used in Investing Activities		**(11 240)**	(19 661)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		**(5 079)**	(5 683)
Promissory notes		**1 400**	1 200
Deposits from councils and local government bodies		**31 620**	11 764
Short-term money market facilities		**(16 890)**	11 680
Bonus payment to councils and local government bodies		**(1 300)**	(1 225)
Grant to Local Government Association of South Australia		**-**	(150)
Other payments		**(806)**	(571)
Net Cash provided by Financing Activities		**8 945**	17 015
NET INCREASE (DECREASE) IN CASH HELD		**484**	(33)
CASH AT 1 JULY		**68**	101
CASH AT 30 JUNE	18	**552**	68

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) Basis of Accounting

The financial report has been prepared as a general purpose financial report in accordance with applicable Statements of Accounting Concepts, applicable Accounting Standards, and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the *Public Finance and Audit Act 1987*.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated.

(b) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

(b) Property, Plant and Equipment (continued)

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	6.7

(c) Employee Benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service. No provision is made in the accounts for sick leave entitlements.

(d) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 21(a) - Derivative Financial Instruments refer).

(i) Interest Rate Swaps are recorded in the accounts on the basis of historical cost.

(ii) Futures Contracts are recorded at market value with the resultant change in value recorded in the Statement of Financial Performance.

(e) Income Tax

The LGFA is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

(f) Investment Securities

The Authority invests in fixed interest securities with a view to holding them until maturity. Subsequently all such investments are recorded in the accounts on the basis of historical cost.

(g) Loans and Advances

Loans and advances are recorded in the accounts on the basis of historical cost. The majority of loan agreements are secured by debentures, providing a charge over Council general revenue.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(h) Concentration of Deposits

The Local Government Finance Authority of South Australia is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from Councils and Local Government bodies operating in South Australia.

2. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Local Government Finance Authority of South Australia will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Local Government Finance Authority of South Australia's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Authority has analysed the relevant accounting standards issued by the AASB and has identified a number of potential issues that have been addressed.

The Authority has allocated internal resources to this process and is receiving expert advice from an external consultant and our Treasury Management System software supplier.

Expected Differences in Accounting Policies

Financial Instruments

Financial instruments are currently measured using amortised cost, with interest rate swap derivative instruments not recognised on the Statement of Financial Position. The Australian equivalent to IAS 39 'Financial Instruments: Recognition and Measurement' requires that derivative financial instruments and certain other financial instruments be recognised at fair value in the accounts. This standard allows for financial instruments which are deemed to be effectively hedged to be revalued as well in order to reduce the volatility in earnings caused by movements in market interest rates.

The Authority has purchased a Hedge Accounting Module which is an integrated part of the Treasury Management System which is presently used to account for financial instruments. This module will be utilised to satisfy the hedge accounting requirements for the financial year ending 30 June 2006.

Expected Differences in Accounting Policies (continued)

Whilst this system is still being tested for accuracy, our early estimate of the impact on our opening balances for 1 July 2005 are as follows:

- Hedge Accounting Gain on revaluation $6.2 million
- Perpetual Income Securities Loss on revaluation $0.1 million

Once we are satisfied with the accuracy of these amounts they are to be adjusted against opening retained earnings as at 1 July 2005. It should be noted that these adjustments are cumulative for the life of the financial instruments as at balance date. Future gain/losses will be only the movement in the applicable revaluations for the period being reported.

Income Tax

The Australian equivalent to IAS 12 is proposing a comprehensive method/balance sheet approach to account for income tax. It is anticipated that the Treasurer's Instructions will continue to mandate the Accounting Profits Model currently used. Therefore it is not anticipated that there will be a change in income tax accounting policy for the Authority.

		2005	2004
		$'000	$'000
3.	**Other Income**		
	Fee income	**11**	12
	Gain on sale of fixed assets	**4**	-
		15	12
4.	**Administration Expenses Comprises**		
	Salaries and on-costs	**689**	665
	Depreciation	**117**	113
	Auditor's fees	**46**	52
	Consultancy fees	**36**	14
	Other expenses	**454**	401
		1 342	1 245
	The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with auditing the accounts	**46**	52
5.	**Cash and Liquid Assets**		
	Cash at Bank	**552**	68
6.	**Accrued Interest Receivable**		
	Interest receivable - Loans to councils and local government bodies	**7 513**	7 466
	Interest receivable - Investments	**53**	48
		7 566	7 514
7.	**Other Assets**		
	Swap principal receivable	**7 635**	6 828
	Sundry debtors and prepayments	**186**	215
		7 821	7 043
8.	**Investment Securities**		
	Deposits and securities issued by banks	**5 100**	5 100
	Maturity analysis - Investment securities:		
	At call	**-**	-
	Not longer than 3 months	**-**	-
	Longer than 3 months and not longer than 12 months	**-**	-
	Longer than 1 year and not longer than 5 years	**-**	-
	Longer than 5 years	**5 100**	5 100
		5 100	5 100

The above maturity analysis shows the maximum credit risk exposure for investment securities without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

The risk is considered minimal as investments are undertaken in accordance with an investment policy which stipulates the credit ratings of the various financial institutions. Since the inception of the Authority in 1984 no default by an investment institution has occurred.

		2005	2004
		$'000	$'000
9.	**Loans and Advances**		
	Advances	**23 310**	15 002
	Term loans	**376 327**	373 449
		399 637	388 451

9. Loans and Advances (continued)

	2005	2004
Maturity analysis - Loans and advances:	**$'000**	$'000
At call	**23 310**	15 002
Not longer than 3 months	**9 125**	11 326
Longer than 3 months and not longer than 12 months	**38 407**	40 828
Longer than 1 year and not longer than 5 years	**153 179**	145 000
Longer than 5 years	**175 616**	176 295
	399 637	388 451

The above maturity analysis shows the maximum credit risk exposure for loans and without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

As explained in Notes 1(g) and (h) the risk is considered minimal and in addition, a concentration of credit risk also occurs as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to Councils and Local Government Bodies. The majority of loan agreements are secured by debentures providing a charge over the Council's general revenue and the Authority has not incurred any bad debts since its inception in 1984.

	2005	2004
Commitments not later than one year - Loans and advances:	**$'000**	$'000
Unused cash advance facilities	**167 239**	174 195
Term loans approved not advanced	**1 531**	280
	168 770	174 475

10. Property, Plant and Equipment

Plant, equipment and motor vehicles:		
At cost	**894**	848
Less: Accumulated depreciation	**576**	505
Total Property, Plant and Equipment	**318**	343

11. Deposits from Councils and Local Government Bodies

Deposits from councils and local government bodies	**268 065**	236 445

Maturity analysis - Deposits from Councils and Local Government bodies:		
At call	**203 816**	161 096
Not longer than 3 months	**53 600**	65 141
Longer than 3 months and not longer than 12 months	**2 240**	5 240
Longer than 1 year and not longer than 5 years	**8 409**	4 788
Longer than 5 years	**-**	180
	268 065	236 445

12. Accrued Interest Payable

Interest payable on:		
Deposits from councils and local government bodies	**3 799**	3 182
Borrowings	**4 543**	4 820
	8 342	8 002

13. Provisions

Employee benefits	**214**	206
Fringe benefits tax	**14**	9
Bonus payment to councils and local government bodies	**1 375**	1 300
Provision for income tax	**525**	557
	2 128	2 072

Movements of major provisions during the year

(i) Bonus payment to Councils and Local Government Bodies		
Opening balance 1 July 2004	**1 300**	1 225
Increase in provision	**1 375**	1 300
Amounts paid	**(1 300)**	(1 225)
Closing Balance 30 June 2005	**1 375**	1 300
(ii) Provision for Income Tax		
Opening balance 1 July 2004	**557**	461
Increase in provision	**1 017**	983
Amounts paid	**(1 049)**	(887)
Closing Balance 30 June 2005	**525**	557

14. Other Liabilities

	2005	2004
	$'000	$'000
Sundry Creditors	**213**	167
Payments due to South Australian Government Financing Authority	**138**	155
	351	322

15. Borrowings

	2005	2004
Short-term money market facilities	**43 300**	60 190
Promissory notes	**42 400**	41 000
Inscribed stock	**7 740**	12 819
	93 440	114 009
Maturity analysis - Borrowings:		
At call	**43 300**	60 190
Not longer than 3 months	**44 066**	42 066
Longer than 3 months and not longer than 12 months	**1 777**	4 085
Longer than 1 year and not longer than 5 years	**4 022**	7 400
Longer than 5 years	**275**	268
	93 440	114 009

The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies) are guaranteed by the Treasurer of South Australia pursuant to section 24 of the *Local Government Finance Authority Act 1983*.

16. Retained Profits and Reserves

(a) Retained Profits

	2005	2004
	$'000	$'000
Net profit	**2 374**	2 295
Retained profits at 1 July	**569**	524
Total Available for Appropriation	**2 943**	2 819
Transfer to general reserve	**1 000**	800
Transfer to bonus payment provision	**1 375**	1 300
Grant to Local Government Association of South Australia*	**-**	150
Retained Profits at 30 June	**568**	569

* The Grant paid to the Local Government Association of South Australia was an appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act 1983* section 22(2)(c).

(b) Reserves

(i) Composition

	2005	2004
	$'000	$'000
General reserve	**48 100**	47 100

(ii) Movements during the year

	2005	2004
General reserve:		
Opening balance	**47 100**	46 300
Transfer from retained profits	**1 000**	800
	48 100	47 100

17. Superannuation Commitments

The LGFA contributes to the Local Government Superannuation Fund, Local Super, in accordance with the rules of that Fund. The Fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

18. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	**2005**	2004
		$'000	$'000
Cash at Bank	5	**552**	68

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) Client deposits and withdrawals;
(ii) Sales and purchases of money market securities;
(iii) Draw down and repayment of loans and investments;
(iv) Fees paid and received.

(c)	*Reconciliation of Net Cash provided by Ordinary Activities* **to Net Profit**	**2005 $'000**	2004 $'000
	Net Profit	**2 374**	2 295
	Increase in interest payable	**340**	976
	Increase in interest receivable	**(52)**	(890)
	Increase in sundry creditors	**12**	13
	Decrease in provisions	**(18)**	111
	Increase in sundry debtors	**10**	(11)
	Depreciation	**117**	113
	Gain on disposal of fixed assets	**(4)**	6
	Net Cash provided by Ordinary Activities	**2 779**	2 613

19. Related Party Information

The Local Government Finance Authority of South Australia operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of Board member during the year is as follows:

Mr John Keough
Councillor Bert Taylor, AM
Ms Ione Brown
Mr Paul Cohen
Ms Wendy Campana
Councillor Anthony Pederick
Councillor John Sanderson
Mr Peter Fairlie-Jones
Mr David Posaner

Remuneration, Retirement Benefits and Loans

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with section 13 of the *Local Government Finance Authority Act 1983*. The Appointee of the Treasurer presently does not seek fees and the Appointee of the Minister receives fees at the same rate as a Representative Member of the Board. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid to Board Members for the financial year ended 30 June 2005 was $42 000, which includes salary sacrificed items and associated fringe benefits tax.

Board Member Related Entities

The Authority had various financial dealings with the following Board member related entities in the normal course of business proceedings:

Board Member	*Entity*
Councillor Bert Taylor, AM	Corporation of the City of Adelaide
Ms Wendy Campana	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme LGCS Pty Ltd
Mr Peter Fairlie-Jones	City of Salisbury LGCS Pty Ltd
Councillor Anthony Pederick	Corporation of the Town of Walkerville LGCS Pty Ltd
Mr David Posaner	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham

All transactions were conducted on a commercial basis and were at arm's length. During Board meetings the relevant interests were declared when necessary.

20. Remuneration of Executives

Remuneration received, or due and receivable by executive officers, whose remuneration is $100 000 or more.	**2005 Number of Executives**	2004 Number of Executives
The number of executive officers whose remuneration was within the bands:		
$110 000 - $120 000	**1**	2
$120 000 - $130 000	**1**	-
$240 000 - $250 000	**1**	1

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated fringe benefits tax, car parking and associated fringe benefits tax.

21. Contingent Liabilities

The LGFA incurs contingent liabilities as part of its normal operations in providing borrowing and investment services to Local Government in South Australia as are contemplated by its enabling legislation.

(a) Derivative Financial Instruments

All derivatives entered into by the Authority specifically match and hedge actual financial transactions. The Authority clearly recognises risks relating to the contractual obligations of derivative counterparties and extremely high importance is placed on the credit standing of such counterparties. There has been no default by any counterparty in derivative transactions undertaken by the Authority.

If a favourable (or unfavourable) financial outcome resulted from derivatives used as hedges it would be accounted for on the same basis as a gain or loss on the underlying physical exposures being hedged.

(i) Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract amount of these derivatives. The notional amounts stated do not represent amounts exchanged by the parties and hence are not a measure of credit exposure and therefore represent off-balance sheet transactions that are not recognised in the financial statements. The actual amounts to be exchanged will be calculated with reference to the Notional Amounts and other terms of the derivatives, which relate to interest rates. The credit exposure amounts represent the estimated credit-related risk that the Authority is subject to on these amounts to be exchanged under the derivative instruments.

Whilst the Authority has exposure in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2005		2004	
	Notional Amount (Face Value) $'000	**Credit Exposure $'000**	Notional Amount (Face Value) $'000	Credit Exposure $'000
Interest Rate Swaps	**342 882**	**42 717**	332 469	41 529
Interest Rate Futures Contracts	**9 000**	**171**	6 000	191

(ii) Interest Rate Risk Management

The Treasurer issued a revised consent dated 10 November 2004, for the Authority to enter into a range of financial arrangements as part of its normal operations of providing borrowing and investments services to Local Government in South Australia.

During the year the Authority used interest rate swaps and interest rate futures contracts to hedge actual financial transactions. All futures contracts are traded on the Sydney Futures Exchange and are closed out on or before maturity without physical delivery of the underlying instrument taking place.

(iii) Liquidity Risk

Liquidity risk can arise if timing differences occur between the receipt of scheduled cash flows and the payment of the Authority's obligation when using derivatives.

Because all cash flows are normally very closely matched and the interest rate risk hedged, it is considered that the Authority has minimal liquidity risk.

(iv) Risk Management Policies

All internal control and hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting.

(b) Financial Guarantee

The LGFA has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Workers Rehabilitation and Compensation Corporation of South Australia (WorkCover). The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2005 the amount guaranteed was $11.328 million.

(c) Performance Bond/Guarantee

LGFA has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environmental Protection Authority. As at 30 June 2005 the amount guaranteed was $350 000.

22. Transactions with South Australian Government

The following transactions were undertaken during the financial year between the Authority and the South Australian Government:

	2005 $'000	2004 $'000
Promissory notes - see Note 15	**42 400**	41 000
Inscribed stock - see Note 15	**7 740**	12 819
Interest payable - Promissory notes	**332**	304
Interest payable - Inscribed stock	**150**	242
Interest paid - Promissory notes	**2 258**	2 034
Interest paid - Inscribed stock	**1 053**	1 553
Fees for the guarantee of the Treasurer of SA on liabilities	**824**	772
Income tax expense relating to ordinary activities	**1 017**	983

23. Interest Income and Interest Expense Analysis

Interest income and interest expense are accounted for on an accrual basis.

The following tables provides the average balance and average rate for the major categories of interest bearing assets and liabilities, both on and off-Balance Sheet. All averages calculated are daily averages.

	2005				2004			
	Average Notional Balance	**Average Balance**	**Interest**	**Average Rate Percent**	Average Notional Balance	Average Balance	Interest	Average Rate Percent
Interest Income:	**$'000**	**$'000**	**$'000**		$'000	$'000	$'000	
Investments	**-**	**45 598**	**2 534**	**5.56**	-	27 934	1 475	5.28
Loans and advances	**-**	**378 513**	**25 867**	**6.83**	-	370 871	25 506	6.88
Hedge receipts	**332 198**	**-**	**18 528**	**5.58**	312 365	-	16 443	5.26
Total Interest Income	**332 198**	**424 111**	**46 929**	**6.20**	312 365	398 805	43 424	6.11
Interest Expense:								
Borrowings	**-**	**68 701**	**4 194**	**6.10**	-	79 096	4 774	6.04
Deposits	**-**	**311 828**	**15 982**	**5.13**	-	277 044	13 483	4.87
Hedge payments	**327 176**	**-**	**21 211**	**6.48**	307 638	-	19 884	6.46
Total Interest Expense	**327 176**	**380 529**	**41 387**	**5.85**	307 638	356 140	38 141	5.75

24. Net Fair Value of Financial Instruments

The net fair value of financial assets and financial liabilities which are payable on demand as at balance date approximate their carrying values with accrued interest.

The net fair value of all other financial assets and financial liabilities is based upon either of the following methods:

(i) Market prices as at the respective balance date.
(ii) Discounting cash flows using a zero coupon curve.

	2005		2004	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and liquid assets	**552**	**552**	68	68
Other assets	**7 821**	**7 821**	7 043	7 043
Investment securities	**5 100**	**5 075**	5 100	4 936
Loans and advances	**399 637**	**420 982**	388 451	402 567
Financial Liabilities:				
Deposits from councils and prescribed bodies	**268 065**	**270 625**	236 445	238 332
Provisions	**2 128**	**2 128**	2 072	2 072
Other liabilities	**351**	**363**	322	332
Borrowings	**93 440**	**94 193**	114 009	115 236
Derivative Instruments:				
Assets:				
Interest rate swaps	**-**	**345 248**	-	334 557
Futures contracts	**-**	**2**	-	3
Liabilities:				
Interest rate swaps	**-**	**355 990**	-	338 393

Where financial assets are carried at an amount above net fair value, the Trustees have not caused those assets to be written down as it is intended to retain those assets to maturity.

It should be noted that most of the abovementioned financial instruments are not readily traded on Financial Markets and therefore the fair market value assigned to them are based on a number of assumptions and estimates. Therefore the fair market values provided should in no way be interpreted as the realisable value of the Local Government Finance Authority of South Australia as at 30 June 2005.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia.

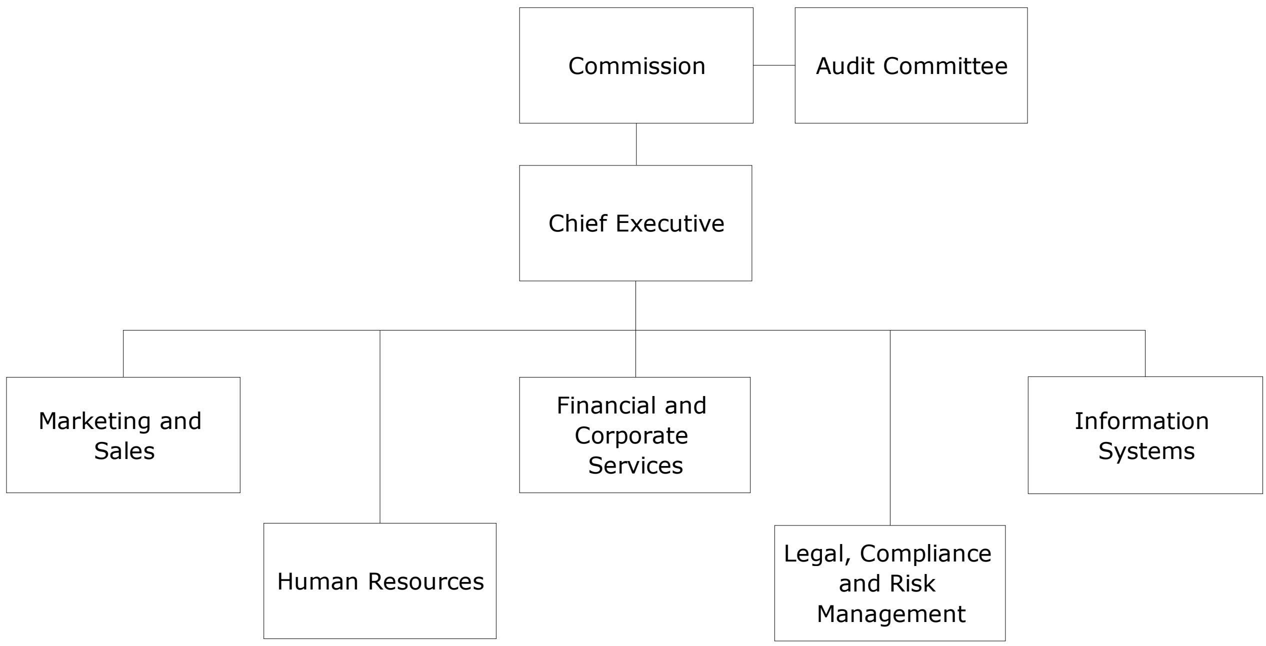
Functions

The functions of the Commission are to administer and promote the following lottery games:

- SA Lotto
- Oz Lotto
- Powerball
- Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies.

Structure

The structure of the Lotteries Commission of South Australia is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Lotteries Commission of South Australia for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- expenditure
- payroll
- gaming
- fixed assets
- financial accounting
- computer environment.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Commission's internal controls. Specific areas in which reliance was placed on internal audit work included:

- fraud detection and prevention
- draw operations and dividend calculations.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Lotteries Commission of South Australia as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

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

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive and, by arrangement, copies were forwarded to the Chair of the Commission's Audit Committee. Responses to the management letters were considered to be satisfactory. Major matters raised with the Commission and the related responses are considered herein.

Computer Processing Environment

The Online Lotteries System (OLS) is the key production system for the sale of all lottery games to the public and distribution of the associated prizes. The OLS is designed to achieve one hundred percent availability, to be responsive to business needs and flexible in meeting those needs and provide for security and protection of data.

In 2005, Audit undertook a review of important aspects of the OLS including:

- information access security and integrity for the OLS system and information;
- application system implementation and maintenance arrangements;
- information system operations, including business recovery arrangements;
- aspects of database implementation and support, network support and systems software support;
- relationships with outsourced vendors.

The results of the review indicated a satisfactory situation with respect to the principal security and control areas addressed. The review identified some areas for improvement and that were relevant for consideration when replacing the existing system. The main observations related to:

- information security - establishment and maintenance of user access requirements;

- application system implementation and maintenance - enhancing test practices by the use of software test tools and, for consideration for future systems, regular fault analysis evaluation;

- internal audit - consideration of timely follow-up reviews where matters are identified in initial reviews.

In response the Commission indicated that action would be taken to address all of the issues raised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	$'million	$'million	Change
OPERATING REVENUE			
Sales	**349**	345	1
Less cost of sales	**(304)**	(302)	1
Other revenue	**7**	7	-
Total Operating Revenue	**52**	50	4
OPERATING EXPENDITURE			
Services and supplies	**15**	13	15
Employment expenses	**7**	8	(12)
Other expenses	**4**	4	-
Total Operating Expenses	**26**	25	4
Operating Profit from Ordinary Activities after Income Tax Equivalent	**18**	18	-
Net Cash Flows from Operations	**90**	86	5
ASSETS			
Current assets	**51**	49	4
Non-current assets	**15**	17	(12)
Total Assets	**66**	66	-
LIABILITIES			
Current liabilities	**31**	27	15
Non-current liabilities	**9**	12	(25)
Total Liabilities	**40**	39	3
EQUITY	**26**	27	(4)

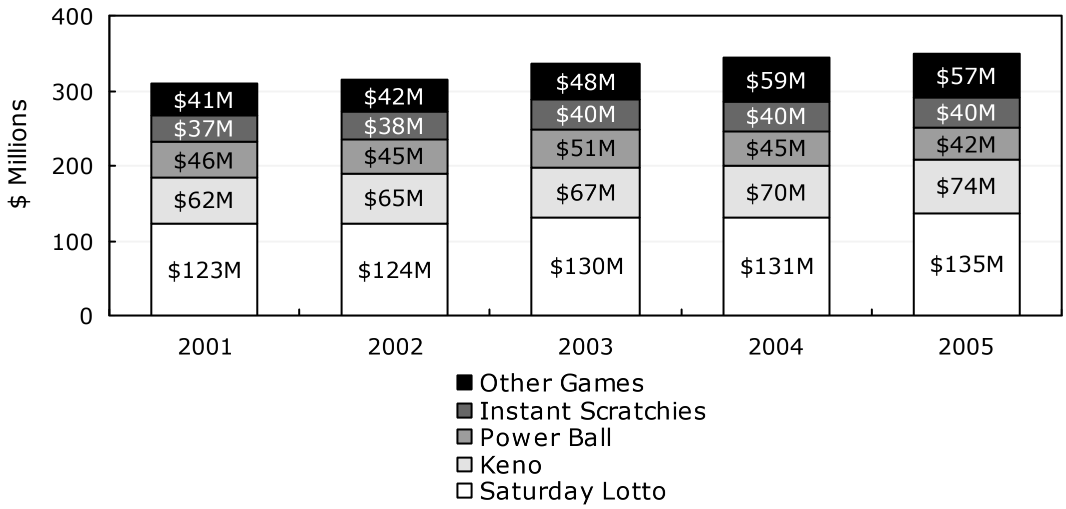
Statement of Financial Performance

Sales Revenue

A structural analysis of sales revenue generated by the lottery products provided by the Commission in the five years to 2005 is presented in the following chart.

Notably in 2004-05, Saturday Lotto sales were $135 million and Keno sales were $74 million, representing 39 percent and 21 percent of sales respectively. These games remain the main individual revenue sources.

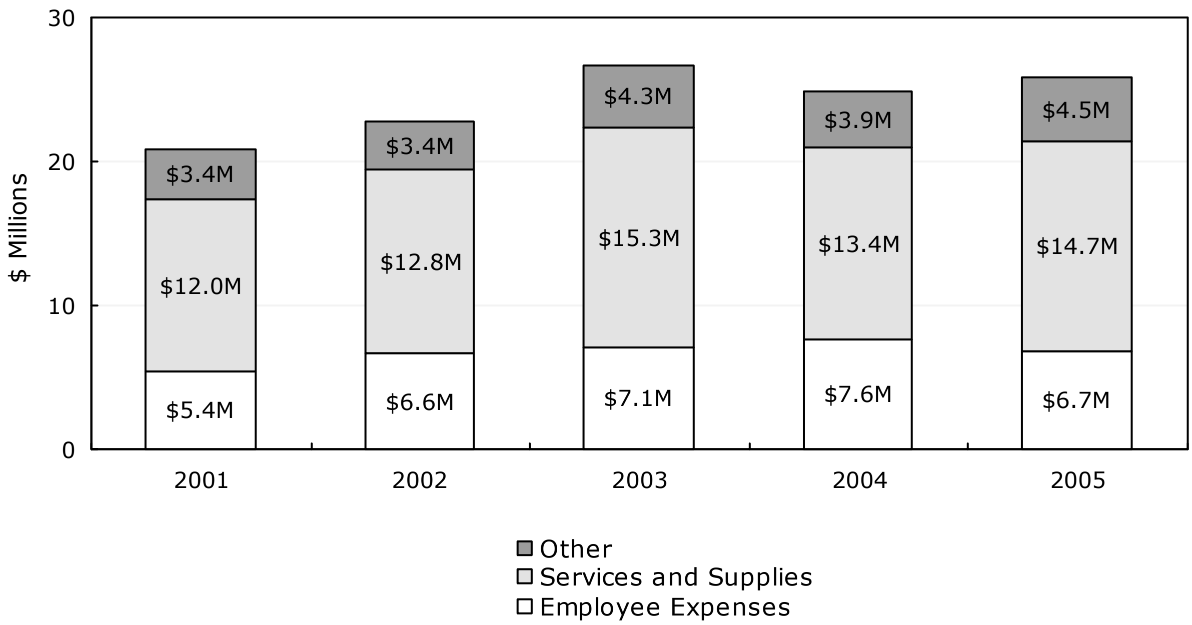
The analysis shows that there has been a steady increase in total revenues over the five years. In 2004-05 sales of Saturday Lotto increased by $4 million and Keno sales increased by $4 million. Powerball sales decreased by $3 million, continuing the decline in sales experienced in 2004. Growth in other games (which includes SA Lotto, Oz Lotto, Super 66 and The Pools) ceased in 2004-05 with a slight fall in revenue from other games of $2 million.



Operating Expenses

A structural analysis of the main operating expense items for the Commission for the five years to 2005 is shown in the following chart.

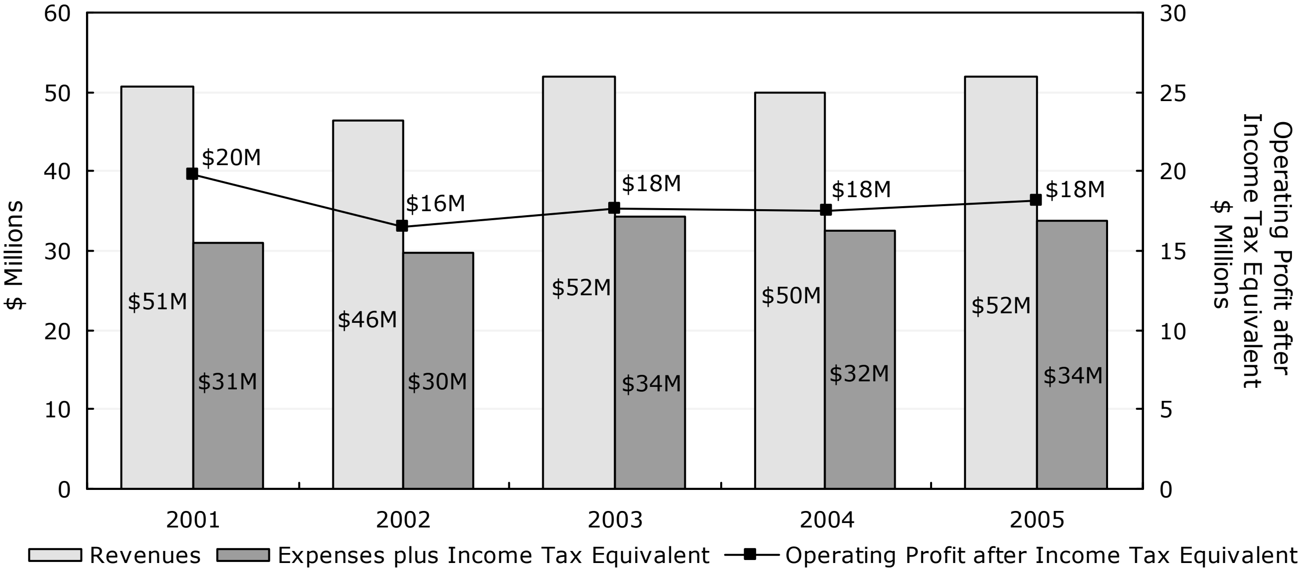
The operating expenses of the Commission have been relatively constant over the last two years, having decreased from the level incurred in 2003. The increased expenses in 2003 related to the once-off expense for the Commission hosting the World Lottery Association Congress in Adelaide in November 2002 and also an increase in depreciation. In 2005 services and supplies increased by $1.3 million primarily as a result of increased advertising and marketing expenses of $620 000 and increased operating lease expenses of $406 000 following the move of the Commission's Head Office to leased premises. Employee expenses decreased by $890 000 due mainly to no targeted separation packages being provided in 2005.



Operating Result

For the five years to 2005 the Commission's performance has been stable with operating profit after income tax equivalent remaining at $18 million over the last 3 years.

The following chart shows the operating revenues, operating expenses plus income tax equivalent and operating profit after income tax equivalent for the five years to 2005.



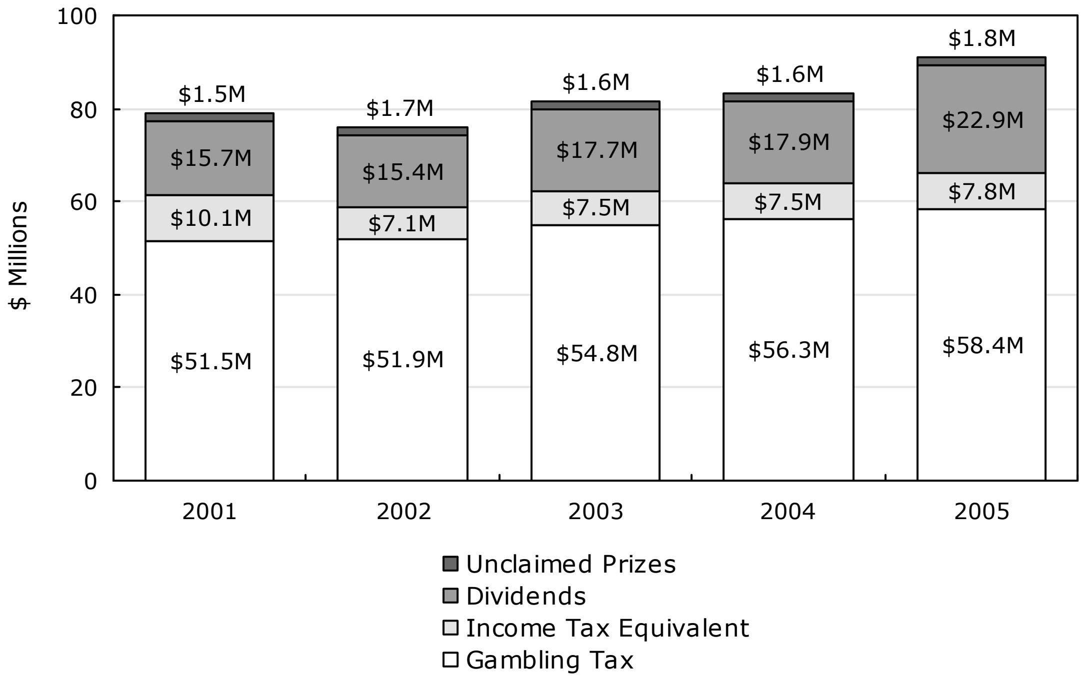
Distributions to Government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the Treasurer's Instructions which are outlined in Note 2(q) to the Financial Statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend which equates to operating profit after income tax equivalent and a percentage of unclaimed prizes.

In 2005 the distribution provided to Government amounted to $91 million, an increase of $7.7 million over the previous year. The increase was due mainly to the provision of a special dividend payment of $6.5 million being the proceeds of the sale of the Commission's former Head Office premises in Rundle Mall.

Over the period under review a total of $410.6 million has been provided to the Government.

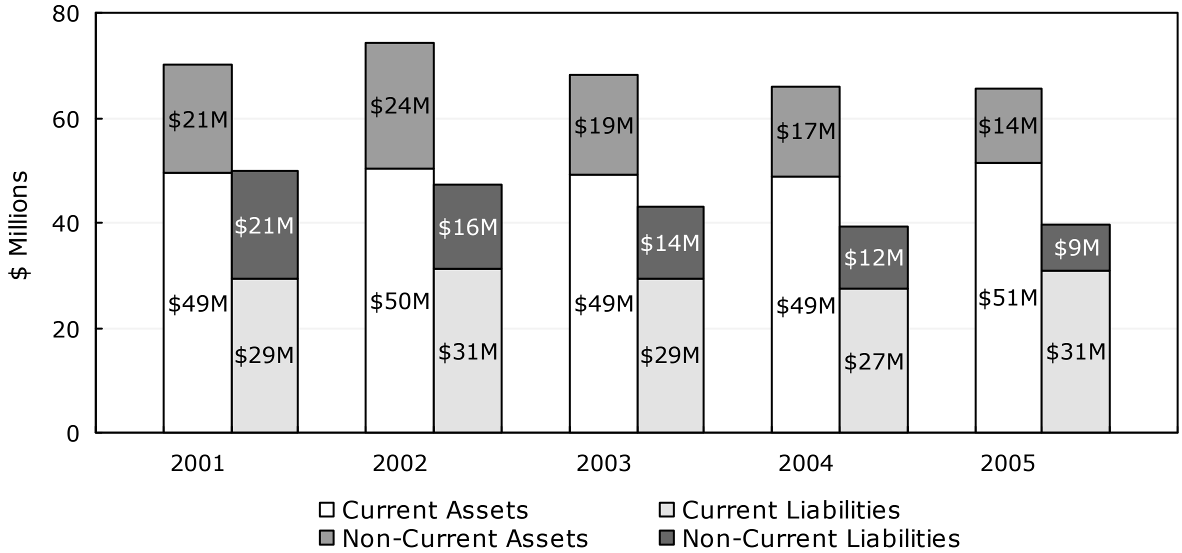
The following chart shows an analysis of the distributions provided to Government over the five years to 2005.



Statement of Financial Position

For the five years to 2005, a structural analysis of assets and liabilities is shown in the following chart.

The decrease in non-current liabilities over the five years is due mainly to the decrease in the unclaimed prize reserve, resulting from the payment of more promotional and additional prizes and the decrease in borrowings in line with the agreed repayment schedule. The decrease in non-current assets in 2005 is due mainly to the sale of the Commission's former Head Office premises in Rundle Mall partly offset by a revaluation of the on-line lotteries system.



Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2005.

	2005	2004	2003	2002	2001
	$'million	$'million	$'million	$'million	$'million
Net Cash Flows					
Operations	**91**	86	84	79	84
Investing	**3**	(1)	(1)	(1)	(2)
Financing	**(91)**	(85)	(84)	(76)	(80)
Change in Cash	**3**	-	(1)	2	2
Cash at 30 June	**48**	45	45	46	44

The table highlights the significant cash generating capacity of the Commission's operations. A large portion of the cash balance at 30 June represents unpaid prizes ($9 million) and distributions owed to the Government ($8 million). The financing cash flows in 2005 represent the amount being distributed to the Government, $89.2 million, and the repayment of borrowings, $1.5 million.

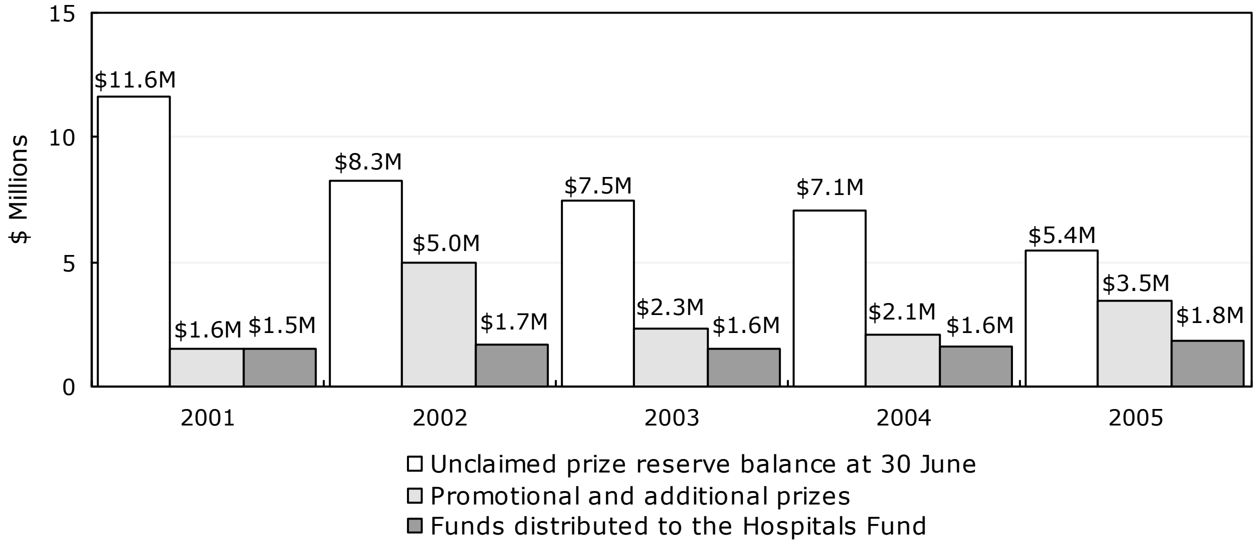
FURTHER COMMENTARY ON OPERATIONS

Unclaimed Prizes and Additional Prizes

In accordance with sections 16B and 16C of the *State Lotteries Act 1966* a prize in a lottery that has not been collected or taken delivery of within 12 months is forfeited to the Commission and transferred to the unclaimed prizes reserve. Of the monies transferred to the unclaimed prize reserve, 50 percent of forfeited prizes are distributed to the Government, whilst the Commission may apply the remaining 50 percent for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia payments.

An analysis of the trend in the unclaimed prize reserve, promotional and additional prizes and payments to the Hospitals Fund over the past five years is shown in the following chart.

The analysis shows that the amount of monies paid out to players from the unclaimed prize reserve in promotional and additional prizes increased in 2005 to $3.5 million having remained steady for the previous two years. Of the $3.5 million expended from the reserve in 2005, $3.4 million related to promotional tickets and prizes, and $58 000 for additional prizes. Promotional tickets are recorded as sales in the Statement of Financial Performance. Payments to the Hospitals Fund have remained steady over the five years, although there was a slight increase in 2005. The balance remaining in the unclaimed prize reserve has continued to fall over the period under review.



Statement of Financial Performance for the year ended 30 June 2005

	Note	**2005 $'000**	2004 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales revenue	5	**348 818**	345 096
Less cost of sales	6	**304 256**	302 059
Trading Surplus		**44 562**	43 037
Interest		**2 681**	2 463
Other	7	**4 613**	4 481
Total Revenues from Ordinary Activities		**51 856**	49 981
EXPENSES FROM ORDINARY ACTIVITIES:			
Services and supplies	8	**14 663**	13 401
Employee expenses	9	**6 745**	7 635
Depreciation and amortisation	10	**3 628**	3 463
Interest paid		**323**	427
Loss on disposal of non-current assets		**500**	-
Total Expenses from Ordinary Activites		**25 859**	24 926
OPERATING PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT		**25 997**	25 055
Income tax equivalent expense relating to ordinary activities	22	**7 799**	7 516
OPERATING PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT	21	**18 198**	17 539
(Decrease) Increase in asset revaluation reserve	20	**(218)**	1 490
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**17 980**	19 029

Statement of Financial Position
as at 30 June 2005

	Note	2005	2004
CURRENT ASSETS:	Note	**$'000**	$'000
Cash		**48 263**	45 349
Receivables	13	**2 344**	2 591
Inventories		**473**	458
Prepayments		**181**	178
Total Current Assets		**51 261**	48 576
NON-CURRENT ASSETS:			
Property, plant and equipment	14	**14 258**	17 419
Total Non-Current Assets		**14 258**	17 419
Total Assets		**65 519**	65 995
CURRENT LIABILITIES:			
Payables	15	**20 062**	18 792
Interest-bearing liabilities		**1 637**	1 542
Provision for employee benefits	16	**396**	283
Other	17	**8 886**	6 705
Total Current Liabilities		**30 981**	27 322
NON-CURRENT LIABILITIES:			
Payables	15	**103**	220
Interest-bearing liabilities		**2 250**	3 887
Provision for employee benefits	16	**767**	769
Unclaimed prizes reserve	18	**5 421**	7 061
Total Non-Current Liabilities		**8 541**	11 937
Total Liabilities		**39 522**	39 259
NET ASSETS		**25 997**	26 736
EQUITY:			
Funds retained for capital purposes	19	**636**	2 976
Reserves	20	**25 361**	23 760
Retained operating profit	21	**-**	-
TOTAL EQUITY		**25 997**	26 736
Commitments	25		

Statement of Cash Flows
for the year ended 30 June 2005

		2005		2004	
		Inflows (Outflows)	**Inflows (Outflows)**	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	**$'000**	$'000	$'000
CASH INFLOWS:					
Receipts from customers		**329 203**		324 888	
Interest received		**2 660**		2 434	
GST receipts on sales		**801**		422	
			332 664		327 744
CASH OUTFLOWS:					
Prizes paid		**(207 052)**		(207 040)	
Payments to suppliers and employees (excluding GST)		**(21 144)**		(20 808)	
GST payments to Taxation Authority		**(9 413)**		(9 161)	
GST payments on purchases		**(4 264)**		(3 800)	
Interest paid		**(358)**		(449)	
			(242 231)		(241 258)
Net Cash Inflows from Operating Activities	12(ii)		**90 433**		86 486
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH INFLOWS:					
Proceeds on disposal of non-current assets		**5 631**		-	
CASH OUTFLOWS:					
Payments for property, plant and equipment		**(2 441)**		(623)	
Net Cash Inflows (Outflows) from Investing Activities			**3 190**		(623)
CASH FLOWS FROM FINANCING ACTIVITIES:					
CASH OUTFLOWS:					
Repayment of borrowings		**(1 542)**		(1 452)	
Distribution to the Hospitals Fund and Recreation and Sport Fund:					
Gambling tax	22	**(57 120)**		(56 465)	
Dividend	22	**(23 097)**		(17 667)	
Unclaimed prizes	22	**(1 676)**		(1 734)	
Distribution to the Hospitals Fund for income tax equivalent	22	**(7 274)**		(8 012)	
Net Cash Outflows from Financing Activities			**(90 709)**		(85 330)
NET INCREASE IN CASH HELD			**2 914**		533
CASH AT 1 JULY			**45 349**		44 816
CASH AT 30 JUNE	12(i)		**48 263**		45 349

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Lotteries Commission of South Australia

The Lotteries Commission of South Australia (SA Lotteries or the Commission) was established under the *State Lotteries Act 1966* (as amended) to promote and conduct lotteries in South Australia.

2. Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *State Lotteries Act 1966,* and the Lotteries Rules promulgated under the *State Lotteries Act 1966*, in addition to the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and Accounting Policy Statements, the Statements of Accounting Concepts, Australian Accounting Standards and Urgent Issues Group Consensus Views.

The financial statements are based on the historical cost convention and except where stated, have not been adjusted to take account of current valuations or current costs.

(b) Depreciation and Amortisation of Non-Current Assets

Property, plant and equipment, excluding freehold land, are depreciated by SA Lotteries on the straight line basis to reflect their decline in service potential over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:	Percent
Buildings	5
Plant and equipment	5, 6.67, 10, 20 and 33.3
On-line lotteries system	12.5 and 20

Leasehold improvements are amortised by SA Lotteries on the straight line basis to reflect their decline in service potential over their estimated useful lives. The amortisation rates used range from 20 percent to 100 percent.

(c) Valuation of Non-Current Assets

All assets acquired, including property, plant and equipment are initially recorded at their cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs direcly attributable to the acquisition.

Property, plant and equipment are brought to account at fair value.

(i) Fair values for freehold land and buildings were obtained in June 2004.

The valuation of the 24-26 Payneham Road, Stepney property was obtained from Nick Bell B Bus Prop (Val), AAPI, Certified Practicing Valuer of Knight Frank Valuations SA and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis.

The valuation of the 21-23 Rundle Mall, Adelaide property was obtained from James Pledge B Bus Prop, AAPI, Certified Practicing Valuer of Knight Frank Valuations SA and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis.

(ii) Fair value for the on-line lotteries system was obtained in June 2005 from Andrew Lucas, MBA, BappSc (Val), AAPI, ASA, Certified Practicing Valuer of Valcorp Australia Pty Ltd and represents the market value of items in this group of assets.

(iii) Other plant and equipment and leasehold improvements are carried at a written down historical cost value.

(d) Recognition of Income

Sales for Lotto, SA Lotto, Oz Lotto, Powerball, Super 66, Keno and The Pools are recognised as at the date of the draw or competition. Sales for Instant Scratchies are recognised daily. Lotto, SA Lotto, Oz Lotto, Powerball, Super 66 and The Pools sales as at 30 June for draws or competitions subsequent to that date are treated as sales in advance.

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are recognised in revenue at the date control passes to be buyer.

(e) Inventories

Inventories include Instant Scratchies tickets, on-line coupons, ticket rolls and ribbons and are carried at actual cost.

(f) Employee Benefits

Provision has been made in the financial statements for SA Lotteries' liability for employee benefits arising from services rendered by employees to balance date in accordance with Accounting Policy Statement 9 'Employee Benefits'. Related on-costs consequential to the employment of employees have been included in payables in the determination of the liability.

(i) Superannuation

SA Lotteries contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer Note 26).

(ii) *Annual Leave*
Provision has been made for the unused component of annual leave at balance date. The provision has been determined by estimating the amount expected to be paid at the time the liability is settled.

(iii) *Long Service Leave*
Provision has been made for employee benefits for long service leave. An estimate of the present value of future cash outflows for all eligible employees has been made using a benchmark of seven years' service as a method of estimating long service leave liability. Provision for employees with service benefits expected to be settled within the next 12 months is accounted for as a current liability with the balance of the provision accounted for as a non-current liability.

(iv) *Sick Leave*
No provision has been made in respect of sick leave which is non-vesting. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(v) *Workers Compensation*
A workers compensation levy rate of 2.014 percent (1.968 percent) is paid to WorkCover Corporation to cover any claims.

(g) Building Maintenance Reserve
This reserve was established to meet future major building maintenance costs.

(h) Capital Asset Reserve
This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets.

(i) Keno Prize Reserve
This reserve was established to meet all Keno Spot 10 Keno prizes. The value of the Keno Spot 10 prize won is to be returned to the Hospitals Fund as a dividend. The reserve is funded from retained earnings at the rate of 23.32 percent of all Keno Spot 10 net sales through SA Lotteries' Agents and ACT TAB.

(j) Receivables
Debtors
Debtor agents and sundry receivables are settled within 7 days and 14 days respectively and are carried at amounts due. All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable.

Prizes Receivable from Blocs
Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

(k) Cash
For the purpose of the Statement of Cash Flows, cash includes cash on hand and short term deposits at call.

Short term deposits are held with the South Australian Government Financing Authority (SAFA) in At Call Deposit and Cash Management Fund deposits and are valued at cost. Interest is paid at a minimum of SAFA's overnight at call deposit rate. The deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund.

(l) Payables
Creditors
Creditors are recognised for amounts to be paid in the future for goods and services received and are normally settled within 30 days.

Prizes Payable
Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and to lottery operators in other States participating in interjurisdictional prize pooling arrangements. State lottery operators have formed Blocs to conduct the games of Lotto, Oz Lotto, Powerball, Super 66 and The Pools.

Amounts payable for prizes won in South Australia are generally available for settlement the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for Lotto type games are normally settled 14 days after the date of draw in accordance with the Lotteries Rules.

Amounts payable to Blocs represents monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

(m) Foreign Currency

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale, and are reported in the Statement of Financial Performance.

(n) Unclaimed Prizes Reserve

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Subsection 16C(4) of the *State Lotteries Act 1966*, requires the Commission to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund;
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the reserve is applied by the Commission from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex-gratia payments.

The *State Lotteries Act 1966*, provides for an ex-gratia payment to a person who satisfies the Commission that they are a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Lotteries Rules.

Ex-gratia payments are charged to the unclaimed prizes reserve. Subsequent payments to either the Hospitals Fund or Recreation and Sport Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(o) Tax Equivalent Regime

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to SA Lotteries. The regime requires SA Lotteries to pay amounts deemed equivalent to that which would have been paid to the Commonwealth Government if it was not exempt from the taxation laws of the Commonwealth Government.

The accounting profit method of tax effect accounting with respect to income tax has been adopted whereby income tax expense is calculated on operating profit from ordinary activities. Permanent and timing differences do not arise. Tax due but not paid at balance date is recognised as a current liability.

(p) Goods and Services Tax (GST)

SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the Australian Taxation Office (ATO). The GST is treated as a cost of sales.

Revenues, expenses and non-current assets are recognised net of the amount of GST. The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the Statement of Financial Position.

Cash flows from operating activities are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities in capital equipment which is recoverable from the ATO is classified as operating cash flows.

(q) Distribution of Funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after payment of gambling tax and GST on NGR, making allowances for operating and capital expenses, applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund and retaining funds for certain designated purposes.

As detailed in Note 2(o), SA Lotteries is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with Schedule 1 of Treasurer's Instruction 22, the transfer of funds to the Hospitals Fund is reflected in the Financial Statements in the form of:

(i) a gambling tax of 41 percent on NGR in respect of all lotteries conducted by the Commission except sports lotteries and special lotteries;
(ii) an income tax equivalent payment (calculated on the accounting profit method), recorded as an expense item in the Statement of Financial Performance;
(iii) an operating profit after income tax equivalent payment, recorded as dividend; and
(iv) unclaimed prizes.

A 'Special Dividend' of $6.527 million, being the proceeds of the sale of SA Lotteries' former Head Office in Rundle Mall, Adelaide, was payable to the Hospitals Fund in 2004-05.

The composition of amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in Note 22.

(r) Interest Bearing Liabilities

Loans are brought to account at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The loans are unsecured and repayments are made six monthly on a credit foncier loan basis, with interest charged at the lender's benchmark rate. The carrying amount for borrowings therefore approximates fair value.

(s) Leases

SA Lotteries has an operating lease agreement for a remote computer site at Kidman Park and an accommodation lease agreement for it's Head Office premises at 24-25 Greenhill Road, Wayville. The lessors effectively retain all risks and benefits incidental to ownership. Operating lease payments are representative of the pattern of benefits derived from the leased assets and are charged to the Statement of Financial Performance in the period in which they occur.

3. Changes to Accounting Policies

(a) GST on Net Gambling Revenue

GST of one eleventh of the net gambling revenue is treated as a cost of sales in order to accurately report the gross margin.

(b) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia has adopted Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. SA Lotteries will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with the requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', a table has been prepared summarising any know or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

Superannuation - Defined Benefit Members

Reconciliation of key aggregates	**Amount currently reported per GAAP**	**AASB 119 Employee Benefits**	**Total amount reported under AIFRS**
Statement of Financial Performance:	$'000	$'000	$'000
Service cost	-	381	381
Interest cost	323	316	639
Expected return on assets	-	(405)	(405)
Actuarial gain	-	(136)	(136)
Operating Profit from Ordinary Activities before Income Tax Equivalents	25 997	(156)	25 841
Operating Profit from Ordinary Activities after Income Tax Equivalents	18 198	(109)	18 089
Statement of Financial Position:			
Fair Value of Plan Assets	-	7 065	7 065
Total Defined Benefit Obligation	-	6 994	6 994
Net Assets	25 997	71	26 068
Cash Flows from Operating Activities	-	-	-
Cash Flows from Investing Activities	-	-	-
Cash Flows from Financing Activities	-	-	-

4. Segment Reporting

SA Lotteries has not established any partnership, body corporate or trust to carry out any function of its business operations. The business operations are conducted in the one main business and geographical segment, selling lottery games within the economic environment of South Australia.

5. Sales Revenue	**2005**	2004
	$'000	$'000
Lotto	**135 176**	130 825
SA Lotto	**40 670**	41 706
Oz Lotto	**14 641**	15 467
Powerball	**42 248**	44 760
Keno	**73 821**	70 425
Instant Scratchies	**40 343**	39 812
Super 66	**586**	1 479
The Pools	**1 333**	622
	348 818	345 096

Sales revenue includes agents' commission.

6. Cost of Sales

	2005 $'000	2004 $'000
Prizes	**207 172**	207 886
Gambling tax	**58 412**	56 256
Agents' commission	**25 795**	25 443
GST on net gambling revenue	**12 877**	12 474
	304 256	302 059

7. Other Revenues

	2005	2004
Agents' fees and charges	**3 685**	3 497
Commission on Head Office sales	**127**	376
Easiplay Club service fee	**336**	324
Pools administration fee	**106**	105
Sundry	**359**	179
	4 613	4 481

8. Services and Supplies

	2005	2004
Advertising and marketing	**6 279**	5 659
Computer operations	**3 718**	3 607
Printing of tickets	**1 620**	1 607
Other	**2 493**	2 379
Operating leases	**552**	146
Bad debts	**1**	3
	14 663	13 401

	2005	2004
Supplies and services provided by entities within the SA Government:		
Advertising and marketing	**81**	53
Other	**584**	591
Total Supplies and Services - SA Government Entities (1)	**665**	644

(1) The total includes supplies and services paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than $100 000.

	2005	2004
Supplies and services provided by entities external to the SA Government:		
Advertising and marketing	**6 198**	5 606
Computer operations	**3 718**	3 607
Printing of tickets	**1 620**	1 607
Other	**1 909**	1 788
Operating leases	**552**	146
Bad debts	**1**	3
Total Supplies and Services - Non-SA Government Entities	**13 998**	12 757

The number and dollar amount of Consultancies paid/payable that fell within following bands:	**2005 Number**	**2005 $'000**	2004 Number	2004 $'000
$1 - $9 999	**7**	**38**	10	35
$10 000 - $49 999	**6**	**146**	4	87
$50 000 and above	**2**	**295**	4	404
Total Amount Paid/Payable to Consultancies Engaged	**15**	**479**	18	526

9. Employee Expenses

	2005 $'000	2004 $'000
Wages and salaries	**5 332**	5 484
Superannuation	**589**	686
TVSP (refer below)	**-**	582
Long service leave	**195**	166
Employment on-costs	**516**	602
Commission Members' fees	**113**	115
Total Employee Expenses	**6 745**	7 635

Targeted Voluntary Separation Packages (TVSPs)

	2005	2004
TVSPs paid to employees during the reporting period	**-**	582
Annual leave and long service leave accrued over years of service	**-**	140
	-	722

	2005 Number of Employees	2004 Number of Employees
Number of employees who were paid TVSPs during the year	**-**	15

Remuneration of Employees	**2005**	2004
The number of employees whose remuneration paid or payable was within the following bands:	**Number of Employees**	Number of Employees
$120 000 - $129 999	**-**	1
$130 000 - $139 999	**1**	-
$140 000 - $149 999	**-**	1
$160 000 - $169 999	**1**	-
$180 000 - $189 999	**-**	1
$230 000 - $239 999	**-**	1
$260 000 - $269 999	**1**	-

Remuneration paid or payable to these employees includes salary, fringe benefit tax and superannuation payments paid to or on behalf of employees. A remuneration increase of 3.5 percent was paid to Executives in August 2004 applicable to the year 2003-04.

	2005	2004
The total remuneration paid and payable on behalf of employees whose	**$'000**	$'000
remuneration was $100 000 or more	**568**	701

Commission Members' Remuneration	**2005**	2004
The number of Commission Members whose remuneration was within the following bands:	**Number of Members**	Number of Members
$20 000 - $29 999	**4**	4
$30 000 - $39 999	**1**	1

Remuneration paid or payable includes fees, superannuation payments and professional indemnity insurance paid on behalf of Commission Members.

	2005	2004
	$'000	$'000
Total remuneration paid or payable to Commission Members	**137**	137

Number of Employees	**2005**	2004
	Number of Employees	Number of Employees
Number of employees at 30 June	**80**	80
Number of full-time equivalent at 30 June	**77.2**	77.4

10. Depreciation and Amortisation

	2005	2004
	$'000	$'000
Buildings	**116**	81
Plant and equipment	**360**	353
On-line lotteries system	**3 065**	3 029
Leasehold improvements	**87**	-
	3 628	3 463

11. Remuneration of Auditors

Audit fees paid/payable to the Auditor-General's Department	**156**	144

12. Cash Reconciliation

(i) Reconciliation of Cash

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	**48 263**	45 349

(ii) Reconciliation of Net Cash provided by Operating Activities to Operating Profit from Ordinary Activities before Income Tax Equivalent

Operating profit from ordinary activities before income tax equivalent	**25 997**	25 055
Add: Gambling tax	**58 412**	56 256
Add Non-cash items:		
Depreciation	**3 628**	3 463
Loss on disposal of assets	**500**	-
Changes in assets/liabilities:		
Decrease in receivables	**232**	1 116
Increase in unclaimed prize reserve	**200**	1 211
Increase (Decrease) in prize reserve fund	**2 058**	(1 900)
(Decrease) Increase in payables	**(705)**	1 327
Increase (Decrease) in provisions	**111**	(42)
Net Cash Inflows from Operating Activities	**90 433**	86 486

13. Receivables

	2005	2004
	$'000	$'000
Debtor agents	**1 403**	735
Prizes receivable from Blocs	**53**	1 203
Sundry	**888**	653
	2 344	2 591
Receivables from SA Government Entities:		
Sundry	**233**	213
Receivables from Non-SA Government Entities:		
Debtor agents	**1 403**	735
Prizes receivable from Blocs	**53**	1 203
Sundry	**655**	440
	2 111	2 378

14. Property, Plant and Equipment

	2005	2004
Freehold Land and Buildings:		
Buildings at independent valuation	**480**	2 930
Accumulated depreciation	**(24)**	-
	456	2 930
Land at independent valuation	**560**	4 110
Total Freehold Land and Buildings	**1 016**	7 040
Plant and Equipment:		
Plant and equipment at historical cost	**3 744**	4 853
Accumulated depreciation	**(2 990)**	(3 879)
Total Plant and Equipment	**754**	974
On-line Lotteries System:		
On-line lotteries system at valuation	**10 168**	12 054
Accumulated depreciation	**-**	(2 978)
	10 168	9 076
On-line lotteries system at historical cost	**119**	380
Accumulated depreciation	**-**	(51)
	119	329
Total On-Line Lotteries System	**10 287**	9 405
Leasehold Improvements:		
Leasehold improvements at historical cost	**2 288**	-
Accumulated amortisation	**(87)**	-
Total Leasehold Improvements	**2 201**	-
Total Property, Plant and Equipment	**14 258**	17 419

Reconciliation of Property, Plant and Equipment

2005

Reconciliation of Property, Plant and Equipment:	**Land $'000**	**Buildings $'000**	**Plant and Equipment $'000**	**Online Lotteries System $'000**	**Leasehold Improve-ments $'000**	**Total $'000**
Carrying amount at 1 July	**4 110**	**2 930**	**974**	**9 405**	**-**	**17 419**
Additions	**-**	**-**	**226**	**119**	**2 288**	**2 633**
Disposals	**(3 550)**	**(2 358)**	**(86)**	**(141)**	**-**	**(6 135)**
Revaluation increment	**-**	**-**	**-**	**3 969**	**-**	**3 969**
Depreciation/Amortisation	**-**	**(116)**	**(360)**	**(3 065)**	**(87)**	**(3 628)**
Carrying Amount at 30 June	**560**	**456**	**754**	**10 287**	**2 201**	**14 258**

2004

Reconciliation of Property, Plant and Equipment:	Land $'000	Buildings $'000	Plant and Equipment $'000	Online Lotteries System $'000	Leasehold Improve-ments $'000	Total $'000
Carrying amount at 1 July	3 310	2 321	1 144	12 235	-	19 010
Additions	-	-	183	201	-	384
Disposals	-	-	-	(2)	-	(2)
Revaluation increment	800	690	-	-	-	1 490
Depreciation	-	(81)	(353)	(3 029)	-	(3 463)
Carrying Amount at 30 June	4 110	2 930	974	9 405	-	17 419

15. Payables

	2005	2004
Current:	**$'000**	$'000
Creditors	**3 742**	2 784
Prizes payable	**8 558**	10 035
Undistributed funds (refer to Note 22)	**7 762**	5 973
	20 062	18 792
Non-Current:		
Creditors	**103**	220
Total Payables	**20 165**	19 012
Payables to SA Government Entities:		
Current:		
Creditors	**595**	360
Undistributed funds (refer to Note 22)	**7 762**	5 973
	8 357	6 333
Non-Current:		
Creditors	**103**	220
Total Payables to SA Government Entities	**8 460**	6 553
Payables to Non-SA Government Entities:		
Current:		
Creditors	**3 147**	2 424
Prizes payable	**8 558**	10 035
Total Payables to Non-SA Government Entities	**11 705**	12 459
Total Payables	**20 165**	19 012

16. Employee Benefits

Current:		
Provision for employee benefits:		
Annual leave	**278**	236
Long service leave	**118**	47
	396	283
On-costs (accounted for in payables)	**98**	56
Accrued salaries and wages (accounted for in payables)	**137**	71
	631	410
Non-Current:		
Provision for employee benefits:		
Long service leave	**767**	769
On-costs (accounted for in payables)	**103**	220
	870	989
Aggregate Employee Benefits and Related On-Costs Liabilities	**1 501**	1 399

17. Other Liabilities

Prize Reserve Fund [(i)]	**7 250**	5 192
Sales in advance	**1 636**	1 513
	8 886	6 705
(i) Prize Reserve Fund:		
Balance at 1 July	**5 192**	7 092
Allocated to prize reserve fund	**10 833**	9 633
	16 025	16 725
Applied to prizes	**(8 775)**	(11 533)
Balance at 30 June	**7 250**	5 192

The Prize Reserve Fund allocation comprises the following percentage of net sales (gross sales revenue less agents' commission) for the following games:

	Percent
SA Lotto (was 5 percent until 22 November 2004)	10.0
Lotto	5.0
Oz Lotto and Super 66	3.5
Powerball	2.5
The Pools	2.0

These funds are distributed from time to time as additional or increased prize money in the respective games.

18. Unclaimed Prizes Reserve

	2005	2004
	$'000	$'000
Balance at 1 July	**7 061**	7 489
Unclaimed monies forfeited	**3 679**	3 278
	10 740	10 767
Monies provided for distribution to the Hospitals Fund	**(1 838)**	(1 638)
Monies provided for distribution to the Recreation and Sport Fund	**(1)**	(1)
Promotional tickets and prizes	**(3 422)**	(1 726)
Additional prizes	**(58)**	(341)
Balance at 30 June	**5 421**	7 061

19. Funds Retained for Capital Purposes

SA Lotteries has retained funds of $636 000 which represent the historical cost of the investment in land and buildings at 26 Payneham Road, Stepney.

Balance at 1 July	**2 976**	2 976
Transfer to retained profits	**(2 340)**	-
Balance at 30 June	**636**	2 976

20. Reserves

Asset revaluation [(i)]	**7 871**	8 089
Building maintenance [(ii)]	**94**	94
Capital asset [(iii)]	**15 563**	14 657
Keno prize [(iv)]	**1 833**	920
	25 361	23 760

(i) Asset Revaluation:

Balance at 1 July	**8 089**	6 599
Transfer to reserve	**3 969**	1 490
	12 058	8 089
Transfer to retained profits	**(4 187)**	-
Balance at 30 June	**7 871**	8 089

(ii) Building Maintenance

Balance at 30 June	**94**	94

(iii) Capital Asset:

Balance at 1 July	**14 657**	13 628
Transfer to reserve	**2 000**	2 000
Transfer to retained profit	**(1 094)**	(971)
Net transfer to reserve	**906**	1 029
Balance at 30 June	**15 563**	14 657

Capital asset comprises the:

Capital Fund account	**10 740**	11 373
Capital Fund assets (at written-down value)*	**4 823**	3 284
	15 563	14 657

Capital Fund Account:

Balance at 1 July	**11 373**	9 757
Transfer to reserve	**2 000**	2 000
Assets financed	**(2 633)**	(384)
Balance at 30 June	**10 740**	11 373

Capital Fund Assets:

Written-down value at 1 July	**3 284**	3 871
Assets financed	**2 633**	384
Depreciation	**(1 094)**	(971)
Written-down Value at 30 June	**4 823**	3 284

* Assets financed from the Capital Fund:

Balance at 1 July	**8 961**	8 579
Assets financed	**2 633**	384
	11 594	8 963
Assets disposed	**(229)**	(2)
Balance at 30 June	**11 365**	8 961
Accumulated depreciation write-down	**(6 542)**	(5 677)
Capital Fund assets (at written-down value)	**4 823**	3 284

(iv) Keno Prize:

Balance at 1 July	**920**	1 713
Transfer to reserve	**913**	566
	1 833	2 279
Transfer from reserve	**-**	(1 359)
Balance at 30 June	**1 833**	920

21. Retained Operating Profit

	2005 $'000	2004 $'000
Retained operating profit at 1 July	**-**	-
Transfer to Keno prize reserve	**(913)**	-
Transfer to capital asset reserve	**(2 000)**	(2 000)
Transfer from Keno prize reserve	**-**	1 359
Transfer from capital asset reserve	**1 094**	971
Transfer from asset revaluation reserve	**4 187**	-
Transfer from funds retained for capital purposes	**2 340**	-
Operating profit for the year after income tax equivalent	**18 198**	17 539
Total available for appropriation	**22 906**	17 869
Transfer to Keno prize reserve from prior profits	**-**	(566)
Dividend (including special dividend) provided for in the current and prior years	**(22 906)**	(17 303)
Retained Operating Profit at 30 June	**-**	-

22. Distribution of Funds to Government

	Balance 01.07.04 $'000	Distribution Provided $'000	Distribution Paid $'000	**Balance 30.06.05 $'000**
Gambling tax	4 591	58 412	57 120	**5 883**
Income tax equivalent	2	7 799	7 274	**527**
Dividend	1 280	16 379	16 723	**936**
Unclaimed prizes	100	1 839	1 676	**263**
Special dividend	-	6 527	6 374	**153**
	5 973	90 956	89 167	**7 762**
Comprising:				
Distribution to Hospitals Fund:				
Gambling tax	4 584	58 240	56 992	**5 832**
Income tax equivalent	2	7 799	7 274	**527**
Dividend	1 274	16 292	16 636	**930**
Unclaimed prizes	100	1 838	1 675	**263**
Special dividend	-	6 527	6 374	**153**
	5 960	90 696	88 951	**7 705**
Distribution to Recreation and Sport Fund:				
Gambling tax	7	172	128	**51**
Dividend	6	87	87	**6**
Unclaimed prizes	-	1	1	**-**
	13	260	216	**57**
Total 2004-05	**5 973**	**90 956**	**89 167**	**7 762**
Total 2003-04	6 571	83 280	83 878	**5 973**

23. Financial Instruments

(a) Terms and Conditions of Financial Liabilities

SA Lotteries has six loans from the Department of Treasury and Finance, with fixed interest rates ranging from 5.59 percent to 7.21 percent together with a 0.75 percent guarantee fee. All loans are repayable over eight years and the maturity schedule as at 30 June is set out in (b) below.

(b) Interest Rate Risk

The effective weighted average interest rate risk is outlined below for the following financial assets and liabilities.

2005

Financial Instrument	Floating Interest Rate $'000	Fixed Interest Maturing: 1 year or Less $'000	Fixed Interest Maturing: Over 1 to 5 Years $'000	Fixed Interest Maturing: More than 5 Years $'000	Non-Interest Bearing $'000	Total Amount $'000	Weighted Average Interest Rate Percent
Financial Assets:							
Cash	**48 181**	**-**	**-**	**-**	**82**	**48 263**	**5.46**
Receivables	**-**	**-**	**-**	**-**	**2 344**	**2 344**	**-**
Total	**48 181**	**-**	**-**	**-**	**2 426**	**50 607**	
Financial Liabilities:							
Payables	**-**	**-**	**-**	**-**	**20 165**	**20 165**	**-**
Interest bearing liabilities	**-**	**1 637**	**2 250**	**-**	**-**	**3 887**	**7.12**
Total	**-**	**1 637**	**2 250**	**-**	**20 165**	**24 052**	

(b) Interest Rate Risk (continued)

	2004						
		Fixed Interest Maturing					
Financial Instrument	Floating Interest Rate	1 year or Less	Over 1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total Amount	Weighted Average Interest Rate
Financial Assets:	$'000	$'000	$'000	$'000	$'000	$'000	Percent
Cash	45 221	-	-	-	128	45 349	5.16
Receivables	-	-	-	-	2 591	2 591	-
Total	45 221	-	-	-	2 719	47 940	
Financial Liabilities:							
Payables	-	-	-	-	19 012	19 012	-
Interest bearing liabilities	-	1 542	3 887	-	-	5 429	6.90
Total	-	1 542	3 887	-	19 012	24 441	

(c) Foreign Exchange Risk

SA Lotteries entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of the outstanding contracts.

	Weighted Average Rate		**2005**	2004
Buying US Dollars:	**2005**	2004	**$'000**	$'000
Not longer than one year	**0.67**	0.67	**751**	751
Longer than one year but not longer than two years	**0.67**	0.67	**751**	751
Longer than two years but not longer than three years	**-**	0.67	**-**	751
			1 502	2 253

(d) Credit Risk

SA Lotteries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position. Credit risk represents the loss that would be recognised if parties holding financial assets of SA Lotteries at balance date fail to honour their obligations under contract.

SA Lotteries minimises its credit risk on trade debtors by undertaking its sales transactions with a large number of agents and requires those agents to remit outstandings on a twice weekly basis; therefore, SA Lotteries is not materially exposed to credit risk.

(e) Net Fair Values

SA Lotteries' accounting policies used to determine the net fair value of financial assets and liabilities are disclosed in Note 2. The aggregate net fair values of recognised financial assets and financial liabilities at the balance date are equal to the carrying values as per the Statement of Financial Position.

24. Related Party Disclosures

Commission Members

For the full financial year the following persons held the position of Member of the Commission:

Mr H J Ohff, FIEAust, CPEng, BA (Hons) (Presiding Member);
Mr D P LeMessurier, Ass Dip (Man) SIA (Aff), FAICD, MSDIA, MBA;
Ms S J Mackenzie, BComm (Accounting), LLB (Hons);
Mr S K Shirley, BEc, FCA, CPA, FTIA; and
Ms C M Crago, Ass Dip (Bus) BBus (Mktg).

Details of Commission Members' remuneration are set out in Note 9.

No Commission Member has entered into a material contract with SA Lotteries since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

25. Commitments for Expenditure

	2005	2004
Lease Commitments	**$'000**	$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Not later than 1 year	**627**	604
Later than 1 year and not later than 5 years	**2 289**	2 307
Later than 5 years and not later than 10 years	**2 462**	3 159
	5 378	6 070

Lease Commitments (continued)

The operating lease for the remote computer site at Kidman Park is non-cancellable with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 5 percent per annum.

The 10 year accommodation lease at 24-25 Greenhill Road, Wayville is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require lease payments to be increased by 3 percent per annum with a rent review after 5 years. The option for renewal of a further term of 5 years is available prior to the expiration of the current term.

Other Commitments	**2005**	2004
Commitments in relation to other expenditure contracted for, but yet to be supplied, at the reporting date but not recognised as liabilities, payable:	**$'000**	$'000
Not later than one year	**1 958**	2 890
Later than one year and not later than five years	**1 275**	3 014
	3 233	5 904

26. Superannuation

SA Lotteries contributed to the following employee superannuation schemes:

(a) SA Lotteries has an established superannuation scheme for its employees. The scheme accommodates both defined benefit members and accumulation members for benefits payable on resignation, retirement, death or disability.

The scheme is known as Lotteries Commission of South Australia Superannuation Plan (the Plan), a sub-plan of the Corporate Division of the Mercer Super Trust. The assets supporting the defined benefits are invested in the 'Mercer Growth' investment option of the sub-plan.

The plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2003 by Paul Gilbert, FIAA and Richard R Codron, FIAA Superannuation Actuaries. The report was dated 24 February 2004.

Information from the last actuarial report:	$'000
Accrued benefits as at 30 June 2003, the last measurement date	7 270
Net market value of assets as at 30 June 2003	7 017
Information from the last audited annual accounts:	
Vested benefits as at 30 June 2003	7 100
Net market value of assets as at 30 June 2003	7 017
Net market value of assets as at 30 June 2003 in excess of vested benefits	(83)

Financial position as at 30 June is based on unaudited asset information and preliminary data provided by Mercer Human Resource Consulting Pty Ltd:	Total 30.06.05 $'000	Coverage by Assets 30.06.05 Percent	Coverage by Assets 30.06.04 Percent
Assets	7 937	-	-
Value of vested benefits	7 137	111	107
Immediate leaving service benefits	7 137	111	107
Deferred leaving service benefits	8 029	99	94

Note: The financial position relates to all plan members (ie defined benefit and accumulation members).

As at 30 June 2005 the Policy Committee for the Plan comprised:

Commission appointed	- S J Mackenzie (Chairman)
	- B A Rohrlach
Member representatives	- J F Favretto
	- P H Wright

For defined benefit members, SA Lotteries pays the contribution level recommended by the actuary appropriate to meet the expected long term cost of benefits being provided. Contribution to the defined benefit plan during the year was $373 000 ($482 000).

The contribution by SA Lotteries for the accumulation benefit members of the Plan during the year was $204 000 ($196 000).

(b) SA Lotteries contributed $4 000 ($3 000) for superannuation to private funds.

(c) SA Lotteries contributed $nil ($5 000) to the State Pension Scheme on behalf of an employee who is a member of that scheme.

MOTOR ACCIDENT COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

Functions

The functions of the Motor Accident Commission are as follows:

- To provide policies of compulsory third party insurance under Part 4 of the *Motor Vehicles Act 1959*, and to be the sole approved insurer under that Part until such time as the Minister responsible for the administration of that Act forms the view that it would be in the best interests of the State to invite and approve other persons or bodies of persons to be insurers under that Part.

- To maintain the Compulsory Third Party Fund.

- To perform the functions of the nominal defendant while the Commission holds that office under Part 4 of the *Motor Vehicles Act 1959*.

- To provide financial or other support for and promote programs designed to reduce the incidence or impact of road accidents and road accident injuries.

- To carry on any other residual insurance business arising from its earlier operations as the State Government Insurance Commission (but only in order to wind up that business).

- To perform any functions of a kind prescribed by regulation.

- To perform any functions that are necessary or convenient for or incidental to the performance of functions referred to above.

The principal objectives of the Commission in providing compulsory third party insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund;

- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the Fund;

- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the *Motor Accident Commission Act 1992*, the Minister must prepare, in consultation with the Commission, a Charter, which may limit the functions or powers of the Commission.

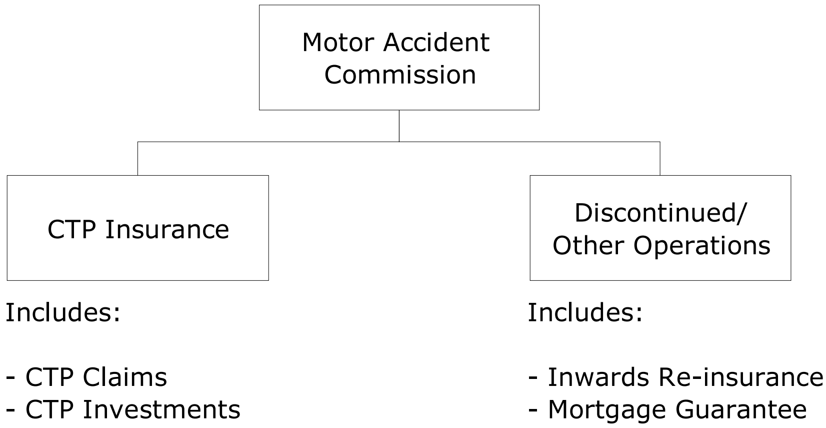
The Commission's Charter specifies that the Commission is empowered to undertake the following classes of insurance:

- Compulsory third party (CTP) insurance (in accordance with the *Motor Vehicles Act 1959*).
- Mortgage insurance, credit enhancements, and guarantees insurance.
- Financial risk insurance.

The latter two classes of insurance are in 'run-off' mode.

Structure

The structure of the Motor Accident Commission is illustrated in the following organisation chart.



With the exception of the CTP insurance business, no new policies were underwritten by the Commission for all other insurance activities. These activities are in 'run-off' mode and will cease once the Commission's obligations under the existing policies have expired or have been settled.

The administration and management of the CTP claims insurance business is undertaken on the Commission's behalf by Allianz Australia Insurance Limited (Allianz). Investments are managed by a number of external fund managers with the exception of the direct property portfolio which is managed 'in house'.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 28(3) of the *Motor Accident Commission Act 1992* provides 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 *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

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

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Motor Accident Commission as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was considered to be satisfactory. Major matters raised with the Commission and the related responses are considered herein.

Claims Management - Compulsory Third Party Fund

The results of the audit indicated the claims manager Allianz had a satisfactory level of internal controls in place. However, there were several areas where controls in relation to the computerised claims management system used by Allianz could be improved. The main areas related to delegations of authority and the implementation of business continuity plans for the Allianz Adelaide office.

In response the Commission indicated that Allianz have undertaken to implement action to address the issues raised by Audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Consolidated Financial Statements

	2005 $'million	2004 $'million	Percentage Change
UNDERWRITING RESULT			
Net premium revenue	**378**	346	9
Net claims	**(359)**	(300)	20
Other underwriting expenses	**(69)**	(64)	8
Underwriting Loss	**(50)**	(18)	-
INVESTMENT RESULT			
Net investment revenue	**91**	72	26
Investment market value movements	**67**	57	18
Revenue from Investment Activities	**158**	129	22
Net Profit	**108**	111	(3)
Net Cash Flows from Operations	**7**	13	(46)
ASSETS			
Current assets	**242**	390	(38)
Non-current assets	**1 548**	1 136	36
Total Assets	**1 790**	1 526	17
LIABILITIES			
Current liabilities	**480**	370	28
Non-current liabilities	**1 085**	1 039	4
Total Liabilities	**1 565**	1 409	11
EQUITY	**225**	117	92

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.

  Australian Accounting Standards Board AASB 1023 'Financial Reporting of General Insurance Activities' 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 Financial Performance

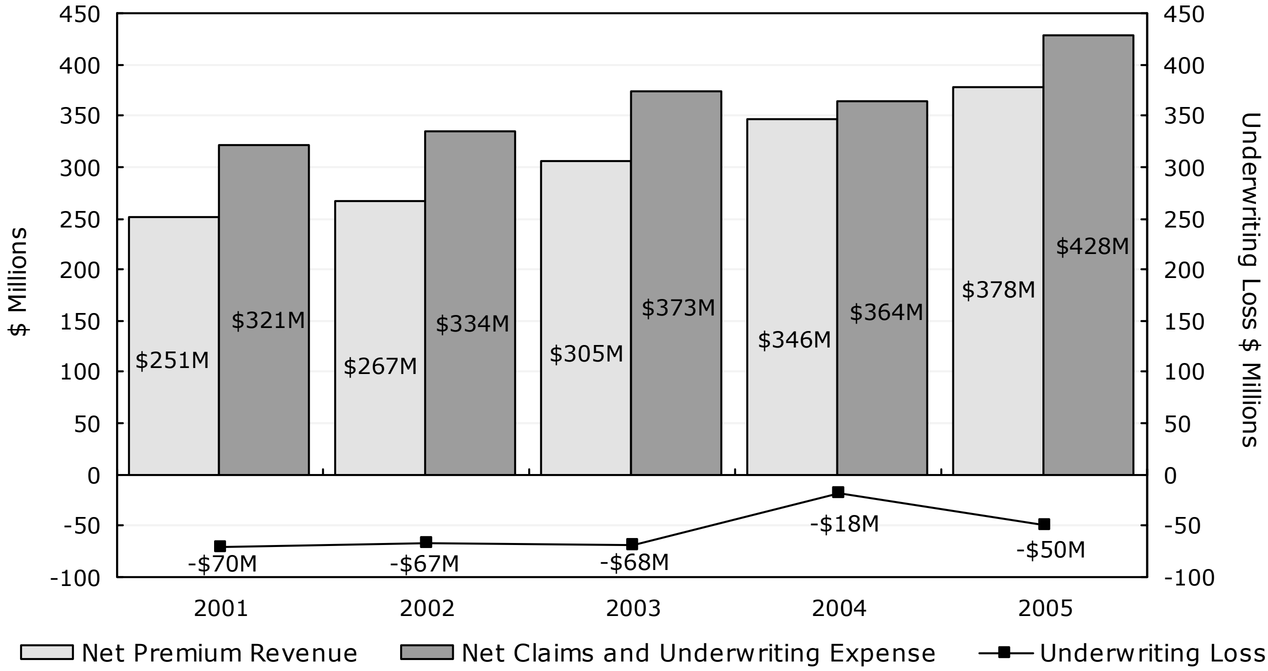
Underwriting Result

The underwriting loss increased by $32 million in 2005 to a loss of $50 million. An increase in claims expense of $59 million offset by increased net premium revenue of $32 million are the primary factors contributing to the increased underwriting loss.

Net premium revenue increased in 2005 by $32 million or 9 percent which is higher than the annual premium increase of 5.5 percent approved by the Treasurer to operate from 1 July 2004. Net premium revenue has increased steadily since 2002. Details of premium increases over the five years to 2005 is provided under the heading 'Solvency Level' herein.

Net claims and underwriting expenses have increased steadily over the same period except for 2004 when a decrease of $9.1 million was experienced. Net claims expense is a combination of actual claim payments and the movement in outstanding claims provision. The claims expense for 2005 was $361 million, an increase of $59 million and comprised gross claim payments of $264 million ($196 million) coupled with the increase in the outstanding claims provision of $97 million ($105 million).

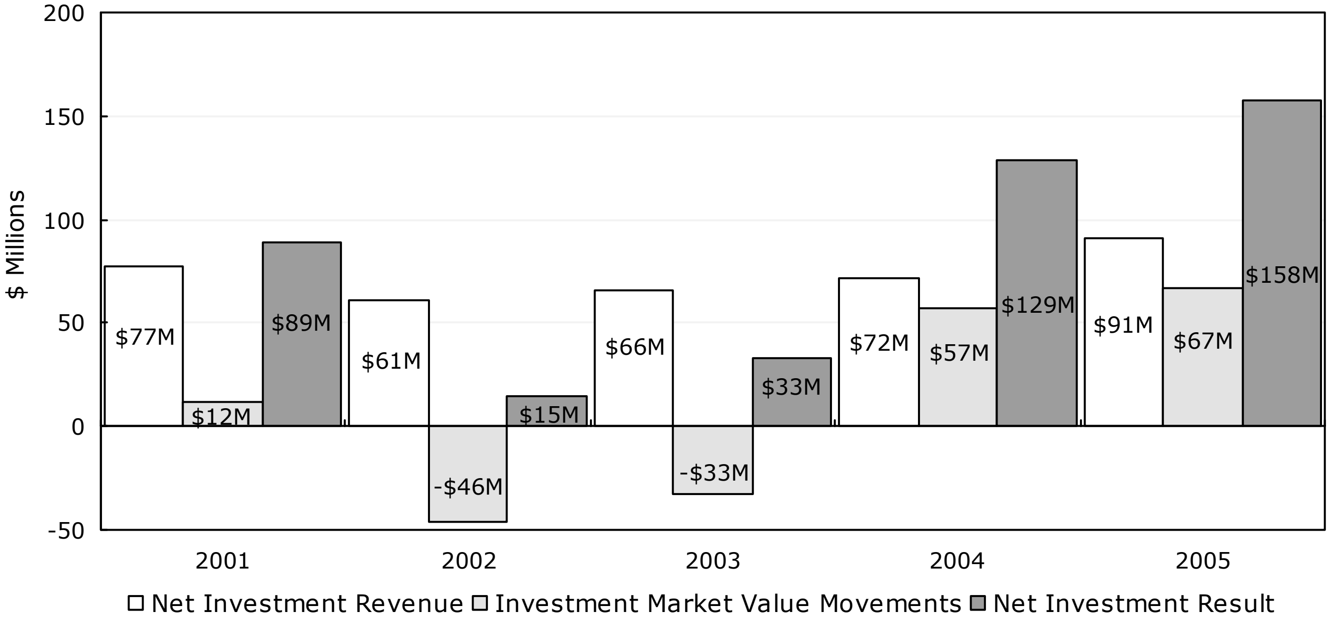
An analysis of the underwriting result for the Commission for the five years to 2005 is presented in the following chart.



Investment Result

The investment result has improved markedly in the last two years compared with the previous two years primarily as a result of the variation in market value movements. Net investment revenue increased by $19 million in 2005 following modest increases in the previous two years. The value of investment market value movements was $67 million in 2005, an increase of $10 million over the previous year and this follows a period of successive reductions in value in the two prior years. The overall investment result has improved by $29 million in 2005 which is reflective of the continued strong performance in investment markets over the last two years.

An analysis of the investment result for the Commission for the five years to 2005 is shown in the following chart.

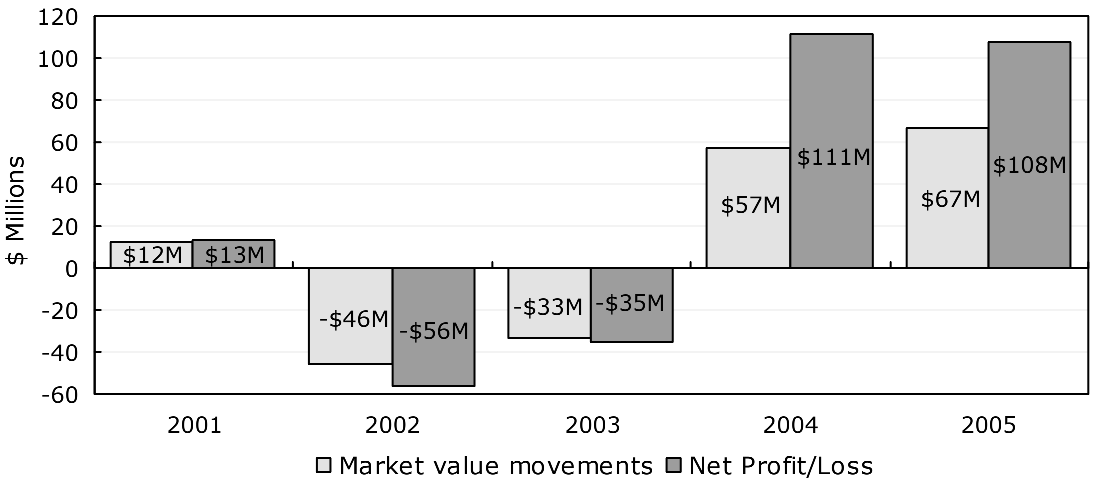


In 2005 MAC achieved a return on its investment portfolio of 10.8 percent which compares with its internal benchmark of 10.3 percent.

Operating Result

The Commission has recorded an operating profit of $108 million in 2005. Although this is a decrease of $3 million over the previous year it continues the significant improvement over the losses incurred in 2002 and 2003. The turnaround in operating result over the last two years is due mainly to the effects of the positive movement in the market value of investments and improved investment revenue, together with an increase in premium revenue offset by an increase in claims expense.

The following chart shows the correlation between the operating result and the movement in the market value of investments over the five years to 2005 and highlights the significance of market value movements notwithstanding other factors that influence costs and revenues of the Commission.

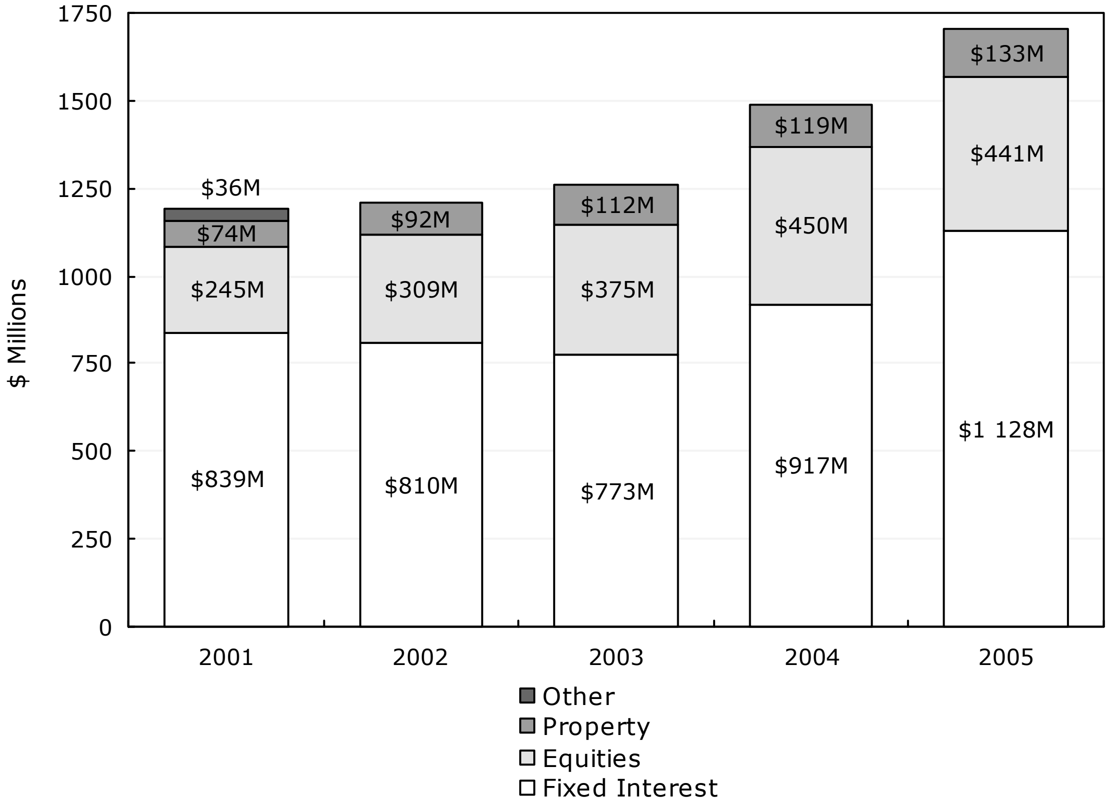


Statement of Financial Position

Investments

The total value of investment assets has increased by $508 million over the five years to 2005 with investments totalling $1.7 billion as at 30 June 2005. The portfolio mix over the last two years has been relatively constant with a slight shift away from equity and into fixed interest in 2005. As at 30 June 2005 fixed interest investments accounted for 66 percent, equity 26 percent and property 8 percent of the investment portfolio.

For the five years to 2005 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 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 1(g) and 13 to the financial statements.

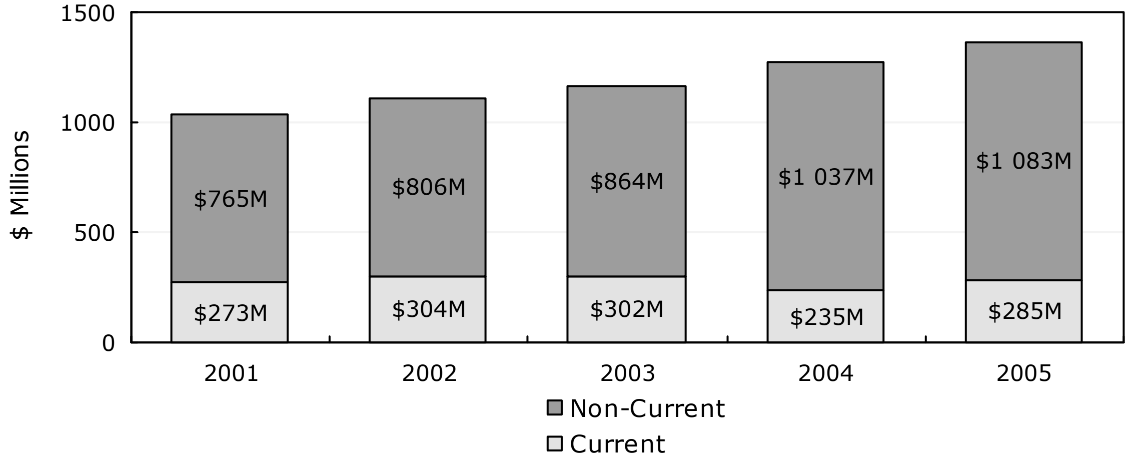
The provision for outstanding claims has increased by $330 million over the last five years. In 2005 the provision increased by $97 million to $1.4 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2004-05, any changes in the estimated cost of 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.

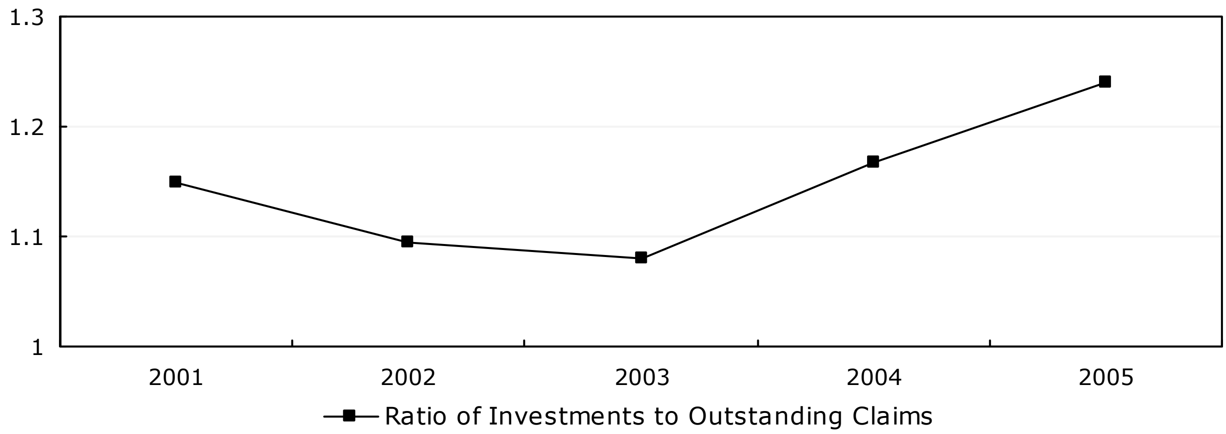
Over the past two years there have been other specific factors which have impacted on the calculation of the provision resulting in a lesser increase in the provision than would otherwise have been experienced. These include:

- the introduction of lower speed limits in various areas of South Australia;
- the implementation of a lower scale of payments for pain and suffering for minor injuries;
- a change in the administrative procedures regarding management of claims.

The following chart sets out details of the liability for the five years to 2005.



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 are sufficient to cover the value of its outstanding claims. The ratio has continued to increase in 2005 as growth in the value of investment assets held as at 30 June 2005 has exceeded growth in the value of outstanding claims.



Solvency Level

Subsection 14(3) of the *Motor Accident Commission Act 1992* (the 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 fund can reasonably 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 level of solvency determined by the Treasurer requires that the Commission's assets exceed its liabilities by an amount equal to 10 percent of the provision for outstanding claims plus 10 percent of investments in equities and real properties.

As at 30 June 2005 the target level of reserves, as determined by application of the formula, was $192.0 million. The net assets of the CTP fund as at that date were $223.9 million or 116.6 percent of the target level of reserves, a surplus of $31.9 million. This is a significant improvement over the solvency level of 63.3 percent achieved in 2004.

The following chart shows the level of solvency achieved over the period since this requirement has been in place. The improvement in performance over the three year period highlights the potential volatility of the CTP fund on an annual basis and the significance of strong investment market returns to achieving large changes in the level of reserves.

To achieve the target level of reserves required by the Government the Commission in 2003 implemented a five year plan which takes into account expected claims and investment activity and is dependent on the Treasurer allowing premium increases as determined by the independent Third Party Premium Committee (TPPC).

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

	2005	2004	2003	2002	2001
TPPC:	**Percent**	Percent	Percent	Percent	Percent
Recommended rise (effective for the financial year)	**5.5**	16.4	21.7	13.6	7.8
Actual rise	**5.5**	16.4*	15.5	4.7	2.6
Difference	**-**	-	6.2	8.9	5.2

* The increase for some premium classes was capped at 9 percent.

As can be seen from the foregoing table, for the 2004 and 2005 years the premiums recommended by the TPPC were approved by the Treasurer whereas in the previous three years a lesser rise was approved. Subsection 25(3a) of the 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 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 improved solvency level to the point where in 2005 the desired level of solvency has been achieved.

Under the provisions of the *Motor Accident Commission Act 1992*, two of the principal objectives of the Commission in providing compulsory third party 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 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 2005 the TPPC recommended a decrease in premiums of 2.7 percent which was adopted by the Treasurer.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2005.

	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Net Cash Flows					
Operations	**9 624**	12 858	(30 212)	29 514	35 989
Investing	**51**	(168)	(33)	270	373
Financing	**-**	(5 000)	(10 000)	-	(10 000)
Change in Cash	**9 675**	7 690	(40 245)	29 784	26 362
Cash at 30 June	**85 885**	76 210	68 520	108 765	78 981

The analysis of cash flows shows that the Commission's cash position has improved in 2005 primarily as a result of cash generated by operating activities. The fact that no cash was paid in relation to financing activities as compared to 2004 when $5 million in dividend was paid, also contributed to the increase in cash held.

Cash flows from operating activities decreased by $3.2 million and was impacted by a decrease in the net cash generated in the course of operations ($70.6 million, down $41 million from 2004) offset by a decrease in the net cash used in the purchase of investments ($118 million, down $26.1 million from 2004). The decrease in the net cash generated in the course of operations in 2005 has resulted from increased cash received from premiums offset by an increase in claim payments made during the year.

MOTOR ACCIDENT COMMISSION

Statement of Financial Performance
for the year ended 30 June 2005

		CTP		MAC	
		2005	2004	**2005**	2004
	Note	**$'000**	$'000	**$'000**	$'000
Premium revenue	4	**381 483**	350 258	**381 483**	350 258
Outwards reinsurance expense		**(3 517)**	(3 851)	**(3 517)**	(3 851)
NET PREMIUM		**377 966**	346 407	**377 966**	346 407
Claims expense	5	**(360 877)**	(301 409)	**(360 872)**	(301 409)
Reinsurance and other recoveries	4	**2 434**	1 208	**2 439**	1 218
NET CLAIMS	16	**(358 443)**	(300 201)	**(358 433)**	(300 191)
Other underwriting expenses	6	**(69 276)**	(63 644)	**(69 338)**	(63 797)
UNDERWRITING LOSS		**(49 753)**	(17 438)	**(49 805)**	(17 581)
Investment revenue	4	**93 285**	73 559	**93 340**	73 718
Other revenue	4	**(3)**	1	**(5)**	2
Investment management fee		**(2 236)**	(1 939)	**(2 236)**	(1 939)
NET INVESTMENT REVENUE		**91 046**	71 621	**91 099**	71 781
PROFIT BEFORE MARKET VALUE MOVEMENTS		**41 293**	54 183	**41 294**	54 200
Investment market value movements (AASB 1023)	4	**67 052**	57 132	**67 052**	57 132
NET PROFIT		**108 345**	111 315	**108 346**	111 332

Statement of Financial Position
as at 30 June 2005

		CTP		MAC	
		2005	2004	**2005**	2004
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash		**2 502**	2 136	**3 778**	3 072
Receivables	7	**51 413**	4 650	**51 435**	4 684
Reinsurance and other recoveries receivable	8	**2 541**	2 990	**2 541**	2 990
Other financial assets	9	**169 279**	364 485	**169 345**	364 677
Prepayments		**15 377**	14 338	**15 377**	14 338
Total Current Assets		**241 112**	388 599	**242 476**	389 761
NON-CURRENT ASSETS:					
Reinsurance and other recoveries receivable	8	**12 856**	12 260	**12 856**	12 260
Other financial assets	9	**1 533 191**	1 121 160	**1 533 191**	1 121 180
Property, plant and equipment	10	**-**	-	**197**	295
Prepayments		**1 499**	2 098	**1 499**	2 098
Total Non-Current Assets		**1 547 546**	1 135 518	**1 547 743**	1 135 833
Total Assets		**1 788 658**	1 524 117	**1 790 219**	1 525 594
CURRENT LIABILITIES:					
Payables	11	**59 326**	9 169	**59 173**	8 974
Unearned income	12	**135 814**	126 307	**135 814**	126 307
Outstanding claims	13	**284 929**	234 912	**284 931**	234 914
Provisions	14	**-**	-	**171**	129
Total Current Liabilities		**480 069**	370 388	**480 089**	370 324
NON-CURRENT LIABILITIES:					
Unearned income	12	**1 453**	1 594	**1 453**	1 594
Outstanding claims	13	**1 083 273**	1 036 617	**1 083 354**	1 036 710
Provisions	14	**-**	-	**90**	79
Total Non-Current Liabilities		**1 084 726**	1 038 211	**1 084 897**	1 038 383
Total Liabilities		**1 564 795**	1 408 599	**1 564 986**	1 408 707
NET ASSETS		**223 863**	115 518	**225 233**	116 887
EQUITY:					
Retained profit	23	**223 863**	115 518	**225 233**	116 887
TOTAL EQUITY		**223 863**	115 518	**225 233**	116 887
Commitments	17				
Contingent Liabilities	25				

Statement of Cash Flows
for the year ended 30 June 2005

		CTP		MAC	
		2005	2004	**2005**	2004
		Inflows	Inflows	**Inflows**	Inflows
CASH FLOWS FROM OPERATING		**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
ACTIVITIES:	Note	**$'000**	$'000	**$'000**	$'000
Cash receipts in the course of operations		**428 721**	394 870	**428 721**	394 871
Cash payments in the course of operations		**(358 372)**	(283 790)	**(358 130)**	(283 244)
Proceeds from sale of investments		**2 055 006**	1 331 430	**2 055 005**	1 331 432
Payment for investments		**(2 173 014)**	(1 475 582)	**(2 173 014)**	(1 475 582)
Taxes paid		**(17 738)**	(18 889)	**(17 749)**	(18 905)
Dividends received		**7 089**	4 811	**7 089**	4 811
Interest and other investment income		**67 643**	59 286	**67 702**	59 475
Net Cash Inflows from Operating Activities	22	**9 335**	12 136	**9 624**	12 858
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payment for property, plant and equipment		**-**	-	**(89)**	(168)
Proceeds from deregistration of controlled entity		**-**	-	**120**	-
Investment market movements - Realised		**-**	-	**20**	-
Net Cash Inflows (Outflows) from Investing Activities		**-**	-	**51**	(168)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid		**-**	-	**-**	(5 000)
Net Cash Outflows from Financing Activities		**-**	-	**-**	(5 000)
NET INCREASE IN CASH HELD		**9 335**	12 136	**9 675**	7 690
CASH AT 1 JULY		**75 274**	63 138	**76 210**	68 520
CASH AT 30 JUNE	1(s), 22	**84 609**	75 274	**85 885**	76 210

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

(a) The Motor Accident Commission's (MAC's) principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia. Other businesses managed in run-off include Inwards Reinsurance and Mortgage Guarantee Insurance.

The following terms have been used in this report:

Entity – MAC incorporating the CTP Insurance Fund (Fund).

(b) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by the entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(c) Principles of Consolidation

The financial statements of MAC were previously prepared on a consolidated basis. Effective 26 June 2005, the controlled entity Southern Group Insurance Corporation Limited was deregistered by ASIC. As control of the entity has now ceased, the financial statements are no longer prepared on a consolidated basis.

The entity previously controlled by MAC is listed in Note 18.

(d) 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.

(e) Investment Income

Fees and discounts are amortised over the period to which they relate. Interest and dividends are 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.

(f) 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.

(g) 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 for prudence is included to provide sufficient confidence that the provision is adequate.

(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.

(h) 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.

(i) 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.

(j) 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.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as a part of the cost of acquisition of the asset, or as a part of the expense.

(k) Goods and Services Tax (continued)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(l) Receivables

(i) Trade Debtors

Trade debtors principally relate to premiums collected by Transport SA (Registration and Licensing Section), an agent of MAC, not yet passed over to the Fund. The settlement of these amounts occurs within seven working days.

(ii) Investment Debtors

Investment debtors consist of securities for which contracts for sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts.

(m) Foreign Currency Transactions

Foreign currency transactions are translated at the rates of exchange ruling at the date of the transactions. Amounts in foreign currencies at balance date have been translated at the spot rate of exchange ruling at the close of trading on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statements of Financial Performance in the financial year in which the exchange rates change.

(n) Investments

Investments are valued at net fair value, ie net of the expected costs of disposal. Changes in the net fair values of investments at balance date from their net fair values at the previous balance date (or cost of acquisition, if acquired during the financial year) are recognised as revenue or expense in the Statements of Financial Performance. Net fair value for each category is established as follows:

(i) Properties

All properties were valued at independent valuations as at 30 June 2005. All independent valuations have been prepared in accordance with guidelines issued by Australian Securities and Investment Commission (ASIC) which embrace the definition of market value established by the Australian Property Institute Incorporated. The definition provides that market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In accordance with the provisions of Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', properties are treated as integral to the general insurance activities of the entity. As such they are classified as investment properties and are not depreciated.

(ii) Listed Equities and Securities

By market quotations as at 30 June 2005.

(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.

(o) Employee Benefits

A liability for employee benefits has been accrued at 30 June 2005.

Wages, Salaries, Annual Leave, Long Service Leave and Sick Leave

Provisions for the employee benefits of wages, salaries, annual leave and long service leave at 30 June 2005 represent the amount which MAC has a present obligation to pay resulting from employees' services provided up to that date. The annual leave and current portion of the long service leave provision are determined based on MAC's estimate of what will be paid at the time the leave is actually taken. It is estimated that the non-current portion of the long service leave provision will be taken outside of 12 months and in accordance with the requirements of Accounting Standard AASB 1028 'Employee Benefits', measurement of this portion of the provision is based on an estimate of the present value of future cash outflows. Related employment on-costs are provided for under payables. No provision was made for sick leave as entitlements do not vest.

(p) Taxation

Income Tax

MAC is an income tax exempt organisation pursuant to section 24AK of the *Income Tax Assessment Act 1936.*

Other Taxes and Charges
The entity is a registered entity for GST purposes and, effective 1 July 2000, collects and remits GST in the normal course of business. GST collected on premiums paid in advance has been recognised as a liability in the accounts.

Other taxes such as stamp duty are remitted in the normal course of business to the respective authorities.

(q) 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 using the reducing balance method of depreciation. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

Asset Class	Depreciation Rate Percent
Plant and equipment	20.0
Building fitout	20.0

(r) Payables
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to MAC. Trade accounts payable are normally settled within 30 days.

(s) Cash
For purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call, net of bank overdrafts.

(t) Derivatives
The entity's activities expose it to changes in interest rates, foreign exchange rates and general consumer prices. It is also exposed to credit, liquidity and cash flow risks from its operations.

It is the entity's policy to consider derivative financial instruments to enhance performance and to hedge cash flows subject to interest rate, foreign exchange rate and general consumer price risks. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

2. Changes In Accounting Policies
There have been no changes in the accounting policies of MAC during the financial year.

For reporting periods beginning on or after 1 July 2005, the entity must comply with Australian equivalents to International Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation and potential impact of adopting AIFRS are detailed in Note 30 in the financial statements.

3. Profit

	CTP		MAC	
Profit is arrived at after crediting and charging the following specific items:	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Credits:				
Interest received/receivable:				
Other persons and/or corporations	**61 427**	51 322	**61 427**	51 322
Dividends received/receivable:				
Other persons and/or corporations	**9 252**	7 192	**9 252**	7 192
Charges:				
Amounts set aside to provide for:				
Employee benefits	**-**	-	**58**	66
Bad and doubtful debts	**(41)**	(164)	**(41)**	(164)
Depreciation of property, plant and equipment	**-**	-	**45**	101

4. Revenue

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
Premium Revenue:				
Direct	**381 483**	350 258	**381 483**	350 258
	381 483	350 258	**381 483**	350 258
Reinsurance and Other Recoveries:				
Other	**2 434**	1 208	**2 439**	1 218
	2 434	1 208	**2 439**	1 218
Investment Revenue:				
Dividends	**9 252**	7 192	**9 252**	7 192
Interest	**61 427**	51 320	**61 487**	51 479
Rentals	**6 825**	6 939	**6 825**	6 939
Profit - Investments realised	**15 781**	8 108	**15 776**	8 108
	93 285	73 559	**93 340**	73 718

		CTP		MAC	
4.	**Revenue (continued)**				
	Investment Market Value Movements	**2005**	2004	**2005**	2004
	- Unrealised gains (losses) (AASB 1023):	**$'000**	$'000	**$'000**	$'000
	Fixed interest	**19 043**	(3 610)	**19 043**	(3 610)
	Equities	**44 471**	58 663	**44 471**	58 663
	Properties	**3 548**	2 032	**3 548**	2 032
	Futures	**(10)**	47	**(10)**	47
		67 052	57 132	**67 052**	57 132
	Other Revenue:				
	Foreign exchange gains (losses)	**(3)**	1	**(5)**	1
	Other revenue	**-**	-	**-**	1
		(3)	1	**(5)**	2
	Total Revenue	**544 251**	482 158	**544 309**	482 328

5.	**Claims Expense**				
	Direct	**360 877**	301 409	**360 872**	301 409
		360 877	301 409	**360 872**	301 409

In relation to the Claims Expense, $6.09 million was paid or payable to SA Government entities for reimbursement of claims related expenses.

6.	**Other Underwriting Expenses**				
	Management expenses	**22 266**	20 212	**22 328**	20 365
	Levies and charges	**41 177**	37 807	**41 177**	37 807
	Collection charges	**5 833**	5 625	**5 833**	5 625
		69 276	63 644	**69 338**	63 797

Management expenses total includes supplies and services paid or payable to SA Government entities where the amount is less than $100 000 along with amounts paid or payable to SA Government entities as follows:

	2005
	$'000
Audit services	**106**
Road safety supplies and services	**3 448**

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

		CTP		MAC	
7.	**Receivables**	**2005**	2004	**2005**	2004
	Current:	**$'000**	$'000	**$'000**	$'000
	Trade debtors	**1 619**	1 950	**1 630**	1 963
	Other debtors	**-**	10	**5**	26
		1 619	1 960	**1 635**	1 989
	Investment debtors	**49 802**	2 739	**49 808**	2 744
	Less: Allowance for doubtful debts	**8**	49	**8**	49
		49 794	2 690	**49 800**	2 695
		51 413	4 650	**51 435**	4 684

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

Investment debtors consists of equities listed on stock exchanges for which contracts of sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

		CTP		MAC	
8.	**Reinsurance and Other Recoveries Receivable**	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
	Expected future recoveries (undiscounted)	**19 428**	18 855	**19 428**	18 855
	Discount to present value*	**(4 031)**	(3 605)	**(4 031)**	(3 605)
	Reinsurance and other recoveries receivable	**15 397**	15 250	**15 397**	15 250
	Reinsurance and other recoveries receivable:				
	Current	**2 541**	2 990	**2 541**	2 990
	Non-Current	**12 856**	12 260	**12 856**	12 260
		15 397	15 250	**15 397**	15 250

* Refer to Note 13(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

9. Other Financial Assets

	CTP		MAC	
Current:	**2005**	2004	**2005**	2004
Fixed Interest:	**$'000**	$'000	**$'000**	$'000
Deposits at call	**82 107**	73 138	**82 107**	73 138
Bank bills	**29 914**	67 494	**29 914**	67 494
Foreign currency	**-**	-	**66**	72
Government securities	**-**	86 175	**-**	86 175
Corporate debentures	**42 376**	137 387	**42 376**	137 387
Loans to controlled entities	**-**	-	**-**	120
Futures	**384**	291	**384**	291
Capital indexed bonds	**7 398**	-	**7 398**	-
Property:				
Deposits with vendor	**7 100**	-	**7 100**	-
Total Current Investments	**169 279**	364 485	**169 345**	364 677
Non-Current:				
Fixed Interest:				
Government securities	**577 061**	330 728	**577 061**	330 728
Corporate debentures	**193 455**	127 099	**193 455**	127 099
Commercial mortgages	**4 628**	4 344	**4 628**	4 344
Floating rate notes	**20 377**	20 342	**20 377**	20 342
Capital indexed bonds	**170 005**	69 438	**170 005**	69 438
Equities:				
Listed on stock exchanges	**300 425**	265 914	**300 425**	265 914
Unlisted	**-**	-	**-**	20
International equities	**140 984**	184 000	**140 984**	184 000
Property:				
Independent valuation/certificate	**86 118**	81 813	**86 118**	81 813
Domestic listed property trusts	**40 138**	37 482	**40 138**	37 482
Total Non-Current Investments	**1 533 191**	1 121 160	**1 533 191**	1 121 180
Total Investments	**1 702 470**	1 485 645	**1 702 536**	1 485 857

Property Valuations

Independent valuations as at 30 June 2005 were determined by:

Cameron Smith	Certified Practising Valuer, AAPI
John Booth	Certified Practising Valuer, AAPI
Peter Fay	Certified Practising Valuer, AAPI
John Kenny	Certified Practising Valuer, FAPI
John Porter	Certified Practising Valuer, FAPI
Paul Dale	Certified Practising Valuer, AAPI

10. Property, Plant and Equipment

	CTP		MAC	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Building fitout	**-**	-	**213**	323
Accumulated depreciation	**-**	-	**(39)**	(57)
	-	-	**174**	266
Plant and equipment	**-**	-	**39**	39
Accumulated depreciation	**-**	-	**(16)**	(10)
	-	-	**23**	29
Total Property, Plant and Equipment	**-**	-	**197**	295
Building Fitout:				
Carrying amount at 1 July	**-**	-	**266**	172
Additions	**-**	-	**89**	132
Disposals	**-**	-	**(142)**	-
Depreciation	**-**	-	**(39)**	(38)
Carrying amount at 30 June	**-**	-	**174**	266
Plant and Equipment:				
Carrying amount at 1 July	**-**	-	**29**	43
Additions	**-**	-	**-**	10
Depreciation	**-**	-	**(6)**	(24)
Carrying amount at 30 June	**-**	-	**23**	29

11. Payables

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
Current:				
Trade creditors	**-**	-	**63**	226
Investment creditors	**52 171**	1 061	**52 171**	1 061
Other creditors and accruals	**6 713**	7 687	**6 939**	7 687
Due to related parties	**442**	421	**-**	-
	59 326	9 169	**59 173**	8 974

12. Unearned Income

	CTP		MAC	
	2005	2004	**2005**	2004
Current:	**$'000**	$'000	**$'000**	$'000
Unearned premium	**135 541**	126 045	**135 541**	126 045
Unearned rental income	**273**	262	**273**	262
	135 814	126 307	**135 814**	126 307
Non-Current:				
Unearned premium	**1 363**	1 231	**1 363**	1 231
Unearned rental income	**90**	363	**90**	363
	1 453	1 594	**1 453**	1 594
	137 267	127 901	**137 267**	127 901

13. Outstanding Claims

(a)

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
Expected future claims payments (undiscounted)	**1 679 544**	1 644 646	**1 679 627**	1 644 741
Discount to present value	**(311 342)**	(373 117)	**(311 342)**	(373 117)
Liability for Outstanding Claims	**1 368 202**	1 271 529	**1 368 285**	1 271 624
Current	**284 929**	234 912	**284 931**	234 914
Non-Current	**1 083 273**	1 036 617	**1 083 354**	1 036 710
	1 368 202	1 271 529	**1 368 285**	1 271 624
Reconciliations				
Outstanding claims - Current:				
Carrying amount at 1 July	**234 912**	302 139	**234 914**	302 141
Provisions made during the year	**66 574**	(50 250)	**66 574**	(50 250)
Payments made during the year	**(16 557)**	(16 977)	**(16 557)**	(16 977)
Carrying Amount at 30 June	**284 929**	234 912	**284 931**	234 914
Outstanding claims - Non-current:				
Carrying amount at 1 July	**1 036 617**	864 347	**1 036 710**	864 442
Provisions made during the year	**292 018**	350 557	**292 018**	350 557
Payments made during the year	**(245 362)**	(178 287)	**(245 374)**	(178 289)
Carrying Amount at 30 June	**1 083 273**	1 036 617	**1 083 354**	1 036 710

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

	CTP		MAC	
	2005	2004	**2005**	2004
For the succeeding year:	**Percent**	Percent	**Percent**	Percent
Inflation rate	**6.75**	6.75	**6.75**	6.75
Discount rate	**5.20**	5.80	**5.20**	5.80
For subsequent years:				
Inflation rate	**6.75**	6.75	**6.75**	6.75
Discount rate	**5.20**	5.80	**5.20**	5.80

(c)

	2005	2004	**2005**	2004
The weighted average expected term to settlement of the outstanding claims from the balance date estimated to be:	**Years** **4.4**	Years 5.0	**Years** **4.4**	Years 5.0

The method of calculating outstanding claims is set out in detail in Note 1(g).

The claims provision as at 30 June 2005 for the Compulsory Third Party Fund has been reviewed by Mr L C Brett B.Sc, FIA, FIAA and Mr B A Watson B.Sc, FIAA of Brett & Watson Pty Ltd. For this Fund, the directors have adopted the central estimate as determined by the actuary and applied the recommended prudential margin of 15 percent (15 percent).

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

14. Provisions

	CTP		MAC	
	2005	2004	**2005**	2004
Current:	**$'000**	$'000	**$'000**	$'000
Employee benefits	-	-	**171**	129
	-	-	**171**	129
Non-Current:				
Employee benefits	-	-	**90**	79
	-	-	**90**	79
	-	-	**261**	208

15. Additional Financial Instrument Disclosures

(1) Derivative Financial Instruments

Options

The entity may enter into options that give it the right but not the obligation to purchase or sell specified securities and financial instruments. Options are entered into as a hedge against market risk. As at balance date there were no options held.

Net Fair Values

The net fair values of the entity's derivative financial instruments which are traded on organised markets at balance date are those disclosed below under Interest Rate Risk. All exchange traded financial instruments are carried at net fair value.

(2) Foreign Exchange Risk

The entity enters into forward exchange contracts to hedge certain financial assets and claims liabilities denominated in foreign currencies (principally United States Dollars). The terms of these commitments are rarely more than three months. It is entity policy to enter into forward foreign exchange contracts to hedge a proportion of foreign currency purchases and sales expected in each month. The amount of anticipated future purchases and sales is forecast in the light of current conditions in foreign exchange markets and information from insurers.

As at 30 June 2005, the entity held no open forward foreign exchange contracts however it did hold physical foreign currency deposits as a hedge against liabilities denominated in foreign currencies.

(3) Interest Rate Risk

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	Fixed Interest Rate Maturities			Non-	
	Interest	Less than	1 - 5	Over	Interest	**2005**
	Rate	1 Year	Years	5 Years	Bearing	**Total**
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash	85 885	-	-	-	-	**85 885**
Debtors	-	-	-	-	58 977	**58 977**
Bonds	-	19 938	436 415	140 646	-	**596 999**
Corporate bonds	-	42 376	147 446	46 009	-	**235 831**
Floating rate notes	20 377	-	-	-	-	**20 377**
Commercial mortgages	-	-	-	4 628	-	**4 628**
Capital indexed bonds	-	7 398	-	170 005	-	**177 403**
Non-callable deposits and promissory notes	-	9 976	-	-	-	**9 976**
Foreign currency	-	66	-	-	-	**66**
Futures	-	-	-	-	384	**384**
Shares and other equity instruments	-	-	-	-	481 547	**481 547**
Total Financial Assets	106 262	79 754	583 861	361 288	540 908	**1 672 073**
Weighted average interest rate (percent)	5.02	5.30	5.36	4.12		
Financial Liabilities:						
Creditors	-	-	-	-	59 615	**59 615**
Total Financial Liabilities	-	-	-	-	59 615	**59 615**
Net Financial Assets	106 262	79 754	583 861	361 288	481 293	**1 612 458**

	Floating	Fixed Interest Rate Maturities			Non-	
	Interest	Less than	1 - 5	Over	Interest	2004
	Rate	1 Year	Years	5 Years	Bearing	Total
Financial Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash	76 349	-	-	-	-	76 349
Debtors	-	-	-	-	5 106	5 106
Bonds	-	86 175	330 728	-	-	416 903
Corporate bonds	-	137 387	127 099	-	-	264 486
Floating rate notes	20 342	-	-	-	-	20 342
Commercial mortgages	-	-	-	4 344	-	4 344
Capital indexed bonds	-	-	7 281	62 158	-	69 439
Non-callable deposits and promissory notes	-	67 494	-	-	-	67 494
Foreign currency	-	72	-	-	-	72
Futures	-	-	-	-	291	291
Shares and other equity instruments	-	-	-	-	487 395	487 395
Total Financial Assets	96 691	291 128	465 108	66 502	492 792	1 412 221

(3) Interest Rate Risk (continued)

	Floating Interest Rate $'000	Fixed Interest Rate Maturities Less than 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	2004 Total $'000
Weighted average interest rate (percent)	4.99	5.58	5.54	3.51		
Financial Liabilities:						
Creditors	-	-	-	-	9 396	9 396
Total Financial Liabilities	-	-	-	-	9 396	9 396
Net Financial Assets	96 691	291 128	465 108	66 502	483 396	1 402 825

Reconciliation of Net Financial Assets	**2005 $'000**	2004 $'000
Net Financial Assets	**1 612 458**	1 402 825
Add:		
Reinsurance and other recoveries receivable	**15 397**	15 250
Prepayments	**16 876**	16 436
Investments - Property assets	**86 118**	81 813
Property, plant and equipment	**197**	295
Less:		
Unearned premium	**137 267**	127 901
Outstanding claims	**1 368 285**	1 271 624
Provisions	**261**	208
Net Assets	**225 233**	116 886

(4) 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 Statements of Financial Position represent the entity's maximum exposure to credit risk to these assets. The entity minimises concentrations of credit risk by undertaking transactions with a large number of counterparties. The entity is not materially exposed to any individual counterparty.

Unrecognised Financial Instruments

Credit risk on unrecognised derivative contracts is minimised as counterparties are recognised financial intermediaries trading on recognised and reputable exchanges or have acceptable credit ratings determined by a recognised ratings agency. The credit exposure of financial derivative assets is represented by the net fair value of the contracts as disclosed.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the entity.

(5) 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 of adverse movements in markets for derivatives, or the underlying asset or index to which the derivative relates. Market risk analysis is conducted on a regular basis and before any new positions are put into place. It is conducted on a total portfolio basis, incorporating both physical investments and the effective exposure of all derivative positions.

(6) Liquidity and Cash Flow Risk

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 and ensuring a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties.

16. 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.

16. Net Claims Incurred (continued)

	2005					
	CTP			MAC		
Direct Business	Current Year $'000	Prior Years $'000	**Total $'000**	Current Year $'000	Prior Years $'000	**Total $'000**
Gross claims incurred and related expenses - Undiscounted	394 974	(95 873)	**299 101**	394 974	(95 873)	**299 101**
Reinsurance and other recoveries - Undiscounted	(3 915)	1 055	**(2 860)**	(3 915)	1 055	**(2 860)**
Net Claims Incurred - Undiscounted	391 059	(94 818)	**296 241**	391 059	(94 818)	**296 241**
Discount and discount movement - Gross claims incurred	(78 140)	139 916	**61 776**	(78 140)	139 916	**61 776**
Discount and discount movement - Reinsurance and other recoveries	688	(262)	**426**	688	(262)	**426**
Net Discount Movement	(77 452)	139 654	**62 202**	(77 452)	139 654	**62 202**
NET CLAIMS INCURRED	313 607	44 836	**358 443**	313 607	44 836	**358 443**

	2004					
	CTP			MAC		
Direct Business	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - Undiscounted	411 497	82 416	493 913	411 497	82 416	493 913
Reinsurance and other recoveries - Undiscounted	(4 277)	1 907	(2 370)	(4 277)	1 897	(2 380)
Net Claims Incurred - Undiscounted	407 220	84 323	491 543	407 220	84 313	491 533
Discount and discount movement - Gross claims incurred	(101 472)	(90 709)	(192 181)	(101 472)	(90 709)	(192 181)
Discount and discount movement - Reinsurance and other recoveries	928	(89)	839	928	(89)	839
Net Discount Movement	(100 544)	(90 798)	(191 342)	(100 544)	(90 798)	(191 342)
NET CLAIMS INCURRED	306 676	(6 475)	300 201	306 676	(6 485)	300 191

17. Commitments

	CTP		MAC	
Operational Expenditure Commitments	**2005**	2004	**2005**	2004
Sponsorship Expenditure*	**$'000**	$'000	**$'000**	$'000
Contracted but not provided for and payable:				
Not later than one year	**500**	500	**500**	500
Later than one year and no later than five years	**2 000**	2 000	**2 000**	2 000
Later than five years	**1 000**	1 500	**1 000**	1 500
	3 500	4 000	**3 500**	4 000

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

Management Agreements

Pursuant to a CTP Operations Contract, MAC has contracted Allianz Australia Insurance Limited (AAL) to manage the claims management operations of the Fund for a period of 5½ years, commencing on 1 July 2003. A base management fee is payable each year to AAL until the contract concludes. AAL is part of Allianz AG.

18. Investment in Controlled Entities

		Entity Interest		Investment of MAC at Cost		Contribution to Profit	
	Principal Activity	**2005 Percent**	2004 Percent	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
MAC						**108 346**	111 332
Controlled Entities:							
Southern Group Insurance Corporation Limited	Trustee	**-**	100	**-**	20	**-**	122
Profit						**108 346**	111 454

The financial statements of MAC were previously prepared on a consolidated basis. Effective 26 June 2005, the controlled entity Southern Group Insurance Corporation Limited was deregistered by ASIC. As control of the entity has now ceased, the financial statements are no longer prepared on a consolidated basis.

19. Segment Information

The entity's predominant operation is that of the Compulsory Third Party insurer in South Australia.

20. Auditors' Remuneration

	CTP		MAC	
	2005	2004	**2005**	2004
Amounts received or due and receivable for auditing the accounts of the entity:	**$'000**	$'000	**$'000**	$'000
Auditor-General's Department	**95**	95	**106**	105

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

21. Employee Benefits

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
Aggregate liability for employee benefits including on-costs:				
Current:				
Employee benefits provision:				
Annual Leave	**-**	-	**171**	129
On-costs	**-**	-	**39**	34
	-	-	**210**	163
Non-Current:				
Employee benefits provision:				
Long service leave	**-**	-	**90**	79
	-	-	**90**	79
	-	-	**300**	242

22. Reconciliation of Net Cash

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
(1) Reconciliation of Cash				
Cash	**2 502**	2 136	**3 778**	3 072
Deposits at call	**82 107**	73 138	**82 107**	73 138
	84 609	75 274	**85 885**	76 210
(2) Reconciliation of Net Cash Inflows from Operating Activities				
Net profit	**108 345**	111 315	**108 346**	111 332
Add (Less) Non-cash items:				
Depreciation	**-**	-	**45**	101
(Profit) loss on disposal of assets	**-**	-	**142**	-
Amounts set aside to provisions	**(41)**	(164)	**(41)**	(164)
(Profit) loss on sale and revaluation to market value of investments	**(82 834)**	(65 239)	**(82 834)**	(65 239)
Net foreign exchange profit (loss)	**(3)**	(1)	**(8)**	(3)
Increase (Decrease) in taxes payable and provisions	**-**	-	**(1)**	(16)
Net cash inflows (outflows) from operating activities before changes in assets and liabilities	**25 467**	45 911	**25 649**	46 011
Change in assets and liabilities:				
(Increase) Decrease in investments	**(120 885)**	(147 083)	**(120 874)**	(147 079)
(Increase) Decrease in receivables	**(1 066)**	760	**(1 075)**	1 187
(Increase) Decrease in payables and provisions	**(332)**	(1 707)	**(216)**	(1 513)
Increase (Decrease) in outstanding claims	**96 525**	104 644	**96 514**	104 641
Increase (Decrease) in unearned premium	**9 626**	9 611	**9 626**	9 611
Net Cash Inflows from Operating Activities	**9 335**	12 136	**9 624**	12 858

23. Retained Profit

	CTP 2005	CTP 2004	MAC 2005	MAC 2004
Retained profit at 1 July	**115 518**	4 203	**116 887**	10 555
Net profit	**108 345**	111 315	**108 346**	111 332
Total Available for Appropriation	**223 863**	115 518	**225 233**	121 887
Dividend payable to the South Australian Government	**-**	-	**-**	(5 000)
Retained Profit at 30 June	**223 863**	115 518	**225 233**	116 887

24. Sufficient Level of Solvency

Subsection 14(3) of the *Motor Accident Commission Act 1992* (MAC Act) defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a Sufficient Level of Solvency in the CTP Fund. The formula to calculate a Sufficient Level of Solvency was published in The South Australian Government Gazette on 19 December 2002 and specifies that the Fund will have a Sufficient Level of Solvency if its assets are greater than its liabilities by an amount equal to 10 percent of the provision for outstanding claims plus 10 percent of investments in equities and real property. It also specifies that the liability for outstanding claims will be calculated by reference to a central estimate that has a 50 percent probability of sufficiency plus a prudential margin of 15 percent.

The Statement of Financial Position for the CTP Fund as at 30 June 2005 discloses net assets $223.9 million, or 116.6 percent of the target level of Sufficient Solvency as calculated using the above formula. 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 2005;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- After gazettal of the formula for Sufficient Solvency, MAC developed a strategy to work towards the achievement of a Sufficient Level of Solvency over a five year time period, however achievement of this target has been reached in 2½ years. The emphasis for MAC is now to continue to maintain Sufficient Solvency;
- MAC is supported by a Government guarantee pursuant to subsection 21(1) of the MAC Act.

25. Contingent Liabilities

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

26. External Consultants used during the Financial Year

	2005 $'000	2004 $'000
Total income received, or due and receivable by external consultants during the financial year:	**287**	425

The number and value of consultancies were:	**2005 Number of Consultancies**	2004 Number of Consultancies
$0 - $9 999	**8**	24
$10 000 - $19 999	**1**	5
$20 000 - $29 999	**1**	5
$30 000 - $39 999	**2**	-
$40 000 - $49 999	**1**	1
$110 000 - $119 999	**1**	-
$120 000 - $129 999	**-**	1

27. Directors' Remuneration

	2005 $'000	2004 $'000
Total income paid or payable, or otherwise made available, to all directors of the entity from the entity	**333**	281

The number of directors of the entity whose income from the entity or any related party falls within the following bands:	**2005 Number of Directors**	2004 Number of Directors
$0 - $9 999	**1**	1
$30 000 - $39 999	**8**	4
$40 000 - $49 999	**1**	2
$50 000 - $59 999	**-**	1

Directors of the entity receive income in the form of statutory fees. Any director employed full time by the State Government of South Australia does not receive income from the entity.

Superannuation and Retirement Benefits

Directors of the entity are not paid superannuation or retirement benefits for their activities associated with the entity other than the amount set aside by the entity in compliance with the Superannuation Guarantee Charge of $28 000 ($23 000).

28. Executives' Remuneration

	2005 $'000	2004 $'000
Total income in respect of the financial year received, or due and receivable from the entity by executive officers of the entity whose income is $100 000 or more:	**775**	439

The number of MAC executive officers whose remuneration from MAC falls within the following bands:	**2005 Number of Executive Officers**	2004 Number of Executive Officers
$100 000 - $109 999	**-**	1
$110 000 - $119 999	**-**	1
$120 000 - $129 999	**2**	-
$130 000 - $139 999	**1**	-
$170 000 - $179 999	**1**	-
$210 000 - $219 999	**1**	1

29. Related Parties

Directors

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

R J McKay	B G Rowse
J H Brown	R N Sexton
R A Cook	Y Sneddon
C L Harris	D J Watkins
J T Hill	K A Weir

Details of directors' remuneration, superannuation and retirement payments are set out in Note 27.

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

Directors' Loans
There have been no loans advanced to directors of the entity during the financial year.

The total of loans outstanding to directors of the entity at year end is nil.

Directors' Transactions with the Entity
The entity sold CTP insurance to directors of the entity 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.

Directors of the entity may hold positions in other entities in which the entity invests funds 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.

Other Related Entities
The entity has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal terms and conditions.

30. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the period ended 30 June 2005.

However for reporting periods commencing on or after 1 January 2005, the entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

The impact of the transition to AIFRS is based on the AIFRS standards that are expected to be in place when preparing the first complete AIFRS financial report. The MAC Board through its Finance and Audit Committee is monitoring the transition to these new standards and is confident that the entity will be in a position to fully comply with the requirements of AIFRS for the financial year commencing 1 July 2005.

Impact of Adopting AIFRS
Set out below are the key areas where accounting policies will change and where it is expected that they may impact on the financial reports.

AASB 1023 General Insurance Contracts
In relation to the insurance standard AASB 1023 'General Insurance Contracts', potential impacts arise as follows:

Risk Margins
Risk margins will be mandatory for inclusion in the valuation of the outstanding claims. The standard is silent on the level of margins to be applied however APRA requires a probability of sufficiency of 75 percent.

It is considered appropriate that a prudential margin of 15 percent that results in a probability of sufficiency in the order of 80 percent in the outstanding claims provision, unless otherwise recommended by the Actuaries, will continue to be included. It is also preferred that the probability of sufficiency in relation to both provisions, be aligned and be set at 80 percent.

Liability Adequacy Test
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 there is a requirement to provide additional provisioning 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 2005.

Although a required level of sufficiency is not specified within the new standards and different probabilities of sufficiency in determining the outstanding claims liabilities and the premium liabilities are permitted, it is preferred that they be aligned.

On this basis, if a probability of sufficiency of 80 percent were adopted in line with the claims provision, additional provisioning in the order of $4.9 million would have been required as at 30 June 2005 to meet the Liability Adequacy Test.

In 2004-05, the actual probability of sufficiency for the outstanding claims provisions inclusive of a risk margin of 15 percent was 78.8 percent. Adoption of an 80 percent level of probability of sufficiency would have added $11.8 million to the outstanding claims provision in 2004-05.

Assets Backing General Insurance Liabilities
Assets backing insurance liabilities are required to be measured at fair value. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

The standard requires that the valuation in relation to financial investments be at the latest bid price rather than last sale price. As at 30 June 2005, the result of this change would be a reduction in the value of the portfolio in the order of $1.2 million which would have corresponding impact on the reported profit for the year.

The standard requires that assets in the form of property be independently valued at least every three years with an assessment on an annual basis being made by Directors. As an independent valuation is currently undertaken annually there is no impact from this requirement. Property assets are also to be valued at fair value. As at 30 June 2005, the result of this change would be a increase in the value of the portfolio of $1.2 million which would have corresponding impact on the reported profit for the year.

These impacts can be summarised as per the following table:

Reconciliation of Key Aggregates	Amount Currently Reported $'000	Impact on Financial Report per AASB 1023 $'000	Amount to be reported after AIFRS $'000
Net Profit	108 346	(16 700)	91 646
Total Assets	1 790 219	-	1 790 219
Total Liabilities	1 564 986	16 700	1 581 686

There is no impact on the cash flow from these changes.

MUSEUM BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Museum Board is a Statutory Authority established pursuant to the *South Australian Museum Act 1976*.

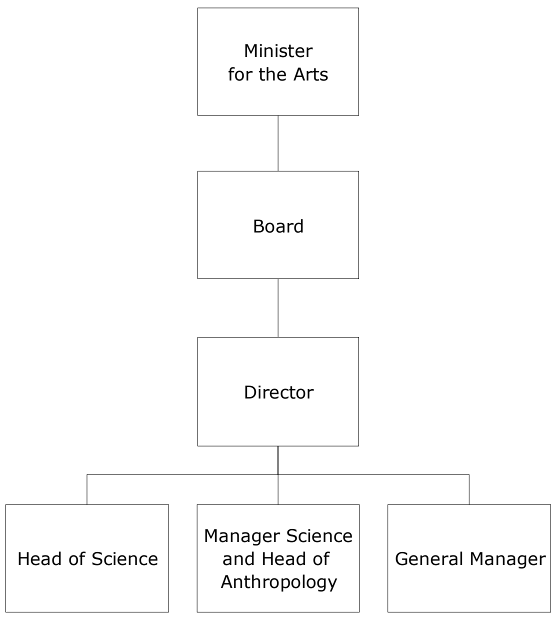
The Museum Board is responsible for the management of the South Australian Museum.

The role of the South Australian Museum is to:

- increase knowledge and understanding of the State's natural and cultural heritage;
- serve the community by acquiring, preserving, interpreting and presenting to the public, material evidence concerning people and nature;
- provide opportunities for study, education and enjoyment.

Structure

The structure of the Museum Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 16(2) of the *South Australian Museum Act 1976* provides for the Auditor-General to audit the accounts of the Museum Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue, including receipting and banking
- expenditure, including accounts payable and salaries and wages
- property, plant and equipment
- heritage collections
- inventory, including Museum Shop operations.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Museum Board as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

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 raised in relation to Payroll which are commented upon under 'Matters Raised with the Museum', are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

Audit Communications to Management

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

Matters Raised with the Museum

Financial Activities

The audit identified the need for the Museum Board to establish policies and procedures and develop and strengthen controls for the following:

- payroll
- collection of cash
- Museum Shop operations.

Payroll

In September 2004, the Department of the Premier and Cabinet signed a new agreement with the Department for Administrative and Information Services (DAIS) for the provision of payroll services. This new agreement included the provision of a payroll bureau service for the South Australian Museum.

A review of the new arrangements identified:

- areas for improvement in the Service Level Agreement entered into by the Department with DAIS;

- the need to develop and document an internal control framework including policies and procedures which specify the responsibilities of each agency;

- weaknesses in procedures and controls to ensure the completeness, accuracy and recording of payroll data in the CHRIS payroll system;

- the need to prepare documented policies and procedures which support an effective review of Bona Fide Certificate reports by Museum Managers;
- the Leave Reports provided to check that leave taken was updated to the CHRIS payroll system did not reflect all leave taken.

The audit findings were provided to Museum and Department of the Premier and Cabinet officers who have identified action to address the matters which arose from the audit.

Heritage Collections

The Board's valuation of its Natural History Collection at 30 June 2003 used the 'cost of recovery' method and valued the collection at $65.5 million. Refer Note 2.6 to the Financial Statements.

In last year's Audit Report, Audit raised the need for the Board to develop a process for capturing the data to support applying the 'cost of recovery' method. The collection of this data would ensure the 'cost of recovery' values are appropriately substantiated when a revaluation is undertaken.

A follow up by Audit in 2004-05 determined the Board has established a Collections Policy which provides a framework for substantiating 'cost of recovery' valuations but that this policy had not been fully implemented at 30 June 2005.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 $'000	2004 $'000	Percentage Change
OPERATING REVENUE			
State Government grants	**9 170**	8 083	13
Other revenue	**3 194**	3001	6
Total Operating Revenue	**12 364**	11 084	12
OPERATING EXPENDITURE			
Employment expenses	**4 564**	4 488	2
Other expenses	**7 701**	6 543	18
Total Operating Expenses	**12 265**	11 031	11
Net Result from Ordinary Activities	**99**	53	87
Net Cash Flows from Operations	**913**	591	54
ASSETS			
Current assets	**3 638**	3 093	18
Non-current assets	**143 987**	145 840	(1)
Total Assets	**147 625**	148 933	(1)
LIABILITIES			
Current liabilities	**725**	700	4
Non-current liabilities	**937**	848	10
Total Liabilities	**1 662**	1 548	7
EQUITY	**145 963**	147 385	(1)

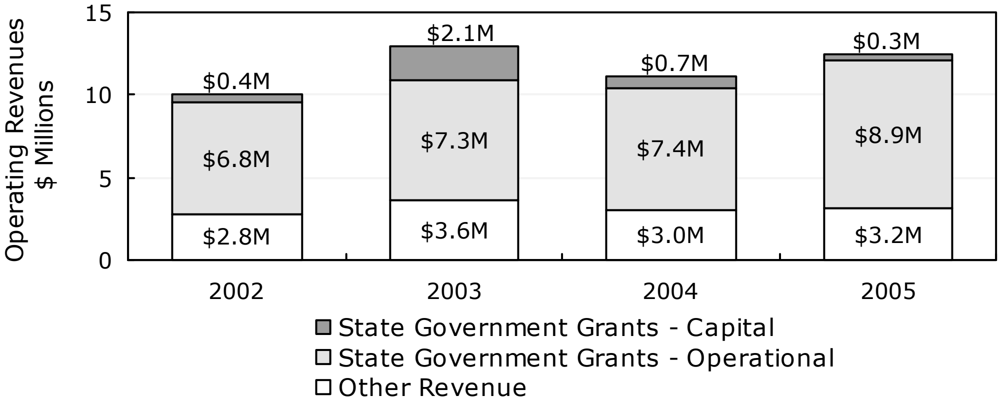
Statement of Financial Performance

Revenues

Revenues from Ordinary Activities for the year increased by $222 000 to $3.5 million.

As expressed in Note 2.15 to the Financial Statements the Board is dependent on the ongoing financial support of the State Government. Grants from the State Government for operating and capital purposes totalled $9.2 million ($8.1 million). This represents an increase of $1.1 million (13 percent) of which $914 000 was additional funding provided in 2004-05 for the Museum to complete a number of minor works and facilities maintenance projects.

A structural analysis of the revenues, both from ordinary activities and from Government, for the four years to 2005 is presented in the following chart.

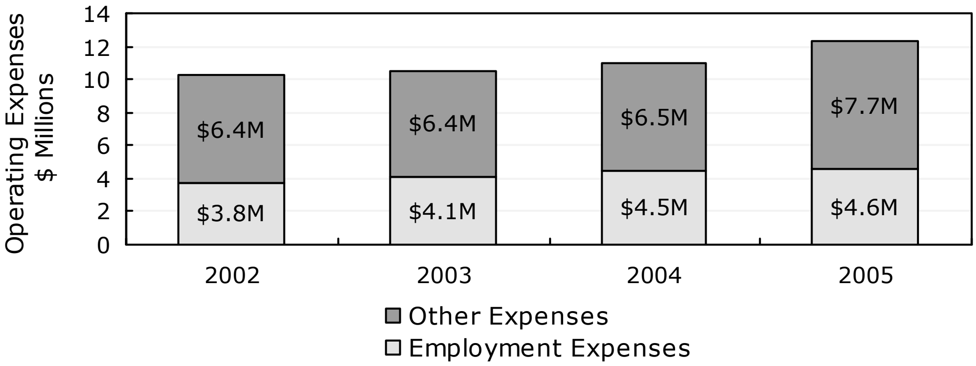


Expenses

Expenditure for the year increased by $1.2 million to $12.3 million. The increase is attributable mainly to:

- an increase in accommodation and facilities expenditure of $322 000 (15 percent) of which $205 000 relates to an increase in security charges;
- an increase in grant payments of $334 000;
- recognition of a revaluation decrement for buildings of $228 000. Refer Note 2.6.

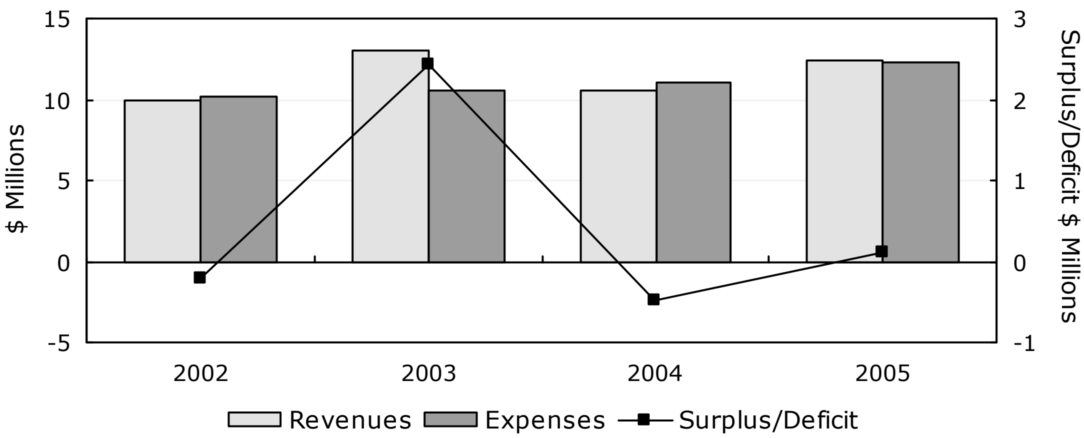
For the four years to 2005, a structural analysis of the main operating expense items for the Board is shown in the following chart.



Net Result

The Museum achieved a Net Result from Ordinary Activities of $99 000, as compared with $53 000 in 2003-04.

The net result from ordinary activity was determined after charging a revaluation decrement for buildings of $228 000.



Statement of Financial Position

The total assets of the Museum Board at 30 June 2005 are $147.6 million, of which $111 million (75 percent) relates to the Museum's heritage collections.

The Museum's liabilities at 30 June 2005 totalled $1.7 million ($1.5 million) of which $1.2 million ($1.1 million) relates to employee benefits.

Non-Current Assets

Property, Plant and Equipment

The Museum's land and buildings were revalued at 30 June 2005. The revaluation has, in accordance with APS 3 'Valuation of Non-Current Assets', been undertaken on the basis of fair value not deprival value which was the basis of the valuation undertaken in June 2003. The valuation has resulted in an increase in the value of land of $347 000 and a reduction in the value of buildings of $2.096 million.

Heritage Collections

Additions to the heritage collections for the year totalled $390 000, of which $113 000 were donated assets. The heritage collections were revalued as at 30 June 2003. (Refer Note 2.6).

Statement of Financial Performance
for the year ended 30 June 2005

	Note	2005 $'000	2004 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	**4 564**	4 488
Supplies and services	4	**3 640**	3 357
Accommodation and facilities	5	**2 516**	2 194
Depreciation	6	**978**	987
Grants and subsidies		**339**	5
Debit on revaluation of buildings	2.6	**228**	-
Total Expenses from Ordinary Activities		**12 265**	11 031
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	8	**1 056**	647
Sale of goods		**457**	433
User charges		**255**	385
Donations		**181**	786
Sponsorships		**461**	454
Interest		**144**	125
Resources received free of charge	2.20	**260**	-
Recoup recoverable		**371**	166
Other	9	**341**	308
Total Revenue from Ordinary Activities		**3 526**	3 304
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**(8 739)**	(7 727)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenue from SA Government - Recurrent operating grant		**8 536**	7 356
Revenue from SA Government - Capital grant		**302**	424
Total Revenues from/Payments to SA Government		**8 838**	7 780
NET RESULT FROM ORDINARY ACTIVITIES		**99**	53
Decrease in the asset revaluation reserve	2.6, 15	**(1 521)**	-
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		**(1 521)**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(1 422)**	53

Statement of Financial Position
as at 30 June 2005

	Note	**2005 $'000**	2004 $'000
CURRENT ASSETS:			
Cash	19	**2 695**	2 543
Receivables		**615**	210
Inventories		**129**	141
Other		**199**	199
Total Current Assets		**3 638**	3 093
NON-CURRENT ASSETS:			
Property, plant and equipment	10	**32 742**	34 985
Heritage collections	11	**111 245**	110 855
Total Non-Current Assets		**143 987**	145 840
Total Assets		**147 625**	148 933
CURRENT LIABILITIES:			
Payables	12	**260**	309
Employee benefits	13	**438**	360
Provision for workers compensation	14	**27**	31
Total Current Liabilities		**725**	700
NON-CURRENT LIABILITIES:			
Payables	12	**88**	80
Employee benefits	13	**781**	696
Provision for workers compensation	14	**68**	72
Total Non-Current Liabilities		**937**	848
Total Liabilities		**1 662**	1 548
NET ASSETS		**145 963**	147 385
EQUITY:			
Retained profits	15	**133 527**	133 428
Asset revaluation reserve	15	**12 436**	13 957
TOTAL EQUITY		**145 963**	147 385
Commitments for Expenditure	17		
Contingent Liabilities	18		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Payments to employees		**(4 396)**	(4 311)
Payments to suppliers		**(3 444)**	(3 336)
Accommodation and facilities		**(2 494)**	(2 165)
Grants and subsidies		**(339)**	(5)
Total Outflows from Operating Activities		**(10 673)**	(9 817)
CASH INFLOWS:			
Grants		**881**	647
Sale of goods		**459**	431
User charges		**198**	385
Donations		**69**	141
Sponsorships		**307**	424
Interest		**142**	122
Recoup recoverable		**307**	140
Other		**385**	338
Total Inflows from Operating Activities		**2 748**	2 628
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government - Recurrent operating grant		**8 536**	7 356
Receipts from SA Government - Capital grant		**302**	424
Total Cash Flows from SA Government		**8 838**	7 780
Net Cash Inflows from Operating Activities	19	**913**	591
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for property, plant and equipment		**(484)**	(388)
Payments for Heritage collections		**(277)**	(1)
Total Outflows from Investing Activities		**(761)**	(389)
Net Cash Outflows from Investing Activities		**(761)**	(389)
NET INCREASE IN CASH HELD		**152**	202
CASH AT 1 JULY		**2 543**	2 341
CASH AT 30 JUNE	19	**2 695**	2 543

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Museum Board

The functions of the Museum 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 moneys;
- 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; and
- 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 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987;*
- Applicable Australian Accounting Standards; and
- Other mandatory professional reporting requirements in Australia.

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

2.2 Sources of Funds

The Museum's principal source of funds consists of grants from the State Government. In addition, the Museum also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Museum will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment has been made of any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

In accordance with AASB 119 'Employee Benefits', the Museum will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

The standard will have some impact on the financial statements, although it is expected that the impact will not be significant.

Government/Non-Government Disclosures

In accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', the Museum has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the notes to the accounts.

2.4 Revenue

Revenue 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. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as revenues in the period in which the Museum obtains control over the grants. Research grants are recognised as revenues when invoiced.

2.5 Acquisition of Assets

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.

2.6 Valuation of Non-Current Assets

Land and Buildings

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2005 by the Australian Valuation Office. Land and buildings are independently valued every three years. Due to a change in valuation methodology required by the Australian Accounting Standards, the application of fair value, as opposed to deprival value, has resulted in a net debit of $1.749 million to equity. This amount has been brought to account as a decrease in the asset revaluation reserve of $1.521 million, and a debit on revaluation of building of $0.228 million reflected in expenses from ordinary activities.

Plant and Equipment

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

Heritage Collections

The Museum collections were revalued as at 30 June 2003 using the valuation methodology outlined below in accordance with fair value principles adopted under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

These valuations were undertaken by both external valuers and internal specialists.

The Collections were broadly valued on the following basis:

Collection	**Method of Valuation**
Heritage Collections	Net Market Valuation
Natural History Collections	Cost of Recovery

Heritage Collections 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 Taxation Incentives for the Arts Scheme.

Cost of recovery valuation has been applied to those collections that were previously valued at zero under deprival value methodology. These collections items have been valued to fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

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 and to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuation 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.

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 and Mammalogy.

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

Collection	**Industry Expert**
Australian Ethnology	Macaulay Partners
Museum Library and Rare Books	M Treloar and P Horn
Malacology (Marine Invertebrates)	W Rumble
Butterflies (Terrestrial Invertebrates)	L Mound
Mammalogy	R Schodde

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, Archives, Palaeontology and Archaeology.

2.7 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:

Class of Asset	**Useful Life (Years)**
Buildings and improvements	Useful life depends on individual asset
Plant and equipment	5 -15
Computer equipment	3 -5

2.7 Depreciation of Non-Current Assets (continued)

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.

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

2.9 Employee Benefits

(i) Liabilities for Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Museum has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of seven years of service and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Museum to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

2.10 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

2.11 Leases

The Museum Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

2.12 Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash at bank and cash on hand. Cash is measured at nominal value.

2.13 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required in 2004-05.

2.14 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the Urgent Issues Group UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST.

The amount of GST incurred by the Museum as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Museum is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

2.15 State Government Funding

The financial reports are presented under the assumption of ongoing financial support being provided to the Museum by the State Government.

2.16 Rounding

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

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

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

Creditors and accrued expenses represent goods and services provided by other parties that are unpaid at the end of the reporting period. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction No. 8 'Expenditure for Supply Operations and Other Goods and Services' after the Museum 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.

2.19 *Insurance*
The Museum has arranged, through the SA Government Captive Insurance Corporation, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.20 *Resources Received Free of Charge*
Under an arrangement with Arts SA and Artlab Australia, a division of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Museum's heritage collections. The value of this work performed is recognised as resources free of charge in Revenues from Ordinary Activities and a corresponding amount as Artlab conservation expenditure in the Expenses from Ordinary Activities (Note 4 Supplies and Services).

3. Employee Expenses

	2005	2004
	$'000	$'000
Salaries and wages	**3 662**	3 636
Superannuation and payroll tax	**628**	614
Annual and long service leave	**219**	185
Other employee related expenses	**55**	53
Total Employee Expenses	**4 564**	4 488

Remuneration of Employees

	2005	2004
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$100 000 - $109 999	**1**	1
$170 000 - $179 999	**-**	1
$180 000 - $189 999	**1**	-
Total Number of Employees	**2**	2

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was $299 900 ($281 900).

Targeted Voluntary Separation Packages (TVSPs)
There were no TVSPs paid in either 2004-05 or 2003-04.

Remuneration of Board Members

	2005	2004
The number of Board Members who received income from the Board fell within the following bands:	**Number of Board Members**	Number of Board Members
$0 - $9 999	**9**	8
Total Number of Board Members	**9**	8

The total income received by these Board Members for the year was $20 300 ($37 600).

Related Party Disclosures
During the financial year the following persons held a position on the Museum Board:

Mr John ElliceFlint, Chair, Mr A Simpson, Assoc Prof M Sedgley (until 22 August 2004), Mr P Ah Chee, Ms S Cookson (until 22 August 2004), Ms P Capaldo (until 18 February 2005), Mr R Edwards, Dr S Carthew (from 29 July 2004), Ms N Bensimon (from 23 August 2004), and Ms E D Perry (from 29 July 2004).

Board members or their related entities have transactions with the Museum 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.

4. Supplies and Services

	2005	2004
Supplies and Services provided by entities external to the SA Government:	**$'000**	$'000
Cost of goods sold	**44**	29
Marketing	**210**	259
Administration	**220**	198
IT services and communications	**141**	74
Maintenance	**45**	17
Collections	**44**	54
Exhibitions	**175**	167
Research	**290**	198
Travel and accommodation	**145**	85
Contractors	**325**	297
Motor vehicle expenses	**16**	22
Minor equipment	**113**	128
Fees	**110**	19
Other	**198**	13
Total Supplies and Services - Non-SA Government Entities	**2 076**	1 560
Supplies and Services provided by entities within the SA Government:		
Insurance and risk management	**350**	369
Cost of goods sold	**200**	207
Marketing	**38**	-
Administration	**292**	334
IT services and communications	**138**	203
Maintenance	**30**	71
Collections	**3**	-
Artlab conservation work	**260**	213
Exhibitions	**68**	15
Research	**105**	44
Travel and accommodation	**5**	-
Contractors	**-**	12
Motor vehicle expenses	**46**	48
Minor equipment	**1**	2
Other	**28**	279
Total Supplies and Services - SA Government Entities	**1 564**	1 797
Total Supplies and Services	**3 640**	3 357

Payments to Consultants

The dollar amount of consultancies paid/payable that fell within the following bands:	**2005 Number of Consultants**	2004 Number of Consultants
$0 - $10 000	**1**	1
Total Number of Consultancies	**1**	1

The total amount paid/payable to Consultants in 2004-05 was $1 000 ($300).

5. Accommodation and Facilities

	2005	2004
Accommodation and Facilities provided by entities external to the SA Government:	**$'000**	$'000
Accommodation	**308**	257
Facilities	**3**	2
Total Accommodation and Facilities - Non-SA Government Entities	**311**	259
Accommodation and Facilities provided by entities within the SA Government:		
Accommodation	**294**	403
Facilities	**1 144**	970
Security	**767**	562
Total Accommodation and Facilities - SA Government Entities	**2 205**	1 935
Total Accommodation and Facilities	**2 516**	2 194

6. Depreciation

Buildings and improvements	**907**	906
Plant and equipment	**67**	73
Computer equipment	**4**	8
Total Depreciation	**978**	987

7. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**23**	21
Total Audit Fees - SA Government Entities	**23**	21

Other Services

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

8. Grants

	2005 $'000	2004 $'000
State Government grants	**332**	303
Other general grants	**369**	114
Commonwealth grants	**355**	230
Total Grants	**1 056**	647

9. Other Revenues from Ordinary Activities

Other revenues received/receivable from entities external to the SA Government:		
Rent	**52**	51
Other	**269**	251
Total Other Revenues from Ordinary Activities - Non-SA Government Entities	**321**	302
Other revenues received/receivable from entities within the SA Government:		
Other	**20**	6
Total Other Revenues from Ordinary Activities - SA Government Entities	**20**	6
Total Other Revenues from Ordinary Activities	**341**	308

10. Property, Plant and Equipment

	2005 $'000	2004 $'000
Land, Buildings and Improvements:		
Land at valuation	**5 480**	5 133
Buildings and improvements at valuation	**51 052**	51 404
Buildings and improvements at cost	**-**	1 539
Works in progress	**189**	503
Accumulated depreciation	**(24 171)**	(23 839)
Total Land, Buildings and Improvements	**32 550**	34 740
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**1 276**	1 298
Accumulated depreciation	**(1 090)**	(1 057)
Total Plant and Equipment	**186**	241
Computer Equipment:		
Computer equipment at cost (deemed fair value)	**41**	83
Accumulated depreciation	**(35)**	(79)
Total Computer Equipment	**6**	4
Total Property, Plant and Equipment	**32 742**	34 985

Valuation of Non-Current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2005.

Reconciliation of Property, Plant and Equipment

	Land $'000	Buildings and Improve-ments $'000	Plant and Equipment $'000	Computer Equipment $'000	2005 Total $'000
Carrying amount at 1 July	**5 133**	**29 607**	**241**	**4**	**34 985**
Additions	**-**	**466**	**12**	**6**	**484**
Depreciation expense	**-**	**(907)**	**(67)**	**(4)**	**(978)**
Revaluation increments (decrements)	**347**	**(2 096)**	**-**	**-**	**(1 749)**
Carrying Amount at 30 June	**5 480**	**27 070**	**186**	**6**	**32 742**

11. Heritage Collections

	2005 At Valuation $'000	2005 At Cost $'000	2005 Total $'000	2004 At Valuation $'000	2004 At Cost $'000	2004 Total $'000
Social/Industrial History	**222**	**-**	**222**	222	-	222
Australian Aboriginal Ethnographic	**18 721**	**70**	**18 791**	18 720	1	18 721
Foreign Ethnology	**6 254**	**-**	**6 254**	6 254	-	6 254
Minerals	**11 682**	**70**	**11 752**	11 037	645	11 682
Malacology	**3 642**	**-**	**3 642**	3 642	-	3 642
Butterflies	**33**	**-**	**33**	33	-	33
Australian Biological Tissue Bank	**5 192**	**-**	**5 192**	5 192	-	5 192
Australian Helminthological Collection	**8 376**	**-**	**8 376**	8 376	-	8 376

11. Heritage Collections (continued)

	2005 At Valuation $'000	**2005 At Cost $'000**	**2005 Total $'000**	2004 At Valuation $'000	2004 At Cost $'000	2004 Total $'000
Entomology	**26 134**	**-**	**26 134**	26 134	-	26 134
Arachnology	**4 013**	**-**	**4 013**	4 013	-	4 013
Marine Invertebrates	**5 660**	**-**	**5 660**	5 660	-	5 660
Ichthyology	**1 136**	**-**	**1 136**	1 136	-	1 136
Herpetology	**2 972**	**-**	**2 972**	2 972	-	2 972
Ornithology	**7 834**	**-**	**7 834**	7 834	-	7 834
Mammalogy	**4 223**	**-**	**4 223**	4 223	-	4 223
Fossil	**-**	**250**	**250**	-	-	-
Library	**4 761**	**-**	**4 761**	4 761	-	4 761
Total Heritage Collections	**110 855**	**390**	**111 245**	110 209	646	110 855

Reconciliation of Heritage Collections	**Balance 01.07.04 $'000**	**Additions $'000**	**Balance 30.06.05 $'000**	Balance 01.07.03 $'000	Additions $'000	Balance 30.06.04 $'000
Social/Industrial History	**222**	**-**	**222**	222	-	222
Australian Aboriginal Ethnographic	**18 721**	**70**	**18 791**	18 720	1	18 721
Foreign Ethnology	**6 254**	**-**	**6 254**	6 254	-	6 254
Minerals	**11 682**	**70**	**11 752**	11 037	645	11 682
Malacology	**3 642**	**-**	**3 642**	3 642	-	3 642
Butterflies	**33**	**-**	**33**	33	-	33
Australian Biological Tissue Bank	**5 192**	**-**	**5 192**	5 192	-	5 192
Australian Helminthological Collection	**8 376**	**-**	**8 376**	8 376	-	8 376
Entomology	**26 134**	**-**	**26 134**	26 134	-	26 134
Arachnology	**4 013**	**-**	**4 013**	4 013	-	4 013
Marine Invertebrates	**5 660**	**-**	**5 660**	5 660	-	5 660
Ichthyology	**1 136**	**-**	**1 136**	1 136	-	1 136
Herpetology	**2 972**	**-**	**2 972**	2 972	-	2 972
Ornithology	**7 834**	**-**	**7 834**	7 834	-	7 834
Mammalogy	**4 223**	**-**	**4 223**	4 223	-	4 223
Fossil	**-**	**250**	**250**	-	-	-
Library	**4 761**	**-**	**4 761**	4 761	-	4 761
Carrying Amount at 30 June	**110 855**	**390**	**111 245**	110 209	646	110 855

12. Payables

	2005 $'000	2004 $'000
Current:		
Creditors and accruals	**192**	253
Employee on-costs	**68**	56
Total Current Payables	**260**	309
Non-Current:		
Employee on-costs	**88**	80
Total Non-Current Payables	**88**	80
Total Payables	**348**	389
Payables to Non-SA Government Entities:		
Creditors and accruals	**104**	158
Total Payables - Non-SA Government Entities	**104**	158
Payables to SA Government Entities:		
Creditors and accruals	**88**	95
Employee on-costs	**156**	136
Total Payables - SA Government Entities	**244**	231
Total Payables	**348**	389

13. (a) *Provision for Employee Benefits*

	2005	2004
Current:		
Annual leave	**314**	259
Long service leave	**68**	60
Accrued salaries and wages	**56**	41
Total Current Employee Benefits	**438**	360
Non-Current:		
Long service leave	**781**	696
Total Non-Current Employee Benefits	**781**	696
Total Employee Benefits	**1 219**	1 056

	2005	2004
(b) Employee Benefits and Related On-Costs	**2005**	2004
Accrued Salaries and Wages:	**$'000**	$'000
On-costs included in payables - Current (Refer Note 12)	**10**	7
Provision for employee benefits - Current (Refer Note 13(a))	**56**	41
Total Accrued Salaries and Wages	**66**	48
Annual Leave:		
On-costs included in payables - Current (Refer Note 12)	**50**	42
Provision for employee benefits - Current (Refer Note 13(a))	**314**	259
Total Annual Leave	**364**	301
Long Service Leave:		
On-costs included in payables - Current (Refer Note 12)	**8**	7
Provision for employee benefits - Current (Refer Note 13(a))	**68**	60
On-costs included in payables - Non-current (Refer Note 12)	**88**	80
Provision for employee benefits - Non-current (Refer Note 13(a))	**781**	696
Total Long Service Leave	**945**	843
Total Employee Benefits and Related On-Costs	**1 375**	1 192

14. Provisions

Current:		
Provision for workers compensation	**27**	31
Total Current Provisions	**27**	31
Non-Current:		
Provision for workers compensation	**68**	72
Total Non-Current Provisions	**68**	72
Total Provisions	**95**	103

Reconciliation of the Provision for Workers Compensation

Provision at 1 July	**103**	92
Increase (Decrease) in provision during the year	**(8)**	11
Provision for Workers Compensation at 30 June	**95**	103

15. Equity

Retained profits	**133 527**	133 428
Asset revaluation reserve	**12 436**	13 957
Total Equity	**145 963**	147 385

Retained Profits

Balance at 1 July	**133 428**	133 375
Net Profit (Loss)	**99**	53
Balance at 30 June	**133 527**	133 428

Asset Revaluation Reserve

Balance at 1 July	**13 957**	13 957
Decrement in land, buildings and improvements due to revaluation	**(1 521)**	-
Balance at 30 June	**12 436**	13 957
Total Equity	**145 963**	147 385

16. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	19	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Museum are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Museum Board Bequests Account'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is currently 5.35 percent as at 30 June 2005.
Receivables		Receivables are recorded at amounts due to the Museum. They are recorded when services have been completed.	Receivables are due within 30 days.
Financial Liabilities			
Payables	12	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) *Interest Rate Risk*

The interest rate risk is outlined below for the following financial assets and liabilities.

Financial Instrument	2005 Interest Rate Percent	2005 Interest Bearing - Floating Interest Rate $'000	2005 Non-Interest Bearing $'000	2005 Total $'000	2004 Interest Rate Percent	2004 Interest Bearing - Floating Interest Rate $'000	2004 Non-Interest Bearing $'000	2004 Total $'000
Financial Assets:								
Cash assets	**5.35**	**2 682**	**13**	**2 695**	5.10	2 540	3	2 543
Receivables		**-**	**615**	**615**		-	210	210
		2 682	**628**	**3 310**		2 540	213	2 753
Financial Liabilities:								
Payables		**-**	**192**	**192**		-	253	253
		-	**192**	**192**		-	253	253

(c) *Net Fair Values of Financial Assets and Liabilities*

Financial Instrument	Note	2005 Total Carrying Amount $'000	2005 Net Fair Value $'000	2004 Total Carrying Amount $'000	2004 Net Fair Value $'000
Financial Assets:					
Cash assets	19	**2 695**	**2 695**	2 543	2 543
Receivables		**615**	**615**	210	210
		3 310	**3 310**	2 753	2 753
Financial Liabilities:					
Payables	12	**192**	**192**	253	253
		192	**192**	253	253

The net fair value is determined as the carrying value of all assets and liabilities.

(d) *Credit Risk Exposure*

The Museum's maximum exposure to credit risk at reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Museum has no significant exposures to any concentrations of credit risk.

17. Commitments for Expenditure

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2005 $'000	2004 $'000
Not later than one year	**393**	287
Later than one year and not later than five years	**621**	417
Total Operating Lease Commitments	**1 014**	704

The operating lease commitments comprise:

- Non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 2.2 percent per annum or the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- 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.
- A non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option to renew the lease at the end of its term.

Capital Commitments

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

	2005 $'000	2004 $'000
Not later than one year	**-**	302
Total Capital Commitments	**-**	302

18. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2005.

19. 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 the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2005	2004
	$'000	$'000
Deposits with Treasurer	**2 682**	2 540
Cash on hand	**13**	3
Cash as Recorded in the Statement of Financial Position	**2 695**	2 543

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

Net cash provided by operating activities	**913**	591
Less: Revenues from SA Government	**(8 838)**	(7 780)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	**(978)**	(987)
Donations of heritage collections	**113**	645
Revaluation increments (decrements)	**(228)**	-
Changes in Assets and Liabilities:		
Increase in assets	**393**	149
Increase in liabilities	**(114)**	(345)
Net Cost of Services from Ordinary Activities	**(8 739)**	(7 727)

20. Events After Balance Date

There were no events occurring after balance date.

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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 Act).

Functions

The Scheme is a compulsory superannuation scheme that provides for the payment of benefits to persons who have served as members of Parliament and also makes provisions for the families of such persons.

The Board is responsible for the collection of government contributions and contributions from members of the Scheme and for the payment of superannuation benefits to members and members' families.

The Scheme is administered through the Parliamentary Superannuation Fund (the Fund). The Fund, established under the Act, records as income to the Fund, members' and the Government's contributions and revenue derived from the investment of those monies, and also records benefit payments and administration costs.

The investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the Act.

The Board utilises the services of the Department of Treasury and Finance - Superannuation Office (Super SA) to administer the Scheme.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Parliamentary Superannuation Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- contributions from members and employers
- pension payments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the Parliamentary Superannuation Scheme as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

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 are sufficient to provide reasonable assurance that the financial transactions of the Parliamentary Superannuation Scheme have been conducted properly and in accordance with law.

Audit Communications to Management

The audit of the Scheme indicated that the internal controls over its operations were satisfactory. No significant issues were raised as a result of the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Contributions	**4.1**	3.9	5
Net investment earnings	**19.0**	21.8	(13)
Total Operating Revenue	**23.1**	25.7	(10)
OPERATING EXPENDITURE			
Benefits and other expenses	**19.1**	2.5	-
Total Operating Expenses	**19.1**	2.5	
Transfers to Consolidated Account and other schemes	**8**	17.0	(53)
(Deficit) Surplus	**(4)**	6.2	-
Net Cash Flows from Operations	**(9.7)**	(1.4)	-
ASSETS			
Investments	**135.1**	126.2	7
Other assets	**0.3**	0.1	-
Total Assets	**135.4**	126.3	7
LIABILITIES			
Liability for accrued benefits	**131.7**	118.5	11
Other liabilities	**0.7**	0.7	-
Total Liabilities	**132.4**	119.2	11
EXCESS OF NET ASSETS OVER LIABILITIES	**3**	7.1	(58)

Operating Statement

Operating Revenues

Investment activity for the year resulted in a return of $19 million ($21.8 million). Investment returns are further discussed in the commentary for Funds SA.

Operating Expenses

Benefits expense increased by $16.6 million to $19 million for the year. This is predominantly due to the liability for accrued benefits increasing by $13.2 million. The expected future benefit payments were determined using the pensioner mortality assumptions of the 2004 triennial review of the South Australian Superannuation Scheme. There was a significant reduction in this assumption resulting in an increase in the Liability for Accrued Benefits. Refer Note 6 'Liability for Accrued Benefits'.

Transfer to Consolidated Account and Other Schemes

After an actuarial assessment for the employer accrued liabilities as at 30 June 2005, the Treasurer approved a transfer of $8 million to the Consolidated Account. During 2003-04, an amount of $17 million was transferred to the 'South Australian Government Employer Contribution Account' of the South Australian Superannuation Scheme.

Operating Result

The year's result represents the excess of benefits expense of $19 million and a transfer to the Consolidated Account of $8 million over investment revenue of $19 million and contributions of $4.1 million.

Statement of Financial Position

As at 30 June 2005, there was an excess of net assets over liabilities of $3 million ($7 million); the Scheme is therefore fully funded. The estimated liability for accrued benefits increased by $13.2 million to $131.7 million for which net assets of $134.6 million ($125.5 million) were available to pay benefits. Refer to Operating Expenses for an explanation of the increase.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

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

	2005	2004	2003	2002
Pensioners	**97**	101	103	104
Pensions paid ($'000)	**5 307**	5 292	5 018	4 671

Contributions by Members

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

	2005	2004	2003	2002
Contributors	**69**	69	69	69
Contributions received ($'000)	**1 065**	1 070	962	899

Operating Statement
for the year ended 30 June 2005

	Note	**2005**	2004
		$'000	$'000
INVESTMENT REVENUE:			
Net investment revenue		**18 966**	21 794
INTEREST INCOME		**4**	3
CONTRIBUTION REVENUE:			
Contributions by members	1(d)	**1 065**	1 015
Contributions by employers	1(d)	**3 012**	2 855
		4 077	3 870
ADMINISTRATION EXPENSE	4	**(149)**	(96)
CONSULTANCY EXPENSE	12	**(3)**	(9)
AUDIT EXPENSE	13	**(27)**	(12)
TRANSFERS TO OTHER SCHEMES	3	**-**	(17 000)
TRANSFER TO CONSOLIDATED ACCOUNT	3	**(8 000)**	-
BENEFITS EXPENSE	6	**(18 965)**	(2 359)
OPERATING RESULT FOR THE PERIOD		**(4 097)**	6 191

Statement of Financial Position
as at 30 June 2005

	Note	**2005** **$'000**	2004 $'000
INVESTMENTS:			
Inflation linked securities	2(b)	**13 710**	14 564
Property		**10 721**	10 603
Australian equities		**47 043**	42 644
International equities		**46 643**	48 527
Fixed interest		**7 740**	7 196
Cash		**3 313**	2 700
Diversified Strategies - Growth		**2 432**	-
Diversified Strategies - Income		**3 519**	-
		135 121	126 234
FIXED ASSETS		**8**	2
OTHER ASSETS:			
Cash and deposits at Treasury	10	**265**	23
Cash and deposits at Treasury - Funds SA		**9**	11
Interest, dividends and rent due - Funds SA		**13**	4
Sundry debtors		**7**	2
		294	40
Total Assets		**135 423**	126 276
CURRENT LIABILITIES:			
Rent paid in advance - Funds SA		**25**	33
Sundry creditors	11	**293**	170
Benefits payable		**87**	-
		405	203
NON-CURRENT LIABILITIES:			
Loan and finance facilities - Funds SA		**369**	527
Total Liabilities		**774**	730
NET ASSETS AVAILABLE TO PAY BENEFITS	5	**134 649**	125 546
Less: **LIABILITY FOR ACCRUED BENEFITS**	6	**131 700**	118 500
EXCESS OF NET ASSETS OVER LIABILITIES		**2 949**	7 046

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions Received:			
Contribution by members		**1 065**	1 070
Contribution by employers		**3 012**	3 022
		4 077	4 092
Bank interest received		**4**	3
GST recoup from Australian Taxation Office		**5**	10
Benefits Paid:			
Pension		**(5 307)**	(5 292)
Commutation of pension benefits		**(371)**	(67)
		(5 678)	(5 359)
Administration expense		**(70)**	(102)
Consultancy expense		**(3)**	(10)
Audit expense		**(13)**	(13)
Transfer to Consolidated Account		**(8 000)**	-
Net Cash used in Operating Activities	9	**(9 678)**	(1 379)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**12 370**	4 180
Payments to Funds SA		**(2 450)**	(2 890)
Net Cash provided by Investing Activities		**9 920**	1 290
NET INCREASE (DECREASE) IN CASH HELD		**242**	(89)
CASH AT 1 JULY		**23**	112
CASH AT 30 JUNE	10	**265**	23

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(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.

Member contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund, established under section 13 of the Act. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

A member is entitled to a pension based benefit 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.

(b) The South Australian Parliamentary Superannuation Board

The South Australian Parliamentary Superannuation Board (the Board) a body corporate, is established under section 8(1) of the Act.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA, a body corporate, was established for the purpose of managing and investing the accounts of various public sector superannuation schemes. Funds SA is responsible for the management and investment of the Parliamentary Superannuation Fund.

For further information on the investment of the Parliamentary Superannuation Fund, reference should be made to the financial statements of Funds SA, a 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 2005 payments were made from a Special Deposit Account.

Section 14(2) 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 salary (including any additional salary) to the Treasurer. Section 14(3) 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.

Member's contributions are paid to the Treasurer who deposits these contributions into the Parliamentary Superannuation Fund, with $1 065 000 ($1 015 000) being credited during the year ended 30 June 2005.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Parliamentary Superannuation Scheme, with $3 012 000 ($2 855 000) being credited during the year ended 30 June 2005. The employer contribution is 2.75 times the member's contribution.

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

This financial report is a general purpose financial report and has been prepared on an accrual basis in accordance with applicable Accounting Standards, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (eg Urgent Issues Group Consensus Views), except as provided below.

The financial report of Funds SA, although not recording the administration activities of the public sector superannuation funds, is prepared in accordance with the principles of the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', where relevant. The Directors of Funds SA believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial reports of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

As investments are revalued to their respective net market values at balance date, depreciation and amortisation are not provided for in this financial report.

Funds SA utilises the consolidation method of accounting. Assets and liabilities of Funds SA's controlled entities have been consolidated into the financial report at their net market values. The effects of transactions between entities in the economic entity are eliminated in full. Financial information in respect of the parent entity separate to that of the economic entity has not been provided as the application of market value reporting concepts results in the parent entity's financial report fully reflecting the economic activities of controlled entities. It is believed that disclosure of the parent entity's results separate to those of the economic entity would not provide information which would add value to users of the financial report.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where applicable.

(i) Inflation Linked Securities

The inflation linked securities portfolio comprises two sub-sectors:

- *Internally Managed*

  These investments, the returns of which are linked to movements in either the Consumer Price Index (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2005 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date. Investments held by the external manager in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.

(ii) *Property*
The Property portfolio comprises three sub-sectors:

- *Directly Held Property*
  The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.

- *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 sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities 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*
The International Equities 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) *Fixed Interest*
The Fixed Interest sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's fixed interest investments were administered through two separate sector funds, Australian fixed interest and International fixed interest. These sector funds were merged to create a single fixed interest sector fund.

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 the balance date. Investments held by the external managers in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.

(vi) *Diversified Strategies (Growth)*
The Diversified Strategies (Growth) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's private equity and opportunistic real estate investments were administered through three existing sector funds: Australian equities (domestic private equity), International equities (international private equity) and property (opportunistic real estate).

The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds, and is invested and managed by external managers. Valuations of these funds are based on the most recently available valuations by the relevant managers.

In the case of domestic funds, the valuations are generally in accordance with the Australian Development Capital Association Limited exposure draft guidelines. In the case of international funds, the valuations are generally in accordance with the National Venture Capital Association (NVCA) guidelines. 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) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy.

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.

(ix) *Fixed Assets*
Fixed assets have been valued at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. It is considered that this provides a reasonable estimate of net market value.

(x) *Other Assets and Liabilities*
These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Taxation
The assets of the Scheme under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in this financial report.

(d) Goods and Services Tax
GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates. Receivables and payables are stated with the amount of GST included in the value. The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

(e) Revenue
Superannuation contributions are brought to account on an accrual basis.

(f) International Financial Reporting Standards (IFRS)
The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian International Financial Reporting Standards (AIFRS) will be first reflected in the Scheme's financial statements for the year ending 30 June 2006.

The Board has implemented a process to ensure that the financial statements of the Scheme comply with all relevant AIFRS by the time the adoption of such standards is required on 30 June 2006.

This process has included discussions with external advisors to evaluate the impact on the financial statements and where appropriate, internal processes have been changed to ensure that all required information is captured.

The AASB has stated that AAS 25 will continue to apply for the foreseeable future.

The Board believes that the adoption of AIFRS will have minimal impact on the financial statements of the Scheme as no significant change to accounting policies is expected as a result, however some changes in presentation and disclosure are expected.

3. Transfers Out of the Scheme

(a) Transfer to Consolidated Account
After an actuarial assessment of the employer estimated accrued liabilities as at 30 June 2005, the Treasurer approved a transfer of $8 million to the Consolidated Account in 2004-05.

(b) Transfer to Other Schemes
After an actuarial assessment of the employer accrued liabilities as at 30 April 2004, the Treasurer approved a transfer of $17 million to the South Australian Superannuation Scheme in 2003-04.

4. Administration Expense

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities (deducted from investment revenue ie investment revenue is reported net of direct investment expenses) and those costs incurred by the Department of Treasury and Finance in administering the Scheme.

Costs incurred by the Department of Treasury and Finance in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Parliamentary Superannuation Scheme.

5. Net Assets Available to Pay Benefits

	2005	2004
	$'000	$'000
Funds held at 1 July	**125 546**	122 355
Add:		
Contributions by members	**1 065**	1 015
Contributions by employers	**3 012**	2 855
Investment earnings(i)	**18 966**	21 794
Other income	**4**	3
	23 047	25 667
Less:		
Net benefits paid	**5 765**	5 359
Transfer to other schemes	**-**	17 000
Transfer to Consolidated Account	**8 000**	-
Administration expense	**149**	96
Consultancy expense	**3**	9
Audit expense	**27**	12
	13 944	22 476
Funds held at 30 June	**134 649**	125 546

(i) Shown net of direct investment expenses.

6. Liability for Accrued Benefits

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2004 triennial review of the South Australian Superannuation Scheme. The review salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard 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 State Superannuation Office of the Department of Treasury and Finance is estimated at $131.7 million ($118.5 million) as at 30 June 2005.

	2005	2004
	$'000	$'000
Liability for accrued benefits at 1 July	**118 500**	121 500
Add: Benefits expense(i)	**18 965**	2 359
Less: Benefits paid and payable	**5 765**	5 359
Liability for Accrued Benefits at 30 June	**131 700**	118 500

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

7. 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.

	2005	2004
	$'000	$'000
Vested benefits	**148 000**	136 000

8. Guaranteed Benefits

The entitlements of members are specified by the *Parliamentary Superannuation Act 1974*.

9. Reconciliation of Net Cash used in Operating Activities to Operating Result

	2005	2004
Operating result	**(4 097)**	6 191
Benefits expense	**18 965**	2 359
Benefits paid	**(5 678)**	(5 359)
Transfer to another Scheme	**-**	17 000
(Increase) Decrease in sundry debtors	**(6)**	1
Increase in sundry creditors	**104**	-
Decrease in contributions receivable	**-**	223
Investment earnings	**(18 966)**	(21 794)
Net Cash used in Operating Activities	**(9 678)**	(1 379)

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. 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:

	2005 $'000	2004 $'000
Cash and deposits at Treasury	**265**	23

11. Sundry Creditors

	2005 $'000	2004 $'000
Funds SA sundry creditors	**189**	170
Administration fees	**90**	-
Audit fees	**14**	-
	293	170

12. Consultancy Expense

Consultancy fees for the 2004-05 financial year have been deducted from the Scheme. These fees relate to Superannuation Policy and Actuarial advice received.

13. Audit Expense

Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the year ended 30 June 2005 total $14 000 ($13 000). No other services were provided by the auditors.

14. Financial Instruments

The specific disclosure requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the Financial Statements of Funds SA and have not been repeated in this financial report.

POLICE DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Police Department is an administrative unit established under the *Public Sector Management Act 1995*.

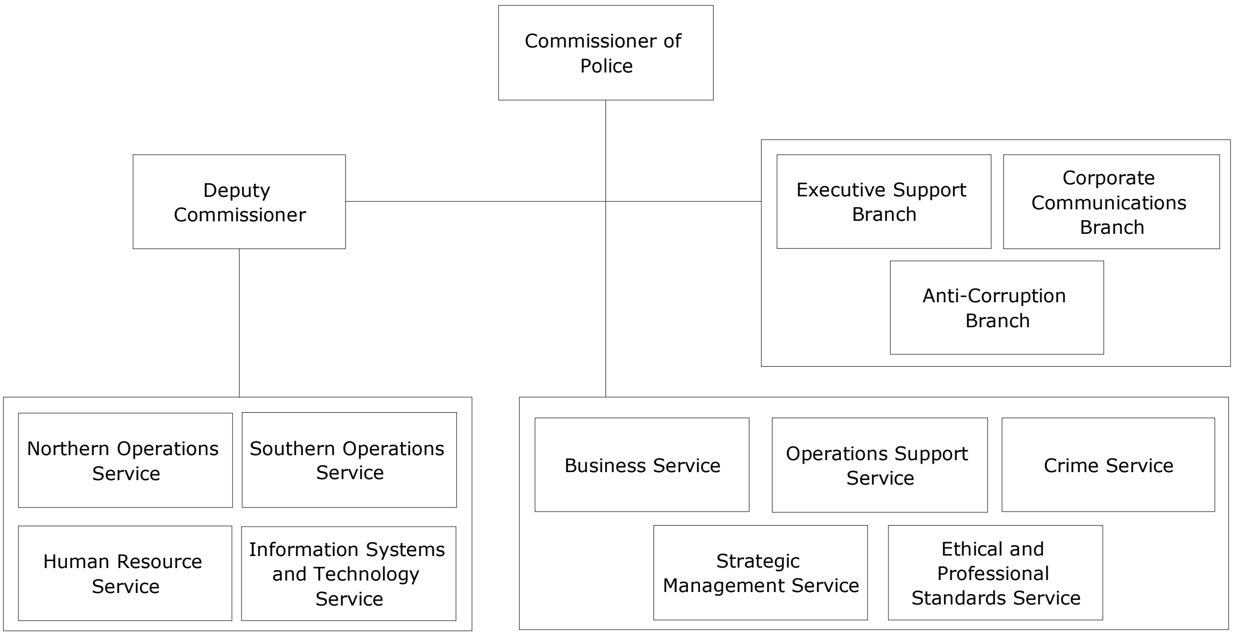
Functions

The functions of the Police Department are as follows:

- Preventing crime;
- Upholding the law;
- Preserving the peace;
- Providing assistance in personal emergencies;
- Co-ordinating and managing emergency incidents;
- Regulating road use and preventing vehicle collisions.

Structure

The structure of the Police Department is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Police Department for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Police 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 those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- the Department's corporate governance framework
- expenditure, including procurement and contract management
- payroll
- property, plant and equipment
- firearms registration and licence fees
- expiation notices
- police security services fees
- cash and general ledger processing.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the Police Department as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of the Department have been conducted properly and in accordance with law.

Audit Communications to Management

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

Risk Management

The Police Department's risk management activities are designed to mitigate or manage identified risks. The Department's Risk Register is fundamental to these processes.

Audit noted that the links between specific risks identified in the Risk Register and activities undertaken in order to address these risks are not formally documented at a corporate level and therefore does not form part of the internal corporate performance reporting.

The Department responded that the matters raised by Audit would be considered and action taken as appropriate.

Procurement and Contract Management

The Police Department's contract register, which records details of contracts under agency management and control, is central to contract negotiation and contract management processes.

Audit noted that the contract register is not used by all relevant areas to monitor contract negotiation processes undertaken and for the management of contracts administered.

The Department responded that its contract register will, in future, be used by all relevant areas as appropriate.

Capture Adjudication and Reporting System (CARS)

During the year, Audit continued to review various aspects of information technology associated with the Department's responsibilities and operations.

The South Australian Police Department (the Department), through its Expiation Notice Branch is responsible for the administration of expiation notices. A major source of expiation notices is the operation of red light and speed cameras. The Capture Adjudication and Reporting System (CARS) is an integrated software and hardware system which has been developed to provide computerised film scanning, adjudication, archiving, document management and reporting services and to incorporate technologies such as digital film processing and optical character recognition. An external service provider is responsible for development and support of aspects of the system.

In 2002, Audit conducted a major review of key control aspects of CARS and the supporting computer processing environment (CPE). A follow up review on recommendations made in the 2002 review was conducted late in 2003. Audit commentary on those reviews were reported in the Supplementary Report 'Information and Communications Technology – Future Directions: Management and Control', tabled in December 2003.

In April 2003, Cabinet approved a submission to fund the proposed enhancements required for the CARS system to satisfy the Government Road Safety Reform initiatives. The new CARS system was implemented in late 2004.

In 2004-05, Audit performed a further review of the CARS system. The focus of the review was to address matters identified in the earlier reviews, assess the newly enhanced application, and reassess the surrounding CPE and associated infrastructure to ensure that organisational management, systems and associated internal controls were adequate. The review included coverage of:

- information access security and integrity for both the CPE and the CARS application system and information;
- application system implementation and maintenance arrangements; and
- information systems operations, business recovery arrangements, database implementation and support, network support, and systems software support.

The review revealed that there were a number of matters that required attention. These matters involved:

- new and renegotiated service level agreements with the external service provider had not been finalised;
- certain clauses specifically addressing the access and review rights by the State (ie the Department) were not included within the agreements;
- a number of security hardening guidelines had not been applied at an operating system or database level;
- CARS server and security arrangements did not reflect the network password standards within the Department's environment;
- the user access request process was not formalised;
- the explicit levels of user permissions other than the usual basic permissions were not recorded nor monitored;
- user activity logs were not being reviewed on a periodic basis;
- the business continuity and disaster recovery plans were in draft form;
- change management policies for CARS system changes and infrastructure changes were incomplete;
- monitoring usage of intellectual property by the external service provider regarding the CARS architecture to ensure the departments rights are protected.

These abovementioned matters were reported to the Department in April 2005 and a response was received in May 2005. Further clarification of some responses was received in July 2005. The Department advised that:

- negotiations of the service level agreements were in finalisation and opinion regarding specific audit access clauses was being sought from the Crown Solicitor's Office;
- security hardening matters would be addressed;
- a universal password system to enforce password standards across all systems was being introduced;
- user access management issues were being addressed;
- business continuity and disaster recovery plans would be implemented and tested in late 2005;
- change management forms and guidelines had been adopted.

In relation to the matter of intellectual property rights, the Department had sought a status update from the external service provider. This matter, together with Department advised actions being implemented, will be subject to follow up audit review.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Revenues from Government	**444**	393	13
Fees and charges	**13**	12	8
Other	**19**	21	(10)
Total Operating Revenue	**476**	426	12
OPERATING EXPENDITURE			
Employment expenses	**385**	333	16
Other expenses	**96**	96	-
Total Operating Expenses	**481**	429	12
Deficit	**(5)**	(3)	67
Net Cash Flows from Operations	**29**	15	93
ASSETS			
Current assets	**58**	55	5
Non-current assets	**174**	174	-
Total Assets	**232**	229	1
LIABILITIES			
Current liabilities	**52**	47	11
Non-current liabilities	**139**	116	20
Total Liabilities	**191**	163	17
EQUITY	**41**	66	(38)

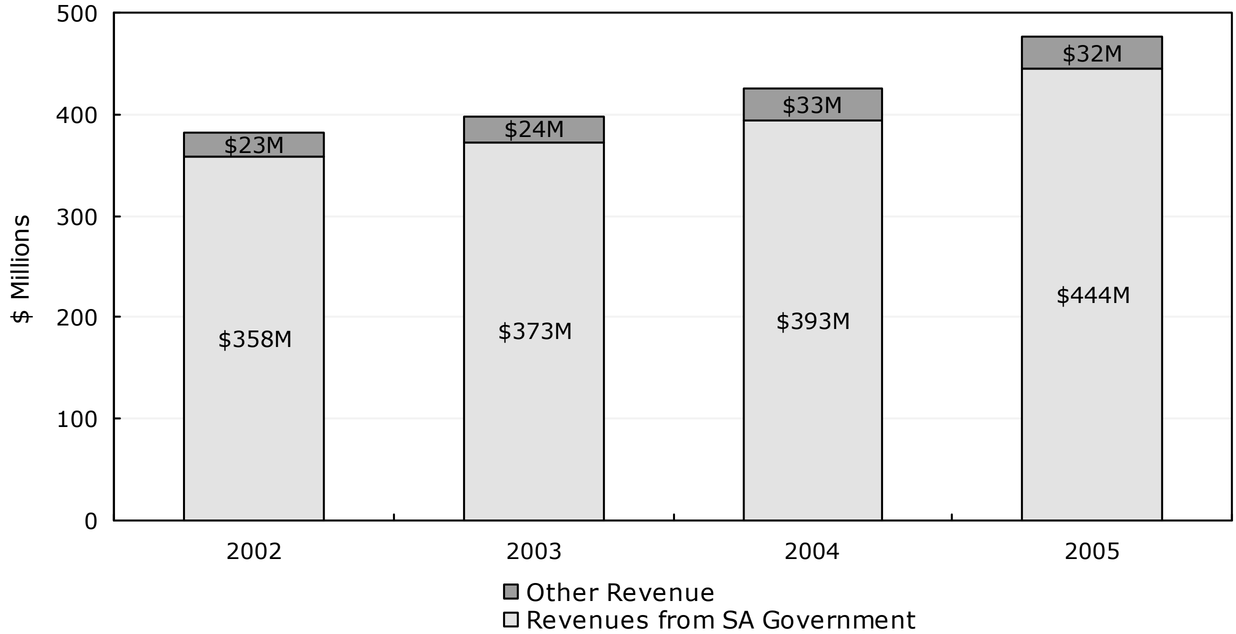
Statement of Financial Performance

Operating Revenues

Revenues from the State Government increased by $51 million to $444 million principally as a result of additional funding for the implementation of the Enterprise Bargaining Agreement for police officers ($25.6 million), and for increases in the workforce ($7.4 million).

Revenues from other sources remained relatively constant at $32 million ($33 million). A reduction of $10.1 million in Commonwealth Revenue mainly as a result of the termination of the Commonwealth funded Handgun Buyback Scheme in March 2004 was offset by an increase in Other revenue. That increase was mainly as a result of the transfer, for no consideration, of the proportion of the Asset Management System applicable to the Police Department from the Department's administered activities ($6.1 million) and the apportionment of the Core Client Access License applicable to the Police Department by the Department of Administrative and Information Services ($1 million).

A structural analysis of operating revenues for the Department in the four years to 2005 is presented in the following chart.

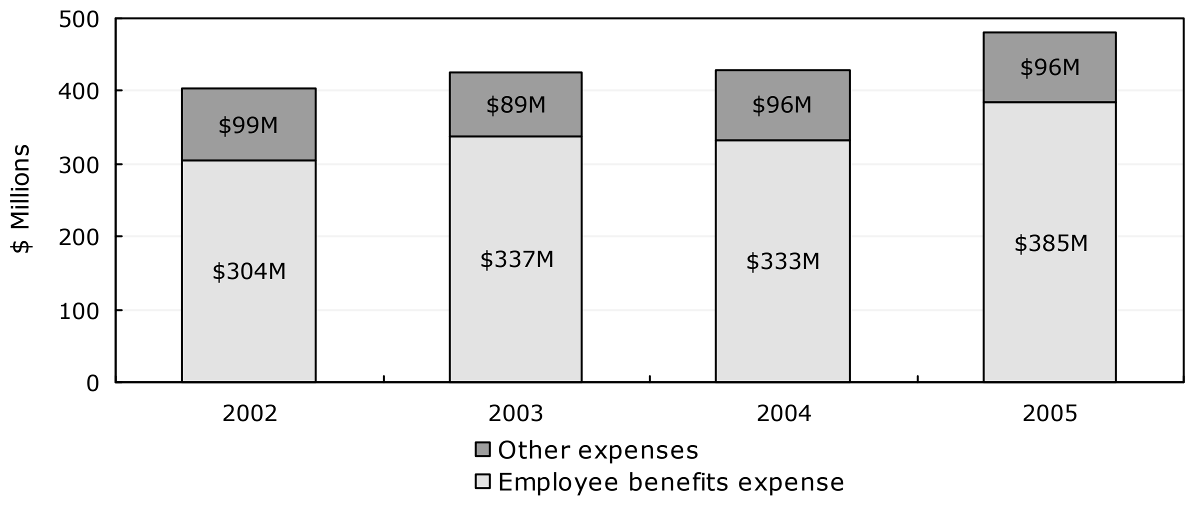


Operating Expenses

Employee expenses increased by $52 million or 16 percent to $385 million due largely to an increase in the number of full time equivalents; the impact of the implementation of the Enterprise Bargaining Agreement for police officers; the change in the short hand method for the calculation of the long service leave liability from 12 to 10 service years; and the increase in the workers compensation liability.

Other expenses remained constant at $96 million ($96 million). A reduction in the cost of supplies and services mainly as a result of the cessation of the compensation payments under the Handgun Buyback Scheme in March 2004 ($13.2 million, partly offset by increases in motor vehicle, communication, minor equipment and computing expenses) was offset by the proportion of the decrement expensed arising from the revaluation of land, buildings and leasehold improvements as a 30 June 2005 ($5.4 million).

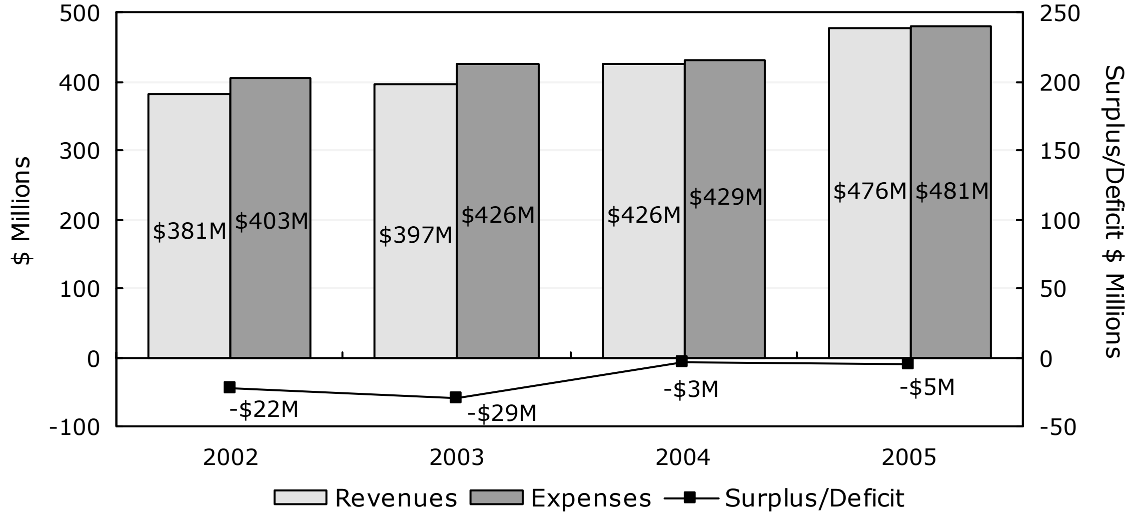
For the four years to 2005, a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

The Department receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. The Department recorded minor operating deficits in 2004 and 2005. A large deficit was reported in 2002 following the write-off of assets that had a purchase price below the Department's revised capitalisation threshold. The deficit reported in 2003 reflected the significant increase in the provision for workers compensation (as is the case for 2005).

The following chart shows the operating revenues, operating expenses and deficits for the four years to 2005.



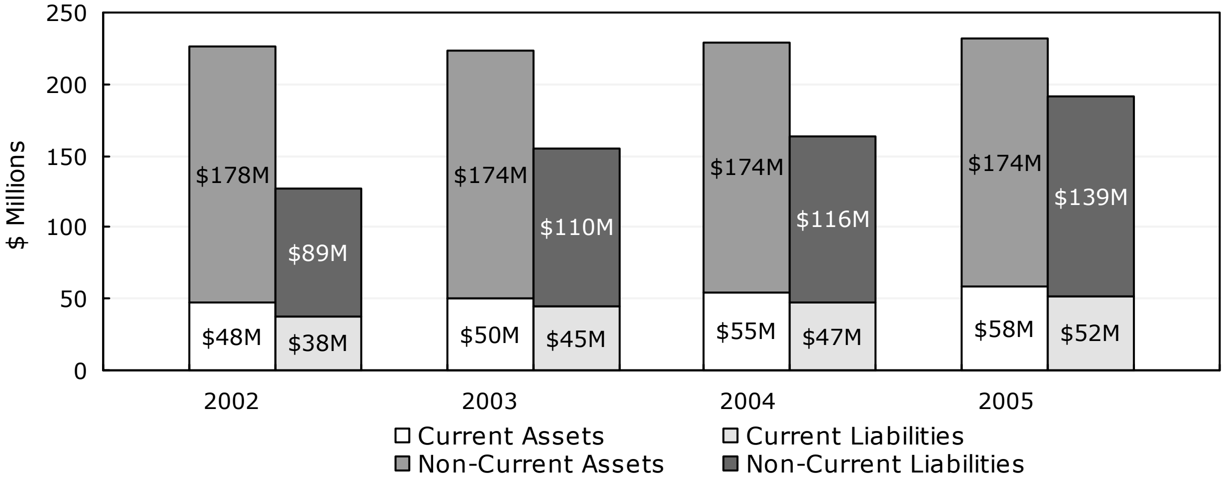
Statement of Financial Position

The Department's non-current assets have remained relatively constant over the four year period to 2005. In 2005, additions to property, plant and equipment were offset by depreciation charges, the decrement arising as a result of the revaluation of land, buildings and leasehold improvements, and disposals.

Non-current liabilities have increased each year since 2002 due mainly to increases in employee benefit entitlements and the provision for workers compensation. The increase in employee benefit entitlements, consistent with the reasons for the increase in employee expenses, is mainly as a result of the increase in the number of full time equivalents, the impact of the implementation of the Enterprise Bargaining Agreement for police officers, and the change in the short hand method for the calculation of the long service leave liability from 12 to 10 service years. The increase in the provision for workers compensation, also contributing to the increase in employee expenses, is due largely to a reassessment of the variables impacting on its estimation, for example, income maintenance payment trends and discount rates. In addition, recognition is given for the first time of a liability arising from a change in policy for certain lump sum payments.

Current assets and current liabilities have increased marginally each year since 2005.

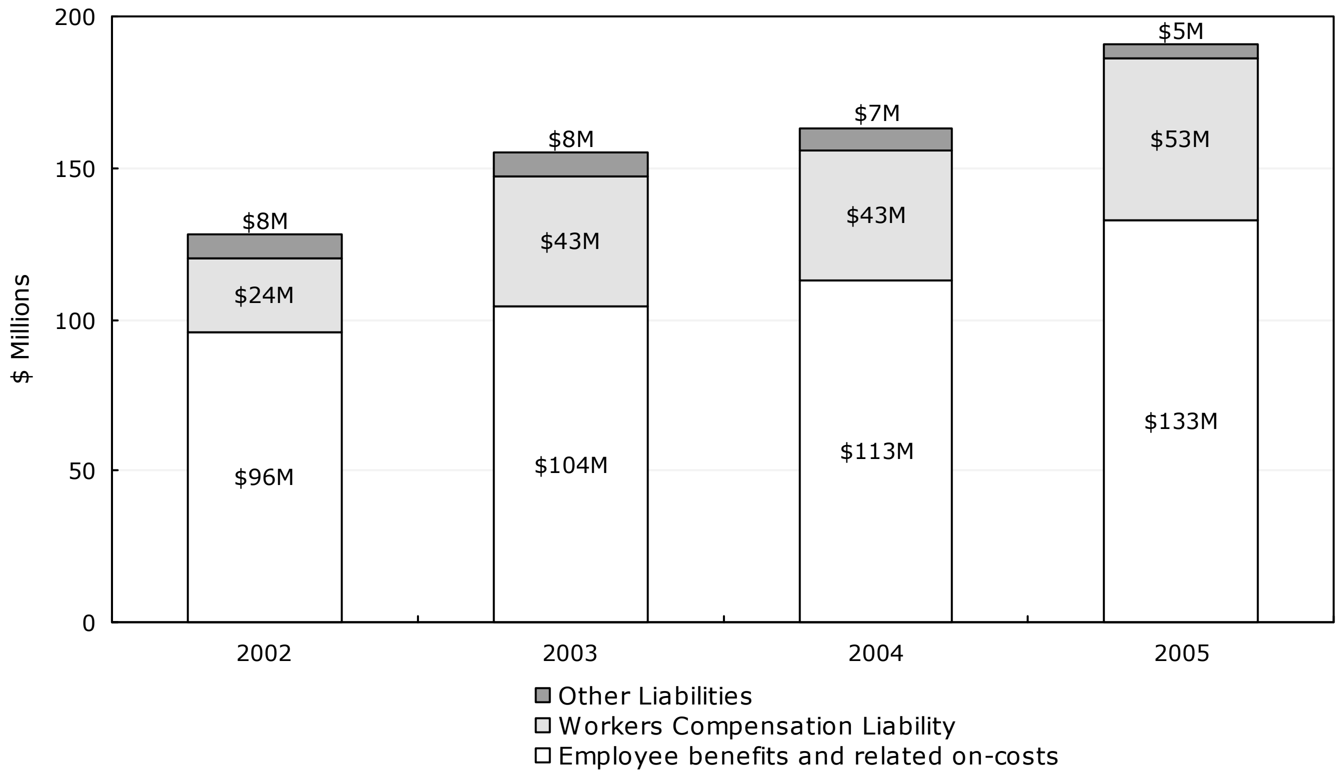
A structural analysis of assets and liabilities for the current year and the three preceding years is shown in the following chart.



Employee Benefits and Workers Compensation

Employee benefits, related on-costs and workers compensation liabilities represent 97 percent (96 percent) of total liabilities. At June 2005, the workers compensation liability of $53 million ($43 million) represented 28 percent (26 percent) of total liabilities of $191 million ($163 million).

The significance of employee related liabilities compared to total liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 $'million	2004 $'million	2003 $'million	2002 $'million
Net Cash Flows				
Operations	**29**	15	10	16
Investing	**(10)**	(10)	(5)	(21)
Financing	**(19)**	0	0	10
Change in Cash	**0**	5	5	5
Cash at 30 June	**49**	49	44	39

The analysis of cash flows shows that significant funds have been held over the past four years.

In October 2003 the Department of Treasury and Finance (DTF) introduced a Cash Alignment Policy designed to ensure that government agencies have adequate cash to meet their approved expenditure requirements while discouraging the accumulation of large cash balances. At 30 June each year cash deemed to be surplus to the Department's requirements will be transferred back to the Consolidated Account. In 2004-05, the Police Department returned $19 million to DTF under the Cash Alignment Policy as reflected in the table above in net cash flows from financing activities.

As can be seen from the above table, the Department's cash balance did not, however, decrease. The explanation provided by the Department is that the constant cash at bank balance is mainly as a result of savings in relation to anticipated workforce levels and lower than expected capital investment payments.

The increase in cash in 2004 was also mainly as the result of delays in progressing major capital projects, while the increase in cash experienced in 2003 was due mainly to cash received as reimbursement for payments made during 2002 on behalf of the Minister for the Audio Management System and an increase in funds held to meet planned expenditure on the Road Safety Reform Program.

Administered Items

Expiation Fees

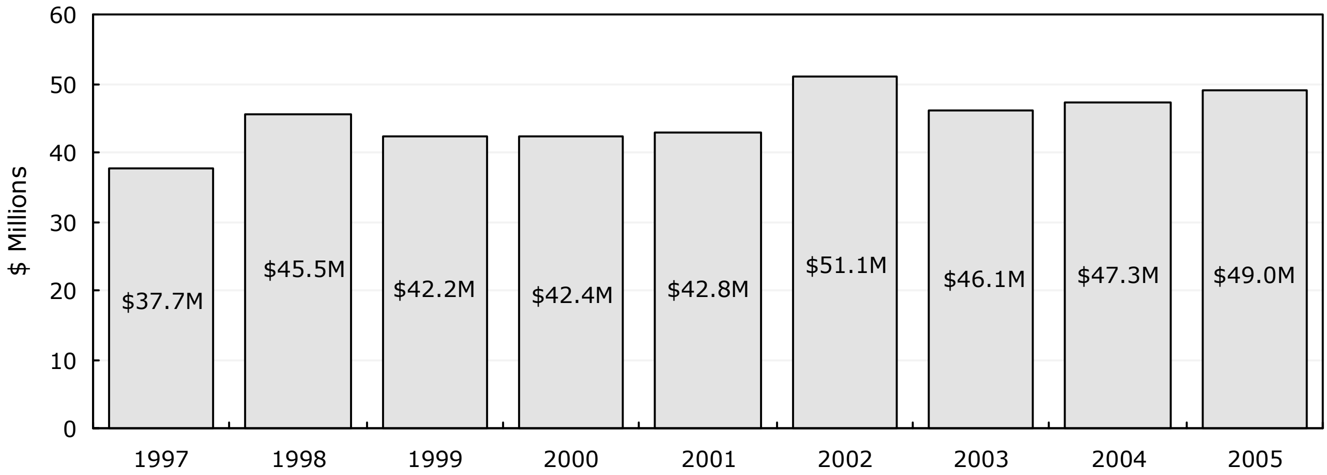
Expiation fees collected by the Department and paid into the Consolidated Account, as reflected in the following chart, increased by $1.7 million in 2004-05.

The Department has in the current and previous years identified a range of factors which may have contributed to variations in the level of Expiation Fee revenue year to year. The reasons include:

- changes in legislation (eg the introduction of the 50km/hr speed zone in metropolitan areas);
- changes in the number and type of speed detection devices;
- changes in driver behaviour in response to road safety strategies.

Audit have not validated these explanations.

Expiation Fees Collected by the Department



Statement of Financial Performance for the year ended 30 June 2005

	Note	**2005**	2004
EXPENSES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Employee expenses	5	**384 874**	332 764
Supplies and services	6	**80 778**	86 322
Depreciation and amortisation	7	**9 704**	9 391
Revaluation decrement		**5 431**	-
Total Expenses		**480 787**	428 477
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	9	**13 602**	12 547
Commonwealth revenue	10	**1 425**	11 516
Interest		**2 703**	2 039
Net gain from disposal of assets	11	**123**	228
Other	12	**14 549**	6 524
Total Revenues		**32 402**	32 854
NET COST OF SERVICES	25	**448 385**	395 623
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	13	**389 848**	346 680
Contributions from the Community Emergency Services Fund	13	**16 750**	16 750
Contributions from the Community Road Safety Fund	13	**34 700**	29 600
Intra-government transfers	13	**2 509**	-
Net Revenues from SA Government	13	**443 807**	393 030
NET RESULT FROM ORDINARY ACTIVITIES		**(4 578)**	(2 593)
TAX EQUIVALENT PAYMENTS	2.5	**(182)**	(186)
NET RESULT FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS		**(4 760)**	(2 779)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	21	**(4 760)**	(2 779)

Statement of Financial Position
as at 30 June 2005

	Note	**2005**	2004
		$'000	$'000
CURRENT ASSETS:			
Cash	14	**49 376**	49 233
Receivables	15	**7 250**	4 340
Inventories		**203**	208
Other	16	**1 514**	1 446
Total Current Assets		**58 343**	55 227
NON-CURRENT ASSETS:			
Property, plant and equipment	17	**161 781**	166 864
Capital works in progress	17	**12 451**	7 232
Total Non-Current Assets		**174 232**	174 096
Total Assets		**232 575**	229 323
CURRENT LIABILITIES:			
Payables	18	**10 103**	11 045
Employee benefits	19(a)	**32 298**	27 094
Provisions	20	**9 641**	8 473
Total Current Liabilities		**52 042**	46 612
NON-CURRENT LIABILITIES:			
Payables	18	**10 724**	8 843
Borrowings		**200**	200
Employee benefits	19(a)	**84 622**	72 475
Provisions	20	**44 073**	34 888
Total Non-Current Liabilities		**139 619**	116 406
Total Liabilities		**191 661**	163 018
NET ASSETS		**40 914**	66 305
EQUITY:			
Contributed capital	21	**6 256**	25 069
Accumulated surplus	21	**13 821**	18 581
Asset revaluation reserve	21	**20 837**	22 655
TOTAL EQUITY		**40 914**	66 305
Commitments for Expenditure	23		
Contingent Liabilities	24		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
OUTFLOWS:			
Employee payments		**(353 347)**	(320 985)
Supplies and services		**(79 151)**	(86 814)
GST payments on purchases		**(10 006)**	(13 435)
Total Outflows		**(442 504)**	(421 234)
INFLOWS:			
Receipts from Government		**443 807**	393 030
Fees and charges		**10 655**	13 900
Receipts from Commonwealth		**-**	10 866
Interest received		**2 671**	2 031
GST receipts from Australian Taxation Office		**7 917**	11 527
GST receipts on revenues		**2 006**	1 588
Other		**4 728**	3 235
Total Inflows		**471 784**	436 177
Net Cash Inflows from Operating Activities	25	**29 280**	14 943
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Purchase property, plant and equipment	17	**(11 489)**	(9 722)
Total Outflows		**(11 489)**	(9 722)
INFLOWS:			
Proceeds from sale of property, plant and equipment	11	**1 165**	181
Total Inflows		**1 165**	181
Net Cash Outflows from Investing Activities		**(10 324)**	(9 541)
CASH FLOWS FROM FINANCING ACTIVITIES:			
OUTFLOWS:			
Distributions to Government	14	**(18 813)**	-
Total Outflows		**(18 813)**	-
Net Cash Outflows from Financing Activities		**(18 813)**	-
NET INCREASE IN CASH HELD		**143**	5 402
CASH AT 1 JULY		**49 233**	43 831
CASH AT 30 JUNE	14	**49 376**	49 233

Program Schedule of Revenues and Expenses for the year ended 30 June 2005

(refer Note 4)	Program 1		Program 2		Program 3	
	Public Order		Crime Prevention		Road Safety	
	2005	2004	**2005**	2004	**2005**	2004
EXPENSES FROM ORDINARY ACTIVITIES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee expenses	**146 928**	124 527	**124 487**	103 697	**35 041**	33 821
Supplies and services	**29 127**	36 940	**24 654**	23 494	**9 103**	9 004
Depreciation and amortisation	**3 887**	3 707	**2 743**	2 589	**1 089**	1 091
Revaluation decrement	**1 958**	-	**1 658**	-	**612**	-
Total Expenses	**181 900**	165 174	**153 542**	129 780	**45 845**	43 916
REVENUES FROM ORDINARY ACTIVITIES:						
Fees and charges	**10 156**	8 194	**784**	1 042	**1 808**	2 629
Commonwealth revenue	**758**	11 516	**367**	-	**113**	-
Interest	**1 118**	863	**931**	667	**278**	226
Net gain from disposal of assets	**56**	102	**38**	70	**15**	29
Other	**6 023**	2 760	**5 009**	2 136	**1 495**	723
Total Revenues	**18 111**	23 435	**7 129**	3 915	**3 709**	3 607
Net Cost of Services from Ordinary Activities	**163 789**	141 739	**146 413**	125 865	**42 136**	40 309
Revenues from SA Government	**162 171**	140 620	**144 893**	125 102	**41 682**	40 110
NET RESULT FROM ORDINARY ACTIVITIES	**(1 618)**	(1 119)	**(1 520)**	(763)	**(454)**	(199)
TAX EQUIVALENT PAYMENTS	**(182)**	(143)	**-**	-	**-**	(43)
NET RESULT FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS	**(1 800)**	(1 262)	**(1 520)**	(763)	**(454)**	(242)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	**(1 800)**	(1 262)	**(1 520)**	(763)	**(454)**	(242)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

(refer Note 4)	Program 4 Emergency Response & Management		Program 5 Criminal Justice Services		Program Total	
	2005	2004	**2005**	2004	**2005**	2004
EXPENSES FROM ORDINARY ACTIVITIES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee expenses	**27 172**	25 603	**51 246**	45 116	**384 874**	332 764
Supplies and services	**8 772**	7 977	**9 122**	8 907	**80 778**	86 322
Depreciation and amortisation	**958**	1 017	**1 027**	987	**9 704**	9 391
Revaluation decrement	**590**	-	**613**	-	**5 431**	-
Total Expenses	**37 492**	34 597	**62 008**	55 010	**480 787**	428 477
REVENUES FROM ORDINARY ACTIVITIES:						
Fees and charges	**-**	-	**854**	682	**13 602**	12 547
Commonwealth revenue	**-**	-	**187**	-	**1 425**	11 516
Interest	**-**	-	**376**	283	**2 703**	2 039
Net gain from disposal of assets	**-**	-	**14**	27	**123**	228
Other	**-**	-	**2 022**	905	**14 529**	6 524
Total Revenues	**-**	-	**3 453**	1 897	**32 402**	32 854
Net Cost of Services from Ordinary Activities	**37 492**	34 597	**58 555**	53 113	**443 385**	395 623
Revenues from SA Government	**37 120**	34 407	**57 941**	52 791	**443 807**	393 030
NET RESULT FROM ORDINARY ACTIVITIES	**(372)**	(190)	**(614)**	(322)	**(4 578)**	(2 593)
TAX EQUIVALENT PAYMENTS	**-**	-	**-**	-	**(182)**	(186)
NET RESULT FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS	**(372)**	(190)	**(614)**	(322)	**(4 760)**	(2 779)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	**(372)**	(190)	**(614)**	(322)	**(4 760)**	(2 779)

A Program Schedule for Police Department assets and liabilities has not been produced as that information is not readily available.

The allocation of resources to programs is based upon both work activity surveys from a representative sample of four major local service areas in February 2005 and surveys completed by service areas.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2005

	Firearms Buyback Scheme	Special Acts	Expiation Fees	Provision of Helicopter Service	VOC Levy	Audio Managemt System*
ADMINISTERED EXPENSES:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	-	287	-	-	-	-
Supplies and services	43	-	-	5 770	-	43
Intra-Government transfers	-	-	-	-	-	10 971
Grants and subsidies	-	-	-	-	-	-
Payments to Consolidated Account	-	-	49 034	2 058	-	-
Victims of Crime levy	-	-	-	-	2 552	-
Total	43	287	49 034	7 828	2 552	11 014
ADMINISTERED REVENUES:						
Intra-Government transfers	-	-	-	1 293	-	1 081
Sales of goods and services	-	-	-	615	-	-
Sponsorship	-	-	-	170	-	-
Fines and penalties	-	-	49 034	-	-	-
State Government appropriations	-	287	-	5 573	-	234
Victims of Crime levy	-	-	-	-	2 552	-
Total	-	287	49 034	7 651	2 552	1 315
REVENUES LESS EXPENSES	(43)	-	-	(177)	-	(9 699)

	Safer Communities Australia	SA Water Concessn for Emergency Services	Crime Prevention Council	**2005 Total**	2004 Total
ADMINISTERED EXPENSES:	$'000	$'000	$'000	**$'000**	$'000
Employee benefits	-	-	-	**287**	284
Supplies and services	-	-	-	**5 856**	5 140
Intra-Government transfers	-	50	-	**11 021**	41 892
Grants and subsidies	78	-	3	**81**	177
Payments to Consolidated Account	-	-	-	**51 092**	49 445
Victims of Crime levy	-	-	-	**2 552**	2 545
Total	78	50	3	**70 889**	99 483
ADMINISTERED REVENUES:					
Intra-Government transfers	-	-	-	**2 374**	3 506
Sales of goods and services	-	-	-	**615**	1 601
Sponsorship	-	-	-	**170**	170
Fines and penalties	-	-	-	**49 034**	47 331
State Government appropriations	78	50	3	**6 225**	49 096
Victims of Crime levy	-	-	-	**2 552**	2 545
Total	78	50	3	**60 970**	104 249
REVENUES LESS EXPENSES	-	-	-	**(9 919)**	4 766

* The Audio Management System project was administered by South Australia Police (SAPOL) until its finalisation with payments to that time reflected in Work in Progress (WIP). During 2004-05, with the project's finalisation, the total amount of WIP for the project was transferred to SAPOL ($6.061 million), South Australia Ambulance Service ($2.876 million) and South Australia Metropolitan Fire Service ($2.034 million) where it was capitalised.

Schedule of Administered Assets and Liabilities as at 30 June 2005

	Exhibit Money	Special Acts	Expiation Fees	Provision of Helicopter Service	SA Water Concession for Emergency Services
ADMINISTERED ASSETS:	$'000	$'000	$'000	$'000	$'000
Cash assets	2 383	(76)	4 394	(642)	(50)
Receivables	-	76	-	2 292	50
Prepayments	-	-	-	-	-
Works in progress	-	-	-	-	-
Total	2 383	-	4 394	1 650	-
ADMINISTERED LIABILITIES:					
Payables	2 383	-	4 394	1 418	-
Total	2 383	-	4 394	1 418	-
NET ASSETS	-	-	-	232	-

	VOC Levy	Audio Mgmt System	Crime Prevention Council	**2005 Total**	2004 Total
ADMINISTERED ASSETS:	$'000	$'000	$'000	**$'000**	$'000
Cash assets	232	(232)	(3)	**6 006**	3 296
Receivables	-	232	3	**2 653**	1 541
Prepayments	-	-	-	**-**	197
Works in progress	-	-	-	**-**	9 701
Total	232	-	-	**8 659**	14 735
ADMINISTERED LIABILITIES:					
Payables	232	-	-	**8 427**	4 584
Total	232	-	-	**8 427**	4 584
NET ASSETS	-	-	-	**232**	10 151

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Police Department (SAPOL)

The South Australia Police Department (SAPOL) operates within the *Police Act 1998*, the *Police Regulations 1999*, and the *Public Sector Management Act 1995*.

The mission statement of SAPOL, as set out in the Corporate Business Plan 2004 – 2005, is 'working together to reassure and protect the community from crime and disorder'. This mission statement is reflected in the following core strategies:

- Community support.
- Problem solving.
- Accessibility.
- Respond efficiently and effectively to emergencies and calls for assistance.
- Detection and deterrence.
- Investigation.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia.

SAPOL's Statement of Financial Performance and Statement of Financial Position 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 continued existence of SAPOL in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for SAPOL's administration and outputs.

2.2 Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'SA Police Operating Account'. SAPOL's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have the control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities, but are disclosed separately in the Schedule of Administered Expenses and Revenues, and the Schedule of Administered Assets and Liabilities as appropriate.

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, confiscated or passed to the Government.

As SAPOL does not control the final treatment of exhibit property these items are considered to be held on an administered basis. These items have not been valued at 30 June 2005 due to the impracticality of carrying out the valuation process.

2.3 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.4 Rounding

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

2.5 Tax Equivalent Payments

SAPOL is not subject to income tax. SAPOL is liable for payroll tax, Fringe Benefits Tax, Goods and Services Tax, Emergency Services Levy, land tax equivalents and local government rate equivalents.

In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. Although GBEs cannot legally pay the income tax, an equivalent payment is made to the Department of Treasury and Finance. For the purpose of determining Income Tax Equivalent payments, which are applicable only to the Police Security Services Branch of SAPOL's operations, the Income Tax liability is deemed to be equal to 30 percent of the net profit for the Police Security Services Branch.

2.6 Accounting for Goods and Services Tax

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- The amount of GST incurred by SAPOL as a purchaser that is not recoverable from the Australian Taxation Office 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 Australian Taxation Office has been recognised as a receivable/ payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the Australian Taxation Office have however been classified as operating cash flows.

2.7 Revenues and Expenses

Revenues and Expenses are recognised in SAPOL's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenues and Expenses have been classified according to their nature in accordance with APS 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenues from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is driven by consumer demand.

Fees and charges controlled by SAPOL are recognised as revenues. 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 by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.8 Revenues from South Australian Government

Appropriations for program funding are recognised as revenues when SAPOL obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

2.9 Current and Non-Current Items

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

2.10 Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Administered cash is not included in the Statement of Cash Flows.

2.11 Receivables

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

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

SAPOL determines the provision 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.

2.12 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

SAPOL capitalises all non-current physical assets with a value of $10 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'. All other plant and equipment purchases are expensed in the year of purchase.

2.13 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets':

- all non-current physical assets are valued at written down current cost (a proxy for the fair value method of valuation);
- 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 live is greater than three years.

The Statement of Financial Position includes all property, plant and equipment controlled by SAPOL.

Land and Buildings controlled by SAPOL were revalued, as at 30 June 2005, following an independent valuation prepared by Valcorp Australia Pty Limited using the fair value methodology. Other non-current assets have been valued at their written down historic cost.

2.13 Revaluation of Non-Current Assets (continued)

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 physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.14 Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of the remaining useful lives are made on a regular basis for all assets.

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

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

Class of Asset	**Depreciation Method**	**Useful Life (Years)**
Buildings	Straight Line	15-60
Vehicles and transport vessels	Straight Line	3-10
Computers and communications	Straight Line	3-7
Office furniture and equipment	Straight Line	10
Weaponry	Straight Line	2
Other plant and equipment	Straight Line	10
Leasehold improvements	Straight Line	Life of lease

2.15 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 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 amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after SAPOL 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.

SAPOL makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the Police Superannuation Board (PSB) and South Australian Superannuation Board (SASB) have assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to PSB and SASB.

2.16 Employee Benefits

Annual Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. 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.

Long Service Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 10 years (12 years) service as a shorthand estimation of long service leave liability. The Department of Treasury and Finance provided the actuarial benchmark in 2005. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs (refer Note 18). This policy is consistent with the requirements of Australian Accounting Standard AASB 1028 'Employee Benefits'.

Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

2.17 Provisions

Provisions are recognised when SAPOL has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Workers Compensation
A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries (refer Note 20).

Civil Actions against Police
A liability has been reported to reflect unsettled actions against SA Police.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Professional Indemnity and General Public Liability Insurance
The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the South Australian Government Captive Insurance Corporation (SAICORP) and 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.

2.18 Leases
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 Financial Performance in the period in which they are incurred (refer Note 23).

3. Changes in Accounting Policies

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards
Australia will be adopting Australian equivalents to International Financial Reporting Standards (IFRS) effective for annual reporting periods on or after 1 January 2005. SAPOL will adopt these standards for the first time in the financial report for the year ended 30 June 2006.

AASB 1047 '*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*' requires disclosure of any key differences in accounting policies, and known or reliably estimable information about the impact on this financial report had this report been prepared using the Australian equivalents to IFRS.

SAPOL's management, along with its Audit Committee, have assessed the significance of the adoption of the standards for the purpose of their implementation. This has involved assessment of accounting policy and topics in existing Australian Accounting Standards and Australian equivalents to IFRS to determine any key differences and significant financial impacts.

The assessment that has been undertaken identifies no key differences or financial impacts that will result from the adoption of Australian Equivalents to International Financial Reporting Standards apart from that listed below.

AASB 138 '*Intangible Assets'*
Computer software currently capitalised under Property, Plant and Equipment will be reclassified and included under a new classification in the Statement of Financial Position (Balance Sheet) as Intangible Assets.

4. Programs of SAPOL

SAPOL has identified five programs that it delivers to the community and the Minister for Police. The identity and description of each SAPOL program during the year ended 30 June is summarised below. Financial information relating to each Program is reported in the Program Schedule of the Department's Expenses and Revenues.

Program 1 Public Order
Provision of police services to the community, the investigation and management of public order offences, and the management of major events in the State. The outcome is a community that is reassured and protected from crime and disorder, making South Australia a safer place to live, visit and conduct business.

Program 2 Crime Prevention
Conducting investigations and management by police of crimes against the person, property offences, drug related offences and other crimes in the community; application of SAPOL's crime reduction strategy to achieve identified crime reduction outcomes; provision of services that support crime prevention, such as Watch programs and Crime Stoppers; and the production and dissemination of information, education and training. The outcome is that the incidence and effects of crime will be reduced, making South Australia a safer place to live, visit and conduct business.

4. Programs of SAPOL (continued)

Program 3 Road Safety

Regulation of road use, investigation of vehicle collisions and promotion of road safety. The outcomes are improved road safety and efficient traffic movement, in addition to related economic and personal benefits, making South Australia a safer place to live, visit and conduct business.

Program 4 Emergency Response and Management

Maximising the capacity to receive and manage calls for assistance, and to respond to and manage emergencies. The outcome is that the effects on individuals and the community of emergency and disaster situations are minimised, making South Australia a safer place to live, visit and conduct business.

Program 5 Criminal Justice Services

Enforcement of court orders and execution of warrants, the provision of prosecution services and services to the judicial system, and the safekeeping and supervision of persons in police custody. The outcome is an efficient, effective, safe and fair support service to the judicial system, making South Australia a safer place to live, visit and conduct business.

5. Employee Expenses

	2005	2004
	$'000	$'000
Salaries and wages	**240 185**	220 276
Superannuation and payroll expenses	**58 998**	51 379
Annual, sick, long service leave and leave bank expenses	**59 624**	45 931
Workers compensation (refer Note 20)	**21 034**	10 011
Other employee related expenses	**5 033**	5 167
Total Employee Expenses	**384 874**	332 764

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	2005 Number of Employees	2004 Number of Employees
$100 000 - $109 999	**95**	32
$110 000 - $119 999	**32**	8
$120 000 - $129 999	**11**	3
$130 000 - $139 999	**1**	1
$140 000 - $149 999	**2**	1
$150 000 - $159 999	**1**	1
$160 000 - $169 999	**-**	3
$170 000 - $179 999	**5**	-
$220 000 - $229 999	**-**	1
$240 000 - $249 999	**1**	-
$260 000 - $269 999	**-**	1
$270 000 - $279 999	**1**	-
Total Number of Employees	**149**	51

The total remuneration paid or payable to these employees was $17 million ($6 million). This employee group is made up of 9 (9) current senior executive, 140 (40) senior management and 0 (2) secondments to East Timor, of which 142 (48) are sworn police and 7 (3) are public servants.

The increase in remuneration and number of employees is caused by the implementation of the Enterprise Bargaining Agreement for Police Officers during 2004-05.

6. Supplies and Services

	2005	2004
Supplies and Services provided by entities within the SA Government:	$'000	$'000
Occupancy rent and rates	**8 870**	8 960
Computing expenses	**7 268**	8 797
Communication expenses (including Government Radio Network (GRN)) expenditure	**3 850**	3 960
Operating leases	**3 017**	2 605
Repairs and maintenance - Buildings	**2 580**	2 650
Insurance and risk management	**822**	761
Motor vehicle expenses	**798**	982
Electricity, gas and fuel	**578**	495
Costs against Police	**244**	258
Service agreements	**190**	93
Other administrative expenses	**132**	231
Civil actions against Police	**105**	86
Minor equipment expenses	**77**	-
Other	**456**	583
Total Supplies and Services - SA Government Entities	**28 987**	30 461

6. Supplies and Services (continued)

Supplies and Services provided by entities external to the SA Government:	**2005 $'000**	2004 $'000
Motor vehicle expenses	**9 785**	8 097
Communication expenses	**5 475**	4 375
Minor equipment expenses	**4 355**	2 177
Operating leases	**3 810**	3 773
Computing expenses	**3 066**	2 259
Electricity, gas and fuel	**2 403**	2 315
Travel and accommodation	**2 234**	2 269
Other administrative expenses	**2 058**	1 061
Uniform issues	**1 942**	1 576
Cleaning infrastructure	**1 675**	1 824
Staff development	**1 366**	1 132
Service agreements	**1 217**	1 137
Stationery	**1 085**	1 275
Agency staffing	**868**	873
Alarm installations, maintenance and monitoring	**806**	1 230
Aircraft operations	**704**	474
Printing	**623**	585
Advertising	**617**	222
Repairs and maintenance - Equipment	**533**	591
Costs against Police	**483**	224
Occupancy rent and rates	**315**	258
Civil actions against Police	**237**	264
Occupational Health and Safety	**219**	240
Consultancies	**105**	71
Hand gun buy back compensation payments	**1**	13 214
Other	**5 809**	4 345
Total Supplies and Services - Non-SA Government Entities	**51 791**	55 861
Total Supplies and Services	**80 778**	86 322

The number and dollar amount of consultancies paid/payable that fell within the following band:	**2005 Number**	**2005 $'000**	2004 $'000
Below $10 000	**2**	**6**	26
Between $10 000 - $50 000	**3**	**99**	45
Above $50 000	**-**	**-**	-
Total Paid/Payable to the Consultants Engaged	**5**	**105**	71

7. Depreciation and Amortisation

	2005 $'000	2004 $'000
Buildings and improvements	**3 315**	3 305
Leasehold improvements	**3 189**	3 194
Computers and communications	**1 664**	1 407
Weaponry and other	**853**	845
Vehicles and transport vessels	**673**	625
Office furniture and equipment	**10**	15
Total Depreciation and Amortisation	**9 704**	9 391

8. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**120**	171

Other Services

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

9. Fees and Charges

Fees and Charges received/receivable from entities within the SA Government for the reporting period comprise:		
Police Security Services	**6 013**	5 976
Prosecution and other court fees	**534**	519
Other fees	**43**	21
Total Fees and Charges - SA Government Entities	**6 590**	6 516
Fees and Charges received/receivable from entities external to the SA Government for the reporting period comprise:		
Firearms licence and registration fees	**3 242**	3 005
Police information requests	**1 607**	1 303
Escorts - Wide load/other	**1 570**	1 043
Police security services	**143**	181
Other fees	**450**	499
Total Fees and Charges - Non-SA Government Entities	**7 012**	6 031
Total Fees and Charges	**13 602**	12 547

10. Commonwealth Revenue

	2005 $'000	2004 $'000
Other Commonwealth revenue	**1 425**	-
Reimbursement of Handgun Buyback compensation payments	**-**	9 708
Reimbursement of administrative expenses	**-**	1 808
Total Commonwealth Revenue	**1 425**	11 516

SAPOL recovered costs associated with resources provided, at the request of the Commonwealth Government, for the Baxter Detention Centre protester convergence during Easter 2005.

South Australia, through SAPOL, implemented a handgun buyback, operating between 1 October 2003 and 31 March 2004 during which members of the public and firearms dealers surrendered handguns in accordance with the Council of Australian Governments Agreement on Firearms and the Intergovernmental Agreement on the Handgun Buyback.

SAPOL paid out $13.214 million in compensation payments (refer Note 6) with reimbursement from the Commonwealth being generally 66.6 percent of the compensation payment or 100 percent of the compensation payment where a person elected to leave the sport.

11. Net Gain from Disposal of Assets

	2005 $'000	2004 $'000
Land and Buildings:		
Proceeds from disposal	**993**	-
Net book value of assets disposed	**(639)**	-
Net Gain from Disposal of Land and Buildings	**354**	-
Plant and Equipment:		
Proceeds from disposal	**596**	181
Net book value of assets disposed	**(739)**	(215)
Write down of non-current assets - Stock take	**(88)**	(221)
Assets identified as part of stock take/other	**-**	483
Net (Loss) Gain from Disposal of Plant and Equipment	**(231)**	228
Total Assets:		
Proceeds from disposal	**1 589**	181
Net book value of assets disposed	**(1 378)**	(215)
Write down of non-current assets - Stock take	**(88)**	(221)
Assets identified as part of stock take/other	**-**	483
Net Gain from Disposal of Total Assets	**123**	228

12. Other Revenue

	2005	2004
Other revenues for the reporting period include:		
Contributed (donated) asset revenue	**7 076**	-
Employee benefits recoveries	**2 260**	2 542
Grants	**740**	1 033
Other	**4 473**	2 949
Total Other Revenue	**14 549**	6 524

13. Revenues from SA Government

	2005	2004
Revenues from SA Government:		
Appropriation from Consolidated Account pursuant to the *Appropriation Act*	**389 848**	346 680
Contributions from the Community Emergency Services Fund	**16 750**	16 750
Contributions from the Community Road Safety Fund	**34 700**	29 600
Intra-Government Transfers	**2 509**	-
Total Revenues from SA Government	**443 807**	393 030

The Intra-Government Transfers related to funding for equipment for Government Radio Network (GRN) terminals.

14. Cash

	2005	2004
Deposits at Call - Westpac	**27 784**	40 259
Deposits with the Treasurer	**20 369**	8 538
Cash held in imprest account and petty cash	**1 223**	436
Total Cash	**49 376**	49 233

Deposits at Call – Westpac
With the implementation of the cash alignment policy in 2004-05 SAPOL returned $18.8 million as a distribution to the Government.

Deposits with the Treasurer
Includes Accrual Appropriation Account balance.

Cash held in Imprest Account and Petty Cash
SAPOL is recognising cash deposits in separate bank accounts operated by various Police Stations and Local Service Areas for the first time in 2004-05 for $782 000.

15. Receivables

	2005	2004
Current:	**$'000**	$'000
Receivables	**4 536**	1 661
Less: Provision for doubtful debts	**(4)**	(6)
Accrued revenue	**28**	26
Accrued interest	**167**	153
GST receivable	**2 523**	2 506
Total Current Receivables	**7 250**	4 340

Government/Non-Government Receivables

	2005	2004
Receivables from SA Government Entities:		
Receivables	**1037**	592
Accrued revenues	**28**	26
Total Receivables - SA Government Entities	**1 065**	618
Receivables from Non-SA Government Entities:		
Receivables	**3 499**	1 069
Less: Provision for doubtful debts	**(4)**	(6)
Accrued interest	**167**	153
GST receivable	**2 523**	2 506
Total Receivables - Non-SA Government Entities	**6 185**	3 722
Total Receivables	**7 250**	4 340

16. Other Assets

	2005	2004
Current Assets:		
Prepayments	**1 501**	1 443
Other	**13**	3
Total Current Assets	**1 514**	1 446

17. Property, Plant and Equipment

	2005	2004
Land and Buildings: (1)		
Land	**36 705**	23 002
Buildings	**96 583**	179 797
Accumulated depreciation	**-**	(64 596)
Total Land and Buildings	**133 288**	138 203
Leasehold Improvements: (1)		
Leasehold improvements	**6 716**	31 026
Accumulated amortisation	**-**	(15 953)
Total Leasehold Improvements	**6 716**	15 073
Weaponry:		
Weaponry	**1 460**	1 460
Accumulated depreciation	**(1 361)**	(1 301)
Total Weaponry	**99**	159
Computing and Communications Equipment:		
Computing and communications equipment	**17 088**	7 629
Accumulated depreciation	**(5 143)**	(3 636)
Total Computing and Communications Equipment	**11 945**	3 993
Office Furniture and Equipment:		
Office furniture and equipment	**532**	532
Accumulated depreciation	**(495)**	(486)
Total Office Furniture and Equipment	**37**	46
Vehicle and Transport Vessels:		
Vehicle and transport vessels	**7 995**	8 621
Accumulated depreciation	**(4 150)**	(4 295)
Total Vehicle and Transport Vessels	**3 845**	4 326
Other:		
Other	**10 721**	9 224
Accumulated depreciation	**(4 870)**	(4 160)
Total Other	**5 851**	5 064
Total Property, Plant and Equipment	**161 781**	166 864

(1) Land, buildings and improvements were revalued as at 30 June 2005 by the following officers from Valcorp Australia Pty Limited:
Andrew James Lucas, AAPI, Certified Practising Valuer, Dip Acc, B.App.Sc. (Val), ASA
Alfonso (Fred) Taormina, AAPI, Certified Practising Valuer, B.App.Sc. (Val), R.V., (Fiji)
Alicia Marie Portolesi, GAPI Qualified Valuer, B.Bus.(Property)

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05.

	Land $'000	Buildings and Improvements $'000	Leasehold Improvements $'000	Weaponry $'000	Computer and Communications Equipment $'000
Carrying amount at 1 July	23 002	115 202	15 073	159	3 993
Additions	-	-	-	-	868
Disposals	(441)	(198)	-	-	-
Write-off non-current assets	-	-	-	-	(40)
Depreciation and amortisation	-	(3 315)	(3 189)	(60)	(1 664)
Asset revaluations	14 143	(16 097)	(5 295)	-	-
Assets transferred between classes	-	991	128	-	1 712
Donated assets *	-	-	-	-	7 076
Works in progress expensed	-	-	-	-	-
Other movements	1	-	(1)	-	-
Carrying Amount at 30 June	36 705	96 583	6 716	99	11 945

	Office Furniture and Equipment $'000	Vehicles and Transport Vessels $'000	Other $'000	Works in Progress $'000	**2005 Total $'000**
Carrying amount at 1 July	47	4 326	5 064	7 232	**174 098**
Additions	-	792	1 405	8 424	**11 489**
Disposals	-	(739)	-	-	**(1 378)**
Write-off non-current assets	-	(20)	(28)	-	**(88)**
Depreciation and amortisation	(10)	(673)	(793)	-	**(9 704)**
Asset revaluations	-	-	-	-	**(7 249)**
Assets transferred between classes	-	159	203	(3 193)	**-**
Donated assets *	-	-	-	-	**7 076**
Works in progress expensed	-	-	-	(13)	**(13)**
Other movements	-	-	-	1	**1**
Carrying Amount at 30 June	37	3 845	5 851	12 451	**174 232**

* Reflects the transfer of South Australia Police's (SAPOL) component of the Audio Management System from Administered Items to Controlled ($6 million) and recognition of Core Client Access Licences purchased by the Department for Administrative and Information Services (DAIS) on behalf of SAPOL ($1 million).

18. Payables and Accruals

	2005	2004
Current:	**$'000**	$'000
Creditors	**4 001**	6 365
Payables employment on-costs	**3 782**	3 228
Accrued employment on-costs	**1 678**	1 263
GST payable	**570**	185
Prepaid revenue	**72**	4
Total Current Payables	**10 103**	11 045
Non-Current:		
Payables employment on-costs	**10 695**	8 814
Other	**29**	29
Total Non-Current Payables	**10 724**	8 843

Government/Non-Government Payables

Payables to SA Government Entities:		
Payables employment on-costs	**14 477**	12 042
Creditors	**1 292**	2 663
Accrued employment on-costs	**1 678**	1 263
Total Payables - SA Government Entities	**17 447**	15 968
Payables to Non-SA Government Entities:		
Creditors	**2 709**	3 702
GST payable	**570**	185
Prepaid revenue	**72**	4
Other	**29**	29
Total Payables - Non-SA Government Entities	**3 380**	3 920

19. *(a) Employee Benefits*

Current:		
Accrued salaries and wages	**9 120**	6 911
Annual leave	**16 527**	14 422
Long service leave	**6 651**	5 761
Total Current Employee Benefits	**32 298**	27 094

19. ***(a) Employee Benefits (continued)***

	2005	2004
Non-Current:	**$'000**	$'000
Annual leave	**756**	-
Long service leave	**83 866**	72 475
Total Non-Current Employee Benefits	**84 622**	72 475
Total Employee Benefits	**116 920**	99 569

(b) Employee Benefits and Related On-Costs

	2005	2004
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note 18)	**1 678**	1 263
Employee Benefits - Current (Note 19(a))	**9 120**	6 911
	10 798	8 174
Annual Leave - Current:		
On-costs included in payables - Current (Note 18)	**2 961**	2 529
Employee Benefits - Current (Note 19(a))	**16 527**	14 422
	19 488	16 951
Annual Leave - Non-Current:		
On-costs included in payables - Non-current (Note 18)	**153**	-
Employee Benefits - Non-current (Note 19(a))	**756**	-
	909	-
Long Service Leave - Current:		
On-costs included in payables - Current (Note 18)	**821**	699
Employee Benefits - Current (Note 19(a))	**6 651**	5 761
	7 472	6 460
Long Service Leave - Non-Current:		
On-costs included in payables - Non-current (Note 18)	**10 542**	8 814
Employee Benefits - Non-current (Note 19(a))	**83 866**	72 475
	94 408	81 289
Aggregate Employee Benefit and Related On-Costs	**133 075**	112 874

SAPOL is recognising an increased long service leave liability due to the implementation of the Enterprise Bargaining Agreement for Police Officers and a change in the shorthand methodology (12 years to 10 years) used in the calculation of the liability.

SAPOL is recognising a liability associated with the Leave Bank Fund for the first time in 2004-05 for $1.269 million. The liability in 2003-04 would have been $639 000 if recognised. The Leave Bank Fund is for the benefit of Police who have used all their sick leave entitlements.

20. Provisions

	2005	2004
Current:	**$'000**	$'000
Provision for workers compensation (refer Note 5)	**9 127**	7 908
Provision for civil actions against Police	**514**	565
Total Current Provisions	**9 641**	8 473
Non-Current:		
Provisions for workers compensation (refer Note 5)	**44 073**	34 888
Total Non-Current Provisions	**44 073**	34 888
Civil Actions Against Police:		
Carrying amount at the beginning of the period	**565**	643
Increase in the provision (New and revised civil actions)	**152**	147
Decrease in the provision (Finalised civil actions)	**(203)**	(225)
Carrying Amount at 30 June	**514**	565

SAPOL is recognising an increased Workers Compensation Liability due to:

- an increase in the Income Maintenance payment trends;
- a decrease in the discount rate;
- additional exposure from the 2004-05 accident year;
- inflation; and
- the first time recognition of a liability for lump sums payable to members pursuant to section 42 (redemptions) and 44 (death benefit) of the *Workers Rehabilitation and Compensation Act 1986*. This increase in liability results from a change in policy with the Government Workers Rehabilitation and Compensation Fund being closed to claims lodged from 1 July 2004. The increased liability recognised by SAPOL relates to new claims made after 1 July 2004.

21. Equity and Changes in Equity

	2005	2004
	$'000	$'000
Contributed capital	**6 256**	25 069
Accumulated surplus	**13 821**	18 581
Asset revaluation reserve	**20 837**	22 655
Total Equity	**40 914**	66 305

21. Equity and Changes in Equity (continued)

Accumulated surplus represents the residual interest in SAPOL's net assets. The South Australian Government holds the accumulated surplus interest in SAPOL on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	2005	2004
Contributed Capital:	**$'000**	$'000
Balance at 1 July	**25 069**	25 069
Decrease in contributed capital resulting from a distribution to Government	**(18 813)**	-
Balance at 30 June	**6 256**	25 069

SAPOL reduced contributed capital by $18.813 million by way of distribution to the Government, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

Accumulated Surplus:		
Balance at 1 July	**18 581**	21 360
Decrease in net assets resulting from ordinary activities after tax equivalent payments	**(4 760)**	(2 779)
Balance at 30 June	**13 821**	18 581

The decrease in net assets resulting from ordinary activities after tax equivalent payments in 2004-05 of $4.8 million was impacted by a further increase of $15.1 million in the Department's long service and annual leave liabilities which is offset by the recognition of contributed assets ($7.1 million). This does not impact on the Department's cash position.

The decrease in net assets resulting from ordinary activities after tax equivalent payments in 2003-04 of $2.8 million was impacted by an increase of $5.3 million in the Department's long service and annual leave liabilities. This does not impact on the Department's cash position.

	2005	2004
Asset Revaluation Reserve:	**$'000**	$'000
Balance at 1 July	**22 655**	22 655
Increase in Asset Revaluation Reserve due to revaluation of land conducted as at 30 June 2005	**14 143**	-
Decrease in Asset Revaluation Reserve due to revaluation of buildings conducted as at 30 June 2005	**(12 502)**	-
Decrease in Asset Revaluation Reserve due to revaluation of leasehold improvements conducted as at 30 June 2005	**(3 459)**	-
Balance at 30 June	**20 837**	22 655

Land, Buildings and Improvements were revalued as at 30 June 2005 in accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets'. SAPOL revalues assets on a three yearly cycle.

22. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash at bank comprises cash held, available at call, and cash held in the Department of Treasury and Finance Accrual Appropriation Excess Funds Special Deposit Account. All cash is recorded at cost. Interest revenue is recorded on an accrual basis.

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

(ii) Financial Liabilities

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

(iii) Borrowings

SAPOL maintains an imprest account of $200 000 representing monies advanced by the Department of Treasury and Finance. The advance is interest free.

(b) Interest Rate Risk

Financial Instrument	**Effective Interest Rate at 30.06.05**	**Interest Bearing**	**Non-Interest Bearing**	**2005 Total**
Financial Assets:	**Percent**	**$'000**	**$'000**	**$'000**
Cash at bank (Note 14)	**5.35**	**48 153**	**-**	**48 153**
Cash held in imprest account and petty cash (Note 14)	**-**	**-**	**1 223**	**1 223**
Receivables (Note 15)	**-**	**-**	**7 250**	**7 250**
		48 153	**8 473**	**56 626**

(b) Interest Rate Risk (continued)

	Effective Interest Rate at 30.06.05 Percent	Interest Bearing $'000	Non-Interest Bearing $'000	2005 Total $'000
Financial Liabilities:				
Payables (Note 18)	**-**	**-**	**4 600**	**4 600**
Borrowings:				
Advance from Department of Treasury and Finance	**-**	**-**	**200**	**200**
		-	**4 800**	**4 800**

Financial Instrument	Effective Interest Rate at 30.06.04 Percent	Interest Bearing $'000	Non-Interest Bearing $'000	2004 Total $'000
Financial Assets:				
Cash at bank (Note 14)	5.10	48 797	-	48 797
Cash held in imprest account and petty cash (Note 14)	-	-	436	436
Receivables (Note 15)	-	-	4 340	4 340
		48 797	4 776	53 573
Financial Liabilities:				
Payables (Note 18)	-	-	6 579	6 579
Borrowings:				
Advance from Department of Treasury and Finance	-	-	200	200
		-	6 779	6 779

Receivables and Payables are shown inclusive of GST.

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

SAPOL's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. SAPOL has no significant exposures to any concentration of credit risk.

23. Commitments for Expenditure

Capital and Recurrent Commitments:	**2005 $'000**	2004 $'000
Capital and recurrent expenditure commitments at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**8 844**	5 698
Later than one year but not later than five years	**616**	770
Total Capital Commitments	**9 460**	6 468
GST included in Capital and Recurrent Commitments	**860**	588
Operating Lease Commitments:		
Commitments under non-cancellable operating leases, related to property and vehicles, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**16 113**	14 094
Later than one year but not later than five years	**38 593**	27 582
Later than five years	**93 153**	5 456
Total Lease Commitments	**147 859**	47 132
GST included in Operating Lease Commitments	**13 442**	4 285

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.

The increase in the Operating Lease Commitments is the result of SAPOL entering into leases under Public Private Partnership (PPP) arrangements. These leases are for a 25 year duration.

24. Contingent Liabilities

Rewards

As at 30 June 2005 the value of outstanding rewards for unsolved murders was $4.3 million ($4.3 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.

25. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

	2005 $'000	2004 $'000
Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	**49 376**	49 233
Statement of Financial Position	**49 376**	49 233
Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services:		
Net cash inflows from operating activities	**29 280**	14 943
Less: Revenues from Government	**(389 848)**	(346 680)
Less: Contribution from the Community Emergency Services Fund	**(16 750)**	(16 750)
Less: Contribution from Community Road Safety Fund	**(34 700)**	(29 600)
Less: Intra-Government Transfers	**(2 509)**	-
Add/Less Non-Cash Items:		
Depreciation of Property, plant and equipment	**(9 704)**	(9 391)
Net gain from disposal and write-down of non-current assets	**123**	228
Tax equivalent payments	**182**	186
Works in progress expensed	**(13)**	(96)
Donated Assets - AMS	**6 061**	-
Donated Assets - CACL	**1 015**	-
Revaluation decrement	**(5 431)**	-
Sale of Goodwood (Cash timing)	**(424)**	-
Asset transfers	**3**	1
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	**2 910**	(959)
Increase in other current assets	**68**	162
Decrease in inventories	**(5)**	(42)
Increase in payables and provisions	**(11 292)**	(99)
Increase in other liabilities	**(17 351)**	(7 526)
Net Cost of Services from Ordinary Activities	**(448 385)**	(395 623)

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Police Superannuation Board (the Board) is a body corporate established under the *Police Superannuation Act 199*0 (the Act). The Board is responsible to the Treasurer for all aspects of the administration of the schemes established by the Act, except for the management and investment of the Fund.

Functions

The Board is responsible for the collection of contributions from members of the Police Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

The main financial administration arrangements that apply in relation to the Scheme involve:

- The Police Superannuation Fund — The Fund, established under the Act, records as income to the Fund, members' contributions and revenue derived from investment of those monies, and also records as payments from the Fund, the employee share of benefit payments and administration costs.

  The Fund is comprised of two divisions, the Old Scheme Division which provides pension benefits with a lump sum option and the New Scheme Division which provides lump sum benefits.

  The Act vests responsibility for investment management of the Fund with the Superannuation Funds Management Corporation of South Australia (Funds SA).

- The Police Superannuation Scheme Employer Contribution Account was established in 1994-95 to record employer contributions on behalf of the police officers and cadets.

  The employer share of the benefits paid and administration costs is met from the Police Employer Contribution Account. Monies deposited into the account are invested and managed by Funds SA but do not form part of the Fund.

Police officers and cadets who commenced employment on or before 31 May 1990 are members of the Old Scheme Division. Those police officers and cadets who commenced employment on or after 1 June 1990 are members of the New Scheme Division. The New Scheme Division was formally closed to new members through amendments to the *Police Superannuation Act 1990* in October 1994. From 1 July 1995 police officers and cadets who commenced employment became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

Structure

The Police Superannuation Office (PSO) is a business unit within the Financial Management Services Branch of the Police Department and is responsible to the Board for the management and administration of the day to day operations of the Police Superannuation Scheme.

Funds SA provide investment management services to the PSO.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Police Superannuation Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- cash at bank
- contributions
- benefits paid
- administrative expenses.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements, the net assets of the Police Superannuation Scheme as at 30 June 2005 and the changes in net assets for the year then ended.

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.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Secretary, Police Superannuation Board. Responses to the management letter were considered to be satisfactory. Major matters raised with the Police Superannuation Board are considered herein.

Risk Management

The audit revealed opportunities to improve controls by the establishment of a risk management policy and plan for incorporation into the Board's Policies and Procedures Manual which is currently being compiled from a number of existing policies and procedures.

The Secretary, Police Superannuation Board, advised that a risk management policy and plan will be drafted and presented to the Board for approval during 2005-06.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
ASSETS			
Investments	**598.2**	496.7	20
Other assets	**1.4**	2.6	(46)
Total Assets	**599.6**	499.3	20

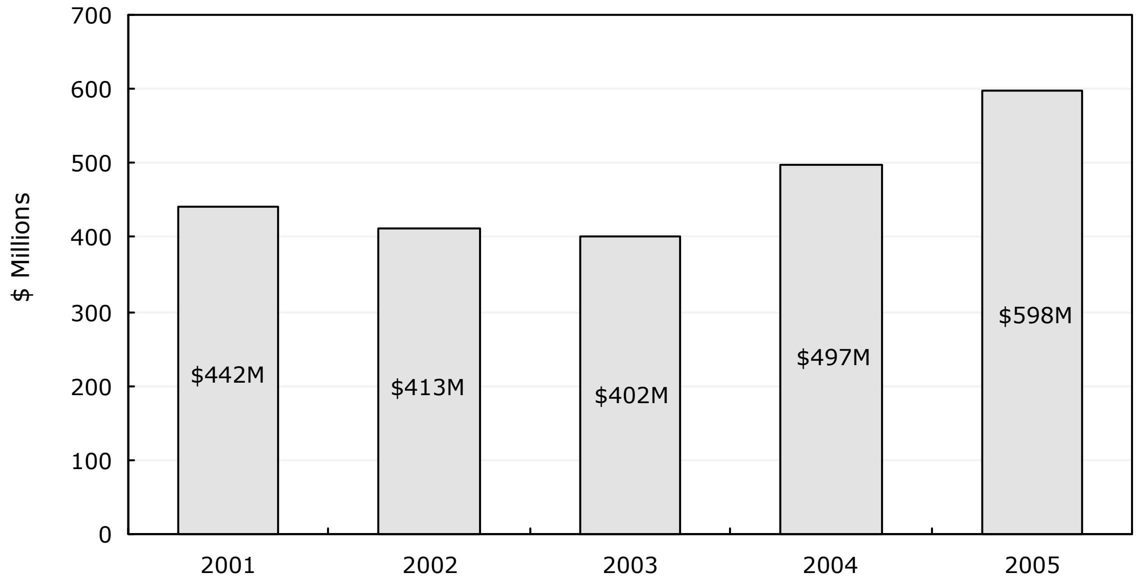
	2005 $'million	2004 $'million	Percentage Change
LIABILITIES			
Current liabilities	**2.1**	1.7	24
Non-current liabilities	**1.6**	2.1	(24)
Total Liabilities	**3.7**	3.8	(3)
Net Assets Available to Pay Benefits	**595.9**	495.5	20
CHANGES IN NET ASSETS			
Contribution revenue	**70.5**	64.0	10
Investment revenue	**76.6**	71.7	7
Other revenue	**0.1**	0.1	-
Benefit expenses	**(46.5)**	(40.9)	14
Administration expenses	**(0.4)**	(0.5)	(20)
Net Increase in Funds	**100.3**	94.4	6

Pursuant to Australian Accounting Standard AAS25 'Financial Reporting by Superannuation Plans', 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.

Statement of Net Assets

Investments of the Scheme increased by $101.5 million for the year ended 30 June 2005. Investment returns and the effect on net assets are further discussed in the Auditor-General's Report to Parliament for the year ended 30 June 2005 in the commentary for Funds SA.

The following chart illustrates the increase in investments in 2004 and 2005 reflecting an increase in investment revenue and contribution revenue. The reduction in the scheme's investments over the previous three years mainly reflected the impact of negative returns from investment markets on a relatively constant investment base.

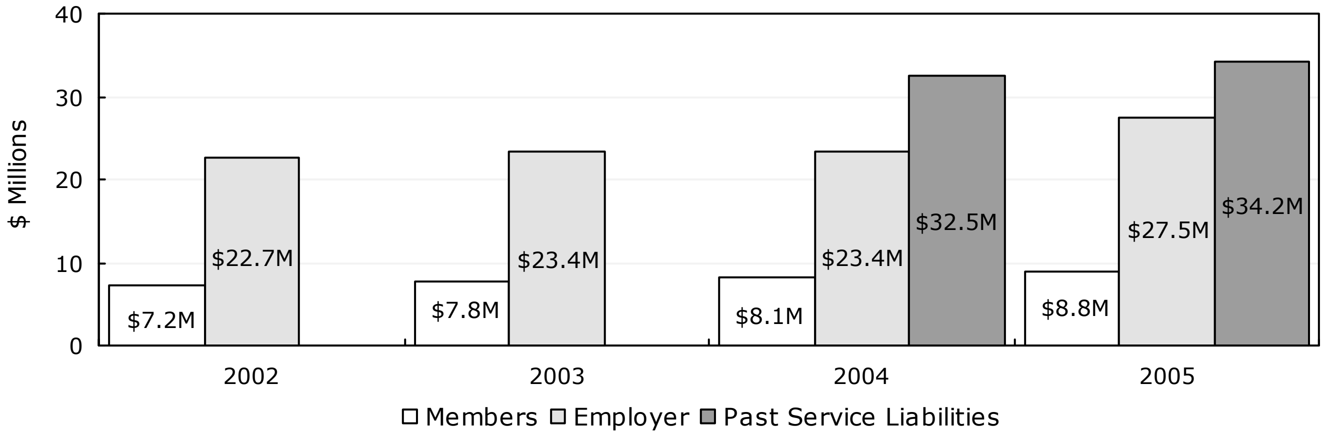


Statement of Changes in Net Assets

Revenues

- Investment revenues for the year resulted in a return of $76.6 million compared to $71.7 million in the previous year.
- Contribution revenues increased in the last two years due mainly to contributions by the Government of $34.2 million in 2005 and $32.5 million in 2004 towards past service liabilities.

For the four years to 2005 an analysis of contribution revenue for the Scheme is shown in the following chart.

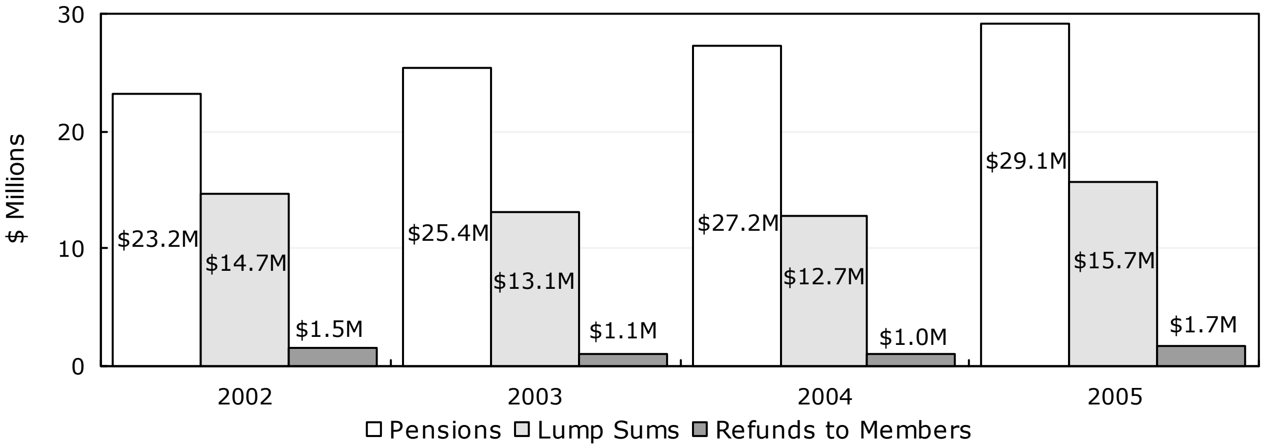


Expenditure

- Benefits and refunds paid for the year ended 30 June 2005 totalled $46.5 million compared to $40.9 million in the previous year.

- Of benefit and refund payments made, $46 million relates to the Old Scheme Division with $29.1 million of benefits taken as pensions, $15.4 million as lump sum payments and $1.5 million returned to members upon resignation from the Scheme.

For the four years to 2005 a structural analysis of benefits paid is shown in the following chart.



FURTHER COMMENTARY ON OPERATIONS

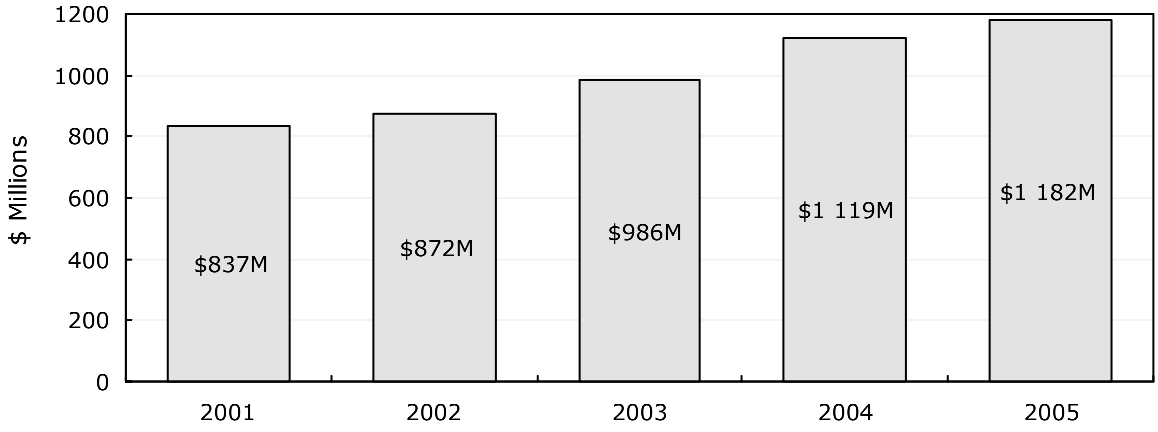
Accrued Liabilities

The estimated accrued liability for the Scheme, as determined by actuarial assessment and disclosed in the notes to the accounts, increased by $62.7 million to $1182 million for the year ended 30 June 2005.

An actuarial review is undertaken every three years with assessed assumptions from this review used to calculate the accrued liability in years between reviews. The last actuarial review was undertaken as at 30 June 2002.

For the year ended 30 June 2005, the discount rate above the Consumer Price Index applied to calculate the present value of the expected future benefit payments was 4.5 percent.

For the five years to 2005 an analysis of accrued liabilities for the Police Superannuation Scheme is shown in the following chart.



Net Assets Available to Pay Benefits

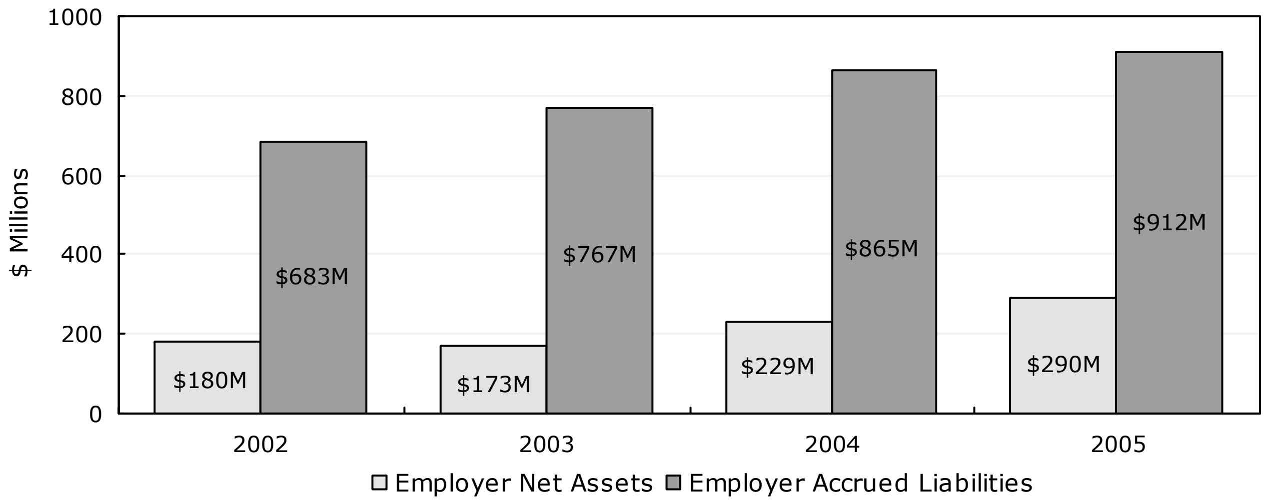
The net assets of the Scheme increased to $596 million during the period whilst accrued liabilities increased to $1182 million. This has resulted in an excess of accrued liabilities over net assets of $586 million.

Analysis of net assets and accrued liabilities for the Police Superannuation Fund (employee account) revealed net assets available to pay benefits of $305 million compared to an accrued liability of $270 million. This represents an excess of net assets over accrued liabilities of $35 million.

Analysis of net assets and accrued liabilities for the Police Employer Account revealed net assets available to pay benefits of $290 million compared to an accrued liability of $912 million. This represents a shortfall of net assets over accrued liabilities of $622 million.

The Government transferred additional funding to the Police Employer Account towards the accrued past service liability of the Scheme of $34.2 million during the period ($32.5 million in 2004).

For the four years to 2005 a structural analysis of net assets available to pay benefits and accrued liabilities for the Police Employer Account is shown in the following chart.



Pensioners

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

	2005 Number	2004 Number	2003 Number	2002 Number
Pensioners	**1 158**	1 134	1 119	1 098
	$'000	$'000	$'000	$'000
Pensions paid	**29 089**	27 195	25 414	23 160

Contributions by Members

The number of contributors and contributions received from members for the past three years was:

	2005				
	Old Scheme Number	**New Scheme Number**	**Total Number**	2004 Number	2003 Number
Contributors (excludes preserved members)	**2 069**	**395**	**2 464**	2 591	2 674
	$'000	**$'000**	**$'000**	$'000	$'000
Contributions received	**7 539**	**1 268**	**8 807**	8 114	7 809

Statement of Net Assets
as at 30 June 2005

	Note		**2005**		2004
		$’000	**$’000**	**$’000**	$’000
	12				
INVESTMENTS:	2				
Inflation linked securities		**60 694**			57 304
Property		**47 464**			41 718
Australian equities		**208 262**			167 789
International equities		**206 492**			190 933
Fixed interest		**34 263**			28 314
Diversified Strategies - Growth		**10 769**			-
Diversified Strategies - Income		**15 578**			-
Cash		**14 667**			10 624
Total Investments			**598 189**		496 682
OTHER ASSETS:	2				
Cash and deposits at Treasury		**465**			1 876
GST receivable		**8**			6
Accrued income		**937**			712
Fixed assets		**35**			10
Total Other Assets			**1 445**		2 604
Total Assets				**599 634**	499 286
CURRENT LIABILITIES:	2				
Rent paid in advance		**108**			132
Provisions		**21**			9
Accrued expenses		**1 988**			1 513
			2 117		1 654
NON-CURRENT LIABILITIES	2		**1 633**		2 073
Total Liabilities				**3 750**	3 727
NET ASSETS AVAILABLE TO PAY BENEFITS				**595 884**	495 559

Statement of Changes in Net Assets for the year ended 30 June 2005

	Note	2005 $'000	2005 $'000	2005 $'000	2004 $'000
	13				
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	2			**495 559**	401 142
INVESTMENT REVENUE			**76 644**		71 739
OTHER INCOME			**108**		79
ADMINISTRATION EXPENSE	8		**(438)**		(455)
GST EXPENSE	9		**(11)**		(12)
CONTRIBUTIONS:					
Past service liabilities		**34 200**			32 500
Contributions by employer		**27 533**			23 353
Contributions by members		**7 477**			7 303
Voluntary contributions by members		**1 330**			811
			70 540		63 967
BENEFITS PAID:					
Pensions	14	**(29 089)**			(27 195)
Lump sums	14	**(15 723)**			(12 694)
			(44 812)		(39 889)
REFUNDS TO MEMBERS:					
Contributions	14	**(995)**			(577)
Interest	14	**(711)**			(435)
			(1 706)		(1 012)
NET INCREASE IN FUNDS				**100 325**	94 417
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE				**595 884**	495 559

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Format of Accounts

The Police Superannuation 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 members of the Scheme.

The Police Superannuation Board (the Board) was established on 1 June 1990. The Board is responsible for the administration of the Police Superannuation Scheme which comprises:

- contributors to the Old (Pension) Scheme Division which was closed to members on 31 May 1990; and
- contributors to the New (Lump Sum) Scheme Division which was closed to members effective from May 1994.

Pursuant to the *Police Superannuation Act 1990* contributions from members of the Scheme are paid to the Treasurer, who in turn deposits those contributions with the Police Superannuation Fund (the Fund). The assets of the Scheme belong (both at law and in equity) to the Crown. The investment of the Scheme is subject to the management and control of the Superannuation Funds Management Corporation of South Australia (Funds SA). Member contributions are based on a percentage of superannuation salary and range between five percent and six percent. Contributions are adjusted in July each year based on salary payable to contributors at the previous 31 March.

The Scheme provides defined benefits for members of the Pension and Lump Sum Divisions. All benefit payments were met from the Consolidated Account which was then reimbursed in accordance with the prescribed employer and employee shares. The employer and employee shares of all benefits are determined by the Board, in accordance with the *Police Superannuation Act 1990* taking into account the most recent Actuarial Report.

1. Format of Accounts (continued)

Employer contributions on behalf of members of the Scheme are deposited into the 'Police Superannuation Scheme Employer Contribution Account' (Police Employer Account). Employer contributions are based on a percentage of salary at rates based on actuarial valuations. As from 1 July 2004 the rates for the Pension and Lump Sum schemes were 17 percent and 12 percent respectively. The employer share of benefits paid from the Scheme is met from the Police Employer Account. The employee share of benefits of the Scheme is met from the Fund.

For the year ended 30 June 2005 $27.5 million ($23.4 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Funds SA is responsible, under the Act, for the investment and management of the Fund. Monies deposited into the Police Employer Account are invested and managed by Funds SA but do not form part of the Fund.

Since 30 June 1994 the Government has 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 2005 the Government transferred a further $34.2 million to the Police Employer Account to meet liabilities in respect of the Scheme ($32.5 million).

Under the terms of the Act, the Board is required to determine rates of return to be credited to members' accounts in the Pension and Lump Sum divisions of the Scheme. Rates of return are credited to each contributor's account at the end of the financial year. In determining the rate of return to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are general purpose statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instruction 19 'Financial Reporting' and Department of Treasury and Finance Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements are prepared in accordance with the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'. The members of the Board believe that this policy best discloses the financial status of funds under management, and provides consistency with the Scheme's financial statements. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account through the Statement of Changes in Net Assets.

As investments are revalued to their respective market values at balance date, depreciation and amortisation are not provided for in these financial statements.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where applicable.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at 30 June 2005 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Property*
  The value of directly held property has been determined having regard to the contractual arrangements in place over the property.

- *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 sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities 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*
The International Equities 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) *Fixed Interest*
The fixed interest sector was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Fund SA's fixed interest investments were administered through two separate sector funds, Australian fixed interest and International fixed interest. These sector funds were merged to create a single fixed interest sector fund.

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 the balance date.

(vi) *Diversified Strategies (Growth)*
The diversified strategies (growth) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Fund SA's private equity and opportunistic real estate investments were administered through three existing sector funds: Australian equities (domestic private equity) international equities (international private equity) and property (opportunistic real estate).

The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds, and is invested and managed by external managers. Valuations of these funds are based on the most recently available valuations by the relevant managers. In the case of domestic funds, the valuations are generally in accordance with the Australian Development Capital Association Limited exposure draft guidelines. In the case of international funds, the valuations are generally in accordance with the National Venture Capital Association (NVCA) guidelines. 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) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy.

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.

(ix) *Fixed Assets*
Fixed assets have been valued at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. It is considered that this provides a reasonable estimate of net market value.

(x) *Other Assets and Liabilities*
These items have been assessed and the Directors of Funds SA consider that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Taxation

All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently no income tax expense has been brought to account in this financial report.

(d) International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Board currently prepares its financial statements in accordance with the principles of the Australian Accounting Standard on Financial Reporting by Superannuation Plans (AAS 25), with the IFRS equivalent being IAS 26 'Accounting and Reporting by Retirement Plans'. The Australian Accounting Standards Board (AASB) has concluded that IAS 26 is not applicable to the Australian environment and therefore will not be adopted, therefore AAS 25 will continue to apply. Therefore it is expected that the introduction of AIFRS will have minimal impact on the Board's financial reporting.

(e) Other Disclosures

The investment of the Police Superannuation Scheme is subject to the management and control of the Superannuation Funds Management Corporation of South Australia (Funds SA).

Specific disclosure requirements of Australian Accounting Standard AAS25 'Financial Reporting by Superannuation Plans' are fully set out in the notes to the financial statements of Funds SA and have not been repeated in this financial report.

3. Liability for Accrued Benefits

The accrued liabilities of the Police Superannuation Scheme as determined by the Department of Treasury and Finance 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 2005 based on membership data as at 30 June 2004.

The expected future benefit payments have been determined using the 30 June 2002 actuarial Scheme review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', the expected future benefit payments have then been discounted to present values by a discount rate of 4.5 percent per annum above CPI.

Accrued Liabilities 30 June 2005	**Pension Scheme Division $'million**	**Lump Sum Scheme Division $'million**	**2005 Total $'million**
Police Superannuation Fund	**255.5**	**14.1**	**269.6**
Police Employer Account	**881.9**	**30.5**	**912.4**
Total	**1 137.4**	**44.6**	**1 182.0**

Accrued Liabilities 30 June 2004	Pension Scheme Division $'million	Lump Sum Scheme Division $'million	2004 Total $'million
Police Superannuation Fund	242.1	12.6	254.7
Police Employer Account	837.4	27.2	864.6
Total	1 079.5	39.8	1 119.3

Pursuant to the *Police Superannuation Act 1990* actuarial reviews of the Police Superannuation Scheme must be conducted three yearly to address, inter alia, the ability of the Fund to meet its current and future liabilities. The review as at 30 June 2002 was carried out by Mr S Mules, FIAA of Buck Consultants. His report, dated 30 June 2003, to the Minister was tabled in Parliament on 15 September 2003. In his report, Mr Mules made the following conclusions:

a) The Lump Sum Scheme division will be in a balanced position if the funding proportion of the Fund is decreased from the current level of 40 percent back to the previous level of 30 percent; and
b) The Pension Scheme division has reverted to a deficit position, requiring the funding proportion of the Fund to be decreased from the current level of 26 percent to 21 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 Police Superannuation Scheme and include benefits which members would be entitled to receive on termination of membership of the Schemes.

When members resign from the Police Superannuation 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.

4. Vested Benefits (continued)

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 2005	**Pension Scheme Division $'million**	**Lump Sum Scheme Division $'million**	**2005 Total $'million**
Police Superannuation Fund	**225.6**	**9.7**	**235.3**
Police Employer Account	**808.1**	**23.1**	**831.2**
Total	**1 033.7**	**32.8**	**1 066.5**

Vested Liabilities 30 June 2004	Pension Scheme Division $'million	Lump Sum Scheme Division $'million	2004 Total $'million
Police Superannuation Fund	212.3	8.5	220.8
Police Employer Account	759.8	20.3	780.1
Total	972.1	28.8	1 000.9

5. Benefits which Accrued Between 30 June 2004 and 30 June 2005

Benefits accrued during the financial year 2004-05 are measured as the sum of the net changes in the accrued liabilities over the year and the amount of benefits paid to beneficiaries during the year.

Benefits Accrued 30 June 2005	**Pension Scheme Division $'million**	**Lump Sum Scheme Division $'million**	**2005 Total $'million**
Liability for accrued benefits at 1 July	**1 079.5**	**39.8**	**1 119.3**
Add: Benefits expense	**103.8**	**5.4**	**109.2**
Less: Benefits paid	**45.9**	**0.6**	**46.5**
Liability for accrued benefits at 30 June	**1 137.4**	**44.6**	**1 182.0**

Benefits Accrued 30 June 2004	Pension Scheme Division $'million	Lump Sum Scheme Division $'million	2004 Total $'million
Liability for accrued benefits at 1 July	953.4	32.7	986.1
Add: Benefits expense	166.4	7.7	174.1
Less: Benefits paid	40.3	0.6	40.9
Liability for accrued benefits at 30 June	1 079.5	39.8	1 119.3

6. Guaranteed Benefits

Members benefit entitlements are set out in State Legislation under the *Police Superannuation Act 1990*.

7. Purchase of Additional Benefits

There are no provisions under the *Police Superannuation Act 1990* for contributing members to purchase additional benefits.

8. Administration Expenses

The Scheme's administration expenses comprise of:

- expenses incurred by Funds SA in administering the investment activities of the Fund and the Police Superannuation Scheme Contribution Account (Police Employer Contribution Account);
- expenses incurred by the Board in administering the Scheme.

Investment expenses and administration expenses incurred by Funds SA are charged directly against the investment income of the Fund and the Police Employer Account.

Administration expenses incurred by the Board are financed in the first instance by the Police Superannuation Scheme (the Scheme) from the 'Police Superannuation Scheme Employer Contribution Account' (Police Employer Account) through a Special Deposit Account. Under the provisions 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 2004-05 amounted to $438 000 ($455 000) of which the fund is required to reimburse $131 000 ($136 000) to the Scheme through the Police Employer Account.

8. Administration Expenses (continued)

A summary of the Board's administration expenses is provided in the table below.

	2005		2004	
	Govt	**Non-Govt**	Govt	Non-Govt
Administration Expenses:	**$**	**$**	$	$
Actuarial fees	**-**	**-**	-	25 000
Audit fees	**25 000**	**-**	21 000	-
Board fees	**-**	**9 000**	-	8 000
Consultancy fees	**12 000**	**-**	4 000	-
Rent and accommodation expenses	**8 000**	**-**	9 000	-
Staff salary and related expenses	**-**	**227 000**	-	205 000
Office expenses	**-**	**18 000**	-	26 000
Computer expenses:				
Software support expenses	**-**	**93 000**	-	96 000
Service provider fees	**-**	**11 000**	-	8 000
Hardware, software upgrade costs	**-**	**16 000**	-	45 000
Medical assessments	**-**	**19 000**	-	8 000
Total	**45 000**	**393 000**	34 000	421 000

Administration expenses are apportioned between the Pension and Lump Sum Scheme Divisions on a cost per member basis.

9. Net GST Paid

This figure in the Statement of Changes in Net Assets represents the GST paid on administration costs less any credits received from the Australian Taxation Office (ATO) as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the ATO for the June 2005 quarter. The Credit of $8 000 ($6 000) has been disclosed as a receivable in the financial statements.

10. Members' Remuneration

Members' fees are set according to State Government guidelines for Statutory Authorities. Members, who are State public sector employees, do not receive fees for their Board membership.

Total remuneration received or due and receivable by the members of the Board in 2004-05 was $9 000 ($8 000).

The number of Board members whose remuneration was within the following bands are as follows:	**2005 Number of Members**	2004 Number of Members
$Nil	**3**	3
$1 - $10 000	**2**	2

11. Remuneration of Auditors

Amounts received or due and receivable by the Auditors for auditing the Accounts of the Board in 2004-05 total $25 000 ($21 000).

12. Assets

The interests of each Scheme in the unitised investment portfolio as at the balance date are:

	2005			2004		
	Old Scheme Division	**New Scheme Division**	**Police Employer Account**	Old Scheme Division	New Scheme Division	Police Employer Account
INVESTMENTS:	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Inflation linked securities	**29 371**	**1 733**	**29 590**	29 329	1 593	26 382
Property	**22 969**	**1 355**	**23 140**	21 352	1 160	19 206
Australian equities	**100 783**	**5 945**	**101 534**	85 878	4 665	77 246
International equities	**99 926**	**5 895**	**100 671**	97 724	5 308	87 901
Fixed interest	**16 581**	**978**	**16 704**	14 492	787	13 035
Diversified strategies - Growth	**5 211**	**308**	**5 250**	-	-	-
Diversified strategies - Income	**7 538**	**445**	**7 595**	-	-	-
Cash	**7 098**	**418**	**7 151**	5 438	295	4 891
Total Investments	**289 477**	**17 077**	**291 635**	254 213	13 808	228 661
OTHER ASSETS:						
Cash and deposits at Treasury	**93**	**57**	**315**	185	208	1 483
GST receivable	**2**	**-**	**6**	2	-	4
Accrued income	**227**	**34**	**676**	178	30	504
Fixed assets	**17**	**1**	**17**	5	-	5
Total Other Assets	**339**	**92**	**1 014**	370	238	1 996
Total Assets	**289 816**	**17 169**	**292 649**	254 583	14 046	230 657

12. Assets (continued)

Less: **CURRENT LIABILITIES:**	**2005 Old Scheme Division $'000**	**2005 New Scheme Division $'000**	**2005 Police Employer Account $'000**	2004 Old Scheme Division $'000	2004 New Scheme Division $'000	2004 Police Employer Account $'000
Rent paid in advance	**52**	**3**	**53**	67	4	61
Provisions	**10**	**1**	**10**	5	-	4
Accrued expenses	**624**	**26**	**1 338**	550	46	917
NON-CURRENT LIABILITIES: (1)	**791**	**46**	**796**	1 061	58	954
Total Liabilities	**1 477**	**76**	**2 197**	1 683	108	1 936
NET ASSETS AVAILABLE TO PAY BENEFITS	**288 339**	**17 093**	**290 452**	252 900	13 938	228 721

(1) Non-Current Liabilities

Bank Bill Facility

Non-current liabilities include the Scheme's portion of an arrangement entered into by Funds SA during 1993. Under the arrangement the future income stream arising from the long term lease to the Australian Taxation Office (ATO) of the whole of a Hobart office property has been redirected to a syndicate of international banks. The redirection took the form of a concurrent lease of the property to the banks under which the banks received the right to the rental and fixed outgoing payments made by the ATO. The concurrent lease requires the banks to make rental payments to Funds SA equal in value to the payments receivable from the ATO. As part of the transaction, the banks provided a bank bill facility to Funds SA. Under a set-off agreement, the rental payments due to Funds SA under the concurrent lease are applied by the banks to service the bill facility. The amounts outstanding under the facility are predetermined and are capable of being fully serviced and repaid from the concurrent lease rentals.

13. Changes in Net Assets

Transactions within each Scheme are summarised below:

	2005 Old Scheme Division $'000	**2005 New Scheme Division $'000**	**2005 Police Employer Account $'000**	2004 Old Scheme Division $'000	2004 New Scheme Division $'000	2004 Police Employer Account $'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	**252 900**	**13 938**	**228 721**	216 957	11 097	173 088
INVESTMENT REVENUE	**38 242**	**2 177**	**36 225**	38 689	2 041	31 009
OTHER INCOME	**26**	**4**	**78**	23	3	53
ADMINISTRATION EXPENSE	**(117)**	**(14)**	**(307)**	(121)	(15)	(319)
GST EXPENSE	**(3)**	**(1)**	**(7)**	(3)	(1)	(8)
CONTRIBUTIONS:						
Past service liability	**-**	**-**	**34 200**	-	-	32 500
Contributions by employer	**-**	**-**	**27 533**	-	-	23 353
Contributions by members	**6 371**	**1 106**	**-**	6 248	1 055	-
Voluntary contributions by members	**1 168**	**162**	**-**	758	53	-
	7 539	**1 268**	**61 733**	7 006	1 108	55 853
BENEFITS PAID:						
Pensions	**(6 107)**	**(3)**	**(22 979)**	(6 089)	(2)	(21 104)
Lump sums	**(2 683)**	**(28)**	**(13 012)**	(2 787)	(56)	(9 851)
	(8 790)	**(31)**	**(35 991)**	(8 876)	(58)	(30 955)
REFUNDS TO MEMBERS:						
Contributions	**(828)**	**(167)**	**-**	(416)	(161)	-
Interest	**(630)**	**(81)**	**-**	(359)	(76)	-
	(1 458)	**(248)**	**-**	(775)	(237)	-
NET INCREASE IN FUNDS	**35 439**	**3 155**	**61 731**	35 943	2 841	55 633
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	**288 339**	**17 093**	**290 452**	252 900	13 938	228 721

14. Benefit Payments

All benefit payments were met in the first instance from the Consolidated Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Police Superannuation Fund and the employer share from the Police Superannuation Scheme Contribution Account.

PENSIONS:	**2005 Old Scheme Division $'000**	**2005 New Scheme Division $'000**	**2005 Total $'000**	2004 Old Scheme Division $'000	2004 New Scheme Division $'000	2004 Total $'000
Gross scheme costs	**29 080**	**9**	**29 089**	27 188	7	27 195
Funded from:						
Police Superannuation Fund	**6 107**	**3**	**6 110**	6 089	2	6 091
Police Superannuation Scheme Contribution Account	**22 973**	**6**	**22 979**	21 099	5	21 104
	29 080	**9**	**29 089**	27 188	7	27 195

14. Benefit Payments (continued)

	2005 Old Scheme Division $'000	2005 New Scheme Division $'000	2005 Total $'000	2004 Old Scheme Division $'000	2004 New Scheme Division $'000	2004 Total $'000
LUMP SUMS:						
Gross scheme costs	**15 443**	**280**	**15 723**	12 462	232	12 694
Funded from:						
Police Superannuation Fund	**2 683**	**28**	**2 711**	2 787	56	2 843
Police Superannuation Scheme Contribution Account	**12 760**	**252**	**13 012**	9 675	176	9 851
	15 443	**280**	**15 723**	12 462	232	12 694
RESIGNATION BENEFITS:						
Gross scheme costs:						
Contributions	**828**	**167**	**995**	416	161	577
Interest	**630**	**81**	**711**	359	76	435
	1 458	**248**	**1 706**	775	237	1 012
Funded from:						
Police Superannuation Fund	**1 458**	**248**	**1 706**	775	237	1 012

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

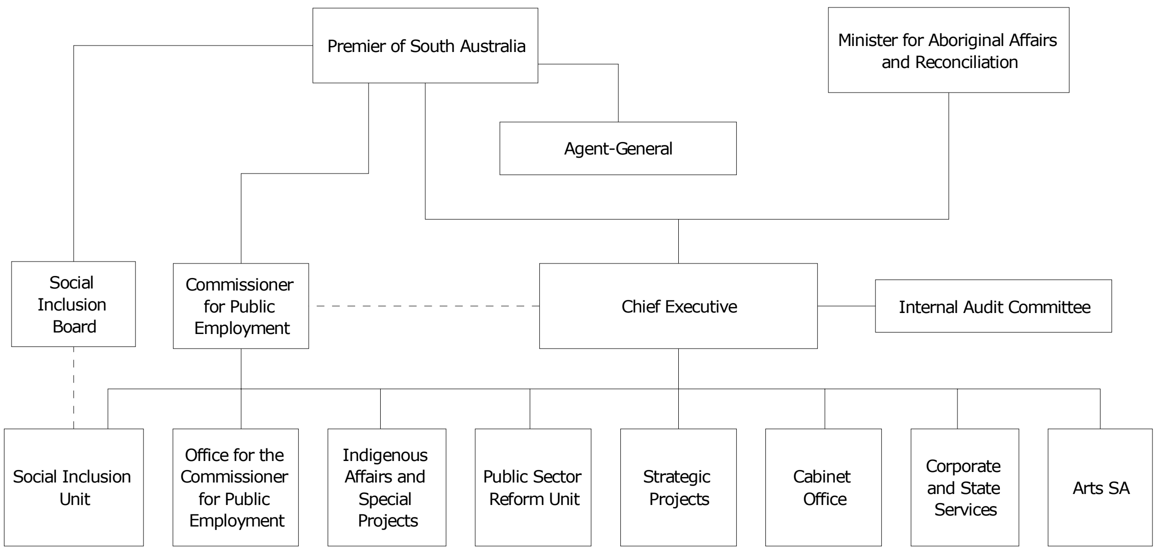
Functions

The purpose of the Department is to support the Premier, Cabinet and Executive Council by providing assistance in developing policies; identifying and providing strategic advice on emerging issues and opportunities; and providing leadership and direction to the public service to achieve management improvements.

To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

Structure

The structure of the Department of the Premier and Cabinet is illustrated in the following organisation chart.



Changes to Functions and Structure

Department Restructure

The Department of the Premier and Cabinet was restructured during the year. The Department for Aboriginal Affairs and Reconciliation was transferred from the Department for Families and Communities to the Department of the Premier and Cabinet on 14 October 2004. As part of this transfer, the administration of the Commonwealth Essential Service Capital Works Fund was also transferred to the Department on the same date.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of the Premier and Cabinet for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- budgetary control
- revenue
- expenditure
- payroll
- grants management
- fixed assets
- general ledger
- strategic projects.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of the Premier and Cabinet as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

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 of Payroll which are commented upon under 'Matters Raised with the Department', 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.

Audit Communications to Management

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.

Matters Raised with the Department

The audit review identified the need for the Department to improve internal controls in relation to:

- payroll
- accounts payable
- revenue
- grant management.

Payroll

In September 2004, the Department of the Premier and Cabinet signed a new agreement with the Department for Administrative and Information Services (DAIS) for the provision of payroll services to the Department and portfolio agencies.

A review of the new arrangements identified:

- areas for improvement in the Service Level Agreement entered into by the Department with DAIS;

- the need to develop and document an internal control framework including policies and procedures which specify the responsibilities of each agency;

- weaknesses in procedures and controls to ensure the completeness, accuracy and recording of payroll data in the CHRIS payroll system;

- the need to prepare documented policies and procedures which support an effective review of Bona Fide Certificate reports by Department Managers;

- the Leave Reports provided to check that leave taken was updated to the CHRIS payroll system did not reflect all leave taken.

The audit findings were provided to Department of the Premier and Cabinet officers who have identified action to address the matters which arose from the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	$'million	$'million	Change
OPERATING EXPENDITURE			
Employment expenses	**32**	27.1	18
Grants and subsidies	**101.7**	92.7	10
Other expenses	**29.4**	22.7	30
Total Operating Expenditure	**163.1**	142.5	14
OPERATING REVENUE			
Fees and charges	**3.8**	4.1	(7)
Other	**9.2**	9.1	1
Total Operating Revenue	**13.0**	13.2	(2)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT			
Appropriations	**145.8**	135.8	7
Payments to SA Government	**31.6**	5.3	
Total Revenues from/Payments to SA Government	**114.2**	130.5	(12)
Net Result before Restructuring	**35.9**	1.2	
Net Cash Flows from Operating Activities	**(31)**	3.2	
ASSETS			
Current assets	**15.5**	37.4	(59)
Non-current assets	**23.6**	21.0	12
Total Assets	**39.1**	58.4	(33)
LIABILITIES			
Current liabilities	**8.2**	6.9	19
Non-current liabilities	**5.9**	4.7	26
Total Liabilities	**14.1**	11.6	22
EQUITY	**25.0**	46.8	(47)

Statement of Financial Performance

Operating Expenses

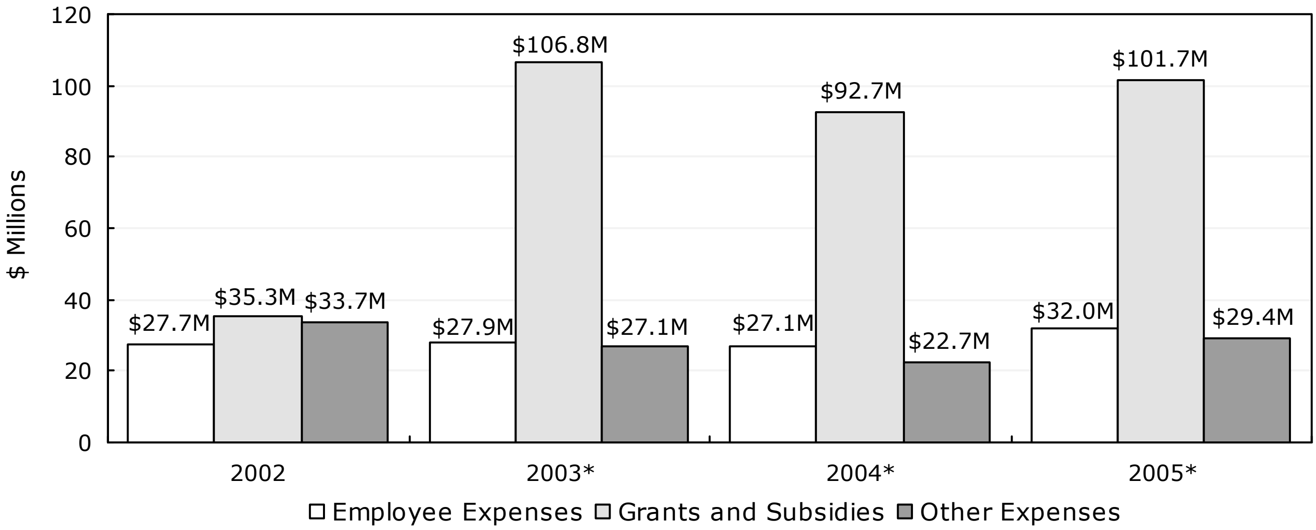
Expenses from Ordinary Activities totalled $163.1 million ($142.5 million). This represents an increase of $20.6 million (14 percent). This increase is attributable mainly to:

- an increase in employee expenses of $2.3 million and supplies and services of $3.9 million for the Department for Aboriginal Affairs and Reconciliation which was transferred to the Department in October 2004. Refer Note 29;

- an increase in grants and subsidies of $8.9 million of which:
  - $2.4 million relates to grants and subsidies paid by Arts SA to arts agencies,
  - $3.3 million relates to grants paid by the Indigenous Affairs and Special Projects Unit for APY Land projects,
  - $0.9 million relates to grants paid by the State Emergency Management Unit towards various programs including the Natural Disaster Mitigation Program.

Grants and Subsidy payments for the year totalled $101.7 million ($92.7 million) representing 62 percent (65 percent) of Expenses from Ordinary Activities.

For the four years to 2005, a structural analysis of the main operating expense items for the Department is shown in the following chart.

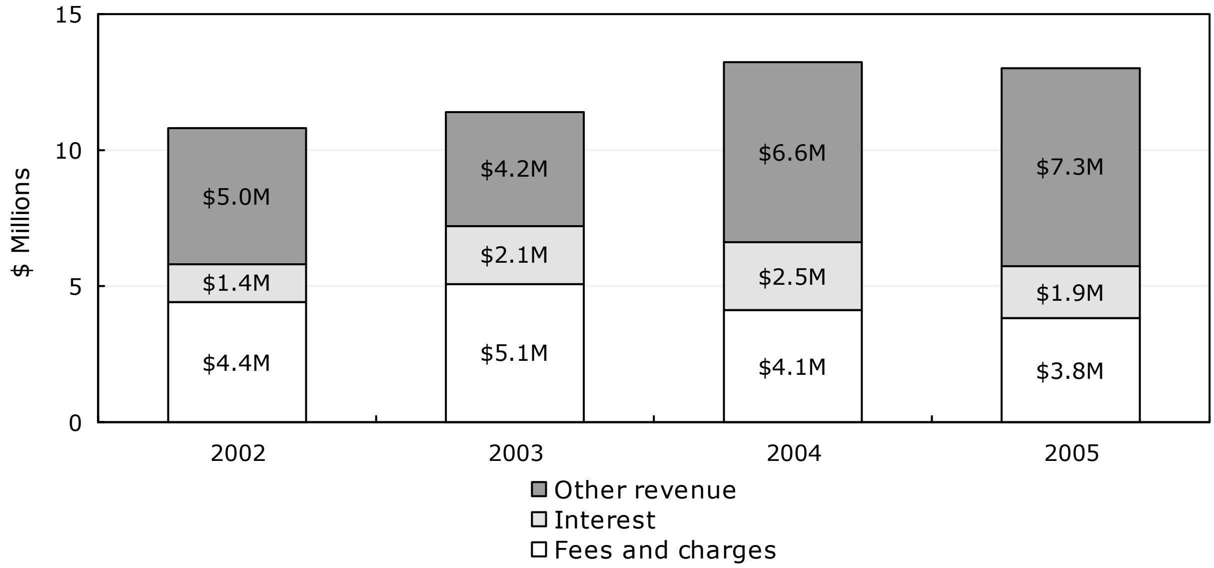


* The increase in grants and subsidies payments in 2003 to 2005 reflects the transfer of Arts SA to the Department in April 2002.

Operating Revenues

Revenues from Ordinary Activities for the year totalled $13 million, a decrease of $214 000.

A structural analysis of operating revenues for the Department in the four years to 2005 is presented in the following chart.



Revenues from/Payments to SA Government

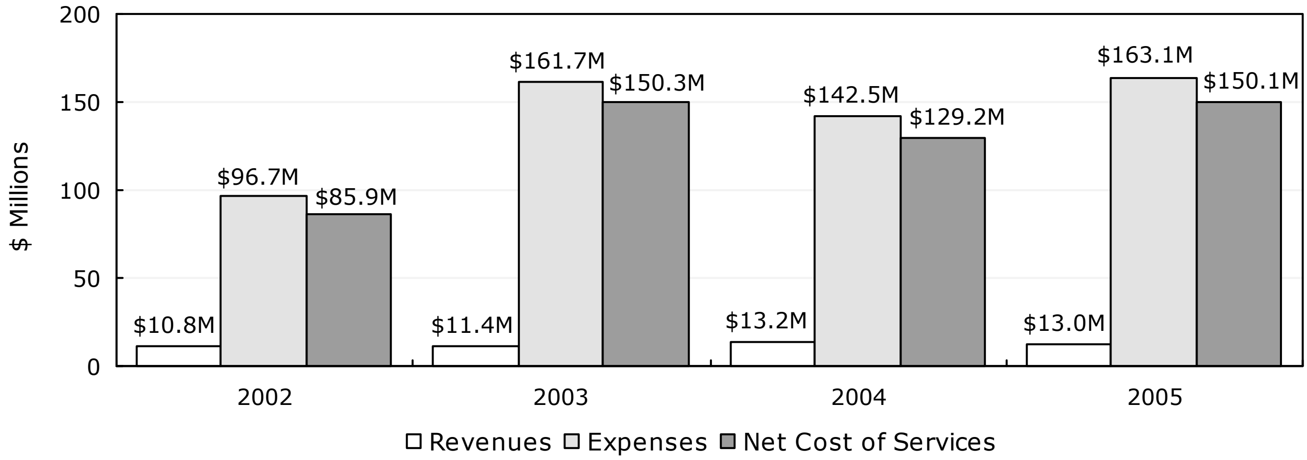
Revenues from Government increased by $10 million to $145.8 million, of which $8.2 million relates to appropriations for the Department for Aboriginal Affairs and Reconciliation.

Payments to Government for the year totalled $31.6 million ($5.3 million) representing cash transferred to the Department of Treasury and Finance in accordance with the Cash Alignment Policy. Refer Note 28.

Net Cost of Services

The Net Cost of Services from Ordinary Activities increased by $20.9 million to $150.1 million. The increase is attributable mainly to the increase in Total Expenses from Ordinary Activities of $20.6 million as explained under Operating Expenses.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2005.



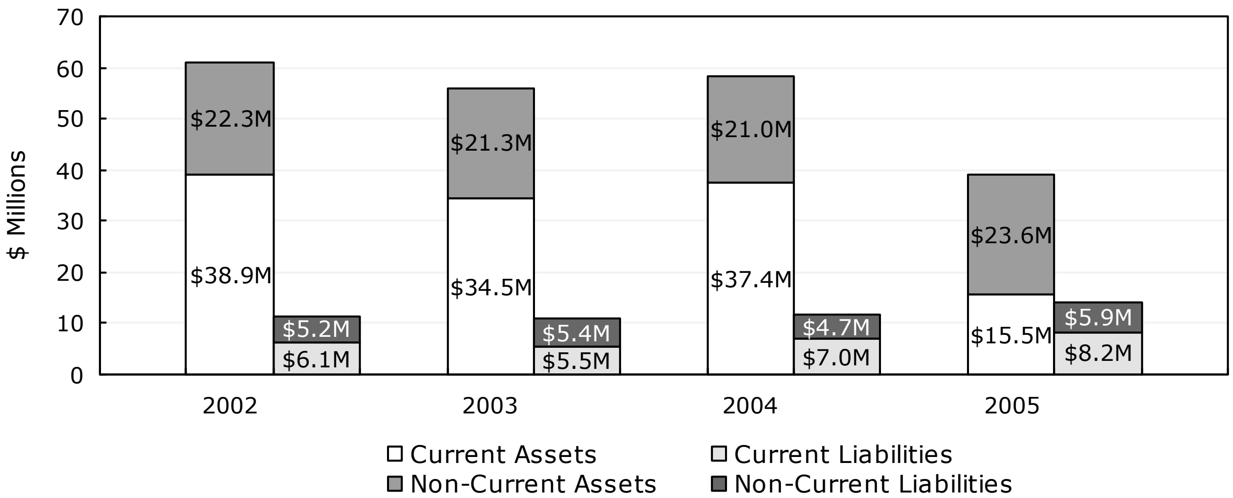
Statement of Financial Position

The Department's current assets decreased by $21.9 million due mainly to the transfer of cash to the Department of Treasury and Finance.

The Department's land and buildings were revalued at 30 June 2005, using the fair value basis of revaluation as required by APS 3 'Valuation of Non-Current Assets', resulting in an increase of $3.8 million in the overall value of land and buildings.

The Department's liabilities at 30 June 2005 totalled $14.1 million ($11.7 million) of which $8.6 million ($7 million) relates to employee benefits.

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Administered Items

Responsibility for Administered Items

The Department has responsibility for administering the Targeted/Voluntary Separation Package Schemes Fund. Details of the audit coverage and the financial statements relating to the operations of the Fund is included after the Department's Financial Statements.

The Department is also responsible for administering the Social Inclusion Initiative, an initiative introduced by the Government in 2003-04. Revenues and expenses administered by the Department in relation to this initiative totalled $11.5 million ($8.3 million) and $11.8 million ($8 million) respectively.

The Department assumed responsibility for administering the APY Lands and the Commonwealth Community Essential Services Program during 2004-05.

These and other administered items are shown within the Administered Schedules which follow the Notes to the Financial Statements.

Statement of Financial Performance
for the year ended 30 June 2005

	Note	**2005** **$'000**	2004 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4	**32 028**	27 054
Supplies and services	5	**24 042**	17 486
Depreciation	6	**1 405**	1 058
Grants and subsidies	7	**101 672**	92 727
Other	8	**3 831**	4 137
Net loss from disposal of assets	10	**129**	-
Total Expenses from Ordinary Activities		**163 107**	142 462
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	11	**3 824**	4 103
Commonwealth revenue		**2 167**	972
Grants and subsidies		**564**	575
Interest		**1 906**	2 483
Resources received free of charge		**-**	221
Community Development Fund		**900**	900
Recoveries from administered items		**1 672**	335
Other	12	**1 988**	3 646
Total Revenues from Ordinary Activities		**13 021**	13 235
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**150 086**	129 227
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Appropriations		**145 821**	135 779
Payments to SA Government	28	**(31 604)**	(5 300)
Total Revenues from/Payments to SA Government	13	**114 217**	130 479
NET RESULT BEFORE RESTRUCTURING		**(35 869)**	1 252
Increase in net assets due to administrative restructure	29	**10 291**	630
NET RESULT AFTER RESTRUCTURING		**(25 578)**	1 882
Increase in the asset revaluation reserve	22	**3 763**	-
TOTAL REVENUE, EXPENSE AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		**3 763**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(21 815)**	1 882

Statement of Financial Position
as at 30 June 2005

	Note	**2005**	2004
CURRENT ASSETS:		**$'000**	$'000
Cash	14	**13 318**	34 703
Receivables	15	**2 202**	2 699
Inventories	16	**-**	16
Total Current Assets		**15 520**	37 418
NON-CURRENT ASSETS:			
Receivables	15	**19**	64
Property, plant and equipment	17	**23 482**	20 915
Works of art	17	**47**	47
Total Non-Current Assets		**23 548**	21 026
Total Assets		**39 068**	58 444
CURRENT LIABILITIES:			
Payables	18	**4 157**	2 981
Employee benefits	19	**3 487**	2 998
Provision for workers compensation	20	**83**	80
Other	21	**434**	896
Total Current Liabilities		**8 161**	6 955
NON-CURRENT LIABILITIES:			
Payables	18	**578**	461
Employee benefits	19	**5 119**	4 021
Provision for workers compensation	20	**212**	189
Other	21	**23**	28
Total Non-Current Liabilities		**5 932**	4 699
Total Liabilities		**14 093**	11 654
NET ASSETS		**24 975**	46 790
EQUITY:			
Retained profits	22	**15 020**	40 598
Asset revaluation reserve	22	**9 955**	6 192
TOTAL EQUITY		**24 975**	46 790
Commitments for Expenditure	24		
Contingent Liabilities	25		

Statement of Cash Flows
for the year ended 30 June 2005

	Note	**2005 Inflows (Outflows) $'000**	2004 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee payments		**(30 510)**	(26 124)
Supplies and services		**(23 496)**	(17 122)
Grants and subsidies		**(100 858)**	(92 773)
GST payments on purchases		**(9 641)**	(6 515)
Other		**(3 503)**	(3 906)
Total Outflows from Operating Activities		**(168 008)**	(146 440)
CASH INFLOWS:			
Fees and charges		**3 954**	4 108
Receipts from Commonwealth		**2 191**	948
Receipts from grants and subsidies		**492**	572
Interest received		**2 346**	2 437
GST receipts on receivables		**1 420**	968
GST receipts from taxation authority		**7 461**	5 432
Community Development Fund		**900**	900
Recoveries from administered items		**1 672**	335
Other		**2 331**	3 498
Total Inflows from Operating Activities		**22 767**	19 198
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**145 821**	135 779
Payments to SA Government		**(31 604)**	(5 300)
Total Cash Flows from SA Government		**114 217**	130 479
Net Cash (Outflows) Inflows from Operating Activities	26	**(31 024)**	3 237
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(308)**	(838)
Total Outflows from Investing Activities		**(308)**	(838)
Net Cash Outflows from Investing Activities		**(308)**	(838)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Net cash inflows from restructuring	29	**9 909**	342
Proceeds from loan repayments		**208**	250
CASH OUTFLOWS:			
Loans to arts agencies		**(170)**	-
Net Cash Inflows from Financing Activities		**9 947**	592
NET (DECREASE) INCREASE IN CASH HELD		**(21 385)**	2 991
CASH AT 1 JULY		**34 703**	31 712
CASH AT 30 JUNE	14	**13 318**	34 703

Program Schedule of Department's Expenses and Revenues for the year ended 30 June 2005

	2005			
	Program	Program	Program	Program
(refer Note 3)	1	2	3	4
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000
Employee expenses	16 679	585	2 295	6 612
Supplies and services	13 271	388	3 754	4 101
Depreciation	790	-	347	-
Grants and subsidies	4 527	417	3 299	14
Other	2 457	2	65	66
Net loss from disposal of assets	33	-	96	-
Total Expenses from Ordinary Activities	37 757	1 392	9 856	10 793
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	648	-	109	1 179
Commonwealth revenue	1 859	-	250	58
Grants and subsidies	200	-	8	-
Interest	806	-	133	-
Community Development Fund	-	-	-	-
Recoveries from administered items	1 070	-	596	6
Other	1 237	-	289	134
Total Revenues from Ordinary Activities	5 820	-	1 385	1 377
Net Cost of Services from Ordinary Activities	(31 937)	(1 392)	(8 471)	(9 416)

	Program	Program	Program	**2005**
(refer Note 3)	5	6	7	**Total**
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	**$'000**
Employee expenses	819	3 087	1 951	**32 028**
Supplies and services	377	1 056	1 095	**24 042**
Depreciation	9	18	241	**1 405**
Grants and subsidies	28 045	18 299	47 071	**101 672**
Other	92	240	909	**3 831**
Net loss from disposal of assets	-	-	-	**129**
Total Expenses from Ordinary Activities	29 342	22 700	51 267	**163 107**
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	375	1 239	274	**3 824**
Commonwealth revenue	-	-	-	**2 167**
Grants and subsidies	-	-	356	**564**
Interest	140	280	547	**1 906**
Community Development Fund	-	-	900	**900**
Recoveries from administered items	-	-	-	**1 672**
Other	5	123	200	**1 988**
Total Revenues from Ordinary Activities	520	1 642	2 277	**13 021**
Net Cost of Services from Ordinary Activities	(28 822)	(21 058)	(48 990)	**(150 086)**
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:				
Appropriations				**145 821**
Payments to SA Government				**(31 604)**
Total Revenues from/Payments to SA Government				**114 217**
NET RESULT BEFORE RESTRUCTURING				**(35 869)**

The allocation to programs is indicative and is based on broad costing methodologies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of the Premier and Cabinet

The Department of the Premier and Cabinet has a number of key roles in assisting the Premier and his Cabinet, these include:

- provide the Premier and Cabinet with a whole of government perspective which promotes and facilitates an integrated approach to government policy development, communications and services;
- drive and monitor the delivery of initiatives targeted at improving well-being and creating opportunity for South Australians;
- identify and provide strategic advice and assistance to the Premier and Cabinet on emerging issues, projects and opportunities to promote the State's competitiveness and future prosperity;
- adopt a whole of government and whole of community approach to facilitate integrated services that will better meet the needs of the community;
- support and promote volunteering across the State and build capacity of volunteer organisations in communities; and
- provide protocol management and advice to the Premier, Cabinet, government, agencies, private sector and general public.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987;*
- applicable Australian Accounting Standards;
- other mandatory professional reporting requirements in Australia.

The Department's Statement of Financial Performance and Statement of Financial Position 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 continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by the Parliament for the Department's administration and outputs.

2.2 Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of the Premier and Cabinet Operating Account' and any other Funds through which the Department controls resources to carry out its functions. The Department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian 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 South Australian Government.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable schedules.

2.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment has been made of any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

In accordance with AASB 119 'Employee Benefits', the Department will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value. This standard will have some impact on the financial statements although it is expected that the impact will not be significant.

Government/Non-Government Disclosures

In accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', the Department has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the Notes to the accounts.

2.4 Transferred Function

The division known as the Department for Aboriginal Affairs and Reconciliation transferred from the Department for Families and Communities to the Department of the Premier and Cabinet effective 14 October 2004. The Division provides strategic policy advice, across government coordination and monitoring, development and implementation of action zones, protection of Aboriginal heritage and culture, provision and maintenance of essential services and community infrastructure and support for the State's landholding authorities.

2.5 Fees and Charges

Fees and charges controlled by the Department are recognised as revenues. Fees and charges are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.

2.6 Appropriations

Appropriations, whether operating, investing or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

2.7 Foreign Currency

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June 2005. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.

2.8 Non-Current Assets

Valuations of Departmental Buildings and Improvements held for cultural purposes were determined as at 30 June 2005 by the Australian Valuation Office. Valuations of Departmental Buildings and Improvements held by the Office of the Agent General in London were determined as at 30 June 2005 by Savills (L & P) Ltd. 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.

2.9 Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

Class of Asset	**Useful Life (Years)**
Buildings and improvements	10-40
Transportable accommodation	10-20
Furniture and fittings	5-15
Office equipment	3
Systems development	3-5
Motor vehicles	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.

2.10 Employee Benefits

(i) Wages and Salaries

Liabilities for wages and salaries 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, as directed in the Accounting Policy Statements.

(iii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed seven or more years of service and the current rate of remuneration for each of these employees respectively. The seven years has been based on an actuarial calculation as stated in Accounting Policy Statement 9 'Employee Benefits'. The portion of current and non-current long service leave is based on past history of payments and any specific known factors. The liability is measured as the amount unpaid at the reporting date.

(iv) Superannuation

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payment to beneficiaries as they have been assumed by the Superannuation Funds. The only liability outstanding at balance date related to any contribution due but not yet paid to the superannuation schemes.

(v) *Employment On-costs*
The liability for employment on-costs includes superannuation contributions and payroll tax with respect to outstanding liabilities for Salaries and Wages, Long Service Leave and Annual Leave. These amounts are classified under Payables.

2.11 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department of Administrative and Information Services.

2.12 Leases

The Department has entered into a number of operating lease agreements for buildings 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 Financial Performance in the periods in which they are incurred.

2.13 Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash is measured at nominal value.

2.14 Current and Non-Current Items

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

2.15 Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public. 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 for the Premier and Cabinet is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department for the Premier and Cabinet determines the provision 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.

2.16 Inventories

Inventories are stated at the lower of cost or their net realisable value. Inventory is measured at cost, with cost being allocated in accordance with 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.

2.17 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 of the Premier and Cabinet.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period.

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department of the Premier and Cabinet 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.

2.18 Accounting for the Goods and Services Tax (GST)

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issues Group Abstract 31 'Accounting for the Goods and Services Tax (GST)'. Input tax credits due from the Australian Taxation Office are included in receivables.

The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payment and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Statement of Cash Flows of the Department.

2.19 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.20 Rounding

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

3. Programs of the Department

Programs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified seven major classes of programs that it delivers to the community and the Premier. The identity and description of each major program class for the Department during the year ended 30 June 2005 are summarised below (refer to the Programs Schedule – Department's Expenses and Revenues):

Program 1 – Executive Government

Support the Premier as the Head of Government and Chair of Cabinet by providing high-level strategic advice and support, managing executive government processes, and coordinating, developing and monitoring strategic projects and whole of government initiatives.

Program 2 - Office for Volunteers

Provision of services that facilitate the implementation of the Volunteer Partnership Advancing the Community Together in order to build stronger communities and increase volunteer rates in accordance with the South Australian Strategic Plan; provision of policy and strategic advice that enhances the Government's capacity to identify, prioritise and respond appropriately to the needs of the volunteer community in South Australia; and initiate programs that support and promote volunteering.

Program 3 - Aboriginal Affairs and Reconciliation

Provide strategic policy advice, across government coordination and monitoring, development and implementation of action zones, protection of Aboriginal heritage and culture, provision and maintenance of essential services and community infrastructure and support the State's landholding authorities.

Program 4 - Public Sector Human Resource Management

This program provides strategic human resource management planning, policy, advice, monitoring and reporting and improves the capability and professionalism of the public sector through workforce development.

Program 5 - Library and Information Services

To provide information to the public, industry and government agencies and to fund services provided by PLAIN Central Services to public libraries.

Program 6 - Access to Art, Museum and Heritage Services and Preservation of State Collections

Provision of services that enable the State's cultural, heritage and arts assets to be maintained and to be accessible to the community.

Program 7 - Arts Industry Development and Access to Artistic Product

Provision of services that enhance opportunities for emerging artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

4. Employee Expenses

	2005	2004
	$'000	$'000
Wages and salaries	**23 344**	18 892
TVSP	**-**	390
Employment on-costs	**4 553**	4 168
Annual leave	**1 787**	1 486
Long service leave	**1 368**	1 219
Board fees	**137**	119
Other employee related expenses	**839**	780
Total Employee Expenses	**32 028**	27 054

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2005 Number of Employees**	2004 Number of Employees
Department of the Premier and Cabinet:		
$100 000 - $109 999	**8**	6
$110 000 - $119 999	**2**	7
$120 000 - $129 999	**4**	2
$130 000 - $139 999	**5**	7
$140 000 - $149 999	**3**	5
$150 000 - $159 999	**2**	1
$160 000 - $169 999	**2**	1
$170 000 - $179 999	**1**	2
$180 000 - $189 999	**5**	4
$190 000 - $199 999	**2**	1
$200 000 - $209 999	**1**	-
$220 000 - $229 999	**1**	-
$260 000 - $269 999	**1**	-
$300 000 - $309 999	**-**	1
$310 000 - $319 999	**1**	-
Total Number of Department of the Premier and Cabinet Employees	**38**	37

Remuneration of Employees (continued)	**2005**	2004
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
Unattached Unit:		
$100 000 - $109 999	**1**	1
$110 000 - $119 999	**-**	-
$120 000 - $129 999	**-**	1
$130 000 - $139 999	**2**	1
Total number of Unattached Unit Employees	**3**	3
Total Number of Employees	**41**	40

The table includes all employees who received remuneration of $100 000 or more during the year paid by the Department of the Premier and Cabinet. The total remuneration received by these employees for the year was $6.2 million ($5.7 million).

Unattached unit consists of *Public Sector Management Act 1995* employees who are unable to be placed in government agencies and authorities.

Remuneration of employees is calculated in accordance with APS 13, remuneration is defined to mean money, consideration or benefit but does not include amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the Department. The remuneration calculated includes salary, allowances, superannuation, vehicle, parking and fringe benefits tax paid.

Targeted Voluntary Separation Packages (TVSPs)	**2005**	2004
	$'000	$'000
TVSPs payments to employees during the reporting period	**-**	390
Recovery from the Targeted Voluntary Separation Package Scheme Special Deposit Account	**-**	390
Annual leave and long service leave accrued over the period	**-**	145

The total number of employees that were paid TVSPs during the reporting period were nil (4).

5. Supplies and Services

Supplies and Services provided by entities external to the SA Government:		
Accommodation	**506**	565
Telecommunication	**269**	219
Staff development and recruitment	**1 495**	830
General administration and consumables	**2 525**	2 179
Promotion, marketing	**2 691**	2 604
Repairs, maintenance and minor equipment purchases	**887**	300
Service level agreements	**-**	26
IT and computing charges	**1 088**	890
Contractors	**2 860**	1 575
Consultants	**1 044**	322
Temporary and casual staff	**649**	410
Other	**98**	215
Total Supplies and Services - Non-SA Government Entities	**14 112**	10 135
Supplies and Services provided by entities within the SA Government:		
Accommodation	**3 309**	3 322
Telecommunication	**371**	415
Staff development and recruitment	**141**	9
General administration and consumables	**232**	84
Promotion, marketing	**72**	196
Repairs, maintenance and minor equipment purchases	**877**	166
Service level agreements	**1 521**	1 500
IT and computing charges	**1 201**	1 344
Contractors	**1 911**	55
Temporary and casual staff	**11**	-
Other	**284**	260
Total Supplies and Services - SA Government Entities	**9 930**	7 351
Total Supplies and Services	**24 042**	17 486

Payments to Consultants	**2005**	2004
The number and dollar amount of consultancies paid/payable that fell within the following bands:	**Number of Consultants**	Number of Consultants
$0 - $10 000	**19**	29
$10 000 - $50 000	**18**	10
Above $50 000	**4**	-
Total Number of Consultants Engaged	**41**	39

The Dollar amount paid/payable to consultants in 2004-05 was $1 044 000 ($322 000).

		2005	2004
6.	**Depreciation**	**$'000**	$'000
	Buildings and improvements	**258**	254
	Furniture and fittings	**732**	393
	Office equipment	**336**	384
	Transportable accommodation	**26**	-
	Motor vehicle	**14**	5
	Systems development	**39**	22
	Total Depreciation	**1 405**	1 058
7.	**Grants and Subsidies**		
	Grants and subsidies paid/payable to entities within the SA Government:		
	Recurrent grant	**76 335**	67 426
	Capital grant	**1 199**	7 342
	Total Grants and Subsidies - SA Government Entities	**77 534**	74 768
	Grants and subsidies paid/payable to entities external to the SA Government:		
	Recurrent grant	**24 138**	17 932
	Capital grant	**-**	27
	Total Grants and Subsidies - Non-SA Government Entities	**24 138**	17 959
	Total Grants and Subsidies	**101 672**	92 727
	The above total includes the following grants and subsidies paid by Arts SA:		
	Lead Agency Art Grants:		
	Museum Board	**8 838**	7 780
	Libraries Board of South Australia	**27 713**	31 983
	Adelaide Festival Centre Trust	**8 334**	8 183
	Art Gallery Board	**6 376**	6 270
	Country Arts SA	**5 360**	5 229
	South Australian Film Corporation	**5 650**	5 095
	History Trust of South Australia	**3 910**	3 624
	Adelaide Festival Corporation	**3 087**	2 515
	State Opera of South Australia	**2 660**	1 346
	South Australian Youth Arts Board	**1 828**	1 849
	State Theatre Company of South Australia	**1 640**	1 732
	Adelaide Symphony Orchestra	**4 390**	2 114
	Jam Factory of Contemporary Craft and Design	**816**	882
	Australian Dance Theatre	**900**	850
	Carrick Hill Trust	**654**	897
	Tandanya	**756**	600
	Windmill Performing Arts	**1 000**	1 000
	Adelaide Fringe	**292**	853
	Disability Information and Resource Centre (DIRC)	**173**	173
	Community Information Strategies Australia (CISA)	**161**	161
	Arts Industry Development Grants:		
	Project assistance	**2 244**	2 267
	General purpose assistance	**3 134**	2 854
	Other arts grants	**3 504**	2 775
	Total Grants and Subsidies paid by Arts SA	**93 420**	91 032
8.	**Other Expenses from Ordinary Activities**		
	Other Expenses from Ordinary Activities paid to entities external to the SA Government:		
	Projects	**343**	192
	International Youth Leadership event	**241**	-
	Western Gateway Project	**40**	7
	Other	**356**	551
	Bad and doubtful debts	**99**	(71)
	Total Other Expenses from Ordinary Activities - Non-SA Government Entities	**1 079**	679
	Other Expenses from Ordinary Activities paid to entities within the SA Government:		
	Appropriation transfer to DAIS for the management of the Across Government Building Security Upgrade Program	**-**	1 850
	Projects	**332**	138
	Western Gateway Project	**437**	22
	Womadelaide Event	**310**	460
	Other	**435**	119
	Funding transfer for Return to Work Scheme	**960**	-
	Funding transfer to Government Workers Rehabilitation and Compensation Scheme	**-**	295
	Funding transfer to the Public Sector Workforce Relations Unit	**-**	296
	National depression initiative	**278**	278
	Total Other Expenses from Ordinary Activities - SA Government Entities	**2 752**	3 458
	Total Other Expenses from Ordinary Activities	**3 831**	4 137

		2005	2004
9.	**Auditor's Remuneration**	**$'000**	$'000
	Audit fees paid/payable to the Auditor-General's Department	**118**	116

Other Services

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

		2005	2004
10.	**Net Loss from Disposal of Assets**		
	Furniture and Fittings:		
	Proceeds from disposal	**-**	-
	Net book value of assets disposed	**32**	-
	Net Loss from Disposal of Furniture and Fittings	**(32)**	-
	Office Equipment:		
	Proceeds from disposal	**-**	-
	Net book value of assets disposed	**71**	-
	Net Loss from Disposal of Office Equipment	**(71)**	-
	Motor Vehicles:		
	Proceeds from disposal	**15**	-
	Net book value of assets disposed	**41**	-
	Net Loss from Disposal of Motor Vehicles	**(26)**	-
	Total Assets:		
	Total proceeds from disposal	**15**	-
	Total value of assets disposed	**144**	-
	Total Net Loss from Disposal of Assets	**(129)**	-
11.	**Fees and Charges**		
	Fees and Charges received/receivable from entities external to the SA Government:		
	Arts industry related fees	**275**	483
	Salaries charged to other entities	**28**	1
	Public Employment charges	**30**	37
	Other recoveries	**158**	78
	Total Fees and Charges - Non-SA Government Entities	**491**	599
	Fees and Charges received/receivable from entities within the SA Government:		
	Arts industry related fees	**1 554**	2 261
	Salaries charged to other entities	**691**	776
	Public Employment charges	**585**	325
	Other recoveries	**503**	142
	Total Fees and Charges - SA Government Entities	**3 333**	3 504
	Total Fees and Charges	**3 824**	4 103
12.	**Other Revenue**		
	Other Revenue received/receivable from entities external to the SA Government:		
	Rental income	**69**	-
	Contributions to the Aboriginal Economic Development Seminar 2005	**20**	-
	Contribution to the Green City Project from Adelaide City Council	**100**	90
	Contribution by CSIRO for Adelaide Thinkers In Residence	**100**	-
	Refunds and recoveries:		
	Adelaide City Council for the Capital City Project Team	**199**	164
	Private industry	**141**	251
	Arts SA industry related	**45**	228
	Other	**520**	790
	Total Other Revenue - Non-SA Government Entities	**1 194**	1 523
	Other Revenue received/receivable from entities within the SA Government:		
	TVSP recoveries	**-**	390
	Business Manufacturing and Trade Funding	**-**	500
	Contributions to the Aboriginal Economic Development Seminar 2005	**80**	-
	Functions	**-**	223
	Recoveries or reimbursements from or in relation to:		
	Economic Development Framework Implementation Unit	**-**	420
	Promotion of the new Freightlink and Ghan	**-**	244
	Conference fees	**115**	124
	Arts SA industry related	**28**	10
	Other	**571**	212
	Total Other Revenue - SA Government Entities	**794**	2 123
	Total Other Revenue	**1 988**	3 646

13. Revenues from/Payments to SA Government

	2005	2004
Revenues from SA Government:	**$'000**	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**145 821**	137 660
Less: Appropriation administered on behalf of the Department of Administrative and Information Services	**-**	(1 881)
Total Revenues from SA Government	**145 821**	135 779
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer to Note 28)	**31 604**	-
Transfer to SA Government	**-**	5 300
Total Payments to SA Government	**31 604**	5 300
Total Revenues from/Payments to SA Government	**114 217**	130 479

14. Cash

Deposits at call - Westpac	**5 119**	28 223
Deposits with the Treasurer	**8 166**	6 447
Other	**33**	33
Total Cash	**13 318**	34 703

15. Receivables

Current:		
Receivables	**966**	1 737
Less: Provision for doubtful debts	**-**	(2)
Loans	**25**	76
Accrued revenues	**29**	142
GST receivable	**1 182**	746
Total Current Receivables	**2 202**	2 699
Non-Current:		
Loans	**40**	55
Less: Provision for doubtful debts	**(30)**	-
Other	9	9
Total Non-Current Receivables	**19**	64
Total Receivables	**2 221**	2 763
Government/Non-Government Receivables:		
Receivables from Non-SA Government entities:		
Receivables	**309**	454
Less: Provision for doubtful debts	**(30)**	(2)
GST receivable	**1 182**	746
Total Receivables - Non-SA Government Entities	**1 461**	1 198
Receivables from SA Government entities:		
Receivables	**722**	1 414
Accrued revenues	**29**	142
Other	**9**	9
Total Receivables - SA Government Entities	**760**	1 565
Total Receivables	**2 221**	2 763

16. Inventories

Work in progress	**-**	16
Total Inventories	**-**	16

17. Property, Plant and Equipment

At Fair Value:	Buildings and Improvements $'000	Furniture and Fittings $'000	Office Equipment $'000	Transport Accommodation $'000	Systems Development $'000	Motor Vehicles $'000	Works of Art $'000	**2005 Total $'000**
Balance at 30 June 2004	26 722	1 949	1 738	-	492	70	47	**31 018**
Additions	28	7	199	-	258	65	-	**557**
Assets transferred in from restructure	840	356	867	-	-	-	-	**2 063**
Other (includes reclassifications, disposals and retirements)	(1 498)	(131)	(1 891)	653	(419)	(70)	-	**(3 356)**
Revaluation increment	4 295	-	-	-	-	-	-	**4 295**
Balance at 30 June 2005	30 387	2 181	913	653	331	65	47	**34 577**

17. Property, Plant and Equipment (continued)

Accumulated Depreciation:	Buildings and Improve-ments $'000	Furniture and Fittings $'000	Office Equip-ment $'000	Trans-port Accomm-odation $'000	Systems Develop-ment $'000	Motor Vehicles $'000	Works of Art $'000	**2005 Total $'000**
Balance at 30 June 2004	(7 867)	(717)	(1 415)	-	(29)	(28)	-	**(10 056)**
Assets transferred in from restructure	(321)	(188)	(735)	-	-	-	-	**(1 244)**
Other (includes reclassifi-cations, disposals and retirements)	325	224	1 853	(242)	-	29	-	**2 189**
Depreciation expense	(258)	(732)	(336)	(26)	(39)	(14)	-	**(1 405)**
Revaluation increment	(532)	-	-	-	-	-	-	**(532)**
Balance at 30 June 2005	(8 653)	(1 413)	(633)	(268)	(68)	(13)	-	**(11 048)**
Net Book Value:								
Balance at 30 June 2005	**21 734**	**768**	**280**	**385**	**263**	**52**	**47**	**23 529**
Balance at 30 June 2004	18 855	1 232	323	-	463	42	47	**20 962**

Valuations of Departmental Buildings and Improvements held for cultural purposes were determined as at 30 June 2005 by the Australian Valuation Office. Valuations of Departmental Buildings and Improvements held by the Office of the Agent General in London were determined as at 30 June 2005 by Savills (L & P) Ltd. 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.

18. Payables

	2005 $'000	2004 $'000
Current:		
Creditors and accrued expenses	**3 634**	2 533
Employment on-costs	**523**	448
Total Current Payables	**4 157**	2 981
Non-Current:		
Employment on-costs	**578**	461
Total Non-Current Payables	**578**	461
Total Payables	**4 735**	3 442
Government/Non-Government Payables:		
Payables to non-SA Government entities:		
Creditors and accrued expenses	**1 955**	871
Total Payables - Non-SA Government Entities	**1 955**	871
Payables to SA Government entities:		
Creditors and accrued expenses	**1 679**	1 662
Employment on-costs	**1 101**	909
Total Payables - SA Government Entities	**2 780**	2 571
Total Payables	**4 735**	3 442

19. (a) *Employee Benefits*

Current:		
Annual leave	**2 089**	1 792
Long service leave	**1 012**	987
Accrued salaries and wages	**386**	219
Total Current Employee Benefits	**3 487**	2 998
Non-Current:		
Long service leave	**5 119**	4 021
Total Non-Current Employee Benefits	**5 119**	4 021
Total Employee Benefits	**8 606**	7 019

(b) *Employee Benefits and related On-Costs*

Accrued Salaries and Wages:		
On-costs included in payables - Current (refer Note 18)	**74**	45
Provision for employee benefits - Current (refer Note 19(a))	**386**	219
Total Accrued Salaries and Wages	**460**	264
Annual Leave:		
On-costs included in payables - Current (refer Note 18)	**334**	290
Provision for employee benefits - Current (refer Note 19(a))	**2 089**	1 792
Total Annual Leave	**2 423**	2 082

	2005	2004
(b) Employee Benefits and related On-Costs (continued)	**$'000**	$'000
Long Service Leave:		
On-costs included in payables - Current (refer Note 18)	**115**	113
Provision for employee benefits - Current (refer Note 19(a))	**1 012**	987
On-costs included in payables - Non-current (refer Note 18)	**578**	461
Provision for employee benefits - Non-current (refer Note 19(a))	**5 119**	4 021
Total Long Service Leave	**6 824**	5 582
Total Employee Benefits and Related On-Costs	**9 707**	7 928

20. Provisions

Current:		
Provision for workers compensation	**83**	80
Total Current Provisions	**83**	80
Non-Current:		
Provision for workers compensation	**212**	189
Total Non-Current Provisions	**212**	189
Total Provisions	**295**	269

Reconciliation of the Provision for Workers Compensation

Provision at 1 July	**269**	318
Increase (Decrease) in provision during the year	**26**	(49)
Provision for Workers Compensation at 30 June	**295**	269

21. Other Liabilities

Current:		
Unearned revenue	**434**	896
Total Current Other Liabilities	**434**	896
Non-Current:		
Imprest account	**23**	28
Total Non-Current Other Liabilities	**23**	28
Total Other Liabilities	**457**	924

22. Equity

Retained profits	**15 020**	40 598
Asset revaluation reserve	**9 955**	6 192
Total Equity	**24 975**	46 790
Retained profits:		
Balance at 1 July	**40 598**	38 716
Increase in net assets due to administrative restructure	**10 291**	-
Net result before restructuring	**(35 869)**	1 882
Balance at 30 June	**15 020**	40 598
Asset Revaluation Reserve:		
Balance at 1 July	**6 192**	6 192
Increment on asset revaluation	**3 763**	-
Balance at 30 June	**9 955**	6 192

23. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

- Cash is available at call and is recorded at cost.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days.

Financial Liabilities

- The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.
- Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

	2005				2004			
	Floating Interest Rate	**Non-Interest Bearing**	**Total Carrying Amount**	**Weighted Average Effective Interest Rate**	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Average Effective Interest Rate
Financial Assets:	**$'000**	**$'000**	**$'000**	**Percent**	$'000	$'000	$'000	Percent
Cash on hand	**13 285**	**33**	**13 318**	**5.48**	34 670	33	34 703	5.10
Receivables	**-**	**2 221**	**2 221**	**-**	-	2 763	2 763	-
	13 285	**2 254**	**15 539**		34 670	2 796	37 466	
Financial Liabilities:								
Imprest account	**-**	**23**	**23**	**-**	-	28	28	-
Payables	**-**	**3 634**	**3 634**	**-**	-	2 533	2 533	-
	-	**3 657**	**3 657**		-	2 561	2 561	

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

24. Commitments for Expenditure

Operating Lease Commitments

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging from 2 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 arrears.

- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement 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 $3 061 000 ($2 822 000).

	2005	2004
	$'000	$'000
Not later than one year	**2 630**	2 701
Later than one year and not later than five years	**8 014**	2 342
Later than five years	**1 704**	2 181
Total Operating Leases Commitments	**12 348**	7 224

25. Contingent Liabilities

Alice Springs to Darwin Railway

The AustralAsia Railway Corporation, the Northern Territory (NT) and South Australian (SA) Governments and Asia Pacific Transport Pty Ltd have entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs to Darwin Railway on a build, own, operate, transfer-back basis.

Both the SA and NT Governments guarantee the obligations of the Corporation. The guarantee is a joint guarantee but SA and NT each accept responsibility for breach of an indemnity that is caused by its act or omission. Where the event giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both the SA and NT caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, SA and NT accept liability for events occurring within the geographical area of its jurisdiction. 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 processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific Transport Pty Ltd. In certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the project, certain agreed break costs for the project, certain agreed break costs for third party contractors and payments to equity. For all these events the cure is within the control of either the Corporation or the Governments.

While the Department of the Premier and Cabinet is not a signatory to these agreements, the SA Government has assigned responsibility for these agreements to the Department. If a subsequent event were triggered such that the SA Government had to honour a commitment under the agreement that commitment would have to be funded by the SA Government and the payment would be made through the Department. The prospect of any of the contingent liabilities arising is considered to be extremely remote.

Glenthorne Farm

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation (CSIRO), with the assistance of a grant from the South Australian Government. A contract signed by the South Australian 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 South Australian 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.

26. Cash Flow Reconciliation

	2005	2004
Reconciliation of Cash:	$'000	$'000
Cash as recorded in the Statement of Financial Position	**13 318**	34 703
Cash as recorded in the Statement of Cash Flows	**13 318**	34 703

Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Net Cost of Services from Ordinary Activities:		
Net cash inflows (outflows) from operating activities	**(31 024)**	3 237
Less: Revenues from government	**(145 821)**	(135 779)
Add: Payments to Government	**31 604**	5 300
Add (Less) Non-Cash Items:		
Depreciation of property, plant and equipment	**(1 405)**	(1 058)
(Loss) Gain on restructuring	**(382)**	(870)
Assets transferred in	**-**	221
Net loss from disposal of assets	**(129)**	-
Bad and doubtful debts expense	**-**	10
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	**(1 413)**	150
Increase (Decrease) in prepayments	**-**	(53)
(Increase) Decrease in payables	**(364)**	(476)
(Increase) Decrease in provisions	**(26)**	49
(Increase) Decrease in employee benefits	**(1 587)**	155
(Increase) Decrease in other liabilities	**461**	(113)
Net Cost of Services from Ordinary Activities	**(150 086)**	(129 227)

27. Events After Balance Date

There were no events after balance date.

28. Payments to SA Government

In October 2003 the Government introduced a policy with respect to aligning cash balances with appropriation and expenditure authority. The cash alignment policy as implemented by the Department of Treasury and Finance is designed to eliminate cash balances accumulated by agencies and surplus to their working capital requirements. Under this policy the Department transferred back $31.6 million to the Department of Treasury and Finance.

29. Transferred Functions

As a result of a restructuring of Administrative arrangements, the Department assumed the responsibility of the division of the Department for Families and Communities known as the Department for Aboriginal Affairs and Reconciliation, as at 14 October 2004. This included the administration of the Commonwealth Community Essential Services Program.

(a) Net Assets Transferred in from the Department for Families and Communities

	2005
	$'000
Current Assets:	
Cash	**9 909**
Receivables	**565**
Non-Current Assets:	
Property, plant and equipment	**819**
Total Assets	**11 293**
Current Liabilities:	
Payables	**501**
Employee costs	**225**
Non-Current Liabilities:	
Employee costs	**276**
Total Liabilities	**1 002**
Net Assets Transferred	**10 291**

(b)	***Revenues and Expenses for the Division known as the Department of Aboriginal Affairs and Reconciliation***	1.7.04 - 31.10.04 $'000	1.11.04 - 30.06.05 $'000	**Total for 2004-05 $'000**
	Expenses:			
	Employee expenses	1 057	2 295	**3 352**
	Supplies and services	925	3 915	**4 840**
	Depreciation	48	347	**395**
	Grants and subsidies	742	3 299	**4 041**
	Total Expenses from Ordinary Activities	2 772	9 856	**12 628**
	Revenue:			
	Fees and charges	64	109	**173**
	APY Lands funding transfer	-	596	**596**
	Commonwealth revenue	-	250	**250**
	Recoveries	-	207	**207**
	Interest	114	133	**247**
	Other	38	90	**128**
	Total Revenue from Ordinary Activities	216	1 385	**1 601**
	Revenue from SA Government:			
	Appropriation	3 606	8 238	**11 844**
	Payments to SA Government	-	(8 878)	**(8 878)**
	Total Revenue from SA Government	3 606	(640)	**2 966**
	Net Result	1 050	(9 111)	**(8 061)**

(c)	***Administered Items Transferred In - Commonwealth Community Essential Services Program***	**2005 $'000**
	Current Assets:	
	Cash	**8 940**
	Receivables	**140**
	Total Assets	**9 080**
	Current Liabilities:	
	Payables	**974**
	Other	**9 581**
	Total Liabilities	**10 555**
	Net Assets Transferred	**(1 475)**

Schedule of Administered Expenses and Revenues for the year ended 30 June 2005

	2005	2004
ADMINISTERED REVENUES:	**$'000**	$'000
Revenues from SA Government includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**323**	314
(ii) *Agent-General Act 1901*	**293**	290
Premier - Other payments	**1 437**	1 166
State Emergency Relief Fund	**1 266**	5
Social Inclusion Initiative:		
Drug summit	**-**	1 787
Homelessness	**3 812**	3 000
School retention action plan	**7 734**	3 500
Targeted Voluntary Separation Package Scheme Account	**2 336**	50 000
Government Workers Rehabilitation and Compensation Fund	**-**	295
Trust Fund:		
Bank of Tokyo Cultural and Social Exchange Program	**6**	7
SA Okayama account	**2**	2
APY Lands	**943**	-
Grants and subsidies includes:		
APY Lands	**7 684**	-
Commonwealth Community Essential Services Program	**5 486**	-
Other Includes:		
Receipts received in administering the Public Sector Workforce Relations Unit	**-**	1 881
Funding transfer to administer the Public Sector Workforce Relations Unit	**-**	296
Commonwealth Community Essential Services Program	**255**	-
Total Administered Revenues	**31 577**	62 543
ADMINISTERED EXPENSES:		
Employee expenses includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**323**	314
(ii) *Agent-General Act 1901*	**293**	290
Targeted Voluntary Separation Package Scheme Account	**282**	50 748
Payments to workers compensation	**-**	1 292
Grants and subsidies includes:		
Social Inclusion initiative:		
Drug Summit	**-**	1 787
Homelessness	**3 812**	3 000
School Retention Action Plan	**7 986**	3 248
Trust Fund:		
Bank of Tokyo Cultural and Social Exchange Program	**30**	12
Other includes:		
Expenses incurred in administering the Public Sector Workforce Relations Unit	**-**	2 177
Premier - Other payments	**1 437**	1 166
Government Workers Rehabilitation and Compensation Fund	**-**	533
Targeted Voluntary Separation Package Scheme Account	**71**	197
APY Lands	**4 125**	-
Commonwealth Community Essential Services Program	**4 266**	-
State Emergency Relief Fund	**562**	-
Total Administered Expenses	**23 187**	64 764
NET OPERATING SURPLUS (DEFICIT)	**8 390**	(2 221)
(DECREASE) INCREASE IN NET ASSETS DUE TO ADMINISTRATIVE RESTRUCTURE	**(1 475)**	23 313
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	**6 915**	21 092

Schedule of Administered Assets and Liabilities as at 30 June 2005

	2005	2004
ADMINISTERED CURRENT ASSETS:	**$'000**	$'000
Cash includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**(27)**	-
(ii) *Agent-General Act 1901*	**(23)**	-
Trust Fund:		
Bank of Tokyo Cultural and Social Exchange Program	**112**	136
SA Okayama account	**45**	43
Premier - Other payments	**(252)**	-
State Emergency Relief Fund	**803**	100
Targeted Voluntary Separation Package Scheme Account	**6**	11 993
Cash received for APY lands from the Commonwealth	**4 829**	4 700
Social Inclusion Initiative - School Retention Action Plan	**-**	252
Commonwealth Community Essential Services Program	**5 783**	-
Receivables includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**27**	-
(ii) *Agent-General Act 1901*	**23**	-
Premier - Other payments	**412**	-
APY Lands	**215**	-
State Emergency Relief Fund	**2**	-
Total Administered Current Assets	**11 955**	17 224
ADMINISTERED NON-CURRENT ASSETS:		
Non-Current Assets	**-**	-
Total Administered Non-Current Assets	**-**	-
Total Administered Assets	**11 955**	17 224
ADMINISTERED CURRENT LIABILITIES:		
Payables includes:		
Targeted Voluntary Separation Package Scheme Account	**5**	13 974
State Emergency Relief Fund	**1**	-
APY Lands	**542**	-
Commonwealth Community Essential Services Program	**542**	-
Premier - Other payments	**161**	-
Unearned Revenue:		
APY Lands from the Commonwealth	**-**	4 700
Commonwealth Community Essential Services Capital Works Fund	**5 240**	-
Total Administered Current Liabilities	**6 491**	18 674
ADMINISTERED NON-CURRENT LIABILITIES:		
Non-Current Liabilities	**-**	-
Total Administered Non-Current Liabilities	**-**	-
Total Administered Liabilities	**6 491**	18 674
NET ADMINISTERED LIABILITIES	**5 464**	(1 450)
TOTAL ADMINISTERED EQUITY	**5 464**	(1 450)

Schedule of Administered Cash Flows for the year ended 30 June 2005

	2005 Inflows (Outflows) $'000	2004 Inflows (Outflows) $'000
ADMINISTERED CASH INFLOWS:		
Receipts from Government includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**296**	314
(ii) *Agent-General Act 1901*	**270**	290
Premier - Other payments	**1 024**	1 166
State Emergency Relief Fund	**-**	5
Social Inclusion Initiative:		
Drug Summit	**-**	1 787
Homelessness	**3 812**	3 000
School Retention Action Plan	**7 734**	3 500
Targeted Voluntary Separation Package Scheme Account	**2 336**	50 000
Government Workers Rehabilitation and Compensation Fund	**-**	295
Trust Fund:		
Bank of Tokyo Cultural and Social Exchange Program	**6**	7
SA Okayama Account	**2**	2
Other includes:		
Receipts received in administering the Public Sector Workforce Relations Unit	**-**	1 881
Funding transfer in administering the Public Sector Workforce Relations Unit	**-**	296
Cash received for APY lands from the Commonwealth	**3 712**	4 700
Government Workers Rehabilitation and Compensation Fund	**-**	150
State Emergency Relief Fund	**1 264**	-
Commonwealth Community Essential Services Program	**9 506**	-
Total Administered Cash Inflows	**29 962**	67 393
ADMINISTERED CASH OUTFLOWS:		
Employee payments includes:		
Salary and allowances pursuant to:		
(i) *Parliamentary Remuneration Act 1990*	**(323)**	(314)
(ii) *Agent-General Act 1901*	**(293)**	(290)
Targeted Voluntary Separation Package Scheme Account	**(13 330)**	(38 617)
Government Workers Rehabilitation and Compensation Fund	**-**	(1 623)
Grants and subsidies includes:		
Social Inclusion Initiative:		
Drug Summit	**-**	(1 787)
Homelessness	**(3 812)**	(3 000)
School Retention Action Plan	**(7 986)**	(3 248)
Trust Fund - Bank of Tokyo Cultural and Social Exchange Program	**(30)**	(12)
APY Lands	**(3 582)**	-
Other includes:		
Expenses incurred in administering the Public Sector Workforce Relations Unit	**-**	(2 177)
Premier - Other payments	**(1 276)**	(1 166)
Government Workers Rehabilitation and Compensation Fund	**-**	(85)
Targeted Voluntary Separation Package Scheme Account	**(993)**	(368)
State Emergency Relief Fund	**(561)**	-
Commonwealth Community Essential Services Program	**(3 724)**	-
Total Administered Cash Outflows	**(35 910)**	(52 687)
Net Administered Cash (Outflows) Inflows	**(5 948)**	14 706
Net Cash transferred due to restructure of Government Workers Rehabilitation and Compensation Scheme	**-**	(571)
NET (DECREASE) INCREASE IN CASH HELD	**(5 948)**	14 135
CASH AT 1 JULY	**17 224**	3 089
CASH AT 30 JUNE	**11 276**	17 224

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

All Department accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Departmental and Administered Financial Statements.

2. Transferred Administered Items

All note detail in relation to the restructure of the Commonwealth Community Essential Services Program is contained in Note 29 to the Department's financial statements.

TARGETED VOLUNTARY SEPARATION PACKAGE SCHEMES

SCHEME OBJECTIVES

Since 1993, various Targeted Voluntary Separation Package Schemes have been utilised by Government to facilitate workforce restructuring, the enhancement of the workforce skills profile, graduate recruitment and the ongoing modernisation and improvement of the efficiency and productivity of the public sector.

The last TVSP Scheme approved by the Government closed on 18 June 2004. While all separations were required to be paid by 18 June 2004, reimbursements by the Department of the Premier and Cabinet to agencies was finalised in 2004-05.

ADMINISTRATIVE RESPONSIBILITY

The financial arrangements of the Targeted Voluntary Separation Package Scheme were administered by the Department of the Premier and Cabinet's Office for the Commissioner for Public Employment through a Special Deposit Account titled 'Targeted Voluntary Separation Package Scheme'.

Payments through the account included separation costs, workers compensation and costs associated with the processing of packages. The principal source of funding for the Scheme was monies appropriated by Parliament to the Treasurer.

The calculation of the separation payments was based on staged levels of payment depending on separation date and years of service, which were set out in the Determinations of the Commissioner for Public Employment issued under the *Public Sector Management Act 1985*.

AUDIT MANDATE AND COVERAGE

The audit of the Department of the Premier and Cabinet included the audit of the Department's administration of the TVSP Scheme.

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Targeted Voluntary Separation Package Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Targeted Voluntary Separation Package Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards, other mandatory professional reporting requirements, the financial position of the Targeted Voluntary Separation Package Scheme as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Targeted Voluntary Separation Package 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 Targeted Voluntary Separation Package Scheme have been conducted properly and in accordance with law.

Audit Communications to Management

A management letter was forwarded to the Commissioner for Public Employment indicating that the results of the audit were satisfactory.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

- Appropriations for the year totalled $2.3 million as compared to $50 million in 2003-04.
- Reimbursements to agencies, as reflected in the Statement of Cash Flows, for Targeted Voluntary Separation Packages totalled $13.3 million. This represents the $13 million paid by agencies during 2003-04 and an additional $282 000 paid during 2004-05.
- $23 000 was transferred to the Department of Treasury and Finance during the year. The cash held of $6000 in the Fund at 30 June 2005 is sufficient to meet the liability for accrued administration expenses.

Statement of Financial Performance
for the year ended 30 June 2005

	Note	**2005**	2004
EXPENSES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Targeted Voluntary Separation Packages	3	**282**	50 748
Workers compensation		**-**	1 292
Administration expenses		**50**	197
Total Expenses from Ordinary Activities		**332**	52 237
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	7	**(332)**	(52 237)
REVENUES FROM SA GOVERNMENT:			
Appropriation		**2 336**	50 000
Payments to SA Government		**(23)**	-
Total Revenues from SA Government		**2 313**	50 000
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		**1 981**	(2 237)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**1 981**	(2 237)

Statement of Financial Position
as at 30 June 2005

	Note	**2005**	2004
CURRENT ASSETS:		**$'000**	$'000
Cash		**6**	11 993
Total Current Assets		**6**	11 993
Total Assets		**6**	11 993
CURRENT LIABILITIES:			
Payables	5	**6**	13 974
Total Current Liabilities		**6**	13 974
Total Liabilities		**6**	13 974
NET ASSETS		**-**	(1 981)
EQUITY:			
Accumulated surplus (deficit)	6	**-**	(1 981)
TOTAL EQUITY		**-**	(1 981)

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Targeted Voluntary Separation Packages		**(13 330)**	(38 087)
Workers compensation		**(912)**	(530)
Administration expenses		**(58)**	(368)
Total Outflows from Ordinary Activities		**(14 300)**	(38 985)
CASH FLOWS FROM SA GOVERNMENT:			
Appropriation		**2 336**	50 000
Payments to SA Government		**(23)**	-
Total Inflows from SA Government		**2 313**	50 000
Net Cash (Outflows) Inflows from Operating Activities	7	**(11 987)**	11 015
NET (DECREASE) INCREASE IN CASH HELD		**(11 987)**	11 015
CASH AT 1 JULY		**11 993**	978
CASH AT 30 JUNE		**6**	11 993

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Targeted Voluntary Separation Package Scheme was established in March 1993 to assist agencies in organisational restructuring, workforce reductions and achievement of Cabinet approved savings targets.

Two Schemes operated during the 2003-04 period. The first Scheme existed between the period 12 August 2002 until 11 August 2003. The second Scheme existed between the period 19 January 2004 until 18 June 2004. Both schemes are now closed.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- applicable Australian Accounting Standards; and
- other mandatory professional reporting requirements in Australia.

The Scheme's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention.

2.2 Sources of Funds

The financial arrangements of the Targeted Voluntary Separation Package Scheme are administered by, but not controlled by, the Department of the Premier and Cabinet through a Special Deposit Account titled 'Targeted Voluntary Separation Package Scheme' (the Account). The Account's principal source of funds consists of monies appropriated by Parliament to the Treasurer - Other Items line titled 'Funding for Targeted Voluntary Separation Package Scheme'.

2.3 Appropriations

Appropriations are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over the appropriation is normally obtained upon their receipt.

2.4 Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

3.	**Targeted Voluntary Separation Packages**	**2005**	2004
		$'000	$'000
	Department for Transport, Energy and Infrastructure	**281**	8 184
	Attorney-General's Department	**-**	622
	TransAdelaide	**-**	2 578
	Department of Human Services	**-**	2 122
	Department of Education and Children's Services	**-**	6 812
	Department of Further Education, Employment, Science and Technology	**-**	11 830
	Department of Water, Land and Biodiversity Conservation	**-**	1 572
	Department for Administrative and Information Services	**-**	6 719
	Department of Primary Industries and Resources	**-**	1 446
	Department for Environment and Heritage	**-**	2 649
	Lyell McEwin Hospital	**-**	723
	Department of Business, Manufacturing and Trade	**-**	1 341
	Other agencies	**1**	4 150
		282	50 748
4.	**Auditors' Remuneration**		
	Audit fees paid/payable for auditing services	**6**	16
		6	16
	Other Services		
	No other services were provided by the Auditors to the Scheme.		
5.	**Payables**		
	Unreimbursed TVSP payments	**-**	13 048
	Payment due to Government Workers Rehabilitation and Compensation Scheme	**-**	912
	Accrued administration expenses	**6**	14
		6	13 974
6.	**Equity**		
	Balance at 1 July	**(1 981)**	256
	Increase (Decrease) in net assets resulting from operations	**1 981**	(2 237)
	Balance at 30 June	**-**	(1 981)
7.	**Reconciliation of Net Cash (Outflows) Inflows from Operating Activities to Net Cost of Services from Ordinary Activities**		
	Net cash (outflows) inflows from operating activities	**(11 987)**	11 015
	Less: Revenues from SA Government	**(2 336)**	(50 000)
	Add: Payments to SA Government	**23**	-
	Changes in assets and liabilities:		
	Decrease (Increase) in liabilities	**13 968**	(13 252)
	Net Cost of Services from Ordinary Activities	**(332)**	(52 237)

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

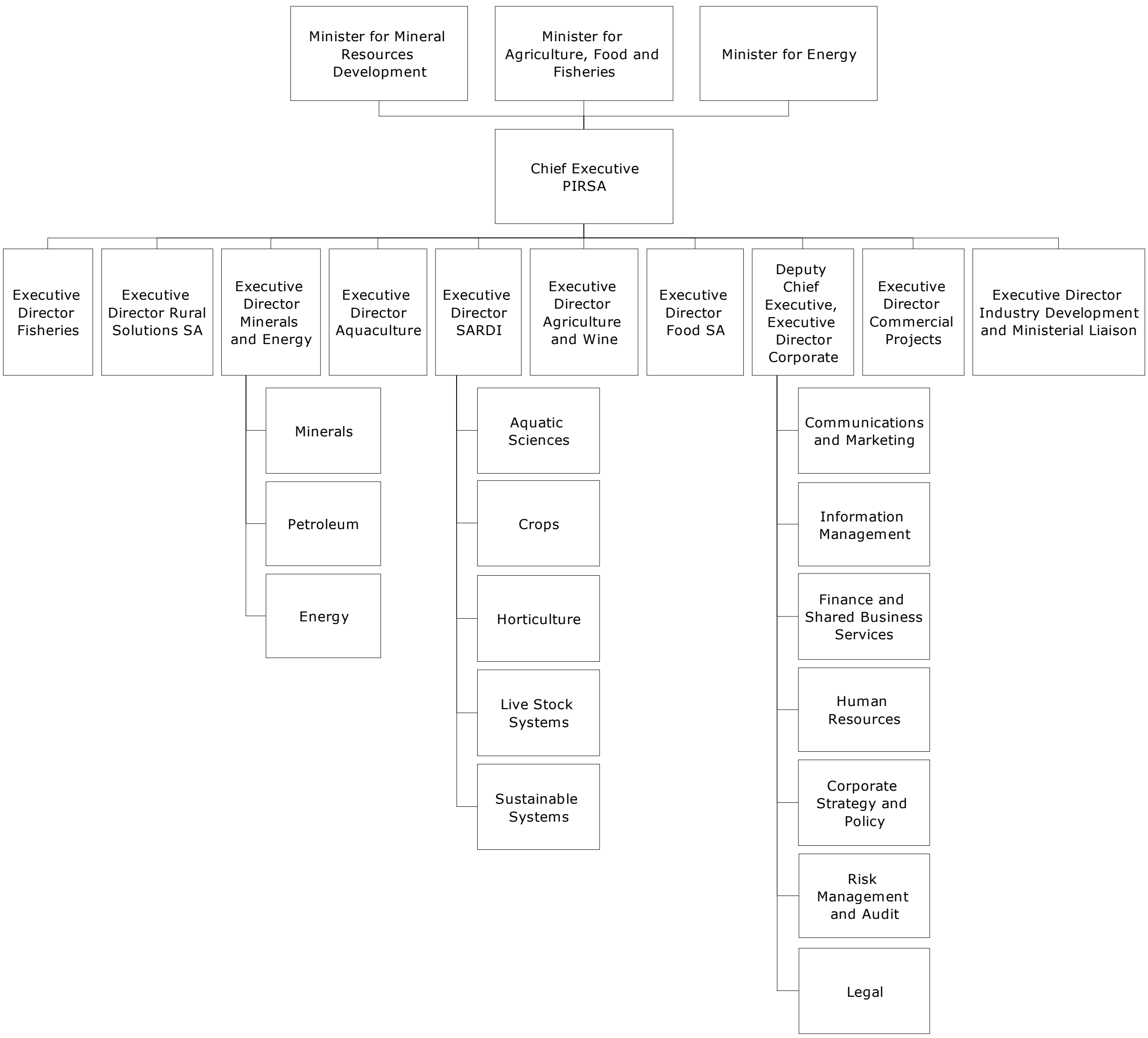
The Department of Primary Industries and Resources is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The function of the Department of Primary Industries and Resources is to deliver services that increase the prosperity of South Australians and ensure the sustainable economic development of the State's resource base for future generations.

Structure

The structure of the Department of Primary Industries and Resources at 30 June 2005 is illustrated in the following organisation chart.



Changes to Functions and Structure

Pursuant to a proclamation in the South Australian Government Gazette on 30 June 2005 and effective from 1 July 2005, the employees and functions of Energy SA and the Office of the Technical Regulator will be transferred to the Department for Transport, Energy and Infrastructure.

In addition, pursuant to the same proclamation, employees and functions of Planning SA, the Office of Local Government, the Office of the North, the Office for the Southern Suburbs, the Office of the North West and the Regional Ministerial Offices will be transferred to the Department.

The effects of these transfers will be reported in the Department's financial statements for the year ended 30 June 2006.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Primary Industries and Resources for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05 specific areas of audit attention included:

- consultancy and service fee income
- expenditure
- payroll and related payments
- cash at bank
- Masterpiece and Reculvar accounts receivable
- mining and petroleum revenue
- grants and advances revenue
- fish licensing
- grants expenditure
- trust funds
- fixed assets
- financial accounting
- legal compliance
- Information Technology Review - Payments Plus system.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Primary Industries and Resources as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

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:

- the internal audit function
- risk monitoring
- development of policies and procedures
- legal compliance
- payroll
- review of accounts payable processing,

as outlined under 'Audit Communications to Management', 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.

Audit Communications to Management

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

Cash at Bank Reconciliation Methodology

Audit reported in 2003-04 that the Department had not reconciled the general ledger bank account balance to the Westpac bank account as at 30 June 2004 resulting in a qualified Independent Audit Report. The Department responded with a commitment to resolve the cash reconciliation issues by establishing a project team specifically for this purpose.

In 2004-05 Audit reviewed the work performed by the project team to reconcile the general ledger cash at bank balance to the Westpac closing cash at bank balance as at 30 June 2004. This required the re-creation of the bank reconciliations since March 1999.

Audit were satisfied the project team identified all reconciling items and obtained adequate supporting documentation from the respective business units enabling the project team to update the general ledger and clear all outstanding items as at 30 June 2004.

Audit has verified that the general ledger cash at bank reconciles to the Westpac closing cash at bank balance as at 30 June 2004 and as at 30 June 2005.

Completeness of the General Ledger

Audit reported in 2003-04 that the Department's general ledger did not reconcile to opening balances reflected in the 30 June 2004 Financial Statements by $5.4 million resulting in a qualified Independent Audit Report. The Department responded with a commitment to resolve the general ledger issues by establishing a project team.

Audit review in 2004-05 of the correction to the general ledger confirmed reconciling items were identified, documented and appropriately corrected.

Audit has verified the balance of accumulated surplus as at 30 June 2004 as reported in the financial statements reconciles to the balance as recorded in the general ledger.

Information Systems Business Continuity

Previous reports to Parliament noted that the Department did not have a department wide business continuity plan.

Follow-up reviews in 2003-04 and 2004-05 identified the Department had not established a Business Continuity Plan at either a departmental or divisional level.

In response to the audit follow up in 2004-05 the Department advised a process has commenced to develop a Business Continuity Plan. Divisional Business Continuity Coordinators have been appointed to assist with the process and a firm from the Internal Audit panel has been engaged to develop a framework and methodology.

The Department advised it is expected this process will be completed in 2005-06.

Internal Audit Function

Audit reviewed the effectiveness of the Department's Internal Audit function and noted that significant initiatives were implemented during the year, including seeking to establish a panel of contract service providers and the appointment of a Senior Internal Auditor. The review also identified that the panel arrangements were not finalised and the Department had prepared a draft internal audit plan.

In response the Department advised Panel Deeds have been forwarded to panel members for signature and the Internal Audit Plan for 2005-06 was tabled and approved at the Risk and Audit Committee meeting in July 2005.

Risk Monitoring

The 2004-05 audit included a review of corporate governance structures in place within the Department which included the examination of the Department's risk management processes and practices. The review focussed on the requirements of the Financial Management Framework with particular emphasis on assessing whether the Department had an effective control framework for risk management.

Audit acknowledges that the Department has established sound risk management practices across divisions including risk identification, treatment and monitoring and reporting. However the review identified scope for improvement with the following aspects of the Department's practices:

- Develop regular and timely reporting on the status of Risk Action Plans to the Risk Management and Audit Committee.

- Update divisional risk management plans.

- Improve the level of documentation of risk management practices within the Commercial Projects and Food SA divisions including identifying risk controls, implementing risk treatment plans and risk action plans.

In response, the Department advised that:

- The status of risk treatments will be incorporated into the Internal Audit Follow Up Reporting System. Reports from the system will be provided to the Risk and Audit Committee during 2005-06;

- The Risk Management and Audit unit will facilitate risk workshops to assist divisions review and update risk profiles during 2005-06 and report to the Risk and Audit Committee on a cyclical basis;

- Commercial Projects and Food SA divisions will implement the PIRRISK framework by January 2006.

Development of Policies and Procedures

The Financial Management Framework requires Chief Executives to ensure policies and procedures are prepared for all major areas of Departmental operations. Audit were able to identify documented policies and procedures for a significant part of the Department's operations but also identified the following areas in which documented policies and procedures were not prepared or needed to be enhanced:

- Financial policies and procedures.
- Divisional Strategic Planning policy and procedures.
- Budget Monitoring and Reporting policy and procedures.
- Payroll Bona Fide Certificate Review policy and procedure.
- Fixed Asset policies and procedures.
- Accounts Payable policies and procedures.

In response the Department advised of proposed action to address these matters in the 2005-06 financial year.

Legal Compliance

Audit review for 2004-05 considered the arrangements implemented by the Department to ensure it complies with all relevant legislation. In undertaking the review consideration was given to the requirements of the Financial Management Framework and to the range of legislation administered by the Department. Audit's preliminary review did not identify a formal, structured and robust compliance framework. Audit found that:

- the Department places reliance on institutional knowledge rather than formal structures and processes;

- key provisions and requirements of legislation have not been documented;

- there is no systematic approach to reporting to the Chief Executive or Ministers on compliance or non-compliance;

- legal compliance has yet to be incorporated into the Department's Risk Management Practices.

Audit sought clarification from the Department of its current position in managing legal compliance.

The Department advised that during 2005-06 it will review aspects of its practices in relation to legal compliance risk and develop a framework that will support compliance driven requirements and ensure divisions respond effectively to legal compliance.

Approval of Consultancy Fee Arrangements

Provision of consulting services is a significant component of the Department's operations. Review of arrangements for managing and controlling this activity identified that the Department's Delegations of Authority do not provide for authorisation of consulting services.

The Department advised the delegations for authorising expenditure were used to determine who may authorise contracts for provision of consulting services and indicated it will update the Delegations of Authority to incorporate specific provisions for authorisation of contracts for consulting services.

Payroll

The Department's procedures for review of Bona Fide Reports and Leave Returns require the reports to be distributed to work sites, reviewed and certified by work site managers and returned to Employee Services within specified time frames. Audit testing during 2004-05 established that Bona Fide reports for the Minerals and Energy Division and Leave Returns for a number of divisions were not returned to Employee Services on a timely basis.

The Department response outlined proposed measures, to be implemented in 2005-06, to address the audit findings.

Fisheries Strategic Plans

Fisheries Management Committees have been established for the major commercial fisheries within South Australia pursuant to the Fisheries (Management Committees) Regulations 1995. The Regulations require preparation of 5-year strategic plans by each Management Committee and requires regular reporting of achievement against the plan.

Audit review in 2004-05 of the strategic plans identified the plans in place are out of date as they relate to the period 1997-2002.

The Department advised that while strategic plans were not updated each Fisheries Management Committee had annual work plans which were current. It also advised strategic plans will be updated during 2005-06.

Contracts Register

In 2003-04 Audit reviewed the Department's contract register to evaluate compliance with Treasurer's Instruction 27 'Disclosure of Government Contracts' and identified that the Department's contracts register is incomplete.

The Department responded to Audit's findings by indicating the Procurement Advisory Unit will implement steps to ensure compliance with the Treasurer's Instruction.

Follow-up by Audit in 2004-05 identified a review process was implemented in September 2004, and was intended to be performed each quarter but had not been performed since its implementation.

The Department advised that the reviews covering the remaining quarters have been undertaken along with the implementation of a follow-up system to be performed by the Manager, Business Services.

Review of Accounts Payable Processing

The review of controls over accounts payable processing gave specific focus to evaluating the controls implemented:

- to ensure all payments were authorised by officers with appropriate delegated authority;
- were for goods or services which were ordered and received by the Department.

Consideration was also given to the effectiveness with which the Department used the purchasing module of the Masterpiece system.

The review highlighted that the Department's processes are largely paper based and that significant reliance is placed on informal checking processes. Audit identified the Department does not use the online requisitioning and approving functions in Masterpiece and that a high proportion of purchase orders are generated only on receipt of an invoice.

It also identified:

- the absence of a signature register for use by the accounts payable group to verify authorising officers signatures;
- policies and procedures were not documented and available to all system users;
- weakness in controls over the electronic funds transfer process;
- weakness in controls over the vendor masterfile.

Along with other recommendations Audit recommended the Department investigate whether the Masterpiece online purchasing module could be more effectively used.

In response, the Department advised that implementation of the Masterpiece online system is not viable due to factors such as:

- the accessibility of Masterpiece to all users;
- the complexity of reconciliations;
- significant training resources required to implement the online system;
- the volume of purchase orders processed do not outweigh these factors.

Audit was advised the Department are investigating the option of implementing a scanning and workflow alternative for processing accounts payable transactions, however this review has been deferred until 2005-06.

The Department's detailed response to Audit's findings identified a range of actions to be implemented to address the findings and recommendations.

Review of the Payments Plus System - CIS Environment

Audit performed a review of the system in 2004-05 covering aspects of the design and operation. Audit communicated the findings of the review to the Department.

In response, the Department advised of proposed action to address the issues identified.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The following interpretation and analysis has been prepared using the reported information and should be read in conjunction with the qualification that applied to the 2004 financial statements.

Highlights of Financial Statements

	2005 $'million	2004 $'million	Percentage Change
OPERATING REVENUE			
Appropriations from Government	**128.8**	107.9	19
User charges and fees	**36.2**	35.6	2
Advances and grants	**32.2**	30.5	6
Other	**12.4**	12.7	(2)
Total Operating Revenue	**209.6**	186.7	12
OPERATING EXPENDITURE			
Employee expenses	**94.1**	88.7	6
Supplies and services	**68.1**	64.0	6
Grants and subsidies	**35.7**	22.5	59
Other	**10.5**	10.4	1
Total Expenses	**208.4**	185.6	12
Net result from ordinary activities	**1.2**	1.1	9
Administrative restructure expense	**-**	5.1	-
Net Result after Restructuring	**1.2**	(4.0)	-

	2005 $'million	2004 $'million	Percentage Change
ASSETS			
Current assets	**76.6**	77.1	(0.6)
Non-current assets	**125.9**	120.9	4
Total Assets	**202.5**	198.0	2
LIABILITIES			
Current liabilities	**20.4**	16.3	25
Non-current liabilities	**29.7**	30.5	(3)
Total Liabilities	**50.1**	46.8	7
EQUITY	**152.4**	151.2	-

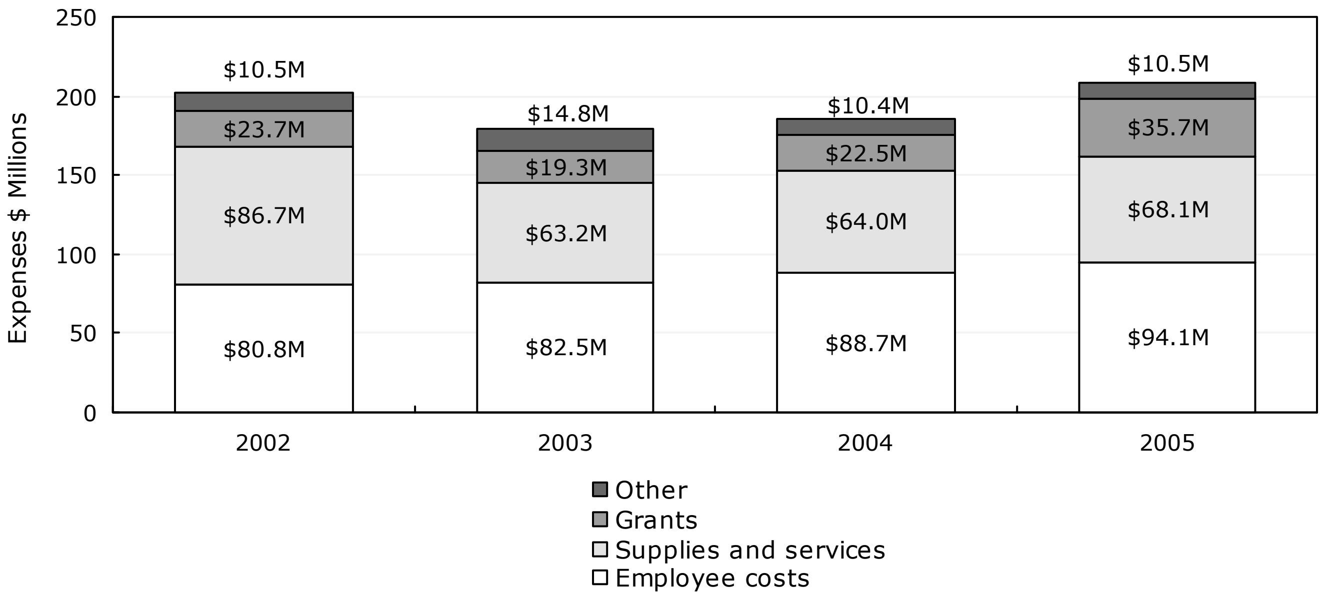
Statement of Financial Performance

A structural analysis of operating revenues and expenses for the Department for the four years to 2005 is presented in the following charts.

Operating Expenses

The chart below shows that total expenses have increased by $22.8 million. Factors contributing to this increase were:

- an increase in employee costs of $5.4 million;
- an increase in grants and subsidies of $13.2 million, of which $10.9 million relates to an increase in grants provided for the buy back of Marine Scalefish licences. This program was established in 2004-05 by the State Government for a total cost of up to $12 million. The voluntary program has seen the removal of 61 netting entitlements from the industry this year;
- an increase in supplies and services of $4.1 million.

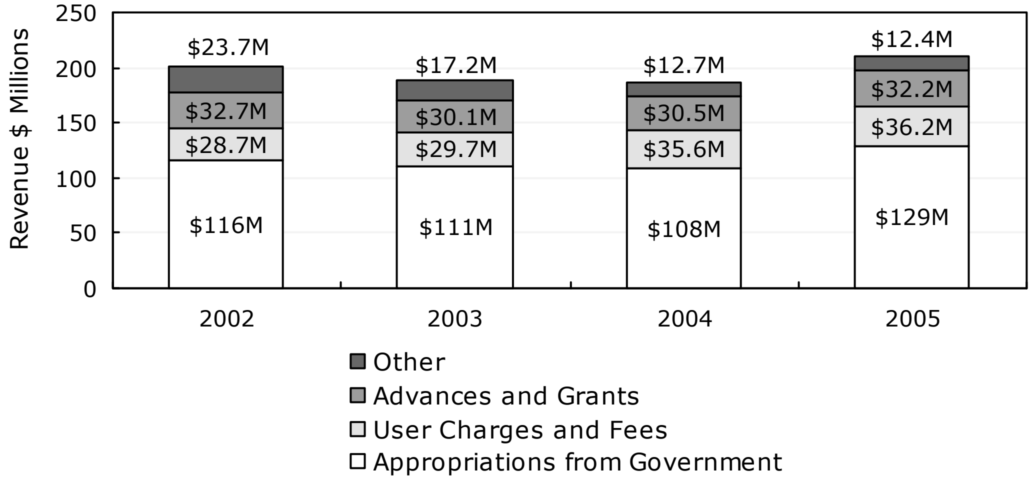


Operating Revenues

The chart below shows that total revenues have increased by $22.9 million. Factors contributing to this outcome were:

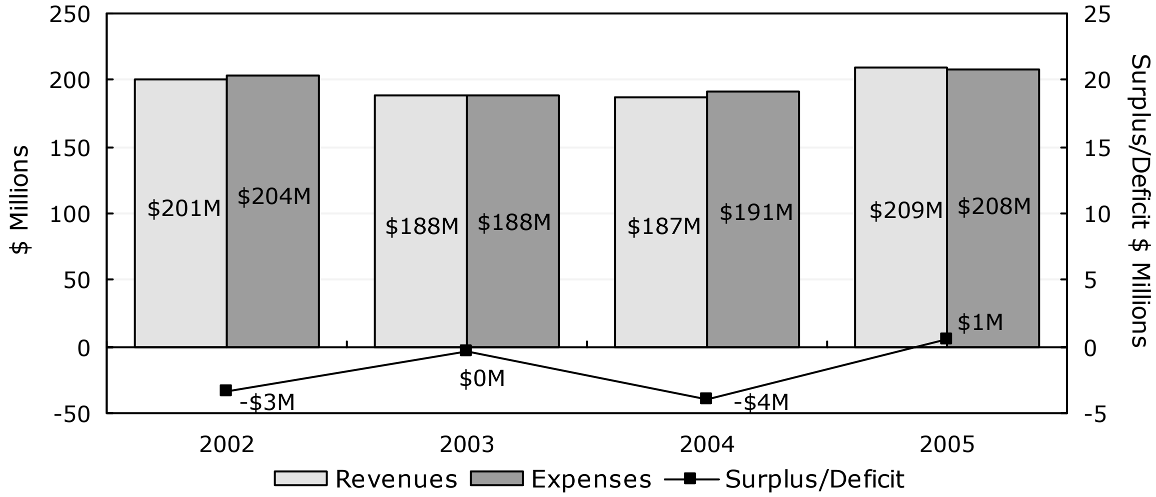
- an increase in advances and grants received from the State Government of $6.3 million offset by a reduction in grants received from industry of $2.2 million and the Commonwealth Government of $1.3 million;

- an increase in appropriations of $20.9 million;



Operating Result

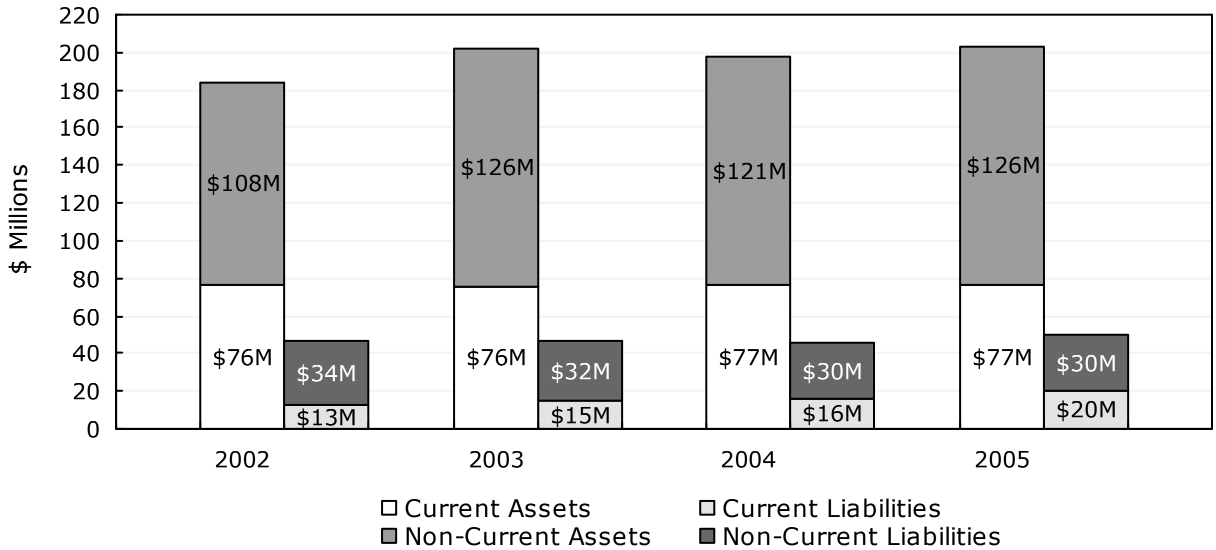
The following chart shows the operating revenues, operating expenses and net results for the four years to 2005.



Statement of Financial Position

The Department controlled assets and liabilities have not changed significantly over the past four years.

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 $'million	2004 $'million	2003 $'million	2002 $'million
Net Cash Flows				
Operations	**3.9**	6.6	22.6	(12.6)
Investing	**(8.6)**	(0.4)	(2.7)	2.3
Financing	**(2.4)**	(2.8)	(3.8)	(5.0)
Change in Cash	**(7.1)**	3.4	16.1	(15.3)
Cash at 30 June	**60.8**	67.9	64.5	48.4

The analysis of cash flows shows that the Department reversed a trend of increasing cash holdings for the preceding two years to record a decrease in 2005. The net cash outflow in 2005 was attributable mainly to payments of $8.6 million for the purchase of property plant and equipment.

Administered Items

	2005 $'million	2004 $'million	Percentage Change
REVENUE			
Natural Gas Revenue	**150.2**	191.2	(21)
Fisheries Licences	**13.0**	12.3	6
Royalties	**101.0**	75.2	34
SA Water Corporation Appropriation	**92.0**	90.8	1
Other	**11.7**	15.0	(22)
Total Revenue	**367.9**	384.5	(4)
EXPENDITURE			
Payment to Cooper Basin Producers	**150.2**	191.2	(21)
Fisheries Licenses	**10.7**	12.1	(12)
SA Water Corporation Subsidy	**92.0**	89.5	3
Royalties Transferred to Consolidated Account	**101.0**	75.2	34
Other	**12.5**	11.4	10
Total Expenses	**366.4**	379.4	(3)
Operating surplus	**1.5**	5.1	(70)
ASSETS			
Current Assets	**29.7**	30.9	(4)
Non-Current Assets	**0.6**	-	-
Total Assets	**30.3**	30.9	(2)
LIABILITIES			
Current Liabilities	**13.0**	14.9	(13)
Non-Current Liabilities	**0.6**	1.2	(50)
Total Liabilities	**13.6**	16.1	(17)
NET ASSETS	**16.7**	14.8	13

Commentary on the more material administered items is included under 'Further Commentary on Operations'.

FURTHER COMMENTARY ON OPERATIONS

Financial Systems and Processes Review

The financial statements for the year ended 30 June 2004 for the Department of Primary Industries and Resources were qualified due to unresolved issues associated with reconciling Cash at Bank and in substantiating the general ledger Accumulated Surplus opening balance.

As a result of the qualification and other significant audit issues raised during 2003-04 including the completeness of the general ledger and performance of key reconciliations, the Department engaged consultants to review aspects of the financial systems and processes. The consultant's terms of reference were to:

- examine the current systems, internal processes, methodologies and identify systemic weaknesses;
- examine current processes for following up and addressing issues raised by the Auditor-General;
- identify gaps in existing capabilities of key staff and the collective capabilities of the teams;
- identify the necessary skills, capabilities, training needs and resources for best practice.

The review identified a number of internal control weaknesses that had not been instituted by management or followed up to ensure controls were in place. Specific control weaknesses included:

- a completeness check was not performed to ensure all necessary bank and other reconciliations are identified and responsibility allocated for preparation and independent review;
- reviews were not performed of bank and other reconciliations by a senior officer to ensure the correct methodology was employed and that all reconciling issues were resolved in a timely manner;
- assurance was not obtained that the opening balances for a new financial year were reconciled to the published financial report for the previous financial year;
- the Department's policies and procedures in relation to the above matters, including protocols for escalating unresolved issues had not been fully documented;
- reviews to ensure staff clearly understand their roles and responsibilities and have the necessary skills, time and resources to discharge their responsibilities had not been undertaken;
- reviews to ensure timely and effective corrective action as detailed by management to address issues raised by the Auditor-General had not been performed in a timely manner.

In addition, the review recognised the PIRRISK risk management assessment undertaken by the Financial Service Division identified risks and control weaknesses, however no independent assurance was obtained to validate controls in place were correctly designed and operational.

To address these internal control weaknesses, the Department established a project team responsible for the implementation of systems and process changes within the finance function. As at 30 June 2005, significant achievements in addressing the control weaknesses by the project team included:

- as outlined under the headings 'Cash at Bank Reconciliation Methodology' and 'Completeness of the General Ledger' assurance was obtained that the general ledger cash at bank reconciles to the Westpac closing cash at bank balance as at 30 June 2004 and the balance of accumulated surplus as at 30 June 2004 as reported in the financial statements reconciles to the balance as recorded in the general ledger;
- Cash at Bank reconciliations for the 2004-05 financial year have been appropriately prepared as at 30 June 2005;
- a 'Reconciliations Register' has been established to monitor the preparation of all monthly reconciliations;
- establishing the appropriate methodology and associated reconciliation processes for a range of balance sheet clearing accounts;
- providing training and up-skilling of Departmental staff in respect of specific transactional processes;
- development of formal procedures for bank reconciliations, other reconciliations and the year end accounting process.

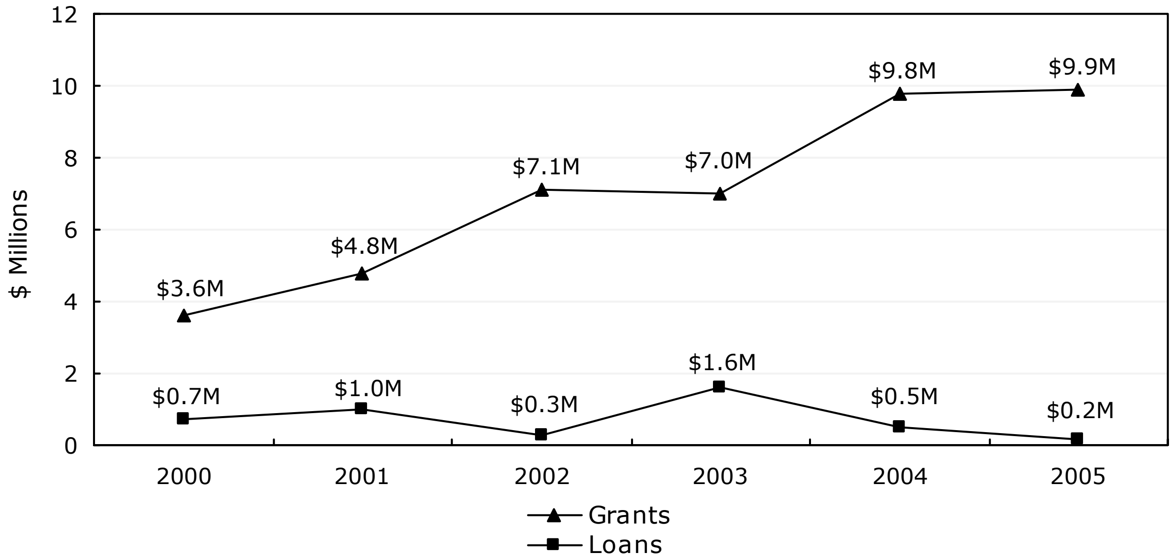
Audit acknowledged the Project Team has made significant progress in addressing the Department's internal control weaknesses during 2004-05 but note there is a need for ongoing attention within the Department with respect to:

- staff training and development;
- monitoring established processes, including reconciliations to ensure continued performance;
- continue the current redesign of the chart of accounts that better supports accrual accounting and monthly financial reporting;
- continued communication between the Financial Services Unit and the Budget Strategy Unit;
- engaging internal audit to regularly review and assess the control environment.

Rural Finance and Development

Assistance to Primary Producers

The following chart presents the level of assistance provided to the rural sector over the last six years.



For the last two years assistance to the rural sector was $10.0 million ($10.3 million) comprising:

	2005	2004
	$'000	$'000
Grants(1)	**9 879**	9 843
Loans(2)	**158**	486
	10 037	10 329

(1) Material Rural Finance and Development Grants paid during 2004-05 include the:

- *FarmBis Program $4.7 million ($2.2 million)*
  The Program, which is part of the Commonwealth Government's Agriculture - Advancing Australia package, is a $38.5 million initiative which includes grants and support costs for farmers to improve their business management skills;

- *Bushfire Relief Program $2.5 million ($nil)*
  The program was established to respond to the Lower Eyre Peninsula major bushfire in January 2005. The grants are to assist farm businesses and small landholders to meet immediate recovery expenses such as purchase of emergency fodder and water supplies, temporary fencing, agistment fees and emergency repairs. The funding also assisted with the cost of transporting donated fodder to properties within the bushfire affected area.

Refer to Note 8 to the financial statements for a complete listing of all major grants paid.

(2) Loans Outstanding by the Rural Sector

As at 30 June 2005 the rural sector had balances of loans outstanding totalling $9.0 million ($12.4 million).

These loans have been made under various schemes and conditions.

The reduction in the loan portfolio can be attributed to the decision to cease providing new loans under the Commercial Rural Loans and the Rural Assistance schemes. The existing loans are being managed to completion. New loans were provided under the loans to Co-operative Scheme and the Rural Industry Adjustment and Development Fund (RIADF).

Total advances for the year amounted to $158 000 ($486 000) and $4.4 million ($5.3 million) was repaid.

Administered Funds

Included in the Schedule of Administered Financial Statements for the 2004-05 financial year are the following:

Natural Gas Authority of South Australia

On 1 September 1995, the Natural Gas Authority of South Australia (NGASA) became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principal activities of NGASA are:

- the purchase, sale and delivery of gas;
- administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- the administration of downstream gas sale contracts for AGL Wholesale Gas (SA) and Origin Energy;
- gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- gas billing, gas quality and measurement.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from AGL Wholesale Gas (SA) and Origin Energy for gas purchased and the subsequent forwarding of those monies to the gas producers.

The transactions related to this activity are processed through a Special Deposit Account. During 2004-05 receipts from the major customers were $150.2 million ($191.2 million) and payments to gas producers totalled $150.2 million ($191.2 million).

South Australian Water Corporation

Appropriation to fund subsidies to the South Australian Water Corporation for the Corporation's supply of water to country and rural areas increased by $1.2 million to $92.0 million during 2004-05.

Royalties

Royalties received from mineral and petroleum production and gas licences increased by $25.8 million to $101.0 million during 2004-05. The increase in royalty receipts is due mainly to:

- an increase in production after plant failure reduced production in the previous year;
- an increase in the Australian dollar copper price;
- an increase in oil production and prices caused increasing royalties collected for the Cooper Basin;
- a new petroleum field 'Derrilyn' in the Cooper Basin came into production.

Statement of Financial Performance for the year ended 30 June 2005

	Note	**2005**	2004
EXPENSES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Employee expenses	5	**94 129**	88 714
Supplies and services	6	**68 110**	64 024
Depreciation and amortisation	7	**7 370**	6 703
Grants and subsidies	8	**35 704**	22 547
Borrowing costs		**500**	617
Expense resulting from prior period adjustments	9	**(1 214)**	-
Other	10	**3 756**	3 007
Total Expenses from Ordinary Activities		**208 355**	185 612
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	12	**36 218**	35 643
Advances and grants	13	**32 248**	30 453
Interest	14	**4 247**	4 162
Sale of goods	15	**3 633**	4 037
Net gain (loss) from disposal of assets	16	**(314)**	(454)
Revenue resulting from prior period adjustments	9	**1 878**	-
Other	17	**2 874**	4 967
Total Revenues from Ordinary Activities		**80 784**	78 808
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**127 571**	106 804
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government	18	**128 814**	107 877
NET RESULT FROM ORDINARY ACTIVITIES		**1 243**	1 073
Decrease in net assets due to administrative restructuring	34	**-**	(5 147)
NET RESULT AFTER RESTRUCTURING		**1 243**	(4 074)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**1 243**	(4 074)

Statement of Financial Position
as at 30 June 2005

	Note	2005 $'000	2004 $'000
CURRENT ASSETS:			
Cash	19	**60 767**	67 910
Receivables	20	**13 016**	5 404
Inventories	21	**2 689**	3 234
Other	25	**95**	508
Total Current Assets		**76 567**	77 056
NON-CURRENT ASSETS:			
Receivables	20	**7 532**	10 863
Investments	22	**3 330**	2 657
Property, plant and equipment	23	**107 422**	106 320
Intangibles	24	**3 892**	746
Capital works in progress		**3 701**	231
Other	25	**37**	53
Total Non-Current Assets		**125 914**	120 870
Total Assets		**202 481**	197 926
CURRENT LIABILITIES:			
Payables	26	**8 009**	6 231
Employee benefits	27	**7 747**	6 854
Interest bearing liabilities	28	**466**	443
Provisions	29	**318**	316
Other	30	**3 846**	2 444
Total Current Liabilities		**20 386**	16 288
NON-CURRENT LIABILITIES:			
Payables	26	**2 137**	1 962
Employee benefits	27	**18 909**	17 084
Interest bearing liabilities	28	**6 623**	9 094
Provisions	29	**814**	732
Other	30	**1 225**	1 622
Total Non-Current Liabilities		**29 708**	30 494
Total Liabilities		**50 094**	46 782
NET ASSETS		**152 387**	151 144
EQUITY:			
Accumulated surplus		**130 413**	122 897
Asset revaluation reserve		**20 286**	20 286
Committed grants reserve		**1 688**	5 961
General reserve		**-**	2 000
Total Equity	31	**152 387**	151 144
Commitments	33		
Contingent Assets and Liabilities	35		

Statement of Cash Flows
for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Employee payments		**(92 220)**	(85 201)
Supplies and services		**(64 428)**	(66 251)
Grants and subsidies		**(35 755)**	(22 039)
Restructuring payments		**-**	(4 724)
Borrowing costs		**(546)**	(688)
GST payments on purchases		**(25 741)**	(27 541)
Prior period expenditure adjustment		**(1 694)**	-
Other		**(3 660)**	(3 557)
Total Outflows from Operating Activities		**(224 044)**	(210 001)
CASH INFLOWS:			
User charges and fees		**31 211**	37 942
Sale of goods		**3 633**	4 037
Advances and grants		**32 248**	30 453
Interest received		**4 370**	4 295
GST receipts on receivables		**21 344**	24 683
GST input tax credits		**3 065**	3 528
Prior period revenue adjustment		**820**	-
Other		**2 358**	3 815
Total Inflows from Operating Activities		**99 049**	108 753
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**128 814**	107 877
Total Cash Flows from SA Government		**128 814**	107 877
Net Cash Inflows from Operating Activities	37	**3 819**	6 629
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(11 488)**	(3 072)
Loans advanced to the rural sector and industry		**(233)**	(886)
Investments		**(610)**	(952)
Payment of lease liability		**(397)**	(397)
Total Outflows from Investing Activities		**(12 728)**	(5 307)
CASH INFLOWS:			
Loans repaid by the rural sector and industry		**3 508**	4 260
Proceeds from sale of property, plant and equipment		**706**	651
Total Inflows from Investing Activities		**4 214**	4 911
Net Cash Outflows from Investing Activities		**(8 514)**	(396)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Principal repaid to Treasury/SAFA		**(2 578)**	(3 007)
Total Outflows from Financing Activities		**(2 578)**	(3 007)
CASH INFLOWS:			
Borrowings from Treasury		**130**	200
Total Inflows from Financing Activities		**130**	200
Net Cash Outflows from Financing Activities		**(2 448)**	(2 807)
NET (DECREASE) INCREASE IN CASH HELD		**(7 143)**	3 426
CASH AT 1 JULY		**67 910**	64 484
CASH AT 30 JUNE	19	**60 767**	67 910

Program Schedule of Revenue and Expenses for the year ended 30 June 2005

	Program 1 Mineral Resources Development		Program 2 Energy		Program 3 Agriculture, Food and Fisheries		Total Program Total	
EXPENSES FROM ORDINARY ACTIVITIES:	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Employee expenses	**12 540**	11 197	**5 161**	3 642	**76 428**	73 875	**94 129**	88 714
Supplies and services	**9 265**	4 854	**5 309**	4 674	**53 536**	54 496	**68 110**	64 024
Depreciation and amortisation	**982**	201	**-**	67	**6 388**	6 435	**7 370**	6 703
Grants and subsidies	**4 354**	1 000	**5 619**	6 085	**25 731**	15 462	**35 704**	22 547
Borrowing costs	**-**	-	**-**	-	**500**	617	**500**	617
Expense resulting from prior period adjustments	**(279)**	-	**-**	-	**(935)**	-	**(1 214)**	-
Other	**334**	192	**23**	14	**3 399**	2 801	**3 756**	3 007
Total Expenses from Ordinary Activities	**27 196**	17 444	**16 112**	14 482	**165 047**	153 686	**208 355**	185 612
REVENUES FROM ORDINARY ACTIVITIES:								
User charges and fees	**5 691**	5 283	**1 123**	2 754	**29 404**	27 606	**36 218**	35 643
Advances and grants	**153**	121	**3 244**	1 569	**28 851**	28 763	**32 248**	30 453
Interest	**-**	-	**13**	18	**4 234**	4 144	**4 247**	4 162
Sale of goods	**57**	91	**31**	11	**3 545**	3 935	**3 633**	4 037
Net gain (loss) from disposal of assets	**(55)**	-	**-**	-	**(259)**	(454)	**(314)**	(454)
Revenue resulting from prior period adjustments	**243**	-	**-**	-	**1 635**	-	**1 878**	-
Other	**261**	137	**103**	90	**2 510**	4 740	**2 874**	4 967
Total Revenues from Ordinary Activities	**6 350**	5 632	**4 514**	4 442	**69 920**	68 734	**80 784**	78 808
Net Cost of Services from Ordinary Activities	**20 846**	11 812	**11 598**	10 040	**95 127**	84 952	**127 571**	106 804
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:								
Revenues from SA Government	**20 846**	11 812	**11 598**	10 040	**96 370**	86 025	**128 814**	107 877
Net Result from Ordinary Activities	**-**	-	**-**	-	**1 243**	1 073	**1 243**	1 073

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. The Department

1.1 Purpose and Funding

The Department of Primary Industries and Resources (the Department) is a key government agency focused on sustainable economic development.

The Department delivers specialist services and advice with the potential to increase the prosperity of South Australians, to improve their quality of life and to ensure the sustainable development of the State's resource base for future generations. The Department delivers these services through locations across South Australia.

The Department's business is to optimise the return on South Australia's natural assets by:

1.1 Purpose and Funding (continued)

- fostering the sustainable development of new and existing industries;
- facilitating global competitiveness and innovative solutions;
- building partnerships between industry, the community and government;
- providing information and knowledge to help people make the right decisions for themselves;
- regulating to preserve resources for future generations.

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.

1.2 Response to 2003-04 Audit Findings

In response to the audit qualification on the 2003-04 financial statement the Department has invested significant effort in reviewing, understanding and resolving the underlying issues that led to the qualifications.

In addition to addressing the issues raised, the Department has implemented further key control enhancements to ensure the process improvements are maintained in the future.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial statements represent the operations of the Department for the year 1 July 2004 to 30 June 2005.

This financial report is a general purpose financial report.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the accrual basis of accounting and have been prepared in accordance with the historical cost convention, except for certain assets which are measured and reported at fair value.

2.2 The Reporting Entity

The Department, an Administrative Unit created on 23 October 1997 under the *Public Sector Management Act 1995*, produces both Departmental and Administered financial statements. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department. The administered financial statements (included as a schedule to the Department's Financial Statements) include the revenues, expenses, assets and liabilities which the Department administers on behalf of the State Government, the Commonwealth Government, private sector organisations and other State Government Departments.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 36. 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.

2.3 Transferred Functions

There have been no functions transferred to or from the Department during the financial year ending 30 June 2005.

In the previous reporting period several functions of the former Department of Business Manufacturing and Trade (now the Department of Trade and Economic Development) were transferred to the Department on 1 January 2004. These functions were the Reinvest SA function of the administrative unit relating to primary production, the Food Team in the Centre for Innovation, Business and Manufacturing, the support function for the Wine Industry Council and the Energy function of the State Infrastructure Division.

The gas related economic function of the Business and Financial Services Group, Minerals and Energy Division and the functions of the South Australian Independent Pricing and Access Regulator (SAIPAR) were transferred to the Essential Services Commission of South Australia (ESCOSA) on 1 July 2003.

In addition, cash held by the Department relating to functions transferred to the Department of Water, Land and Biodiversity Conservation (DWLBC) on 1 May 2002, was transferred on 18 June 2004.

The amounts of assets, liabilities, revenues and expenditures relating to all transferred functions are set out in Note 34.

2.4 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.5 Rounding

All amounts in the financial statements 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, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office 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.

2.7 Revenues and Expenses

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

Revenues and Expenses have been classified according to their nature in accordance with Accounting Policy Statement (APS) 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by accounting standards.

Revenue from fees and charges is derived from the provision of goods and services to other South Australian government agencies and to the public. This revenue is driven by consumer demand.

Advances and grants have been recognised as revenue when received.

The sale of goods is reported as gross sales revenue. The cost of sales is not separately disclosed due to the nature of these operations (sales are mainly for information purposes or occur as a result of by-products of research farms), the immaterial amounts involved and the expenditure allocations are not readily available (eg water consumption expenditure is shared between research activity and sale of goods activity).

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants are amounts provided by the Department, to entities for general assistance or for a particular purpose. Grants may be for capital or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.8 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Where money has been appropriated in the form of borrowings, the Department has recorded a liability to the Treasurer (borrowings) and an asset loan receivable (loans to the rural sector).

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the Department 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.

2.9 Current and Non-Current items

Assets and liabilities are characterised as either current or non-current in nature. The Department has an operating cycle of 12 months, therefore assets and liabilities that are realised as part of the normal operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

2.11 Receivables

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days.

Trade debtors greater than 120 days in arrears at balance date are assessed each year and provision is made for any doubtful accounts.

In addition, a general doubtful debt provision amounting to five percent of the balance of the outstanding loan portfolio is provided for each year. This level was determined in 1997-98 by the Rural Finance and Development Steering Committee and it is reviewed each year. Reviews of individual loan balances are also undertaken and specific provisions are created where appropriate.

2.12 Inventories

Inventories (other than self generating assets such as livestock and produce) are measured at the lower of cost and net realisable value on an item by item basis, as illustrated in Note 21.

The Department controls several types of assets at the reporting date that meet the definition of self-generating and regenerating assets as defined by AASB 1035 'Self-Generating and Regenerating Assets'. Livestock has been brought to account at net market value in the Statement of Financial Position. Crops, orchards and vineyards are grown primarily for research purposes but also have a commercial element and have been valued at net market value.

2.13 Non-Current Asset Acquisition and Recognition

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

The Department capitalises all non-current physical assets with a value of $2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'. Amounts less than $2 000 are expensed in the period incurred.

2.14 Valuation of Non-Current Assets

In accordance with Accounting Policy Statement (APS) 3 'Revaluation of Non-Current Assets', revaluation of non-current assets only applies to assets, or group of assets, when it's fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

The Department obtains independent valuations every three years. The next valuation process is due to occur during 2005-06, 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.

(i) *Land and Buildings*

Land and buildings were independently valued by Valcorp Australia Pty Ltd as at 30 June 2003, on the basis of fair value as defined in AASB 1041 'Revaluation of Non-Current Assets'. Buildings include 'infrastructure' which represents roads, fencing, signage etc.

Land and buildings that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

(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 Valcorp Australia Pty Ltd at 30 June 2003.

(iv) *Plant and Equipment*

In accordance with APS 3 all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

Plant and equipment that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.15 Lease Incentives under Non-Cancellable Operating Leases

On 1 August 1998, the Department, through the Department for Administrative and Information Services, entered into a 10 year non-cancellable operating lease over part of a property located at 101 Grenfell Street, Adelaide.

The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. The asset is amortised over the period of the lease and the liability is reduced through lease payments over the term of the lease.

2.16 *Works in Progress*

Works in progress relate to costs associated with the systems development, purchase of vessels and other plant and equipment developments.

2.17 *Intangible Assets*

The Department has developed software internally. The software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amounts of expenditure are greater than $2 000.

2.18 *Depreciation and Amortisation of Non-Current Assets*

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which 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 estimated useful lives of buildings and items of plant and equipment valued in excess of $1 million are reassessed every three years by an independent valuer as part of the valuation process described in Note 2.14 above.

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

Class of Asset	*Depreciation Method*	*Years*
Buildings and Infrastructure	Straight Line	20-70
Plant and equipment	Straight Line	3-20
Intangibles	Straight Line	1-4
Leasehold improvements	Straight Line	10

2.19 *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 amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department receives an invoice.

Payables include expenses consequential to employment but which are not employee benefits, such as 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 superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The Department has recorded a liability for outstanding employer superannuation contributions payable to the South Australian Superannuation Board.

During the year the Department paid $9.0 million ($7.9 million) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

2.20 *Employee Benefits*

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. 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 reporting date.

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

A liability for long service leave is recognised, and is measured as the current value of payments to be made in respect of employees with seven or more years service up to the reporting date. This base provides a reasonable approximation of the present value of the estimated future cash outflows to be made for these entitlements and is consistent with Accounting Policy Statement 9 'Employee Benefits'.

2.21 *Provisions*

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

2.22 Reserves

The General Reserve for Rural Finance and Development was established to cover unforeseen losses which may arise from the Rural Industry Adjustment and Development Fund loan portfolio. The amount in the reserve is reviewed annually by The Rural Finance and Development Steering Committee. The Committee agreed during the year that this reserve was no longer required and therefore that the General Reserve be discontinued. This reserve has been transferred to the accumulated surplus during the 2004-05 financial year.

The Committed Grants Reserve for Rural Finance and Development was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

2.23 Government/Non-Government Disclosures

In accordance with APS 13 details of revenue, expenditure, financial assets and financial liabilities according to whether the transactions are with entities internal to the SA Government must be disclosed in the Notes to the accounts. In accordance with paragraph 18 of APS 13, the threshold of $100 000 for the separate identification has been applied.

3. Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department for Primary Industries and Resources will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' and the Department of Treasury and Finance Model Financial Report, a table has been prepared summarising any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

Impact of Adopting AIFRS

		Known or reliably estimated impact on the financial report		
Reconciliation of key aggregates	**Amount currently reported per GAAP**	**AASB 141 Agriculture**	**AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors**	**Amount to be reported after adopting AIFRS**
	$'000	$'000	$'000	$'000
Net Cost of Services	127 571	-	3 092	130 663
Net Result from Ordinary Activities	1 243	-	(3 092)	(1 849)
Opening Equity	151 144	374	3 092	154 610
Closing Equity	152 387	374	-	152 761
Total Assets	202 481	374	-	202 855
Total Liabilities	50 094	-	-	50 094
Net Assets	152 387	374	-	152 761
Cash Flows from Operating Activities	3 819	-	874	4 693
Cash Flows from Investing Activities	(8 514)	-	-	(8 514)
Cash Flows from Financing Activities	(2 448)	-	-	(2 448)
Opening Cash	67 910	-	(874)	67 036
Closing Cash	60 767	-	-	60 767

AASB 141 'Agriculture'

The new accounting standard AASB 141 requires biological assets to be measured at fair value less estimated point of sale costs from initial recognition of the biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition.

This will not result in changes to the values reported in the financial statements except that the Department will be required to bring into account fruit trees orchards and grape vines for the first time. As at 30 June 2005, these assets have a fair value less estimated point of sale costs of $0.374 million. The financial effect of these transactions is disclosed in the above table. The main impacts of this standard are the increased disclosure requirements, which include reconciliations of the changes in the carrying amount of the classes of biological assets between the start and end of the financial reporting period and disclosure of information relating to biological assets that have not been brought to account due to the fair value not being able to be measured reliably. There are also specific disclosure requirements for government grants related to biological assets. These will be required to be measured at fair value less estimated point-of-sale costs.

AASB 108 'Accounting Policies, Changes in Accounting Estimates and Error'

This standard requires that prior period errors must be corrected retrospectively by restating comparative amounts for the prior periods presented or, if the error occurred in a period prior to those presented in the financial report, restate the opening balances of the identified assets, liabilities and equity.

AASB 108 'Accounting Policies, Changes in Accounting Estimates and Error' (continued)
During 2004-05, the Department recognised $3.092 million in prior period adjustments in the statement of financial performance due mainly to the recognition of Non-Current Assets, of four internally generated software systems for which the costs had been expensed in prior years. Other prior period adjustments were recognised as the result of completing a full reconciliation of the Department's Cash at Bank account and Fixed Asset Register as at 30 June 2004.

Under the AIFRS, these errors will be reversed out of the net cost of services and reflected in the opening balances of the identified assets and liabilities. The financial effect of these transactions is disclosed in the above table.

The following standards will have some impact on the financial statements, mainly in disclosure requirements, although it is expected that the impact will not be significant.

AASB 138 'Intangibles'
This standard requires Intangible assets to be measured at cost unless it is acquired for no cost or for a nominal amount. In these instances, the asset's fair value is deemed to be the cost. Research and borrowing costs are required to be expensed in the period in which they are incurred. The standard does not allow previously expensed costs to be brought to account as development costs in relation to internally generated intangibles and has increased disclosure requirements in relation to each class of intangible assets. As at 30 June 2005 the Department's intangible assets comprise one class, Internally Generated Software.

AASB 136 'Impairment of Assets'
This standard requires an assessment at the end of each financial year to determine whether there is any indication or evidence that an asset or group of assets are impaired based on the impairment indicators.

An asset or group of assets are impaired when the carrying amount exceeds it's recoverable amount.

If there is evidence of impairment in future reporting periods, then the Department will be required to revalue the asset/s down to their recoverable amount.

AASB 5 'Non-current Assets held for Sale and Discontinued Operations'
This standard requires that assets meeting the criteria in the standard, should be classified as current assets 'held for sale' on the face of the statement of financial position. The effect on the financial statements will be to reclassify these assets from non-current to current.

4. Programs of the Department

The Program Schedule provides details of expenses and revenues applicable to the programs of the Department. Information about the Department's programs is set out below and in the Program Schedule. The major change from the 2003-04 program presentation is the consolidation of functions at the program level and is consistent with Ministerial responsibilities and the portfolio structure.

Program 1 – Mineral Resources Development
The vision of the Mineral Resources program is to make South Australia a favoured mineral investment destination for private investment with exploration expenditure targeted to reach $100 million per annum by 2007 and mineral production and processing to reach $4 billion by 2020. Uncover the petroleum prospectivity and potential of South Australia.

Program 2 – Energy
Ensure coordinated development and implementation of policies, regulatory responsibilities in the delivery of programs for the competitive, sustainable, safe, and reliable supply and use of energy, for the benefit of the South Australian community.

Program 3 – Agriculture, Food and Fisheries
To deliver specialist services and advice across the State, fostering growth and development, increasing the prosperity of South Australians, improving the quality of life, while supporting environmentally sustainable development of the State's resources.

5. Employee Expenses	**2005**	2004
	$'000	$'000
Salaries and wages	**72 695**	70 361
TVSP (refer below)	**-**	1 452
Annual leave (1)	**4 671**	998
Long service leave	**2 703**	2 524
Employment on-costs	**13 878**	13 085
Board fees	**182**	294
Total Employee Expenses	**94 129**	88 714

(1) The 2004-05 figure contains the annual leave expense accruing for the year while the 2003-04 figure is only the movement in the annual leave liability for the year with the actual leave taken included in salaries and wages. When including annual leave taken the annual leave figure for 2003-04 is $3.72 million.

5. Employee Expenses (continued)

Targeted Voluntary Separation Packages

	2005	2004
Amount Paid to these Employees:	**$'000**	$'000
TVSPs	**-**	1 452
Annual leave and long service paid during the reporting period	**-**	539
	-	1 991
Recovery from the Department of the Premier and Cabinet	**-**	1 452

Number of employees that were paid TVSPs during the reporting period nil (18).

Employee Remuneration Packages

The number of employees whose total remuneration received or receivable falls within the following bands:	2005 Number of Employees	2004 Number of Employees
$100 000 - $109 999	**13**	11
$110 000 - $119 999	**11**	5
$120 000 - $129 999	**4**	7
$130 000 - $139 999	**2**	2
$140 000 - $149 999	**4**	3
$150 000 - $159 999	**3**	2
$160 000 - $169 999	**-**	1
$170 000 - $179 999	**3**	3
$180 000 - $189 999	**1**	1
$200 000 - $209 999	**1**	-
$260 000 - $269 999	**1**	1
Total Number of Employees	**43**	36

Total remuneration received by the above employees was $5.619 million ($4.763 million).

Average Number of Employees during the Reporting Period

On average, the Department employed 1 332.76 (1 271.12) full time equivalents (FTEs) throughout the reporting period.

6. Supplies and Services

	2005	2004
Supplies and Services provided by entities within SA Government:	**$'000**	$'000
Professional services (1)	**403**	415
Operational and administrative costs (2)	**1 907**	740
Utility and property costs	**3 085**	1 754
Computing costs	**2 265**	3 392
Vehicle and equipment operating costs	**95**	148
Telephone calls and rental	**217**	311
Operating lease costs	**9 036**	7 906
Other	**7**	165
Total Supplies and Services - SA Government Entities	**17 015**	14 831
Supplies and Services provided by entities external to the SA Government:		
Professional services (1)	**13 221**	12 591
Operational and administrative costs	**17 226**	18 321
Utility and property costs	**6 132**	4 705
Computing costs	**2 623**	1 792
Travel (3)	**4 556**	3 978
Vehicle and equipment operating costs	**2 555**	2 352
Adverse events (4)	**-**	1 414
Telephone calls and rental	**2 095**	1 690
Staff training and development (3)	**2 116**	1 806
Operating lease costs	**131**	(88)
Workers compensation expense (3)	**285**	73
Other	**155**	559
Total Supplies and Services - Non-SA Government Entities	**51 095**	49 193
Total Supplies and Services	**68 110**	64 024

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

(2) Includes Audit fees paid/payable to the Auditor-General (refer Note 11).

(3) Includes payments to SA Government entities totalling less than $100 000.

(4) Expenditure on ad-hoc emergencies that affect the agricultural and fisheries sectors (eg fruit fly and State Ovine Johne's disease). Employee costs associated with adverse events are not disclosed separately but are included in Note 5.

6. Supplies and Services (continued)

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	**2005 Number**	**2005 $'000**	2004 Number	2004 $'000
Below $10 000	**32**	**101**	16	36
Between $10 000 and $50 000	**14**	**311**	15	348
Above $50 000	**-**	**-**	1	60
Total Paid/Payable to the Consultants Engaged	**46**	**412**	32	444

7. Depreciation and Amortisation

	2005	2004
Depreciation:	**$'000**	$'000
Plant and equipment	**3 581**	3 456
Buildings and infrastructure	**2 029**	2 006
Core trays	**634**	633
Total Depreciation	**6 244**	6 095
Amortisation:		
Leasehold improvements	**397**	397
Software	**729**	195
Amdel loan	**-**	16
Total Amortisation	**1 126**	608
Total Depreciation and Amortisation	**7 370**	6 703

8. Grants and Subsidies

Rural Finance and Development	**9 879**	9 843
Other State and Local Government agencies	**2 355**	845
Private sector	**23 470**	11 859
Total Grants and Subsidies	**35 704**	22 547

The major grant programs paid to entities within SA Government:		
University of Adelaide	**838**	347
Other	**742**	879
Total Grants and Subsidies - SA Government Entities	**1 580**	1 226

The major Grant Programs paid to entities external to the SA Government:		
Marine Scalefish Fishery - Commercial Net Restructure	**10 852**	-
FarmBis	**4 669**	2 227
Remote Areas Energy Scheme	**3 781**	3 978
Eyre Peninsula Bushfire Relief	**2 494**	-
Collaborative Programs	**1 920**	2 193
Solar Hot Water System Rebates	**1 791**	1 783
Plan for Accelerated Exploration	**1 347**	-
Roxby Downs Council (1)	**1 225**	525
Lower Murray Reclaimed Irrigation Area	**888**	-
Branched Broomrape	**561**	-
Exceptional Circumstances Drought 2003	**545**	552
Food Industry Development Funding	**516**	-
Aquafin Cooperative Research Centre Contributions	**500**	500
River Fishery Structural Adjustment	**-**	2 349
Central North East Farm Assistance Program	**-**	1 471
Drought Relief Assistance Scheme	**-**	1 078
Riverland Rural Partnership Program	**-**	626
Other	**3 035**	4 039
Total Grants and Subsidies - Non-SA Government Entities	**34 124**	21 321
Total Grants and Subsidies	**35 704**	22 547

(1) The increase in 2004-05 is due to a change in accounting treatment with the accrual of the 2004-05 contribution. Previously payments had been made one year in arrears and not accrued.

9. Net Expenses and Revenue Resulting from Prior Period Adjustments

Expenses Resulting from Prior Period Adjustments:		
Cash at bank reconciliation adjustments (1)	**49**	-
Recognition of non-current assets previously expensed (2)	**(3 270)**	-
Accumulated funds adjustments	**670**	-
Recognition of funds previously excluded	**976**	-
Adjustments resulting from balance sheet reconciliations	**361**	-
Total Net Expenses	**(1 214)**	-

9. Net Expenses and Revenue Resulting from Prior Period Adjustments (continued)

	2005 $'000	2004 $'000
Revenue Resulting from Prior Period Adjustments:		
Cash at bank reconciliation adjustments(1)	**(84)**	-
Adjustments to non-current assets from reconciliations	**586**	-
Accumulated funds adjustments	**952**	-
Adjustments resulting from balance sheet reconciliations (3)	**423**	-
Total Net Revenue	**1 878**	-
Net Impact of Prior Year Adjustments:		
Cash at bank reconciliation adjustments (1)	**(132)**	-
Adjustments to non-current assets (2)	**3 856**	-
Accumulated funds adjustments	**283**	-
Recognition of funds previously excluded	**(976)**	-
Adjustments resulting from balance sheet reconciliations (3)	**62**	-
Net Increase in Operating Surplus Resulting from Prior Period Adjustments	**3 092**	-

The above adjustments have been identified as part of the Department addressing issues raised in last years audit of the financial statements.

(1) Adjustments required to cash at bank resulting from reconciliations undertaken to address audit issues raised in the 2003-04 audit of the financial statements. Current reconciliations are undertaken to ensure that reconciling items are adjusted in periods that they occur.

(2) These expenses were previously recorded as operating expenditure that have since been identified as expenditure that has generated assets for the Department. This includes expenditure on internally developed software for which the policies of the Department have changed to recognise such expenditure as an asset rather than an operating expense.

(3) Includes balance of receipts held in hold accounts previously not brought to account in the statement of financial position. Identified through the reconciliation processes undertaken.

10. Other

	2005 $'000	2004 $'000
Other Expenses paid/payable to entities within SA Government:		
Contributions to external bodies	**494**	18
Total Other - SA Government Entities	**494**	18
Other Expenses paid/payable to entities external to the SA Government:		
Guarantee Fees	**26**	32
Contributions to external bodies	**2 938**	3 252
Other (1)	**298**	(295)
Total Other - Non-SA Government Entities	**3 262**	2 989
Total Other	**3 756**	3 007

(1) Includes payments to SA Government entities totalling less than $100 000.

11. Auditor's Remuneration

	2005	2004
Audit fees paid/payable to the Auditor-General's Department	**229**	228
Total Audit Fees	**229**	228

Other Services

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

12. User Charges and Fees

	2005	2004
User Charges and Fees received/receivable from entities within SA Government:		
Mining and petroleum rentals	**113**	154
Consultancy and service	**6 864**	4 759
Total User Charges and Fees - SA Government Entities	**6 977**	4 913

12. User Charges and Fees (continued)

	2005 $'000	2004 $'000
User Charges and Fees received/receivable from entities external to SA Government:		
Fishing licences [1]	**9 305**	10 811
Mining and petroleum application fees	**458**	445
Gas and electricity licence fees	**(2)**	1 450
Remote Areas Energy Scheme electricity sales	**1 027**	1 101
Mining and petroleum rentals	**5 805**	5 660
Consultancy and service	**10 352**	9 018
Other licences	**665**	832
Seed analysis and certification	**923**	713
Inspection and registration	**533**	540
Other	**175**	160
Total User Charges and Fees - Non-SA Government Entities	**29 241**	30 730
Total User Charges and Fees	**36 218**	35 643

(1) Represents costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences.

13. Advances and Grants

Commonwealth grants	**4 132**	5 561
State grants	**9 050**	3 654
Industry grants	**19 066**	21 238
Total Advances and Grants Revenue	**32 248**	30 453

The above contributions are allocated to a large range of projects involving the Commonwealth, other state departments and industry groups. In 2005, the larger advance and grants were as follows:

Advances and Grants received/receivable from entities within SA Government:		
Office of the Technical Regulator	**2 758**	1 367
Lower Murray Reclaimed Irrigation Areas	**1 134**	-
Aquaculture License Fees	**857**	-
Sheep Industry	**666**	664
Branched Broomrape	**506**	-
All other projects	**3 129**	1 623
Total Advances and Grants - SA Government Entities	**9 050**	3 654
Advances and Grants received/receivable from entities external to SA Government:		
Grains Industry	**5 702**	5 807
Fisheries Industry[1]	**2 451**	1 945
Horticulture Industry	**1 194**	1 425
Field Crop Oat Breeding	**1 087**	-
International Wool Secretariat[1]	**1 071**	764
Aquafin CRC	**880**	1 500
Agricultural Development Northern Adelaide Plains [1]	**614**	-
FarmBis	**600**	3 947
Australian Fisheries Management Authority	**582**	-
Exceptional Circumstances/Drought Assistance	**525**	516
Gas Industry Regulation	**-**	1 242
Central Northeast Farm Assistance Program	**-**	757
All other projects	**8 492**	8 896
Total Advances and Grants - Non-SA Government Entities	**23 198**	26 799
Total Advances and Grants	**32 248**	30 453

(1) Includes revenues from SA Government entities totalling less than $100 000.

14. Interest

Deposits lodged with the Treasurer	**3 385**	3 115
Loans to the rural sector	**816**	1 047
Other	**46**	-
Total Interest	**4 247**	4 162

15. Sale of Goods

	2005	2004
Sale of Goods received/receivable from entities external to SA Government:	**$'000**	$'000
Livestock	**1 357**	1 255
Publications, books, maps and compact discs [(1)]	**431**	419
Milk	**888**	856
Fruit and vegetables	**177**	178
Cereals	**227**	606
Wool and skins	**273**	317
Other [(1)]	**280**	406
Total Sale of Goods - Non-SA Government Entities	**3 633**	4 037
Total Sale of Goods	**3 633**	4 037

(1) Includes revenues from SA Government entities totalling less than $100 000.

16. Net Gain (Loss) from Disposal of Assets

Land and Buildings:		
Proceeds from disposal	**376**	135
Net book value of assets disposed	**280**	521
Net Gain (Loss) from Disposal of Land and Buildings	**96**	(386)
Plant and Equipment:		
Proceeds from disposal	**330**	516
Net book value of assets disposed	**740**	584
Net (Loss) Gain from Disposal of Plant and Equipment	**(410)**	(68)
Total Assets		
Total proceeds from disposal	**706**	651
Total value of assets disposed	**1 020**	1 105
Total Net (Loss) Gain from Disposal of Assets	**(314)**	(454)

17. Other Revenue

Other Revenue received/receivable from Entities within SA Government:		
Core client access licenses contributed from Department Administrative and Information Services	**491**	-
Total Other Revenues - SA Government Entities	**491**	-
Other Revenue received/receivable from Entities External to SA Government:		
Seed royalties	**572**	466
Government Employment Scheme recoups	**42**	63
Reimbursements of salaries and project costs	**1 153**	3 243
Revenue in-kind	**73**	66
Reduction in provision for doubtful debts	**35**	154
Other	**508**	975
Total Other Revenues - Non-SA Government Entities[(1)]	**2 383**	4 967
Total Other Revenues	**2 874**	4 967

(1) Includes revenues from SA Government entities totalling less than $100 000.

18. Revenue from South Australian Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act 2004*	**128 814**	107 877
Total Revenues from SA Government	**128 814**	107 877

19. Cash

Deposits with the Treasurer	**60 746**	67 984
Cash held in imprest account and petty cash	**21**	(74)
Total Cash	**60 767**	67 910

Deposits with the Treasurer

Includes Accrual Appropriation Account cash balance. To date the Department has not been required to transfer any cash balances under the cash alignment policy, but it may be required to transfer a portion of the cash balance to the Consolidated Account in future years.

20. Receivables

	2005	2004
Current:	**$'000**	$'000
Receivables	**8 285**	1 712
Less: Provision for Doubtful debts	**459**	352
	7 826	1 360
Accrued interest on loans and deposits	**550**	673
Other accrued revenue	**908**	1 182
GST Receivable	**2 395**	1 063
	3 853	2 918
Loans receivable	**1 337**	1 126
Total Current Receivables	**13 016**	5 404
Non-Current:		
Loans receivable	**8 153**	11 638
Less: Provision for doubtful debts	**621**	775
Total Non-Current Receivables	**7 532**	10 863
Total Receivables	**20 548**	16 267

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**1 966**	1 626
Accrued revenues	**247**	-
Total Receivables from SA Government Entities	**2 213**	1 626
Receivables from Non-SA Government Entities:		
Receivables	**5 860**	74
Accrued revenues	**1 211**	1 182
Loan receivables	**8 869**	11 989
Other	**2 395**	1 396
Total Receivables from Non-SA Government Entities	**18 335**	14 641
Total Receivables	**20 548**	16 267

21. Inventories

Current:		
Livestock (At net realisable value)	**1 859**	2 311
Publications and maps (At net realisable value)	**672**	849
Plants and related items (At cost)	**5**	21
Other (At cost)	**153**	53
Total Current Inventories	**2 689**	3 234
Total Inventories	**2 689**	3 234

22. Investments

Non-Current:		
Investments in Shares	**3 330**	2 657
Total Investments	**3 330**	2 657

During 2004-05 the Department purchased 673 784 (842 231) $1 ordinary shares in Australian Grain Technologies (AGT) Pty Ltd, a joint venture entity involved in researching to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities. As at 30 June 2005 the department holds 25 percent of the issued capital of the entity. The Department holds joint control along with the University of Adelaide and Grains Research and Development Corporation. The Department's shareholding has been recognised at cost and equity accounts have not been prepared due to the materiality of the balance.

Other investments include $1 shares in Provisor Pty Ltd, purchased in 2003-04 (189 800), a grape and wine research company. The Department's shareholding in Provisor does not give it controlling interest in the company. This investment is also recorded at cost.

	2005	2004
Movement in Investments:	**$'000**	$'000
Carrying amount at 1 July	**2 657**	1 625
Cash contribution	**610**	952
Leased facilities	**63**	80
Carrying Amount at 30 June	**3 330**	2 657

23. Property, Plant and Equipment

Land and Buildings:		
Land at fair value	**17 104**	17 384
Buildings and infrastructure at fair value	**68 768**	70 520
Accumulated depreciation	**5 858**	6 190
Total Land and Buildings	**80 014**	81 714

23. Property, Plant and Equipment (continued)

	2005	2004
Leasehold Improvements:	**$'000**	$'000
Leasehold improvements at fair value	**3 971**	3 971
Accumulated amortisation	**2 746**	2 349
Total Leasehold Improvements	**1 225**	1 622
Plant and Equipment:		
Core trays at fair value	**10 801**	10 778
Accumulated depreciation - Core trays	**1 267**	633
Plant and equipment at fair value	**46 691**	44 249
Accumulated depreciation - Plant and equipment	**30 042**	31 410
Total Plant and Equipment	**26 183**	22 984
Total Property, Plant and Equipment	**107 422**	106 320

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05:	Land $'000	Buildings and Infra-structure $'000	Leasehold Improve-ments $'000	Core Trays $'000	Plant and Equipment $'000	**Total $'000**
Carrying amount at 1 July 2004	17 384	64 330	1 622	10 145	12 839	**106 320**
Additions	-	690	-	23	10 125	**10 838**
Disposals	(280)	-	-	-	(740)	**(1 020)**
Write-off non-current assets	-	-	-	-	(147)	**(147)**
Depreciation/amortisation expense	-	(2 029)	(397)	(634)	(3 581)	**(6 641)**
Other movements	-	(81)	-	-	(1 847)	**(1 928)**
Carrying Amount at 30 June 2005	17 104	62 910	1 225	9 534	16 649	**107 422**

24. Intangibles

	2005	2004
Software:	**$'000**	$'000
Computer software	**5 676**	1 801
Less: Accumulated amortisation	**1 784**	1 055
Total Computer Software	**3 892**	746

Reconciliation of Intangibles

The following table shows the movement of Intangibles during 2004-05:

Carrying amount at 1 July	**746**	390
Additions	**1 042**	551
Amortisation expense	**(729)**	(195)
Other movements [(1)]	**2 833**	-
Carrying Amount at 30 June	**3 892**	746

(1) Recognition of internally developed software that had been expensed in previous financial years.

25. Other Assets

Current:		
Workers compensation recoveries	**11**	17
Prepayments	**84**	491
Total Current Other Assets	**95**	508
Non-Current:		
Workers compensation recoveries	**37**	53
Total Non-Current Other Assets	**37**	53
Total Other Assets	**132**	561

26. Payables

Current:		
Creditors	**1 183**	1 071
Accrued expenses	**5 466**	2 685
Accrued interest on borrowings	**135**	181
Commonwealth excise funding	**-**	50
Employee on-costs	**1 225**	2 244
Total Current Payables	**8 009**	6 231
Non-Current:		
Employee on-costs	**2 137**	1 962
Total Non-Current Payables	**2 137**	1 962
Total Payables	**10 146**	8 193

		2005	2004
26.	**Payables (continued)**	**2005**	2004
	Government/Non-Government Payables	**$'000**	$'000
	Payables to SA Government Entities:		
	Accrued expenses	**1 015**	597
	Accrued interest on borrowings	**135**	181
	Employee on-costs	**3 320**	4 083
	Total Payables to SA Government Entities	**4 470**	4 861
	Payables to Non-SA Government Entities:		
	Creditors	**1 183**	1 071
	Accrued expenses	**4 451**	2 088
	Employee on-costs	**42**	123
	Commonwealth excise funding	**-**	50
	Total Payables to Non-SA Government Entities	**5 676**	3 332
	Total Payables	**10 146**	8 193
27.	***(a) Employee Benefits***		
	Current:		
	Annual leave	**6 027**	5 451
	Long service leave	**465**	527
	Accrued salaries and wages	**1 255**	876
	Total Current Employee Benefits	**7 747**	6 854
	Non-Current:		
	Long service leave	**18 909**	17 084
	Total Non-Current Employee Benefits	**18 909**	17 084
	Total Employee Benefits	**26 656**	23 938
	(b) Employee Benefits and Related On-Costs		
	Accrued Salaries and Wages:		
	On-costs included in payables - Current (Note 26)	**204**	156
	Provision for employee benefits - Current (Note 27(a))	**1 255**	876
		1 459	1 032
	Annual Leave:		
	On-costs included in payables - Current (Note 26)	**968**	885
	Provision for employee benefits - Current (Note 27(a))	**6 027**	5 451
		6 995	6 336
	Long Service Leave:		
	On-costs included in payables - Current (Note 26)	**53**	61
	Provision for employee benefits - Current (Note 27(a))	**465**	527
		518	588
	On-costs included in payables - Non-current (Note 26)	**2 137**	1 962
	Provision for employee benefits - Non-current (Note 27(a))	**18 909**	17 084
		21 046	19 046
	Aggregate Employee Benefits and Related On-Costs	**30 018**	27 002
28.	**Interest Bearing Liabilities**		
	(a) Borrowings consists of:		
	Indebtedness to South Australian Government Financing Authority	**5 581**	7 487
	Indebtedness to the Treasurer	**1 461**	1 996
	Indebtedness to Department of Trade and Economic Development (formerly Department for Business, Manufacturing and Trade)	**47**	54
	Total Borrowings	**7 089**	9 537
	(b) Balance of Borrowings Outstanding Classifications:		
	Current	**466**	443
	Non-Current	**6 623**	9 094
	Total Borrowings	**7 089**	9 537
29.	**Provisions**		
	Current:		
	Provision for Workers Compensation	**318**	316
	Total Current Provisions	**318**	316
	Non-Current:		
	Provision for Workers Compensation	**814**	732
	Total Non-Current Provisions	**814**	732
	Total Provisions	**1 132**	1 048

29. Provisions (continued)

	2005	2004
	$'000	$'000
Carrying amount at 1 July	**1 048**	1 406
Increase in the provision	**84**	358
Carrying amount at 30 June	**1 132**	1 048

30. Other Liabilities

	2005	2004
Current:		
Unearned Revenue	**3 846**	2 444
Total Current Other Liabilities	**3 846**	2 444
Non-Current:		
Lease incentive	**1 225**	1 622
Total Non-Current Other Liabilities	**1 225**	1 622
Total Other Liabilities	**5 071**	4 066

31. Equity

	2005	2004
Accumulated surplus	**130 413**	122 897
Asset revaluation reserve	**20 286**	20 286
Committed Grants reserve	**1 688**	5 961
General reserve	**-**	2 000
Total Equity	**152 387**	151 144
Accumulated Surplus:		
Balance at 1 July	**122 897**	121 725
Operating surplus	**1 243**	1 073
Decrease in net assets due to administrative restructure	**-**	(5 147)
Transfers from reserves	**6 273**	5 246
Balance at 30 June	**130 413**	122 897
Asset Revaluation Reserve:		
Balance at 1 July	**20 286**	20 286
Balance at 30 June	**20 286**	20 286
Committed Grants Reserve:		
Balance at 1 July	**5 961**	11 207
Transfers to accumulated surplus	**(4 273)**	(5 246)
Balance at 30 June	**1 688**	5 961
General Reserve:		
Balance at 1 July	**2 000**	2 000
Transfers to accumulated surplus	**(2 000)**	-
Balance at 30 June	**-**	2 000

32. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at nominal value.

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) Credit Risk

The Department's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position.

(c) Interest Rate Risk

The Department's exposure to interest rate risk, which is the risk a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

(c) Interest Rate Risk (continued)

2005

Financial Assets:	**Floating Interest Rate $'000**	**Fixed Interest Maturing In: 1 Year or Less $'000**	**Over 1 to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Interest Rate Percent**
Cash	**60 767**	**-**	**-**	**-**	**-**	**60 767**	**5.35**
Receivables	**550**	**-**	**-**	**-**	**11 129**	**11 679**	**-**
Investments	**-**	**-**	**-**	**-**	**3 330**	**3 330**	**-**
Loans to Rural Sector	**-**	**1 312**	**6 910**	**176**	**57**	**8 455**	**7.79**
Loans other	**-**	**-**	**-**	**-**	**414**	**414**	**-**
	61 317	**1 312**	**6 910**	**176**	**14 930**	**84 645**	
Financial Liabilities:							
Borrowings	**-**	**3 563**	**3 334**	**192**	**-**	**7 089**	**5.92**
Payables	**135**	**-**	**-**	**-**	**10 011**	**10 146**	**-**
	135	**3 563**	**3 334**	**192**	**10 011**	**17 235**	

2004

Financial Assets:	Floating Interest Rate $'000	Fixed Interest Maturing In: 1 Year or Less $'000	Over 1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate Percent
Cash	67 910	-	-	-	-	67 910	5.10
Receivables	673	-	-	-	3 605	4 278	-
Investments	-	-	-	-	2 657	2 657	-
Loans to Rural Sector	-	5 753	4 959	777	84	11 573	7.44
Loans other	-	-	-	-	416	416	-
	68 583	5 753	4 959	777	6 762	86 834	
Financial Liabilities:							
Borrowings	-	5 996	3 291	250	-	9 537	5.84
Payables	181	-	-	-	8 012	8 193	-
	181	5 996	3 291	250	8 012	17 730	

(d) Net Fair Value

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

33. Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are not recognised as payable in the financial statements, these are payable as follows:	**2005 $'000**	2004 $'000
Not later than one year	**4 041**	4 208
Later than one year and not later than five years	**7 059**	9 489
Later than five years	**149**	135
Total Operating Lease Commitments	**11 249**	13 832

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.

Capital Commitments

Capital expenditure contracted for at the reporting date but are not yet recognised as liabilities in the financial report, are payable as follows:	**2005 $'000**	2004 $'000
Not later than one year	**441**	-
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
Total Capital Commitments	**441**	-

Capital commitments related to the purchase of a replacement offshore fishing patrol vessel.

34. Restructuring of Administrative Arrangements

Net Expenses from Restructuring of Administrative Arrangements

The net revenues (expenses) relating to the restructuring of administrative arrangements recognised in the Statement of Financial Performance are shown below.

	2005 $'000	2004 $'000
Department of Trade and Economic Development (DTED)	**-**	2 234
Essential Services Commission of South Australia (ESCOSA)	**-**	(108)
Department of Water, Land and Biodiversity Conservation (DWLBC)	**-**	(7 273)
Total Net Expenses from Restructuring of Administrative Arrangements	**-**	(5 147)

During the reporting period ending 30 June 2004, assets and liabilities amounting to $4.7 million and $0.447 million respectively were transferred to (from) the Department as summarised below.

Net Expenses from Restructuring of Administrative Arrangements (continued)

	Transferred to ESCOSA 01.07.03	Transferred to DWLBC 18.06.04	Transferred from DTED 01.01.04	**Total**
Assets:	$'000	$'000	$'000	**$'000**
Cash	(104)	(7 273)	2 653	**(4 724)**
Plant and equipment	(4)	-	28	**24**
Total Assets	(108)	(7 273)	2 681	**(4 700)**
Liabilities:				
Employee entitlements	-	-	447	**447**
Total Liabilities	-	-	447	**447**
Net Assets	(108)	(7 273)	2 234	**(5 147)**

Summary of Total Revenues and Expenses from Ordinary Activities for the period of 1 July 2003 to 30 June 2004 for the Activities Transferred to the Department.

	DTED 01.07.03 to 31.12.03	PIRSA 01.01.04 to 30.06.04	**Total**
	$'000	$'000	**$'000**
Revenue	903	2 234	**3 137**
Expenditure	899	1 818	**2 717**
Result	4	416	**420**

35. Contingent Liabilities and Contingent Assets

Contingent Assets

The Department owns intangible assets consisting of intellectual property. These include core samples provided by the mineral and petroleum industries, which are stored by the Department, and research developed in house or in conjunction with industry. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

Contingent Liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and petroleum 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.

36. 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	Extractive Areas Rehabilitation Fund	**Total 2005**	Total 2004
Operations:	$'000	$'000	**$'000**	$'000
Revenue	4	1 124	**1 128**	1 121
Less: Expenditure	-	946	**946**	629
Net Operating Surplus	4	178	**182**	492

Extractive Areas Rehabilitation Fund (continued)

	Pleuro Pneumonia Fund	Extractive Areas Rehabilitation Fund	**Total 2005**	Total 2004
Net Assets:	$'000	$'000	**$'000**	$'000
Cash at bank	75	4 680	**4 755**	4 576
Add*: Receivables*	-	1	**1**	-
Less: Payables	-	-	**-**	2
Net Assets	75	4 681	**4 756**	4 574
Funds:				
Balance of funds at 1 July	71	4 503	**4 574**	4 082
Add: Net receipts	4	178	**182**	492
Fund Balance at 30 June	75	4 681	**4 756**	4 574
Commitments in Place at 30 June	-	1 311	**1 311**	1 123

37. Cash Flow Reconciliation

	2005	2004
Reconciliation of Cash - Cash at year end as per:	**$'000**	$'000
Statement of Cash Flows	**60 767**	67 910
Statement of Financial Position	**60 767**	67 910

Reconciliation of Net Cost of Services to Net Cash Inflows (Outflows) from Operating Activities:

Net Cost of Services from Ordinary Activities	**(127 571)**	(106 804)
Less: Revenue from SA Government	**128 814**	107 877
Decrease in net assets due to restructuring	**-**	(5 147)
Add (Less) Non-Cash Items:		
Depreciation and amortisation	**7 370**	6 703
Loss on disposal of assets	**314**	454
Other movements in property, plant and equipment	**(764)**	(1 125)
Prior period adjustment	**(3 917)**	-
Doubtful debts expense	**(47)**	(154)
Restructuring expenses	**-**	423
Other non-cash items	**(63)**	(589)
Changes in Assets/Liabilities (net of restructure transfer):		
(Increase) Decrease in receivables	**(7 741)**	1 920
Decrease in inventories	**545**	298
(Increase) Decrease in other assets	**407**	(366)
Increase (Decrease) in payables and provisions	**466**	(374)
Increase in employee benefits	**4 604**	2 910
Increase in other liabilities	**1 402**	603
Net Cash Inflows from Operating Activities	**3 819**	6 629

38. Significant Events after Balance Date

It should be noted that, as of 1 July 2005, there are functions transferring between the Department and the Department for Transport, Energy and Infrastructure. The effects of these transfers will be reported in the financial statements for the year ending 30 June 2006.

The functions that are transferring to the Department are Planning SA, the Office of Local Government, the Office of the North, the Office of the North West, the Office of the Upper Spencer Gulf, Flinders Ranges and the Outback, the Office of the Murray, and the Office for the Southern Suburbs.

The functions transferring from the Department are Energy SA and the Office of the Technical Regulator.

Statement of Administered Financial Performance for the year ended 30 June 2005

		2005	2004
REVENUES FROM ORDINARY ACTIVITIES:	Note	**$'000**	$'000
Revenues from SA Government	A5	**92 214**	91 086
User charges and fees	A6	**18 044**	16 556
Advances and grants	A7	**3 049**	1 698
Interest		**399**	323
Levies collection	A8	**921**	1 541
Commonwealth rebates	A9	**3 021**	4 766
Natural Gas revenue		**150 167**	191 186
Royalties		**101 002**	75 177
Assets received free of charge		**160**	-
Other revenues	A10	**1 263**	2 125
Prior year revenue adjustment	A11	**(2 387)**	-
Total Revenues from Ordinary Activities		**367 853**	384 458
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	A12	**312**	294
Supplies and services	A13	**17 746**	18 186
Grants and subsidies	A14	**93 675**	90 383
Commonwealth rebates	A15	**2 091**	3 238
Levies payments	A16	**1 351**	894
Payment to Cooper Basin Gas Producers		**150 167**	191 186
Payment of royalties to Consolidated Account		**101 002**	75 177
Other expenses		**29**	5
Total Expenses from Ordinary Activities		**366 373**	379 363
OPERATING SURPLUS		**1 480**	5 095
Increase in the asset revaluation reserve		**472**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**1 952**	5 095

Statement of Administered Financial Position as at 30 June 2005

	Note	2005 $'000	2004 $'000
CURRENT ASSETS:			
Cash	A17	**28 733**	28 428
Receivables	A18	**1 001**	2 448
Total Current Assets		**29 734**	30 876
NON-CURRENT ASSETS:			
Property, plant and equipment	A19	**632**	-
Total Non-Current Assets		**632**	-
Total Assets		**30 366**	30 876
CURRENT LIABILITIES:			
Payables	A20	**11 687**	14 167
Advances	A21	**650**	600
Other liabilities		**671**	103
Total Current Liabilities		**13 008**	14 870
NON-CURRENT LIABILITIES:			
Advances	A21	**637**	1 237
Total Non-Current Liabilities		**637**	1 237
Total Liabilities		**13 645**	16 107
NET ASSETS		**16 721**	14 769
EQUITY:			
Accumulated surplus		**16 249**	14 769
Asset revaluation reserve		**472**	-
TOTAL EQUITY	A22	**16 721**	14 769

Statement of Administered Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH INFLOWS:	Note	**$'000**	$'000
Revenues from Government		**92 214**	91 015
User charges and fees		**19 516**	16 556
Advances and grants		**2 949**	1 698
Interest		**393**	314
Levies collection		**921**	1 541
Commonwealth rebates		**3 021**	4 766
Natural Gas revenue		**150 167**	191 186
Royalties		**101 670**	75 177
Other revenues		**1 245**	111
Prior year revenue adjustment		**(2 305)**	-
Total Cash Inflows		**369 791**	382 364
CASH OUTFLOWS:			
Employee expenses		**(312)**	(291)
Supplies and services		**(17 845)**	(17 389)
Grants and subsidies		**(94 697)**	(89 083)
Commonwealth rebates		**(2 091)**	(3 238)
Payment of royalties to Consolidated Account		**(102 459)**	(63 286)
Levies payments		**(1 351)**	(894)
Payment to Cooper Basin Gas Producers		**(150 167)**	(191 186)
Other expenses		**(14)**	(5)
Total Cash Outflows		**(368 936)**	(365 372)
Net Cash Inflows from Operating Activities	A23	**855**	16 992
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds of advances to PIRSA		**50**	-
Total Cash Inflows		**50**	-
CASH OUTFLOWS:			
Repayment of advances to PIRSA		**(600)**	(600)
Total Cash Outflows		**(600)**	(600)
Net Cash Outflows from Financing Activities		**(550)**	(600)
NET INCREASE IN CASH HELD		**305**	16 392
CASH AT 1 JULY		**28 428**	12 036
CASH AT 30 JUNE		**28 733**	28 428

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2005

(refer Note A4)	2005					
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	SA Sheep Industry Levy Fund $'000	Grains Industry Levy Fund $'000	SA Cattle Industry Fund $'000	Gulf St Vincent Prawn Fishery Fund $'000	SA Pig Industry Fund $'000	Fisheries Research & Dvlpmnt Fund $'000
Appropriation	-	-	-	-	-	-
User charges and fees	2 674	-	275	-	155	11 787
Advances and grants	-	-	-	-	-	-
Interest	76	11	135	1	80	-
Levies collection	-	724	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Natural gas revenue	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Assets received free of charge	-	-	-	-	160	-
Other revenue	86	-	37	-	-	303
Prior year revenue adjustment	4	1	-	-	-	(82)
Total Administered Revenues	2 840	736	447	1	395	12 008
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:						
Employee expenses	13	-	-	-	-	83
Supplies and services	1 395	-	387	-	157	11 875
Grants and subsidies	168	-	-	-	102	-
Commonwealth rebates	-	-	-	-	-	-
Commonwealth levies	-	1185	-	-	-	-
Payment to Cooper Basin gas producers	-	-	-	-	-	-
Payment of royalties to consolidated account	-	-	-	-	-	-
Prior period expenses	-	-	-	-	-	-
Other expenses	-	-	5	-	15	6
Total Administered Expenses	1 576	1185	392	-	274	11 964
ADMINISTERED SURPLUS (DEFICIT)	1 264	(449)	55	1	121	44

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2005 (continued)

	2005					
(refer Note A4)	Langhorne Creek Wine Industry Fund	Riverland Wine Industry Fund	McLaren Vale Wine Industry Fund	Adelaide Hills Wine Industry Fund	SA Apiary Industry Fund	Marine Scalefish Industry Fund
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000	$'000	$'000
Appropriation	-	-	-	-	-	-
User charges and fees	131	573	370	211	26	-
Advances and grants	-	-	-	-	-	-
Interest	5	18	11	7	9	2
Levies collection	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Natural gas revenue	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Assets received free of charge	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Prior year revenue adjustment	-	-	-	-	-	-
Total Administered Revenues	136	591	381	218	35	2
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:						
Employee expenses	-	-	-	-	-	-
Supplies and services	10	12	22	6	(1)	40
Grants and subsidies	111	590	280	160	-	-
Commonwealth rebates	-	-	-	-	-	-
Commonwealth levies	-	-	-	-	-	-
Payment to Cooper Basin gas producers	-	-	-	-	-	-
Payment of royalties to consolidated account	-	-	-	-	-	-
Prior period expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total Administered Expenses	121	602	302	166	(1)	40
ADMINISTERED SURPLUS (DEFICIT)	15	(11)	79	52	36	(38)

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2005 (continued)

	2005					
(refer Note A4)	Renewable Remote Power Generation Fund	Photo-voltaic Rebate Fund	Natural Gas Authority SA	Energy Mgmt Task Force	SA Water Corp CSO Subsidy	Royalties
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000	$'000	$'000
Appropriation	-	-	-	-	91 998	-
User charges and fees	-	-	-	-	-	-
Advances and grants	-	-	-	3045	-	-
Interest	-	-	7	-	-	-
Levies collection	-	-	-	-	-	-
Commonwealth rebates	830	2 191	-	-	-	-
Natural gas revenue	-	-	150 167	-	-	-
Royalties	-	-	-	-	-	101 002
Assets received free of charge	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Prior year revenue adjustment	-	(563)	-	-	-	-
Total Administered Revenues	830	1 628	150 174	3 045	91 998	101 002
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:						
Employee expenses	-	-	-	-	-	-
Supplies and services	-	-	-	1 854	-	-
Grants and subsidies	-	-	-	-	91 998	-
Commonwealth rebates	817	1 274	-	-	-	-
Commonwealth levies	-	-	-	-	-	-
Payment to Cooper Basin gas producers	-	-	150 167	-	-	-
Payment of royalties to consolidated account	-	-	-	-	-	101 002
Prior period expenses	3	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total Administered Expenses	820	1 274	150 167	1 854	91 998	101 002
ADMINISTERED SURPLUS (DEFICIT)	10	354	7	1 191	-	-

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2005 (continued)

	2005			
(refer Note A4)	Aqua-culture Resource Mgmt	Petroleum Products Subsidy	Other Funds	**Total**
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	**$'000**
Appropriation	-	-	216	**92 214**
User charges and fees	1 816	-	26	**18 044**
Advances and grants	-	-	4	**3 049**
Interest	31	-	6	**399**
Levies collection	-	-	197	**921**
Commonwealth rebates	-	-	-	**3 021**
Natural gas revenue	-	-	-	**150 167**
Royalties	-	-	-	**101 002**
Assets received free of charge	-	-	-	**160**
Other revenue	-	266	571	**1 263**
Prior year revenue adjustment	-	-	(1 747)	**(2 387)**
Total Administered Revenues	1 847	266	(727)	**367 853**
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:				
Employee expenses	-	-	216	**312**
Supplies and services	1 396	-	593	**17 746**
Grants and subsidies	-	266	-	**93 675**
Commonwealth rebates	-	-	-	**2 091**
Commonwealth levies	-	-	166	**1 351**
Payment to Cooper Basin gas producers	-	-	-	**150 167**
Payment of royalties to consolidated account	-	-	-	**101 002**
Prior period expenses	-	-	-	**3**
Other expenses	-	-	-	**26**
Total Administered Expenses	1 396	266	975	**366 373**
ADMINISTERED SURPLUS (DEFICIT)	451	-	(1 702)	**1 480**

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. The Department

A1.1 Purpose and Funding

The Department administers, but does not control, certain resources on behalf of the South Australian Government, the Commonwealth Government, private sector organisations and other State Government Departments. These activities are classified as administered items as the Department has no control over these monies and is unable to use the monies to achieve its own objectives.

The principal sources of funds for the Department's administered programs consists of monies appropriated by Parliament, licence receipts, Commonwealth grants and rebates, fees and levies, Royalties and Natural Gas Revenue.

A1.2 Response to 2003-04 Audit Findings

In response to the audit qualification on the 2003-04 financial statements the Department has invested significant effort in reviewing, understanding and resolving the underlying issues that led to the qualifications.

In addition to addressing the issues raised, the Department has implemented further key control enhancements to ensure the process improvements are maintained in the future.

A2. Summary of Significant Accounting Policies

A2.1 The Reporting Entity

The reporting entity is disclosed in Note 2.2 in the Department's Financial Statements.

A2.2 Basis of Accounting

The Administered Financial Statements represents the operations of the Department in respect of Administered Items for the year 1 July 2004 to 30 June 2005. Unless otherwise stated, the policies outlined in Note 2 of the Department's financial statements apply to the Administered Items Financial Statements Schedule.

A2.3 Valuation of Non-Current Assets

Land and buildings were independently valued by Tony Richardson Valuation Services Pty Ltd as at 22 July 2004, on the basis of fair value as defined in AASB 1041 'Revaluation of Non-Current Assets'.

Buildings include 'infrastructure' which represents roads, fencing, signage etc.

A3. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' and the Department of Treasury and Finance Model Financial Report, a table has been prepared summarising any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

Impact of adopting AIFRS

Reconciliation of key aggregates	Amount currently reported per Generally Accepted Accounting Principles	Known or reliably estimated impact on the financial report: AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors	Amount to be reported after adopting AIFRS
	$'000	$'000	$'000
Operating Surplus	1 480	2 387	3 867
Asset Revaluation Reserve	472	-	472
Opening Equity	14 769	(2 387)	12 382
Closing Equity	16 721	-	16 721
Total Assets	30 366	-	30 366
Total Liabilities	13 645	-	13 645
Net Assets	16 721	-	16 721
Cash Flows from Operating Activities	855	2 328	3 183
Cash Flows from Investing Activities	-	-	-
Cash Flows from Financing Activities	(550)	-	(550)
Opening Cash	28 428	(2 328)	26 100
Closing Cash	28 733	-	28 733

AASB 108 'Accounting Policies, Changes in Accounting Estimates and Error'

This standard requires that prior period errors must be corrected retrospectively by restating comparative amounts for the prior periods presented or, if the error occurred in a period prior to those presented in the financial report, restate the opening balances of the identified assets, liabilities and equity.

During 2004-05, the Department recognised $2.304 million in prior period adjustments in the Statement of Financial Performance mainly as a result of completing a full reconciliation of the Department's Cash at Bank account.

Under the AIFRS, these errors would be reversed out of the net cost of services and reflected in the opening balances of the identified assets and liabilities.

The following standard will have some impact on the financial statements, mainly in disclosure requirements, although it is expected that the impact will not be significant.

AASB 5 'Non-Current Assets held for Sale and Discontinued Operations'

This standard requires that assets meeting the criteria in the standard, should be classified as current assets 'held for sale' on the face of the balance sheet. As at the 30 June 2005, the Department has land and buildings valued at $0.632 million which would be classified as 'held for sale' under this standard. The effect on the financial statements will be to reclassify these assets from non-current to current.

A4. Administered Funds of the Department

The Program Schedules provide details of expenses, revenues, assets and liabilities applicable to the administered funds of the Department. Information about the Department's administered funds is set out below.

SA Sheep Industry Fund

The South Australian Sheep Industry 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 (SASAG) and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog-proof fence.

Grains Industry Levy Fund
Two voluntary levies are collected from grain producers under the *Commonwealth Wheat Marketing Act 1989*. A three-cent levy is collected and returned quarterly to the South Australian Farmers Federation. A thirteen-cent levy is collected and returned quarterly to the South Australian Grains Industry Trust fund.

SA Cattle Industry Fund
The South Australian Cattle Industry 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.

Gulf of St Vincent Prawn Fishery Levy
The fund was established for the purpose of facilitating transactions associated with the voluntary buy back of Prawn Fishery licenses in the Gulf St Vincent under the *Gulf St Vincent Prawn Fishery Rationalisation Act 1987*.

SA Pig Industry Fund
The South Australian Pig Industry 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.

Fisheries Research and Development Fund
Under the *Fisheries Act 1982*, 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 Fisheries Act applies or promotion of any fishing, fish farming or fish processing activity.

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 co-operation between participants in the Langhorne Creek wine industry.

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 co-operation between participants in the Riverland wine industry.

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 co-operation between participants in the McLaren Vale wine industry.

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 co-operation between participants in the Adelaide Hills wine industry.

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.

Marine Scalefish Industry Fund
This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 16 January 2003. The primary purposes of the fund are to make payments to organisations which represent the marine scalefish industry in relation to the promotion, development and environmental management of the industry and make payments for other purposes to benefit the marine scalefish industry.

Renewable Remote Power Generation Fund
This is a Commonwealth program administered for the State by Energy SA with the aim to encourage greater utilisation of renewable energy in South Australia. The fund provides rebates to replace or augment diesel generators with renewable generation technology.

Photovoltaic Rebate Fund
This is a Commonwealth program administered for the State by Energy SA with the aim to encourage greater utilisation of renewable energy in South Australia. The fund provides rebates for grid-connected or stand-alone systems on residential and community buildings.

Natural Gas Authority SA

This fund was established to purchase natural gas from gas producers and sell to AGL Wholesale Gas (SA) and Origin Energy. This fund provides an important link in the State's gas supply chain and facilitates dialogue between the producers, retailers and the pipeline contractors.

Energy Management Task Force

EMTF Central Fund receives contributions from all States and is used to fund projects involving energy efficiency and greenhouse gas reduction measures approved by the national body.

SA Water CSO Subsidy

The Department receives appropriation to make payment to SA Water representing Community Service Obligations for the provision of country water and wastewater services, administration of the River Murray levy and water conservation initiatives.

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.

Aquaculture Resource Management Fund

The fund, established under the *Aquiculture 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.

Petroleum Products Subsidy

The scheme operates under the *Petroleum Products Subsidy Act 1965* and provides subsidies to registered distributors of eligible petroleum products. The scheme is fully funded by the Commonwealth under the *States Grants Petroleum Products Act 1965* and applies to all States. In South Australia, PIRSA is responsible for administering the scheme.

Other Funds

This is the total of all other administered funds including the payment of the Minister's salary and allowances, and production receipts from companies for forwarding to native title claimants.

		2005	2004
A5.	**Revenues from Government**	**$'000**	$'000
	Appropriations from Consolidated Account pursuant to the *Appropriation Act 2004*	**91 998**	90 819
	Appropriations under other Acts	**216**	267
	Total Revenues from SA Government	**92 214**	91 086
A6.	**User Charges and Fees**		
	Industry contributions	**3 378**	2 609
	Fishing licences	**13 004**	12 326
	Fees and levies	**1 662**	1 621
	Total User Charges and Fees (1)	**18 044**	16 556

(1) Fees and charges are from Non-SA Government sources

A7.	**Advances and Grants**		
	Energy Management Task Force	**3 045**	1 691
	Agricultural Research	**4**	7
	Total Advances and Grants	**3 049**	1 698
A8.	**Levies Collection**		
	Commonwealth levy collection	**849**	1 477
	Organisation for Economic Cooperation and Development Report Levy	**72**	64
	Total Levies Collection	**921**	1 541
A9.	**Commonwealth Rebates**		
	Renewable remote power generation	**830**	2 029
	Photovoltaic rebate claims	**2 191**	2 737
	Total Commonwealth Rebates	**3 021**	4 766
A10.	**Other Revenue**		
	Reimbursements of salaries and project costs	**285**	57
	Other	**978**	2 068
	Total Other Revenue	**1 263**	2 125

A11. Prior Year Revenue Adjustment

	2005 $'000	2004 $'000
Cash at bank reconciliation adjustments (1)	**(2 309)**	-
Accumulated Fund adjustment	**(78)**	-
Total Prior Year Revenue Adjustment	**(2 387)**	-

(1) Adjustments required to cash at bank resulting from reconciliations undertaken to address audit issues raised in the 2003-04 audit of the financial statements mainly reflecting the reversal of revenue recognised twice in the previous financial year.

A12. Employee Expenses

	2005 $'000	2004 $'000
Salaries and wages	**216**	271
Employment on-costs	**12**	2
Board fees	**84**	21
Total Employee Expenses	**312**	294

A13. Supplies and Services

	2005 $'000	2004 $'000
Supplies and Services provided by entities within the SA Government:		
Professional services	**310**	-
Distribution of licence and lease fees (2)	**9 474**	11 193
Audit fees	**12**	29
Total Supplies and Services - SA Government Entities	**9 796**	11 222
Supplies and services provided by entities external to the SA Government:		
Professional services (1)	**2 486**	2 193
Operational and administrative costs	**4 124**	3 794
Distribution of licence and lease fees (2)	**1 194**	944
Other	**146**	33
Total Supplies and Services - Non-SA Government Entities	**7 950**	6 964
Total Supplies and Services	**17 746**	18 186

(1) Includes consultancies costs which are further broken down below.
(2) Represents the distribution of licence and lease fees from the Fisheries Research and Development Fund and Aquacultural Resource Management Fund to the Fishing Industry and the Department.

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that were in the following band:	2005 Number	2005 $'000	2004 Number	2004 $'000
Below $10 000	**37**	**169**	21	54
Between $10 000 and $50 000	**21**	**444**	20	463
Above $50 000	**6**	**1 296**	8	1 439
Total Paid/Payable to the Consultants Engaged	**64**	**1 909**	49	1 956

A14. Grants and Subsidies

	2005 $'000	2004 $'000
Grants and Subsidies paid to entities within the SA Government:		
SA Water Corporation CSO subsidy	**91 998**	89 535
Total Grants and Subsidies - SA Government Entities	**91 998**	89 535
Grants and Subsidies paid to entities external to the SA Government:		
Riverland Wine Industry Fund	**590**	491
McLaren Vale Wine Industry Fund	**280**	170
Petroleum Products Subsidy	**266**	-
Sheep Industry Fund	**168**	-
Adelaide Hills Wine Industry Fund	**160**	70
Langhorne Creek Wine Industry Fund	**111**	100
Pig Industry Fund	**102**	-
Cattle Industry Fund	**-**	5
Marine Scalefish Industry Fund	**-**	12
Total Grants and Subsidies - Non-SA Government Entities	**1 677**	848
Total Grants and Subsidies	**93 675**	90 383

A15. Commonwealth Rebates

	2005 $'000	2004 $'000
Renewable Remote Power Generation Program	**1 274**	1 601
Photovoltaic rebate claims	**817**	1 637
Total Commonwealth Rebate Payments	**2 091**	3 238

A16. Levies Payments

	2005	2004
	$'000	$'000
Commonwealth levy payments	**1 279**	832
Organisation for Economic Cooperation and Development Report Levy	**72**	62
Total Levies Payments	**1 351**	894

A17. Cash

Deposits with the Treasurer	**28 733**	28 428
Total Cash	**28 733**	28 428

A18. Receivables

Current:		
Trade accounts receivable	**764**	2 348
Accrued interest on loans and deposits	**31**	24
Other accrued revenue	**206**	76
Total Receivables (1)	**1 001**	2 448

(1) Includes receivables from other SA Government entities less than $100 000.

A19. Property, Plant and Equipment

Land	**282**	-
Buildings	**350**	-
Total Land and Buildings	**632**	-
Total Property, Plant and Equipment	**632**	-

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05:	Land $'000	Buildings $'000	**Total $'000**
Carrying Amount 1 July 2004	-	-	**-**
Additions	90	70	**160**
Revaluations Increment	192	280	**472**
Carrying Amount at 30 June 2005	282	350	**632**

A20. Payables

	2005	2004
Current:	**$'000**	$'000
Creditors	**67**	8
Royalties payable to the Consolidated Account	**10 434**	11 891
Accrued expenses	**1 186**	2 268
Total Current Payables	**11 687**	14 167
Total Payables (1)	**11 687**	14 167

Government/Non-Government Payables

Payables to SA Government Entities:		
Royalties payable to the Consolidated Account	**10 434**	11 891
Accrued expenses	**1 157**	2 158
Total Payables to SA Government Entities	**11 591**	14 049
Payables to Non-SA Government Entities:		
Creditors	**67**	8
Accrued expenses	**29**	110
Total Payables to Non-SA Government Entities	**96**	118
Total Payables	**11 687**	14 167

(1) Liabilities for employee benefits annual leave, long service leave and related on-costs are taken into account in the Departmental Financial Statements.

A21. Advances

Current:		
Advances	**650**	600
Total Current Advances	**650**	600
Non-Current:		
Advances	**637**	1 237
Total Non-Current Advances	**637**	1 237
Total Advances	**1 287**	1 837

Government/Non-Government Advances

Advances paid/payable to SA Government Entities:		
Advances	**1 237**	1 237
Total Advances to SA Government Entities	**1 237**	1 237

A21. Advances (continued)

	2005	2004
Advances paid/payable to Non-SA Government Entities:	**$'000**	$'000
Advances	**50**	-
Total Advances to Non-SA Government Entities	**50**	-
Total Advances	**1 287**	1 237

A22. Equity

Accumulated surplus	**16 249**	14 769
Assets revaluation reserve	**472**	-
Total Equity	**16 721**	14 769
Accumulated Surplus:		
Balance at 1 July 2004	**14 769**	9 674
Operating surplus	**1 480**	5 095
Balance at 30 June 2005	**16 249**	14 769
Asset Revaluation Reserve:		
Balance at 1 July 2004	**-**	-
Revaluation increment - Land	**192**	-
Revaluation increment - Buildings	**280**	-
Balance at 30 June 2005	**472**	-

A23. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June as per:		
Statement of Cash Flows	**28 733**	28 428
Statement of Financial Position	**28 733**	28 428
Reconciliation of Net Cost of Services to Net Cash Inflows (Outflows) from Operating Activities:		
Operating Surplus	**1 480**	5 095
Change in Assets/Liabilities:		
Recognition of assets	**(160)**	-
(Increase) Decrease in receivables	**1 447**	(1 997)
Increase (Decrease) in payables and provisions	**(2 480)**	13 888
Increase in other liabilities	**568**	6
Net Cash Inflows provided by Operating Activities	**855**	16 992

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