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Government of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2011

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Part B: Agency audit reports

Volume 4

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

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Part B

Table of contents

Page

Volume 1

Volume 2

Volume 3

Part B

Table of contents

Page

Volume 3

Volume 4

Volume 5

Appendix

Part B

References to matters of significance

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

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

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

South Australian Government Financing Authority

Functional responsibility

Establishment

The South Australian Government Financing Authority (SAFA), a body corporate, was established under the *Government Financing Authority Act 1982* (SAFA Act).

Functions

SAFA functions as the central borrowing authority for the State of South Australia, and is responsible for managing the majority of the State's debt and for implementing the Government's debt management policy as determined by the Treasurer of South Australia.

Pursuant to section 15 of the SAFA Act, SAFA's liabilities are guaranteed by the Treasurer.

SAFA also administers the Government's:

- insurance and risk management arrangements through its insurance division trading as SAICORP
- passenger and light commercial vehicle fleet operations.

For details of SAFA's objectives refer note 1 to the financial statements.

SAFA Advisory Board

The SAFA Act provides that SAFA is constituted of the Under Treasurer and establishes the South Australian Government Financing Advisory Board (the Advisory Board).

The Advisory Board comprises up to seven members one of whom is the Under Treasurer, who is also Presiding Member.

The function of the Advisory Board is to provide advice relating to the exercise by SAFA of its powers, functions and duties.

The SAFA Act provides that the Under Treasurer may request advice from the Advisory Board and consider any advice given. The Advisory Board may provide advice, as it sees fit, to the Treasurer or the Authority. SAFA's annual report must include details of any advice from the Advisory Board that the Treasurer or SAFA has decided not to follow and the Treasurer's or SAFA's reason for that decision.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1) of the PFAA and subsection 25(2) of the SAFA Act provide for the Auditor-General to audit the accounts of SAFA for each financial year.

Assessment of controls

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

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

Scope of the audit

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

- risk management, monitoring and reporting, including:
  - interest rate risk management
  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management
- treasury operations (including insurance investments), including:
  - transaction initiation
  - confirmation and settlement processes
  - management reporting
- calculation and use of the Common Public Sector Interest Rate (CPSIR)
- financial accounting for finance, insurance and fleet activities
- insurance claim expenditure
- fleet revenue
- purchase, disposal and management of fleet motor vehicles
- administration of the Industry Financial Assistance Account on behalf of the Treasurer.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Audit made use of the work performed by internal audit in the following areas:

- quarterly reporting by SAFA's compliance unit
- internal audit quarterly compliance program assessment of work performed by SAFA's compliance unit
- yield curve and interest calculations
- reinsurance program review
- information security review
- IT control environment assessment.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the General Manager, SAFA. Responses to the management letters were considered to be satisfactory. The main matters raised with SAFA and the related responses are outlined below.

Treasury 'end-to-end' processes

During 2009-10 SAFA initiated a review of its treasury operations. This review was performed by SAFA's contract internal auditor and included specific testing for potential fraud risk. The internal auditor's report included a number of recommendations that they considered of high and moderate risk.

During 2010-11 Audit reviewed SAFA's treasury function and specifically considered SAFA's response to the matters raised by internal audit.

The key outcomes from this review are provided below.

Operations (settlement) staff access to online banking

In 2010 SAFA's contract internal auditor noted that operations staff had access to manually enter counterparty bank account details into SAFA's online banking systems.

This matter highlighted that officers responsible for payment processing also had access to create and amend bank account details within the disbursement systems. This lack of segregation increases the risk of undetected fraud or error.

To mitigate this risk SAFA maintains a dual authorisation protocol within the online banking systems, meaning that no individual officer can add or amend bank account details or process online payments. SAFA also maintains a series of detective controls designed to identify and resolve errors or attempted fraud.

While Audit accepts that these controls significantly reduce SAFA's risk exposure, the nature and scope of SAFA's activities mean that the financial impact of any actual error or fraud can be significant.

During 2011 Audit reviewed SAFA's use of the online banking systems and was advised that almost all payments using the main online banking system are processed using standard payment templates. These templates allow operations staff to process payments without adjusting recipient bank account details.

The extent to which SAFA uses standard payment templates highlighted that SAFA rarely needs to amend bank account details once counterparties are established. This indicates that SAFA could improve its control over payment processing by removing operations staff access to counterparty bank account details within the banking system without significant impact to its business operations. Audit recommended that SAFA makes this change to its control environment.

In response SAFA resolved to:

- reconfigure the main online banking system to require system authorisation of all changes to payment templates by an officer independent of the payment process
- implement a regular review of changes to payment templates by SAFA's compliance unit to ensure appropriate approval of these changes
- further investigate the functionality of its main online banking system to strengthen its controls over online banking.

Access to create deals in Quantum

In accordance with SAFA policy, operations staff have access to create 'retail' deals in the Quantum (Treasury) system. Retail deals include repurchase agreements, TAP and migration bonds.

The operations unit plays an integral role in independently confirming the validity and accuracy of transactions initiated by SAFA's dealers. Providing operations staff with the responsibility and system access to create deals removes the benefits achieved by segregating these functions and increases SAFA's reliance on detective controls.

In 2010 SAFA's internal auditor noted this risk exposure and recommended that SAFA:

- configure Quantum to restrict operations staff from creating non-retail deals in Quantum
- consider transferring responsibility for creating retail deals to staff outside the operations unit (and restrict operations staff from creating any deal type).

At the time SAFA acknowledged the risk and sought to restrict operations staff from creating non-retail deals in Quantum. Further investigation concluded, however, that SAFA could not configure Quantum to achieve this level of access control. SAFA resolved to improve existing detective controls.

SAFA maintains a range of detective controls which significantly reduce the likelihood of undetected material fraud or error. Detective controls do not, however, eliminate risk.

Preventive controls are designed to eliminate an identified risk of fraud or error. While SAFA must balance the benefits provided by preventive controls with the cost and impact that implementing them would have on service delivery, the size and nature of SAFA's activities mean that the financial impact of any successful fraud or error may be significant.

During 2010-11 Audit analysed the nature and volume of deals processed by operations staff for the seven months to February 2011. This analysis indicated that restricting operations staff from creating deals in Quantum would not introduce an unreasonable imposition on SAFA operations.

While Audit acknowledged that SAFA would need to assess the full impact on its operations, Audit recommended that SAFA change its business processes and restrict operations staff from creating deals.

SAFA has committed to reviewing system access within Quantum to achieve a desirable outcome without compromising business operations. This review is scheduled for completion in September 2011.

SAFA has indicated that if this review cannot identify a suitable business outcome it will restrict operations staff from creating deals in Quantum.

Daily channel limits

System functions within SAFA's online banking systems allow SAFA to restrict the value of daily transactions processed by any individual user. This 'daily channel limit' function prevents staff from creating payments above a daily limit and provides SAFA with a valuable control over processing error and fraud.

Audit noted that the channel limits established by SAFA within its main online banking system significantly exceeded the likely value of daily processing and recommended that SAFA reduce them.

SAFA immediately reduced the daily channel limits within its main online banking system and has introduced a regular review of them to ensure that they are retained at an appropriate level.

Catastrophe reinsurance program

To protect the State's finances against a very large loss or claim or a series of large losses or claims in a year, SAFA places a commercial catastrophe reinsurance program in the international insurance market.

SAFA has engaged an insurance broker to manage and finalise this annual catastrophe reinsurance program.

SAFA's contract with its insurance broker requires the broker to provide SAFA with evidence of reinsurance placements, signed by the reinsurers prior to the inception date of the risks (1 November each year).

While the insurance broker provided SAFA with an email on 29 October 2010 confirming all reinsurance placements for the 2010-11 insurance year, Audit noted that the broker did not provide SAFA with evidence of cover signed by the reinsurers prior to 1 November 2010.

While Audit appreciates that the insurance broker has a contractual responsibility to ensure coverage each year, SAFA is ultimately responsible for the management of claims in the event of an insurable event.

Audit recommended that SAFA actively pursue its insurance broker for satisfactory evidence of reinsurance placements for 2011-12.

SAFA has discussed this matter with their broker who has agreed to meet this requirement.

Implementation of TIs 2 and 28

SAFA has a robust governance, risk and control management framework that has been in place for many years. The framework meets the requirements of TIs 2 and 28. Specific elements of TIs 2 and 28 are met as follows:

Risk and fraud management

SAFA's policy manual explains and outlines SAFA's strategies for managing specific risks including interest rate risk, liquidity risk, funding risk, credit risk, currency risk, operational risk, legal risk and insurance risk. SAFA's strategies for managing these risks include documenting approved financial instruments and documenting delegation, market exposure and transaction limits. A summary of SAFA's approach to managing these risks is disclosed in note 28 to the financial statements.

The policy manual references DTF's fraud policy and summarises SAFA's approach to the reporting of suspected fraud.

SAFA's policy manual, which is readily accessible by all staff, is reviewed annually and subject to the Treasurer's approval.

Policies and procedures

In addition to its policy manual, SAFA maintains a centralised procedures manual. SAFA's procedures manual provides a high level summary of the actions that SAFA expects to be maintained within the treasury, insurance and operational support units. SAFA's procedures manual is also subject to annual review.

Detailed procedures also exist and are maintained by individual units.

Compliance testing and independent review

SAFA's compliance unit, under the guidance of SAFA's contract internal auditor, performs daily, weekly, monthly and quarterly testing to ensure compliance with SAFA's policy and procedures manual. Particular focus is given to compliance with SAFA's approved risk management strategies including delegations, approved exposure and transaction limits.

All testing performed by the compliance unit is reported to SAFA management and the General Manager. Any breaches to treasury dealing and risk limits are reported daily to the General Manager.

The compliance unit's work is reviewed and tested by SAFA's contract internal auditor, who provides SAFA's Audit Committee with quarterly reports on the outcomes of its review.

In addition to this work, SAFA's contact internal auditor performs regular focused reviews on elements of internal control and other areas of management importance.

Audit Committee

SAFA's responsibilities with respect to risk management and compliance are supported by an Audit Committee comprising three members appointed by the Advisory Board. The Audit Committee's wide ranging responsibilities include:

- oversight of SAFA's risk management framework
- evaluation of the adequacy of SAFA's administrative, operating and accounting controls and management practices
- appraisal of the quality of audits performed by SAFA's contract internal auditor
- review of results of audits performed by the Auditor-General
- monitoring management's response and actions to correct any identified deficiencies in SAFA's control environment.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Interest revenue	1 234	910
Interest expense	(1 192)	(891)
Net interest revenue	42	19
Net gain (loss) on financial instruments and derivatives	22	21
Leasing and hire revenue	82	78
Insurance premium revenue	36	35
Recoveries	29	31
Other income	20	17
Vehicle operating costs	(83)	(82)
Insurance claim gain (expense)	(66)	12
Other expenses	(22)	(22)
Profit (Loss) before income tax equivalents	60	109
Income tax equivalent expense	(18)	(30)
Profit (Loss) after income tax equivalents and total comprehensive result	42	79
Assets		
Cash, short-term assets and investments	3 551	4 759
Loans, advances and receivables	12 394	9 883
Derivatives receivable	1 345	1 295
Property, plant and equipment (including held for sale)	217	221
Other assets	59	43
Total assets	17 566	16 201
Liabilities		
Deposits and short-term borrowings	6 202	5 985
Bonds, notes and debentures	9 451	8 436
Outstanding claims	336	301
Derivatives payable	1 320	1 198
Other liabilities	8	23
Total liabilities	17 317	15 943
Total Equity	249	258

Statement of Comprehensive Income

Net income and expense

Interest income and expense is determined on a market value accounting basis. Interest revenue increased by $324 million or 36 percent. This was associated with a corresponding increase in interest expenses of $301 million or 34 percent.

Net gain on financial instruments and derivatives

The net gain on financial instruments and derivatives for 2010-11 comprises realised and unrealised gains from SAFA's insurance activities of $39.2 million offset by realised and unrealised losses of $17.3 million on SAFA's finance activities.

Leasing and hire revenue and recoveries

Leasing and hire revenue reflects the fees charged to other government agencies for the use of fleet vehicles whereas recoveries includes the recovery of fuel costs and unscheduled maintenance charges for leased vehicles.

Other revenue

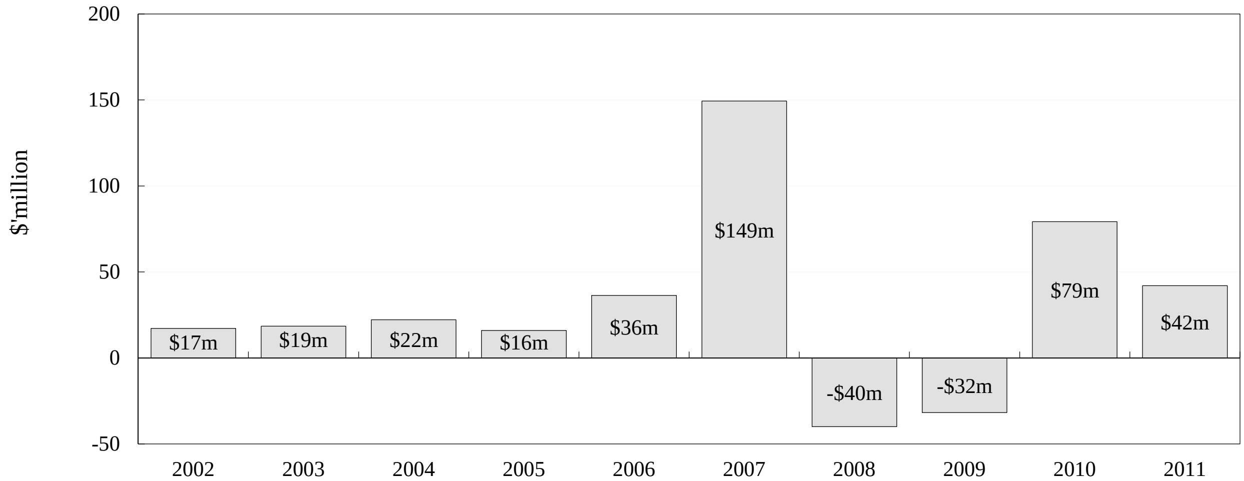
Due to the nature of its activities the Treasurer has quarantined SAFA from any operating profit or loss before tax on the activities of Insurance Fund 2. For 2010-11 Fund 2 reported an operating loss before tax resulting in SAFA recognising a receivable from the Treasurer of $9.5 million ($5.7 million payable).

This $15.2 million turnaround in SAFA's receivable/payable to the Treasurer is the principal reason for the $15.1 million increase in other revenue.

Profit (Loss)

SAFA's profit before income tax equivalent was $60 million. In accordance with TI 22 SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is calculated by applying the Australian company tax rate of 30 percent to its profit or loss before tax. For 2009-10 the Treasurer exempted SAFA from paying tax on the $10.5 million gain on the transfer of administrative functions (refer note 4 to the financial statements).

The 10 year trend in SAFA's profit or loss after income tax equivalent expense is demonstrated in the following chart.



The chart highlights the volatility in SAFA's results since 2007. This volatility is impacted by the financial performance of SAFA's insurance activities, which were transferred to SAFA in July 2006.

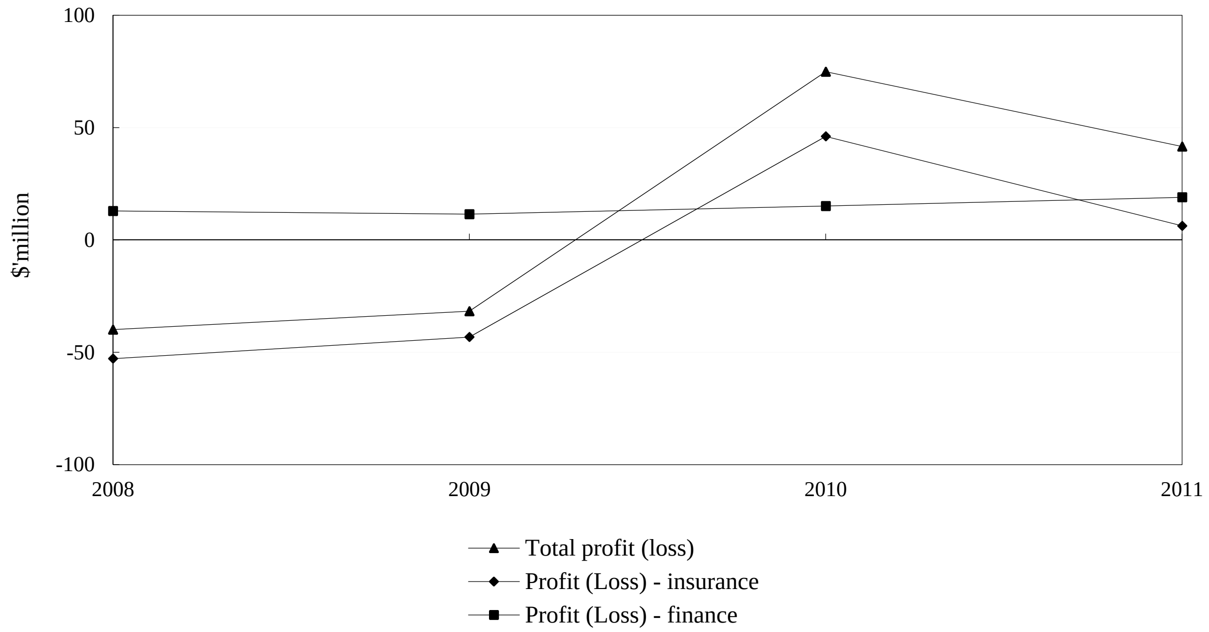
The 2007 profit result includes the net gain on the initial transfer of the net assets of the former SAICORP, whereas the 2008 and 2009 losses are attributable to net investment losses on insurance assets and a large increase in claims expense.

The 2011 profit after income tax equivalents of $42 million includes net profit on SAFA's insurance activities of $6 million. This net profit on insurance activities is due mainly to:

- net insurance investment gains of $39 million
- insurance premiums of $36 million

- insurance claims expenses totalling $66 million. Total claim expenses include the impact of movements in the outstanding claims liability, which for 2010-11, was $35 million.

The volatility of SAFA's insurance activities and their impact on SAFA's profit or loss are highlighted in the following chart:

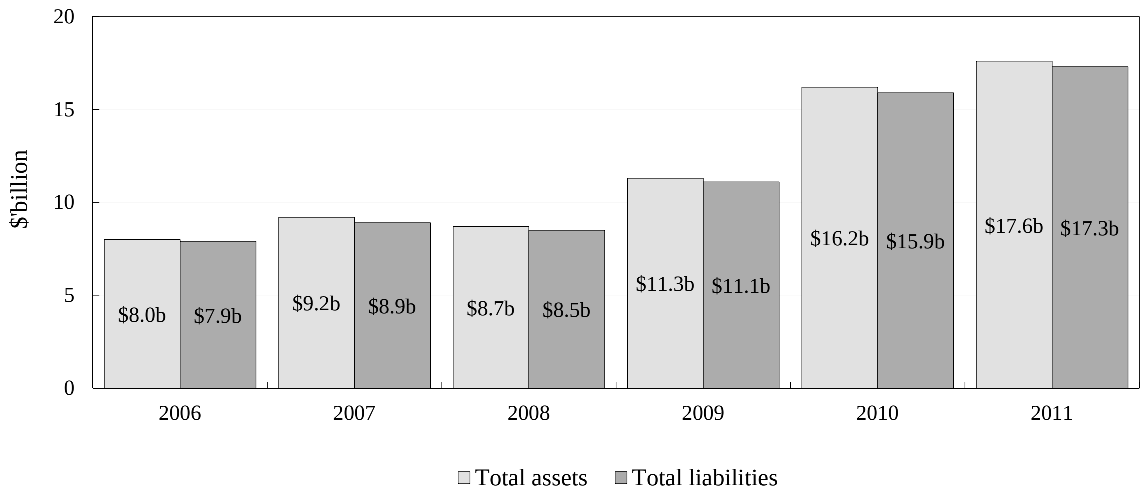


The result after income tax equivalent is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other revenue', SAFA is quarantined from Fund 2 profits or losses. This arrangement reflected the fact that Fund 2 is used to meet claim payments in respect of incidents which occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments which fall outside the insurance cover provided under Fund 1. No premium income is earned for Fund 2. Payments or receivables arising are reflected in the Consolidated Account.

Statement of Financial Position

Assets and liabilities

A structural analysis of assets and liabilities for the six years to 2011 is shown in the following chart.



Assets increased by $1.4 billion in 2011 due mainly to a:

- $1.8 billion increase in loans to the Treasurer, mainly to fund the Consolidated Account deficit for 2010-11 (refer note 8 to the financial statements and Treasurer's Statement A in the Appendix to Part B of this Report)

- $750 million increase in loans to other SA Government entities (refer note 8). The majority of new loans were provided to SA Water

- $1.4 billion decrease in cash and cash equivalents to fund repayment of long-term liabilities that matured during the financial year.

The increase in assets was funded by increases in liabilities. The main liabilities affected were:

- $1.2 billion increase in SAFA select lines (refer note 13)
- $297 million increase in deposits from the Treasurer (refer note 12).

The increase in select lines reflects SAFA's ongoing funding responsibilities to the Treasurer.

Capital and distributions

At 30 June 2011, SAFA's capital reserves were represented solely by its retained earnings, which stood at $249 million ($258 million). A $50 million ($11.5 million) distribution was made to the Treasurer from SAFA this financial year.

Statement of Cash Flows

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

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	102	129	44	-
Investing	(670)	(3 983)	(2 356)	583
Financing	674	3 775	2 296	(466)
Change in cash	106	(79)	(16)	117
Cash at 30 June	188	82	161	177

The analysis of cash flows shows that SAFA's cash position has fluctuated over the four years in line with the net effects of the various activities. Strong cash balances have been maintained in line with liquidity needs.

Further commentary on operations

CPSIR

A major proportion of funding provided by SAFA is to the Treasurer at a common interest rate referred to as the CPSIR. The CPSIR is the quarterly charge out rate reflecting SAFA's average costs of borrowings sourced from domestic and international financial markets plus a margin to cover administration costs.

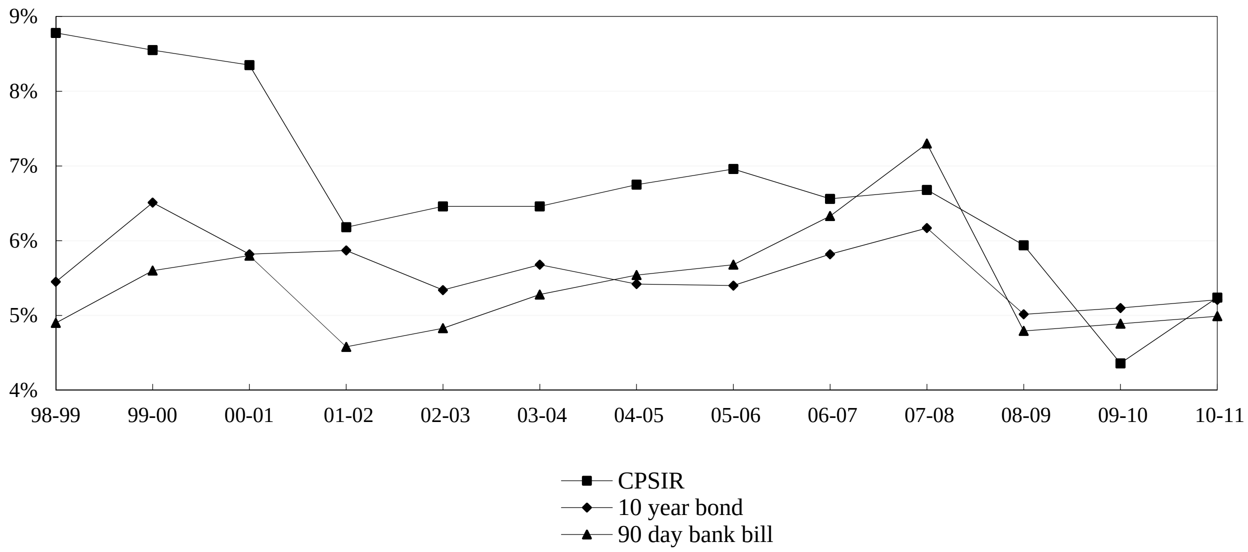
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are re-priced).

The average annual CPSIR for 2010-11 was approximately 5.2 percent (4.36 percent).

It is important to note that the objectives underlying the debt management policy of the Government, in effect, determine the CPSIR. SAFA manages debt in compliance with government policy such that the cost of debt is minimised over the medium to long-term.

While there is no direct benchmark against which to compare the CPSIR rate, the following chart indicates the movements in the average CPSIR against the 90 day bank bill rate and the 10 year bond rate.

Interest rate comparison



Changes to SAFA's lending arrangements with the Treasurer

To assist in the management of SAFA's treasury function and its associated risks, SAFA's activities are separated into distinct portfolios.

As outlined above, the majority of funding provided by SAFA to the Treasurer is currently charged at the CPSIR rate, reflecting SAFA's average costs of borrowings within the Treasurer's portfolios. Historically, the Treasurer has on-lent some funds to agencies at this CPSIR rate.

On 26 July 2011 the Treasurer approved changes to SAFA's portfolio structure, including changes to SAFA's lending arrangements to the Treasurer.

Under the new arrangements SAFA will separately record the Treasurer's deposit activities from his borrowing activities and restructure the calculation of interest payable on the Treasurer's borrowings from SAFA. SAFA will calculate and pay interest to the Treasurer monthly and the current CPSIR arrangements will cease.

All CPSIR loans from the Treasurer to agencies have now either been repaid or waived and the Treasurer will now charge agencies for any future loans at market rates.

Business risk management

Operational risk management

SAFA has a number of mechanisms to manage operational risks, including:

- an annual risk assessment performed by the contract internal auditors addressing changes to SAFA's operating environment and financial markets they transact with. This assessment is used to determine the scope of the internal audit program
- the establishment of a policy manual which details parameters within which SAFA pursues its core objectives, including dealings with financial markets, reporting requirements and management of assets and liabilities
- the compliance unit performing daily, weekly, monthly and quarterly reviews to ensure compliance with policy requirements.

Market risk

In order to manage SAFA's financing operations and associated risks, SAFA has split its financing operations into a number of portfolios. The portfolio structure includes two Treasurer's portfolios, managed and passive.

The main task of the managed portfolio, representing $3.2 billion at 30 June 2011, is to minimise interest rate risk within the portfolio with respect to the policy benchmark approved by the Treasurer. The management of this portfolio involves the use of measurements including:

- Value at Risk (VaR) — VaR is a single number estimate of how much an entity could lose due to the price volatility of the assets and liabilities it holds or is contracted to hold
- Duration/Modified duration — Duration is a weighted average measure of the present value of a series of cash flows. Modified duration is a measure of the sensitivity of a portfolio of interest bearing securities to changes in interest rates
- Basis Point Sensitivity (PVO1) — PVO1 is the change in market value through a change in interest rates by one basis point.

The passive portfolio, $795 million, contains transactions such as indexed liabilities and loans, and Commonwealth housing loans. These deals are not included in the managed portfolio due to the nature of the transactions and inability to readily manage these to the Treasurer's benchmarks.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. Realised gains and losses are reflected in movements in the Government's indebtedness to SAFA reported in Statement J in the Treasurer's financial statements. The result of this is that SAFA has no interest rate risk from the Treasurer's portfolios.

In addition to the Treasurer's portfolio, a number of principal portfolios are maintained including:

- domestic
- offshore
- reinvestment
- capital
- foreign exchange hedging service
- cash management fund
- cash enhanced fund.

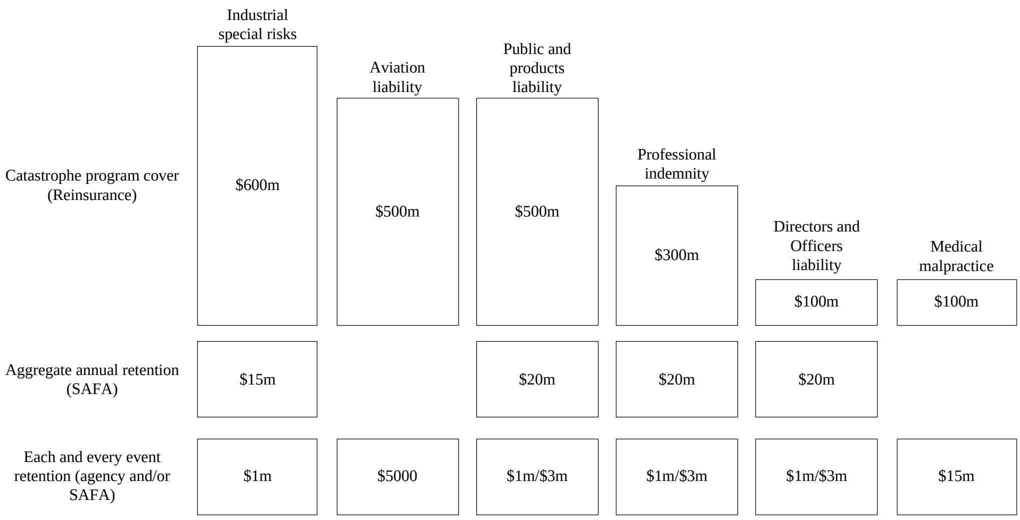
These portfolios, holding assets of $10 billion at 30 June 2011, are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from the other principal portfolios are recorded in SAFA's Statement of Comprehensive Income.

The figures included in commentary under the heading 'Business risk management' were provided by SAFA and are unaudited.

Catastrophe reinsurance program

The State Government is fundamentally a self insurer. However, to protect the State's finances against a very large loss or claim or a series of large losses of claims in a year, a commercial catastrophe reinsurance program is placed in the international insurance market. The reinsurance program is renewed annually on 31 October and is approved by the Treasurer following consideration by the Advisory Board.

The structure of SAFA's catastrophe reinsurance program for 2010-11 is depicted as follows:



SAFA's reinsurance premium expense for 2010-11 was $7.5 million ($7 million).

SAFA reviews its level of cover each year. While various factors influence SAFA's final choice of cover, key drivers in this evaluation are the market's willingness to accept risk for SAFA's preferred coverage and SAFA's assessment of value for money within the insurance market.

For 2010-11 SAFA increased its public and products liability cover from $350 million to $500 million. This increase was driven mainly by an identified market opportunity which significantly increased the State's cover with only a marginal increase in premiums.

Risk management activity across the public sector

Throughout the year, SAFA provided a range of insurance and risk management services to government agencies to assist in raising risk management awareness.

Clinical risk management within public hospitals has remained an issue that requires ongoing focus and evaluation as a result of the impact this area has on SAFA's medical malpractice claim liabilities.

Natural disaster relief and recovery arrangements (NDRRA)

The Australian Government provides funding to states and territories through the NDRRA to help pay for natural disaster relief and recovery costs. The amount of NDRRA reimbursement for natural disaster costs for each state or territory is dependent on set thresholds.

These arrangements apply to the following natural disasters:

- bushfire
- earthquake
- flood
- storm
- cyclone
- storm surge
- landslide
- tsunami
- meteorite strike
- tornado.

The NDRRA do not apply to drought, frost, heatwave, epidemic or events resulting from poor environmental planning, commercial development or personal intervention.

The NDRRA are based on terms and conditions in the NDRRA determination.

During 2010-11 the Australian Government amended these arrangements, introducing a requirement for each State and Territory Government to have regular independent assessments of their insurance arrangements and provide these assessments to the Commonwealth for review. All states must have their first independent assessment completed by 30 September 2011.

The Commonwealth's review of a state's independent assessment is guided by the following principles:

1. A state has responsibility to put in place insurance arrangements which are cost-effective for both the State and the Commonwealth.

2. The financial exposure borne by taxpayers (at both levels of government) should be minimised.

3. The onus is on a state to explore a range of insurance options in the marketplace and assess available options on a cost benefit basis.

The Commonwealth may, as a result of its review, recommend changes to a state's insurance arrangements. If a state fails to take appropriate action in response to those recommendations, the Commonwealth may reduce the amount of any reimbursement available to a state in the event of a natural disaster.

SAFA has engaged an independent consultant to perform the first independent assessment of its insurance arrangements. A draft report is expected mid-September 2011.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'million	2010 $'million
Revenue:			
Interest revenue	17	1 234.2	910.4
Interest expense	17	(1 192.6)	(891.7)
Net interest revenue		41.6	18.7
Insurance premium revenue	17	36.3	34.9
Leasing and hire	17	82.2	77.8
Recoveries	17	28.6	31.2
Other	17	13.5	(1.6)
Total revenue		202.2	161.0
Gain on transfer of administrative functions	2(p),4	-	10.5
Other gains (losses):			
Net gain (loss) on financial instruments and derivatives	18	21.9	21.4
Net gain (loss) on sale of property, plant and equipment	18	6.3	7.5
Total other gains (losses)		28.2	28.9
Total income		230.4	200.4
Expenses:			
Depreciation and impairment	19	47.2	47.1
Insurance claims	19	66.2	(11.6)
Motor vehicle	19	35.4	34.4
Outward reinsurance	19	7.5	7.0
Operating	19	14.6	14.8
Total expenses		170.9	91.7
Profit (Loss) before income tax equivalents		59.5	108.7
Income tax equivalent expense with SA Government		17.9	29.5
Profit (Loss) after income tax equivalents		41.6	79.2
Other comprehensive income		-	-
Total comprehensive result		41.6	79.2

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'million	2010 $'million
Assets:			
Cash and cash equivalents	5	1 554.5	2 990.5
Assets held for sale	6	8.2	9.5
Investments	7	1 996.4	1 768.1
Loans	8	12 393.5	9 882.8
Property, plant and equipment	9	209.0	211.2
Derivatives receivable	10	1 345.0	1 295.5
Other assets	11	59.5	43.3
Total assets		17 566.1	16 200.9
Liabilities:			
Deposits and short-term borrowings	12	6 201.9	5 984.8
Bonds, notes and debentures	13	9 450.7	8 436.6
Outstanding claims	14	335.9	301.1
Derivatives payable	15	1 320.2	1 197.9
Other liabilities	16	8.3	23.0
Total liabilities		17 317.0	15 943.4
Net assets		249.1	257.5
Equity:			
Retained earnings		249.1	257.5
Total equity		249.1	257.5

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities	21		
Operating lease commitments receivable	27		

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

	Note	Retained earnings $'million
Balance at 30 June 2009		189.8
Profit after income tax for 2009-10	2(p)	74.9
Error correction	2(p)	4.3
Total restated comprehensive result for 2009-10	2(p)	79.2
Transactions with SA Government as owner:		
Dividends paid		(11.5)
Balance at 30 June 2010		257.5
Profit after income tax for 2010-11		41.6
Total comprehensive result for 2010-11		41.6
Transactions with SA Government as owner:		
Dividends paid		(50.0)
Balance at 30 June 2011		249.1

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'million	2010 Inflows (Outflows) $'million
Cash flows from operating activities:			
Proceeds from:			
Interest received		879.2	657.3
Derivatives net interest received (payable)		(25.6)	23.0
Insurance premiums received		36.3	34.9
Leasing and hire receipts		90.3	85.7
Recoveries		33.7	32.0
Direct insurance placement		10.8	6.9
Stamp duty received from agencies		4.7	4.2
Other receipts		15.3	(10.0)
Commissions		1.0	1.0
GST recovered from ATO		12.4	12.3
Indemnity from the Treasurer		-	26.4
Payments for:			
Interest paid		(811.7)	(632.7)
Insurance claims paid		(32.9)	(26.3)
Motor vehicle costs		(37.8)	(36.9)
Outwards reinsurance premium paid		(7.2)	(7.1)
Direct insurance placement		(10.8)	(6.7)
Stamp duty paid to RevenueSA		(4.3)	(4.2)
Operating expenses paid		(16.4)	(15.7)
GST paid to ATO		(16.3)	(15.0)
Income tax (TER) paid		(18.1)	-
Net cash provided by (used in) operating activities	22.2	102.6	129.1
Cash flows from investing activities:			
Net proceeds from client loans		(1 934.1)	(2 621.0)
Purchase of investments		(26 903.4)	(30 208.6)
Proceeds from investments		28 207.2	28 877.0
Purchase of property, plant and equipment		(102.3)	(114.3)
Proceeds from the sale of property, plant and equipment		59.9	58.7
Cash received from transferred functions		2.7	25.5
Net cash used in (provided by) investing activities		(670.0)	(3 982.7)
Cash flows from financing activities:			
Net proceeds from borrowings		723.9	3 786.8
Dividends paid to government		(50.0)	(11.5)
Net cash provided by (used in) financing activities		673.9	3 775.3
Net decrease (increase) in cash held		106.5	(78.3)
Cash and cash equivalents at 1 July		81.8	160.8
Net effect of exchange rate changes		(0.7)	(0.7)
Cash and cash equivalents at 30 June	22.1	187.6	81.8

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The South Australian Government Financing Authority (SAFA) is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square, Adelaide, South Australia 5000.

SAFA's business objectives are:

- to develop and implement borrowing and investment programs for the benefit of semi-government authorities
- to engage in such other financial activities as are determined by the Treasurer of South Australia (the Treasurer) to be in the interest of the State
- administer the Government's insurance and risk management arrangements
- insure, co-insure and reinsure the risks of the Crown
- provide advice on the management of risks of the Crown
- provide fleet management services to all Government agencies.

Under the Deed of Assignment and Assumption between the South Australian Asset Management Corporation (SAAMC) and SAFA, the assets and liabilities relating to a portfolio of insurance policies managed by SAAMC transferred to SAFA on 1 July 2010 (refer note 4).

In accordance with the Administrative Arrangements (Transfer of Assets, Rights and Liabilities to South Australian Government Financing Authority) Proclamation 2009, Fleet SA's assets, rights and liabilities transferred to SAFA on 1 July 2009 (refer note 4).

Under the Deed of Assignment and Assumption between the Minister for Industry and Trade, the Treasurer and SAFA, the Minister's rights, title, interest and benefit, and the liabilities and obligations with respect to Paragon Private Equity Fund No 1 transferred to SAFA on 21 May 2010 (refer notes 4 and 21(v)).

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements and comply with AASs, as issued by the Australian Accounting Standards Board. The statements also comply with the requirements of the TIs relating to financial statements by statutory authorities that are issued pursuant to the PFAA.

Except for AASB 2009-12 which SAFA has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2011 are detailed in note 2(s).

(b) Basis of preparation

These financial statements have been prepared in accordance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:

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

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

The financial statements have been prepared in accordance with the fair value basis of accounting with the exception of property, plant and equipment which is under the historical cost convention.

The financial statements are presented in Australian dollars and all values have been rounded to the nearest hundred thousand Australian dollars unless otherwise stated. Zero represents balances less than $50 000.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the financial statements to conform with the accounting standards requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying SAFA's accounting policies. Management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

(i) Outstanding claims

Insurance outstanding claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer note 30).

(ii) Fair value

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Management uses its judgment to select a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting date (refer note 28(i)).

(d) Income and expense recognition

SAFA recognises income and expenses when the amounts can be reliably measured, it is probable that the future economic benefits will flow to or from SAFA and when specific recognition criteria have been met for each of the activities described below.

(i) Interest

Interest income and expense is accrued in accordance with the terms and conditions of the underlying financial instrument and premiums and discounts are amortised over the life of the associated borrowings.

Net realised gains or losses and unrealised gains or losses are included in the Statement of Comprehensive Income (refer note 18).

(ii) Insurance premium revenue

Premium revenue includes amounts charged to policy holders but excludes stamp duty and GST. Premium revenue is recognised in the Statement of Comprehensive Income as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten.

All SA Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be placed with other insurers, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial statements, these arrangements are referred to as direct insurance placements.

(iii) Leasing and hire revenue

SAFA leases motor vehicles to SA Government agencies for a standard lease period of three years or 60 000 kilometres whichever comes first. By arrangement, some vehicles can be extended to five years or 100 000 kilometres, due to the nature of their business requirements. The lease to agencies covers registration, compulsory third party insurance, scheduled servicing, depreciation, interest costs and a management fee. Leasing and hire revenue is recognised on a straight-line basis over the term of the lease.

(iv) Revenue recoveries

Vehicle recoveries include fuel and any unscheduled maintenance of the vehicle over the period of the lease. Any excessive wear and tear costs are recovered from agencies at the end of hire. Other vehicle recoveries include vehicle fitouts, parking costs, miscellaneous charges and commission on disposal of vehicles.

(v) Reinsurance recoveries

Reinsurance recoveries comprise insurance premiums, excesses on all claims and any recoveries from third parties. Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue.

(vi) Other revenue

Fee income in respect of services provided is recognised in the period in which the service is provided.

(vii) Insurance claims expenses

Insurance claims expense includes the direct and indirect costs of settling claims, claim payments, deductible receipts and movements in underlying claim estimates.

(viii) Motor vehicle expenses

Direct costs associated with the ownership of the motor vehicle fleet including registration, compulsory third party insurance, all maintenance and repair costs, fuel and disposal costs.

(ix) *Outwards reinsurance*
Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premiums are treated at the end of the reporting period as a prepayment. This program includes the catastrophe reinsurance program which has been effected to safeguard the State finances against a very large loss or claim, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(x) *Indemnity from (to) the Treasurer*
Insurance activities are segregated into two Funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 (refer note 21). Under this arrangement any profit (loss) on Fund 2 is recognised as a payable to/receivable from the Treasurer. Any payable to the Treasurer is carried forward to offset future operating losses.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include short-term money market deposits and negotiable discount securities that are held for liquidity and short-term investment purposes (refer note 5).

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, but exclude negotiable discount securities where the securities are for investment purposes and not for the purpose of meeting short-term cash commitments.

(f) Assets held for sale

Assets are classified as held for sale and stated at the lower of their carrying amount and recoverable amount less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within one year from the date of classification (refer note 6).

(g) Financial instruments

Financial assets and liabilities designated at fair value through profit or loss

All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer note 18). Financial assets and liabilities are revalued regularly either at their quoted market price or their cash flows are discounted against the relevant yield curve.

(i) *Investments*
Investments are assets originating outside the South Australian public sector, which are purchased as part of SAFA's cash management products, for liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the SA Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer note 7).

(ii) *Loans*
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (refer note 8).

(iii) *Deposits and short-term borrowings*
Deposits and short-term borrowings include at call accounts, cash management fund, cash enhanced fund and term deposits. SAFA raises funds short-term through the issue of commercial paper both on and offshore (refer note 12).

(iv) *Repurchase agreements*
Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in deposits and short-term borrowings (refer note 12).

(v) *Bonds, notes and debentures*
Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis (refer note 13).

(vi) *Derivative instruments*
SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate arrangements, foreign exchange swaps and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer notes 10 and 15).

(h) ***Assets backing general insurance liabilities***
Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities and are comprised of operating cash, cash held on deposit and units invested with Funds SA. In accordance with AASB 1023, SAFA's longer term insurance investments with Funds SA are measured at fair value as advised by the fund managers. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income (refer notes 5 and 7).

(i) ***Reinsurance and other recoveries***
Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in note 30.

Collectability of recoveries is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(j) ***Property, plant and equipment***
Property, plant and equipment is stated at cost less accumulated depreciation.

(i) *Depreciation*
Depreciation of property, plant and equipment is calculated on a straight-line basis using rates designated to allocate the cost over the expected useful life of the asset. Motor vehicles are depreciated on a straight-line basis for a period of up to five years and other property, plant and equipment, in general, is depreciated on a straight-line basis for a period of between five and 10 years (refer note 9).

Asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year. Where a change to the residual value or useful life of an asset has been identified any impact that may result from this change is recognised in the Statement of Comprehensive Income in the year in which it arises.

(ii) *Impairment*
The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(k) ***Outstanding claims liability***
Insurance activities are segregated into two Funds. Liabilities for outstanding claims for Fund 1 are measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for inherent uncertainty in the central estimate.

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid
- claims incurred but not reported (IBNR)
- claims incurred but not enough reported (IBNER)

together with anticipated direct and indirect costs of settling those claims. These costs are estimated at 6 percent of the gross outstanding claims liabilities (refer note 14).

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Detail of risk margin rates are disclosed in note 30.

(k) Outstanding claims liability (continued)

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates are disclosed in note 30. The impact of the revision of the inflation and discount assumptions on the outstanding claims liability is reflected in the financial statements and is disclosed in note 14.

(l) Other assets and liabilities

Other assets including debtors and fee accruals, other liabilities including interest paid in advance, creditors, expense accruals and provisions, are all stated at book value, which is the best estimate of fair value as they are settled within a short period (refer notes 11 and 16).

(m) Foreign currency translation

Foreign currency assets and liabilities are recognised in the financial statements at the exchange rate applying at each reporting date. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial statements.

(n) Employee benefits

SAFA does not employ any direct staff, but is provided with staff resources by the DTF through a service level agreement (SLA). The responsibility to provide for employer contributions to superannuation benefits rests with DTF and for this reason SAFA is not required to establish a provision. DTF meets long service leave liabilities as they fall due.

(o) Taxation

Accounting profits tax model

In accordance with TI 22, SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is based on the taxation equivalent regime (TER) which applies the accounting profit method. This requires SAFA to apply the Australian company tax rate of 30 percent. The Treasurer has approved the carry forward of past taxable losses as deferred tax assets that SAFA can offset against future taxable profits. As at 30 June 2011 no deferred tax asset was recognised ($1.1 million).

The Treasurer approved that the profit on transferred function, $6.5 million, was exempt from SAFA’s TER calculation for 2009-10.

GST

SAFA is grouped with DTF for GST purposes. Income, expenses and assets are recognised net of the amount of GST, except:

- where the GST is not recoverable, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- 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.

Stamp duty

Stamp duty collected as part of insurance are excluded from premium revenue and paid monthly to RevenueSA. Amounts collected as part of fleet activities are excluded from revenues and remitted to DTF. Government agencies that are part of the TER pay a stamp duty equivalent on leased motor vehicles.

(p) Correction of prior period error

SAFA reviews the residual value of motor vehicles annually. During 2009-10 the financial impact of any change in residual value was recognised in the Statement of Comprehensive Income as an impairment loss.

AASB 136 requires SAFA to adjust the depreciation charge on motor vehicles in future periods to allocate the asset’s revised carrying amount, less residual value, over the remaining useful life. During 2009-10 SAFA recognised an additional depreciation charge to comply with this requirement.

During 2010-11 SAFA noted that the treatment of a change in residual value of motor vehicles does not constitute an impairment loss for the purposes of AASB 136. As a result SAFA has overstated the depreciation expense on motor vehicles in 2009-10 by $500 000 and overstated accumulated depreciation and therefore understated the carrying value of motor vehicles by $4.5 million as at 30 June 2010. The value of accumulated impairment losses on assets held at 30 June 2010 ($3.7 million) has been reclassified as accumulated depreciation.

(p) Correction of prior period error (continued)

Administrative responsibility for Fleet SA was transferred to SAFA on 1 July 2009. The carrying value of net assets transferred (which included motor vehicles subject to the same accounting treatment as outlined above), was recognised as a net gain on transfer of administrative functions. As a result of the incorrect treatment of changes in residual values, the net assets transferred were understated by $4 million.

SAFA is required to pay the Treasurer an income tax equivalent in accordance with TI 22. While the gain on transfer of administrative functions was exempt from the TER payment, the misstatement of depreciation expenses for 2009-10 has resulted in a $200 000 correction to the TER expense for 2009-10.

Statement of Financial Position (extract)

	30.06.10 $'million	Increase (Decrease) $'million	30.06.10 (Restated) $'million
Property, plant and equipment - at cost	258.6	-	258.6
Accumulated depreciation	(48.3)	0.8	(47.5)
Impairment loss	(3.7)	3.7	-
Property, plant and equipment	206.6	4.5	211.1
Other assets	43.5	(0.2)	43.3
Total assets	16 196.6	4.3	16 200.9
Net assets	253.2	4.3	257.5

Statement of Comprehensive Income (extract)

	2010 $'million	Increase (Decrease) $'million	2010 (Restated) $'million
Gain on transfer of administrative functions	6.5	4	10.5
Total income	196.4	4	200.4
Depreciation and impairment	47.6	(0.5)	47.1
Total expenses	92.2	(0.5)	91.7
Profit (Loss) before income tax equivalents	104.2	4.5	108.7
Income tax equivalent expense with SA Government	29.3	0.2	29.5
Profit (Loss) after income tax equivalents	74.9	4.3	79.2
Total comprehensive result	74.9	4.3	79.2

There have been no other material impacts resulting from this adjustment that require restatement of the comparative information disclosed within these financial statements.

(q) Business segments

SAFA is an individual reporting entity which operates in business segments including treasury, insurance and fleet management.

(r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the current year.

(s) New or revised accounting standard and policies

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. SAFA's assessment of the impact of these new and amended standards and interpretations is set out below.

AASB 2009-11 arising from AASB 9 and AASB 2010-7 arising from AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities. SAFA does not expect any financial impact when the standard is first applied in the year 30 June 2014.

3. Business segments

SAFA operates in the following segments:

- Treasury - provides funds and financial advice to the SA Government, semi-government authorities, South Australian public sector financial institutions and government agencies.
- Insurance - underwriting several types of general insurance for SA Government agencies.
- Fleet - provides comprehensive fleet management services to SA Government agencies for its passenger and light commercial motor vehicle fleet.

3. Business segments (continued)

The insurance activities are designated into 2 Funds. Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 includes all the activities previously conducted through Section 2 of the SA Government Insurance and Risk Management Fund. This Fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the builders warranty indemnity reinsurance arrangement, SGIC residual claims and workers compensation claims previously managed by South Australian Asset Management Corporation (SAAMC). All other non-insurance type risk and liabilities previously funded by Fund 2 are managed by the relevant government department and funded separately by the agency.

	Treasury	Insurance	Fleet	Eliminations	Total
2011	$'million	$'million	$'million	$'million	$'million
Income	34.3	84.3	111.9	(0.1)	230.4
Expenses	7.1	75.3	88.6	(0.1)	170.9
Profit (loss) before tax	27.2	9.0	23.3	-	59.5
Income tax equivalent expense	8.2	2.7	7.0	-	17.9
Comprehensive result	19.0	6.3	16.3	-	41.6
Segment assets	17 117.8	431.4	245.1	(228.2)	17 566.1
Segment liabilities	(16 998.1)	(336.3)	(210.8)	228.2	(17 317.0)
Net assets	119.7	95.1	34.3	-	249.1
2010					
Income	27.7	61.9	110.9	(0.1)	200.4
Expenses	7.4	(4.0)	88.4	(0.1)	91.7
Profit (loss) before tax	20.3	65.9	22.5	-	108.7
Income tax equivalent expense	5.2	19.8	4.5	-	29.5
Comprehensive result	15.1	46.1	18.0	-	79.2
Segment assets	15 841.6	390.5	238.9	(270.1)	16 200.9
Segment liabilities	(15 690.8)	(301.7)	(221.0)	270.1	(15 943.4)
Net assets	150.8	88.8	17.9	-	257.5

Gain on transfer of administrative functions (refer note 4) is included in income for Treasury ($2.7 million) and Fleet ($7.8 million). During 2010-11 SAFA identified an error, as outlined in note 2(p), that has resulted in a restatement of gains on transfer of administrative functions recognised in 2009-10.

4. Transfer of administration functions

SAAMC - residual insurance portfolio

Under the Deed of Assignment and Assumption between SAAMC and SAFA, the assets and liabilities relating to a portfolio of SGIC residual claims managed by SAAMC transferred to SAFA on 1 July 2010. These claims are managed in SAFA's insurance Fund 2 portfolio.

Assets and liabilities assumed by SAFA as a result of the restructure were determined by independent actuaries as at 30 November 2009.

Fleet SA

Under the Administrative Arrangements (Transfer of Assets, Rights and Liabilities to SA Government Financing Authority) Proclamation 2009, promulgated pursuant to the *Administrative Arrangements Act 1994*, from 1 July 2009 Fleet SA was transferred from the Treasurer to SAFA.

Net assets assumed by SAFA as a result of the administrative restructure were transferred at their carrying value immediately prior to transfer. Net assets transferred have been recognised in the Statement of Comprehensive Income.

Paragon Private Equity Fund 1

Under the Deed of Assignment and Assumption between, Minister for Industry and Trade, Treasurer and SAFA the investment in Paragon Private Equity Fund No 1 was transferred to SAFA on 21 May 2010.

Net assets assumed by SAFA as a result of the restructure were transferred at their fair value immediately prior to transfer. Net assets transferred have been recognised in the Statement of Comprehensive Income.

4. Transfer of administration functions (continued)

SAFA has recognised the following assets and liabilities as a result of these transfers:

	2011	2010		
	SAAMC	Fleet SA	Paragon	Total
Assets:	$'million	$'million	$'million	$'million
Cash and cash equivalents	2.7	23.3	2.2	25.5
Investments	-	-	0.5	0.5
Property, plant and equipment	-	210.2	-	210.2
Other assets	-	12.2	-	12.2
	2.7	245.7	2.7	248.4
Liabilities:				
Borrowings*	-	232.0	-	232.0
Claims	2.7	-	-	-
Other liabilities	-	5.9	-	5.9
	2.7	237.9	-	237.9
Net assets transferred**	-	7.8	2.7	10.5

* Borrowings included loans from SAFA. These loans were extinguished on transfer of Fleet SA operations.

** In 2010-11 SAFA identified an error, as outlined in note 2(p), that has resulted in a restatement of gains on transfer of administrative functions recognised in 2009-10.

5. Cash and cash equivalents

	2011	2010
	$'million	$'million
Cash at bank	11.1	44.1
Deposits with the Treasurer	16.6	37.7
Short-term money market deposits	161.1	0.3
Negotiable certificates of deposit	1 365.7	2 908.4
Total cash and cash equivalents	1 554.5	2 990.5

6. Assets held for sale

Motor vehicles	8.2	9.5
Total assets held for sale	8.2	9.5

7. Investments

Semi-government securities	57.1	48.7
Commonwealth Government securities	-	71.8
Local government securities	13.9	16.4
Bank corporate securities	1 540.0	1 358.3
Conservative funds (Funds SA)	52.1	-
Growth funds (Funds SA)	327.1	270.0
Paragon Capital Equity Fund No 1	6.2	2.9
Total investments	1 996.4	1 768.1

8. Loans

Loans to the Treasurer at market rates	26.9	29.2
Loans to the Treasurer at Common Public Sector Interest Rate	6 894.2	5 130.8
Loans to the SA Government agencies	0.1	0.1
Loans to public non-financial corporations	3 535.0	3 014.4
Loans to public financial corporations	1 937.3	1 708.3
Total loans	12 393.5	9 882.8

The Common Public Sector Interest Rate (CPSIR) loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's portfolio that fund the CPSIR loan are equally offset by a gain or loss on the CPSIR loan to the Treasurer.

9. Property, plant and equipment

	2011	2010
Plant and equipment:	$'million	$'million
At cost	0.1	0.1
Accumulated depreciation	(0.1)	-
Total plant and equipment	-	0.1

9. Property, plant and equipment (continued)

	Note	2011 $'million	2010 $'million
Motor vehicles:			
At cost		257.9	258.6
Accumulated depreciation		(48.9)	(47.5)
Total motor vehicles		209.0	211.1
Total property, plant and equipment		209.0	211.2

Reconciliation of property, plant and equipment:

	2011	2010
Plant and equipment:		
Carrying amount at 1 July	0.1	-
Transfer from restructure	-	0.1
Additions	-	-
Impairment loss	(0.1)	-
Depreciation expense	-	-
	-	0.1
Motor vehicles:		
Carrying amount at 1 July	211.1	-
Transfer from restructure	-	203.3
Additions	93.0	104.4
Assets classified as held for sale	(8.2)	(9.5)
Disposals	(40.7)	(39.0)
Depreciation expense	(46.2)	(48.1)
	209.0	211.1

10. Derivatives receivable

	2011	2010
FX swaps	1 235.1	1 186.0
Interest rate swaps - SA Government*	6.8	12.3
Interest rate swaps	103.1	97.2
Total derivatives receivable	1 345.0	1 295.5

* SA Government includes the Treasurer.

11. Other assets

	Note	2011	2010
Receivables - SA Government		14.3	13.8
Receivables		14.0	17.8
Allowance for impairment loss		(0.8)	(0.4)
Receivables from the Treasurer		24.5	6.8
Prepaid outwards reinsurance		2.4	2.4
Sundry debtors - SA Government		1.4	0.3
Sundry debtors		3.3	1.7
Allowance for impairment loss		-	(0.2)
Prepaid expenses		0.4	-
Deferred tax asset	2(p)	-	1.1
Total other assets		59.5	43.3

Movement in the allowance for impairment loss

The allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in the Statement of Comprehensive Income.

	2011 $'million	2010 $'million
Carrying amount at 1 July	0.6	1.3
Increase (Decrease) in provision	0.2	(0.7)
Carrying amount at 30 June	0.8	0.6

12. Deposits and short-term borrowings

	2011	2010
At call deposits	96.3	190.7
Deposits from the Treasurer	2 777.8	2 481.4
Deposits from SA Government agencies	692.3	683.1
Repurchase agreements	22.7	84.5
Commercial paper	2 612.8	2 545.1
Total deposits and short-term borrowings	6 201.9	5 984.8

13. Bonds, notes and debentures

	2011 $'million	2010 $'million
Select lines	8 456.1	7 298.5
Retail stock	64.1	90.5
Zero coupon bonds	206.5	261.0
Inflation linked bonds and securities	173.3	213.4
Obligation to the Commonwealth Government	550.7	573.2
Total bonds, notes and debentures	9 450.7	8 436.6

14. Outstanding claims

	2011	2010
Outstanding claims - SA Government	16.2	14.8
Outstanding claims	319.7	286.3
Total outstanding claims	335.9	301.1

Reconciliation of movements in outstanding claims

	Property $'million	Liability* $'million	Medical malpractice $'million
Fund 1:			
2010 balance	8.9	72.4	154.6
Paid	(2.9)	(20.6)	(2.9)
Reported claims	3.9	14.2	14.9
IBNR/IBNER reserve	(1.1)	(2.0)	(1.2)
Risk margin	1.0	2.9	15.1
Indirect claims settlement reserve	0.2	-	3.1
2011 balance	10.0	66.9	183.6
Fund 2:			
2010 balance	5.7	33.8	25.6
Paid	(0.6)	(4.0)	(1.6)
Reported claims	0.9	0.5	12.2
IBNR/IBNER reserve	(0.3)	(0.3)	(1.5)
Risk margin	0.3	0.3	3.0
Indirect claims settlement reserve	0.1	0.3	1.0
2011 balance	6.1	30.6	38.7
Total	16.1	97.5	222.3

* Includes other.

15. Derivatives payable

	2011 $'million	2010 $'million
FX swaps	1 270.1	1 157.8
Interest rate swaps – SA Government*	1.3	1.7
Interest rate swaps	48.8	38.4
Total derivatives payable	1 320.2	1 197.9

* SA Government includes the Treasurer.

16. Other liabilities

	2011	2010
Interest received in advance from the Treasurer	-	15.1
Sundry creditors - SA Government	0.1	-
Sundry creditors	5.4	4.7
Accrued operating expenses - SA Government	0.1	3.2
Accrued operating expenses	2.7	-
Total other liabilities	8.3	23.0

17. Revenue

	2011	2010
Interest revenue:		
External to SA Government:		
Cash and cash equivalents	103.5	106.7
Investments	108.3	52.4
Other assets	432.4	321.1
Internal to SA Government:		
Cash and cash equivalents	1.1	1.8
Loans	564.0	393.7
Other assets	24.9	34.7
	1 234.2	910.4

	Note	2011 $'million	2010 $'million
17. Revenue			
Interest expense:			
External to SA Government:			
Deposits and short-term borrowings		79.8	79.2
Bonds, notes and debentures		492.4	355.4
Other liabilities		459.6	330.8
Internal to SA Government:			
Deposits and short-term borrowings		141.3	104.6
Other liabilities		19.5	21.7
		1 192.6	891.7
Net interest revenue		41.6	18.7
Insurance premium:			
External to SA Government		2.9	2.4
Internal to SA Government		33.4	32.5
	20	36.3	34.9
Leasing and hire:			
External to SA Government		-	-
Internal to SA Government		82.2	77.8
		82.2	77.8
Recoveries:			
External to SA Government		(1.8)	1.5
Internal to SA Government		30.4	29.7
		28.6	31.2
Other revenue:			
External to SA Government:			
Other revenue		0.6	0.1
Commissions		0.8	0.4
Internal to SA Government:			
Commissions		-	0.1
Other revenue		0.8	1.8
Management fees		1.8	1.7
Indemnity from (to) the Treasurer		9.5	(5.7)
		13.5	(1.6)
Total revenue		202.2	161.0
18. Other gains (losses)			
Net gain (loss) on financial instruments and derivatives:			
External to SA Government:			
Realised		(5.4)	(14.3)
Unrealised		17.7	(55.2)
Internal to SA Government:			
Realised		1.0	(8.8)
Unrealised		8.6	99.7
		21.9	21.4
Net gain (loss) on sale of property, plant and equipment:			
External to SA Government		6.3	7.5
		6.3	7.5
Total other gains (losses)		28.2	28.9
19. Expenses			
Insurance claims:			
External to SA Government		60.5	(19.7)
Internal to SA Government		5.7	8.1
	20	66.2	(11.6)
Motor vehicle:			
External to SA Government		30.4	27.1
Internal to SA Government		5.0	7.3
		35.4	34.4
Reinsurance external to SA Government		7.5	7.0
	20	7.5	7.0

19. Expenses (continued)

	2011	2010
Depreciation and impairment:	$'million	$'million
External to SA Government	0.2	(1.0)
Internal to SA Government	47.0	48.1
	47.2	47.1
Operating:		
External to SA Government:		
Program and debt management fees	0.7	1.0
Direct insurance placement costs	0.1	0.1
Bad debts written off	0.1	0.2
Other	0.5	0.7
Internal to SA Government:		
SLA	13.2	12.8
	14.6	14.8
Total expenses	170.9	91.7

An SLA operates between SAFA and DTF. DTF provides services to SAFA to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. DTF provides SAFA with appropriately trained and skilled staff along with infrastructure support. The majority of the fee covers staffing, accommodation, audit and network systems expenditure.

SLA insurance costs of $1 265 785 ($1 114 689) have been allocated directly to claims expense.

20. Net claims incurred and underwriting result

The following table provides further information in relation to the net claims incurred cost. Current year 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.

Fund 1	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	36 617	(17 312)	19 305
Other recoveries undiscounted	(170)	1 820	1 650
Net claims incurred - undiscounted	36 447	(15 492)	20 955
Discount and discount movement - gross claims incurred	(9 983)	41 060	31 077
Discount and discount movement - other recoveries	43	953	996
Net discount movement	(9 940)	42 013	32 073
Net claims incurred	26 507	26 521	53 028

The net claims incurred during 2010-11 in respect of claims incurred prior to 30 June 2010 was $26.5 million which is a result of:

	$'million
Interest on the 30 June 2010 provision less payments during 2010-11	10.6
Release of administration allowance and risk margin in respect of payments during 2010-11	(6.3)
Change in actuarial assumptions and experience deviation from expected	22.2
	26.5

Fund 2	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	3 947	12 818	16 765
Other recoveries undiscounted	-	1 611	1 611
Net claims incurred - undiscounted	3 947	14 429	18 376
Discount and discount movement - gross claims incurred	(647)	422	(225)
Discount and discount movement - other recoveries	-	(413)	(413)
Net discount movement	(647)	9	(638)
Net claims incurred	3 300	14 438	17 738

20. Net claims incurred and underwriting result (continued)

The net claims incurred during 2010-11 in respect of claims incurred prior to 30 June 2010 was $14.4 million which is a result of:

	$'million
Interest on the 30 June 2010 provision less payments during 2010-11	3.0
Release of administration allowance and risk margin in respect of payments during 2010-11	(1.6)
Change in actuarial assumptions and experience deviation from expected	13.0
	14.4

	2011 $'million	2010 $'million
Net earned premium:		
Premium revenue	36.3	34.9
Outwards reinsurance expense	(7.5)	(7.0)
	28.8	27.9
Net claims incurred:		
Claims expense	(66.2)	11.6
Recoveries income	(3.3)	0.4
Impairment expense	(0.1)	1.0
	(69.6)	13.0
Underwriting result income (expense)	(40.8)	40.9

21. Contingent assets and liabilities

Contingent assets

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia. This includes any derivative counterparties default. As at 30 June 2011, derivative credit exposure was $290.8 million.

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA (see below), SAFA is indemnified by Origin Energy Ltd for the performance of two of its subsidiaries and by the Treasurer for the performance of Origin Energy under this agreement.

Under an agreement between the Land Management Corporation and SAFA (see below), SAFA is indemnified by the Land Management Corporation for the performance of the Port Waterfront Redevelopment.

Contingent liabilities

- *General*

  Indemnities provided by SAFA have been primarily provided to third parties involved in financing arrangements with SAFA, either directly or indirectly, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages.

  By its nature insurance underwriting has liabilities contingent upon certain events occurring that give rise to a claim under the policy of insurance. All known and expected claims in respect of events that have occurred up to the end of the reporting period have been accounted for in the preparation of these financial statements plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities different to those recognised in the financial statements.

- *Guarantees*

  As at 30 June 2011, SAFA has provided a guarantee to the Land Management Corporation for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

  Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two of Origin Energy's subsidiaries. The maximum exposure of the guarantee is estimated at $150 million to $200 million.

- *Treasurer's indemnity*

  The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 portfolio. Given the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be $nil. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. In 2010-11 this policy resulted in a receivable from the Treasurer of $9.5 million (a payable to the Treasurer of $5.7 million).

Contingent liabilities (continued)

- *Unused loan facilities*
  As at 30 June 2011, SAFA had extended loan facilities that were unutilised totalling $567.5 million.
- *Unrecognised investment commitment*
  The SA Government announced in August 2005 that it would invest an amount not exceeding $10 million in a private capital equity fund (Paragon Private Equity Fund No 1) established in South Australia and managed by Paragon Advisory Pty Ltd.

  The Government was committed to invest $1 for every $4 of private sector capital that Paragon Advisory Pty Ltd was able to realise up until the closing date of April 2007. The final capital commitment of the SA Government is $1.5 million which has been assumed by SAFA.

  The Treasurer has indemnified SAFA against any shortfall where the assumption payment SAFA received of $2.2 million is less than the aggregate of all capital contributions to the Fund.

22. Cash flow information

22.1 Reconciliation of cash

	Note	2011 $'million	2010 $'million
Cash and cash equivalents disclosed in the Statement of Financial Position	5	1 554.5	2 990.5
Negotiable certificates of deposit		(1 365.7)	(2 908.4)
Fair value component		(1.2)	(0.3)
Balance per Statement of Cash Flows		187.6	81.8

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

	2011	2010
Comprehensive result	41.6	79.2
Non-cash items:		
Change in net market value of financial instruments	12.6	(15.0)
Amortisation of financial instruments	53.9	17.3
Change in market value of insurance investments	(38.8)	(29.5)
Depreciation, impairment and bad debts	47.3	47.3
Gain on sale of property, plant and equipment	(6.3)	(7.5)
Gain on transfer of administrative functions	-	(10.5)
Changes in assets and liabilities, net of effects from transferred functions:		
Decrease (Increase) in accrued interest receivable	(44.9)	(14.5)
Decrease (Increase) in recoveries receivable	3.3	(1.1)
Decrease (Increase) in sundry debtors and other assets	(11.0)	72.9
Increase (Decrease) in accrued interest payable	31.3	37.7
Increase (Decrease) in outstanding claims	32.1	(39.2)
Increase (Decrease) in sundry creditors and other liabilities	(18.5)	(8.5)
Increase (Decrease) in payables	-	0.5
FX movement	-	-
Net cash provided by (used in) operating activities	102.6	129.1

22.3 Non-cash financing and investing activities

During 2010-11, $700 000 was adjusted against the Treasurer's debt for book gains arising from debt management activity.

23. Auditor's remuneration

	2011 $'000	2010 $'000
Audit fees payable to the Auditor-General's Department	177	175
	177	175

Audit fees are paid through SAFA's SLA with DTF.

24. Key management personnel

24.1 Board members

	2011 Number	2010 Number
Remuneration:		
$nil	4	3
$30 001 - $40 000	4	4
$40 001 - $50 000	1	1
Total	9	8
Total remuneration	$182 108	$182 248

24.1 Board members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Amounts paid to a superannuation plan for board/committee members in 2010-11 were $15 502 ($15 068). All amounts paid to members are paid through SAFA's SLA with DTF.

Advisory board and committee members during 2010-2011 financial year were:

Advisory Board

Mr B Rowse* (Presiding Member appointed December 2010)
Ms J Brown
Mr B Brownjohn
Mr L Foster
Ms A Howe* (resigned December 2010)
Mr C Long
Ms Y Sneddon
Ms A Westley* (appointed April 2011)
Mr J Wright* (resigned September 2010)

Audit Committee

Mr L Foster
Mr P Mendo*
Ms Y Sneddon

* Those members who are permanently employed under the PSA, or on similar terms, are not entitled to fees.

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

24.2 Other key management personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of SAFA, directly or indirectly during the financial year:

Mr K Cantley	General Manager
Mr T Burfield	Director Insurance
Mr C Fowler	Director Finance
Mr D Posaner	Director Corporate Governance and Planning
Mr J Powell	Director Financial Markets and Client Services
Mr D Price	Director Fleet

The above are employed by DTF and provided to SAFA through an SLA. Details of their remuneration are included in the DTF financial statements.

25. Consultants

	2011 Number	2010 Number
Between $0 and $10 000	1	-
Between $10 001 and $50 000	-	2
Total consultants	1	2
Total consultants expense	$4 500	$57 447

In addition to the amounts shown in the table above, $215 000 ($134 000) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's financial statements.

26. Fiduciary activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities are not recognised on SAFA's Statement of Financial Position, unless the financial transactions have been undertaken with SAFA as the provider. SAFA manages these assets and liabilities within prescribed risk limits as directed or agreed, by the clients. SAFA is responsible for providing regular financial and management information with respect to its management of the clients' assets and liabilities.

	2011 $'million	2010 $'million
Liabilities under management	3 254.1	2 716.4

26. Fiduciary activities (continued)

SAFA provides a range of pooled investment portfolios to its clients that meet their investment needs. The Cash Management Fund comprises cash and short-term money market securities whilst the Cash Enhanced Fund is a market value fund that comprises term investments of high credit quality and marketability. The assets and liabilities of these portfolios are reported within SAFA's Statement of Financial Position.

	2011 $'million	2010 $'million
Total market value of pooled investments	750.8	742.9

27. Operating lease commitments receivable

SAFA as a lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases.

Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases are for terms up to three years, with an option, subject to approval, to extend in six monthly bands to a maximum of four years for passenger vehicles and a maximum of five years for light commercial vehicles.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2011 $'million	2010 $'million
Motor vehicle hire:		
Not later than one year	65.5	69.3
Later than one year but not later than five years	42.6	54.4
Total non-cancellable operating lease receivables	108.1	123.7

28. Financial risk management

SAFA's activities expose it to a variety of financial risks: market risk (including interest rate risk, price risk and currency risk), credit risk, liquidity risk and insurance risk. SAFA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of SAFA. SAFA uses derivative financial instruments such as futures, foreign exchange contracts, forward rate agreements and interest rate swaps to reduce certain risk exposures.

The guidelines within which these risks are undertaken and managed are established under policies approved by the Advisory Board, Treasurer and management guidelines. SAFA monitors compliance with these policies and constraints by appropriately segregating the monitoring from the operating business unit. Information is summarised and reported daily to management and reported monthly to the Board.

(a) Capital risk management

SAFA manages its capital to ensure that it will be able to continue as a going concern while exposing its stakeholders to an acceptable level of risk.

(b) Market risk

Interest rate risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration/modified duration, and Value at Risk (VaR). The Treasurer and Under Treasurer approve interest rate risk limits for SAFA's portfolios.

SAFA uses interest rate futures contracts, interest rate swaps, interest rate options and forward rate agreements to manage interest rate risk. The use of interest rate derivatives enables the management of the volatility of the portfolio of debt and assets without requiring transactions in physical securities.

SAFA hold the following derivative instruments:

	2011 $'million	2010 $'million
Interest rate futures contracts	(1 240.7)	(2 172.0)
Interest rate swaps	8 365.4	8 444.2
Total face value	7 124.7	6 272.2

Price risk

SAFA manages the sensitivity of its treasury portfolios for changes in market risk variables by calculating VaR daily and monitoring the calculated VaR against pre-determined exposure limits. VaR is the calculation of the potential loss due to rate movements for any one day.

Price risk (continued)

SAFA calculates VaR using the historical simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95 percent confidence level. VaR for the domestic portfolio is managed daily against an approved working limit of $750 000 ($750 000).

All risk on the Treasurer's portfolios is borne directly by the Treasurer.

The following table shows the computed VaR on SAFA's principal portfolios:

	2011	2010
	$	$
Domestic portfolio	317 775	541 864
Reinvestment portfolio	1 810	820
Cash management fund	40 789	35 861

Should future rates vary from those used in the historic rate horizon, profit or losses will vary from the expected results calculated under VaR.

The insurance portfolio is exposed to price risk arising from the investment held with Funds SA. There are policies outlining the strategies for investment of funds. These policies are reviewed annually.

The table below shows the impact of a positive or negative 10 percent movement in the value of investment funds held with Funds SA:

2011		Profit (post tax)		Equity	
	Investments	-10%	+10%	-10%	+10%
Funds:	$'000	$'000	$'000	$'000	$'000
Fund 1	327 054	(22 894)	22 894	(22 894)	22 894
Fund 2*	52 120	(3 648)	3 648	(3 648)	3 648
Total	379 174	(26 542)	26 542	(26 542)	26 542

* Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be $nil. Therefore any movement in the value of Fund 2's investments with Funds SA would be offset by the Treasurer's Indemnity (refer note 21).

Foreign exchange risk

SAFA has a policy of limiting its foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

SAFA utilises foreign exchange swaps, foreign exchange and forward exchange contracts to manage the Authority's foreign currency exposures associated with foreign currency borrowings.

	2011	2010
	$'million	$'million
Foreign exchange swaps	(1 259.4)	(1 151.5)
Foreign exchange contracts*	26.7	30.7
Total face value	(1 232.7)	(1 120.8)

* SAFA has entered into forward foreign exchange contracts to hedge exposures arising from the foreign exchange hedging service provided to public sector clients. These transactions have a $nil exposure.

The following table summarises SAFA's exposure to exchange risk. The value to be received under the currency contracts is designed to hedge the exposure to the net foreign currency liabilities:

	USD	EUR	GBP	NZD
Less than one year:	A$'000	A$'000	A$'000	A$'000
Net foreign currency assets	26.3	(5.2)	774.5	11.2
Net derivatives	-	-	-	-
Net	26.3	(5.2)	774.5	11.2
Greater than one year:				
Net foreign currency assets	-	-	(620.6)	-
Net derivatives	-	-	-	-
Net	-	-	(620.6)	-
Total exposure	26.3	(5.2)	153.9	11.2

(c) Credit risk

Credit risk is the risk of financial loss and associated costs resulting from the failure of a counterparty to meet its financial obligations as and when they fall due.

SAFA incurs credit risk through undertaking its core functions of fundraising, debt management, liquidity management and the Government's reinsurance program.

SAFA's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely payment of principal and interest.

Should a participant on the Government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

To minimise the potential for credit loss, SAFA complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties while limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to SA Government entities.

SAFA measures credit risk for physical securities at face value and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements.

The majority of SAFA's lending is to agencies and corporations of the SA Government. Consequently, SAFA's profit does not reflect any component that relates to credit movement for this part of its business. The profit or loss resulting from credit movements for the remainder have been examined and are considered to be immaterial.

Concentration of credit risk by credit rating

2011				Rating				
	AAA	AA+	AA	AA-	A+	A	NR*	Total
Asset class:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/investments	488.9	32.0	1 738.2	10.0	895.5	-	12 597.2	15 761.8
Interest rate swaps	-	-	130.2	75.6	84.9	1.0	11.5	303.2
Currency swaps	-	-	-	0.6	2.2	-	-	2.8
FX contracts	-	-	(3.5)	-	-	-	4.3	0.8
Total	488.9	32.0	1 864.9	86.2	982.6	1.0	12 613.0	16 068.6

2010				Rating				
	AAA	AA+	AA	AA-	A+	A	NR*	Total
Asset class:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/investments	830.6	27.0	2 620.4	50.0	950.0	207.6	9 972.7	14 658.3
Interest rate swaps	-	-	115.8	47.3	88.2	3.5	18.9	273.7
Currency swaps	-	-	-	7.6	29.8	-	-	37.4
FX contracts	-	-	(1.9)	-	-	-	3.8	1.9
Total	830.6	27.0	2 734.3	104.9	1 068.0	211.1	9 995.4	14 971.3

SAFA has a 95 percent (92 percent) concentration of credit risk in Australia.

By counterparty the main concentration is 78 percent (67 percent) to SA Government and 21 percent (31 percent) to banks.

* NR - not classified under particular ratings. Includes loans to SA Government of $11 855 million ($9785.2 million).

(d) Liquidity risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising of highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth bonds, floating rate notes and negotiable discount securities. The level of financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of $350 million or the sum of debt maturities over the next 60 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

(d) Liquidity risk (continued)

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk.

These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

The maturity analysis has been presented on a contractual basis representing the repayment of the principal (face value) and interest for financial assets and liabilities and the estimated settlement amount for outstanding claims.

2011	< 0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Assets:								
Cash and cash equivalents	1 478.8	174.9	-	-	-	-	-	1 653.7
Investments	1 213.8	66.2	186.7	90.2	390.6	66.5	2.0	2 016.0
Loans	756.7	668.2	1 794.0	1 260.9	1 678.9	563.6	8 145.1	14 867.4
Other assets	14.6	65.6	32.9	9.3	0.4	-	-	122.8
Total	3 463.9	974.9	2 013.6	1 360.4	2 069.9	630.1	8 147.1	18 659.9
Liabilities:								
Deposits and short-term borrowings	5 588.8	490.7	-	-	-	-	-	6 070.5
Bonds, notes and debentures	95.4	443.5	2 728.9	2 473.0	2 345.9	534.9	2 924.7	11 546.3
Outstanding claims	16.8	50.3	54.7	39.1	32.1	27.8	115.1	335.9
Total	5 701.0	984.5	2 783.6	2 512.1	2 378.0	562.7	3 039.8	17 961.7
Net	(2 237.1)	(9.6)	(770.0)	(1 151.7)	(308.1)	67.4	5 107.3	698.2
Derivatives	(54.5)	36.7	31.0	17.0	18.4	7.1	20.7	76.4

2010	< 0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Assets:								
Cash and cash equivalents	2 844.3	165.0	-	-	-	-	-	3 009.3
Investments	651.1	483.3	80.2	110.4	81.3	411.0	115.9	1 933.2
Loans	731.5	1 287.4	660.2	1 463.2	553.7	1 419.5	5 811.5	11 927.0
Other assets	14.5	0.3	-	-	-	-	-	14.8
Total	4 241.4	1 936.0	740.4	1 573.6	635.0	1 830.5	5 927.4	16 884.3
Liabilities:								
Deposits and short-term borrowings	5 637.8	324.3	-	-	-	-	-	5 962.1
Bonds, notes and debentures	982.6	2 513.5	296.3	2 291.0	255.1	1 561.6	2 151.7	10 051.8
Outstanding claims	18.7	56.1	30.5	26.3	21.1	21.3	127.1	301.1
Total	6 639.1	2 893.9	326.8	2 317.3	276.2	1 582.9	2 278.8	16 315.0
Net	(2 397.7)	(957.9)	413.6	(743.7)	358.8	247.6	3 648.6	569.3
Derivatives	1.8	50.1	26.8	29.6	7.5	11.2	11.6	138.6

(e) Insurance risk

SAFA uses a variety of policies and processes to manage the risks associated with its insurance activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims
- premium setting methodologies that reflect the latest development in the risks SAFA's Insurance division are insuring
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events
- regular review of the investment strategy for assets backing insurance liabilities.

(f) Claims development table

The following tables show the development of incurred cost on net undiscounted outstanding claims (medical malpractice, liability and property) relative to the ultimate expected estimate over the nine most recent financial years. Figures provided are net of reinsurance and relate to Fund 1. This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

(f) Claims development table (continued)

Medical malpractice

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June										Paid to date	Undis-counted liability June 2011	Dis-count to present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	85 790	61 258	51 934	54 551	73 263	67 720	141 761	76 540	71 914	64 239	17 629	46 609	38 800
2001	11 274	8 879	7 140	7 060	10 273	9 967	9 925	9 979	5 937	5 024	89	4 936	3 879
2002	16 522	15 038	13 328	7 581	10 253	9 625	12 742	11 766	11 863	6 974	3 104	3 869	3 007
2003		11 619	21 220	17 077	14 533	13 159	13 789	14 108	13 277	12 709	88	12 621	9 701
2004			14 397	12 260	9 012	3 355	11 643	7 043	4 336	4 552	42	4 510	3 416
2005				18 826	16 683	12 519	7 752	4 200	3 114	3 963	44	3 919	2 914
2006					21 363	17 896	25 892	16 422	7 694	20 793	100	20 693	15 039
2007						21 513	22 589	13 748	7 366	9 966	23	9 943	7 020
2008							22 947	20 345	13 923	11 993	36	11 958	8 157
2009								49 922	36 167	29 248	110	29 138	19 104
2010									24 134	15 725	53	15 672	9 817
2011										17 486	30	17 456	10 391
						Totals				202 672	21 348	181 324	131 245

Liability

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June										Paid to date	Undis-counted liability June 2011	Dis-count to present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	17 832	17 966	24 609	23 209	26 102	19 707	22 694	36 310	38 597	43 581	40 946	2 634	2 366
2001	2 045	2 606	4 214	4 931	7 892	4 784	4 729	4 635	4 460	5 591	4 529	1 062	965
2002	4 226	2 383	2 046	3 402	3 684	3 753	5 543	5 843	5 634	5 890	5 476	415	373
2003		4 670	2 792	2 593	2 280	2 237	2 099	2 102	2 239	2 780	2 092	687	614
2004			5 078	2 686	3 093	2 733	2 813	2 816	3 814	3 971	2 822	1 149	1 020
2005				6 283	5 187	4 407	23 291	24 446	24 943	23 879	4 610	19 270	18 235
2006					7 922	3 488	2 295	1 961	1 848	1 845	636	1 208	1 058
2007						7 366	3 564	2 106	2 182	2 996	583	2 413	2 091
2008							6 359	3 610	2 137	2 114	450	1 663	1 418
2009								5 784	2 766	7 445	489	6 957	5 787
2010									6 705	4 365	193	4 172	3 357
2011										7 173	54	7 120	5 516
						Totals				111 630	62 880	48 750	42 800

Property

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June										Paid to date	Undis-counted liability June 2011	Dis-count to present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	12 291	6 529	6 522	5 997	6 020	5 765	7 405	7 700	7 699	6 703	6 665	38	36
2001	808	1 256	1 146	1 418	1 386	1 190	1 180	1 180	1 180	1 204	1 204	-	-
2002	1 372	4 041	3 802	3 817	1 737	3 872	1 529	1 588	1 900	2 230	1 174	1 056	984
2003		1 162	853	586	426	668	447	447	447	456	456	-	-
2004			2 764	2 920	2 444	4 430	4 111	3 975	4 634	3 512	2 580	933	829
2005				12 182	4 035	4 027	2 849	2 700	2 718	2 704	2 689	15	13
2006					1 667	2 461	1 927	1 604	1 731	2 581	1 211	1 370	1 210
2007						3 269	2 907	2 666	2 256	2 285	2 134	151	138
2008							2 347	2 265	2 390	1 762	1 515	248	229
2009								2 777	2 116	1 599	1 378	221	205
2010									3 255	1 779	1 348	430	400
2011										4568	445	4 123	3 826
						Totals				31 383	22 799	8 585	7 870

(g) Concentration risk

The insurance portfolio contains some diversity, but by its nature it is geographically concentrated in Adelaide and as such is exposed to the potentially material property catastrophes of the State, being earthquake, bushfires, storms and floods. The reinsurance program is purchased to provide protection in excess of the retention level, which is $15 million for property, $15 million for medical malpractice and $20 million for liability classes. The SAFA Board annually reviews the appropriateness of the retention level.

SAFA provides the medical indemnity insurance for all public hospitals in South Australia and as such is exposed to the consequences of any factor which increases the cost of such cover for example, legal precedents.

(h) Sensitivity analysis

SAFA has tested the sensitivity of the results to a change in the key assumptions used in the valuation of outstanding claims liabilities. These include changes to the discount and superimposed inflation rates and changes in the expected payment pattern.

The following table sets out the tests carried out and the results:

Insurance fund:	2011 Present value of outstanding Fund 1 $'000	Present value of outstanding Fund 2 $'000	Percentage change from central estimate Fund 1 Percent	Percentage change from central estimate Fund 2 Percent
1. Discount rate:				
Increase by 1 percent	248 841	73 145	(4.5)	(3.1)
Decrease by 1 percent	273 218	77 926	4.9	3.3
2. Inflation rate:				
Increase by 1 percent	273 197	77 957	4.9	3.3
Decrease by 1 percent	248 667	73 073	(4.5)	(3.1)
3. Superimposed inflation rate				
Increase by 1 percent	273 010	77 866	4.8	3.2
Decrease by 1 percent	248 850	73 163	(4.5)	(3.0)
4. Other assumptions				
Faster payment pattern - Long tail and MedMal	262 925	75 696	0.9	0.3
Longer liability tail	261 981	76 412	0.6	1.3
Longer MedMal tail	262 552	77 303	0.8	2.5

(i) Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input into the fair value measurement.

	Quoted market price (Level 1) $'million	Valuation technique - market observable inputs (Level 2) $'million	Valuation technique - non-market observable inputs (Level 3) $'million	Total $'million
2011				
Financial assets:				
Cash and cash equivalents	188.8	1 365.7	-	1 554.5
Investments[(a)]	958.7	761.8	275.9	1 996.4
Loans[(b)]	-	5 499.3	6 894.2	12 393.5
Derivatives receivable	-	1 345.0	-	1 345.0
Total	1 147.5	8 971.8	7 170.1	17 289.4
Financial liabilities:				
Deposits and short-term borrowings[(c)]	710.6	5 393.8	97.5	6 201.9
Bonds, notes and debentures[(d)]	8 386.3	237.4	827.0	9 450.7
Derivatives payable	-	1 320.2	-	1 320.2
Total	9 096.9	6 951.4	924.5	16 972.8
2010				
Financial assets:				
Cash and cash equivalents	82.1	2 908.4	-	2 990.5
Investments[(a)]	33.8	1 458.4	275.9	1 768.1
Loans[(b)]	-	4 752.0	5 130.8	9 882.8
Derivatives receivable	-	1 295.5	-	1 295.5
Total	115.9	10 414.3	5 406.7	15 936.9

(i) Fair value hierarchy (continued)

2010 (continued)	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non-market observable inputs (Level 3)	Total
Financial liabilities:	$'million	$'million	$'million	$'million
Deposits and short-term borrowings[(c)]	823.6	5 056.4	104.8	5 984.8
Bonds, notes and debentures[(d)]	7 237.1	290.8	908.7	8 436.6
Derivatives payable	-	1 197.9	-	1 197.9
Total	8 060.7	6 545.1	1 013.5	15 619.3

Methods used for valuations in Level 3:

Measurement of fair value

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. SAFA use a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

All valuations remain unchanged compared to the previous reporting period.

(a) *Investments* - the methodology for calculating the fair value of SAFA's investment in Level 3 is based on a valuation against Swap plus a margin.

(b) *Loans* - the amount in Level 3 represents the CPSIR loan to the Treasurer, which is a loan represented by a pooled number of smaller borrowings and investments, that individually are classified as Level 1 or Level 2 in the fair value hierarchy, but the loan itself is considered inactive in the market.

(c) *Deposits and short-term borrowings* - the deposit represented in Level 3 consist of Cash Enhanced Fund. This deposit is a valuation of a number of smaller investments that have been classified as Level 1 or Level 2 in the fair value hierarchy. The deposits do not have a quoted price in the market.

(d) *Bonds, notes and debentures* - the borrowings in Level 3 are considered to be classed as inactive in the market therefore there are no quoted or recent historical market transactions.

Reconciliation of movement in Level 3	2011 $'million	2010 $'million
Opening balance	4 393.2	3 056.2
Total gains and losses	241.7	154.4
Purchases/Deposits	1 779.3	1 259.6
Sales/Withdrawals	(168.6)	(77.0)
Net transfers in (out)	-	-
Closing balance	6 245.6	4 393.2
Total gains or losses for the period included in the Statement of Comprehensive Income for assets and liabilities held at the end of the reporting period	241.5	155.9

(j) Ageing analysis

As at 30 June 2011 the amount of financial assets including impaired assets that are past due was $1 017 094 ($1 945 635).

2011	Past due by - Less than 31 days	Past due by - 31-60 days	Past due by - 61-90 days	Past due by - More than 90 days	Total
Not impaired:	$'million	$'million	$'million	$'million	$'million
Receivables	0.0	0.5	0.1	0.1	0.7
Impaired:					
Receivables	-	-	-	0.3	0.3
	0.0	0.5	0.1	0.4	1.0

(j) Ageing analysis (continued)

2010	Past due by				
	Less than 31 days	31-60 days	61-90 days	More than 90 days	Total
Not impaired:	$'million	$'million	$'million	$'million	$'million
Receivables	0.2	0.5	0.4	0.6	1.7
Impaired:					
Receivables	-	-	-	0.2	0.2
	0.2	0.5	0.4	0.8	1.9

29. Average statement of financial position and margin analysis

The average balances represent the average month end balances and reflect the face value of SAFA's assets and liabilities. The average rate is calculated as interest divided by the average balance of interest bearing assets and liabilities.

	2011			2010		
	Average balance $'million	Interest $'million	Average rate Percent	Average balance $'million	Interest $'million	Average rate Percent
Assets:						
Interest earning assets:						
Cash and cash equivalents	2 114.9	104.6	4.95	2 720.8	108.5	3.99
Investments	1 918.0	108.3	5.65	1 014.5	52.4	5.17
Loans	10 685.2	564.0	5.28	8 591.6	393.7	4.58
Other assets	-	457.3	-	-	355.8	-
Total assets	14 718.1	1 234.2	5.28	12 326.9	910.4	4.50
Liabilities:						
Interest bearing liabilities:						
Deposits and short-term borrowings	5 810.8	221.1	3.80	5 750.4	183.8	3.20
Bonds, notes and debentures	8 943.1	492.4	5.51	6 626.5	355.4	5.36
Other liabilities	-	479.1	-	-	352.5	-
Total liabilities	14 753.9	1 192.6	4.84	12 376.9	891.7	4.36

30. Actuarial assumptions and methods

SAFA writes four broad classes of general insurance: property, liability, other liability and medical malpractice. Products included in these broad classes are detailed below:

Property (Short tail)	*Liability (Long tail)*	*Medical malpractice*	*Other liability (Long tail)*
Aviation property	Aviation liability	Medical malpractice	Volunteers
Buildings and contents	Builders' warranty		
Consequential loss	General liability		
Fidelity guarantee	Marine liability		
General property	Professional indemnity		
Machinery breakdown	Personal accident		
Marine property			
Motor vehicle			

Percentage risk margin adopted

The percentage risk margin adopted to reflect the inherent uncertainty of the central estimate was applied at the following rates by broad class:

	2011		2010	
	Fund 1 Percent	Fund 2 Percent	Fund 1 Percent	Fund 2 Percent
Medical malpractice	32	25	25	25
Liability	33	23	20	20
Property	21	19	10	10
Other	33	23	20	20

The overall risk margin is determined allowing for the uncertainty of the outstanding claims estimate. Uncertainty is analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

Percentage risk margin adopted (continued)

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of the Australian Prudential Regulation Authority guidelines for private sector insurers that a minimum of 75 percent probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75 percent probability that the provision for outstanding claims will be sufficient.

Discount/Inflation rates

SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims.

	2011	2010
For the succeeding year:	Percent	Percent
Inflation rate (includes superimposed inflation) - Medical malpractice	3.00*	6.50
Inflation rate (includes superimposed inflation) - Short tail classes	-	6.50
Inflation rate (includes superimposed inflation) - Long tail classes	3.00*	6.50
Discount rate - Medical malpractice	5.25	5.20
Discount rate - Short tail classes	4.90	4.60
Discount rate - Long tail classes	5.10	4.80
For subsequent years:		
Inflation rate (includes superimposed inflation) - Medical malpractice	3.00*	6.50
Inflation rate (includes superimposed inflation) - Short tail classes	-	6.50
Inflation rate (includes superimposed inflation) - Long tail classes	3.00*	6.50
Discount rate - Medical malpractice	5.25	5.20
Discount rate - Short tail classes	4.90	4.60
Discount rate - Long tail classes	5.10	4.80

* The valuation methods adopted do not have an explicit inflation assumption, although allowance is made for superimposed inflation (3 percent) for both medical malpractice and long tail classes.

Weighted average expected term to settlement of outstanding claims from the end of the reporting period:	2011 Fund 1 Years	2011 Fund 2 Years	2010 Fund 1 Years	2010 Fund 2 Years
Medical malpractice	5.78	2.91	9.00	6.60
Liability	2.41	4.23	2.50	1.00
Property	1.76	1.46	1.50	0.50

Total outstanding claims

Fund 1	Central estimate $'million	Risk margin $'million	Indirect claim settlements margin $'million	2011 $'million
Expected future claims payments (inflated/undiscounted)	253.3	72.7	13.4	339.4
Discount to present value	(58.9)	(16.9)	(3.1)	(78.9)
Total outstanding claims	194.4	55.8	10.3	260.5

The impact of the revision of the inflation and discount assumptions is detailed below:

	Balance under 2010 assumptions* $'million	Balance under 2011 assumptions $'million	Change due to revision of assumptions $'million
Medical malpractice	188.9	183.6	(5.3)
Liability	69.0	66.9	(2.1)
Property	10.9	10.0	(0.9)
Other	-	-	-
Total outstanding claims	268.8	260.5	(8.3)

* The outstanding claims positions as at 30 June 2011 and the economic assumptions as at 30 June 2010 have been used to identify the impact due to revision of those assumptions.

Total outstanding claims (continued)

Fund 2	Central estimate	Risk margin	Indirect claim settlements margin	2011
Expected future claims payments	$'million	$'million	$'million	$'million
(inflated/undiscounted)	69.1	17.3	4.1	90.5
Discount to present value	(11.5)	(2.9)	(0.7)	(15.1)
Total outstanding claims	57.6	14.4	3.4	75.4

The impact of the revision of the inflation and discount assumptions is detailed below:

	Balance under 2010 assumptions*	Balance under 2011 assumptions	Change due to revision of assumptions
Outstanding claims:	$'million	$'million	$'million
Medical malpractice	39.2	38.6	(0.6)
Liability	32.4	30.6	(1.8)
Property	6.6	6.2	(0.4)
Total outstanding claims	78.2	75.4	(2.8)

* The outstanding claims positions as at 30 June 2011 and the economic assumptions as at 30 June 2010 have been used to identify the impact due to revision of those assumptions.

31. Controlled entities

As at 30 June 2011, SAFA did not control any entities either through ownership or management control.

32. Events after the end of the reporting period

No event has arisen since 30 June 2011 that would be likely to materially effect the operations or the state of affairs of SAFA.

South Australian Housing Trust

Functional responsibility

Establishment

The South Australian Housing Trust (the Trust) was established by the *South Australian Housing Trust Act 1995*. The Trust also administers the *Housing Improvement Act 1940*.

Functions

The functions of the Trust include the following:

- the ownership of houses and units for tenant occupation
- the construction and purchase of houses and other properties
- the management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants
- the management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust manages a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of grant programs managed is detailed in note 11 to the Trust's financial statements.

The Trust has a performance agreement with the Department for Families and Communities (DFC), Housing SA, to provide housing services on its behalf. Under the agreement, the Executive Director, Housing SA manages these services on behalf of the Trust.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31 of the PFAA and subsection 27(4) of the *South Australian Housing Trust Act 1995* require the Auditor-General to audit the accounts of the Trust each financial year.

Assessment of controls

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

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

Scope of audit

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

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

- revenue, including rent raising and recovery
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- borrowings
- fixed assets, including rental properties
- inventory
- fixed asset and inventory work in progress
- Commonwealth funding received under the Nation Building and Jobs Plan National Partnership Agreement
- community housing operations, including regulatory function and revenue collection.

In addition, some services including payroll and accounts payable processing were undertaken by Shared Services SA (SSSA) and these were reviewed as part of the audit.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

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

Communication of audit matters

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

Rent

The systems, policies and procedures which support raising and collection of rent from tenants are an important part of the Trust's operations and financial management activities. They support:

- recording tenant details and assessing their entitlement to rent rebates
- periodic review of tenants' continuing entitlement to rent rebates which may change if household composition or income changes
- control over the write-off of tenant debt in accordance with Trust policies.

The following matters were raised with the Trust in 2010-11:

- Rent calculation overrides processed by regional staff and benefit review officers, which enable non-systematic adjustments to tenants' rent, were not always authorised at the time the adjustment was made. A process implemented by the Trust to ensure that all overrides were authorised was not always undertaken on a timely basis due to slow return of information from regions. This issue has been raised with the Trust since 2008-09.

- Officers performing monthly debt written off reconciliations did not always seek appropriate documentation to support amounts written off.

- Controls over access to the accounts receivable system could be improved, in particular the approval process for adding a new user, the regular review of user access levels and the timely removal of staff who are no longer employed.

In response the Trust advised that rent assessments have been centralised and in future manual overrides will be processed centrally by benefit review officers. Staff performing the monthly debt written off reconciliations will be reminded of the need to obtain appropriate documentation. Regarding controls over access to the accounts receivable system the Trust indicated that Operations Support has implemented a regular review of system access and has improved procedures for approving system access.

Expenditure - the e-Procurement control environment at SSSA

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

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

Maintenance

The audit of maintenance activities for Trust properties identified that improvements could be made in the following areas:

- Reports which list user access to the maintenance system do not capture all employees with access and there is no evidence of review of the report.

- Instances where the delegations programmed into the maintenance system did not agree with the Trust's approved delegations of authority. In addition there was no regular review of delegations within the maintenance system.

- Reports which identify maintenance invoices to be inspected did not capture all categories of invoices which require inspection.

- A policy and procedure for the assessment and approval of pre-qualified builders had not been finalised. This issue was raised with the Trust in 2009-10.

In response the Trust advised that work is underway to review all user access profiles and also that in future evidence of the review of the monthly user access report would be provided. A process is also underway to review and validate maintenance system delegations with financial delegations and that once this was completed a quarterly review of delegations would be implemented.

The Trust also advised that the invoice review report had been updated to capture all invoices requiring inspection and the policy and procedure for assessment and approval of pre-qualified builders would be completed by December 2011.

Payroll

The Trust utilises the policies and procedures of DFC for its payroll activities. The audit identified weaknesses in the review of fortnightly bona fide reports and monthly leave returns. Other areas of concern included the absence of a policy for leave deferment and large balances of annual leave being carried forward without approval.

In response the Trust indicated that managers would be advised of the Trust's expectations for review and return of bona fide reports and leave returns and for the management of deferred leave. A number of other matters including the implementation of central monitoring of leave returns and establishing a policy for deferment of leave would be referred to DFC's Human Resource section for action.

Capital works

In 2009-10 Audit reviewed the operation of the Project Budget System (PBS) which was implemented to be used in the budget monitoring process for capital works. The review identified a number of shortcomings with the system. The Trust indicated that work was underway on the PBS to address a number of these shortcomings. A follow-up review in 2010-11 identified that little progress had been made in addressing many of the shortcomings and that no credible plan existed with appropriate timeframes and allocated responsibilities to address all of the issues currently identified.

The major areas of concern were as follows:

- There was no policy about the use of the system and the documented procedures were technically rather than operationally oriented.
- The system was not used by all areas and there remains a significant reliance by project managers on manually maintained spreadsheets and other records.
- The PBS is not interfaced with the Masterpiece job cost system requiring manual input of cost information which is inefficient and time consuming.
- There is no suite of reports available from PBS.
- Controls surrounding the integrity of information entered into PBS could be improved.

The Trust responded that it considered it has reliable controls in place to monitor and track project finances. It further advised that an extensive business improvement strategy is being implemented which includes the review, creation and/or amendment of finance/budget processes, reporting and the standardisation of project management procedures across the major projects directorate.

The Trust also advised that further enhancements to the PBS system are unlikely to fully address the issues and that it will review the PBS requirements as part of the wider review of ICT modernisation.

Community housing operations

Under the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act), the Trust is responsible for regulating community housing associations and co-operatives which are collectively known as the community housing organisations (CHOs). As part of this role, the Trust manages funding arrangements with the CHOs which require that the CHOs collect rent from tenants and after retaining an amount for property maintenance and property and administration costs, the balance is submitted to the Trust as a 'capital contribution'.

The agreements also require the CHOs to adequately maintain properties, to make them available to tenants who meet certain criteria and to meet certain accountability and governance requirements.

Audit considered that the monitoring activities performed by the Trust in the regulation of CHOs could be improved to ensure that the Trust's regulatory responsibilities under the SACCH Act are complied with, particularly in relation to the governance of CHOs. If this does not occur there is a risk that governance issues may arise in CHOs which may not be detected.

In response the Trust advised that it considers that it currently uses a range of mechanisms to monitor CHOs and that where indicators of potential problems are detected closer monitoring will be applied. This risk based approach ensures that limited resources are targeted to areas of greatest need.

Audit also raised concerns about checking the accuracy of capital contributions received from CHOs, the provision of information related to vacant properties and documentation of approval for CHOs to charge additional service levies to tenants.

The Trust advised that improvements will be implemented to strengthen the checking of capital contributions received, the reporting of vacant property information and the documentation of approval for additional service levies.

Last year Audit raised with the Trust an issue about the absence of a whistleblower policy for the community housing sector. The Trust advised that a policy would be developed by April 2011, however at the time of the audit the policy had not been developed. Audit again raised the issue and the Trust advised that the DFC whistleblower policy would be amended to incorporate non-government organisations (NGOs).

Management of grant payments

A review of grant management processes for grants provided to NGOs identified that:

- information held on the Funding and Grant Management system was not always complete and maintained in an up to date manner
- monitoring of the performance of NGOs receiving grants could be improved.

In response the Trust indicated action will be taken to ensure that all information is recorded in a timely manner and that monitoring of NGO performance will be appropriately evidenced.

Interpretation and analysis of the financial report

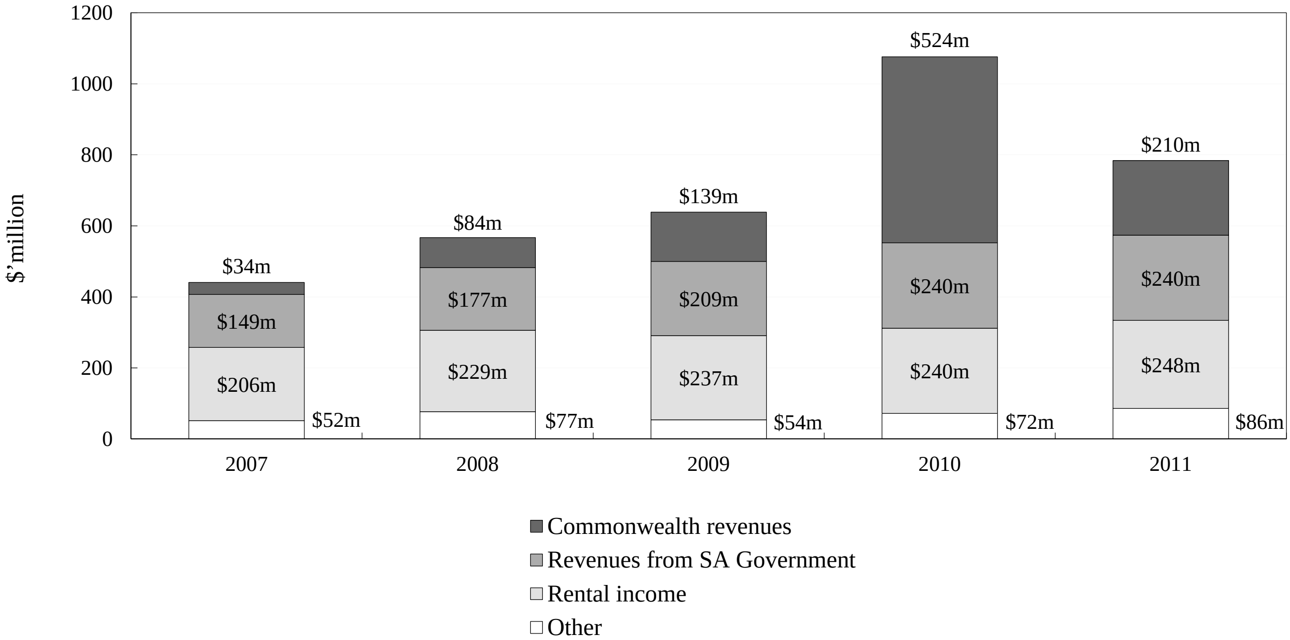
Highlights of the financial report	2011 $'million	2010 $'million
Expenses		
Staffing costs	68	65
Finance costs	37	38
Maintenance	104	103
Council rates and water rates	68	64
Land tax equivalent	185	164
Depreciation and amortisation	87	85
Grants and subsidies	93	90
Other expenses	78	75
Total expenses	720	684

	2011 $'million	2010 $'million
Income		
Rental income	248	240
Commonwealth revenues	210	524
Other	86	72
Total income	544	836
Net cost of providing services	176	(152)
Revenues from SA Government	240	240
Net result before income tax equivalent	64	392
Income tax equivalent	-	(21)
Net result after income tax equivalent	64	371
Other comprehensive income	757	552
Total comprehensive result	821	923
Net cash provided by (used in) operating activities	(2)	309
Assets		
Current assets	414	526
Non-current assets	10 086	9 233
Total assets	10 500	9 759
Liabilities		
Current liabilities	87	104
Non-current liabilities	565	628
Total liabilities	652	732
Total equity	9 848	9 027

Statement of Comprehensive Income

Income

For the five years to 2011 a structural analysis of income for the Trust is presented in the following chart.



Total income was $784 million, a decrease of $292 million over the previous year. The movement in the main components of income were:

- SA Government revenues remained steady with $240 million being received in both 2010 and 2011. Individual components of SA Government funding had the following outcomes:
  - tax equivalent reimbursement, down $3 million. Under the Commonwealth funding arrangement funds received from the Commonwealth are not permitted to be used to fund tax equivalent payments. As a consequence the State provides reimbursement for any tax equivalent amounts paid by the Trust which results in tax equivalent transactions having no impact on the Trust's net result. This year land tax equivalent reimbursements were impacted by increasing property values and totalled $185 million ($164 million). In 2011 no income tax equivalent reimbursement was received ($21 million in 2010). The Trust received exemption from the Treasurer to exclude Commonwealth funding received under the National Partnership Agreement: Nation Building - Economic Stimulus Plan from the calculation of its income tax equivalent payment. As a result no income tax equivalent payment was made and therefore no reimbursement was received.
  - capital grants increased by $3 million due to funding provided for a disability housing replacement program.
- Commonwealth revenues decreased by $314 million primarily as a result of:
  - recurrent funding - down $56 million due mainly to:
  - funding under the National Partnership Agreements: Remote Indigenous Housing, down $60 million and Homelessness, up $2 million
  - capital funding - down $258 million mainly due to:
    - National Partnership Agreement: Nation Building - Economic Stimulus Plan, down $214 million
    - National Partnership Agreement: Remote Indigenous Housing, down $19 million
    - National Partnership Agreement: Social Housing, down $15 million
    - National Housing Affordability Fund, down $10 million.

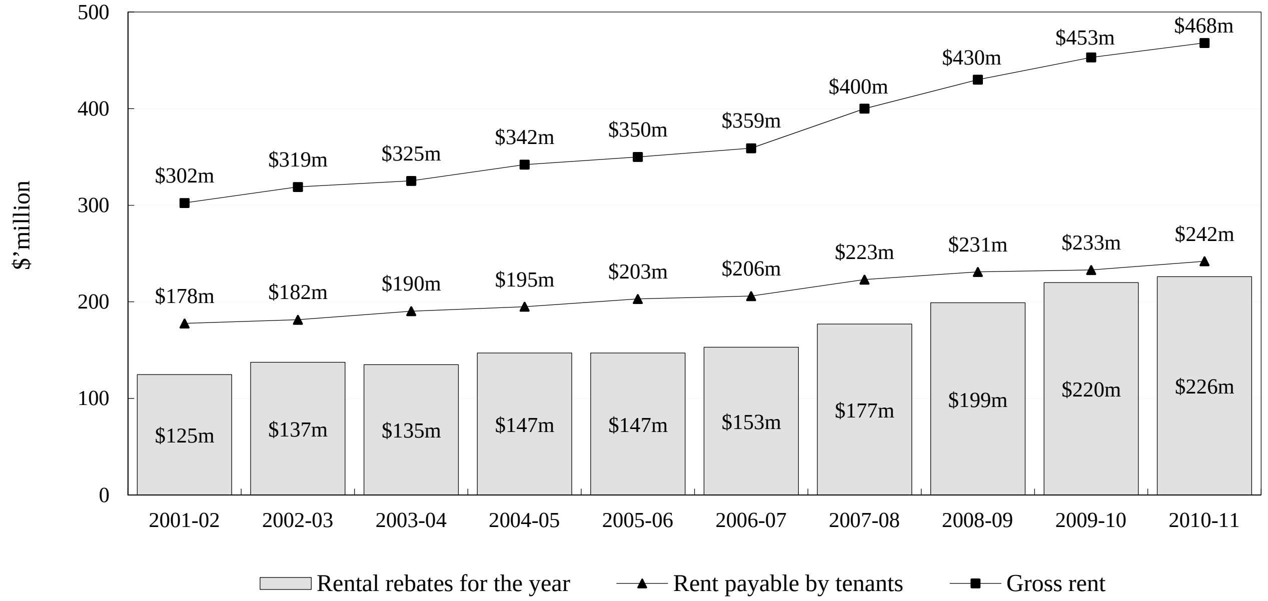
  Note 36 to the financial statements and later commentary under the heading 'Commonwealth funding arrangements' explains current grant funding arrangements.
- rental income (net of rental rebates) increasing by $9 million mainly as a result of increased market rent.

Rental operations

As at 30 June 2011 the level of housing stock, excluding unlettable properties, was 44 436 (44 706) of which 98 percent (98 percent) was tenanted.

89 percent (88 percent) of tenants pay reduced (rebated) rent due to low income.

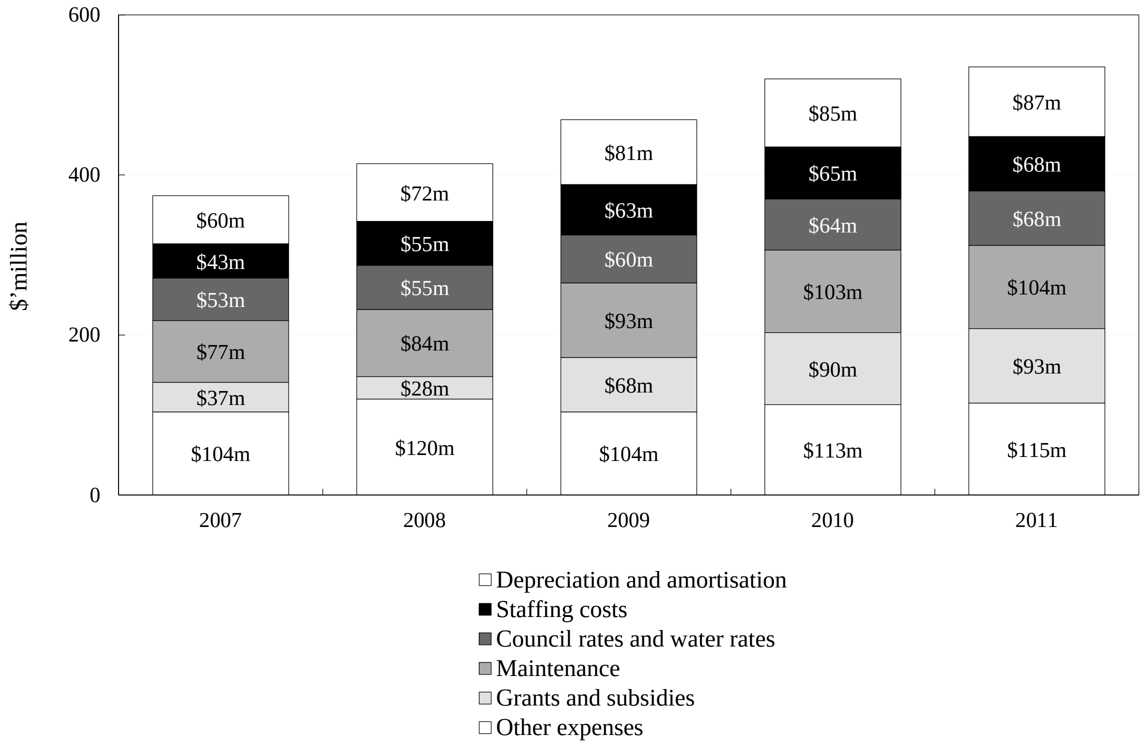
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2001-02 due to increases in market rents and 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2011 gross rent increased 3 percent ($15 million), rent revenue increased 4 percent ($9 million) and rent rebates increased 3 percent ($6 million). Since 2006-07 rental rebates have increased by 48 percent while rent payable after rebates has grown only by 17 percent. The amount of rent rebates is dependent on each tenant's circumstances with rent payable being capped at 25 percent of household income or market rent, whichever is the lower.

Expenses

For the five years to 2011, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the last five years. In 2008, 2009 and 2010 depreciation and amortisation expenses, maintenance costs and staffing costs have increased. In 2009 and 2010 grants and subsidies increased significantly. In 2011 costs in all areas increased.

In 2011 total expenses (excluding tax equivalent expenses) increased by $15 million (3 percent). This increase was due mainly to increases in:

- staffing costs ($3 million) as a result of increased staff numbers and pay rate increases
- council and water rates ($4 million) due to higher property values
- impairment expenses ($3 million) due to write-off of demolished properties
- grants and subsidies ($3 million). See below for further discussion.

Grant funded programs

The Trust's recurrent direct expenditure on grant funded programs was $93 million ($90 million). This increase of $3 million was mainly as a result of:

- grants made under the National Partnership Agreement for Homelessness increasing by $9 million

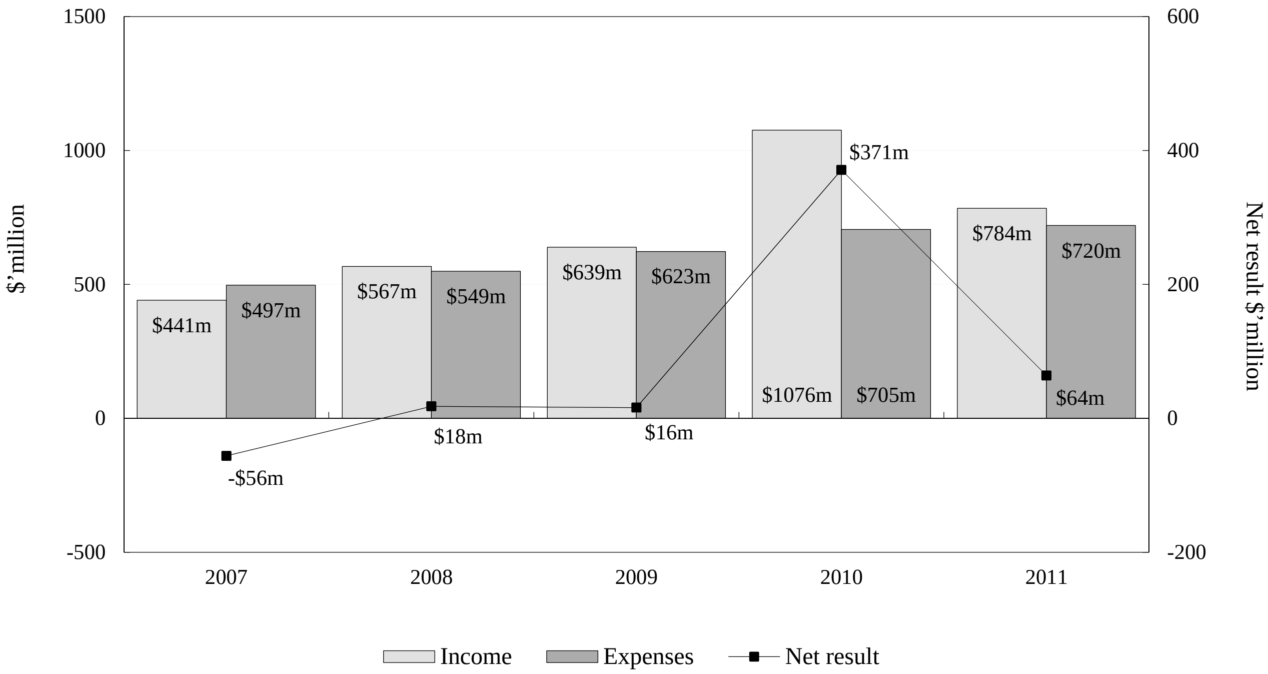
- grants for private rental assistance increasing by $3 million

- affordable housing grants decreasing by $5 million

- grants for the Indigenous Community Housing program decreasing by $3 million.

Net result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2011.



The net result for 2011 has decreased by $307 million from the previous year. The 2010 result was heavily impacted by the increased income from grants from the Commonwealth primarily for capital purposes, however in 2011 there was a significant decrease in these grants as discussed previously under the heading 'Income'.

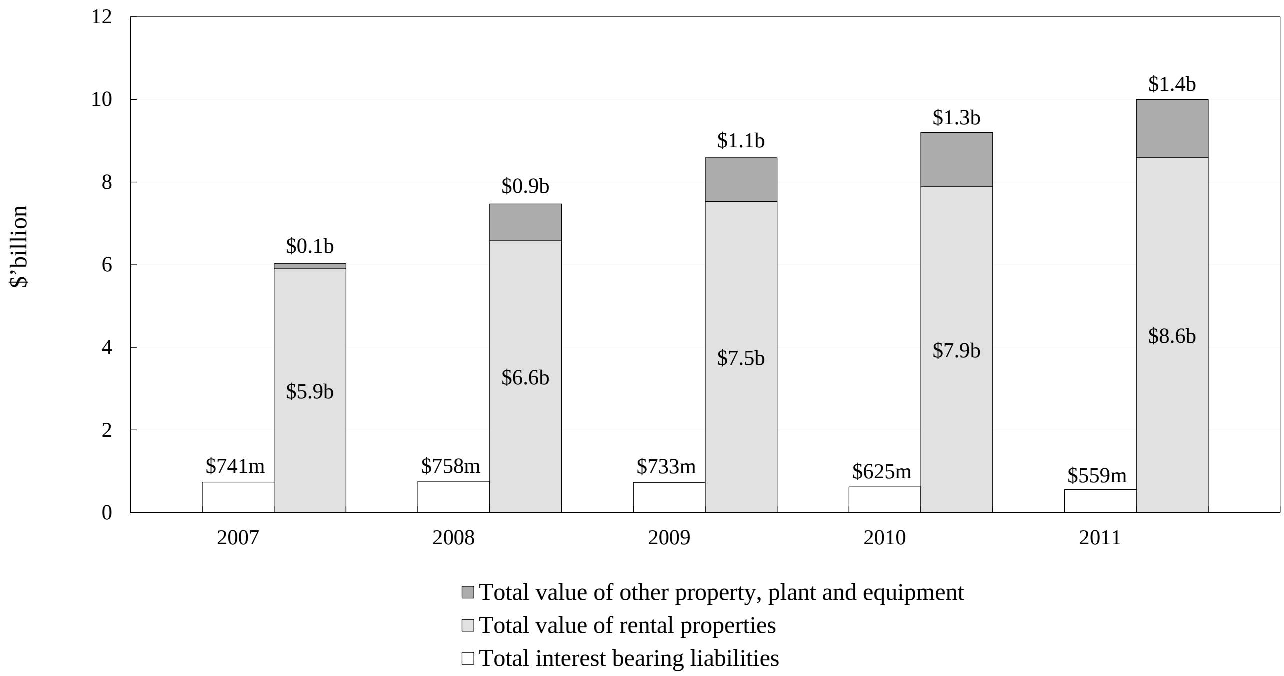
State and Commonwealth Government funds received for a number of projects are yet to be fully expended. Note 36 to the financial statements details that $113 million of grant funds received during 2010-11, $76 million of grant funds received in 2009-10 and $6 million received in earlier financial years were unspent as at 30 June 2011.

Unspent grants and also grants received for capital purposes can impact on the net result achieved for the year.

Statement of Financial Position

The Trust's financial position is dominated by non-current property, plant and equipment assets and non-current interest bearing liabilities. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2011 current liabilities amounted to $87 million ($104 million), while current assets were $414 million ($526 million). The significant decrease in current assets is primarily as a result of cash and cash equivalents as at 30 June 2011 of $270 million, compared to $340 million the previous year. The decrease of $70 million relates mainly to the spending of Commonwealth grants which were received in 2010.

The following chart demonstrates the Trust's indebtedness over the past five years in comparison to the value of the Trust's assets.



In 2011 the value of rental properties increased by $731 million (9 percent) to $8.6 billion. Of this increase asset additions accounted for $331 million and revaluation of assets for $672 million, offset by disposal of assets of $198 million and depreciation of $74 million.

The chart shows a marked increase between 2007 and 2008 which was as a result of additional assets acquired in the restructure of housing activities. Since 2008 there has been a steady increase in the value of both rental properties and other property plant and equipment. The 2009 and 2010 increases were primarily a result of asset revaluation. The 2011 figures were also impacted by asset revaluation as outlined above but also by the addition of assets built using the funding provided by the Commonwealth for the Economic Stimulus - Nation Building and Jobs Plan program. Other property, plant and equipment includes assets under arrangement of $1.1 billion (refer note 2.13(i)).

It is important to note that the Trust revalues all land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the Trust's financial reporting obligations, reported values lag current market values. As reported in note 2.13(ii) values for 2010-11 were issued by the Valuer-General as at 1 July 2010. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock.

During the period under review total borrowings steadily decreased except for 2008 when they increased by $17 million as a result of borrowings of $102 million being assumed as part of the restructure and new borrowings of $19 million offset by repayments of $104 million.

Total borrowings of $559 million are subject to concessional interest rates which are fixed and range from four percent to five percent. The fair value of borrowings at 30 June 2011 was $490 million ($552 million).

Statement of Cash Flows

	2011 $'million	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Net cash flows					
Operating	(2)	309	51	44	(9)
Investing	(3)	(3)	(5)	41	28
Financing	(65)	(109)	(24)	(61)	(20)
Change in cash	(70)	197	22	24	(1)
Cash at 30 June	270	340	143	121	97

In 2011 the Trust recorded a decrease in cash of $70 million compared to an increase in cash of $197 million the previous year.

Cash inflows from operating activities decreased by $275 million largely because of a decrease in cash received from the Commonwealth Government of $314 million. Notwithstanding this decrease, $210 million of grants were still received from the Commonwealth in 2011 of which $106 million remains unspent at 30 June 2011. Also a further $82 million from grants received in previous years remains unspent at 30 June 2011. The unspent funds mainly relate to the National Partnerships Agreements for Remote Indigenous Housing and Nation Building - Economic Stimulus Plan. Refer note 36 to the financial statements.

Cash outflows from operating activities increased by $75 million, primarily as a result of increased income tax equivalent payments, up $16 million, land tax equivalent payments, up $21 million and supplies and services, up $17 million.

Cash outflows from financing activities saw repayment of borrowings of $65 million compared to $108 million the previous year.

Further commentary on operations

Commonwealth funding arrangements

The National Affordable Housing Agreement (NAHA) signed between the Commonwealth and the States, under the provisions of the Intergovernmental Agreement on Federal Financial Relations, is a specific purpose payment. It is a Commonwealth financial contribution to support state delivery of services in the affordable housing sector. The NAHA does not have a state matching requirement. Funding is paid from the Commonwealth to DTF, from there to DFC and from DFC to the Trust in the form of a grant.

The State is required to spend these funds in the affordable housing sector. The State, however, has full budget flexibility to allocate funds within that sector as they see fit to achieve mutually agreed objectives for that sector. No restrictions/conditions are attached to the specific purpose payment on how States allocate their own funding across or within sectors.

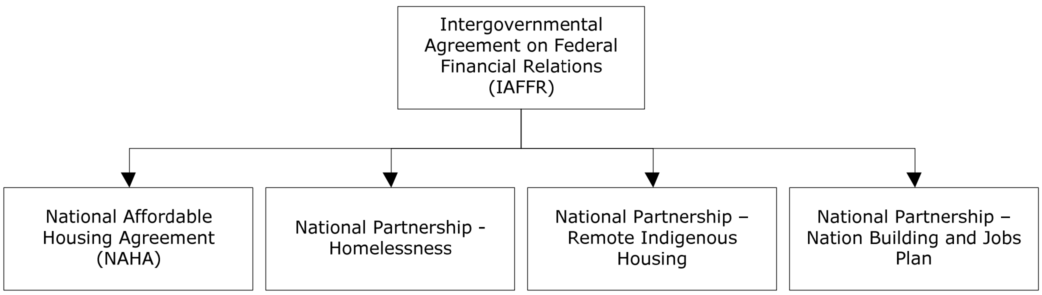
The State has an obligation to report compliance with the above requirement within six months of the end of every financial year to the Ministerial Council.

Base funding is provided on an ongoing basis and is indexed annually from 1 July 2010. The amount of base funding for affordable housing across all States in 2010-11 is $1.2 billion. Each State's share of funding in a financial year is its population share. The South Australian population share for 2010-11 is 7.8889 percent resulting in total funding for 2010-11 of $95.9 million. The amount of funding estimated to be available for 2011-12 is $95.1 million.

The NAHA is supported by National Partnership Agreements on:

- Remote Indigenous Housing
- Homelessness
- Nation Building and Jobs Plan.

The arrangements can be shown as follows:



National Partnership Agreement: Homelessness

The agreement facilitates reforms to reduce homelessness. The agreement expires on 30 June 2013. Funding is allocated between the states in proportion with their share of the homeless population. The State is required to match the Commonwealth's total contribution towards the agreement. State matching is to directly address the outputs of the agreement.

National Partnership Agreement: Remote Indigenous Housing

The agreement facilitates reform in the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortage in remote Indigenous communities. The agreement expires on 30 June 2018.

National Partnership Agreement: Nation Building and Jobs Plan

The agreement facilitates the coordination, monitoring and delivery of economic stimulus through building prosperity for the future and supporting jobs now. The agreement involves facilitation payments by the Commonwealth for social housing. The agreement expires on 31 December 2012. Schedule C to the agreement outlines the Social Housing initiative, which is a commitment by the Commonwealth to increase the supply of social housing throughout Australia.

Implementation plans

Each of the National Partnership Agreements has an implementation plan which outlines arrangements for delivering the various outcomes required by the agreements. The implementation plans are agreed between the Commonwealth and the State and schedules to the plans provide details of approved funding.

The following funding has been approved to date:

	2008-09 $'million	2009-10 $'million	2010-11 $'million	2011-12 $'million	2012-13 $'million	Total $'million
National Partnership Agreements:						
Social Housing	14.990	14.990	n/a	n/a	n/a	29.980
Nation Building and Jobs Plan - repairs and maintenance	14.990	14.990	n/a	n/a	n/a	29.980
Nation Building and Jobs Plan - Construction Stage 1	4.497	47.369	n/a	n/a	n/a	51.866
Nation Building and Jobs Plan - Construction Stage 2	n/a	236.833	84.855	30.709	n/a	352.397
Remote Indigenous Housing*	9.245	52.696	20.282	23.257	27.858	133.338
Homelessness	1.817	7.225	9.613	9.994	11.969	40.618
Total	45.539	374.103	114.750	63.960	39.827	638.179

* Payments for the funding amounts are made on the achievement of agreed key milestones.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Staffing costs	6	67 603	64 619
Supplies and services	7	31 105	29 064
Business service fees	8	22 258	21 661
Rental property expenses	9	358 865	335 310
Depreciation and amortisation	10	87 228	84 941
Grants and subsidies	11	92 953	90 193
Finance costs	12	36 672	37 589
Impairment expenses	13	23 805	20 464
Total expenses		720 489	683 841
Income:			
Rental income	14	248 198	239 579
Interest revenue	15	13 402	9 181
Net gain from disposal of assets	16	42 157	37 371
Recoveries	17	19 007	17 500
Recurrent Commonwealth revenues	18	107 630	164 117
Capital Commonwealth revenues	19	102 618	360 164
Other revenue	20	11 078	8 066
Total income		544 090	835 978
Net cost of providing services		176 399	(152 137)
Revenues from SA Government:			
Recurrent revenues from SA Government	21	235 860	238 600
Capital revenues from SA Government	22	4 360	1 250
Total revenues from SA Government		240 220	239 850
Net result before income tax equivalent		63 821	391 987
Income tax equivalent		-	21 414
Net result after income tax equivalent		63 821	370 573
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		757 088	552 280
Total comprehensive result		820 909	922 853

Net result after income tax equivalent and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	23	269 527	340 367
Receivables	24	14 802	39 141
Inventories	25	98 251	114 572
Non-current assets classified as held for sale	26	31 272	32 264
Total current assets		413 852	526 344
Non-current assets:			
Inventories	25	3 907	3 344
Property, plant and equipment	27	10 076 328	9 223 748
Intangible assets	28	5 749	5 181
Total non-current assets		10 085 984	9 232 273
Total assets		10 499 836	9 758 617
Current liabilities:			
Payables	29	51 246	66 774
Staff entitlements	30	7 349	8 714
Interest bearing liabilities	31	15 116	16 497
Provisions	32	2 183	2 309
Other liabilities	33	11 315	9 595
Total current liabilities		87 209	103 889
Non-current liabilities:			
Interest bearing liabilities	31	543 948	608 021
Staff entitlements	30	14 278	13 619
Provisions	32	3 276	2 581
Payables	29	1 247	1 350
Other liabilities	33	1 925	2 113
Total non-current liabilities		564 674	627 684
Total liabilities		651 883	731 573
Net assets		9 847 953	9 027 044
Equity:			
Retained earnings		2 857 460	2 700 086
Asset revaluation surplus		6 990 493	6 326 958
Total equity		9 847 953	9 027 044

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	34		
Contingent assets and liabilities	35		

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

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	5 856 796	2 248 233	8 105 029
Error correction	-	(33)	(33)
Restated balance at 30 June 2009	5 856 796	2 248 200	8 104 996
Net result after income tax equivalent for 2009-10	-	370 573	370 573
Revaluation of property during 2009-10:			
Decrement in rental houses due to revaluation:			
Transferred to capital works	(17 966)	-	(17 966)
Subject to sales contacts	(1 019)	-	(1 019)
Increment in freehold land and buildings due to revaluation	571 265	-	571 265
Total comprehensive result for 2009-10	552 280	370 573	922 853
Transfer to retained earnings of increment realised on sale of freehold land and buildings	(82 118)	-	(82 118)
Realisation of asset revaluation surplus on sale of freehold land and buildings	-	82 118	82 118
Total transfer between equity components 2009-10	(82 118)	82 118	-
Balance at 30 June 2010	6 326 958	2 700 891	9 027 849
Error correction	-	(805)	(805)
Restated balance at 30 June 2010	6 326 958	2 700 086	9 027 044
Net result after income tax equivalent for 2010-11	-	63 821	63 821
Revaluation of property during 2010-11:			
Decrement in rental houses due to revaluation:			
Transferred to capital works	(6 165)	-	(6 165)
Subject to sales contacts	(3 727)	-	(3 727)
Increment in freehold land and buildings due to revaluation	766 980	-	766 980
Total comprehensive result for 2010-11	757 088	63 821	820 909
Transfer to retained earnings of increment realised on sale of freehold land and buildings	(93 553)	-	(93 553)
Realisation of asset revaluation surplus on sale of freehold land and buildings	-	93 553	93 553
Total transfer between equity components 2010-11	(93 553)	93 553	-
Balance at 30 June 2011	6 990 493	2 857 460	9 847 953

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staffing costs		(67 695)	(61 986)
Supplies and services		(28 597)	(11 134)
Business service fees		(22 258)	(21 661)
Rental property expenses		(185 539)	(180 272)
Grants and subsidies		(99 282)	(95 475)
Interest paid		(27 400)	(32 257)
Other finance costs		(9 515)	(5 575)
Land tax equivalents paid		(185 042)	(163 878)
Income tax equivalent paid		(21 414)	(4 923)
GST paid to DFC		(7 702)	(10 210)
Purchase of rental property		(323 004)	(317 036)
Other payments		(7 351)	(5 212)
Cash used in operating activities		(984 799)	(909 619)
Cash inflows:			
Rent received		252 565	233 270
Recoveries received		19 766	18 280
Other receipts		10 980	7 162
Receipts from Commonwealth		210 248	524 281
Interest received		13 467	8 349
Proceeds from sale of rental property		193 283	187 385
GST receipts from DFC		20 208	16 743
Cash generated from operating activities		720 517	995 470
Cash flows from SA Government:			
Receipts from SA Government		262 022	223 334
Cash generated from SA Government		262 022	223 334
Net cash provided by (used in) operating activities	37	(2 260)	309 185
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(938)	(1 397)
Purchase of intangibles		(2 431)	(2 039)
Cash used in (provided by) investing activities		(3 369)	(3 436)
Cash inflows:			
Proceeds from interest bearing receivables		-	34
Cash generated from investing activities		-	34
Net cash provided by (used in) investing activities		(3 369)	(3 402)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(65 211)	(108 466)
Cash used in (provided by) financing activities		(65 211)	(108 466)
Net cash provided by (used in) financing activities		(65 211)	(108 466)
Net increase (decrease) in cash and cash equivalents		(70 840)	197 317
Cash and cash equivalents at 1 July		340 367	143 050
Cash and cash equivalents at 30 June	23	269 527	340 367

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

(Activities - refer note 5)	1		2		3	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	50 101	48 063	7 341	7 299	1 549	1 737
Supplies and services	23 263	20 945	4 454	4 096	735	1 616
Business service fees	16 864	16 430	2 374	2 552	466	556
Rental property expenses	344 728	323 235	13 573	11 602	547	461
Depreciation and amortisation	73 654	71 691	3 851	3 925	9 723	9 325
Grants and subsidies	27 286	36 160	6 547	11 349	777	258
Finance costs	36 672	36 261	-	-	-	1 328
Impairment expenses	19 008	17 384	870	1 029	1 277	30
Total expenses	591 576	570 169	39 010	41 852	15 074	15 311
Income (excluding capital grants):						
Rental income	230 734	222 405	11 385	11 135	6 079	6 039
Interest revenue	13 402	9 181	-	-	-	-
Net gain from disposal of assets	41 045	37 394	645	230	467	(253)
Recoveries	12 066	11 656	2 136	1 828	97	48
Recurrent Commonwealth revenues	95 852	95 129	3 872	63 470	-	-
Recurrent revenues from SA Government	161 601	183 277	4 680	-	8 040	9 148
Other revenue	9 565	6 225	446	664	391	329
Total income (excluding capital grants)	564 265	565 267	23 164	77 327	15 074	15 311
Net cost of providing services before capital grants	(27 311)	(4 902)	(15 846)	35 475	-	-
Capital grants:						
Capital Commonwealth revenues	86 772	325 599	15 846	34 565	-	-
Capital revenues from SA Government	4 360	1 250	-	-	-	-
Total capital grants	91 132	326 849	15 846	34 565	-	-
Net result before income tax equivalent	63 821	321 947	-	70 040	-	-
Income tax equivalent	-	17 589	-	3 825	-	-
Net result after income tax equivalent	63 821	304 358	-	66 215	-	-

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

(Activities - refer note 5)	4		5		Total	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	4 158	4 296	4 454	3 224	67 603	64 619
Supplies and services	1 383	1 414	1 270	993	31 105	29 064
Business service fees	1 297	1 399	1 257	724	22 258	21 661
Rental property expenses	15	11	2	1	358 865	335 310
Depreciation and amortisation	-	-	-	-	87 228	84 941
Grants and subsidies	12 131	9 108	46 212	33 318	92 953	90 193
Finance costs	-	-	-	-	36 672	37 589
Impairment expenses	2 650	2 021	-	-	23 805	20 464
Total expenses	21 634	18 249	53 195	38 260	720 489	683 841
Income (excluding capital grants):						
Rental income	-	-	-	-	248 198	239 579
Interest revenue	-	-	-	-	13 402	9 181
Net gain from disposal of assets	-	-	-	-	42 157	37 371
Recoveries	4 355	3 322	353	646	19 007	17 500
Recurrent Commonwealth revenues	-	-	7 906	5 518	107 630	164 117
Recurrent revenues from SA Government	16 605	14 151	44 934	32 024	235 860	238 600
Other revenue	674	776	2	72	11 078	8 066
Total income (excluding capital grants)	21 634	18 249	53 195	38 260	677 332	714 414
Net cost of providing services before capital grants	-	-	-	-	(43 157)	30 573
Capital grants:						
Capital Commonwealth revenues	-	-	-	-	102 618	360 164
Capital revenues from SA Government	-	-	-	-	4 360	1 250
Total capital grants	-	-	-	-	106 978	361 414
Net result before income tax equivalent	-	-	-	-	63 821	391 987
Income tax equivalent	-	-	-	-	-	21 414
Net result after income tax equivalent	-	-	-	-	63 821	370 573

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

(Activities - refer note 5)	1		2		3	
	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	269 523	340 364	4	3	-	-
Receivables	12 865	36 901	1 937	1 465	-	775
Inventories	102 158	85 599	-	23 679	-	8 638
Non-current assets classified as held for sale	31 272	32 264	-	-	-	-
Property, plant and equipment	8 467 546	7 824 745	502 017	426 807	1 106 765	972 196
Intangible assets	5 602	5 181	147	-	-	-
Total assets	8 888 966	8 325 054	504 105	451 954	1 106 765	981 609
Liabilities:						
Payables	48 404	64 663	1 322	1 866	2 767	1 595
Staff entitlements	16 028	16 611	2 348	2 523	496	600
Provisions	5 302	4 690	34	34	123	166
Interest bearing liabilities	559 064	624 518	-	-	-	-
Other liabilities	13 240	11 708	-	-	-	-
Total liabilities	642 038	722 190	3 704	4 423	3 386	2 361

(Activities - refer note 5)	4		5		Total	
	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	269 527	340 367
Receivables	-	-	-	-	14 802	39 141
Inventories	-	-	-	-	102 158	117 916
Non-current assets classified as held for sale	-	-	-	-	31 272	32 264
Property, plant and equipment	-	-	-	-	10 076 328	9 223 748
Intangible assets	-	-	-	-	5 749	5 181
Total assets	-	-	-	-	10 499 836	9 758 617
Liabilities:						
Payables	-	-	-	-	52 493	68 124
Staff entitlements	1 330	1 485	1 425	1 114	21 627	22 333
Provisions	-	-	-	-	5 459	4 890
Interest bearing liabilities	-	-	-	-	559 064	624 518
Other liabilities	-	-	-	-	13 240	11 708
Total liabilities	1 330	1 485	1 425	1 114	651 883	731 573

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Housing Trust (the Trust)

1.1 Objectives

The Trust is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act) and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility may be formalised in a Ministerial Performance Agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

1.1 Objectives (continued)

The primary objective of the Trust includes the provision of affordable housing to households and families on low to moderate incomes, including affordable home purchase opportunities, homelessness and support services; and the funding and regulation of community housing. The Board is responsible to the Minister for overseeing the operations of the Trust with the goals of:

- ensuring the sound administration of the Act and the implementation of the Minister's housing policies and plans
- achieving continuing improvements in the provision of secure and affordable public housing (subsection 16(1)(a))
- providing transparency and value in managing the resources available to the Trust and meeting Government and community expectations as to probity and accountability (subsection 16(1)(b))
- achieving appropriate social justice objectives and the fulfilment of the Trust's community service obligations (subsection 16(1)(c))
- management of the performance agreement with Housing SA of the Department for Families and Communities (DFC) (subsection 16(2)(b)).

2. Summary of significant accounting policies

2.1 Statement of compliance

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

- TI's and the APSs promulgated under the provisions of the PFAA
- relevant AASs.

2.2 Basis of preparation

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants

  (c) employee TVSP information

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

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

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

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

2.2 Basis of preparation (continued)

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

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

2.3 Reporting entity

The Trust's financial statements include only Trust activities and do not incorporate any administered items. The Trust's financial statements include assets, income, expenses and liabilities, controlled or incurred by the Trust in its own right.

2.4 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of specific revised APSs or AASs.

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

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

2.5 Rounding

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

2.6 Income and expenses

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

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by another accounting standard.

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

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

Expenses

Staffing costs

Staffing costs includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

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

Finance costs

All finance costs, including borrowing costs, are recognised as expenses.

Grants and subsidy expenses

Expenses are generally recognised when paid, which occurs in accordance with relevant funding agreements.

Income

Rent receivable

Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no tenant will be required to pay more than 25 percent of their household income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Revenues from SA Government
Revenues received from SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

Grants received
Grants received for any purpose have been included as revenue upon receipt.

Disposal of non-current assets
Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer (refer note 16 for further details).

When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Recoveries
Recoveries for costs on-charged to tenants by the Trust are included as income.

2.7 Taxation

In accordance with section 25 of the Act, the Trust may be required to pay to the State Government tax equivalents. Tax equivalent payments are required in respect of income tax and land tax.

The income tax liability is based on applying the Treasurer's accounting profit method which requires that the corporate income tax rate be applied to the net operating profit of the Trust. Land tax is calculated in the same manner as if it were payable under the *Land Tax Act 1936* which uses a site valuation of multiple holdings.

Treasury reimburses the cost of tax equivalent payments for land tax and income tax to the Trust resulting in a nil effect of these payments on the net result.

The trust is liable for the cost of payroll tax, FBT, stamp duty and GST.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is DFC, which is responsible for paying GST on behalf of the Trust and is entitled to claim input tax credits. Administrative arrangements between DFC and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Statement of Financial Position.

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

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

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

2.8 Current and non-current items

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

2.9 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank, cash on hand, including petty cash, cash management funds and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from debtors, GST input tax credits recoverable, prepayments and other accruals.

2.10 Receivables (continued)

The majority of receivables relate to rent in respect of rental properties. Rents are recognised as revenue and charged to tenants weekly, in advance.

Trade receivables that arise in the normal course of selling goods and services to other agencies and to the public are normally settled within 30 days.

Other debtors that arise outside the normal course of selling goods and services to other agencies and to the public are subject to 30 days settlement terms.

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2009. The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 6.5 percent per annum, based on the risk free rate as at 30 June 2011, an estimated future debt write-off of 6.5 percent per annum and an assumption that 90 percent of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered. The next actuarial review will be undertaken in 2012.

2.11 Inventories

Inventories include capital work in progress, developed land and vacant land that are expected to be sold in the ordinary course of business.

(i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion and is carried at cost. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

(ii) Developed land relates to land that has been developed and may be sold in its current condition or transferred to capital work in progress as part of a development project. It is carried at cost.

(iii) Vacant land consists of land that is expected to be sold and is valued using the Valuer-General’s values for rating purposes as at 1 July 2010.

2.12 Non-current assets held for sale

Non-current assets classified as held for sale relate to rental properties and administrative properties that are no longer required for public rental or occupation and are expected to be sold within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

2.13 Property, plant and equipment

(i) Acquisition and recognition

Assets acquired at no value, or minimal value, are recorded at their fair value in the Statement of Financial Position unless they are acquired as part of a restructuring of administrative arrangement, in which case they are recorded at the value recorded by the transferor prior to transfer.

All other assets are initially brought to account as follows:

Rental properties, administrative properties, vacant land and plant and equipment

These assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition and are depreciated as outlined below. The Trust capitalises assets with a value of $5000 or greater.

Subsequent costs are included in the asset’s carrying amount, as appropriate, including capitalised maintenance costs on rental properties.

Assets under arrangement

Assets under arrangement are tenantable properties which have had their legal title transferred to a community housing organisation (CHO) in return for which the CHO has issued a debenture at fair value. Recognition is based on the Trust’s ability to control the future service potential of the asset and that these are probable and can be reliably measured. Control of a debentured property resides with the Trust through the SACCH Act and funding agreements which prescribe how the community houses are to be used and managed on behalf of government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHO.

Assets under arrangement (continued)
The SACCH Act provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative property.

Assets under arrangement are initially recognised at market value.

Anangu Pitjantjatjara Yankunytjatjara (APY) Lands leased properties
The Minister for Housing has entered into a 50 year lease arrangement with the APY Board to lease parcels of APY land to allow the construction of new houses and the upgrade of existing houses in remote areas utilising national partnership agreement funding. The Trust, as agent for the Minister, will oversee all capital work on the properties and overall management of the agreement. Under the terms of the ground lease, ownership of the new dwellings will pass to the APY Board at the end of the lease term.

In accordance with AASB 117, the lease has been initially recognised as asset and liability at the present value of the minimum lease payments and then the land component was subsequently revalued to market value. The constructed assets are being recorded as capital work in progress and once complete will be recognised as APY Lands leased properties.

Capital work in progress
Capital work in progress reflects assets under construction that will either be sold or utilised in the Trust's operation.

The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility or pre-construction costs.

(ii) *Valuation*
Rental properties, administrative properties, vacant land and assets under arrangement
In compliance with AASB 116, all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2010 reflecting 'the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale' in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Revaluation occurred at 31 October 2010, using the 1 July 2010 values, for all land and buildings acquired or completed before 1 July 2010.

Capital work in progress
The carrying value of a constructed asset is compared to its market value upon capitalisation and an adjustment is effected to ensure that the carrying amount does not exceed fair value.

Plant and equipment
Plant and equipment is brought to account at historical cost.

(iii) *Depreciation*
Property, plant and equipment assets have a limited useful life and are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential ranging from three to 50 years. The useful lives of all major assets held by the Trust are reassessed on an annual basis.

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

Land, vacant land improvements and capital work in progress are not depreciated.

Depreciation of property, plant and equipment is determined as follows:

(iii) Depreciation (continued)

Class of asset	*Depreciation method*	*Useful life (years)*
Rental properties (dwellings)*	Straight-line	50
Administrative properties	Straight-line	10-30
Plant and equipment	Straight-line	3-10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State housing entities and promotes consistency and comparability between these entities.

2.14 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 and when the amount of expenditure is greater than or equal to $5000. Amortisation is calculated on a straight-line basis over three years from the date that the asset is ready for use.

Internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138.

All research and development projects that do not meet the capitalisation criteria outlined in AASB 138 are expensed. A review of internally generated computer systems this financial year has identified expenditure that does not meet the criteria in AASB 138, therefore has resulted in the recognition of prior period adjustments in the Statement of Changes in Equity and a corresponding decrease in intangibles of $838 000.

2.15 Impairment

Receivables were tested for indications of impairment by way of an actuarial review at 30 June as detailed in note 2.10. The impairment loss has been offset against receivables and has been recognised in the Statement of Comprehensive Income under impairment expenses.

All other non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. If the amount by which the assets carrying amount exceeds the recoverable amount is material it is recorded as an impairment loss.

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

2.16 Payables

Payables include creditors, accrued expenses and staff entitlement 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 Trust.

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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

2.17 Staff entitlements

Under section 17 of the Act the Trust utilises staff of DFC for the provision of services. The delivery of housing services is undertaken by DFC, Housing SA under a service level agreement whereby the Trust delivers its services through DFC.

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

Wages, salaries, annual leave and sick leave
Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount it is anticipated will be paid.

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

Long service leave
The liability for long service leave is recognised after a staff member has completed five years of service (5.5 years). An actuarial assessment of long service leave undertaken by the DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Trust's experience of staff retention and leave taken.

Staff entitlement on-costs
Staff entitlement on-costs of payroll tax and superannuation are recognised separately under payables.

2.18 Provisions

Insurance
The Trust has arranged through SAICORP, a division of SAFA, to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

The provision for public risk and professional indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

Workers compensation
The DFC is an exempt employer under the WRCA.

The workers compensation liability recognised for the staff who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2011 data.

2.19 Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowings using the effective interest rate method.

2.20 Leases

Operating leases
Leases where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are charged to the Statement of Comprehensive Income on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

Finance leases

Leases where the Trust as lessee assumes substantially all the risks and benefits associated with ownership of the assets are classified as finance leases. Finance leases are recognised in accordance with AASB 117 as assets and liabilities in the statement of financial position at the lower of fair value or the present value of the minimum lease payments as determined at the inception of the lease.

2.21 Unearned revenue

Unearned revenue includes lump sums received for leases assigned on Trust properties which are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. Financial risk management

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises its debt. Note 31 details the interest rates applicable to interest bearing liabilities and note 23 details the interest rates applicable to the cash held in the bank accounts.

While the Trust has significant non-interest bearing and interest bearing assets and liabilities, such as cash on hand and on call, receivables and payables and borrowings from the SA Government its exposure to market risk and cash flow interest risk is minimal.

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a credit policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

The entity has calculated net fair value for concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust’s other financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

In relation to liquidity/funding risk, the continued existence of the Trust in its present form, and with its present programs, is dependent on Government policy for the Trust’s administration and outputs.

4. Changes in accounting policies

In accordance with the revised APF II, the Trust has changed its accounting policy in relation to employee remuneration and now discloses all employees who have received remuneration equal to or greater than the base executive remuneration rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 64 (36).

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

5. Activities of the Trust

In achieving its objectives, the Trust has organised its operations into the following business activities:

Activity 1: Public Housing

Management of public housing tenancies and assets, and promotion of the development of the social housing sector. Managing tenancies includes assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies. Managing assets includes maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs. Promoting development of the social housing sector includes furthering the Government's strategies to address the key issues of affordable housing and homelessness, as well as promoting innovation and partnering with private sector organisations.

Activity 2: Indigenous Housing

Management of tenancies and housing assets specifically for indigenous customers (who may also choose to access assistance via general public housing), and management of the Commonwealth Government's National Partnership Agreement for Remote Indigenous Housing. This agreement provides funding for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring ongoing maintenance and management of rental houses in remote indigenous communities.

Activity 3: Community Housing

Development, support and promotion of the community housing sector, including administering the SACCH Act, and assisting in the establishment, regulation and administration of housing co-operatives and housing associations in South Australia.

Activity 4: Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Activity 5: Homelessness Services and Support

Reforming and supporting the homelessness services sector to enable more integrated and responsive service provision. This includes provision and management of grant funding to non-government organisations that deliver services aimed at stopping people from becoming homeless, lessening the impact of homelessness, and assisting people to transition from being homeless to having stable housing and employment.

6. Staffing costs

	Note	2011 $'000	2010 $'000
Salaries and wages		53 207	50 706
Superannuation		6 534	6 405
Annual leave		5 705	5 164
Payroll tax		3 564	3 365
Other staff expenses		2 732	2 374
Long service leave		2 745	2 635
Workers compensation		2 769	2 435
TVSPs		511	-
Board fees		269	338
Charged to capital program		(10 433)	(8 803)
Total staffing costs		67 603	64 619

TVSPs

	Note	2011	2010
Amount paid to staff:			
TVSPs		511	-
Annual leave and long service leave paid during the reporting period		164	-
Recovery from DTF	17	511	-
Net cost to Trust		164	-

The number of employees who received a TVSP during the reporting period was 5 (nil).

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	Executive 2011 Number	Executive 2010 Number	Staff 2011 Number	Staff 2010 Number
$130 700 - $140 699	1	1	1	-
$140 700 - $150 699	1	3	5	1
$150 700 - $160 699	3	1	-	1
$160 700 - $170 699	1	1	1	-
$170 700 - $180 699	2	2	-	-
$180 700 - $190 699	2	1	-	-
$190 700 - $200 699	-	1	-	-
$220 700 - $230 699	-	1	-	-
$240 700 - $250 699	2	1	-	-
Total	12	12	7	2

The table includes DFC executives and staff paid by the Trust under the service level agreement with DFC who received remuneration of $130 700 or more during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $3.163 million ($2.4 million).

Remuneration of board and committee members

Membership for various boards and committees during 2010-11 were:

SAHT Governing Board (appointed by the Governor)

C Long (Chair – appointed 14 January 2011)
M Marsland (Chair – term expired 13 January 2011)
R Boorman (appointed 2 June 2011)
E Byrt (term expired 13 January 2011)
G Crafter
C Davidson (term expired 13 January 2011)
M Hemmerling (appointed 14 January 2011)
J King (appointed 14 January 2011
K Liddle (resigned 13 January 2011)
M Patetsos

South Australian Affordable Housing Trust Board (appointed by the Board)

C Long (Chair - appointed 16 March 2011)
M Marsland (Chair – term expired 30 September 2010)
E Byrt (term expired 30 September 2010)
G Crafter
W Gibbings (term expired 30 September 2010)(1)
M Hemmerling (appointed 16 March 2011)
J King (appointed 16 March 2011)
K Liddle (term expired 30 September 2010)
T Maras (term expired 30 September 2010)
M Patetsos
G Storkey (term expired 30 September 2010)

Audit and Finance Committee (appointed by the Board)

M Patetsos (Chair)
P Agars
E Byrt (term expired 13 January 2011)
C Davidson (term expired 13 January 2011)
K Liddle (resigned 13 January 2011)
J King (appointed 14 January 2011)

The following additional committees have been disclosed in accordance with APF II, APS 4.12:

Housing Appeal Panel (appointed by the Minister)

M Castles
G Cotton Kenny (resigned 1 August 2010)
K Dahl
U Dahl
A Faulkner
C Finn
A King
K McEvoy
A McLean
J Moularadellis (resigned 15 February 2011)
K O'Keefe (resigned 18 April 2011)

Homes for 100 Project Committee (dissolved 31 December 2010)

W Cossey (Chair)
J Birkill
M Dyason
E Clare
M Curran(1)
C Bruno(1)
S Carman(1)

Westwood Urban Renewal Project Committee (appointed under the terms of the Westwood Agreement)

D Atkinson (appointed 10 May 2011)(1)
M Devine
K Gligic (resigned 10 May 2011)(1)
C Menz (resigned 15 June 2011)
D O'Loughlin(1)
S Russell (resigned 9 July 2010)
R Payze

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

Remuneration of board and committee members (continued)

The fees paid to board members in their capacity as board members are set by Executive Council.

The number of board and committee members whose remuneration from the Trust falls within the following bands:	2011 Number	2010 Number
$0 - $9 999	27	42
$10 000 - $19 999	7	1
$20 000 - $29 999	2	1
$30 000 - $39 999	3	1
$40 000 - $49 999	-	4
$60 000 - $69 999	-	1
Total	39	50

	2011 $'000	2010 $'000
Total remuneration received, or due and received by board and committee members	297	368
Amounts paid to a superannuation plan for board and committee members	28	30

Transactions with members were on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

7. Supplies and services

Supplies and services provided by entities within the SA Government:		
Operating lease	6 097	5 420
Insurance	2 188	2 106
Accommodation expenses	1 882	1 483
Audit fees - Auditor-General's Department[1]	411	382
Debt management	370	438
Travel and accommodation	230	-
Communications	155	-
Administration expenses	138	-
Early repayment of loan	-	725
Contractors	-	61
Total supplies and services - SA Government entities	11 471	10 615
Supplies and services provided by entities external to the SA Government:		
Contractors	4 680	5 316
Insurance	3 754	3 563
Computer expenses	2 783	1 751
Printing, stationery and postage	1 803	1 603
Accommodation expenses	1 704	3 213
Administration expenses	1 643	1 653
Operating lease	949	922
Travel and accommodation	808	954
Tenant relocation	745	588
Agent fees	615	611
Communications	578	703
Other customer related expenses	426	594
Staff development	390	330
Debt management	179	202
Consultants	138	220
Brokerage	65	54
Charged to capital program	(1 626)	(3 828)
Total supplies and services - non-SA Government entities	19 634	18 449
Total supplies and services	31 105	29 064

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

7. 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:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	2	13	7	16
$10 000 - $50 000	5	125	7	101
Above $50 000	-	-	1	103
Total paid/payable to the consultants engaged	7	138	15	220

8. Business service fees

	2011 $'000	2010 $'000
Computing services and processing charges	7 204	7 680
Motor vehicles hire charges	3 568	3 506
Legal and financial services	467	299
GST expense	1 053	1 116
Staff development	1 108	1 095
Human resources services	1 315	1 258
Records management and mail services	609	672
Administration premises management	753	1 039
Procurement services	1 187	727
Geographical information services	788	769
Payroll services	559	517
Internal audit	512	500
Business planning, strategy and quality assurance	274	236
Insurance	210	205
Media and communications services	214	219
SA Government shared services	2 124	1 525
Telecommunications management and charges	313	298
Total business service fees	22 258	21 661

9. Rental property expenses

Rental property expenses provided by entities within the SA Government:		
Land tax equivalent	185 042	163 878
Water rates	28 409	26 970
Stamp duty and search fees	118	3 129
Valuations	144	281
Emergency Services levy	168	169
Total rental property expenses - SA Government entities	213 881	194 427
Rental property expenses provided by entities external to the SA Government:		
Maintenance	104 261	102 539
Council rates	39 298	37 138
Construction variances	1 265	1 133
Property expenses	160	73
Total rental property expenses - non-SA Government entities	144 984	140 883
Total rental property expenses	358 865	335 310

10. Depreciation and amortisation

Depreciation:		
Rental properties	74 844	73 011
Assets under arrangement	9 608	9 184
Plant and equipment	206	323
Administrative properties	169	165
Total depreciation	84 827	82 683
Amortisation:		
Intangible assets	1 484	1 459
Leasehold improvements	917	799
Total amortisation	2 401	2 258
Total depreciation and amortisation	87 228	84 941

		2011	2010
11.	**Grants and subsidies**	2011	2010
	Grants and subsidies paid/payable to entities within the SA Government:	$'000	$'000
	Private rental assistance	5 250	3 198
	National Affordable Housing Agreement: Specialist Homelessness Services	2 047	2 272
	National Partnership Agreement: Homelessness	1 028	1 163
	Affordable housing grants	836	2 163
	Disability SA group home fitout subsidy	236	-
	Nunga loan subsidy	150	150
	Subsidies to other housing providers	88	138
	Other recurrent grants	16	74
	Total grants and subsidies - SA Government entities	9 651	9 158
	Grants and subsidies paid/payable to entities external to the SA Government:		
	National Affordable Housing Agreement: Specialist Homelessness Services	31 341	30 148
	Affordable housing grants	16 154	20 207
	National Partnership Agreements:		
	Homelessness	12 681	3 929
	Social Housing	5 937	6 527
	Remote Indigenous Housing	1 310	3 019
	Private rental assistance	6 880	5 909
	Indigenous Community Housing program	4 875	7 954
	Subsidies to other housing providers	1 983	2 267
	National Rental Affordability Scheme subsidies	635	-
	CHO maintenance liability	500	-
	Crisis accommodation	366	441
	APY Lands Environmental Health program	362	-
	Subsidies to CHOs	278	258
	APY Septic Intervention program	-	376
	Total grants and subsidies - non-SA Government entities	83 302	81 035
	Total grants and subsidies	92 953	90 193
12.	**Finance costs**		
	Interest on borrowings	27 400	32 257
	Treasurer's guarantee fee	9 272	5 332
	Total finance costs - SA Government entities	36 672	37 589
13.	**Impairment expenses**		
	Impairment expenses paid/payable to entities external to the SA Government:		
	Asset write-offs(1)	15 221	11 228
	Bad debts expense	7 351	5 212
	Doubtful debts expense	1 233	4 024
	Total impairment expenses - non-SA Government entities	23 805	20 464

(1) Expensing of book value of assets demolished.

		2011	2010
14.	**Rental income**		
	Rent received/receivable from entities external to the SA Government:		
	Market rent income	468 224	453 079
	Rental rebates	(226 447)	(220 122)
	Other rent	6 421	6 622
	Total rental income - non-SA Government entities	248 198	239 579
15.	**Interest revenue**		
	Interest from entities within the SA Government	13 304	9 099
	Interest from entities external to the SA Government	98	82
	Total interest revenue	13 402	9 181
16.	**Net gain from disposal of assets**		
	Rental properties:		
	Proceeds from disposal	92 898	83 042
	Net book value of assets disposed(1)	92 825	78 099
	Net gain from disposal of rental properties	73	4 943

16.	**Net gain from disposal of assets (continued)**	2011	2010
	Administration properties:	$'000	$'000
	Proceeds from disposal	985	424
	Net book value of assets disposed(1)	1 217	84
	Net gain from disposal of administration properties	(232)	340
	Inventory- capital work in progress		
	Proceeds from disposal	90 522	87 477
	Net book value of assets disposed(1)	48 495	57 577
	Net gain from disposal of completed assets	42 027	29 900
	Inventory - vacant land:		
	Proceeds from disposal	1 621	7 725
	Net book value of assets disposed(1)	1 332	5 537
	Net gain from disposal of vacant land	289	2 188
	Total assets:		
	Total proceeds from disposal	186 026	178 668
	Total net book value of assets disposed(1)	143 869	141 297
	Total net gain from disposal of assets	42 157	37 371

(1) The cost of sales comprise the carrying amount of the properties at the depreciated Valuer-General's property valuations, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

17.	**Recoveries**	2011	2010
	Recoveries received/receivable from entities within the SA Government:	$'000	$'000
	Administrative services to other agencies	413	560
	TVSP recoveries	511	-
	Other	138	133
	Total recoveries - SA Government entities	1 062	693
	Recoveries received/receivable from entities external to the SA Government:		
	Maintenance	5 088	4 807
	Private Rental Assistance	4 304	3 269
	Water charges	6 702	7 810
	Housing Improvement Act 1940 recoveries	-	33
	General service recoveries	489	465
	Grant recoveries	761	363
	Insurance	264	34
	Other	337	26
	Total recoveries - non-SA Government entities	17 945	16 807
	Total recoveries	19 007	17 500

18.	**Recurrent Commonwealth revenues**		
	National Affordable Housing Agreement base funding	95 852	94 871
	National Partnership Agreements:		
	Homelessness	7 796	5 408
	Remote Indigenous Housing	3 535	63 345
	Sturt Street Accommodation program	262	258
	Fixing Houses for Better Health program	75	75
	Homelessness Regional Alliance	110	110
	Umeewarra Mission	-	50
	Total recurrent Commonwealth revenues	107 630	164 117

19.	**Capital Commonwealth revenues**		
	National Partnership Agreements:		
	Nation Building - Economic Stimulus Plan	84 855	299 192
	Remote Indigenous Housing	15 846	34 565
	Social Housing	-	14 990
	Homelessness	1 817	1 817
	National Housing Affordability Fund	100	9 600
	Total capital Commonwealth revenues	102 618	360 164

20. Other revenue

	2011 $'000	2010 $'000
Other revenue received/receivable from entities within the SA Government:		
Interest discount due to early repayment of loans	6 107	1 425
Total other revenue - SA Government entities	6 107	1 425
Other revenue received/receivable from entities external to the SA Government:		
Bad debts recovered	3 959	3 854
Assets received free of charge	520	1 210
Sundry revenue	492	1 577
Total other revenue - non-SA Government entities	4 971	6 641
Total other revenue	11 078	8 066

21. Recurrent revenues from SA Government

	2011 $'000	2010 $'000
Tax equivalent reimbursement	185 042	188 335
General purpose grant	43 908	43 715
National Partnership Agreement: Homelessness	6 550	6 550
APY Lands Environmental Health program	360	-
Total recurrent revenues from SA Government	235 860	238 600

22. Capital revenues from SA Government

	2011 $'000	2010 $'000
Strathmont Centre redevelopment	3	1 250
Disability housing '7 for 9' replacement	4 357	-
Total capital revenues from SA Government	4 360	1 250

23. Cash and cash equivalents

	2011 $'000	2010 $'000
Cash held in SAFA Cash Management Fund	154 839	206 539
Deposits with the Treasurer	113 209	132 314
Cash - development projects	1 442	1 478
Cash on hand	37	36
Total cash and cash equivalents	269 527	340 367

Deposits with the Treasurer

Relates to working cash held in the Westpac working account through the DTF.

Cash - development projects

Relates to ANZ accounts held for the Playford and Westwood development projects.

Interest rates applicable at 30 June 2011

Deposits with the Treasurer: 4.4 percent - 4.65 percent (2.85 percent - 4.07 percent).
Cash - development projects: 1.25 percent - 4.92 percent (0.77 percent - 4.55 percent).
Cash held at SAFA Cash Management Fund: 4.84 percent - 5.1 percent (3.16 percent - 4.67 percent).

The cash balance includes funds relating to the Affordable Housing Initiative, the movements in the funds cash balance are as follows:

	2011 $'000	2010 $'000
Affordable Housing Initiative Fund balance at 1 July	24 224	44 830
Interest revenue	3 304	3 108
Affordable Housing Initiative Fund land sales revenue	-	690
Approved payments from the Fund	(16 153)	(24 404)
Affordable Housing Initiative Fund balance at 30 June	11 375	24 224

24. Receivables

	2011 $'000	2010 $'000
Current:		
Receivables	29 901	31 837
Allowance for doubtful debts	(17 933)	(16 700)
Income tax equivalent	-	21 414
Accrued revenues	2 218	2 247
GST receivable	-	228
Prepayments	616	115
Total current receivables	14 802	39 141
Total receivables	14 802	39 141

Government/non-government receivables	2011	2010
Receivables from SA Government entities:	$'000	$'000
Receivables	3 772	4 870
Accrued revenues	1 719	1 652
Prepayments	123	-
Income tax equivalent	-	21 414
GST receivable from DFC	-	228
Total receivables - SA Government entities	5 614	28 164
Receivables from non-SA Government entities:		
Receivables	8 196	10 267
Accrued revenues	499	595
Prepayments	493	115
Total receivables - non-SA Government entities	9 188	10 977
Total receivables	14 802	39 141

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days.

Other than what is recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being received on demand. The credit risk is concentrated in the rental area due to the nature of the business of the Trust.

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

The Trust has some minor interest bearing receivables relating to shared home ownership mortgages.

Allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment has been recognised in impairment expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss):	2011	2010
	$'000	$'000
Carrying amount at 1 July	16 700	12 676
Increase in the provision	8 584	9 236
Amounts written off	(7 351)	(5 212)
Carrying amount at 30 June	17 933	16 700

Bad and doubtful debts

The Trust has recognised a bad and doubtful debts expense of $8.584 million ($9.236 million) in the Statement of Comprehensive Income.

Maturity analysis of receivables – refer note 38.

Categorisation of financial instruments and risk exposure information – refer note 38.

25. Inventories

	2011	2010
Current:	$'000	$'000
Capital work in progress	86 650	100 770
Developed land	10 092	12 919
Vacant land	1 509	883
Total current inventories	98 251	114 572
Non-current:		
Capital work in progress	3 907	3 344
Total non-current inventories	3 907	3 344
Total inventories	102 158	117 916

26. Non-current assets classified as held for sale

	2011	2010
	$'000	$'000
Land	17 204	17 435
Buildings	14 068	14 829
Total non-current assets classified as held for sale	31 272	32 264

27. Property, plant and equipment

Rental properties:		
Land:		
Land at fair value	4 883 025	4 292 693
Buildings:		
Buildings at fair value	3 812 008	3 669 943
Accumulated depreciation	(50 514)	(48 790)
Total buildings	3 761 494	3 621 153
Total rental properties	8 644 519	7 913 846
Administrative properties:		
Land:		
Freehold land	2 080	1 912
Buildings:		
Buildings	3 202	2 850
Accumulated depreciation	(96)	(103)
Total buildings	3 106	2 747
Leasehold improvements:		
Leasehold improvements	7 506	7 341
Accumulated depreciation	(4 997)	(4 080)
Total leasehold improvements	2 509	3 261
Total administrative properties	7 695	7 920
Assets under arrangement:		
Land:		
Assets under arrangement	579 894	492 925
Buildings:		
Assets under arrangement	511 525	470 707
Accumulated depreciation	(6 432)	(6 082)
Total assets under arrangement - buildings	505 093	464 625
Total assets under arrangement	1 084 987	957 550
Vacant land:		
Land:		
Freehold land	68 647	62 167
Total vacant land	68 647	62 167
APY leased properties		
Land:		
APY land	91	-
Buildings:		
APY buildings	32 704	-
Total APY leased properties - buildings	32 704	-
Total APY leased properties	32 795	-
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	3 002	2 721
Accumulated depreciation	(1 520)	(1 489)
Total plant and equipment	1 482	1 232
Capital work in progress:		
Buildings	236 203	281 033
Total capital work in progress	236 203	281 033
Total property, plant and equipment	10 076 328	9 223 748
Total property, plant and equipment at fair value	9 900 682	9 000 538
Total property, plant and equipment at cost	239 205	283 754
Total accumulated depreciation	(63 559)	(60 544)
Total property, plant and equipment	10 076 328	9 223 748

27. Property, plant and equipment (continued)

Refer note 39 for reconciliation of property plant and equipment.

28. Intangible assets

	2011	2010
Computer software:	$'000	$'000
Internally generated computer software	6 897	6 664
Accumulated amortisation	(4 545)	(3 061)
Total computer software	2 352	3 603
Work in progress computer system development	3 397	1 578
Total work in progress computer system development	3 397	1 578
Total intangible assets	5 749	5 181

	Internally generated software		Work in progress computer system development		Total	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3 603	1 543	1 578	3 058	5 181	4 601
Additions	612	3 519	2 431	2 039	3 043	5 558
Transfers to internally generated software	-	-	(612)	(3 519)	(612)	(3 519)
Transfer to other asset categories	(379)	-	-	-	(379)	-
Amortisation	(1 484)	(1 459)	-	-	(1 484)	(1 459)
Balance at 30 June	2 352	3 603	3 397	1 578	5 749	5 181

29. Payables

	2011	2010
Current:	$'000	$'000
Creditors	44 663	35 555
Income tax equivalent	-	21 414
Accrued expenses	4 631	8 501
Staff on-costs	1 046	1 304
GST payable	906	-
Total current payables	51 246	66 774
Non-current:		
Staff on-costs	1 247	1 350
Total non-current payables	1 247	1 350
Total payables	52 493	68 124
Payables to SA Government entities:		
Creditors	22 716	6 342
Accrued expenses	3 279	3 135
Income tax equivalent	-	21 414
Staff on-costs	2 293	2 654
GST payable to DFC	906	-
Total payables - SA Government entities	29 194	33 545
Payables to non-SA Government entities:		
Creditors	21 947	29 213
Accrued expenses	1 352	5 366
Total payables - non-SA Government entities	23 299	34 579
Total payables	52 493	68 124

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Maturity analysis of payables - refer note 38.

Categorisation of financial instruments and risk exposure information - refer note 38.

30. Staff entitlements

	2011	2010
Current:	$'000	$'000
Annual leave	5 763	5 334
Long service leave	1 586	1 513
Accrued salaries and wages	-	1 867
Total current staff entitlements	7 349	8 714
Non-current:		
Long service leave	14 278	13 619
Total non-current staff entitlements	14 278	13 619
Total staff entitlements	21 627	22 333

As a result of an actuarial assessment performed by the DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $202 000 and staff on-costs of $18 000. The impact on future periods can not be estimated reliably.

31. Interest bearing liabilities

	2011	2010
Current:	$'000	$'000
Borrowings - DTF	14 873	16 254
Managed Houses Scheme	243	243
Total current interest bearing liabilities	15 116	16 497
Non-current:		
Borrowings - DTF	541 459	605 289
Managed Houses Scheme	2 489	2 732
Total non-current interest bearing liabilities	543 948	608 021
Total interest bearing liabilities - SA Government entities	559 064	624 518

DTF loans consist of concessional interest rate borrowings (originally under the Commonwealth State Housing Agreement), of $556.3 million ($621.5 million) which are repayable over a period of 31 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 4 percent to 5 percent (4 percent to 5 percent). The weighted average interest rate is 4.5 percent (4.4 percent).

The fair value of the DTF loans is $486.954 million ($548.683 million).

32. Provisions

	2011	2010
Current:	$'000	$'000
Public risk	911	1 272
Workers compensation	1 024	790
Professional indemnity	194	196
General insurance	54	51
Total current provisions - SA Government entities	2 183	2 309
Non-current:		
Workers compensation	3 207	2 466
General insurance	69	115
Total non-current provisions - SA Government entities	3 276	2 581
Total provisions	5 459	4 890

	Public risk	Workers compensation	Professional indemnity	General insurance	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	1 272	3 256	196	166	4 890
Additional provisions recognised	1 220	2 769	76	-	4 065
Reduction in provisions	(1 396)	-	(66)	(43)	(1 505)
Payments made	(185)	(1 794)	(12)	-	(1 991)
Carrying amount at 30 June	911	4 231	194	123	5 459

33. Other liabilities

	2011	2010
Current:	$'000	$'000
Rent received in advance	8 554	6 719
Deposits held:		
Tenant deposits held	2 326	2 260
Sale deposits held	247	417
Unearned revenue	188	199
Total current other liabilities	11 315	9 595
Non-current:		
Unearned revenue	1 925	2 113
Total non-current other liabilities	1 925	2 113
Total other liabilities	13 240	11 708
Other liabilities - SA Government entities:		
Unearned revenue	1 416	1 542
Total other liabilities - SA Government entities	1 416	1 542
Other liabilities - non-SA Government entities:		
Rent received in advance	8 554	6 719
Unearned revenue	697	770
Deposits held:		
Tenant deposits held	2 326	2 260
Sale deposits held	247	417
Total other liabilities - non-SA Government entities	11 824	10 166
Total other liabilities	13 240	11 708

34. Unrecognised contractual commitments

Remuneration commitments

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

	2011	2010
	$'000	$'000
Not later than one year	7 724	6 847
Later than one year but not later than five years	4 887	5 143
Later than five years	-	-
Total remuneration commitments	12 611	11 990

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

Capital commitments

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

	2011	2010
	$'000	$'000
Not later than one year	85 104	164 795
Later than one year but not later than five years	5 627	13
Later than five years	-	-
Total capital commitments	90 731	164 808

Recurrent commitments

The Trust's recurrent commitments are for agreements for expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable, are as follows:

Not later than one year	48 819	3 877
Later than one year but not later than five years	41 842	-
Later than five years	-	-
Total recurrent commitments	90 661	3 877

Management agreement commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with the Superannuation Funds Management Corporation of South Australia and Colonial First State (formerly Motor Accident Commission) which are contracted but not provided for are payable as follows:

	2011	2010
	$'000	$'000
Not later than one year	300	291
Later than one year but not later than five years	5 114	4 960
Later than five years	10 259	11 516
Total management agreement commitments	15 673	16 767

Operating lease commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

Commitments under non-cancellable operating leases at the reporting date that are not recognised as liabilities in the financial statements, are payable as follows:

	2011	2010
	$'000	$'000
Not later than one year	7 901	8 103
Later than one year but not later than five years	22 437	22 182
Later than five years	19 414	15 807
Total operating lease commitments	49 752	46 092

35. Contingent assets and liabilities

Contingent assets

The Trust does not have any contingent assets as at 30 June 2011.

Contingent liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 35 (36) of the properties included in the scheme are subject to mortgages with a collective loan balance of $928 000 ($959 000). The tenants' share of the value of the properties subject to mortgage is estimated to be $4.642 million ($4.722 million), based on the Valuer-General's overall capital value.

Rental purchase and sale under agreement house purchase schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are nine (10) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $1.809 million ($2.01 million). These properties together with the Trust's rental properties are subject to an agency agreement with SAICORP and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to $1 million.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2011 is $26.235 million ($20.612 million). The value of claims made this financial year is $4.049 million ($3.071 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Equity shares

The SACCH Act provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative or association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant co-operatives or associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2011 is $9.701 million ($9.423 million).

36. Unexpended funding commitments

Unspent grant commitments

The following table shows grant revenue received during the financial year, but which remained unspent at year end.

	2011 $'000	2010 $'000
Unspent SA Government revenues:		
National Partnership Agreement: Homelessness	6 550	6 550
Total unspent SA Government commitments	6 550	6 550
Unspent Commonwealth revenues:		
National Partnership Agreements:		
Nation Building - Economic Stimulus Plan	84 855	159 740
Remote Indigenous Housing	19 381	82 985
Homelessness	1 738	2 826
Social Housing	-	11 734
Sturt Street Supported Tenancy Accommodation	-	181
National Housing Affordability Fund	-	9 600
Homelessness Regional Alliance	110	110
Fixing Houses for Better Health	-	21
Umeewarra Mission	-	50
Total unspent Commonwealth grant commitments	106 084	267 247
Total unspent grants	112 634	273 797

All grants are subject to written agreements outlining the conditions of the funding, including the objectives, outcomes, performance criteria and reporting obligations. Non-compliance with these conditions may result in the Commonwealth or State recovering parts of the funding in accordance with the implementation plans (where applicable) for each agreement. The conditions attached to these grants can be summarised as:

National Partnership Agreement: Homelessness
A matching contribution by the State Government to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons.

National Partnership Agreement: Nation Building - Economic Stimulus Plan
Funding is contingent on the State agreeing to implement a number of reforms in the social housing sector and making a detailed periodic progress report to the Council of Australian Governments. The reforms include increasing the supply of social housing dwellings through construction of environmentally sustainable dwellings or major upgrade of existing uninhabitable dwellings, integration of public and community housing waiting lists, implementation of support programs for social housing tenants to transition to affordable private rental or home ownership, facilitating the transition from homelessness to secure accommodation and locating social housing closer to transport, facilities and employment opportunities.

National Partnership Agreement: Remote Indigenous Housing
Funding is granted for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring ongoing maintenance and management of rental houses in remote indigenous communities.

National Partnership Agreement: Homelessness
The Commonwealth Government provides grants to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons. This is supported by the state matching component.

Sturt Street Supported Tenancy Accommodation
Funding has been granted for the purpose of providing intensive support for six indigenous women/family groups at any one time for three to six months in purpose-built transitional accommodation in Sturt Street, Adelaide and other support services. The project will also provide post-transition support to the groups for up to six to 12 months after they exit the accommodation.

National Partnership Agreement: Social Housing
Grants under this program are made on the basis that the funds will be used to construct new social housing dwellings within two years of the funding being allocated and need to address current social housing issues (eg decrease homelessness, improve housing opportunities for indigenous Australians, support growth of not-for-profit sector).

National Housing Affordability Fund
Funds are to be used to subsidise the development of infrastructure in the Woodville West Urban Renewal Project area, and thereby contribute to the delivery of affordable housing.

Homelessness Regional Alliance
Funding is provided to enable implementation of regional alliance planning across mainstream and specialist homelessness services, with the objective of detailing strategies on how to reduce substance abuse and homelessness across regions in South Australia.

Umeewarra Mission
Funding is provided as a contribution towards the demolition of several buildings at Umeewarra Mission, which are in a poor state of repair and are considered beyond salvage or restoration.

Fixing Houses For Better Health
Funds are to be used to employ a project officer to assist with the integration of the Commonwealth Government's Fixing Houses for Better Health principles into wider indigenous housing programs.

Of the revenue reported as unspent at 30 June 2010 $76.392 million remains unspent at 30 June 2011. This total comprises the following: $1.458 million for the National Partnership Agreement: Homelessness (State matching funds), $12.88 million National Partnership Agreement: Nation Building – Economic Stimulus Plan, $52.64 million National Partnership Agreement: Remote Indigenous Housing, $2.209 million National Partnership Agreement: Social Housing, $7.097 million Housing Affordability Fund, $58 000 Homelessness Regional Alliance and $50 000 for the Umeewarra Mission program. These amounts have been incorporated into approved budgets for future expenditure.

Of the revenue reported as unspent in previous years $6.332 million remains unspent at 30 June 2011. This total is all related to the Crisis Accommodation program. This amount has been incorporated into approved budgets for future expenditure.

37. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Statement of Cash Flows	269 527	340 367
Statement of Financial Position	269 527	340 367

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

	2011	2010
Net cash provided by (used in) operating activities	(2 260)	309 185
Revenues from SA Government	(262 022)	(223 334)
	(264 282)	85 851
Non-cash items:		
Depreciation and amortisation	(87 228)	(84 941)
Loan amortisation	243	243
Assets received free of charge	520	1 210
Allowance for doubtful debts	(1 233)	(4 024)
Provision adjustment	1 905	(2 708)
Construction variance, surplus on property	(1 265)	(1 133)
Buildings and other assets written off	(14 068)	(11 228)
	(101 126)	(102 581)
Changes in assets/liabilities:		
Increase (Decrease) in receivables	(2 457)	5 430
Increase (Decrease) in property, plant and equipment	179 135	174 989
Decrease (Increase) in payables	15 631	(12 585)
Decrease (Increase) in staff entitlements	706	(1 835)
Decrease (Increase) in provisions	(2 474)	2 079
Decrease (Increase) in other liabilities	(1 532)	789
	189 009	168 867
Net cost of providing services	(176 399)	152 137

38. Financial instruments/Financial risk management

Categorisation of financial instruments

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

Categorisation of financial instruments (continued)

	Note	2011 Carrying amount $'000	2011 Fair value $'000	2010 Carrying amount $'000	2010 Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	23	269 527	269 527	340 367	340 367
Loans and receivables:					
Receivables (at cost)	24	14 186	14 186	16 996	16 996
Financial liabilities					
Payables:					
Payables (at cost)	29	48 327	48 327	42 345	42 345
Borrowings:					
Interest bearing liabilities (at cost)	31	559 064	489 686	624 518	551 658

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

Credit risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Trust does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

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

	Past due by			
2011	Overdue for less than 30 days $'000	Overdue for 30-90 days $'000	Overdue for more than 90 days $'000	Total $'000
Not impaired:				
Receivables	10 093	-	-	10 093
Impaired:				
Receivables	5 631	493	15 902	22 026*
2010				
Not impaired:				
Receivables	13 117	-	-	13 117
Impaired:				
Receivables	5 672	248	14 659	20 579*

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

* Gross amount before application of allowance for doubtful debts.

Maturity analysis of financial assets and liabilities

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

	Contractual maturity			
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	269 527	269 527	-	-
Receivables	14 186	8 274	5 866	46
Total financial assets	283 713	277 801	5 866	46
Financial liabilities:				
Payables	48 327	48 327	-	-
Interest bearing liabilities	559 064	15 116	65 329	478 619
Total financial liabilities	607 391	63 443	65 329	478 619

Maturity analysis of financial assets and liabilities (continued)

		Contractual maturity		
2010	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	340 367	340 367	-	-
Receivables	16 996	4 139	12 713	144
Total financial assets	357 363	344 506	12 713	144
Financial liabilities:				
Payables	42 345	42 345	-	-
Interest bearing liabilities	624 518	16 497	70 159	537 862
Total financial liabilities	666 863	58 842	70 159	537 862

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

39. Reconciliation of property, plant and equipment

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

	Rental properties - land		Rental properties - buildings		Admin properties - land	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	4 292 693	3 948 132	3 621 153	3 578 851	1 912	1 877
Additions	-	215	-	195	-	-
Transfer in from other asset category	115 371	48 442	189 736	69 393	179	54
Maintenance upgrades	-	-	25 901	31 100	-	-
Assets classified as held for sale	(1 397)	(10 825)	(231)	(7 198)	-	(210)
Disposals	(48 456)	(36 224)	(34 371)	(30 797)	(79)	(81)
Transfer out to other asset category	(78 661)	(87 729)	(34 799)	(34 492)	-	-
Revaluation increment	603 475	430 682	68 212	86 491	68	272
Depreciation and amortisation expenses	-	-	(74 844)	(73 011)	-	-
Depreciation and amortisation on disposals	-	-	737	621	-	-
Carrying amount at 30 June	4 883 025	4 292 693	3 761 494	3 621 153	2 080	1 912

	Admin properties - buildings		Admin properties - leasehold improvements		Assets under arrangement - land	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	2 747	3 426	3 261	3 556	492 925	447 093
Additions	-	-	649	3 197	-	-
Transfer in from other asset category	481	85	-	-	23 525	12 739
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	(992)	-	-	-	-
Disposals	(133)	(3)	-	-	(189)	(1 788)
Transfer out to other asset category	-	-	(484)	(2 861)	(9 503)	(10 218)
Revaluation increment	170	396	-	-	73 136	45 099
Depreciation and amortisation expenses	(169)	(165)	(917)	(800)	-	-
Depreciation and amortisation on disposals	10	-	-	169	-	-
Carrying amount at 30 June	3 106	2 747	2 509	3 261	579 894	492 925

	Assets under arrangement - buildings		Vacant land - land		APY leased properties - land	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	464 625	449 445	62 167	69 921	-	-
Additions	321	-	-	3 534	-	-
Transfer in from other asset category	50 509	25 469	21 968	55 581	-	-
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	(76)	(1 657)	(785)	(4 737)	-	-
Transfer out to other asset category	(4 250)	(5 751)	(33 000)	(64 233)	-	-
Revaluation increment	3 531	6 224	18 297	2 101	91	-
Depreciation and amortisation expenses	(9 608)	(9 184)	-	-	-	-
Depreciation and amortisation on disposals	41	79	-	-	-	-
Carrying amount at 30 June	505 093	464 625	68 647	62 167	91	-

39. Reconciliation of property, plant and equipment (continued)

	APY leased properties - buildings		Plant and equipment		Capital work in progress	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	-	-	1 232	1 170	281 033	87 443
Additions	-	-	456	187	273 470	255 631
Transfer in from other asset category	32 704	-	-	215	379 808	205 284
Maintenance upgrades	-	-	-	-	23 159	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer out to other asset category	-	-	(175)	(149)	(721 267)	(267 325)
Revaluation increment	-	-	-	-	-	-
Depreciation and amortisation expenses	-	-	(206)	(323)	-	-
Depreciation and amortisation on disposals	-	-	175	132	-	-
Carrying amount at 30 June	32 704	-	1 482	1 232	236 203	281 033

	Total property, plant and equipment	
	2011	2010
	$'000	$'000
Carrying amount at 1 July	9 223 748	8 590 914
Additions	274 896	262 959
Transfer in from other asset category	814 281	417 262
Maintenance upgrades	49 060	31 100
Assets classified as held for sale	(1 628)	(19 225)
Disposals	(84 089)	(75 287)
Transfer out to other asset category	(882 139)	(472 758)
Revaluation increment	766 980	571 265
Depreciation and amortisation expenses	(85 744)	(83 483)
Depreciation and amortisation on disposals	963	1 001
Carrying amount at 30 June	10 076 328	9 223 748

South Australian Metropolitan Fire Service

Functional responsibility

Establishment

The Fire and Emergency Services Act 2005 (FES Act) provides for the South Australian Metropolitan Fire Service (SAMFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). SAMFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian Metropolitan Fire Service
- South Australian State Emergency Service
- South Australian Country Fire Service.

Functions and funding

The SAMFS is the primary provider of structural fire fighting services to the State of South Australia.

SAFECOM is responsible for developing and maintaining strategic policy and a sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding state-wide emergency management.

SAFECOM provides various services in support of the SAMFS's primary functions, including financial management and accounting services. Also the operations of the SAMFS are financed by the Community Emergency Services Fund, established by the *Emergency Services Funding Act 1998*.

Status of the financial report

The financial report of the SAMFS for the year ended 30 June 2011 will be included in a Supplementary Report to Parliament together with the financial reports of SAFECOM and the other emergency services agencies.

The section of this Part of the Report relating to the 'South Australian Fire and Emergency Services Commission' explains the reason for the inclusion of SAMFS financial report in a Supplementary Report.

South Australian Motor Sport Board

Functional responsibility

Establishment

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

Functions

The main functions of the Board are to promote motor sport events within the State including entering into agreements, establishing a temporary motor racing circuit and conducting and managing motor racing events. For details of the Board's functions refer note 1 to the financial statements.

The Board comprises nine members appointed by the Governor and is subject to the general control and direction of the Minister for Motor Sport.

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with the South Australian Tourism Commission, the Board is responsible for staging the World Solar Challenge in October 2011.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 18(3) of the SAMS Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

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

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

Scope of audit

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

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

- payroll
- expenditure
- revenue
- procurement

- fixed assets
- general ledger
- cash at bank.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Board's financial statements.

> ***Basis for Qualified Opinion***
>
> *State Government grant - capital*
>
> *As detailed in note 2.8 of the financial report, funding received by the South Australian Motor Sport Board for race staging is recognised as a liability and subsequently amortised over five years. The current and non-current liabilities recognised for this are described as 'Deferred State Government grant - Capital' in the financial report. These liabilities total $719 000 as at 30 June 2011.*
>
> *State Government grant - infrastructure*
>
> *During the three years to 30 June 2009, the South Australian Motor Sport Board received grants from the State Government for construction of infrastructure. Of this, $18.7 million was spent on the capital costs of assets. The South Australian Motor Sport Board deferred recognising grant revenue for this amount by recognising current and non-current liabilities described as 'Deferred State Government grant - Infrastructure' in the Statement of Financial Position. Liabilities are being amortised to revenue over the estimated useful life of the infrastructure assets. As a result, only $4.8 million of the $18.7 million has been recognised as revenue. The remaining $13.9 million is recognised as current and non-current liabilities as at 30 June 2011.*
>
> *Requirements of Australian Accounting Standards and Treasurer's Instructions*
>
> *In my opinion, both the 'capital' and 'infrastructure' State Government grant funds received represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Accounting Policy Framework APF V 'Income Framework' issued pursuant to the Treasurer's Instructions. The State Government grants were controlled by the South Australian Motor Sport Board, met the income recognition criteria upon their receipt and consequently these grants should have been recorded as assets and income on receipt.*
>
> *The financial effect of not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:*
>
> — *Total income and Total comprehensive result are overstated by $1.6 million (overstated by $1.6 million for the year ended 30 June 2010)*
>
> — *Operating deficit is understated by $1.6 million (understated by $1.6 million for the year ended 30 June 2010)*
>
> — *Current liabilities are overstated $1.9 million (overstated by $1.8 million for the year ended 30 June 2010)*

- *Non-current liabilities are overstated by $12.7 million (overstated by $14.4 million for the year ended 30 June 2010)*
- *Total liabilities are overstated by $14.6 million (overstated by $16.2 million for the year ended 30 June 2010)*
- *Total equity is understated by $14.6 million (understated by $16.2 million for the year ended 30 June 2010).*

Qualified Opinion

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

Assessment of controls

In my opinion, the controls exercised by the South Australian Motor Sport 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 payment authorisations and implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Motor Sport Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the Board. Major matters raised with the Board and the related responses are detailed below.

Payment authorisations

Pursuant to TI 8 the Minister has authorised the Board and the Chief Executive to authorise payments up to $1 million and $500 000 respectively. The audit of expenditure found that, at the time of the audit the Board and the Chief Executive had not delegated their payment authority to any Board employees and the review of payments revealed many instances where payments were either not authorised or were authorised by a Board officer without delegated authority.

In response the Board advised the Head of Marketing and the Commercial Manager have now been delegated payment authority. They also advised that delegation to the Operations Manager, Engineering Manager, Finance Manager and Motor Sport Manager cannot be granted as they are not Board employees. Consequently all payments related to these functions will be authorised by the Chief Executive.

Implementation of TIs 2 and 28

Last year Audit identified the need for the Board to:

- review its policies and procedures against the requirements of TI 2
- develop and document a financial management compliance program which has regard to the Board's operations, organisation structure and financial management arrangements and responsibilities.

In response the Board advised that it would prepare a schedule which listed all policies and dates for their review and a financial management compliance program.

Follow-up in 2010-11 revealed that a financial management compliance program had been prepared and implemented. While it was observed that the Board had established a financial management policy and procedure review checklist, the Board had not finalised the review of its policies and procedures.

In response the Board advised that all policies and procedures have been reviewed and submitted to the Chief Executive and the Board for endorsement. They also advised policies and procedures will be reviewed on a regular basis.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011	2010
	$'000	$'000
Expenses		
Supplies and services	24	24
Depreciation and amortisation	2	2
Employee benefit expenses	1	1
Total expenses	27	27
Income		
State Government grants	4	4
User charges	19	20
Amortisation of grants	2	2
Total income	25	26
Operating surplus (deficit) and total comprehensive result	(2)	(1)
Net cash provided by (used in) operating activities	-	(1)
Assets		
Current assets	5	6
Non-current assets	17	18
Total assets	22	24
Liabilities		
Current liabilities	6	6
Non-current liabilities	13	14
Total liabilities	19	20
Total equity	3	4

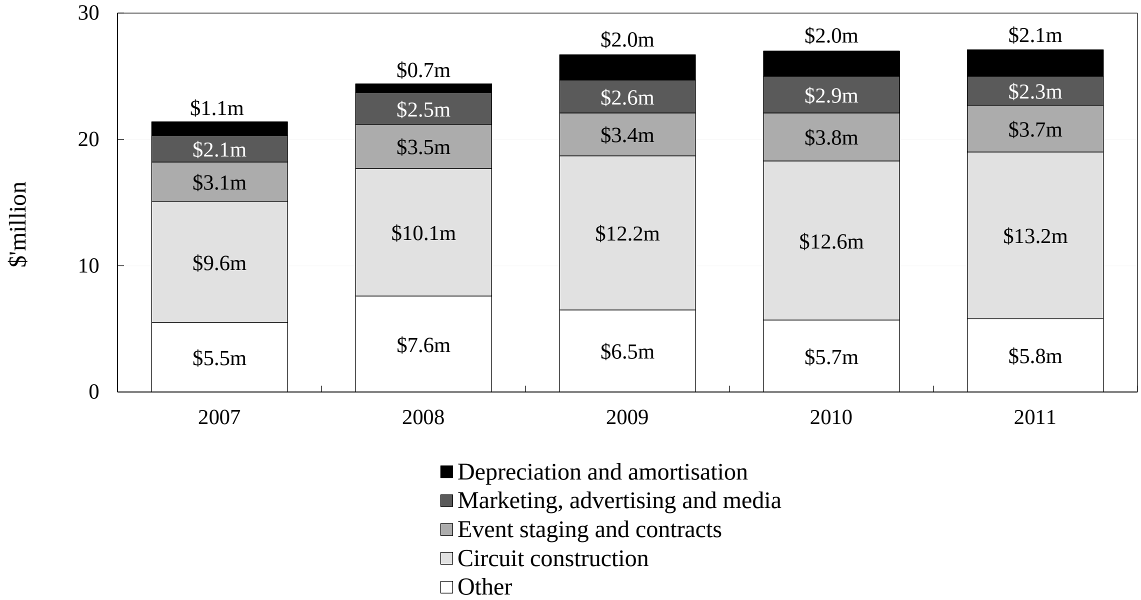
Statement of Comprehensive Income

Expenses

The Board's expenses for 2011 were broadly consistent with the previous year.

The Board's activities remain predominately delivered through contracted services and therefore salaries costs are comparatively low.

For the five years to 2011, a structural analysis of the main expense items for the Board is shown in the following chart.



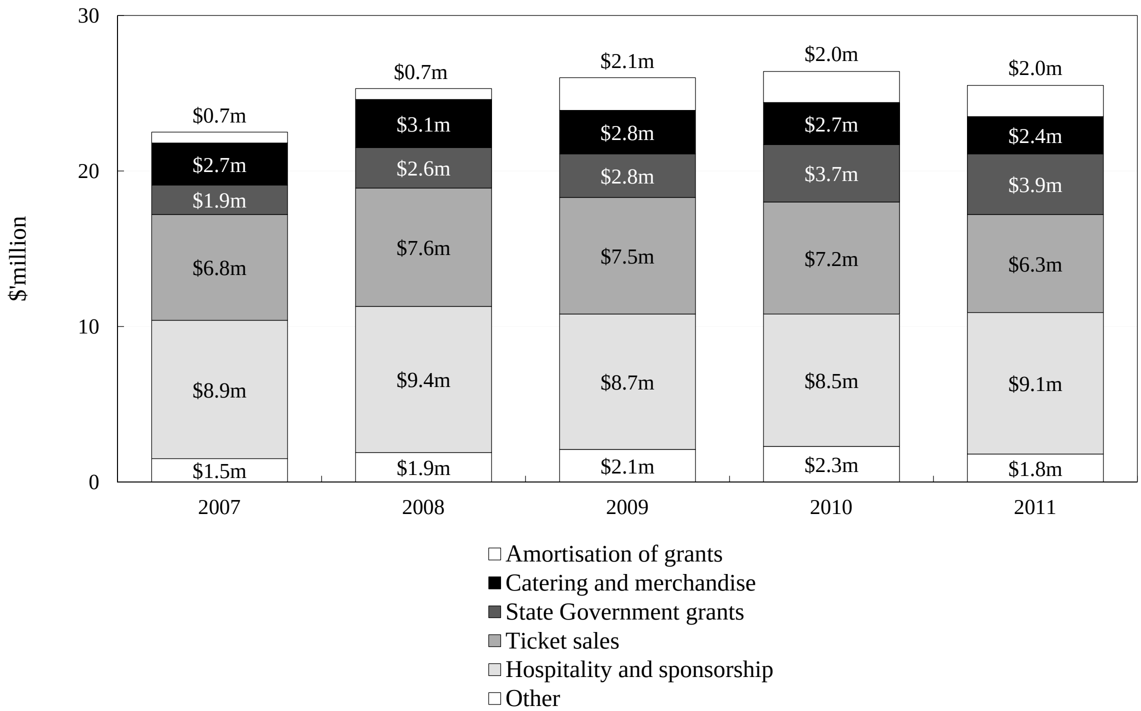
The chart illustrates that overall expenditure has remained steady since 2009, with a steady growth in the cost of circuit construction in the past three years offset by reductions in marketing, advertising and media and other expenditure category.

Income

The Board has not applied AASs and mandatory APFs when reporting its capital and infrastructure grant revenues. Reference should be made to note 2.8 to the Board's financial statements and to commentary provided under the heading 'Auditor's report on the financial report'.

The Board's decision not to apply APF V and AASB 1004 has resulted in an overstatement of income of $1.6 million ($1.6 million overstatement).

A structural analysis of income for the Board for the five years to 2011 is presented in the following chart.

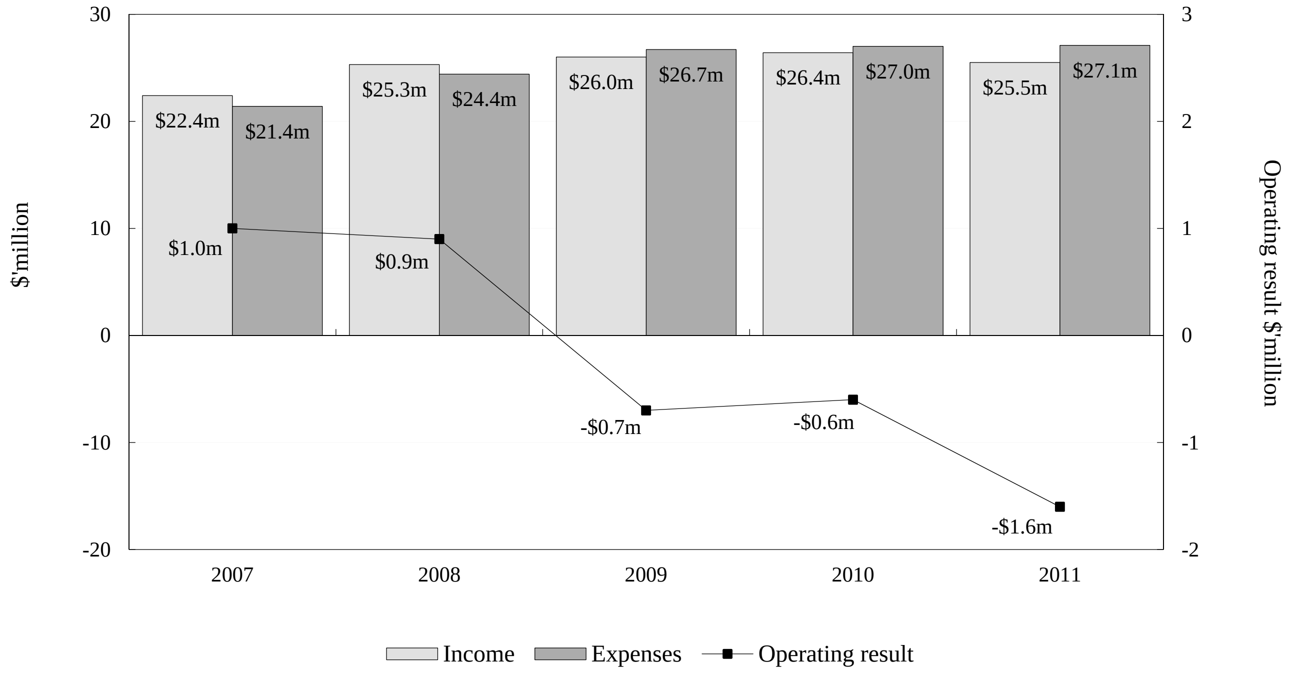


The chart illustrates that overall income has increased each year to 2010 and then decreased in 2011.

Income from conducting the principal event has steadily declined while State Government grants have increased each year.

Net result

The following chart shows the movement in income, expenses and the operating result for the current and preceding four years.



The Board recorded an operating deficit of $1.57 million ($646 000). This is the third operating deficit since 2000-01. The $924 000 increase in operating deficit is due to $861 000 reduction in income and $63 000 increase in expenditure previously discussed.

Statement of Cash Flows

Analysis of cash flows highlights that the operations of the Board generated a positive cash flow for the second time in the past four years and the Board is reliant upon support from the SA Government for its ongoing operations.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	0.4	(1.0)	(0.3)	0.6
Investing	-	-	(6.2)	7.1
Change in cash	0.4	(1.0)	(6.5)	7.7
Cash at 30 June	4.5	4.1	5.1	11.6

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
State Government operating grants	1	3 886	3 745
Interest	4	458	317
User charges	5	19 245	20 378
Amortisation of capital grants	2.8,13	369	379
Amortisation of infrastructure grants	2.8,13	1 585	1 585
Total income		25 543	26 404
Expenses:			
Supplies and services	6	23 667	23 611
Depreciation and amortisation	10	2 062	2 025
Employee benefit expenses	7	1 384	1 414
Total expenses		27 113	27 050
Operating surplus (deficit)		(1 570)	(646)
Total comprehensive result		(1 570)	(646)

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

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	8	4 469	4 099
Receivables	9	59	1 729
Total current assets		4 528	5 828
Non-current assets:			
Concrete safety barriers, other racing infrastructure, plant and equipment and leasehold improvements	10	17 010	18 726
Total non-current assets		17 010	18 726
Total assets		21 538	24 554
Current liabilities:			
Payables	11	4 185	3 996
Employee benefits	12	77	88
Deferred State Government grant - capital	13	289	299
Deferred State Government grant - infrastructure	13	1 585	1 585
Total current liabilities		6 136	5 968
Non-current liabilities:			
Payables	11	4	6
Employee benefits	12	26	44
Deferred State Government grant - capital	13	430	439
Deferred State Government grant - infrastructure	13	12 330	13 915
Total non-current liabilities		12 790	14 404
Total liabilities		18 926	20 372
Net assets		2 612	4 182
Equity:			
Reserve for extreme weather	2.12	846	1 000
Retained earnings		1 163	2 579
Asset revaluation surplus		603	603
Total equity		2 612	4 182

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	14		
Contingent assets and liabilities	15		

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

	Note	Reserve for extreme weather $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		1 000	603	3 225	4 828
Operating result for 2009-10		-	-	(646)	(646)
Total comprehensive result for 2009-10		-	-	(646)	(646)
Balance at 30 June 2010		1 000	603	2 579	4 182
Operating result for 2010-11		-	-	(1 570)	(1 570)
Total comprehensive result for 2010-11		-	-	(1 570)	(1 570)
Other transfers:	2.12				
Transfer from reserve for extreme weather		(154)	-	154	-
Total other transfers		(154)	-	154	-
Balance at 30 June 2011		846	603	1 163	2 612

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers and sponsors		21 208	23 366
Interest received		458	317
State Government contributions - operating		5 586	2 045
GST recovered from the ATO		947	1 069
Cash generated from operations		28 199	26 797
Cash outflows:			
Payments for supplies and services		(25 703)	(25 891)
Employee benefit payments		(1 412)	(1 360)
GST paid to the ATO		(718)	(573)
Cash used in operations		(27 833)	(27 824)
Net cash provided by (used in) operating activities	16.2	366	(1 027)
Cash flows from investing activities:			
Cash inflows:			
SA Government contributions - capital		350	400
Cash generated from investing activities		350	400
Cash outflows:			
Purchase of racing infrastructure, plant and equipment		(346)	(410)
Cash used in investing activities		(346)	(410)
Net cash provided by (used in) investing activities		4	(10)
Net increase (decrease) in cash and cash equivalents		370	(1 037)
Cash and cash equivalents at 1 July		4 009	5 136
Cash and cash equivalents at 30 June	16.1	4 469	4 099

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational structure, objectives and funding

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State
- undertake on behalf of the State the promotion of motor sport events
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with the South Australian Tourism Commission, the Board has assumed responsibility for the staging of the 'World Solar Challenge' in October 2011.

1. Organisational structure, objectives and funding (continued)

During the year, the Board received funding of $5.586 million for operating activities (of which $1.7 million related to 2009-10) and $350 000 for event staging capital from the State Government. The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia. A brilliant blend' logo.

The ongoing activities of the Board in promoting and staging motor sport events within South Australia are dependent on the ongoing financial support by the SA Government.

2. Statement of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provision of the PFAA except as described in note 2.8 below in relation to the Board's financial accounting and reporting treatment of the capital and infrastructure grant funds provided by the State Government.

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

2.2 Basis of accounting

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants (refer note 18)

  (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Board to those employees (refer note 7)

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement (refer note 19.3).

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

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

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

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

2.3 Reporting entity

The financial statements cover the South Australian Motor Sport Board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the SAMS Act.

2.4 Comparative information

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

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

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

2.5 Rounding

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

2.6 Taxation

The Board is exempt from income tax.

The Board is liable for payroll tax, FBT and GST.

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

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

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

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

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

2.7 Events after the reporting period

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

2.8 Amortisation of State Government grants

The State Government has since 1999 provided a total of $11.484 million for race staging capital. A further $23 million was provided for the infrastructure upgrade of which $4.33 million has been spent on non-capital items. The balance of $18.67 million is held as a non-current liability 'Deferred State Government grant - infrastructure' and is being amortised over the estimated useful life of the assets acquired. In 2010-11 $1.585 million has been amortised leaving a deferred SA Government grant - infrastructure liability of $13.915 million.

In accordance with International Accounting Standard 'Accounting for Government Grants and Disclosure of Government Assistance' (IAS 20), capital grants received for event staging capital are being amortised over a period of five years. The grants have been recognised as a deferred State Government grant - capital liability.

AASB 1004 and APF V require that a contribution to a not-for-profit entity must be recognised as an asset and income when the entity obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable). The Board believes that application of this policy would incorrectly report the operating result. If AASB 1004 and APF V had been applied, the result for the reporting period would have been as follows:

2.8 *Amortisation of State Government grants (continued)*

	2011		2010	
	AASB 1004		AASB 1004	
	APF V	IAS 20	APF V	IAS 20
Revenue - State Government grant:	$'000	$'000	$'000	$'000
Capital	350	-	400	-
Amortisation - State Government grant:				
Capital	-	369	-	379
Infrastructure	-	1585	-	1 585
Operating surplus (deficit)	(3 174)	(1 570)	(2 210)	(646)
Assets	21 538	21 538	24 554	24 554
Liabilities	4 292	18 926	4 134	20 372
Equity	17 246	2 612	20 420	4 182

Therefore the application of AASB 1004 and APF V would result in an operating deficit for the year of $3.17 million. The application of IAS 20 results in an operating deficit of $1.57 million which the Board believes to be a true reflection of the result for the year.

2.9 *Income and expenses*

Income, except as described in note 2.8, and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

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

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

Income

The following are specific recognition criteria:

Revenues from user charges

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenues from sales

Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

Interest income

Interest income includes interest received on term deposits and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Net gain from disposal of non-current assets

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

Expenses

The following are specific recognition criteria:

Employee benefit expenses

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Board to the superannuation plan in respect of current services of current Board employees.

Depreciation and amortisation
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

Class of asset	*Useful life (years)*
Concrete safety barriers	20
Other racing infrastructure, plant and equipment	1-20
Leasehold improvements	Life of lease

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

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

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

Assets
Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

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

Receivables arise in the normal course of selling goods and services to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Non-current assets
The Board does not own any land or permanent buildings.

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

  Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

- *Revaluation of non-current assets*
  All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

  Every five years, the Board revalues its concrete safety barriers, other racing infrastructure and plant and equipment. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

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

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

Liabilities
Payables
Payables include creditors, accrued expenses, GST payable, employment on-costs and funds held in trust.

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 Board.

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

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

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

Funds held in trust represent advance ticket sales, exclusive of GST, for the Year 2012 event.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Board has entered into operating leases.

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

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

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

  The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

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

2.12 Reserve for extreme weather

The Board believes that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board have considered that it is prudent and commercially sound to create a reserve for extreme weather at future events. This reserve ($1 million) was created by transfers from retained earnings and will be utilised at events adversely affected by rain or extreme heat. During the staging of the 2011 event, adverse weather conditions arose, the impact of which has been calculated at $154 000. This amount has been transferred from the reserve for extreme weather to retained earnings.

2.13 Staff arrangements

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2007* (PSE Act), came into operation on 1 April 2007.

The PSE Act amended the employment provisions of the SAMS Act to provide that the Chief Executive of DTF is to be the ‘employing authority’ of all staff of the Board. Prior to the operation of the PSE Act, the Board had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of DTF has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the SAMS Act.

As a consequence of the operation of the PSE Act, the Board is no longer able to be registered as a non-exempt employer with WorkCoverSA under subsection 59(1) of the WRCA. As an exempt (self-insured) employer the Board is required to recognise in the accounts a liability for outstanding workers compensation claims where applicable.

An independent actuarial valuation of the SA Government’s liability for workers compensation at 30 June 2011 was undertaken by Taylor Fry Consulting Actuaries. The valuation was based on reviews of specific agency groups and determined a valuation of $113 000 for the Board. This reflects the valuation agency group’s experience of employee numbers, claim numbers and payment history. As the Board has no history of workers compensation claims or payments, the Board has not recognised a workers compensation liability at the reporting date.

2.14 Unrecognised contractual commitments and contingent assets and liabilities

Operating lease and event staging commitments arising from contractual sources are disclosed at their nominal value.

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

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

2.15 Insurance

The Board has arranged, through SAICORP, a division of SAFA, to insure major risks of the Board. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Board has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Board to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 7.

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

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

4. Interest

	2011 $'000	2010 $'000
Interest from entities within the SA Government	442	308
Interest from entities external to the SA Government	16	9
Total interest	458	317

5. User charges

	2011 $'000	2010 $'000
User charges received receivable from entities within the SA Government:		
Other income	15	14
Sponsorship	509	590
Total user charges - SA Government	524	604
User charges received/receivable from entities external to the SA Government:		
Hospitality and sponsorship	9 064	8 536
Ticketing sales	6 293	7 157
Catering and merchandise	2 477	2 738
Entry fees	225	565
Asset hire	-	2
Other income	662	776
Total user charges - non-SA Government	18 721	19 774
Total user charges	19 245	20 378

6. Supplies and services

	2011 $'000	2010 $'000
Supplies and services provided by entities within the SA Government:		
Administration	164	117
Event staging and contracts	81	90
Marketing, advertising and media	91	108
Circuit construction	25	79
Total supplies and services - SA Government entities	361	394

6. Supplies and services (continued)

	2011	2010
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Circuit construction	13 200	12 535
Hospitality, sponsorship and ticketing costs	209	203
Catering and merchandise costs	1 092	1 088
Event staging and contracts	3 604	3 761
Entertainment	1 203	1 221
Security and ground staff	1 053	969
Administration	675	690
Marketing, advertising and media	2 270	2 750
Total supplies and services - non-SA Government entities	23 306	23 217
Total supplies and services	23 667	23 611

7. Employee benefit expenses

	2011	2010
Salaries, wages, annual and sick leave	1 212	1 234
Long service leave	4	7
Employment on-costs - superannuation	108	107
Employment on-costs - other	60	66
Total employee benefit expenses	1 384	1 414

Remuneration of employees

	2011	2010
The number of employees who received or were due to receive remuneration within the following bands were:	Number	Number
$140 700 - $150 699	-	1
$150 700 - $160 699	2	1
$160 700 - $170 699	1	-
$250 700 - $259 699	-	1
Total	3	3

The table includes all employees who received remuneration equal to or greater than the base executive level remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $465 000 ($554 000).

Accounting policy change

In accordance with the revised APF II, the Board has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. This change in accounting policy has had no impact on the number of employees disclosed for 2011 and 2010.

Total number of full-time equivalent staff at reporting date was 11.2 (11.2).

8. Cash and cash equivalents

	2011	2010
	$'000	$'000
Short-term deposits with SAFA	4 393	3 677
Cash on hand and at bank	76	422
	4 469	4 099

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. They are lodged with SAFA and earn interest at the respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate, based on daily deposit rates. The average interest rate for the reporting period was 4.3 percent (3.3 percent). The carrying amount of cash and cash equivalents represents fair value.

9. Receivables

	2011	2010
Current:	$'000	$'000
State Government operating grant	-	1 700
Trade debtors	44	29
Prepayments	15	-
Total receivables	59	1 729

9. Receivables (continued)

	2011	2010
SA Government/Non-SA Government receivables:	$'000	$'000
Receivables from SA Government entities	-	1 700
Receivables from non-SA Government entities	59	29
Total receivables	59	1 729

Receivables amounting to $476 000 ($639 000) and the corresponding liability relating to advanced ticket sales exclusive of GST for Year 2012 event (refer note 11) have not been recognised as they have been treated as agreements equally proportionately unperformed.

Interest rate and credit risk

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

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

There is no concentration of credit risk.

Refer note 20 for categorisation of financial instruments and risk exposure information.

10. Concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements

	2011 $'000	2010 $'000
Concrete safety barriers:		
Gross carrying amount:		
Balance at 1 July	1 472	1 428
Additions	44	44
Balance at 30 June	1 516	1 472
Accumulated depreciation:		
Balance at 1 July	(782)	(723)
Depreciation expense	(66)	(59)
Balance at 30 June	(848)	(782)
Net carrying amount	668	690
Other racing infrastructure, plant and equipment:		
Gross carrying amount:		
Balance at 1 July	27 925	29 224
Additions	302	366
Assets written off	-	(1 665)
Balance at 30 June	28 227	27 925
Accumulated depreciation:		
Balance at 1 July	(9 970)	(9 701)
Depreciation expense	(1 964)	(1 934)
Depreciation on assets written off	-	1 665
Balance at 30 June	(11 934)	(9 970)
Net carrying amount	16 293	17 955
Leasehold improvements:		
Gross carrying amount:		
Balance at 1 July	219	219
Balance at 30 June	219	219
Accumulated amortisation:		
Balance at 1 July	(138)	(106)
Amortisation expense	(32)	(32)
Balance at 30 June	(170)	(138)
Net carrying amount	49	81
Total concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements	17 010	18 726

Valuation of concrete safety barriers, debris fencing and track overpasses

An independent valuation of the concrete safety barriers, debris fencing and track overpasses was undertaken by Valcorp Australia Pty Ltd in June 2009.

Impairment

There were no indications of impairment of concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements at 30 June 2011.

11. Payables

	2011	2010
Current:	$'000	$'000
Trade creditors	872	965
Other creditors and accruals	1 154	849
Employment on-costs	14	12
GST payable	8	132
Funds held in trust[(i)]	2 137	2 038
Total current payables	4 185	3 996
Non-current:		
Employment on-costs	4	6
Total non-current payables	4	6
Total payables	4 189	4 002
SA Government/non-SA Government payables:		
Payables to SA Governments entities:		
Trade creditors	87	91
Other creditors and accruals	34	28
Employment on-costs	18	18
Total payables to SA Government entities	139	137
Payables to non-SA Government entities:		
Trade creditors	785	874
Other creditors and accruals	1 120	821
GST payable	8	132
Funds held in trust[(i)]	2 137	2 038
Total payables to non-SA Government entities	4 050	3 865
Total payables	4 189	4 002

(i) Advanced ticket sales exclusive of GST for Year 2012 event.

Interest rate and credit risk

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

Refer note 20 for categorisation of financial instruments and risk exposure information.

12. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	49	47
Long service leave	20	11
Accrued salaries and wages	8	30
Total current employee benefits	77	88
Non-current:		
Long service leave	26	44
Total non-current employee benefits	26	44
Total employee benefits	103	132

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2011 is $91 000 and $30 000 respectively.

13. Deferred State Government grants

	2011	2010
Capital:	$'000	$'000
Deferred State Government grant - capital	11 484	11 134
Accumulated amortisation	(10 765)	(10 396)
	719	738
Reconciled to:		
Current	289	299
Non-current	430	439
	719	738
Infrastructure grant:		
Deferred State Government grant - infrastructure	19 968	19 968
Transferred to income	(1 298)	(1 298)
Accumulated amortisation	(4 755)	(3 170)
	13 915	15 500
Reconciled to:		
Current	1 585	1 585
Non-current	12 330	13 915
	13 915	15 500

14. Unrecognised contractual commitments

14.1 Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	176	159
Later than one year but not longer than five years	87	249
Total operating lease commitments	263	408

The lease is for office accommodation leased from Sofrina Pty Limited. The lease is non-cancellable with a term of seven years, having the right of renewal and rent is payable monthly in advance.

14.2 Event staging commitments

	2011	2010
The Board has commitments for the staging of future events.	$'000	$'000
Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	12 771	11 778
Later than one year but not longer than five years	31 983	37 723
Total event staging commitments	44 754	49 501

14.3 Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 075	1 099
Later than one year but not longer than five years	1 176	1 206
Total remuneration commitments	2 251	2 305

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

15. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities in relation to the Board's activities.

In addition, the Board has made no guarantees.

16. Cash flow reconciliation

	2011	2010
16.1 Reconciliation of cash and cash equivalents - cash at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	4 469	4 099
Balance as per the Statement of Cash Flows	4 469	4 099

		2011	2010
16.2	***Reconciliation of net cash provided by (used in) operating activities to operating deficit***	$'000	$'000
	Operating deficit	(1 570)	(646)
	Adjustment for non-cash income and expense items:		
	Depreciation and amortisation	2 062	2 025
	Amortisation of State Government grant - capital	(369)	(379)
	Amortisation of State Government grant - infrastructure	(1 585)	(1 585)
	Changes in assets and liabilities:		
	Decrease (Increase) in assets:		
	Receivables	1 670	(1 440)
	Increase (Decrease) in liabilities:		
	Employee benefits	(29)	25
	Payables	187	973
	Net cash provided by (used in) operating activities	366	(1 027)

17. Auditor's remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total $31 000 ($28 000).

18. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $5000 ($4000).

19. Key management personnel

19.1 Board members

The SAMS Act requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of governing board member during the reporting period:

R Cook, AM - Chairman
G Boulton, AM - Deputy Chairman
B Carter (resigned 9 September 2010)
A Ford
R Hayward (resigned 30 September 2010)
N Malani (appointed 17 February 2011)
A Rischbieth (appointed 16 September 2010)
T Schenken
C Smerdon
J Turbill
A Williamson (appointed 17 February 2011)
F Wong (resigned 30 September 2010)

19.2 Other key management personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of the Board, directly or indirectly during the financial year:

M Warren	Chief Executive (appointed 15 November 2010)
J Allen	Chief Executive (resigned effective 15 October 2010)
M Whitford	Head of Marketing
C Black	Commercial Manager

19.3 Remuneration of governing board members	2011	2010
The number of governing board members who received or were due to receive remuneration within the following bands were:	Number	Number
$0 - $9 999	5	-
$10 000 - $19 999	2	4
$20 000 - $29 999	4	4
$30 000 - $39 999	1	1
Total	12	9

The total remuneration received or receivable by the governing board members was $190 000 ($202 000), which includes superannuation contributions of $16 000 ($17 000).

19.4 Board member transactions

Board members and their related parties conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the board member or related party at arm's length in similar circumstances.

19.4 Board member transactions (continued)

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

R Cook AM	Motor Accident Commission	$85 800	Contribution to free transport initiative
R Cook AM	V8 Supercars Australia Pty Ltd	$808 923	Hospitality, rights income and infrastructure recoveries
R Cook AM	V8 Supercars Australia Pty Ltd	$1 693 037	Race staging deed and television requirements
T Schenken	CAMS Ltd	$133 180	License fees, permit fees and insurance
T Schenken	CAMS Ltd	$5 580	Infrastructure recoveries
C Smerdon	Vectra Corporation Ltd	$9 975	Hospitality
C Smerdon	Travellink Pty Ltd	$26 286	Travel wholesaler commission
R Hayward, F Wong, N Malani, A Williamson	Adelaide City Council	$20 777	Circuit construction and operating costs

All corporate facilities purchased by board members or their related parties are at arm's length rates.

There are no loans to board members.

20. Financial instruments/Financial risk management

Categorisation of financial instruments

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

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	8	4 469	4 469	4 099	4 099
Loans and receivables - at cost:					
Receivables	9	59	59	1 729	1 729
Financial liabilities					
Financial liabilities - at cost:					
Payables	11	4 189	4 189	4 002	4 002

Credit risk

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

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

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

Ageing analysis of financial assets

No Board financial assets are past due or impaired.

Maturity analysis of financial assets and financial liabilities

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

		Contractual maturities		
2011	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalents	4 469	4 469	-	-
Receivables	59	59	-	-
Financial liabilities:				
Payables	4 189	4 185	4	-

Maturity analysis of financial assets and financial liabilities (continued)

		Contractual maturities		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	4 099	4 009	-	-
Receivables	1 729	1 729	-	-
Financial liabilities:				
Payables	4 002	4 002	6	-

Liquidity risk

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

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

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

Market risk

Market risk for the Board is primarily through interest rate risk. The Board's only exposure to interest rate risk relates to cash at bank and short-term deposits with SAFA. Movement in SAFA interest rates are monitored on a daily basis.

There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

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

21. Events after the reporting period

There were no events after the reporting period that have material financial implications on these financial statements.

South Australian State Emergency Service

Functional responsibility

Establishment

The Fire and Emergency Services Act 2005 (FES Act) provides for the South Australian State Emergency Service (SASES) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SASES and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

Functions and funding

The primary function of the SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

SAFECOM is responsible for developing and maintaining strategic policy and a sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding state-wide emergency management.

SAFECOM provides various services in support of the SASES's primary functions, including financial management and accounting services. Also the operations of the SASES are financed by the Community Emergency Services Fund, established by the *Emergency Services Funding Act 1998*.

Status of the financial report

The financial report of the SASES for the year ended 30 June 2011 will be included in a Supplementary Report to Parliament together with the financial reports of SAFECOM and the other emergency services agencies.

The section of this Part of the Report relating to the 'South Australian Fire and Emergency Services Commission' explains the reason for the inclusion of SASES financial report in a Supplementary Report.

South Australian Superannuation Board

Functional responsibility

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by subsection 6(2) of the *Superannuation Act 1988* (the Act). The Board is responsible to the Treasurer.

Functions

The Board is responsible for the administration of the following superannuation schemes:

- South Australian Superannuation Scheme (the Scheme) under the Act comprising:
  - South Australian Superannuation Fund
  - employer contribution accounts.
- Southern State Superannuation Scheme (Triple S Scheme) under the *Southern State Superannuation Act 2009* comprising:
  - Southern State Superannuation Fund.
- Super SA Retirement Investment Fund under the Southern State Superannuation Regulations 2009 comprising:
  - Income Stream
  - Flexible Rollover Product.
- South Australian Ambulance Service Superannuation Scheme (SA Ambulance Scheme) under Schedule 3 of the Act.

The Board's administration of these schemes encompasses maintenance of:

- accounts in the name of all members
- employer contribution accounts
- proper accounts for each financial year on receipts of contributions and payments of benefits.

Note 1 to the financial statements provides further details of the Board's functions. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer note 1 to the financial statements of the individual superannuation schemes which directly follow this section of Part B of this Report.

Service provision arrangements

The Board utilises the services of DTF - State Superannuation Office to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia is responsible for the investment and management of the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

Further information on the investment and management of superannuation monies is provided under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of the audit

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

Information on the audit coverage, findings and audit opinion on the financial statements of the individual superannuation schemes is provided under the 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme', 'Southern State Superannuation Scheme' and the 'Super SA Retirement Investment Fund' which directly follows this section of Part B of this Report.

The commentary under the heading 'Communication of audit matters' provides the overall issues that are not covered in the audit commentary on the individual schemes.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

In my opinion, the controls exercised by the South Australian Superannuation 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 matter raised in relation to Compliance with TI 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Superannuation Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Presiding Member of the Board. The response to the management letter was considered to be satisfactory. The main matter raised with the Board and related response is detailed below.

Compliance with TI 28

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

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

Interpretation and analysis of the financial report

The Board's financial statements reflect its administration role in that:

- expenses relate predominantly to fees paid to DTF to administer the superannuation schemes
- revenues are mainly for the reimbursement of DTF fees from the relevant superannuation schemes.

Each superannuation scheme administered by the Board is reported separately in accordance with AAS 25.

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses and income		
Total expenses	13.9	15.6
Total income	17.5	18.3
Total comprehensive result	3.6	2.7
Net cash provided by (used in) operating activities	2.0	3.0
Assets		
Cash and cash equivalents	8.8	6.8
Receivables	1.5	-
Total assets	10.3	6.8
Liabilities	-	-
Equity	10.3	6.8

Statement of Comprehensive Income

The net surplus for the year was $3.5 million. This result reflects:

- revenues from fees and charges of $17.5 million. Of this amount, $16.6 million (95 percent), represents the administration fees charged to the superannuation schemes administered by the Board
- administration expense of $13.9 million. A majority of this amount is payment to DTF for administrative services.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Administration expenses	4	13 948	15 598
Total expenses		13 948	15 598
Income:			
Revenue from fees and charges	5	17 489	18 285
Total income		17 489	18 285
Total comprehensive result	9	3 541	2 687

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	6	8 846	6 808
Receivables	7	1 535	32
Total assets		10 381	6 840
`			
Current liabilities:			
Payables	8	16	16
Total liabilities		16	16
Net assets		10 365	6 824
Equity:			
Reserves	9	10 365	6 824
Total equity		10 365	6 824

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities 10

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

	Note	Retained earnings $'000	Reserves $'000	Total $'000
Balance as at 30 June 2009		-	4 137	4 137
Total comprehensive result for the year 2009-10		2 687	-	2 687
Transferred to reserves		(2 687)	2 687	-
Balance at 30 June 2010		-	6 824	6 824
Total comprehensive result for the year 2010-11		3 541	-	3 541
Transferred to reserves	9	(3 541)	3 541	-
Balance at 30 June 2011		-	10 365	10 365

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Administration expenses		(15 253)	(15 597)
Cash used in operations		(15 253)	(15 597)
Cash inflows:			
Receipts from fees and charges		17 291	18 638
Cash generated from operations		17 291	18 638
Net cash provided by (used in) operating activities	12	2 038	3 041
Net increase (decrease) in cash and cash equivalents		2 038	3 041
Cash and cash equivalents at 1 July		6 808	3 767
Cash and cash equivalents at 30 June	6	8 846	6 808

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

Objectives of the South Australian Superannuation Board (the Board)

The Board was established under section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Treasurer for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as the Trustee of the South Australian Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may, with the approval of the Treasurer, make use of the staff or facilities of an administrative unit of the South Australian public sector. The State Superannuation Office, a branch of DTF, provides administrative services to the Board. The State Superannuation Office adopts the 'Super SA' name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

Objectives of the South Australian Superannuation Board (the Board) (continued)

The Board is responsible for payment of the service level agreement fee (SLA) to DTF for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the Board's authority.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future administrative costs.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis.

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

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

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

(c) Comparative information

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

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

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

(d) Rounding

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

(e) Taxation

The Board is not subject to income tax.

The Board is not registered for GST and no GST is recoverable or payable to the ATO.

(f) Events after reporting period

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

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

(g) Income and expenses

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

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

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

Interest comprises of the interest received on the cash held in the Deposit Account at the applicable SA Government rate and advised quarterly by DTF. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to DTF for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in the Deposit Account.

For the purpose of the Statement of Cash Flows cash consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

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

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

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

3. New and revised accounting standards and policies

Issued or amended but not yet effective

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

4. Administration expenses

	2011	2010
	$'000	$'000
Administration fees	13 853	15 444
Other expenses(1)	95	154
Total administration expenses	13 948	15 598

(1) Other expenses includes amounts paid or due and payable to the Auditor-General's Department for the audit of the Board. For the reporting period these totalled $15 950 ($15 400). No other services have been provided by the Auditor-General's Department.

5. Fees and charges

	2011	2010
	$'000	$'000
Interest	314	154
Recovery of administration fees	16 552	16 631
Other income	623	1 500
Total fees and charges	17 489	18 285

6. Cash and cash equivalents

Cash at bank	8 846	6 808
Total cash and cash equivalents	8 846	6 808

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

7. Receivables

Sundry debtors	1 519	16
Audit fee recovery	16	16
Total receivables	1 535	32

8. Payables

Audit fees payable	16	16
Total payables	16	16

9. Equity

	Opening balance	Total comprehensive result	Transfers to reserve	2011 $'000	2010 $'000
Retained earnings	-	3 541	(3 541)	-	-

	Opening balance	Transfers to reserve	Transfers from reserve	2011 $'000	2010 $'000
Reserves:					
Board election reserve:(i)					
South Australian Superannuation Scheme	70	4	-	74	70
Southern State Superannuation Scheme	110	4	-	114	110
Office administration reserve:(ii)					
South Australian Superannuation Scheme	894	934	(36)	1 792	894
Southern State Superannuation Scheme	940	1 607	(43)	2 504	940
Capital and development reserve:(iii)					
South Australian Superannuation Scheme	1 566	68	-	1 634	1 566
Southern State Superannuation Scheme	1 405	905	-	2 310	1 405
Triple S operational risk reserve:(iv)					
Southern State Superannuation Scheme	1 839	98	-	1 937	1 839
Total reserves	6 824	3 620	(79)	10 365	6 824

9. Equity (continued)

The transfers to/from reserves are transfers from equity, based on specific reserve balances and purposes which are outlined below.

(i) The Board election reserve represents amounts which have been put aside for the three yearly Board election costs. The transfers to reserve amount represents interest allocated during the year. The next Board election is due in 2013.

(ii) The office administration reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. The transfers to reserve amount represents interest allocated during the year plus the refund from DTF of the under spent SLA fee for 2010-11. The transfers from reserve represents the payment to DTF of the underpaid SLA fee for 2009-10.

(iii) The capital and development reserve represents amounts which have been put aside for future capital replacement costs. The transfer to reserve amount represents interest allocated during the year plus the refund from DTF of the unspent capital and development funds for 2010-11. The Southern State Superannuation Scheme also reflects the transfer to reserve of net income received from the income stream and flexible rollover product to offset setup costs incurred for the establishment of these products.

(iv) The Triple S operational risk reserve represents amounts held as part of the Board's Risk Management Policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The transfers to reserve represents interest allocated during the year.

The funding of this reserve is from the Triple S insurance reserve. The Board determined that an amount between $1 million - $1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the insurance reserve will be assessed each year and will also take into account the three yearly actuarial assessment of the insurance pool to ensure sufficient reserves are held in the insurance reserve. No amount was transferred during 2010-11 due to the timing of the actuarial assessment of the insurance pool.

10. Contingent assets and liabilities

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

11. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010-2011 financial year were:

South Australian Superannuation Board	
Hedley Bachmann	1 July 2010 – 8 July 2010
Kevin Cantley* (John Wright* - Deputy)	1 July 2010 - 30 June 2011
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2010 - 30 June 2011
Bill Griggs* (Aaron Chia* - Deputy)	1 July 2010 - 30 June 2011
Philip Jackson	9 Sept 2010 - 30 June 2011
Jan McMahon (Leah York - Deputy)	1 July 2010 - 30 June 2011
Leah York**	1 July 2010 - 30 June 2011

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0	2	2
$1 - $9 999	2	2
$10 000 - $19 999	-	-
$20 000 - $29 999	2	2
$30 000 - $39 999	1	1
$40 000 - $49 999	-	-
Total	7	7

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The total remuneration of the Board members was $95 000 ($105 000).

Amounts paid to a superannuation plan for board/committee members were $8000 ($9000).

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

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

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

12. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents - cash at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	8 846	6 808
Balance as per Statement of Cash Flows	8 846	6 808
Reconciliation of total comprehensive result to net cash provided by (used in) operating activities		
Total comprehensive result	3 541	2 687
Movement in assets and liabilities:		
Decrease (Increase) in receivables	(1 503)	353
Increase (Decrease) in payables	-	1
Net cash provided by (used in) operating activities	2 038	3 041

13. Financial instruments

The Board holds all cash in a Deposit Account with DTF which receives interest at the applicable SA Government rate. There is minimal financial risk associated with the Board's financial instruments.

South Australian Ambulance Service Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Clause 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial report of the South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) for each financial year.

Scope of audit

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

During 2010-11, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the SA Ambulance Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the net assets of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2011, and changes in net assets for the year ended 30 June 2011 in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

In accordance with AAS 25, the financial report comprises a Statement of Changes in Net Assets and a Statement of 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.

Highlights of the financial report

	2011 $'million	2010 $'million
Revenue		
Contribution revenue	17.7	19.1
Investment revenue	13.9	14.2
Total revenue	31.6	33.3
Expenses		
Benefits expenses	6.1	12.4
Other expenses	1.1	0.9
Income tax expense	3.7	2.9
Total expenses	10.9	16.2
Net increase (decrease) in funds	20.7	17.1
Assets		
Investments	145.5	124.0
Other assets	3.3	3.3
Total assets	148.8	127.3
Liabilities		
Current liabilities	2.2	1.4
Total liabilities	2.2	1.4
Net assets available to pay benefits	146.6	125.9

Statement of Changes in Net Assets

There was a net increase in funds of $20.7 million for 2010-11, reflecting:

- positive returns on investments of $13.9 million ($14.2 million). In 2009-10 there was a large turnaround in investment revenue from the previous year which had produced negative returns. Early in 2010-11 market investments continued to improve however this slowed in the latter part of the year. Investment returns are discussed in the commentary for Superannuation Funds Management Corporation of South Australia elsewhere in Part B of this Report

- contributions revenue of $17.7 million ($19.1 million) consisting predominantly of contributions by employers of $11.8 million ($12.9 million) and contributions from the Department of Health for past service liabilities of $4.6 million ($4.6 million). The decrease in employer contributions was due mainly to the flow on effect from the transfer of 137 members to the Southern State Superannuation Scheme (Triple S Scheme) during 2009-10

- benefits expenses of $6.1 million ($12.4 million). Included in benefits expenses in 2009-10 was $9.2 million transferred to the Triple S Scheme due to the transfer of members.

Statement of Net Assets

The main item in the Statement of Net Assets is investments. They increased by $21.5 million to $145.5 million due mainly to the positive returns on investments and contributions revenue.

Further commentary on operations

Liability for accrued benefits

An actuarial review is undertaken every three years. The most recent review was undertaken as at 30 June 2008. The estimated liability for accrued benefits at 30 June 2008 was $112.2 million as disclosed in note 8 to the financial statements.

The vested benefits as at 30 June 2011 were $140.4 million as disclosed in note 9 to the financial statements. Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the year were:

	2011	2010
Non-contributory members	25	32
Contributory members	852	878
Contributions from members received ($'000)	1 300	1 345

The number of contributory members decreased by 26. The SA Ambulance Scheme was closed to new members with effect from 1 July 2008.

Statement of Changes in Net Assets for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Net assets available to pay benefits at 1 July		125 873	108 728
Revenue:			
Investment revenue		13 861	14 178
Other revenue		41	30
Contribution revenue:			
Contributions by employers	3	11 782	12 862
Contributions for past service liability	1(d)	4 560	4 560
Contributions by members		1 300	1 345
Rollovers from other schemes		29	356
Spouse contributions		8	10
Government co-contributions		23	40
Total contribution revenue		17 702	19 173
Total revenue		31 604	33 381
Expenses:			
Direct investment expenses	6	737	576
Administration expenses	4	363	351
Benefits expenses	7	6 051	12 440
Total expenses		7 151	13 367
Income tax expense		3 737	2 869
Net increase (decrease) in funds		20 716	17 145
Net assets available to pay benefits at 30 June		146 589	125 873

Statement of Net Assets as at 30 June 2011

	Note	2011 $'000	2010 $'000
Investments:			
Inflation linked securities B		17 580	17 627
Property B		12 747	9 870
Australian equities B		41 357	34 585
International equities B		28 823	25 167
Long term fixed interest		8 528	9 932
Short term fixed interest		7 009	-
Diversified strategies growth B		6 459	5 055
Diversified strategies income		14 840	16 763
Cash		8 208	5 058
Total investments		145 551	124 057
Other assets:			
Cash and cash equivalents		960	470
Deferred tax assets	12(e)	2 287	2 783
Other assets		19	23
Total other assets		3 266	3 276
Total assets		148 817	127 333
Current liabilities:			
Other liabilities		26	30
Current tax liabilities	12(c)	2 201	1 429
		2 227	1 459
Non-current liabilities:			
Deferred tax liabilities	12(d)	1	1
Total liabilities		2 228	1 460
Net assets available to pay benefits	11	146 589	125 873

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) *South Australian Ambulance Service Superannuation Scheme (the Scheme)*

On 29 June 2006, the Treasurer declared the Scheme a scheme and fund established pursuant to clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and employer contributions are deposited by the Treasurer into the Fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

(b) South Australian Superannuation Board (the Board)

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the Board the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

Pursuant to clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) Funding arrangements

For the year ended 30 June 2011, contributory members contributed 5 percent of post-tax salary or 5.9 percent of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 percent of salaries (3.72 percent for elective services employees and emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9 percent of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

As a result of an actuarial review as at 1 July 2008 the Treasurer determined that the Department of Health would be making payments of $4.56 million to the Fund in 2008-09, 2009-10 and 2010-11 in relation to the unfunded liability of the Fund. This amount is reported in the Statement of Changes in Net Assets as contributions for past service liability.

The Treasurer also determined from the actuarial review that the employer contribution for the defined benefit scheme members would be increased from 11.6 percent to 12 percent effective from 1 July 2009. The 12 percent employer contribution comprises: 9.63 percent for the defined benefit employer contribution, 0.6 percent represents administration expenses and 1.77 percent represents insurance premiums. The components, which comprise contributions by employers, are provided in note 3.

From 1 July 2006, the insurance cover for death, total and permanent disablement and income protection was provided as a self-insurance arrangement within the Fund, and funded by 1.77 percent of employer contributions paid by the employer. Of this 1.43 percent represents insurance premiums for death and total and permanent disablement cover and 0.34 percent represents premiums for income protection cover.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

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

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) *Inflation linked securities B*
The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) *Property B*
The property B portfolio comprises two subsectors:

- *Listed property trusts*
These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian equities B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

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

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

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) Income tax
The Scheme is a complying superannuation fund within the provisions of the ITAA and accordingly the concessional tax rate of 15 percent has been applied.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

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

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

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options. The Scheme is totally invested in the balanced option.

(e) Revenue
Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external funds on behalf of the SA Ambulance Service members.

(f) Receivables and payables
Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) GST

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

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

3. Contributions by employers

	2011	2010
	$'000	$'000
Employer contributions	10 551	11 566
Insurance premiums	919	968
Administration expenses	312	328
	11 782	12 862

4. Administration expenses

Administration fees	334	323
Other expenses	29	28
	363	351

5. Auditor's remuneration

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 $22 990 ($22 100). No other services were provided by the Auditor-General's Department.

6. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Benefits expenses

	2011	2010
	$'000	$'000
Retirement	4 394	4 083
Resignation	882	5 025
Transfers to other schemes	-	3 290
Total and permanent disablement	678	-
Death	-	12
Salary continuance	97	30
	6 051	12 440

8. Liability for accrued benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2008 and the next review is to be undertaken as at 30 June 2011. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2008. The figure reported has been determined by reference to the expected future salary level increases (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2008	2005
	$'000	$'000
Liability for accrued benefits	112 247	78 445

9. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date. The figure reported has been determined by reference to the expected future salary level increases (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2011	2010
	$'000	$'000
Vested benefits	140 444	125 749

10. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

11. Net assets available to pay benefits

	2011	2010
(a) Assets available to pay benefits	$'000	$'000
Funds held at 1 July	122 849	106 899
Contributions by members	1 300	1 345
Contributions for past service liability	4 560	4 560
Contributions by employers	10 863	11 894
Investment revenue	13 545	13 921
Rollovers from other schemes	29	356
Spouse contributions	8	10
Government co-contributions	23	40
Other revenue	41	30
	30 369	32 156
Benefits expenses	(5 829)	(12 410)
Direct investment expenses	(737)	(576)
Administration expenses	(363)	(351)
Income tax expense	(3 737)	(2 869)
	(10 666)	(16 206)
Assets available to pay benefits	142 552	122 849
(b) Insurance reserve		
Opening balance of insurance reserve	3 024	1 829
Employer fees	919	968
Investment revenue	316	257
	1 235	1 225
Benefits payments:		
Total and permanent disablement	(125)	-
Temporary disablement	(97)	(30)
	(222)	(30)
Closing balance of insurance reserve	4 037	3 024
Net assets available to pay benefits	146 589	125 873

12. Taxation

	2011	2010
(a) Major components of tax expense		
Current income tax:		
Current tax charge	3 610	2 770
Adjustment to current tax for prior periods	(337)	(572)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	464	671
Income tax expense	3 737	2 869
(b) Income tax expense		
Changes in net assets before tax	24 453	20 014
Tax applicable at the rate of 15 percent	3 668	3 002
Tax effect of income and losses that are not assessable/or deductible in determining taxable income:		
Investment income	(250)	(375)
Member contributions	(200)	(209)
Transfers in	(2)	(39)
Insurance proceeds	(36)	-
Tax effect of expenses that are not deductible in determining taxable income:		
Benefits expenses	944	1 866
Tax effect of other adjustments:		
Imputation and foreign tax credits	(50)	(804)
Over provision prior period	(337)	(572)
Income tax expense	3 737	2 869

(c)	***Current tax liabilities***	2011	2010
		$'000	$'000
	Balance at 1 July	1 429	2 193
	Income tax paid - prior periods	(1 060)	(1 616)
	Income tax paid - current period	(1 409)	(1 341)
	Current year's income tax provision	3 610	2 770
	Over provision – prior period	(369)	(577)
	Total current tax liabilities	2 201	1 429

(d)	***Deferred tax liabilities***		
	The amount of deferred tax liability recognised in the Statement of Net Assets :		
	Interest receivable	1	1
	Total deferred tax liabilities	1	1

(e)	***Deferred tax assets***		
	The amount of deferred tax assets recognised in the Statement of Net Assets:		
	Accrued expenses	4	3
	Realised capital losses carried forward (discounted)	1655	1 611
	Unrealised capital losses carried forward (discounted)	628	1 169
	Total deferred tax assets	2 287	2 783

13. Related parties

The Board acts as Trustee for the Scheme. For details of board membership and remuneration refer to the Board's financial report.

14. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) *Currency risk*

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

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

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

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

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

(ii) *Interest rate risk*

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

Funds SA manages interest rate risk through:

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

(iii) *Other market price risk*

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

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

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

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

(iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets $'000
2011			
Balanced	Nominal standard deviation	9.0	13 100
Total			13 100
2010			
Balanced	Nominal standard deviation	9.6	11 909
Total			11 909

(iv) *Sensitivity analysis (continued)*

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2011	$'000	$'000	$'000
Other liabilities	26	26	26
Current tax liabilities	2 201	2 201	2 201
Vested benefits(i)	140 444	140 444	140 444
Total	142 671	142 671	142 671
2010			
Other liabilities	30	30	30
Current tax liabilities	1 429	1 429	1 429
Vested benefits(i)	125 749	125 749	125 749
Total	127 208	127 208	127 208

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

(d) Fair value

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

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2011		
Unlisted managed investment schemes:		
Funds SA	145 551	145 551
	145 551	145 551
2010		
Unlisted managed investment schemes:		
Funds SA	124 057	124 057
	124 057	124 057

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

South Australian Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 20AB(2) of the *Superannuation Act 1988* (the Act) provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

Scope of the audit

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

During 2010-11, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

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

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

Interpretation and analysis of the financial report

Highlights of the financial report	2011 $'million	2010 $'million
Revenue		
Investment revenue	465	462
Contribution revenue	497	507
Other revenue	33	31
Total revenue	995	1 000

	2011 $'million	2010 $'million
Expenses		
Benefits expense	912	824
Direct investment expense	24	21
Other expenses	14	15
Total expenses	950	860
Operating result for the period	45	140
Net cash provided by (used in) operating activities	(145)	(136)
Assets		
Investments	4 219	3 927
Other assets	13	11
Total assets	4 232	3 938
Liabilities		
Liability for accrued benefits	10 390	10 143
Current liabilities	2	-
Total liabilities	10 392	10 143
Excess of liabilities over net assets	(6 160)	(6 205)

Operating Statement

Revenues

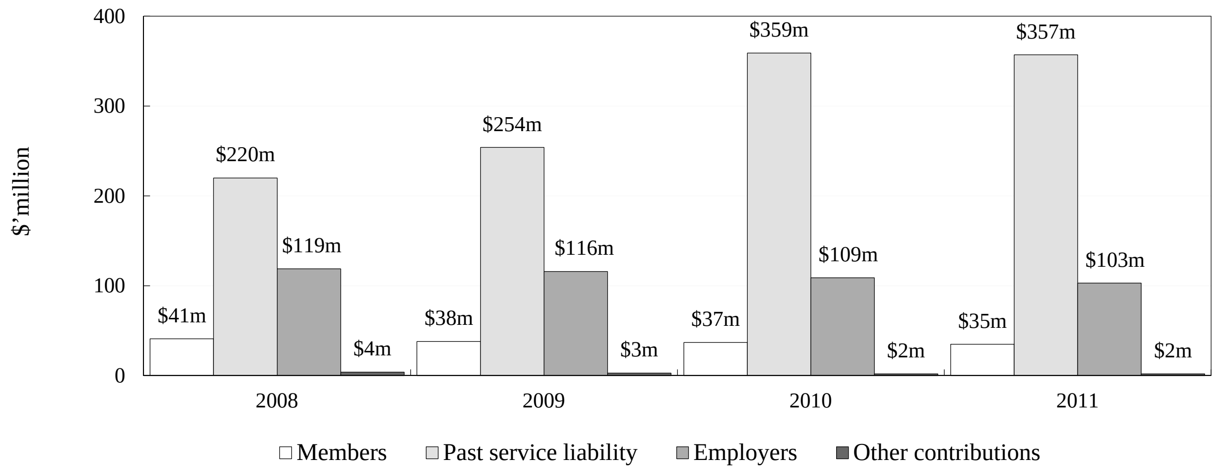
Investment activity for the year resulted in a return of $465 million ($462 million).

In 2009-10 there was a large turnaround in investment revenue from the previous year's negative return. Early in 2010-11 market investments continued to improve however this slowed in the latter part of the year. Investment returns are discussed in the commentary for Funds SA elsewhere in Part B of this Report.

Contribution revenue decreased by $10 million to $497 million, due mainly to a decrease of $8 million in employer and member contributions. This is indicative of a closed scheme where the number of members is decreasing due to retirement.

During the year the Government transferred $357 million ($359 million) into the South Australian Superannuation Scheme Contribution Account for past service liability funding.

A structural analysis of contribution revenues of the Scheme for the four years to 2011 is presented in the following chart.



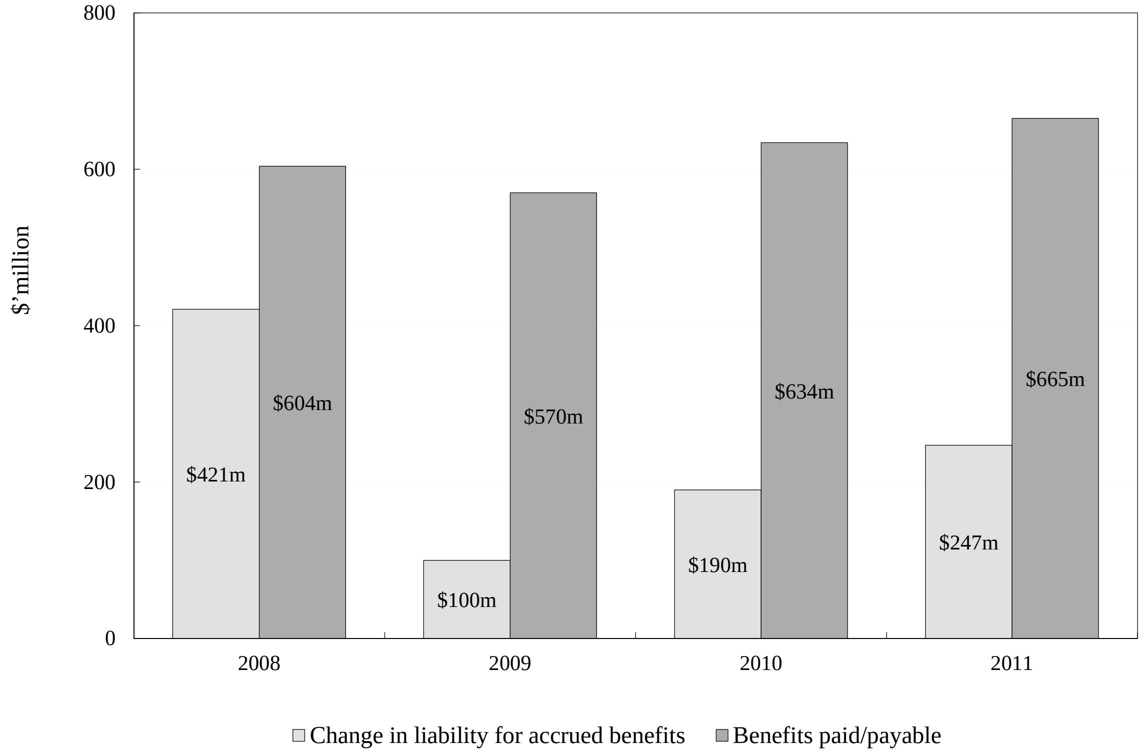
The chart shows that over the last four years employer and member contributions have slowly reduced. This is expected as the new and old schemes are closed schemes with no new contributors.

Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which increased by $88 million to $912 million for the year.

For the four years to 2011 a structural analysis of the components of benefits expense is shown in the following chart.



Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability is provided below under the heading 'Statement of Financial Position'.

Over the period of review there generally has been a steady increase in benefits paid. This is expected as the benefits paid are affected by increases in final salary and inflation adjustments to pensions. However in 2009 benefits paid/payable decreased by $34 million due mainly to a decrease in lump sum payments and commutations of $34 million and $26 million respectively, offset by an increase in pension payments of $27 million. The decrease was attributable mainly to members postponing retirement and resignation because:

- TVSPs were announced in 2009 to come into effect in 2010
- investment returns were still negative due to the world-wide depressed investment markets.

Statement of Financial Position

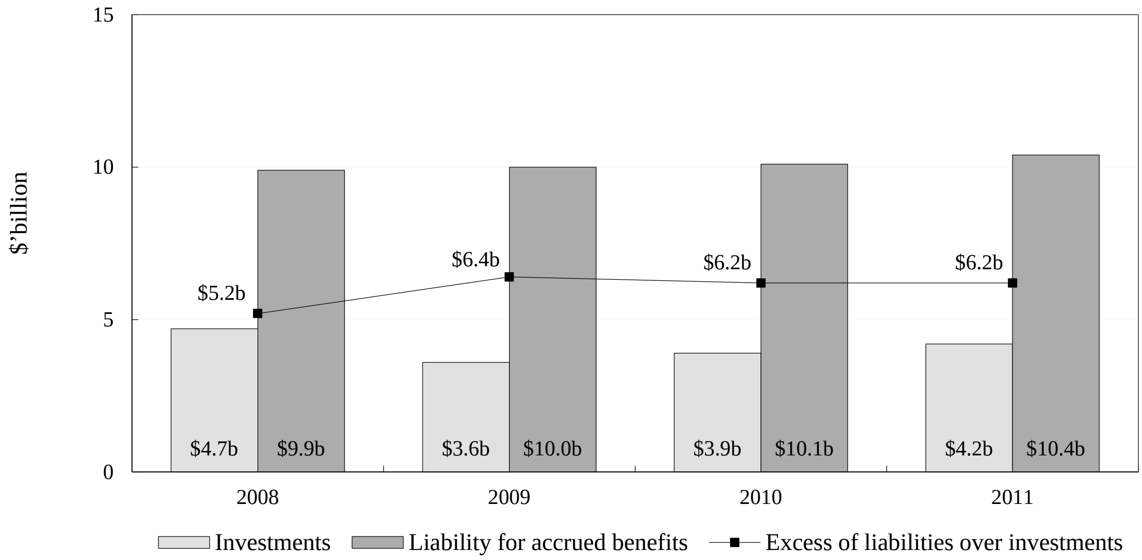
The estimated liability for accrued benefits increased by $247 million to $10.4 billion for which net assets of $4.2 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $6.2 billion. Of the $10.4 billion liability, $8.6 billion (83 percent) represents the old scheme (pension) liability and $1.8 billion (17 percent) is the new scheme (lump sum) liability. The demographic assumptions of the 2010 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

Consistent with the 2009-10 liability calculation for financial reporting the following rates were used:

- discount rate 7 percent
- long-term salary inflation 4 percent
- long-term CPI factor 2.5 percent.

The liabilities for the old scheme and new scheme increased by $167 million and $80 million primarily due to the duration of the liability decreasing by one year affecting the net present value.

For the four years to 2011 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



In 2007-08 and 2008-09 the value of investments decreased, as a result of negative returns on investments from depressed financial markets. The negative investment returns have been offset by increased funding by the Government to move to full funding of the public sector superannuation liability. In 2009-10 and 2010-11 investments have increased predominantly due to positive returns on investments and additional government contributions for past service liability.

Statement of Cash Flows

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

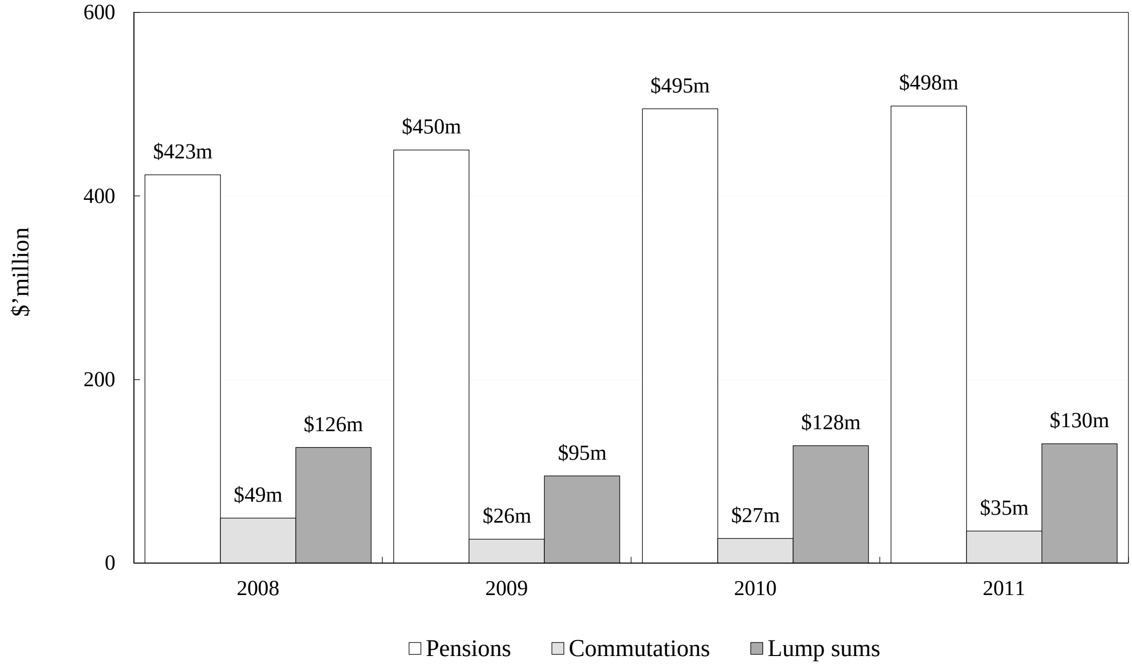
	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	(145.5)	(136.1)	(228.2)	(224.3)
Investing	148.6	110.4	245.4	231.8
Change in cash	3.1	(25.7)	17.2	7.5
Cash at 30 June	8.2	5.1	30.8	13.6

The operating cash outflow increased in 2010-11 due mainly to a $13 million increase in benefits paid.

Benefits paid

In 2010-11 total benefits paid amounted to $663 million ($650 million), which included $498 million ($495 million) paid as pensions. Details of benefits paid/payable are disclosed in note 7 to the financial statements.

The following chart analyses benefits paid for the four years to 2011.



The chart shows an increasing trend in pensions and lump sums paid as more members reach retirement age. Pensions are also adjusted for increases in inflation.

Further commentary on operations

Funding of benefit payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government Employer Account.

The South Australian Superannuation Fund (the Fund) portion of a benefit is fully funded. Member contributions are deposited in the Fund and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested with Funds SA.

Note 1(d) to the financial statements provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a Special Deposit Account established for that purpose.

Pensioners

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

	2011	2010	2009	2008
Pensioners	15 359	15 332	15 115	15 283
Pensions paid ($'million)	498	495	450	423

Contributions by members

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

		2011		2010	2009
	Old Scheme	New Scheme	Total	Total	Total
Contributors					
(excludes preserved members)	2 383	5 030	7 413	8 139	9 095
Contributions revenue ($'000)	10 454	24 262	34 716	36 609	38 180

Operating Statement
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue:			
Investment revenue		464 544	462 287
Other revenue	17	32 942	30 735
Contribution revenue:			
Contribution for past service liability	1(d)	356 635	358 611
Contributions by employers		103 447	109 463
Contributions by members		34 716	36 609
Rollovers from other schemes		1 959	843
Government co-contributions	18	710	1 733
Total contribution revenue		497 467	507 259
Total revenue		994 953	1 000 281
Expenses:			
Direct investment expenses	4	23 770	20 871
Co-contributions transferred to other scheme	18	710	1 733
Higher education superannuation costs	20	8 285	8 218
Administration expenses	5	5 129	4 978
Benefits expense	8	912 081	824 025
Total expenses		949 975	859 825
Operating result for the period		44 978	140 456

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Investments:			
Inflation linked securities A		386 492	348 255
Property A		568 463	395 252
Australian equities A		1 218 630	1 125 469
International equities A		1 016 837	975 898
Long-term fixed interest		115 843	109 583
Short-term fixed interest		80 854	-
Diversified strategies growth A		227 435	214 739
Diversified strategies income		415 572	540 083
Cash		187 732	216 345
Socially responsible		997	1 081
	10	4 218 855	3 926 705
Other assets:			
Cash and cash equivalents	12	8 242	5 109
Contributions receivable	3	269	385
Other income receivable	16	4 393	3 513
Sundry debtors	19	211	2 369
		13 115	11 376
Total assets		4 231 970	3 938 081
Current liabilities:			
Sundry creditors	13	220	110
PAYG withholding tax	14	1 439	-
Total liabilities		1 659	110
Net assets available to pay benefits	6	4 230 311	3 937 971
Liability for accrued benefits	8	10 390 599	10 143 237
Excess of liabilities over net assets		(6 160 288)	(6 205 266)

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions for past service liability		358 898	356 461
Contributions by employers		103 564	109 398
Contributions by members		34 734	36 612
Rollovers from other schemes		1 959	844
Government co-contributions		711	1 733
		499 866	505 048
Other income:			
Reimbursement from other sources:			
Public authorities		31 603	31 973
Temporary disability reimbursements		51	76
Other		408	349
		32 062	32 398
Benefits paid:			
Pensions		(497 723)	(494 839)
Commutation of pension benefits		(35 167)	(26 813)
Lump sums		(130 437)	(128 210)
		(663 327)	(649 862)
Administration expenses		(5 096)	(5 050)
Co-contributions transferred to other scheme		(711)	(1 733)
Higher education superannuation costs		(8 285)	(16 980)
Net cash provided by (used in) operating activities	11	(145 491)	(136 179)
Cash flows from investing activities:			
Receipts from Funds SA		539 487	479 389
Payments to Funds SA		(390 863)	(368 949)
Net cash provided by (used in) investing activities		148 624	110 440
Net increase (decrease) in cash and cash equivalents held		3 133	(25 739)
Cash and cash equivalents at 1 July		5 109	30 848
Cash and cash equivalents at 30 June	12	8 242	5 109

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) South Australian Superannuation Scheme (the Scheme)

The Scheme is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the SA Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

(a) South Australian Superannuation Scheme (the Scheme) (continued)

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the Scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian Superannuation Board (the Board)

The Act charges the Board, a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted DTF to provide administrative services. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

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

(c) Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with sections 47C and 47D of the Act. During the year ended 30 June 2011 no payments were made to the Consolidated Account ($nil).

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government departments, statutory authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 24 percent (24 percent) for old scheme contributors and 14.5 percent (14.5 percent) for new scheme contributors.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) *State Government departments*

State Government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period $77.3 million ($81.4 million) was received or receivable from State Government departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2011 the Government transferred a total of $353.5 million ($355.2 million) into the Account. The Government will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) *Statutory authorities*

Where the employer proportion of a payment relates to statutory authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government liability for statutory authorities*
  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in note 1(d)(i).

- *Employer contribution accounts*
  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. The Treasurer deposits these monies in the Account into what are referred to as the employer contribution accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

  Contributions of $2.13 million ($2.445 million) have also been received from SA Water, $508 000 ($488 000) from WorkCoverSA and $497 000 ($478 000) from ForestrySA to fund their accrued superannuation liabilities.

- *Public authorities accounts (universities)*
  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from statutory authorities, $25.7 million ($27.6 million) relates to amounts received or receivable from SA Government entities and $425 000 ($496 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the public authorities accounts referred to in note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government departments and the State Government liability for statutory authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Summary of significant accounting policies

(a) *Basis of accounting*

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

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

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

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

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth A

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

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

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

(c) Taxation
The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

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

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

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the Account are invested in the Growth option.

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

(e) Revenue
Superannuation contributions other than agency specific adjustments that are invoiced are brought to account when received.

(f) Receivables and payables
Contributions receivable are contributions relating to the 2010-11 financial year received by the Scheme after 30 June 2011.

Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2011 but who had not been paid until after 30 June 2011.

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

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

3. Contributions receivable

	2011	2010
	$'000	$'000
Contributions receivable by employers	269	385

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

5. Administration expenses

	Old Scheme Division	New Scheme Division	Total 2011	Total 2010
	$'000	$'000	$'000	$'000
Administration expenses(i)	2 722	2 227	4 949	4 828
Bank fees	28	-	28	29
Other expenses(ii)	58	47	105	102
Consultancy expenses	47	-	47	19
Total administration expenses	2 855	2 274	5 129	4 978

(i) Administration expenses

Administration expenses comprises the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a portion of the administration cost from the Scheme. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

(ii) Other expenses

Other expenses include Auditor's remuneration. 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 $100 100 ($96 360). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

Net assets available to pay benefits consist of the combined balances of the Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund Account (employee component)

	2011 Old Scheme Division	2011 New Scheme Division	Total 2011	Total 2010
	$'000	$'000	$'000	$'000
Funds held at 1 July	1 188 580	552 037	1 740 617	1 650 645
Contributions	10 454	24 262	34 716	36 609
Rollovers from other schemes	57	1 902	1 959	843
Investment revenue	139 692	63 719	203 411	207 945
Government co-contributions	108	603	711	1 733
Other income	67	56	123	80
	150 378	90 542	240 920	247 210
Benefits paid	(91 953)	(43 011)	(134 964)	(144 939)
Direct investment expenses	(7 102)	(3 184)	(10 286)	(9 058)
Co-contributions transferred to other schemes	(108)	(603)	(711)	(1 733)
Administration expenses	(862)	(682)	(1 544)	(1 508)
	(100 025)	(47 480)	(147 505)	(157 238)
Funds held at 30 June	1 238 933	595 099	1 834 032	1 740 617

(b) ***South Australian Superannuation Scheme Contribution Account (employer component)***	2011 $'000	2010 $'000
Funds held at 1 July	2 197 354	1 956 994
Employer contributions:		
State Government departments	77 320	81 412
Statutory authorities	26 127	28 051
Contribution for past service liability	356 635	358 611
	460 082	468 074
Investment revenue	261 133	254 342
Other income - public authorities	32 497	30 405
Other income - interest received	285	187
Other income - temporary disability	37	63
	754 034	753 071
Benefits paid:		
Old scheme contributors	(446 017)	(407 422)
New scheme contributors	(83 738)	(81 788)
Direct investment expenses	(13 484)	(11 813)
Higher education superannuation costs	(8 285)	(8 218)
Administration expenses	(3 585)	(3 470)
	(555 109)	(512 711)
Funds held at 30 June	2 396 279	2 197 354
Total net assets available to pay benefits	4 230 311	3 937 971

7. Benefits paid/payable

	2011			2010		
Pensions:	Old Scheme Division	New Scheme Division	Total	Old Scheme Division	New Scheme Division	Total
Funded from:	$'000	$'000	$'000	$'000	$'000	$'000
South Australian Superannuation Fund	84 834	108	84 942	96 576	130	96 706
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	21 331	-	21 331	19 597	1	19 598
Public authorities	30 679	3	30 682	28 933	5	28 938
SA Government Employer Account	361 258	903	362 161	333 620	1 113	334 733
Gross scheme costs	498 102	1 014	499 116	478 726	1 249	479 975
Commutations:						
Funded from:						
South Australian Superannuation Fund	6 031	-	6 031	5 470	-	5 470
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	8 518	-	8 518	4 950	-	4 950
Public authorities	379	-	379	698	-	698
SA Government Employer Account	20 238	-	20 238	15 695	-	15 695
Gross scheme costs	35 166	-	35 166	26 813	-	26 813
Lump sums:						
Funded from:						
South Australian Superannuation Fund	1 088	42 491	43 579	1 735	40 156	41 891
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	870	25 367	26 237	866	18 682	19 548
Public authorities	-	313	313	-	892	892
SA Government Employer Account	2 744	56 752	59 496	3 002	59 755	62 757
Gross scheme costs	4 702	124 923	129 625	5 603	119 485	125 088
Retrenchments:						
Funded from:						
South Australian Superannuation Fund	-	-	-	3	-	3
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	-	-	-	-	-
Public authorities	-	-	-	61	-	61
Gross scheme costs	-	-	-	64	-	64

7. Benefits paid/payable (continued)

	2011			2010		
Targeted separation packages:	Old Scheme Division	New Scheme Division	Total	Old Scheme Division	New Scheme Division	Total
Funded from:						
South Australian Superannuation Fund	-	412	412	11	858	869
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	-	-	-	236	236
SA Government Employer Account	-	400	400	-	1 104	1 104
Gross scheme costs	-	812	812	11	2 198	2 209
Total benefits paid/payable	537 970	126 749	664 719	511 217	122 932	634 149

8. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by the State Superannuation Office of DTF are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2011 based on membership data as at 30 June 2010.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2011.

The expected future benefit payments have been determined using the 2010 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide 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 of 2.5 percent.

	2011			2010		
	Old Scheme Division	New Scheme Division	Total	Old Scheme Division	New Scheme Division	Total
Changes in the liability for accrued benefits:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liability for accrued benefits at 1 July	8 470 200	1 673 037	10 143 237	8 367 200	1 586 161	9 953 361
Benefits expense(i)	704 970	207 111	912 081	614 217	209 808	824 025
Benefits paid(ii)	(537 970)	(126 749)	(664 719)	(511 217)	(122 932)	(634 149)
Liability for accrued benefits at 30 June	8 637 200	1 753 399	10 390 599	8 470 200	1 673 037	10 143 237
Represented by:						
South Australian Superannuation Fund	1 206 800	595 099	1 801 899	1 731 100	552 037	2 283 137
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 255 000	357 500	1 612 500	1 137 200	349 800	1 487 000
SA Government Employer Account	5 842 000	786 500	6 628 500	5 295 800	756 600	6 052 400
Public authorities	333 400	14 300	347 700	306 100	14 600	320 700
Total	8 637 200	1 753 399	10 390 599	8 470 200	1 673 037	10 143 237

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer note 7.

Although the total liability for accrued benefits shown above is \$10.4 billion, the SA Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2010 by Mr Stuart Mules, Fellow of the Institute of Actuaries of Australia. His report to the Minister dated 2 December 2010, was tabled in Parliament on 22 March 2011. These 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.

9. 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) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2011 based on membership data as at 30 June 2010.

	2011 Old Scheme Division $'000	2011 New Scheme Division $'000	2011 Total $'000	2010 Old Scheme Division $'000	2010 New Scheme Division $'000	2010 Total $'000
South Australian Superannuation Fund	1 191 300	595 099	1 786 399	1 678 400	552 037	2 230 437
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 213 800	364 600	1 578 400	1 093 500	356 400	1 449 900
SA Government Employer Account	5 688 600	845 200	6 533 800	5 129 000	815 200	5 944 200
Public authorities	331 600	15 700	347 300	304 000	14 900	318 900
Total	8 425 300	1 820 599	10 245 899	8 204 900	1 738 537	9 943 437

10. Summary of investment holdings

The interests of the Fund and the South Australian Scheme Contribution Account in the Unitised Investment Portfolio of Funds SA are as follows:	2011 Fund - Old Scheme Division $'000	2011 Fund - New Scheme Division $'000	2011 Scheme Contribution Accounts $'000	Total 2011 $'000	Total 2010 $'000
Inflation linked securities A	114 832	53 550	218 110	386 492	348 255
Property A	170 297	74 704	323 462	568 463	395 252
Australian equities A	364 935	160 538	693 157	1 218 630	1 125 469
International equities A	304 492	133 994	578 351	1 016 837	975 898
Long-term fixed interest	34 294	16 413	65 137	115 844	109 583
Short-term fixed interest	23 094	13 894	43 865	80 853	-
Diversified strategies growth A	68 204	29 686	129 545	227 435	214 739
Diversified strategies income	123 859	56 457	235 256	415 572	540 083
Cash	45 946	54 516	87 270	187 732	216 345
Socially responsible	-	997	-	997	1 081
Total	1 249 953	594 749	2 374 153	4 218 855	3 926 705

11. Reconciliation of operating result to net cash used in operating activities

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

	2011 $'000	2010 $'000
Operating result	44 978	140 456
Increase (Decrease) in liability for accrued benefits	247 362	189 876
Investment revenue	(464 544)	(462 287)
Direct investment expenses	23 770	20 871
Decrease (Increase) in other income receivable	(880)	1 582
Decrease (Increase) in contributions receivable	116	50
Increase (Decrease) in PAYG withholding tax	1 439	(43)
Increase (Decrease) in benefits payable	-	(15 668)
Decrease (Increase) in sundry debtors	2 158	(2 258)
Increase (Decrease) in other creditors	110	(8 758)
Net cash provided by (used in) operating activities	(145 491)	(136 179)

12. Reconciliation of cash and cash equivalents

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

	2011	2010
	$'000	$'000
Cash and cash equivalents	8 242	5 109

13. Sundry creditors

Overpaid member contributions	19	-
Audit fees	105	101
Bank fee	2	4
Surcharge liability	75	-
Overseas pensions and health commissions	19	5
	220	110

14. PAYG withholding tax

There was $1.439 million PAYG withholding tax due on benefit payments made in June 2011 which had not been remitted to the Commissioner of Taxation as at 30 June 2011.

15. Guaranteed benefits

Contributors' benefit entitlements are specified by the Act.

16. Other income receivable

	2011	2010
	$'000	$'000
Temporary disability debtors	14	28
Public authorities	4 379	3 485
	4 393	3 513

17. Other revenue

Bank account interest	407	267
Public authorities	32 497	30 405
Temporary disability	37	63
Switch fee	1	-
	32 942	30 735

18. Government co-contributions

During the 2010-11 financial year, the Scheme received co-contributions from the ATO amounting to $71 000 ($1.7 million). Whilst members of the Scheme are eligible to receive the co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Sundry debtors

	2011	2010
	$'000	$'000
Interest receivable	29	26
Other repayments	152	-
Co-contribution refund	-	9
Transfer from Triple S for incorrect banking	-	2 263
GST recoup from ATO	30	71
	211	2 369

20. Higher education superannuation costs

An amount of $8.3 million ($8.2 million) was paid to the Commonwealth Government which related to the South Australian share of the 2010-11 higher education superannuation costs under the Commonwealth - State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of a South Australian university who were members of one of the main State schemes, be shared.

21. Transfer to Consolidated Account

The Treasurer did not approve any transfer during 2010-11 to the Consolidated Account.

22. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

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

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

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

- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each

- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

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

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets $'000
2011			
High growth	Nominal standard deviation	13.50	2 404
Growth	Nominal standard deviation	11.10	457 563
Balanced	Nominal standard deviation	10.00	2 164
Moderate	Nominal standard deviation	7.70	523
Conservative	Nominal standard deviation	5.00	607
Capital defensive	Nominal standard deviation	2.30	166
Cash	Nominal standard deviation	1.20	361
Socially responsible	Nominal standard deviation	11.60	116
Total			463 904
2010			
High growth	Nominal standard deviation	14.70	2 472
Growth	Nominal standard deviation	11.90	457 921
Balanced	Nominal standard deviation	10.70	1 798
Moderate	Nominal standard deviation	8.60	433
Conservative	Nominal standard deviation	5.40	446
Capital defensive	Nominal standard deviation	2.60	93
Cash	Nominal standard deviation	1.20	325
Socially responsible	Nominal standard deviation	12.50	135
Total			463 623

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2011	$'000	$'000	$'000
Sundry creditors	220	220	220
Vested benefits(i)	10 245 899	10 245 899	10 245 899
Total	10 246 119	10 246 119	10 246 119
2010			
Sundry creditors	110	110	110
Vested benefits(i)	9 943 437	9 943 437	9 943 437
Total	9 943 547	9 943 547	9 943 547

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

(d) Fair value

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

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2011		
Unlisted managed investments schemes:		
Funds SA	4 218 855	4 218 855
	4 218 855	4 218 855
2010		
Unlisted managed investments schemes:		
Funds SA	3 926 705	3 926 705
	3 926 705	3 926 705

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

23. Related parties

Details of the members of the Board and their remuneration for the 2010-11 financial year are disclosed in the notes to the South Australian Superannuation Board's financial report.

Southern State Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (Triple S Scheme) for each financial year.

Scope of audit

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

During 2010-11, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Triple S Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

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

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Revenue		
Investment revenue	759	697
Contribution revenue	914	819
Total revenue	1 673	1 516

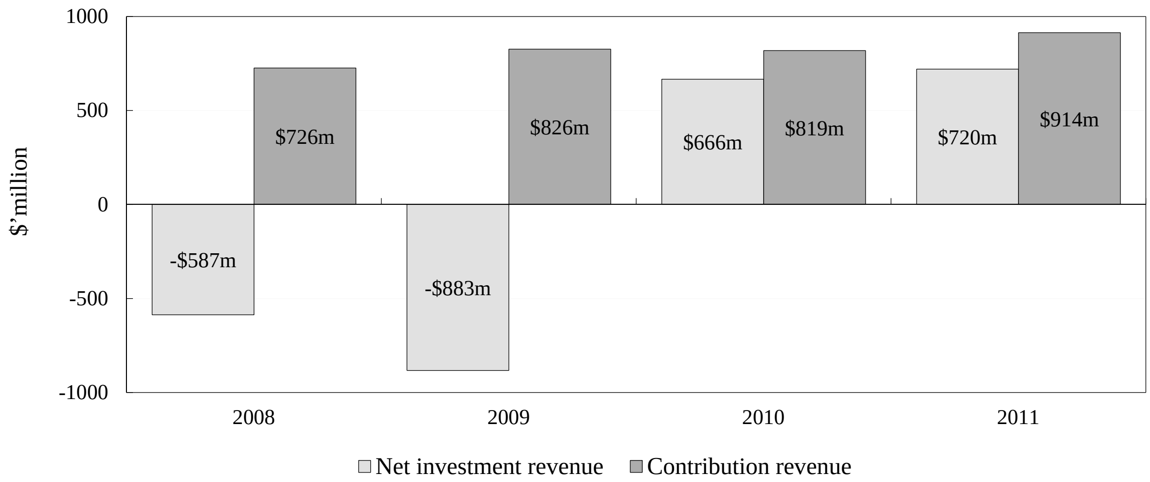
	2011 $'million	2010 $'million
Expenses		
Direct investment expenses	39	31
Other expenses	9	11
Total expenses	48	42
Benefits accrued as a result of operations	1 625	1 474
Net cash provided by (used in) operating activities	466	446
Assets		
Investments	7 692	6 513
Other assets	12	4
Total assets	7 704	6 517
Liabilities		
Current liabilities	1	2
Total liabilities	1	2
Net assets available to pay benefits	7 703	6 515
Represented by:		
Liability for accrued benefits	7 586	6 416
Reserves	117	99
	7 703	6 515

Operating Statement

Revenues

Total revenue increased by $157 million. The increase is due to increases in investment revenue of $62 million and contribution revenue of $95 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Triple S Scheme for the four years to 2011 is presented in the following chart.

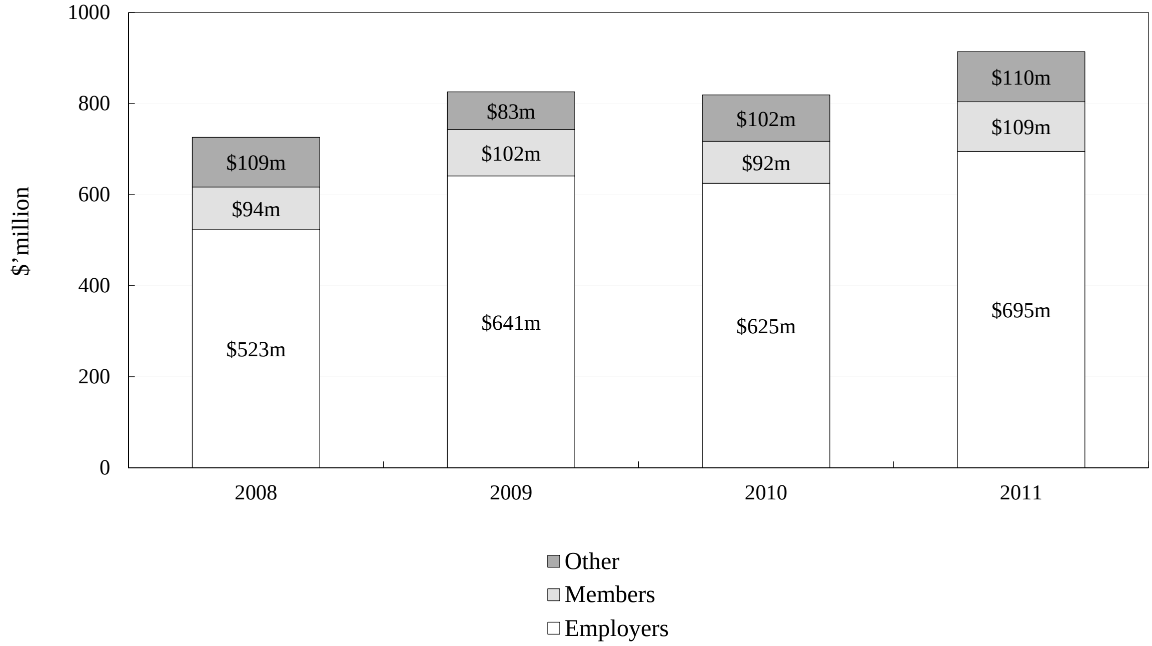


The chart shows two years of negative returns on investments as a direct result of the worldwide downturn in investment markets. This significantly reversed in 2009-10 to a large positive turnaround in investment revenue. Early in 2010-11 market investments continued to improve, however this slowed in the latter part of the year. Investment returns are discussed in the commentary for Funds SA elsewhere in Part B of this Report.

Revenue from contributions has risen over a number of years. However, there was a slight decrease in overall contribution revenue in 2009-10. This reflects the impact of a legislative change that abnormally affected the level of contribution revenue for 2008-09. The legislative change enabled lump sum members of the Police Superannuation Scheme to transfer to the Triple S Scheme from 1 July 2008, resulting in a transfer of $98 million to the Triple S Scheme.

Contribution revenue

Active members of the Triple S Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Triple S Scheme. An analysis of amounts contributed by members and employers for the four years to 2011 is presented in the following chart.



The chart indicates that the value of contributions by employers has increased over the four year period by $172 million (33 percent), although there was a decrease of $16 million in 2009-10. In the same period member contributions have increased by $15 million (16 percent).

Member contributions have increased despite a decrease of 92 in the number of active (contributory) members over the four year period. This is predominantly due to salary increases and one-off contributions ($15.4 million in 2010-11).

As previously noted, contribution revenue for 2008-09 included a transfer of $98 million from the Police Superannuation Scheme ($72 million in employer contributions and $26 million in member contributions).

Membership statistics for the last three years are provided in the following table.

	2011 Numbers	2010 Numbers	2009 Numbers
Contributory	31 444	31 574	31 963
Non-contributory	80 350	78 917	75 688

	2011 Percent	2010 Percent	2009 Percent
Contributory	28.1	28.6	29.7
Non-contributory	71.9	71.4	70.3

Statement of Financial Position

There was a lack of growth in 2008 and 2009 in investments reflecting negative investment returns from depressed financial markets. This was followed by positive returns in 2009-10 and 2010-11 resulting in an increase in the value of investments. The movement in net assets is indicative of the accumulative nature of the Triple S Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Triple S Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

Year	$’billion
2008	5.7
2009	5.4
2010	6.5
2011	7.7

Statement of Cash Flows

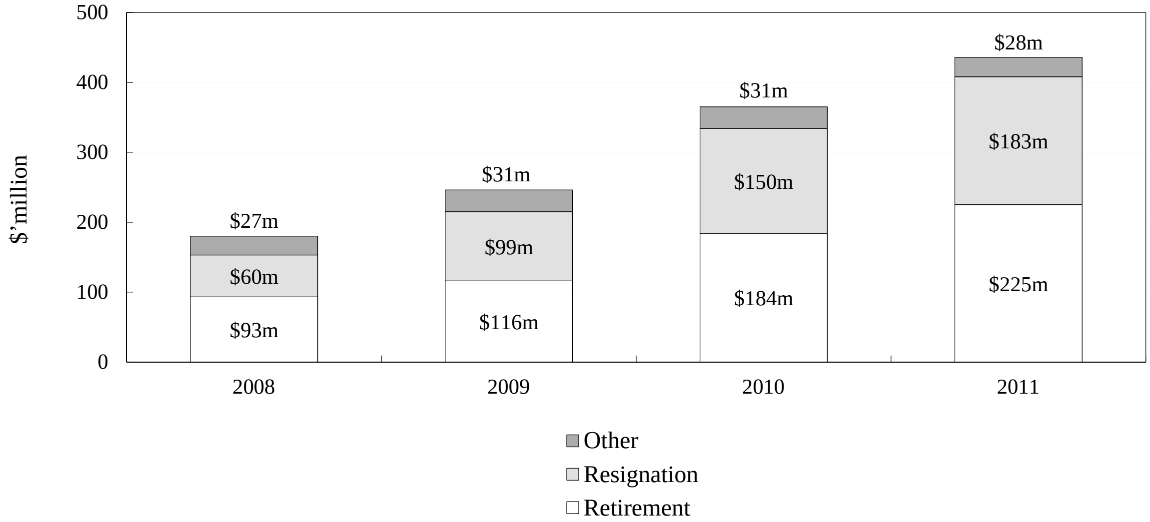
The following table summarises the net cash flows for 2010 and 2011.

	2011 $’million	2010 $’million
Net cash flows		
Operating	466	446
Investing	(459)	(446)
Change in cash	7	-
Cash at 30 June	11	4

The analysis of cash flows shows that the Triple S Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $436 million ($365 million). The following chart analyses benefits paid for the four years to 30 June 2011 and shows an increasing trend. This is expected in an open scheme that was established 16 years ago.



The large increase in benefits paid in 2010 was due mainly to:

- TVSPs being offered by the SA Government
- positive investment returns after two years of negative returns making it more attractive for members to retire.

In 2011 benefit payments increased due mainly to:

- an increase in the average length of membership of Triple S members
- the average length of time that members have been contributing to superannuation as a whole
- an increase in the number of benefits paid.

Operating Statement
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue:			
Investment revenue		758 687	696 359
Other revenue		655	360
Contribution revenue:			
Contributions by members	1(a)	109 458	91 756
Contributions by employers	1(a)	694 797	625 316
Rollovers from other schemes		102 135	88 260
Government co-contributions		7 595	14 005
Total contribution revenue		913 985	819 337
Total revenue		1 673 327	1 516 056
Expenses:			
Direct investment expenses	3	38 730	30 606
Transfer to board reserves		-	1 500
Insurance administration expenses	13	744	812
Administration expenses	4	8 922	9 035
Total expenses		48 396	41 953
Benefits accrued as a result of operations		1 624 931	1 474 103

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Investments:			
Inflation linked securities A		846 915	802 304
Property A		763 246	414 900
Australian equities A		2 000 023	1 675 184
International equities A		1 641 050	1 428 648
Long-term fixed interest		385 423	452 839
Short-term fixed interest		341 607	-
Diversified strategies growth A		411 148	350 011
Diversified strategies income		739 225	862 420
Cash		556 983	518 471
Socially responsible		6 165	7 755
		7 691 785	6 512 532
Other assets:			
Cash and cash equivalents	5	11 205	4 226
Contributions receivable	6	462	56
Sundry debtors	7	115	158
		11 782	4 440
Total assets		7 703 567	6 516 972
Current liabilities:			
Benefits payable	8	-	3
Sundry creditors	9	352	2 406
PAYG withholding tax		112	2
Total liabilities		464	2 411
Net assets available to pay benefits	10	7 703 103	6 514 561
Represented by:			
Liability for accrued benefits:			
Allocated to members' accounts	11	7 578 415	6 408 119
Not allocated to members' accounts	12	7 374	7 711
		7 585 789	6 415 830
Reserves:			
Death, invalidity and income protection insurance reserve	13	110 767	93 472
Administration fee reserve	14	6 547	5 259
		117 314	98 731
		7 703 103	6 514 561

Statement of Cash Flows
for the year ended 30 June 2011

		2011 Inflows (Outflows)	2010 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions received:			
Contributions by members		109 455	91 760
Contributions by employers		694 361	625 322
Rollovers from other schemes		102 381	88 260
Government co-contributions		7 583	14 016
		913 780	819 358
GST paid/recoup received		61	31
Other revenue		637	2 483
Benefits paid:			
Retirement		(224 945)	(184 495)
Resignation		(183 160)	(149 838)
Retrenchment		-	(2)
Invalidity		(9 898)	(15 132)
Death		(11 848)	(11 316)
Payments to unclaimed monies		(81)	(23)
Temporary disability		(6 350)	(4 131)
		(436 282)	(364 937)
Insurance administration expenses		(744)	(812)
Transfer to board reserves		-	(1 500)
Administration expenses		(8 914)	(9 032)
Other payments		(2 263)	-
Net cash provided by (used in) operating activities	17	466 275	445 591
Cash flows from investing activities:			
Receipts from Funds SA		93 409	4 949 263
Payments to Funds SA		(552 705)	(5 394 930)
Net cash provided by (used in) investing activities		(459 296)	(445 667)
Net increase (decrease) in cash and cash equivalents held		6 979	(76)
Cash and cash equivalents at 1 July		4 226	4 302
Cash and cash equivalents at 30 June	5	11 205	4 226

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme)

The Triple S Scheme is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the Act. The Southern State Superannuation Regulations 2009 provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme) (continued)

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes nine percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect 'Transition to Retirement' or 'Early Access to Super' whilst still an employee of the South Australian public sector or die and for those who terminate their employment because of invalidity. The balance of individual member entitlements is provided on annual statements forwarded to each member.

(b) South Australian Superannuation Board (the Board)

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a Special Deposit Account established for that purpose. During the current reporting period contributions were made to a Special Deposit Account. All employer contributions are received from SA Government entities.

Under section 10 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 current reporting period payments were made from a Special Deposit Account.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

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

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed internal inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation at balance date was performed by an independent valuer.

(ii) Property A

The property portfolio comprises two subsectors:

- *Listed property trusts*

  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*

  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities 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 balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth A

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

(vii) Diversified strategies income

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

(viii) Cash

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) Socially responsible investment

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

(c) Operation of investment portfolio

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

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

During the financial year all of the above investment options were available to members of the Triple S Scheme.

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

(d) Revenue

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

(e) Receivables and payables

Contributions receivable are contributions relating to the 2010-11 financial year received by the Scheme after 30 June 2011.

Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(f) GST

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

3. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

4. Administration expenses

	2011	2010
	$'000	$'000
Administration expenses[(i)]	8 798	8 954
Other expenses[(ii)]	124	81
	8 922	9 035

(i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2011, the charge was $1 per week until 1 January 2011 then increasing to $1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2011 the amount charged to members' employer contribution accounts was $9.4 million ($8 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2011, based on actual costs of administering the Scheme, amounted to $8.8 million including GST ($8.9 million).

(ii) Other expenses include auditor's remuneration. 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 $76 560 ($73 700). No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

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

	2011	2010
	$'000	$'000
Cash and cash equivalents	11 205	4 226

6. Contributions receivable		
Contributions from members	14	15
Contributions from employers	448	41
	462	56
7. Sundry debtors		
Refund from ATO for GST	58	119
Other	57	39
	115	158
8. Benefits payable		
Benefits payable by Southern State Superannuation Fund	-	3
9. Sundry creditors		
Audit fees payable	87	79
Bank interest payable	1	-
Refund of overpaid contributions	264	63
Transfer to South Australian Superannuation Scheme for incorrect banking	-	2 263
Other	-	1
	352	2 406
10. Net assets available to pay benefits		
Funds held at 1 July	6 514 561	5 402 529
Contributions by members	108 973	91 151
Spouse contributions	485	605
Employer contributions	694 797	625 316
Rollovers from other schemes	102 135	88 260
Government co-contributions	7 595	14 005
Investment revenue	758 687	696 359
Other revenue	655	360
	1 673 327	1 516 056

10. Net assets available to pay benefits (continued)

	2011	2010
	$'000	$'000
Benefits paid and payable	(436 388)	(362 071)
Direct investment expenses	(38 730)	(30 606)
Administration expenses	(8 922)	(9 035)
Insurance administration expenses	(744)	(812)
Transfer to Board – Triple S operational risk reserve	-	(1 500)
	(484 784)	(404 024)
Total net assets available to pay benefits	7 703 104	6 514 561

11. Allocated to members' accounts

The value of funds which have been formally allocated to member accounts equals the vested benefits as per note 16. The formal allocation of earnings to members' accounts has been determined for the 2011 year.

12. Not allocated to members' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members' accounts on a cash basis.

13. Death, invalidity and income protection insurance reserve

The Scheme provides an insurance benefit based on units of cover, with a few exceptions, in the event of death or invalidity before age 65. An income protection insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The standard insurance benefit of two units of cover costs $1.50 per week and is compulsory for most members of the Scheme except casual employees who elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1, Schedule 3 of the repealed Southern State Superannuation Regulations 1995, and those who are special category members in terms of Regulation 28. Police officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least six units of standard insurance cover. The value of a unit of standard insurance for members up to age 34 years is $75 000. The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is an option of fixed insurance where costs increase with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1.5 million and casual employees up to $750 000.

As required by section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2010. The actuary concluded that the current premiums are below the true cost of providing the insurance but there are adequate reserves to support the current premiums for over 10 years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013.

To be eligible for the income protection insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income protection payments can continue for 24 months for members employed full or part-time. Casual employees can be paid for up to 12 months.

	2011	2010
	$'000	$'000
Opening balance of the death, invalidity and income protection insurance reserve	93 472	83 298
Investment earnings on insurance reserve (at 10.96 percent) [(i)]	10 611	10 414
Premiums and charges	21 592	18 864
	32 203	29 278
Benefit payments:		
Invalidity	(3 958)	(6 929)
Death	(3 828)	(4 910)
Disability pensions	(6 350)	(4 035)
Adjustment to prior year accrual	-	(918)
Transfers to Board – Triple S operational risk reserve	-	(1 500)
Administration fees[(ii)]	(744)	(812)
Actuarial review of insurance pool	(28)	-
	(14 908)	(19 104)

13. Death, invalidity and income protection insurance reserve (continued)	2011 $'000	2010 $'000
Net transfer value to the death, invalidity and income protection insurance reserve	17 295	10 174
Closing balance of reserve	110 767	93 472

(i) The insurance reserve is notionally invested in the balanced option.
(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

14. Administration fee reserve

This reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2011 $'000	2010 $'000
Opening balance of administration fee reserve	5 259	5 605
Investment earnings on administration fee reserve (at 10.96 percent) [(i)]	613	643
Premiums and charges:		
Member fees	9 466	7 955
Switching fees	7	10
	10 086	8 608
Payments:		
Administration fees[(ii)]	(8 798)	(8 954)
Net transfer value to the administration fee reserve	1 288	(346)
Closing balance of reserve	6 547	5 259

(i) The administration fee reserve is notionally invested in the balanced option.
(ii) The amount relates to the annual service leave agreement paid for administering the Triple S Scheme.

15. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2011 $'000	2010 $'000
Liability for accrued benefits at 1 July	6 514 561	5 402 529
Increase (Decrease) in accrued benefits	1 624 931	1 474 103
Benefits paid/payable	(436 389)	(362 071)
Liability for accrued benefits at 30 June	7 703 103	6 514 561

16. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any other 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.

	2011 $'000	2010 $'000
Vested benefits	7 578 415	6 408 119

17. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities	2011 $'000	2010 $'000
Benefits accrued as a result of operations	1 624 931	1 474 103
Benefits paid and payable	(436 389)	(362 071)
Investment revenue	(758 687)	(696 359)
Direct investment expenses	38 730	30 606
Increase (Decrease) in contributions receivable	(406)	(42)
Decrease (Increase) in sundry debtors	43	37
Increase (Decrease) in sundry creditors	(2 054)	2 180
Increase (Decrease) in PAYG withholding tax	110	(11)
Increase (Decrease) in benefits payable	(3)	(2 852)
Net cash provided by (used in) operating activities	466 275	445 591

18. Guaranteed benefits

Benefit entitlements are specified by the Act.

19. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

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

(ii) *Interest rate risk*

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

Funds SA manages interest rate risk through:

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

(iii) *Other market price risk*

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

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

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

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

(iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments, in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets $'000
2011			
High growth	Nominal standard deviation	13.5	81 498
Growth	Nominal standard deviation	11.1	26 263
Balanced	Nominal standard deviation	10.0	645 900
Moderate	Nominal standard deviation	7.7	2 243
Conservative	Nominal standard deviation	5.0	6 070
Capital defensive	Nominal standard deviation	2.3	956
Cash	Nominal standard deviation	1.2	2 331
Socially responsible	Nominal standard deviation	11.6	715
Total			765 976
2010			
High growth	Nominal standard deviation	14.7	76 136
Growth	Nominal standard deviation	11.9	23 425
Balanced	Nominal standard deviation	10.7	583 992
Moderate	Nominal standard deviation	8.6	1 594
Conservative	Nominal standard deviation	5.4	4 525
Capital defensive	Nominal standard deviation	2.6	515
Cash	Nominal standard deviation	1.2	2 520
Socially responsible	Nominal standard deviation	12.5	969
Total			693 676

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

(iv) *Sensitivity analysis (continued)*

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

2011	Less than three months $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Benefits payable	-	-	-
Sundry creditors	352	352	352
PAYG withholding tax	112	112	112
Vested benefits (see below)	7 578 415	7 578 415	7 578 415
Total	7 578 879	7 578 879	7 578 879
2010			
Benefits payable	3	3	3
Sundry creditors	2 406	2 406	2 406
PAYG withholding tax	2	2	2
Vested benefits (see below)	6 408 119	6 408 119	6 408 119
Total	6 410 530	6 410 530	6 410 530

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

(d) Fair value

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

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2011		
Unlisted managed investments schemes:		
Funds SA	7 691 785	7 691 785
	7 691 785	7 691 785
2010		
Unlisted managed investments schemes:		
Funds SA	6 512 532	6 512 532
	6 512 532	6 512 532

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

20. Related parties

Details of the members of the Board and their remuneration for the 2010-11 financial year are disclosed in the notes to the Board's financial report.

Super SA Retirement Investment Fund

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Super SA Retirement Investment Fund for each financial year.

Scope of the audit

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

During 2010-11 areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Scheme's assets is reviewed a part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

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

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

The Super SA Retirement Investment Fund comprises transactions for the Income Stream and Flexible Rollover Product.

Highlights of the financial report	2011 $'million	2010 $'million
Revenue		
Investment revenue	57.6	37.4
Contribution revenue	353.1	308.1
Other revenue	1.7	1.2
Total revenue	412.4	346.7

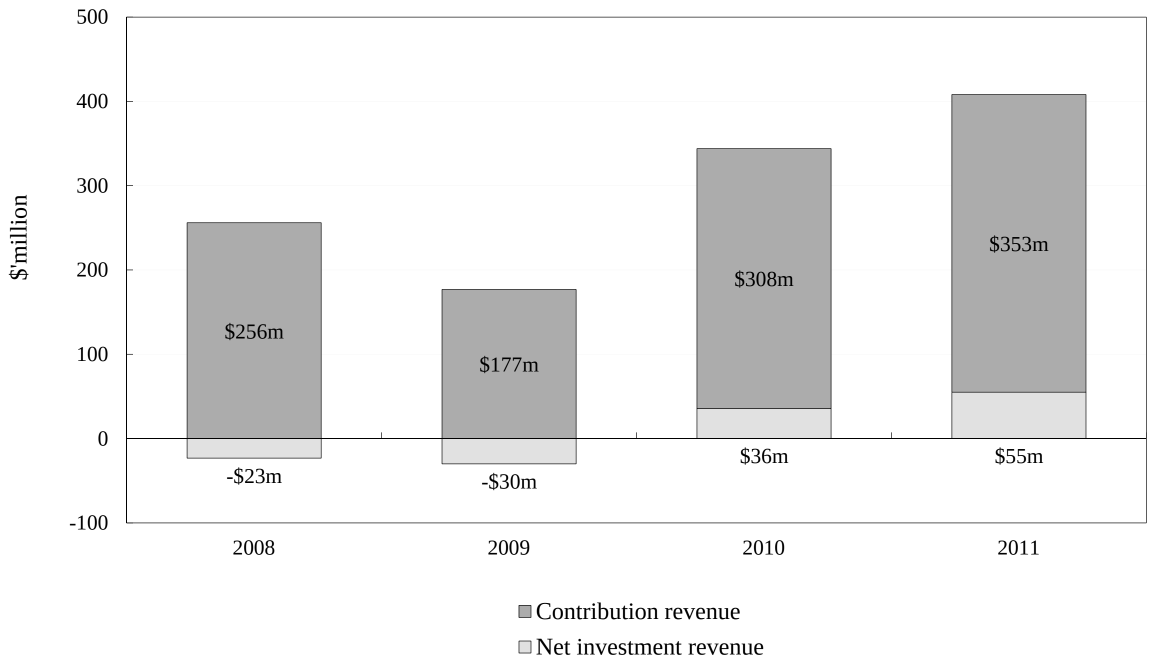
	2011 $'million	2010 $'million
Expenses		
Direct investment expenses	3.0	1.8
Income tax expense	27.6	19.8
Other expenses	1.2	0.6
Total expenses	31.8	22.2
Benefits accrued as a result of operations	380.6	324.5
Net cash provided by (used in) operating activities	190.9	203.6
Assets		
Investments	815.8	573.3
Other assets	15.8	12.0
Total assets	831.6	585.3
Liabilities		
Current liabilities	16.3	7.3
Total liabilities	16.3	7.3
Net assets available to pay benefits	815.3	578.0
Liability for accrued benefits	815.3	578.0

Operating Statement

Revenues

Total revenue increased by $65.7 million. The increase is predominantly due to an increase in rollovers from other schemes of $53 million and an increase in investment revenue of $20.2 million offset by a decrease in contributions from investors of $7.9 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Scheme for the four years to 2011 is presented in the following chart.

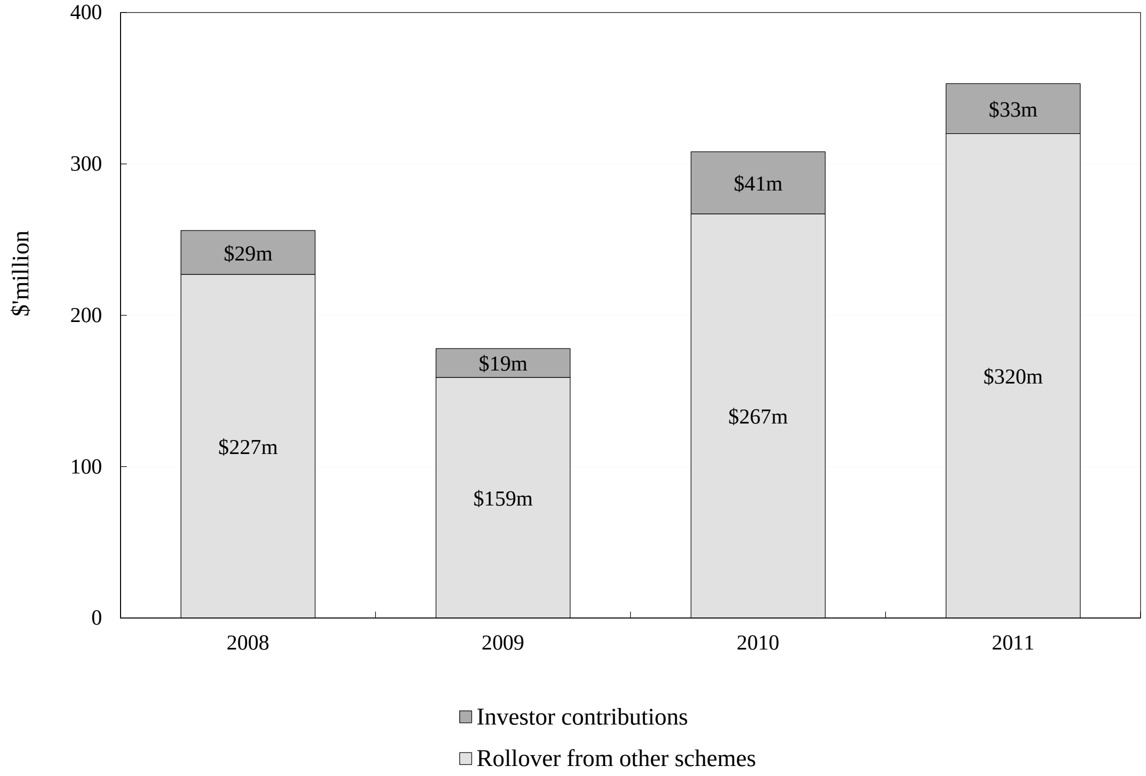


The amount of revenue from contributions has fluctuated over the last four years although membership numbers have risen rapidly. This is due to contributions consisting mainly of rollovers from other schemes, which can fluctuate significantly in dollar value. Contributions are further discussed below.

The chart also demonstrates the significant reversal in 2009-10 of prior years negative investment returns. The negative returns on investments were a direct result of the world wide downturn in investment markets. Investment returns are discussed in the commentary for Superannuation Funds Management Corporation of South Australia elsewhere in Part B of this Report.

Contribution revenue

An analysis of contribution revenue for the four years to 2011 is presented in the following chart.



The chart indicates that the rollovers from other schemes are the dominant factor affecting contributions.

Membership statistics for the last three years are provided in the following table.

	2011	2010	2009
	Number	Number	Number
Flexible Rollover Product	2 434	2 113	1 530
Income Stream	2 337	1 610	994

Statement of Financial Position

The growth in investments and liability for accrued benefits over the four years is indicative of the accumulative nature of the Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	$'million
2008	270
2009	340
2010	578
2011	815

Statement of Cash Flows

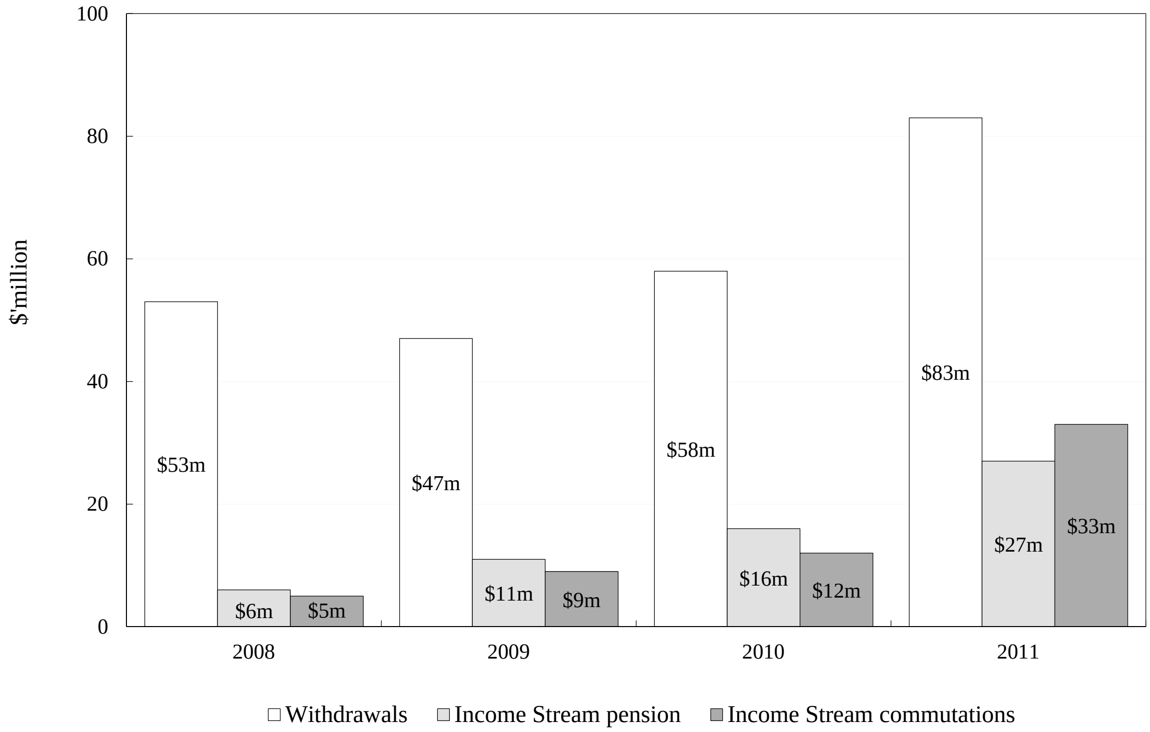
The following table summarises the net cash flows for the current and previous year.

	2011 $'million	2010 $'million
Net cash flows		
Operating	190.9	203.6
Investing	(186.9)	(197.1)
Change in cash	4.0	6.5
Cash at 30 June	12.8	8.8

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $143.1 million ($86.2 million). The following chart analyses benefits paid for the four years to 30 June 2011 and shows an increasing trend. This is expected in an open scheme which was established six years ago and is experiencing strong membership growth.



Operating Statement
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue:			
Investment revenue		57 571	37 357
Other revenue		1 700	1 223
Contribution revenue:			
Contributions by investors	1(a)	33 051	40 937
Government co-contributions		211	256
Rollovers from other schemes		319 876	266 920
Total contribution revenue		353 138	308 113
Total revenue		412 409	346 693
Expenses:			
Direct investment expenses	3	2 971	1 800
Administration expenses	4	1 218	576
Total expenses		4 189	2 376
Income tax expense	16(a),(b)	27 579	19 790
Benefits accrued as a result of operations		380 641	324 527

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Investments:			
Inflation linked securities B		85 526	62 735
Property B		60 823	37 977
Australian equities B		170 972	114 808
International equities B		117 771	82 475
Long-term fixed interest		34 161	42 819
Short-term fixed interest		43 389	-
Diversified strategies growth B		22 133	14 131
Diversified strategies income		72 981	62 356
Cash		203 095	150 029
Socially responsible		4 990	6 002
		815 841	573 332
Other assets:			
Cash and cash equivalents	5	12 830	8 753
Contributions receivable	6	1	1
Deferred tax assets	16(d)	2 596	3 175
Sundry debtors	11	331	87
		15 758	12 016
Total assets		831 599	585 348
Current liabilities:			
Benefits payable	7	747	544
Sundry creditors	12	1 146	8
PAYG withholding tax		19	17
Current tax liabilities	16(c)	14 338	6 742
Total liabilities		16 250	7 311
Net assets available to pay benefits	8	815 349	578 037
Represented by:			
Liability for accrued benefits:			
Allocated to investors' accounts	9	813 170	574 473
Not allocated to investors' accounts	10	2 179	3 564
		815 349	578 037

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions by investors		33 051	40 938
Government co-contributions		211	256
Rollovers from other schemes		320 579	266 919
		353 841	308 113
GST paid/recoup received		3	(6)
Other revenue		645	619
Benefits paid:			
Full withdrawal		(28 950)	(16 263)
Death		(516)	(283)
Partial withdrawal		(53 100)	(41 510)
Income Stream pension payments		(27 098)	(15 899)
Income Stream commutations		(33 463)	(12 253)
		(143 127)	(86 208)
Administration expenses		(1 028)	(877)
PAYG withholding tax		1	4
Income tax expense		(19 398)	(18 041)
Net cash provided by (used in) operating activities	15	190 937	203 604
Cash flows from investing activities:			
Receipts from Funds SA		111 696	81 464
Payments to Funds SA		(298 556)	(278 590)
Net cash provided by (used in) investing activities		(186 860)	(197 126)
Net increase (decrease) in cash and cash equivalents held		4 077	6 478
Cash and cash equivalents at 1 July		8 753	2 275
Cash and cash equivalents at 30 June	5	12 830	8 753

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Super SA Retirement Investment Fund (the Fund)

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994.*

The Fund continues in existence under section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 3 of the Southern State Superannuation Regulations 2009 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

(a) Super SA Retirement Investment Fund (the Fund) (continued)

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the South Australian public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Southern State Superannuation Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and section 45 of the Southern State Superannuation Regulations 2009, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

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

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Fund have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities B

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) *Property B*
Property portfolio comprises two subsectors:

- *Listed property trusts*
These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian equities B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts). Pooled vehicles (unlisted unit trusts) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

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

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

(viii) *Cash*
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) *Socially responsible*
The socially responsible portfolio comprises an externally managed pooled vehicle (unlisted unit trust).

The valuation is performed and supplied by the relevant fund manager.

(c) Income tax

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and Income Stream, is subject to tax.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of investment portfolio

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

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

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

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

(e) Revenue

Superannuation rollovers and investor contributions are brought to account when received.

(f) Receivables and payables

Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

(g) GST

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

3. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

4. Administration expenses

	2011	2010
	$'000	$'000
Administration expenses(i)	584	565
Set up costs to board reserves	623	-
Other expenses(ii)	11	11
	1 218	576

(i) Administration expenses incurred by the Board in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2011, based on actual costs of administering the Fund, amounted to $584 000 ($565 000) including GST.

(ii) Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Fund for the reporting period totalled $7150 ($6820) including GST. No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

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

	2011	2010
Cash and cash equivalents:	$'000	$'000
Flexible Rollover Product	6 073	3 735
Income Stream	6 757	5 018
	12 830	8 753

6. Contributions receivable

Contributions from investors	1	1
	1	1

7. Benefits payable

Benefits payable by the income stream	747	544
	747	544

8. Net assets available to pay benefits

(a) Income Stream

Funds held at 1 July	318 772	175 590
Rollovers from other schemes	149 583	99 139
Internal transfers(i)	82 593	64 092
Investment income	33 365	19 606
Other revenue	1 290	821
	266 831	183 658
Benefits paid and payable	(60 764)	(28 445)
Direct investment expenses	(1 767)	(957)
Administration expenses	(610)	(428)
Internal transfers(i)	(10 466)	(5 298)
Income tax	(11 594)	(5 348)
	(85 201)	(40 476)
Funds held at 30 June	500 402	318 772

(b) Flexible Rollover Product	2011 $'000	2010 $'000
Funds held at 1 July	259 265	164 420
Contributions by investors	31 666	39 719
Government co-contributions	211	256
Rollovers from other schemes	170 293	167 781
Internal transfers(i)	10 466	5 298
Spouse contributions	1 385	1 218
Investment income	24 206	17 751
Other revenue	410	402
	238 637	232 425
Benefits paid and payable	(82 565)	(58 055)
Direct investment expenses	(1 204)	(843)
Administration expenses	(608)	(148)
Internal transfers(i)	(82 593)	(64 092)
Income tax	(15 985)	(14 442)
	(182 955)	(137 580)
Funds held at 30 June	314 947	259 265
Total net assets available to pay benefits	815 349	578 037

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the products.

9. Allocated to investors' accounts

The value of funds which have been formally allocated to investor accounts equals the vested benefits (refer note 14). The formal allocation of earnings to investors' accounts has been determined for the 2011 year.

10. Not allocated to investors' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

11. Sundry debtors	2011 $'000	2010 $'000
Refund from ATO for GST	11	14
Bank interest receivable	74	68
Rollover receivable	246	-
Other	-	5
	331	87

12. Sundry creditors		
Prepaid rollovers	950	-
Set up costs to board reserves	188	-
Other	8	8
	1 146	8

13. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the amounts not allocated to accounts.

Liability for accrued benefits at 1 July	578 037	340 010
Increase in accrued benefits	380 641	324 527
Benefits paid and payable	(143 329)	(86 500)
Liability for accrued benefits at 30 June	815 349	578 037

14. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

Vested benefits:	2011 $'000	2010 $'000
Income Stream	498 814	316 900
Flexible Rollover Product	314 356	257 573
	813 170	574 473

15. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities

	2011 $'000	2010 $'000
Benefits accrued as a result of operations	380 641	324 527
Benefits paid and payable	(143 329)	(86 500)
Investment revenue	(57 571)	(37 357)
Direct investment expenses	2 971	1 800
Investors administration fee received	(1 049)	(680)
Decrease (Increase) in contributions receivable	-	1
Decrease (Increase) in sundry debtors	(244)	64
Decrease (Increase) in deferred tax assets	579	318
Increase (Decrease) in current tax liabilities	7 596	1 434
Increase (Decrease) in sundry creditors	1 138	(299)
Increase (Decrease) PAYG withholding tax	2	4
Increase (Decrease) in benefits payable	203	292
Net cash provided by (used in) operating activities	190 937	203 604

16. Income tax

(a) Major components of tax expense

	2011 $'000	2010 $'000
Current income tax:		
Current tax charge	27 897	20 421
Adjustment to current tax for prior periods	(846)	(949)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	528	318
Income tax expense	27 579	19 790

(b) Income tax expense

	2011 $'000	2010 $'000
Benefits accrued before tax	408 220	344 316
Tax applicable at the rate of 15 percent	61 233	51 647
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	158	64
Tax effect of income (losses) that is not accessible in determining taxable income:		
Investment income	(365)	(82)
Investor contributions	(27 624)	(25 016)
Exempt pension income	(4 834)	(2 851)
Tax effect of other adjustments:		
Imputation and foreign tax credits	(143)	(3 028)
Over provision prior period	(846)	(944)
Income tax expense	27 579	19 790

(c) Current tax liabilities

	2011 $'000	2010 $'000
Balance at 1 July	6 742	5 308
Income tax paid - current period	(13 559)	(13 679)
Income tax paid - prior periods	(5 844)	(4 359)
Current year's income tax provision	27 897	20 421
Over provision prior period	(898)	(949)
	14 338	6 742

(d) Deferred tax assets

The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:

	2011 $'000	2010 $'000
Realised capital losses carried forward (discounted)	2 360	2 097
Unrealised capital losses carried forward (discounted)	241	1 083
Accrued income	(5)	(5)
	2 596	3 175

17. Guaranteed benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 2009* and the Southern State Superannuation Regulations 2009.

18. Financial instruments

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

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

(iii) Other market price risk

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

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation Percent	Changes in investment assets $'000
2011			
High growth	Nominal standard deviation	13.00	5 618
Growth	Nominal standard deviation	10.66	10 556
Balanced	Nominal standard deviation	9.70	32 789
Moderate	Nominal standard deviation	7.58	4 537
Conservative	Nominal standard deviation	4.80	3 569
Capital defensive	Nominal standard deviation	2.29	1 170
Cash	Nominal standard deviation	1.12	1 623
Socially responsible	Nominal standard deviation	10.84	541
Total			60 403
2010			
High growth	Nominal standard deviation	14.01	4 606
Growth	Nominal standard deviation	11.31	8 332
Balanced	Nominal standard deviation	10.31	22 992
Moderate	Nominal standard deviation	8.33	3 427
Conservative	Nominal standard deviation	5.16	2 306
Capital defensive	Nominal standard deviation	2.45	692
Cash	Nominal standard deviation	1.10	1 366
Socially responsible	Nominal standard deviation	11.76	706
Total			44 427

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

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

(b) Credit risk

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

(b) Credit risk (continued)

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2011	$'000	$'000	$'000
Benefits payable	747	747	747
Sundry creditors	1 146	1 146	1 146
PAYG withholding tax	19	19	19
Current tax liabilities	14 338	14 338	14 338
Vested benefits(i)	813 170	813 170	813 170
Total	829 420	829 420	829 420
2010			
Benefits payable	544	544	544
Sundry creditors	8	8	8
PAYG withholding tax	17	17	17
Current tax liabilities	6 742	6 742	6 742
Vested benefits(i)	574 473	574 473	574 473
Total	581 784	581 784	581 784

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

(d) Fair value

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

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2011		
Unlisted managed investments schemes:		
Funds SA	815 841	815 841
	815 841	815 841
2010		
Unlisted managed investments schemes:		
Funds SA	573 332	573 332
	573 332	573 332

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

19. Related parties

Details of the members of the Board and their remuneration for the 2010-11 financial year are disclosed in the notes to the South Australian Superannuation Board's financial report.

South Australian Tourism Commission

Functional responsibility

Establishment

The South Australian Tourism Commission (the Commission), a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*. The Commission is responsible to the Minister for Tourism.

Functions

The Commission was established to promote South Australia as a tourist destination and further develop and improve the State's tourism industry.

For more information about the Commission's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 23(3) of the *South Australian Tourism Commission Act 1993* provides for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

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

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

Scope of the audit

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

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

- financial management compliance program
- payroll
- cash at bank
- general ledger
- procurement, South Australian Visitor and Travel Centre (SAV&TC)
- expenditure
- revenue (including SAV&TC).

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

In my opinion, the controls exercised by the South Australian Tourism 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 South Australian Tourism Commission have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit are formally reported to the Chief Executive of the Commission and responses are received. The main matters subject of communication to the Commission are outlined below.

Financial controls

At the time of preparation of this Report an audit of the procurement process for the engagement of a commercial operator to provide call centre and retail operations for the South Australian Tourism product was in progress. On completion of the review, Audit will communicate the findings and any recommendations to the Commission.

Expenditure - The e-Procurement control environment at Shared Services SA (SSSA)

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

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

Travel reservation system

The Commission implemented a new on-line reservation booking system in 2009. The system supported the business operations of the SAV&TC which was closed on 30 June 2011.

Last year's Report referred to certain outstanding matters associated with the system implementation, including security related matters. During the year the Commission initiated an independent expert security review of the system to determine compliance with the requirements of the Government's Information Security Management Framework. The review report identified matters requiring attention. These included addressing control over system software changes and the development of specific security documentation covering user access and periodically testing the position status of user access.

While the Commission commenced addressing high priority matters, it did not proceed with other matters in consequence of the closure of the SAV&TC and related discontinuance of the reservation system.

Merchant facilities – payment card holder data security

Up until the closure of the SAV&TC, the Commission used a whole-of-government contract for merchant facilities. Under the contract the Commission was required to comply with the global payment card industry (PCI) requirements to protect cardholder data.

In 2010 Audit conducted a high level PCI compliance assessment of selected agencies, which included the Commission. The review recommended that the Commission include a PCI compliance statement in contractual arrangements between the Commission and any third party PCI providers. Audit also recommended the Commission document their manual credit card transaction process and clarify certain aspects of PCI training for staff, including the basic requirements of a formal PCI security awareness program.

In 2011 a follow-up audit was performed to assess the remediation status of the matters raised in the 2010 review. This review revealed that remediation of the matters raised in the 2010 review had yet to be finalised. In addition, the Commission had not completed the mandatory 2010 annual self-assessment questionnaire, which provides to the ANZ Bank an attestation of the agency's PCI compliance status.

The matters were conveyed to the Commission and the response indicated that all matters would be addressed by the end of 2011. The remediation of the matters has not proceeded in consequence of the closure of the SAV&TC and its business operations.

Interpretation and analysis of the financial report

Highlights of the financial report

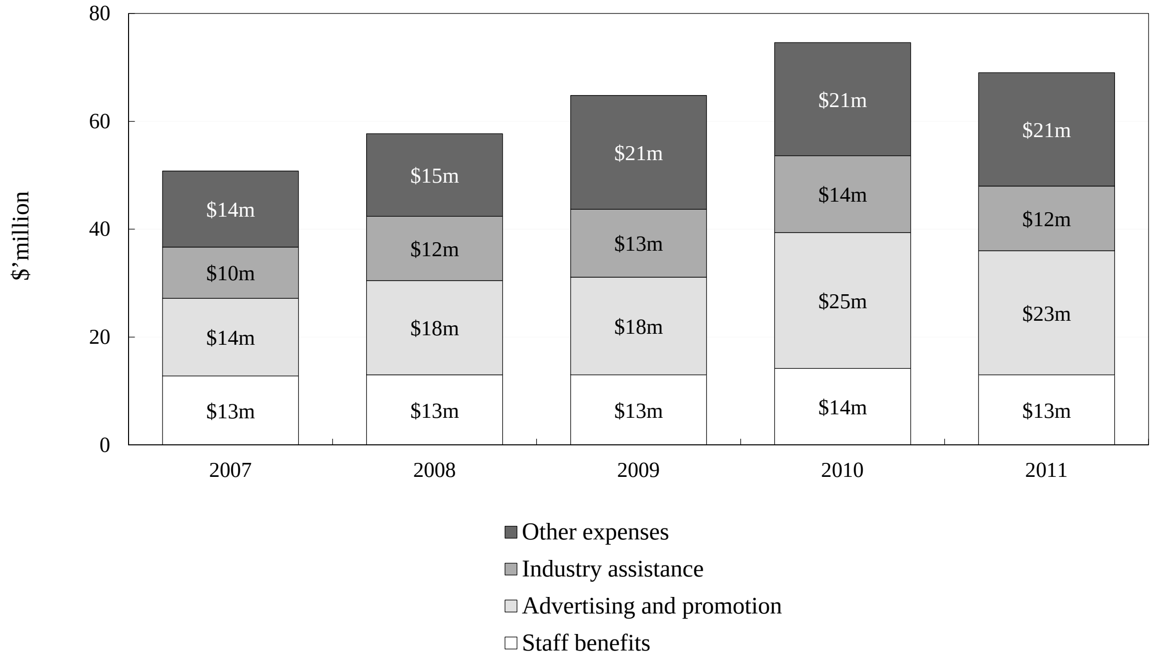
	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	12.8	14.2
Advertising and promotion	22.5	25.1
Industry assistance	11.8	14.2
Other	21.4	20.4
Total expenses	68.5	73.9
Income		
Revenues from SA Government	55.9	59.8
Other	12.5	12.4
Total income	68.4	72.2
Net result and total comprehensive result	(0.1)	(1.7)
Net cash provided by (used in) operating activities	(0.8)	0.9
Assets		
Current assets	4.7	5.8
Non-current assets	3.4	3.8
Total assets	8.1	9.6

	2011 $'million	2010 $'million
Liabilities		
Current liabilities	5.6	6.8
Non-current liabilities	2.2	2.4
Total liabilities	7.8	9.2
Total equity	0.3	0.4

Statement of Comprehensive Income

Expenses

For the five years to 2011, a structural analysis of the main expense items for the Commission is shown in the following chart.



Total expenses decreased by $5.4 million in 2011 mainly as a result of decreases in:

- advertising and promotion of $2.6 million due mainly to the Commission hosting the Australian Tourism Exchange in 2009-10 which cost $1.3 million and an overall decrease in the budget for the 2010-11 year
- industry assistance of $2.3 million due to a reduction in spending in regional areas and other assistance packages which were given in 2009-10 but not 2010-11.

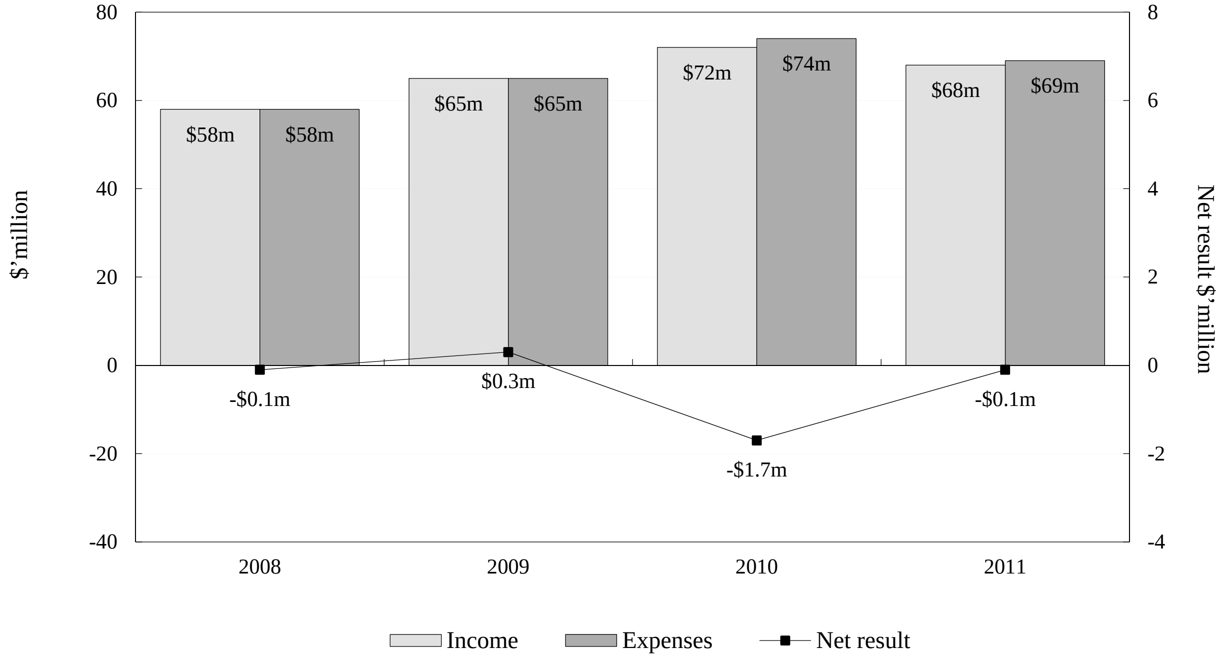
Income

Income for the year totalled $68.4 million ($72.2 million). This includes revenue predominantly appropriated from the SA Government for operating purposes of $55.9 million ($59.8 million) representing 82 percent (83 percent) of total income. The Commission is dependent on the ongoing financial support of the SA Government. Government funding is based on estimated expenses less income generated by the Commission.

Other income predominantly consists of participation fees, event entry fees, refunds/recoups of salaries and expenses and grants.

Net result

The following chart shows the income, expenses and net result for the four years to 2011.



The funding from the SA Government was sufficient to cover either all or the majority of operating expenses for the last four years. This is consistent with the Commission's cash flows over this time.

Statement of Cash Flows

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	(0.7)	0.9	1.4	1.0
Investing	(0.2)	(0.5)	(1.2)	(0.5)
Financing	(0.1)	(0.2)	(0.1)	(0.2)
Change in cash	(1.0)	0.2	0.1	0.3
Cash at 30 June	2.8	3.8	3.6	3.5

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	12 836	14 165
Advertising and promotion	6	22 505	25 153
Industry assistance	7	11 814	14 211
Administration and accommodation	8	11 416	10 794
Event operations		9 390	9 019
Depreciation expense	9	538	468
Borrowing costs		1	11
Net loss from the disposal of non-current assets	12	8	101
Total expenses		68 508	73 922
Income:			
Participation fees	10	5 148	5 723
Commission on sales		683	670
Entry fees and merchandise sales		2 051	1 723
Refunds and recoups		3 102	2 321
Other income	11	1 522	2 039
Total income		12 506	12 476
Net cost of providing services		56 002	61 446
Revenues from (payments to) SA Government:			
Revenues from SA Government	13	55 935	60 050
Payments to SA Government	13	-	(300)
Total revenues from (payments to) SA Government		55 935	59 750
Net result		(67)	(1 696)
Total comprehensive result		(67)	(1 696)

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

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	14	2 795	3 797
Receivables	15	1 913	1 764
Other financial assets	16	-	260
Total current assets		4 708	5 821
Non-current assets:			
Plant and equipment	17	3 021	3 386
Investment in Australian Tourism Data Warehouse Ltd	18	400	400
Total non-current assets		3 421	3 786
Total assets		8 129	9 607
Current liabilities:			
Payables	19	4 248	5 139
Other current liabilities	20	185	180
Employee benefits	21	1 138	1 423
Borrowings	22	-	50
Total current liabilities		5 571	6 792
Non-current liabilities:			
Payables	19	100	116
Other non-current liabilities	20	938	1 092
Employee benefits	21	1 151	1 171
Total non-current liabilities		2 189	2 379
Total liabilities		7 760	9 171
Net assets		369	436
Equity:			
Contributed capital	23	64	64
Retained earnings	23	305	372
Total equity		369	436

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 24

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

	Contributed capital $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2009	64	2 068	2 132
Net result for 2009-10	-	(1 696)	(1 696)
Total comprehensive result of 2009-10	-	(1 696)	(1 696)
Balance at 30 June 2010	64	372	436
Net result for 2010-11	-	(67)	(67)
Total comprehensive result of 2010-11	-	(67)	(67)
Balance at 30 June 2011	64	305	369

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(13 220)	(14 008)
Payments for supplies and services		(56 113)	(56 973)
Interest paid		(1)	(11)
GST payments on purchases		(4 692)	(4 700)
GST payments to ATO		-	(70)
Cash used in operations		(74 026)	(75 762)
Cash inflows:			
Fees and charges		4 950	5 500
Commission earned		700	670
GST recovered from ATO		3 516	3 420
GST receipts on receivables		1 261	1 286
Other receipts		6 940	6 073
Cash generated from operations		17 367	16 949
Cash flows from SA Government:			
Receipts from SA Government		55 888	60 050
Payments to SA Government		-	(300)
Cash generated from SA Government		55 888	59 750
Net cash provided by (used in) operating activities	27	(771)	937
Cash flows from investing activities:			
Cash outflows:			
Purchase of plant and equipment		(183)	(557)
Cash used in investing activities		(183)	(557)
Cash inflows:			
Proceeds from sale of plant and equipment		2	-
Cash generated from investing activities		2	-
Net cash provided by (used in) investing activities		(181)	(557)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings	22	(50)	(193)
Cash used in financing activities		(50)	(193)
Net cash provided by (used in) financing activities		(50)	(193)
Net increase (decrease) in cash and cash equivalents		(1 002)	187
Cash and cash equivalents at 1 July		3 797	3 610
Cash and cash equivalents at 30 June	14	2 795	3 797

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

(Activities - refer note 4)	1		2	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	3 939	4 667	1 956	1 985
Advertising and promotion	1 118	1 386	1 788	2 342
Industry assistance	5 888	7 797	5 153	5 197
Administration and accommodation	1 893	2 267	3 240	3 277
Event operations	-	-	9 390	9 019
Depreciation expense	135	122	184	157
Borrowing costs	-	4	-	2
Net loss from the disposal of non-current assets	-	25	8	38
Total expenses	12 973	16 268	21 719	22 017
Income:				
Participation fees	44	513	4 421	3 619
Commission on sales	-	-	-	-
Entry fees and merchandise sales	8	9	1 997	1 679
Refunds and recoups	2 338	1 880	387	141
Other income	842	809	545	1 102
Total income	3 232	3 211	7 350	6 541
Net cost of providing services	9 741	13 057	14 369	15 476
Revenues from (payments to) SA Government:				
Revenues from SA Government	9 806	11 729	13 945	16 463
Payments to SA Government	-	(100)	-	(47)
Total revenue from (payments to) SA Government	9 806	11 629	13 945	16 416
Net result	65	(1 428)	(424)	940
Total comprehensive result	65	(1 428)	(424)	940

(Activities - refer note 4)	3		Total	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	6 941	7 513	12 836	14 165
Advertising and promotion	19 599	21 425	22 505	25 153
Industry assistance	773	1 217	11 814	14 211
Administration and accommodation	6 283	5 250	11 416	10 794
Event operations	-	-	9 390	9 019
Depreciation expense	219	189	538	468
Borrowing costs	1	5	1	11
Net loss from the disposal of non-current assets	-	38	8	101
Total expenses	33 816	35 637	68 508	73 922
Income:				
Participation fees	683	1 591	5 148	5 723
Commission on sales	683	670	683	670
Entry fees and merchandise sales	46	35	2 051	1 723
Refunds and recoups	377	300	3 102	2 321
Other income	135	128	1 522	2 039
Total income	1 924	2 724	12 506	12 476
Net cost of providing services	31 892	32 913	56 002	61 446
Revenues from (payments to) SA Government:				
Revenues from SA Government	32 184	31 858	55 935	60 050
Payments to SA Government	-	(153)	-	(300)
Total revenue from (payments to) SA Government	32 184	31 705	55 935	59 750
Net result	292	(1 208)	(67)	(1 696)
Total comprehensive result	292	(1 208)	(67)	(1 696)

Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities.

A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Tourism Commission (the Commission)

Objectives

The purpose of the Commission established under the *South Australian Tourism Commission Act 1993* is, on behalf of the Government and people of South Australia, to work in partnership with the private sector in productively marketing South Australia's tourism product intrastate, interstate and internationally to ensure that South Australia is a compelling part of any Australian holiday. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a Special Deposit Account pursuant to section 21 of the PFAA.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies to be selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Commission to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of preparation (continued)

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

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

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

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

(c) Reporting entity

The Commission is a statutory authority of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*.

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expense, assets and liabilities. As administered items are not significant in relation to the Commission's overall financial performance and position, they are disclosed in note 29. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for controlled items.

Administered items

The Commission is responsible for the operation of the South Australian Visitor and Travel Centre (SAV&TC) which arranges bookings of tourism products such as accommodation, transfers and tours on behalf of tourism operators. The SAV&TC administers the collection of money from customers and forwards payments to operators.

This item is not recorded in the Statement of Comprehensive Income or the Statement of Financial Position as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities, for the SAV&TC are detailed separately in note 29.

The Commission announced its intention to close the SAV&TC, with operations ceasing on 30 June 2011. The closure was undertaken as part of a strategy to increase focus on the Commission's online marketing strategy.

(d) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

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

(f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, FBT and GST.

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

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

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

(f) Taxation (continued)

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

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

(g) Events after the reporting period

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

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

(h) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission will occur and can be reliably measured.

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

The following are specific recognition criteria:

Contributions received

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

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

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

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

Revenues from SA Government

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

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

Commission

Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items at note 29.

Participation fees

The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees.

Other income

Other income comprises event service fees, supply commissions, Commonwealth grants and sundry income.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefit expenses

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

Superannuation

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

Net loss on non-current assets

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

Any loss on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the written down value of the asset from the proceeds of the asset at that time.

Depreciation

All non-current assets are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as plant and equipment.

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

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

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

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

Class of asset	*Useful life (years)*
General plant and equipment	3-5
Event plant and equipment	5-10
Fitouts	5-15
Pageant plant and equipment	3-15

Grants and subsidies

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

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

Borrowing costs

All borrowing costs are recognised as expenses.

Payments to SA Government

Payments to SA Government include an appropriation adjustment paid directly to the Consolidated Account.

(j) Current and non-current classification

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

(k) Assets

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

Receivables

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

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

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

Other financial assets

The Commission measures financial assets and debt at historical cost.

Non-current assets

- *Acquisition and recognition*

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

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised. All pageant floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant floats are recorded at historic cost less accumulated depreciation.

- *Revaluation of non-current assets*

  All non-current assets are valued at written down current cost (a proxy for fair value); revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

  If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

- *Revaluation of non-current assets (continued)*
  Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

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

- *Intangible assets*
  An intangible asset is an identifiable non-monetary asset without physical substance. Expenditure on intangible assets has not been capitalised. This is because the Commission has been unable to attribute this expenditure to the intangible asset rather than to the Commission as a whole.

(l) Liabilities

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

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

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

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

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

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

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

Borrowings/Financial liabilities
The Commission measures financial liabilities including borrowings/debt at historic cost.

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

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

Lease incentives
All incentives for the operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

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

The lease incentive received is in the form of leasehold improvements, and as such is capitalised as an asset and depreciated over the remaining term of the lease.

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

Wages, salaries, annual leave and sick leave
The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave
The liability for long service leave is recognised after an employee has completed five years (5.5 years) of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Commission's experience of employee retention and leave taken.

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

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

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

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

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

(n) Foreign currency
Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Associated currency gains and losses, where material, are disclosed separately in note 8 to the Statement of Comprehensive Income.

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

The Commission did not voluntarily change any of its accounting policies during 2010-11. Except for AASB 2009-12, which the Commission has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the period ending 30 June 2011. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Activities of the Commission

In achieving its objective, the Commission provides a range of services classified into the following activities:

Activity 1: Destination Development
To develop a more appealing and accessible South Australia of tomorrow.

Activity 2: Tourism Events
To promote South Australia and tourism to South Australia through attracting, managing, developing and sponsoring major events in South Australia.

Activity 3: Tourism Marketing
To communicate a more appealing South Australia of today to get more people to holiday in South Australia.

The disaggregated disclosures schedule presents expenses and income information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

5. Employee benefit expenses

	2011 $'000	2010 $'000
Salaries and wages	9 824	10 362
TVSPs (refer below)	257	813
Long service leave	253	357
Annual leave	750	792
Employment on-costs - superannuation	995	1 027
Employment on-costs - other	588	634
Board fees	168	164
Other employee related expenses	1	16
Total employee benefit expenses	12 836	14 165

TVSPs

Amount paid to these employees:		
TVSPs	257	813
Annual leave and long service leave paid to 30 June	59	176
Recovery from DTF	257	803
Net cost to the Commission	59	186

The number of employees who received a TVSP to 30 June was 6 (10).

Remuneration of employees The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$130 700 - \$140 699	1	1
\$140 700 - \$150 699	-	1
\$150 700 - \$160 699	2	2
\$160 700 - \$170 699	2	1
\$170 700 - \$180 699	-	1
\$210 700 - \$220 699	1	-
\$300 700 - \$310 699	1	-
\$310 700 - \$320 699	-	1
Total	7	7

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment and includes salary and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.304 million ($1.255 million).

Accounting policy change

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

6. Advertising and promotion

	2011	2010
Advertising and promotion paid/payable to entities external to the SA Government:	$'000	$'000
Consumer advertising	10 352	11 335
Cooperative consumer marketing	3 840	1 824
Familiarisations	1 691	1 669
Other consumer marketing	371	222
Production	1 770	3 783
Marketing research	1 071	1 224
Trade marketing	841	2 059
Other advertising and promotion	2 569	3 037
Total advertising and promotion - non-SA Government entities	22 505	25 153

7. Industry assistance

	2011	2010
Industry assistance paid/payable to entities external to the SA Government:		
Sponsorship of events	4 779	4 744
Tourism infrastructure grants	2 390	3 644
Tourism marketing boards/information centre grants	2 306	2 650
Marketing/industry support	1 811	2 661
Trade show subsidies/membership of tourism industry bodies	74	209
Total industry assistance - non-SA Government entities	11 360	13 908
Industry assistance paid/payable to entities within the SA Government:		
Sponsorship of events	396	200
Tourism infrastructure grants	58	103
Total industry assistance - SA Government entities	454	303
Total industry assistance	11 814	14 211

8. Administration and accommodation

	2011	2010
Administration and accommodation paid/payable to entities external to the SA Government:		
Communication and computing	2 068	2 518
Stationery, postage, couriers and freight	163	255
Contractors and consultants	2 982	1 622
Taxis, hire cars and car parking	211	230
Domestic and internal travel	928	723
Seminars, courses and training	166	521
Accommodation and service costs	945	909
Bad debts and allowances for doubtful debts	5	2
Loss on foreign exchange hedges	418	731
Other	996	911
Total administration and accommodation - non-SA Government entities	8 882	8 422
Administration and accommodation paid/payable to entities within the SA Government:		
Accommodation and service costs	1 392	1 287
Motor vehicle	409	454
Computer processing	106	104
Insurance	163	141
Audit, legal and other fees	464	386
Total administration and accommodation - SA Government entities	2 534	2 372
Total administration and accommodation	11 416	10 794

Consultants

The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Between $0 and $9 999	2	11	-	-
Between $10 000 and $50 000	-	-	2	57
Total paid/payable to consultants engaged	2	11	2	57

9. Depreciation expense

	2011 $'000	2010 $'000
General plant and equipment	129	68
Event plant and equipment	23	23
Fitouts	277	277
Pageant plant and equipment	109	100
Total depreciation expense	538	468

10. Participation fees

Participation fees received/receivable from entities external to the SA Government:		
Cooperative marketing/advertising	568	1 491
Sponsorship revenue	3 625	3 412
Trade/consumer show participation/workshops/training	104	509
In-kind revenue	632	311
Total participation fees - non-SA Government entities	4 929	5 723
Participation fees received/receivable from entities within the SA Government:		
Sponsorship and participation fees	219	-
Total participation fees - SA Government entities	219	-
Total participation fees	5 148	5 723

11. Other income

Other income received/receivable from entities external to the SA Government:		
Service fees	12	10
Supply commissions	213	220
Commonwealth grants	-	210
Sundry income	497	744
Total other income - non-SA Government entities	722	1 184
Other income received/receivable from entities within the SA Government:		
Other grants	800	800
Recoups of expenses	-	55
Total other income - SA Government entities	800	855
Total other income	1 522	2 039

12. Net loss from the disposal of non-current assets

Plant and equipment:		
Proceeds from disposal	2	-
Net book value of assets disposed	(10)	(101)
Total net loss from the disposal of non-current assets	8	101

13. Revenues from (payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	55 935	60 050
Total revenues from SA Government	55 935	60 050
Payments to SA Government:		
Other payments to the Consolidated Account	-	(300)
Total payments to SA Government	-	(300)
Total revenues from (payments to) SA Government	55 935	59 750

14. Cash and cash equivalents

Cash on hand	8	6
Cash at bank	2 787	3 693
Deposits with the Treasurer	-	98
Total cash and cash equivalents	2 795	3 797

Deposits with Treasurer

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

Interest rate risk

Cash on hand and at bank is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

15. Receivables

	2011	2010
Current:	$'000	$'000
Receivables	1 105	832
Allowance for doubtful debts	(5)	(2)
	1 100	830
GST input tax recoverable	558	643
Prepaid salaries and wages	31	-
Accrued revenue	179	223
Prepayments	45	68
Total receivables	1 913	1 764
Receivables from SA Government entities:		
Receivables	150	-
Total receivables from SA Government entities	150	-

The total receivables figure does not include non-current receivables as the Commission does not have any receivables that meet the definition of non-current. Any non-current receivables would be disclosed in this note.

Movement in the allowance for doubtful debts (impairment loss)

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised under 'administration and accommodation' in the Statement of Comprehensive Income for specific debtors.

	2011	2010
	$'000	$'000
Carrying amount at 1 July	2	7
Increase in the allowance	5	2
Amounts written off	(2)	(7)
Carrying amount at 30 June	5	2

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 28.
(b) Categorisation of financial instruments and risk exposure information - refer note 28.

16. Other financial assets

	2011	2010
	$'000	$'000
Loan receivable	-	260
Total other financial assets	-	260

All loans receivable were receivable from non-SA Government entities. Loans receivable are recognised at cost and were fully recovered in 2010-11. The loan was interest free for the life of the loan.

(a) Maturity analysis of other financial assets - refer 28.3 in note 28.
(b) Categorisation of financial instruments and risk exposure information - refer note 28.

17. Plant and equipment

	2011	2010
	$'000	$'000
Plant and equipment at cost (deemed fair value)	5 452	5 353
Accumulated depreciation at the end of the period	2 431	1 967
Total plant and equipment	3 021	3 386

Carrying amount of plant and equipment

Plant and equipment includes $710 000 ($728 000) of fully depreciated plant and equipment still in use.

Impairment

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

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2010-11.

	General plant and equipment	Events plant and equipment	Fitouts	Pageant plant and equipment	Total
2011	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	429	114	2 196	647	3 386
Additions	38	-	-	145	183
Disposals	-	-	-	(10)	(10)
Depreciation	(129)	(23)	(277)	(109)	(538)
Carrying amount at 30 June	338	91	1 919	673	3 021
2010					
Carrying amount at 1 July	201	154	2 473	570	3 398
Additions	354	-	-	203	557
Disposals	(58)	(17)	-	(26)	(101)
Depreciation	(68)	(23)	(277)	(100)	(468)
Carrying amount at 30 June	429	114	2 196	647	3 386

18. Investment in Australian Tourism Data Warehouse

The Australian Tourism Data Warehouse (ATDW) is a joint project of all state and territory tourism authorities working with Tourism Australia to present and market Australian tourism products to the world through Tourism Australia's website. Operators listed on the ATDW have their details uploaded onto a consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in ATDW does not give the Commission controlling interest in ATDW.

19. Payables

	2011	2010
Current:	$'000	$'000
Creditors	1 980	-
Accrued expenses	2 040	4 879
Employment on-costs	228	260
Total current payables	4 248	5 139
Non-current:		
Employment on-costs	100	116
Total non-current payables	100	116
Total payables	4 348	5 255
Payables to SA Government entities:		
Creditors	18	-
Accrued expenses	194	122
Employment on-costs	328	376
Total payables to SA Government entities	540	498

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2010 rate 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employee benefit expense of $17 000. The estimated impact on 2012 and 2013 is $17 000 and $18 000 respectively.

Interest rate and credit risk

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

(a) Maturity analysis of payables - refer note 28.
(b) Categorisation of financial instruments and risk exposure information - refer note 28.

20. Other liabilities

	2011	2010
Current:	$'000	$'000
Lease incentive	154	154
Unclaimed monies	3	6
Unearned revenue	28	20
Total current other liabilities	185	180
Non-current:		
Lease incentive	938	1 092
Total non-current other liabilities	938	1 092
Total other liabilities	1 123	1 272

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

21. Employee benefits

Current:		
Annual leave	794	847
Long service leave	254	247
Accrued salaries and wages	90	329
Total current employee benefits	1 138	1 423
Non-current:		
Long service leave	1 151	1 171
Total non-current employee benefits	1 151	1 171
Total employee benefits	2 289	2 594

The total current and non-current employee expense (that is, aggregate employee benefit plus related on-costs) for 2011 is $1.366 million ($1.683 million) and $1.251 million ($1.287 million) respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $30 000 and employee benefit expense of $32 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long term discount rate. With current conditions, the long term discount rate is experiencing significant movement.

22. Borrowings

	2011	2010
Current:	$'000	$'000
Balance 1 July	50	243
Repayments	(50)	(193)
Balance 30 June	-	50
Represented by:		
Current borrowings	-	50
Total borrowings	-	50

All borrowings held at 30 June 2010 were repaid to the SA Government in 2010-11.

(a) Maturity analysis of borrowings - refer note 28.
(b) Categorisation of financial instruments and risk exposure information - refer note 28.
(c) Defaults and breaches – there were no defaults or breaches on any of the above liabilities throughout the year.

23. Equity

	2011	2010
	$'000	$'000
Contributed capital	64	64
Retained earnings	305	372
Total equity	369	436

24. Unrecognised contractual commitments

(a) *Operating lease commitments*

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2011 $'000	2010 $'000
Within one year	1 515	1 713
Later than one year but not longer than five years	6 359	6 202
Later than five years	3 161	4 834
Total operating lease commitments	11 035	12 749

These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable in arrears.

The weighted average interest rate implicit in the non-cancellable operating leases is 4 percent. Where lease agreements refer to a market rate of CPI a rate of 3.5 percent has been applied.

(b) *Other commitments*

	2011 $'000	2010 $'000
Within one year	11 868	14 258
Later than one year but not longer than five years	10 290	11 041
Later than five years	385	385
Total other commitments	22 543	25 684

The Commission's other commitments are for agreements for grants for international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts. There are no purchase options available to the Commission.

(c) *Remuneration commitments*

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	2011 $'000	2010 $'000
Within one year	2 409	3 942
Later than one year but not longer than five years	2 910	1 704
Total remuneration commitments	5 319	5 646

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

25. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	92	81

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

26. Remuneration of board members

Directors who were entitled to receive remuneration for membership during the 2010-11 financial year were:

South Australian Tourism Board

M Abbott
J Ellison
R Foord
I Horne
J Jeffreys
K Lehman
K Lloyd (appointed 1 October 2011)
A Skipper (retired 30 September 2010)
M Tilley
L Tuit

The number of directors whose total remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0 - $9 999	1	-
$10 000 - $19 999	5	8
$20 000 - $29 999	3	1
$30 000 - $39 999	1	-
Total	10	9

26. Remuneration of board members (continued)

Remuneration of directors reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Total remuneration received or receivable by directors was $191 000 ($170 000). Amounts paid to a superannuation plan for board directors was $19 000 ($47 000).

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

27. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	2 795	3 797
Balance as per the Statement of Cash Flows	2 795	3 797

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

	2011	2010
Net cash provided by (used in) operating activities	(771)	937
Revenues from SA Government	(55 935)	(60 050)
Payments to SA Government	-	300
Non-cash items:		
Depreciation expense and impairment of non-current assets	(538)	(468)
Net loss from disposal of non-current assets	(8)	(101)
Movement in assets and liabilities:		
Increase (Decrease) in receivables	(111)	291
Decrease (Increase) in employee benefits	305	(127)
Decrease (Increase) in other liabilities	149	165
Decrease (Increase) in payables	907	(2 393)
Net cost of providing services	(56 002)	(61 446)

28. Financial instruments/financial risk management

28.1 Categorisation of financial instruments

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

		Carrying amount	
		2011	2010
Financial assets	Note	$'000	$'000
Cash and cash equivalents:			
Cash and cash equivalents	14	2 795	3 797
Loans and receivables:			
Receivables(1)	15	1 279	1 053
Other financial assets	16	-	260
Held to maturity investments:			
Shares	18	400	400
Total financial assets		4 474	5 510
Financial liabilities			
Financial liabilities - at cost:			
Payables(1)	19	4 020	4 879
Other current liabilities	20	185	180
Borrowings	22	-	50
Total financial liabilities		4 205	5 109

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

Fair value
The Commission does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 14, 15, 16, 18, 19, 20, 22 and 27).

Credit risk
Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commission does not hold collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 15 for information on the allowance for impairment in relation to receivables.

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

28.2 Ageing analysis of financial assets

	Past due by			
	Less than 30 days	30-60 days	More than 60 days	Total
2011	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[(1)]	812	182	106	1 100
Impaired:				
Receivables	-	-	5	5
2010				
Not impaired:				
Receivables[(1)]	590	65	175	830
Other financial assets	260	-	-	260
Impaired:				
Receivables	-	-	2	2

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

Maturity analysis of financial assets and liabilities
The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year with the exception of shares which have been assessed as having a maturity of greater than five years.

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

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in note 28.1 represents the Commission's maximum exposure to financial liabilities.

Market risk
The Commission does not engage in high risk hedging for its financial assets. The hedges in 2010-11 were for the payment of representation fees and marketing activity in overseas offices. In 2010-11 the Commission had 16 (22) cash flow hedging contracts mature totalling $5.841 million ($5.387 million). As at 30 June 2011 the Commission had in place 23 (31) hedging contracts to manage exchange risk for 2011-12 totalling $4.821 million ($4.941 million). As with all hedges there are financial risks. Cash flows from hedges in 2010-11 are included in the Statement of Comprehensive Income, and shown separately as losses where material in note 8.

Sensitivity disclosure analysis

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

Credit standby arrangements

The Commission has a $283 000 ($283 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2011 was $219 000 ($167 000).

29. Disclosure of administered items

	SAV&TC	
	2011	2010
Administered expenses:	$'000	$'000
Commissions paid	662	638
Expenditure to tourism operators	4 282	3 885
Total administered expenses	4 944	4 523
Administered income:		
Gross sales revenue	4 944	4 523
Total administered income	4 944	4 523
Administered assets:		
Cash and cash equivalents	1 563	1 990
Total administered assets	1 563	1 990
Administered liabilities:		
Payables	1 526	1 936
Commissions payable	34	50
GST payable	3	4
Total administered liabilities	1 563	1 990

South Australian Water Corporation

Functional responsibility

Establishment

The South Australian Water Corporation (SA Water) was established pursuant to the *South Australian Water Corporation Act 1994*. SA Water is responsible to the Minister for Water.

Functions

The primary functions of SA Water, in accordance with the *South Australian Water Corporation Act 1994*, are to provide services for the:

- supply of water by means of reticulated systems
- storage, treatment and supply of bulk water
- removal and treatment of wastewater by means of sewerage systems.

The PCA applies to SA Water and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with SA Water.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 32(4) of the PCA provide for the Auditor-General to audit the accounts of SA Water in respect of each financial year.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. During 2010-11, specific areas of audit attention included:

- revenue raising, collection, receipting and banking
- tendering and contract management
- expenditure including procurement, accounts payable, and rebate schemes
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowing and finance leases.

The work of internal audit was considered in planning and conducting the audit program.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

In my opinion, the controls exercised by the South Australian Water Corporation 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 North South Interconnection System Project, expenditure and payroll as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Water Corporation have been conducted properly and in accordance with law.

Communication of audit matters

Main matters arising during the course of the audit were detailed in management letters to the Chief Executive of SA Water. Responses to the management letters were generally considered to be satisfactory. The main matters raised with SA Water and the related responses are detailed below.

North South Interconnection System Project (NSISP)

The audit of SA Water included some aspects of procurement for the NSISP. Background detail on the NSISP is provided under 'Further commentary on operations' hereafter.

Cabinet approved $30.046 million for preliminary works (excluding construction) for the NSISP in July 2009. The preliminary works involved a number of separate procurements. Audit reviewed a sample of these preliminary works procurements. Due to the level of information available Audit sought formal comment and further information/documentation covering certain matters identified, including:

- the delay in executing some contractual documents past the period where the contractor had commenced providing services

- inadequate documentation to support waivers of competitive tender processes and assessment of proposals. Examples were noted where waivers were approved at the same time services were provided and where there was insufficient documentation supporting the reasons a public tender should be waived

- reasons for significant increases and extensions in contract values. Examples were noted where contracts had increased as much six to ten times the original contracted amount.

SA Water provided a response which indicated that:

- given the significant and far reaching nature of the concerns raised by stakeholders, SA Water was unable to engage with, or return to the market, for design and other consultancy services. However, in order to address these stakeholder issues and achieve financial approval and commercial readiness additional services were required

- to ensure continuity of service the contract variations were approved in parallel with the work being undertaken
- the delay in finalising one contract was due to a disagreement on liability exposures.

In response to the audit correspondence, the SA Water Audit Committee requested further explanation from management and also commissioned an internal audit on the procurements. In September 2011 the findings of the internal audit of NSISP procurements were reported to the SA Water Audit Committee.

The internal audit report on the NSISP found instances where the documented procedures were not complied with. Several key procurement controls do not appear to be operating effectively including requirements to:

- comply with organisation-wide procurement templates
- prepare and approve a Procurement Plan and Offer Evaluation Plan
- obtain approval in accordance with SA Water's Delegations of Financial and Procurement Authority
- obtain approval for contract execution and contract variations prior to work commencing.

The internal audit also noted the project team has been required to achieve tight deadlines, especially with the program schedule being changed. This focus on project delivery appears to have led to deviations from SA Water's Procurement Policy and Procedure without the appropriate approvals.

Audit comment

I have commented on SA Water's procurement controls in my previous Annual Audit Reports. I note that in 2009 as a result of an SA Water commissioned review into the procurement processes, SA Water has taken progressive actions to improve procurement practices. This included the restructuring of procurement policies, procedures and practices.

I have also made comment in past Annual Audit Reports about the need to improve the level of documentation to support specific project procurement decisions. This has included documentation to demonstrate compliance with existing policies and procedures in areas such as waiver of tenders, procurement plans and contract documentation.

These issues have again been evident in the audit review of the NSISP procurement during 2010-11. Further, as noted by the internal audit report, the team had tight deadlines imposed. These circumstances increase the risk that the appropriate level of documentation supporting decisions may not be created and approved potentially resulting in inappropriate procurement decisions.

It is prudent management practice to formally investigate, document and approve any departure from standard agency approved policies and procedures. This should include a full risk assessment and control procedures for initiating, managing and reviewing the changed procurement strategy. Further, where a procurement is subject to unusually tight deadlines or departs from normal procurement processes, additional internal and probity controls should be implemented to ensure that procurement standards are not compromised.

As mentioned above, SA Water's governance structure (through the SA Water Audit Committee) has identified the need to review and consider actions to improve controls over procurement. This will also include including review of procurements other than those associated with the NSISP. The outcome of this report should be available during 2011-12.

Procurement practices again will be reviewed during 2011-12.

Adelaide Desalination Project (ADP) Commonwealth funding

The approved cost of the ADP is $1.824 billion with the Commonwealth Government committing funding of $328 million towards that cost. The funding is provided under the National Partnership Agreement (NPA) and comprises two separate components, being $100 million for the 50 gigalitre per annum plant (stage 1) and $228 million for expansion to a 100 gigalitre per annum plant (stage 2). The Commonwealth's commitment of funds is significant and is subject to various conditions.

Last year, Audit noted that the implementation plan (required by the NPA) for:

- stage 1 ($100 million) had been agreed and some Commonwealth payments have been received. However, evidence of formal sign-off of the implementation plan for stage 1 as required by the NPA could not be provided

- stage 2 ($228 million) was in draft format and that one condition required by the Commonwealth related to the use of River Murray water had not yet been clarified.

Because the NPA is a governmental agreement, SA Water along with other parties of government (DPC, DTF and the Department for Water) is involved in the administration of the funding arrangements. Audit was advised that the implementation plan for stage 2 was signed on 13 August 2011.

As at 30 June 2011 $60 million in grant funding for the ADP had been received by SA Water.

Expenditure

Areas identified where internal controls over accounts payable could be improved included:

- preventing users from having access to both create and authorise profiles in the electronic banking system

- improving controls to limit the risk of unauthorised changes to the EFT payment file

- improving information used to review access to the electronic banking system

- evidencing the review and actioning of exception reporting on the approval of transactions

- improving documentation supporting vendor master file changes.

SA Water's response detailed action taken and planned to address all the matters raised.

Payroll

The payroll audit noted there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. This matter was reported in previous years and SA Water had previously indicated the introduction of an online time and attendance system would address this matter. The system was intended to be rolled by the end of March 2011, however this did not occur.

In addition, the audit identified that controls could be improved for the review and control of bona fide reports, ensuring no unauthorised changes are made to the EFT payment file and the completeness of checks of employee master file modifications.

SA Water indicated the introduction of an online time and attendance system had experienced delays due to supplier issues and is now planned to be rolled out across SA Water by end of March 2012. SA Water has advised of action taken and planned to address the other matters raised by Audit.

Revenue

The revenue audit noted that there was no current memorandum of administrative arrangement for the administration of pensioner concessions and that some key processes were not sufficiently documented in the procedures.

SA Water's response indicated a new agreement was awaiting endorsement and that the outstanding procedures would be documented.

General ledger

The audit of the general ledger cycle noted that:

- there was no documented procedure for the preparation, input and independent checking of manual general ledger journals
- some reconciliations that had no supporting documentation and one reconciliation had an minor long term unexplained variance.

SA Water's response indicated procedures would be developed, supporting documentation has now been obtained and action is being taken to resolve the unexplained variance.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Water and wastewater rates and charges	799	689
Community service obligations	181	199
Other	175	178
Total income	1 155	1 066
Expenses		
Depreciation and amortisation expense	234	211
Borrowings costs	206	144
Operational and service contracts	137	131
Employment expenses	111	102
Other expenses	209	207
Total expenses	897	795
Net profit after income tax expense	181	190
Other comprehensive income (net of tax)	598	820
Total comprehensive income for the year	779	1 010
Net cash inflows (outflows) from operating activities	396	444

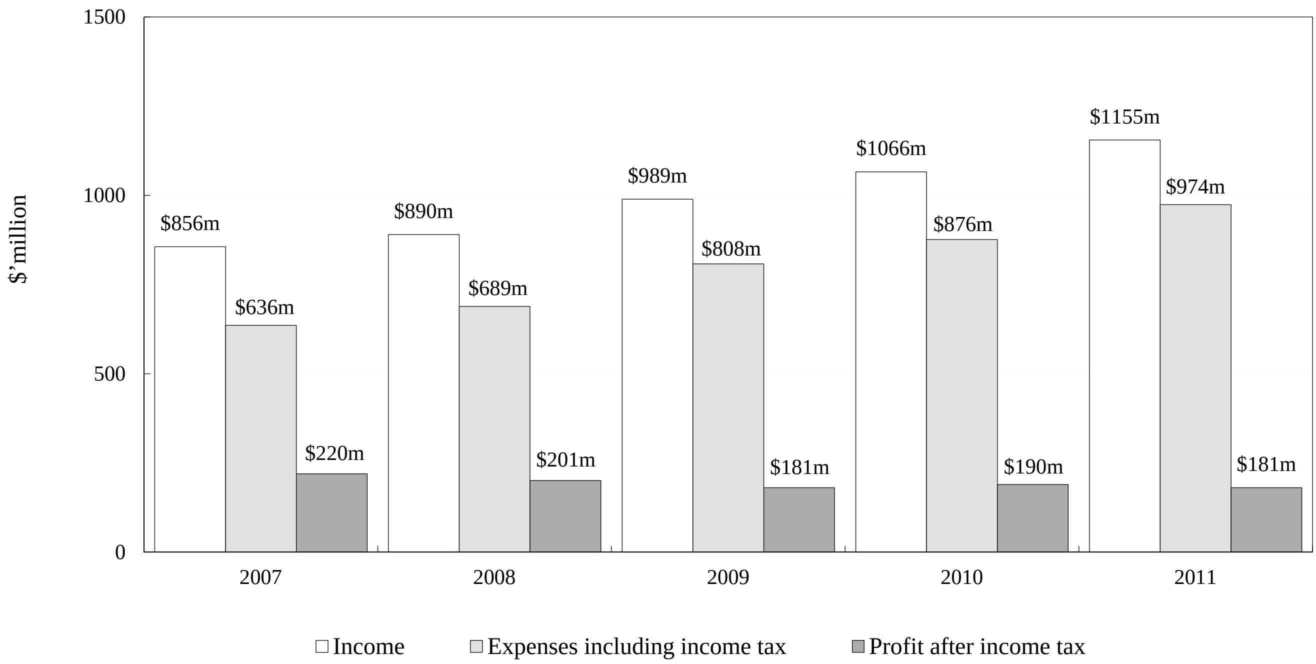
	2011 $'million	2010 $'million
Assets		
Current assets	194	179
Non-current assets	13 004	11 673
Total assets	13 198	11 852
Liabilities		
Current liabilities	282	334
Non-current liabilities	5 106	4 318
Total liabilities	5 388	4 652
Total equity	7 810	7 200

Statement of Comprehensive Income

Operating result

SA Water's profit after income tax decreased by $9 million ($9 million increase in 2010) to $181 million ($190 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2011.



The chart shows that both income and expenses have increased over the period since 2006. The chart also shows the annual profit after income tax has declined since 2007.

The biggest impact on SA Water's profit has been various drought and water security initiatives causing higher operating and financing costs.

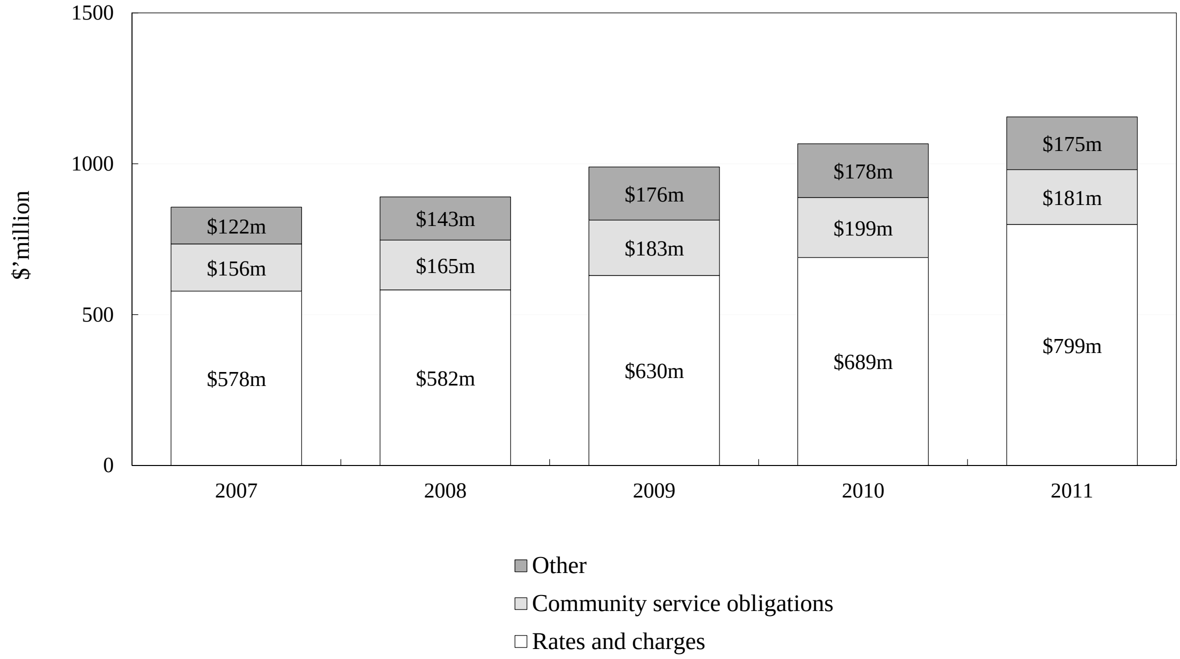
Income

Total income increased by $89 million to $1155 million. The increase was due mainly to:

- water and wastewater rates and charges increasing by $110 million due mainly to an increase in prices

- community service obligations (CSOs) decreasing by $18 million mainly for country services due to increased water prices.

The following chart analyses the main sources of income for SA Water for the five years to 2011.



The above chart shows total income has increased by $299 million since 2007. Comments on the trend over this period are:

- The main factors affecting water and wastewater rates and charges are price increases and water consumption. Water restrictions, which commenced in November 2006, have resulted in an overall reduction of water consumption since that time. The increase since that time is attributable mainly to price increases and growth in customer numbers.

- CSOs are provided under the financial ownership framework agreed with DTF. The increases in CSOs are mainly for subsidising country water.

- Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives. A large component of the recoverable works are received from the Murray-Darling Basin Authority for management and works on the Murray River.

Expenses

Total expenses increased by $102 million to $897 million. The major components of the increase were:

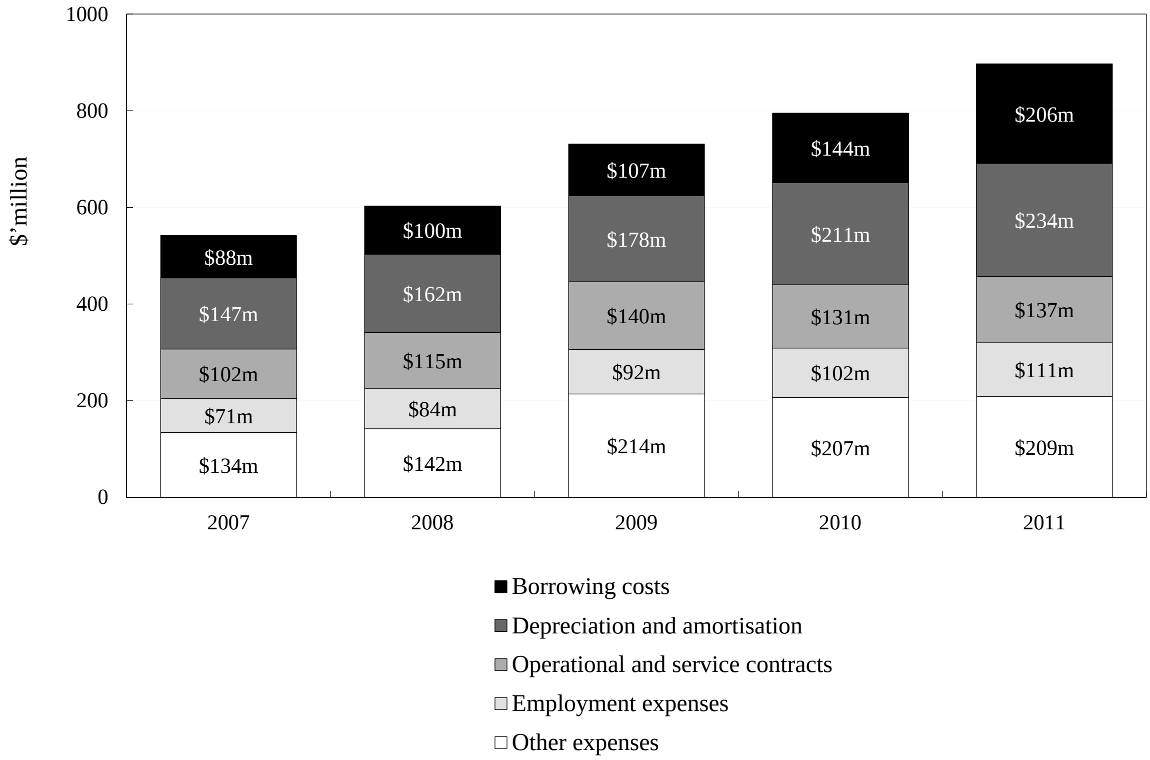
- borrowing costs increased by $62 million due mainly to increased borrowings to fund capital projects and increased guarantee fee

- depreciation and amortisation increased by $23 million due mainly to higher asset values

- employment expenses increased by $9 million due mainly to salary increases and the appointment of additional employees for drought and water security initiatives

- operational and service contracts increased by $6 million due mainly to waste water treatment and breakdown maintenance costs.

The following chart analyses the main expense items for SA Water for the five years to 2011.



Since 2007 expenses have increased by $355 million. Major factors affecting expenses are:

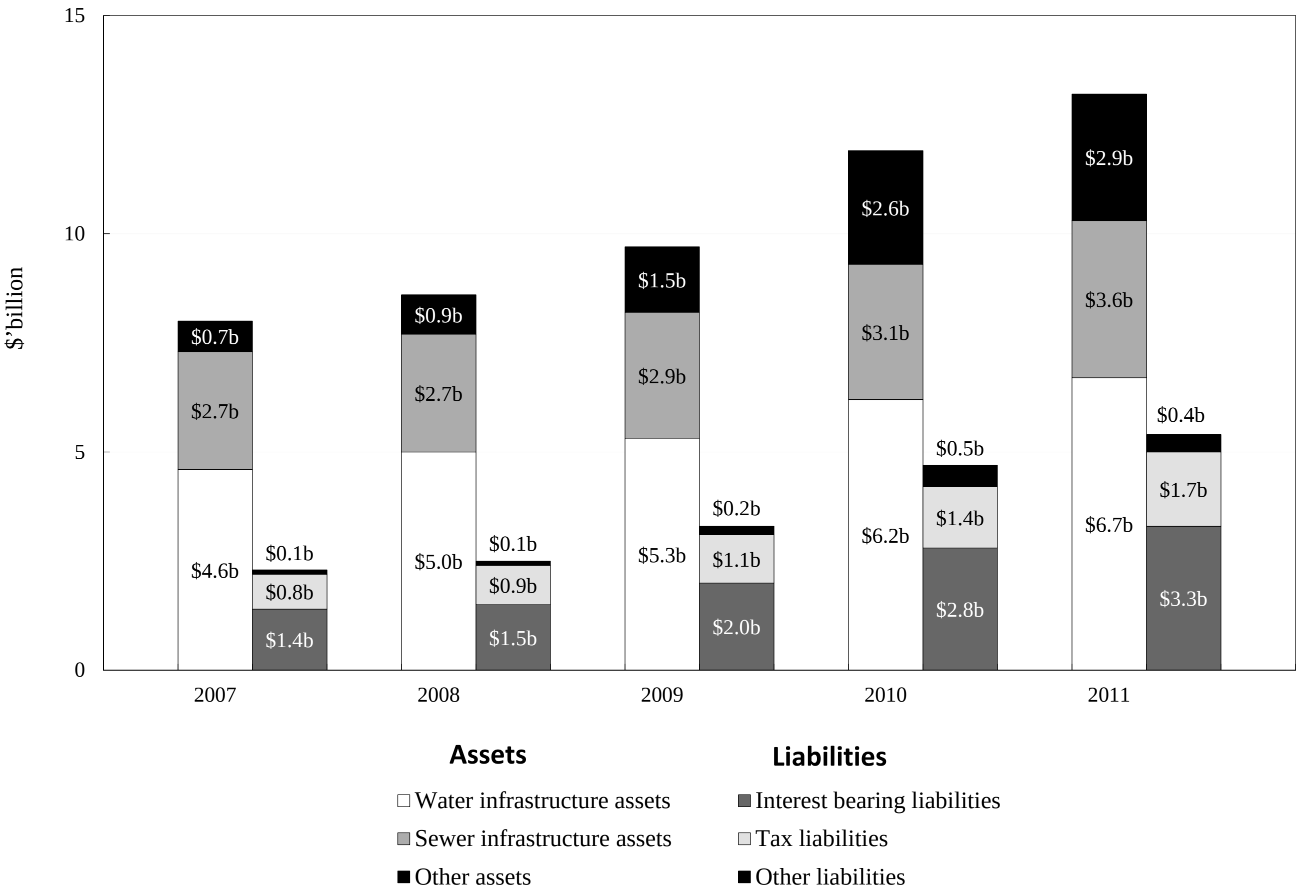
- increased borrowing costs since 2008 due mainly to additional borrowings to fund the construction and acquisition of assets
- depreciation and amortisation costs continue to grow significantly in line with the impact of asset revaluations. Over the past four years this expense has increased by $87 million, primarily due to asset revaluations
- increasing operational and service contracts expenses due mainly to increased costs for water security activities, water restrictions and the drought
- since 2008 the increase in employment expenses exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions, drought initiatives and capital and operational projects
- for other expenses:
  - — electricity costs were higher in 2007 and 2009 due to additional pumping of water
  - — a water efficiency rebates scheme was introduced in 2008 and grew in 2009 and 2010
  - — there was an increase in the level of recoverable works since 2008. The level of works varies from year to year depending on economic conditions and government initiatives.

Other comprehensive income

Other comprehensive income of $598 million ($820 million) is attributable mainly to the revaluation of assets.

Statement of Financial Position

A structural analysis of assets and liabilities for the five years to 2011 is shown in the following chart.



SA Water's financial position is dominated by non-current infrastructure assets and related borrowings and tax liabilities.

In 2011 total assets increased by $1.3 billion to $13.2 billion. The change was due mainly to:

- acquisition of infrastructure, plant and equipment of $724 million. Major capital expenditure includes ADP $290 million, NSISP $64 million, Christies Beach wastewater treatment plant capacity upgrade $63 million, Bird in Hand wastewater treatment plant $39 million, southern urban reuse project $14 million and assets contributed through development activity $61 million

- infrastructure, plant and equipment revaluations of $843 million. The combined revaluations from 2007 to 2011 amounted to $3.6 billion. Revaluation of assets is based on independent valuation or director's valuation and is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(d) to the financial statements details SA Water's revaluation policies.

Interest bearing liabilities increased by $495 million to fund non-current asset additions. In addition tax liabilities increased by $250 million due mainly to the tax effect of revaluing assets.

Current assets and liabilities

Current assets and liabilities are significant in their own right. At 30 June 2011 current liabilities amounted to $282 million ($334 million), exceeding current assets of $194 million ($179 million) by $88 million ($155 million). While such a large deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities which would enable all of its current liabilities to be met.

The decrease in current liabilities of $52 million is due mainly to a decrease in payables for major capital projects and timing of borrowings maturities.

The increase in current assets of $15 million is due mainly to an increase in rates receivables from improved estimation of water usage accruals.

Statement of Cash Flows

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

	2011 $'million	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Net cash flows					
Operating	396	444	331	325	308
Investing	(722)	(1 140)	(649)	(249)	(160)
Financing	326	696	317	(79)	(145)
Change in cash	-	-	(1)	(3)	3
Cash at 30 June	1	1	1	2	5

Factors affecting cash flows over the five years include:

- an increasing level of investment in the construction and purchase of infrastructure, plant and equipment. For the years 2009 to 2011 investing activities totalled $2.5 billion, while over a five year period investing activities totalled $2.9 billion
- payment of a dividend to the Government. This amounted to $169 million ($169 million) in 2011
- increased net borrowings. In 2011 net cash flows from borrowings were $500 million ($870 million)

Further commentary on operations

Performance statement

As a public corporation SA Water is bound by a charter and is also required to meet a range of performance targets set out in an annual performance statement, as agreed between SA Water, the Minister for Water Security and the Treasurer. The performance statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

The key financial performance measures agreed to in the performance statement are set out in the following table.

Performance measure	Target 2010-11	Actual result 2010-11
Profit before tax ($'million)	166	258
Capital expenditure	889	693
Rate of return on assets (percent) (1)	3.0	3.4
Gearing ratio (percent) (2)	28.5	25.1

(1) (Profit before tax plus net interest costs, less free assets revenue, plus free assets depreciation) divided by (assets excluding free assets).

(2) (Total interest bearing debt including borrowings and lease liabilities) divided by (total assets).

SA Water has exceeded the planned profit before tax by $92 million. Major contributing factors were:

- lower than planned income from rates and charges due mainly to reduced water consumption
- a one off payment from United Water (refer notes 4 and 1(x))
- approved carryover of unused temporary water allocations (refer note 1(d))
- lower than planned expenses for interest, electricity and depreciation.

The better than targeted rate of return on assets was mainly due to the aforementioned matters. It is important to note that some of these factors are not under the control of SA Water.

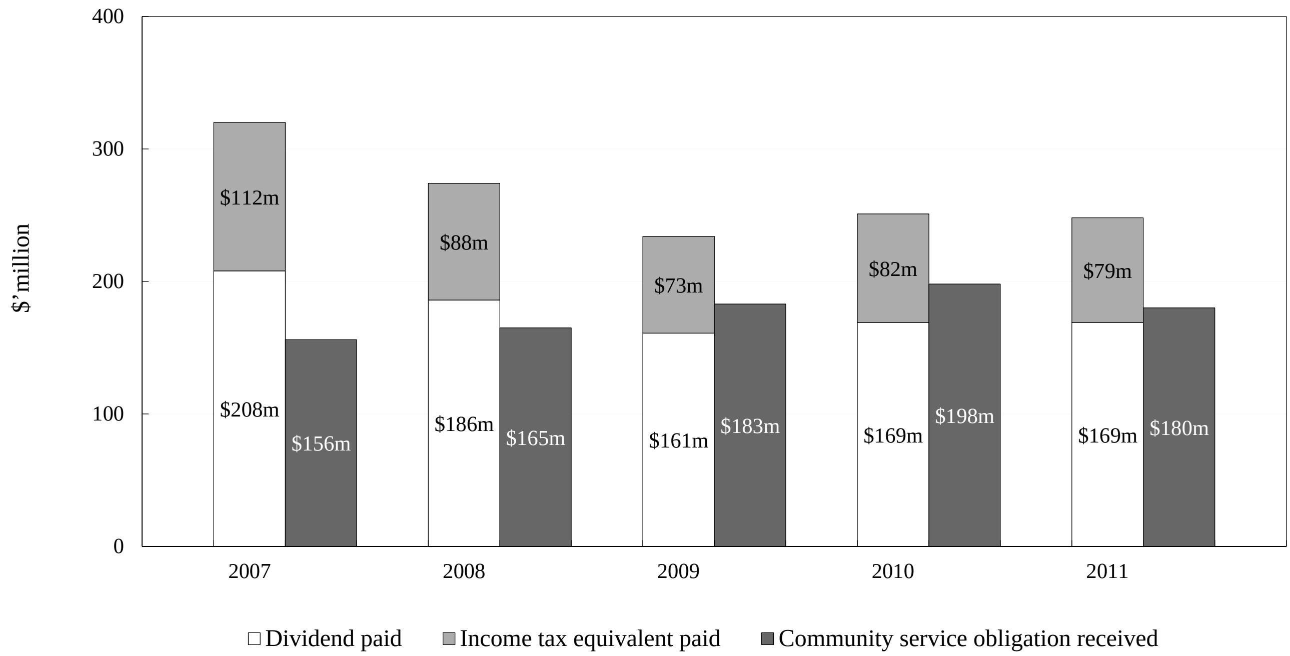
Capital expenditure was $196 million less than the target due mainly to the timing of expenditure, including for the ADP and NSISP.

Commentary on SA Water's gearing ratio is included under 'Contributions to the State Government' hereafter.

Contributions to the State Government

Effectively, the Government fulfils a number of key roles for SA Water including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of SA Water which impacts on the amount of funding it provides to, or receives from, SA Water.

A structural analysis of particular cash contributions (dividends, capital repayments, income tax equivalent) paid to the Government and CSO funding provided by the Government for the five years to 2011 is shown in the following chart.



The above chart shows that even though the amount of money returned to the SA Government through tax equivalent and dividend decreased from 2007 the amount remains significant. Since 2009 the CSO funding has exceeded the dividend.

SA Water operates under a financial ownership framework developed by DTF for public non-financial corporations. It was implemented in 2005-06. The main features of the framework are:

- debt to total assets ratio range of 15-25 percent for the next four to five years

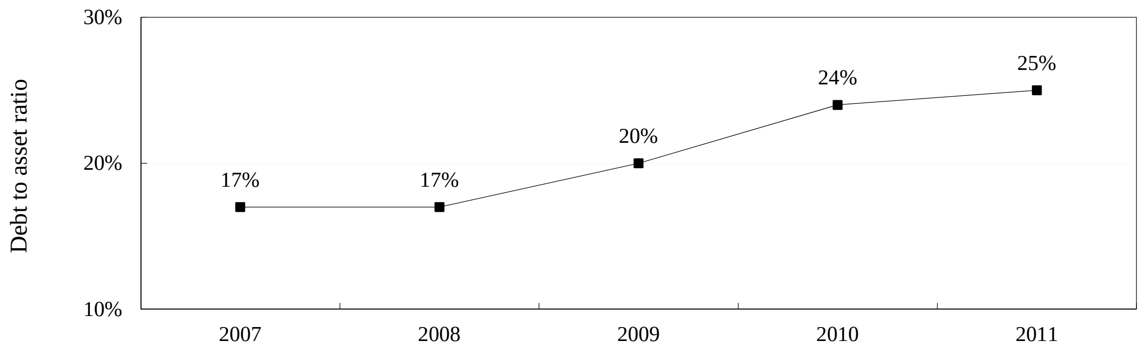
- dividend payout ratio of 95 percent based on after tax profit
- arrangements for the Government to purchase non-commercial services for which CSO payments are made.

The following table summarises movements in the major items influencing borrowings.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Net cash inflows from operating activities	396	444	331	325	308
Net cash outflows from investing activities	(722)	(1 140)	(649)	(249)	(160)
Surplus (Shortfall) cash from operations after investing activities	(396)	(696)	(318)	76	148
Dividend payments to owners	(169)	(169)	(161)	(186)	(208)
Shortfall in funds to pay for dividends and investing activities	565	865	479	110	60
Net increase in borrowings	500	870	482	112	63

To meet its payment obligations to government and finance its capital works programs SA Water's net increase in borrowings has risen significantly since 2007 and since 2009 operating cash flows did not cover net cash used in investing activities.

The following graph presents movements in the debt to asset ratio for the five years to 2011.



The financial ownership framework gearing ratio range was 15-25 percent with a long-term target of 20 percent. Up to 2008 the debt/asset ratio was below the long-term target predominantly due to the value of assets increasing significantly due to revaluation. However, from 2010, due to borrowings to fund capital works (discussed above), the ratio exceeded the long-term target. It is noted this was envisaged by the annual performance statement debt/asset ratio target, which established a target of 28.5 percent.

ADP

Major project components

The ADP is a major construction undertaking, which commenced in 2008-09. The objective of the work is to construct infrastructure that obtains and treats seawater to produce drinking quality water. The major components of the project include:

- design and construction of the desalination plant and associated marine works
- design and construction of the transfer pipeline system
- construction of power supply infrastructure.

The practical completion of the first 50 gigalitre capacity was targeted for August 2011 and the full 100 gigalitre capacity handover targeted for 31 December 2012.

Further, there are ongoing costs for the operation and maintenance the desalination plant and the power to operate the desalination plant.

Governance arrangements

The delivery of the ADP is governed by the Adelaide Desalination Project Steering Committee. In March 2008 Cabinet approved the appointment of an independent project advisor for the ADP and to be chair of the Committee. Membership of the Committee comprises the Under Treasurer and the Chief Executives of SA Water, DPC, the Department for Water and the Department of Environment and Natural Resources.

A separate project team established within SA Water has responsibility for executing the procurement and delivery arrangements for the ADP.

Developments during 2010-11

My 2008-09 Report provided a summary of major events including the Government approvals and key contracts entered into. Refer to that Report for this information.

The main activity for the year has been the construction of the desalination plant and associated marine works, transfer pipeline system and power supply infrastructure.

The practical completion and handover of the first 50 gigalitre capacity has been delayed from the original target date of 31 August 2011. Note 1(w) indicates that 50 gigalitre capacity will be delivered during 2011-12. Delivery of the full 100 gigalitre capacity is still targeted for 31 December 2012, and the total estimated cost of the ADP is $1.824 billion.

Costs of constructing the ADP are included in capital works in progress and amount to $1.5 billion as at 30 June 2011.

Change orders

Change orders have been issued under the various contracts for the ADP. A large number of these change orders were issued under a ‘10 10 10’ initiative arrangement with the contractor for the construction of the desalination plant and associated marine works contract (D&C consortium). The 10 10 10 initiative was implemented to respond to risks arising from the tight delivery timelines and the impact of expanding the ADP capacity from 50 to 100 gigalitres per annum. The aims of the 10 10 10 initiative included:

- improved management of risks shared between the contractor and SA Water
- early commencement of critical path activities and delivery of critical path equipment
- improved safety
- creation of a shared program float.

SA Water advised that because the aims were to address shared risks the costs of the 10 10 10 initiatives were shared between SA Water and the D&C consortium in the proportion of approximately 63 percent and 37 percent respectively. SA Water’s contribution was managed by issuing the change orders under the original contract. SA Water paid change order claims based on demonstrated achievement of outcomes and performance indicators.

The total value of 10 10 10 change orders issued was $63 million, with the amount expended by SA Water to 30 June 2011 amounting to $46 million. SA Water advised that because of non-achievement of some of the agreed key performance indicators, amounts totalling $17 million were not claimable by the D&C consortium.

Audit review

During the year Audit reviewed certain aspects of the ADP including Commonwealth funding, high level project governance, change order approval and contract payments. Comments on Commonwealth funding have been included in 'Audit findings and comments'.

The review of the project will continue into 2011-12.

NSISP

Major project components

Adelaide has discrete northern and southern water supply systems. The aim of the project is to connect the northern and southern water supply systems to enable the ability to transfer large volumes of water between the systems. The NSISP is a major construction undertaking which will enable full utilisation of the capacity of reservoirs and the Adelaide desalination plant between the two systems.

Project approvals

In July 2009 Cabinet approved expenditure of $30 million to undertake preliminary works (excluding construction) for the NSISP. These works were for the preliminary scoping, feasibility and concept work to develop a system interconnection design solution.

In November 2010 Cabinet approved $403 million for the NSISP, which included the $30 million for the preliminary works and $13 million in previous sunk costs incurred in prior financial years. Approval was also provided for ongoing costs for operation and maintenance.

Governance arrangements

Governance arrangements for the project are facilitated through a steering committee, project sponsor, project director and other specific advisory and management groups.

Project expenditure

As at 30 June 2011 total expenditure on works for the NSISP was $77 million.

Audit review

During the year Audit reviewed certain aspects of the NSISP preliminary works procurements and contract payments. Comments on the review have been included in 'Audit findings and comments'.

The review of the project will continue into 2011-12.

Metropolitan Adelaide Service Delivery Project (MASDP)

During the year Cabinet approved the awarding of certain contracts in relation to the MASDP to replace the contract between SA Water and United Water International Pty Ltd (Adelaide Water contract). Last year I reported on the commencement of the procurement associated with the MASDP.

The procurement process was concluded in 2010-11.

Major events

In 1995 SA Water and United Water entered into the Adelaide Water Contract for the management, operation and maintenance of Adelaide's water and waste water systems. This agreement commenced on 1 January 1996 and expired on 30 June 2011.

SA Water commenced planning for the replacement of this agreement in 2007. In preparation for the expiry of the Adelaide Water Contract, SA Water initiated the MASDP.

On 19 October 2009 Cabinet approved the contracting strategy to replace the Adelaide Water Contract. This strategy involved setting up two new contracts, an operations and maintenance alliance contract to deliver the operations and maintenance activities, including some minor capital works, as well as a project management and procurement contract to deliver the majority of the capital works program, and the return of some functions back to SA Water.

Operations and maintenance alliance contract

In February 2010 SA Water issued a call for expressions of interest for the operations and maintenance alliance. The expressions of interest closed in March 2010.

In August 2010, as a result of the assessment of the expressions of interest, SA Water issued a request for a proposal to selected participants. The request for a proposal closed in November 2010.

In January 2011, as a result of the assessment of the request for a proposal, the SA Water Board endorsed Allwater Consortium as the successful proponent for the operations and maintenance alliance contract.

On 7 February 2011 Cabinet approved the SA Water Board entering into a contract with Allwater Consortium for the operations and maintenance alliance.

On 22 March 2011, the contract for the Metropolitan Adelaide Service Delivery Project, Operations and Maintenance Alliance was executed.

The contract commenced on 1 July 2011 for a term of 10 years, plus an option for SA Water to extend the contract for a further six years in 12 month increments.

SA Water advised the transition to the new service provider was completed in late August 2011.

Project management and procurement contract

In October 2010 SA Water issued a request for a proposal for the project management and procurement component. The request for a proposal closed in November 2010.

In March 2011, as a result of the assessment of the request for a proposal, the SA Water Board endorsed Kellogg Brown and Root Pty Ltd as the successful proponent for the project management and procurement services contract.

On 18 April 2011 Cabinet approved the SA Water Board entering into a contract with Kellogg Brown and Root Pty Ltd for project management and procurement services.

On 27 May 2011, the contract for the Metropolitan Project Management and Procurement Services was executed.

The contract commenced on 2 May 2011 for a term of five years, plus an option for SA Water to extend the contract for up to five years in 12 month increments.

Governance arrangements

A Project Review Panel consisting of the Under Treasurer and Chief Executives of the Department for Transport, Energy and Infrastructure and the Department for Water, was established to provide high level governance of the procurement process.

Separate project teams/committees established within SA Water had responsibility for executing the procurement and delivery arrangements for the operations and maintenance alliance and project management and procurement contracts.

Expenditure commitments

Note 30 to the financial statements (other expenditure commitments) includes expenditure commitments associated with the operations and maintenance alliance contract. The expenditure commitment for the first year included in that note for this contract is approximately $69 million and is subject to service level changes. The note has not included expenditure commitments associated with the project management and procurement contract, as the level of services is dependent on SA Water demand.

Audit review

Both the operations and maintenance alliance contract and the project management and procurement contract effectively commenced operations from July 2011.

The audit program for 2011-12 places early focus on the review of aspects of the finalised procurement processes, transition arrangements and contractual management arrangements for the effective discharge of obligations under the contracts and the monitoring and reporting processes for these contracts.

SA Water and United Water charging dispute

In 1995 SA Water entered into a contract with United Water International Pty Ltd (United Water). The responsibilities of United Water included the general management, operation and maintenance of the water and wastewater systems in the Adelaide metropolitan area and the management of most of the Corporation’s capital assets.

In 2009 SA Water commenced Supreme Court action against United Water alleging misleading and deceptive conduct and breach of contract. The action relates to a charging dispute under the contractual agreement that existed between SA Water and United Water. SA Water and United Water subsequently agreed to refer the matter for expert determination.

The determination is being delivered in two parts. The first expert determination, delivered on 18 February 2011 awarded an amount, including interest, of $14 million to SA Water. Both United Water and SA Water have reserved their rights in respect of the first expert determination. The parties are awaiting the outcome of the second expert determination of the independent expert that is expected to be delivered in 2011. Refer note 1(x) and note 4 to the financial statements.

As mentioned in last year’s Report, SA Water needs to take note of any matters of significance that have arisen from its experience so far with the contract charging dispute. In particular, those matters that can further improve its contract formulation, execution and management approach and processes for other current SA Water contractual arrangements or arrangements that may be subject to renewal or renegotiation at sometime in the future.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
Revenue from ordinary activities	4	1 154 130	1 065 800
Other income	5	573	245
Total income		1 154 703	1 066 045
Expenses:			
Depreciation and amortisation expense	6	(234 293)	(211 130)
Borrowing costs	6	(206 297)	(143 562)
Electricity expense		(28 284)	(30 195)
Services and supplies		(180 379)	(176 982)
Operational and service contracts		(136 957)	(131 283)
Salaries and employee benefits expense		(110 773)	(101 590)
Total expenses		(896 983)	(794 742)
Profit before income tax		257 720	271 303
Income tax expense	7	(76 843)	(81 255)
Net profit after income tax expense		180 877	190 048
Other comprehensive income:			
Gain on revaluation of infrastructure, plant and equipment assets	29	848 400	1 153 650
Revaluation of investment in unlisted shares	29	(1 468)	7 297
Income tax relating to components of other comprehensive income	29	(248 976)	(340 504)
Other comprehensive income for the year, net of tax		597 956	820 443
Total comprehensive income for the year		778 833	1 010 491

Total comprehensive income for the year is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	26	1 410	1 425
Receivables	8	129 957	114 029
Inventories	9	5 591	5 394
Derivative financial instruments	22	-	15
Other current assets	10	57 043	57 626
Total current assets		194 001	178 489
Non-current assets:			
Available-for-sale financial assets	11	20 366	21 833
Deferred tax assets	12	32 785	30 315
Intangible assets	13	76 350	79 626
Infrastructure, plant and equipment	14	12 874 723	11 541 278
Derivative financial instruments	22	179	348
Total non-current assets		13 004 403	11 673 400
Total assets		13 198 404	11 851 889
Current liabilities:			
Payables	15	196 113	217 227
Interest bearing liabilities	16	27 748	61 964
Current tax liabilities	17	21 547	23 201
Provisions	18	20 111	18 905
Derivative financial instruments	22	203	329
Other current liabilities	19	16 640	12 241
Total current liabilities		282 362	333 867
Non-current liabilities:			
Payables	20	1 731	1 639
Interest bearing liabilities	21	3 290 162	2 760 556
Derivative financial instruments	22	1 116	2 792
Deferred tax liabilities	23	1 645 559	1 394 305
Provisions	24	26 904	25 366
Other non-current liabilities	25	141 041	133 662
Total non-current liabilities		5 106 513	4 318 320
Total liabilities		5 388 875	4 652 187
Net assets		7 809 529	7 199 702
Equity:			
Contributed equity		173 610	173 610
Reserves	29(a)	7 404 010	6 813 675
Retained earnings	29(b)	231 909	212 417
Total equity		7 809 529	7 199 702

Total equity is attributable to the SA Government as owner

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

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		173 610	5 994 726	189 884	6 358 220
Profit for the year		-	-	190 048	190 048
Gain on revaluation of infrastructure, plant and equipment assets	29	-	1 153 650	-	1 153 650
Revaluation of investment in unlisted shares	29	-	7 297	-	7 297
Transfer to retained profits on disposal	29	-	(1 494)	-	(1 494)
Transfer from infrastructure, plant and equipment reserve	29	-	-	1 494	1 494
Income tax relating to components of other comprehensive income	7(c)	-	(340 504)	-	(340 504)
Total comprehensive income for the year		-	818 949	191 542	1 010 491
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(169 009)	(169 009)
Balance at 30 June 2010		173 610	6 813 675	212 417	7 199 702
Balance at 1 July 2010		173 610	6 813 675	212 417	7 199 702
Profit for the year		-	-	180 877	180 877
Gain on revaluation of infrastructure, plant and equipment assets	29	-	848 400	-	848 400
Revaluation of investment in unlisted shares	29	-	(1 468)	-	(1 468)
Transfer to retained profits on disposal	29	-	(7 621)	-	(7 621)
Transfer from infrastructure, plant and equipment reserve	29	-	-	7 621	7 621
Income tax relating to components of other comprehensive income	7(c)	-	(248 976)	-	(248 976)
Total comprehensive income for the year		-	590 335	188 498	778 833
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(169 006)	(169 006)
Balance at 30 June 2011		173 610	7 404 010	231 909	7 809 529

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Receipts from customers		988 276	959 737
Payments to suppliers and employees		(538 943)	(615 897)
Receipts from community service obligation funding		180 361	198 244
Receipts from contributions		29 213	27 894
Receipts from government grants		12 091	87 972
Interest received		135	440
Borrowing costs paid		(196 722)	(132 578)
Income taxes paid	17	(78 691)	(82 003)
Net cash inflows from operating activities	27	395 720	443 809
Cash flows from investing activities:			
Payments for construction and purchase of infrastructure, plant and equipment		(719 933)	(1 110 183)
Payments for intangible assets		(5 649)	(30 401)
Proceeds from sale of intangible assets		2 650	-
Proceeds from sale of infrastructure, plant and equipment		813	433
Net cash outflows from investing activities		(722 119)	(1 140 151)
Cash flows from financing activities:			
Proceeds from borrowings		1 792 562	2 568 096
Repayment of borrowings		(1 292 619)	(1 698 566)
Dividends paid	33	(169 006)	(169 009)
Repayment of finance lease liability		(4 553)	(4 035)
Net cash inflows from financing activities		326 384	696 486
Net increase (decrease) in cash and cash equivalents		(15)	144
Cash and cash equivalents at 1 July		1 425	1 281
Cash and cash equivalents at 30 June	26	1 410	1 425

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was established on 1 July 1995, as a state-owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. Property, rights, powers and liabilities of the Minister for Water, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932*, were vested in the Corporation.

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable AASs, interpretations and TIs and APFs issued pursuant to the PFAA. The financial statements were authorised for issue by the Board.

Change in accounting policy

There have been no changes to accounting policy during the 2010-11 financial year, except for disclosure of remuneration of employees in note 34.

Historical cost convention
These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant notes.

Rounding
The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(b) Jointly controlled operations
The Corporation's interest in the joint venture operation is brought to account by including its proportionate share of the joint venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint venture operation refer note 31.

(c) Revenue recognition
Rates and charges
Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June. Refer note 3.

In accordance with Australian equivalents to International Financial Reporting Standards, SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principal is to recognise revenue in the period it is earned, rather than billed. The calculation is based on master meters, billing system reconciliations, and assessments of water losses.

Community service obligations (CSOs)
The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. SA Water is compensated for the non-commercial component of these services through CSO payments from the Government. The main CSOs relate to under recovery of country water and wastewater services and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets
Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main

(ii) subdividers who make contributions where either:

  (a) water and sewerage infrastructures are constructed by subdividers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction

  (b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to construct assets are recognised when the assets are constructed. Revenue received in advance of the assets constructed is recorded as unearned revenue in note 19.

Disposal of non-current assets
The gain or loss on disposal of non-current assets is recognised at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

Recoverable works
Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants
In accordance with AASB 120, grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions.

Government grants relating to construction of infrastructure, plant and equipment are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

The Corporation received grant funding in 2010-11 amounting to $8.795 million ($85.774 million). For 2010-11 the projects are: Southern Urban Reuse Project, Adelaide Airport Stormwater Scheme and the Barker Inlet Stormwater Scheme (refer note 25).

Government grants relating to expenditure are deferred and recognised in the Statement of Comprehensive Income in the period necessary to match them with the costs they are intended to compensate. The Corporation received grant funding in 2010-11 amounting to $3.02 million for the following projects: Remote Communities Works, Noora Drainage Disposal Basin Main and the Productivity Places Program (refer note 19).

(d) Non-current assets

Infrastructure, plant and equipment

- *Acquisition*
  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in note 1(f).

  Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

- *Valuations*
  To comply with APF III and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

  To reflect the change in values, the Corporation revalues its non-current assets at Directors' valuation or independent valuation. The Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. The PPI measures changes over time in the price of new construction outputs. Current contract rates are based on recent estimated costs of supplying and installing assets. Revaluation adjustments are taken to the asset revaluation reserve on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

  Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subjected to independent review. The most recent independent review was completed by GHD Pty Ltd and Ernst & Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values.

  Accordingly the Corporation has adopted the following asset valuation methods:

  Infrastructure assets
  The fair value of an asset is determined by its written down current cost. The Corporation determines the written down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded.

  (a) The unit rates for water mains and connections, and sewer mains and connections were independently valued by Aquenta Consulting as at 1 July. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

  (b) Wastewater treatment plants and sewage pumping stations were independently valued by Aquenta Consulting as at 1 July.

  (c) Other infrastructure assets - independent valuation or Directors' valuations as at 1 July based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

Land and buildings

Land is brought to account at market value generally using valuations provided from the South Australian Valuer-General. In isolated cases, the Corporation may use independent valuations in order to ensure due specific focus has been given to a particularly unique parcel of land.

Buildings and depots were independently valued by W T Partnerships as at 1 July.

Plant and equipment

Plant and equipment is brought to account at historical cost.

Other assets

Other assets are brought to account at cost and indexed annually using the PPI.

- *Depreciation*

  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from two to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of asset	*Useful life (years)*
Water and sewer assets	7-170
Water and sewer leased assets	40-50
Buildings	50
Other	2-50
Plant and equipment	3-15

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Available-for-sale financial assets

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes 'Class A' reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating Company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to non-voting class B shares, issued at a price of $1 per share.

The Corporation's investment in non-voting class B shares have been measured at fair value, in accordance with AASB 139 (refer note 11). Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the written down current cost of the pipeline assets in 2018 discounted to their net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the 'available-for-sale revaluation reserve'. The VPS was independently valued by Leadenhall VRG Pty Ltd in 2009.

Intangible assets

- *Issued water licences*

  The SA Government has issued water licences to the Corporation under the NRMA. The licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there is not an active market for the allocations endorsed on the licences. The details of these water licences are as follows:

  Rights other than those relating to the River Murray are:

  - various south east region licences
  - various Murray Mallee area licences
  - various Eyre Peninsula region licences
  - Licence 4484 McLaren Vale licence for the Aldinga Wastewater Treatment Plant
  - Licence 5706 Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant.

  River Murray water rights are conferred via multiple instruments:

  - Licence 2333 River Murray licence for metropolitan Adelaide
  - Licence 2334 River Murray licence for country.

- *Issued water licences (continued)*
  The Corporation has purchased a series of tradeable water rights:

  - various other River Murray licences that can be used for Adelaide, country or other purposes held under the NRMA.

  SA Water also owns water rights held under the *Water Act 1989* (Victoria). The rights held are:

  - high reliability Goulburn zone 1A water shares
  - high reliability Murray zone 7 water shares.

  The allocations made to these water shares are able to be transferred for use in South Australia.

- *Water rights - permanent*
  The Corporation has purchased a series of tradable water rights. The rights are perpetual and are accumulated as Water Access Entitlements onto licences held by the Corporation issued by the SA Government under the NRMA, and as Water Shares issued by the Victorian Government under the *Water Act 1989*.

  Water rights are valued at cost on the date of acquisition. The water rights have an indefinite useful life and as such are not subject to amortisation.

- *Prescription of the Mount Lofty Ranges*
  SA Water has contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide.

- *Easements*
  In accordance with APF III, easements are classified as an intangible asset and measured at cost. Easements gifted to the Corporation are not valued.

- *Application software*
  Application software is measured at cost as per AASB 138. The useful life is reviewed annually and has been assessed at seven years. The software is amortised using the straight-line method.

Seasonal water allocations - temporary
In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human needs in 2009-10 and 2010-11. SA Water also purchased water allocations for operational needs. These purchases have been treated as other assets in the accounts and will be expensed as the water is used. At 30 June 2011 the Government have approved the preservation of unused purchased water allocations to the following year in 2011-12.

(e) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the asset revaluation reserve.

The Corporation has reviewed the impairment triggers as at 30 June 2011 and given no indication of a trigger event, no impairment losses have been identified.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives
All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Finance leases
Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(g) Expenditure on behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation’s business and for which no recovery is made or reimbursement received. These payments are made on behalf of the SA Government and are disclosed in note 6.

(h) Taxes

Taxation equivalents
The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the ATO.

Income tax expense is calculated in accordance with AASB 112 using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period’s taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects at, the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The charge for land tax and council rate equivalents has been calculated by Revenue SA - DTF, based on valuations supplied by the Valuer-General.

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

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

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

(i) Borrowing costs
Borrowing costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges.

In accordance with the APF II and AASB 123, material borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised.

The Corporation has not capitalised borrowing costs in 2010-11 as they were assessed as not material.

(j) Cash and cash equivalents
Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) Receivables
Receivables for rates and charges are normally settled within 21 days, with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. An allowance for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of goods and services manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) Employee benefits
Wages and salaries, annual leave and sick leave
Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liability is settled. The related on-costs for annual leave have been recognised in the Statement of Financial Position as payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long service leave
Liabilities arising in respect of long service leave expected to be settled within 12 months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation's long service leave liability is valued by Mr C Papanicolas, BSc(Ma)(Hons), DipCompSc, FIAA, FFin of Professional Financial Consulting Pty Ltd.

Superannuation
Contributions are made by the Corporation 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 they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers compensation

The Corporation is registered with WorkCoverSA as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the WRCA and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr C Papanicolas, BSc(Ma)(Hons), DipCompSc, FIAA, FFin of Professional Financial Consulting Pty Ltd.

(o) Insurance

SAICORP, a division of SAFA, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the SA Government. In addition, insurance arrangements are in place for construction works, travel insurance and directors' and officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event which is required to be settled and the amount has been reliably estimated.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

(r) Borrowings

All SA Water's core debt borrowings are measured at their historical value. The Corporation has a long term borrowing facility with SAFA. The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's core debt portfolio is actively managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

(s) Derivatives

The Corporation's Treasury Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise overall borrowing costs.

Interest rate derivatives
The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage exposures. The Corporation does not trade physical debt other than as necessary to rebalance the portfolio to the debt benchmark with no trades of physical debt occurring in 2010-11.

Foreign exchange derivatives
Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's Foreign Exchange Risk Management Policy and TI 23. Permitted foreign currency derivatives as outlined in SA Water's Permitted Treasury Instruments Policy includes spot and forward foreign currency contracts and currency options to maximum maturity of three years. In all instances, SA Water's foreign exchange requirements are arranged through SAFA.

As at 30 June 2011, SA Water had no foreign exchange derivatives.

Accounting for derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as 'held for trading' under AASB 139 and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water's Treasury Policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items
The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 37.

River Murray levy
The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of government is not controlled by the Corporation.

Pensioner concessions
SA Water is responsible for the administration of local government pensioner concession payments. An amount is received from SA Government which is used to make payments to local government councils. The amount collected on behalf of government is not controlled by the Corporation.

Lower Lakes irrigation pipeline
In 2008-09 SA Water was requested to project manage the design and construction of the Jervois to Langhorne and Currency Creek irrigation pipelines and pump stations on behalf of the Department of Primary Industries and Resources (PIRSA). All expenditure incurred for the irrigation pipeline is recovered from PIRSA. Expenditure and recoveries for the design and construction of the pipeline is reported in the Administered Items schedule. SA Water has no record of the fixed assets in its financial statements. Construction was completed in 2009-10.

(u) Adelaide water contract (United Water International)

Under this contract, United Water managed the operations and maintenance of metropolitan Adelaide water and wastewater systems, including the delivery of capital works. This contract commenced on 1 January 1996 and expired on 30 June 2011. As part of the contract, there is a further six month transition period that expires on 31 December 2011. United Water and SA Water are working together through this period to finalise the close out of the contract.

(v) Adelaide Services Alliance Agreement

In March 2011 SA Water entered into an alliance contract to operate, manage and maintain Adelaide's metropolitan water, wastewater and recycled water services. The alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for SA Water to extend the contract for a further six years in 12 month increments. The alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(w) Adelaide Desalination Project (ADP)

In 2008-09 the Corporation began the ADP to build a seawater desalination plant and transfer pipeline system at Port Stanvac at an estimated cost of $1.824 billion. The ADP cost includes the desalination plant, marine works, transfer pipeline system to transfer water to Happy Valley and power supply infrastructure. Delivery of 50 gigalitre per annum capacity is targeted during 2011-12 with the completion of the 100 gigalitre per annum capacity targeted for the end of December 2012.

In addition, the Corporation has entered into contracts to:

- operate and maintain the ADP from project handover of the 50 gigalitre per annum capacity. The contract is for a term of 20 years from handover and includes flexible mechanisms to manage the volume of water produced

- provide GreenPower accredited renewable energy to operate the ADP. The contract commenced on 1 June 2011 for a term of 20 years and includes the requirement to purchase a minimum level of renewable energy certificates. The renewable energy certificates can be used elsewhere in the Corporation.

(x) United Water dispute

In 2009, SA Water filed proceedings in the Supreme Court against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract. The parties to the dispute subsequently agreed to refer the matter for expert determination. The determination is being delivered in two parts. The first expert determination, delivered on 18 February 2011 awarded an amount, including interest, of $14 million to SA Water (refer note 4). Both United Water and SA Water have reserved their rights in respect of the first expert determination. The parties are awaiting the outcome of the second expert determination of the independent expert that is expected to be delivered in 2011.

(y) New accounting standards and interpretations

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

2. Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. During 2009-10 the benchmark debt duration was increased from 1.9 years to 2.75 years, on advice from the Corporation's debt advisor and manager - SAFA. The benchmark duration was increased due to the increase in the size of the Corporation's borrowings, historically low interest rates and the need to reduce the subsequent risk to the Corporation's profitability from increases in interest rates. The extension in benchmark duration is expected to reduce the exposure to interest risk by reducing the volatility of potential interest rate outcomes.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2011 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1 percent upwards and 0.50 percent downwards. While current and implied market rates show minimal movement during 2011-12, an upward factor of 1 percent is reasonable for assessing the impact on post-tax profit, with any reasonable possible fall likely to be to a lesser extent.

		Interest rate risk			
	Carrying	-0.5%		+1%	
2011	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 410	(5)	(5)	10	10
Derivatives - held for trading	179	133	133	(266)	(266)
Financial liabilities:					
Derivatives - held for trading	(1 319)	(138)	(138)	277	277
Short-term borrowings	(22 658)	79	79	(159)	(159)
Long-term borrowings	(3 184 000)	88	88	(175)	(175)
Total increase (decrease)		157	157	(313)	(313)
2010					
Financial assets:					
Cash and cash equivalents	1 425	(5)	(5)	10	10
Derivatives - held for trading	363	261	261	(523)	(523)
Financial liabilities:					
Derivatives - held for trading	(3 121)	(333)	(333)	667	667
Short-term borrowings	(57 411)	201	201	(402)	(402)
Long-term borrowings	(2 649 304)	375	375	(749)	(749)
Total increase (decrease)		499	499	(997)	(997)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the *Waterworks Act 1932*, water rates are secured via a first charge on the property. The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity risk

The Corporation has in place a Liquidity Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Board monthly.

Contractual maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and margin fees. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
2011					
Non-derivatives:					
Non-interest bearing liabilities*	153 817	-	-	-	153 817
Finance lease liabilities	21 428	21 428	64 283	149 461	256 600
Float rate borrowings	24 195	26 117	-	-	51 312
Fixed rate borrowings	633 109	807 383	1 652 022	813 646	3 906 160
Total non-derivatives	832 549	854 928	1 716 305	963 107	4 366 889
Derivatives:					
Financial assets:					
Net settled (interest rate swaps)	(159)	(32)	-	-	(191)
Financial liabilities:					
Net settled (interest rate swaps)	1 245	513	-	-	1 758
Total derivatives	1 086	481	-	-	1 567
2010					
Non-derivatives:					
Non-interest bearing liabilities*	187 532	-	-	-	187 532
Finance lease liabilities	21 042	21 042	63 125	167 181	272 390
Float rate borrowings	144 414	1 428	26 096	-	171 938
Fixed rate borrowings	667 464	367 732	1 624 926	501 487	3 161 609
Total non-derivatives	1 020 452	390 202	1 714 147	668 668	3 793 469
Derivatives:					
Financial assets:					
Net settled (interest rate swaps)	(479)	(161)	(25)	-	(665)
Financial liabilities:					
Net settled (interest rate swaps)	2 039	1 326	496	-	3 861
Total derivatives	1 560	1 165	471	-	3 196

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

(d) Fair value of measurements

(i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements (refer note 1(f)).

The carrying amounts and fair values of long-term borrowings at balance date are:

	2011		2010	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Long-term borrowings	3 184 000	3 223 367	2 649 304	2 692 093

(i) Fair value of financial liabilities (continued)

The fair values of all other financial liabilities approximates the carrying values. The following table provides an analysis of financial instruments grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

2011	Quoted market price (Level 1) $'000	Valuation technique market observable inputs (Level 2) $'000	Valuation technique non-market observable inputs (Level 3) $'000	Total $'000
Assets:				
Derivatives held for trading	-	179	-	179
Available-for-sale financial assets:				
Unlisted shares	-	-	20 366	20 366
Total assets	-	179	20 366	20 545
Liabilities:				
Derivatives held for trading	-	1 319	-	1 319
Total liabilities	-	1 319	-	1 319

The following table presents the changes in level 3 instruments for the year ended 30 June 2011:

	Available-for-sale financial assets unlisted shares $'000	Total $'000
Opening balance	21 833	21 833
Losses recognised in other comprehensive income	(1 467)	(1 467)
Closing balance	20 366	20 366

The Corporation has invested in unlisted class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6 percent (6 percent) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1 percent higher, while all other variables were constant, the carrying amount of the shares would decrease by $1.4 million ($1.5 million). If the discount rate was 1 percent lower, while all other variables were held constant, the carrying amount of the shares would increase by $1.5 million ($1.6 million).

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Critical accounting estimates and judgments (continued)

In particular, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- unbilled revenue (refer note 1(c))
- contributed assets (refer note 1(c))
- valuation and useful lives of assets (refer note 1(d))
- impairment of assets (refer note 1(e))
- borrowing costs (refer note 1(i))
- provision for long service leave (refer note 1(m))
- provision for workers compensation (refer note 1(n))
- provisions (refer note 1(q))
- valuation of derivatives (refer note 1(s)).

	Note	2011 $'000	2010 $'000
4. Revenue from ordinary activities			
CSOs		180 780	198 547
Water and wastewater rates and charges		798 873	688 958
Recoverable works		74 636	89 333
Fees and charges		20 155	21 146
Miscellaneous*		14 628	1 289
Government grants		1 891	70
Contributed assets		61 859	65 023
Rents		1 118	1 050
Interest		190	384
		1 154 130	1 065 800

* Includes $14 million received re United Water dispute (refer note 1(x)).

	Note	2011 $'000	2010 $'000
5. Other income			
Net gain on interest rate derivatives		528	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement		45	245
		573	245
6. Expenses			
Profit before income tax includes the following specific expenses:			
Depreciation:	14		
Buildings		4 418	1 008
Plant and equipment		5 369	5 409
Other		11 737	17 435
Infrastructure assets - water		127 222	124 756
Infrastructure assets - sewer		79 870	57 351
Amortisation:	13		
Computer software		5 677	5 171
		234 293	211 130
Borrowing costs:			
Interest paid/payable for borrowings not at fair value through profit or loss		193 137	130 051
Finance charges on capitalised leases		13 160	13 511
		206 297	143 562
Net loss on interest rate derivatives		-	195
Finance lease contingent rentals		3 579	3 382
Operating leases minimum lease payments		8 916	8 531
Net bad and doubtful debts expense including movements in allowance for doubtful debts		(14)	229
Infrastructure, plant and equipment revaluation decrement		5914	874
Net loss on disposal of infrastructure, plant and equipment		50	515
Write-off value of capital works in progress		3 818	330
Superannuation contributions		14 475	14 156
Consultancy costs		5 029	4 298
Expenditure on behalf of State Government:			
Water Industry Best Practice Program		190	162

7. Income tax expense

	Note	2011	2010
(a) Income tax expense		$'000	$'000
Current tax		77 156	83 579
Deferred tax		(298)	(2 389)
Amounts under (over) provided in prior years		(15)	65
		76 843	81 255
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (Increase) in deferred tax assets	12	(2 576)	(404)
Increase (Decrease) in deferred tax liabilities	23	2 278	(1 985)
		(298)	(2 398)

	2011	2010
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	257 720	271 303
Tax at the Australian tax rate of 30 percent (30 percent)	77 316	81 391
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net loss on sale of land	18	17
Investment allowance	(316)	(294)
Revaluation decrement	-	79
Government grants	(120)	(3)
Provision for employee benefits	(40)	-
	76 858	81 190
Amounts under (over) provided in prior years	(15)	65
Income tax expense	76 843	81 255
Total income tax expense	76 843	81 255

	Note	2011	2010
(c) Tax expense (income) relating to items of other comprehensive income			
Gain on revaluation of infrastructure, plant and equipment assets	29(a)	249 416	338 314
Revaluation of investment in unlisted shares	29(a)	(440)	2 190
		248 976	340 504

8. Current assets - receivables

	2011	2010
Receivables:		
Rates receivable (water and wastewater)	88 357	55 321
Sundry debtors	29 241	46 845
Allowance for doubtful debts	(85)	(162)
	117 513	102 004
Other receivables:		
CSOs	12 444	12 025
	129 957	114 029

(a) Impaired receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

	2011	2010
	$'000	$'000
The ageing of these receivables is as follows:		
More than 90 days overdue	85	162
Movements in the allowance for impairment loss are as follows:		
At 1 July	162	65
Provision for impairment recognised during the year	23	208
Amounts written off	(100)	(111)
At 30 June	85	162

(b) Past due but not impaired

	2011	2010
At 30 June the ageing of rates receivable that are past due but not impaired is as follows:		
Past due 0-69 days	16 785	14 769
Past due more than 69 days	9 389	9 029
	26 174	23 798

(b) Past due but not impaired (continued)

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is $8.153 million ($7.099 million).

At 30 June the ageing of sundry debtors receivable that are past due but not impaired is as follows:	2011 $'000	2010 $'000
Past due 0-30 days	1 953	1 854
Past due more than 30 days	1 325	1 377
	3 278	3 231

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is $1.292 million ($1.25 million).

Balances for other receivables relate to CSOs and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

	2011 $'000	2010 $'000
9. Current assets - inventories		
Raw materials and stores	6 014	5 740
Allowance for obsolete stock	(1 081)	(978)
Work in progress - sundry debtors	658	632
	5 591	5 394
10. Current assets - other current assets		
Interest receivable	55	-
Prepayments	2 580	3 218
Seasonal water allocations	54 408	54 408
	57 043	57 626
11. Non-current assets - available-for-sale financial assets		
Unlisted shares at fair value	20 366	21 833
12. Non-current assets - deferred tax assets		
The balance comprises temporary differences attributable to:		
Doubtful debts	25	48
Obsolete stock	324	293
Infrastructure, plant and equipment	3 978	2 328
Pooled assets	78	81
Payables	1 056	1 080
Audit fee payable	114	109
Government grants	9 611	9 632
Employee benefits	12 170	11 066
Deferred lease incentive	493	533
Unearned income - customer contribution	943	297
Provision for site rehabilitation	911	1 189
Provision for asset disposal	38	45
Provision for damages and claims	118	143
Provision for workers compensation	127	132
Derivative financial liability	(2 287)	(1 746)
	27 699	25 230
Amounts recognised directly in equity:		
Derivative financial liability	2 683	2 683
Unearned income - customer contributions	2 335	2 335
Revaluation of infrastructure, plant and equipment	68	67
Net deferred tax assets	32 785	30 315

12. Non-current assets - deferred tax assets (continued)

Movements:	Note	2011 $'000	2010 $'000
Balance at 1 July		30 315	29 954
Credited to the Statement of Comprehensive Income	7	2 576	404
Charged to equity		(1)	(43)
Amounts under-provided in prior years		(105)	-
Balance at 30 June		32 785	30 315
Deferred tax assets to be recovered within 12 months		10 036	9 112
Deferred tax assets to be recovered after more than 12 months		22 749	21 203
		32 785	30 315

13. Non-current assets - intangible assets

2011	Easements	Prescription rights	Computer software	Purchased water rights	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	5 916	4 500	24 918	44 292	79 626
Disposals	-	-	-	(2 650)	(2 650)
Additions from external acquisitions	142	-	4 279	630	5 051
Amortisation charge	-	-	(5 677)	-	(5 677)
Closing net book amount	6 058	4 500	23 520	42 272	76 350
At 30 June:					
Cost	6 058	4 500	68 719	42 272	121 549
Accumulated amortisation	-	-	(45 199)	-	(45 199)
Net book amount	6 058	4 500	23 520	42 272	76 350
2010					
Year ended 30 June:					
Opening net book amount	5 857	4 500	19 322	20 347	50 026
Additions from internal development	-	-	1 372	-	1 372
Additions from external acquisitions	59	-	9 395	23 945	33 399
Amortisation charge	-	-	(5 171)	-	(5 171)
Closing net book amount	5 916	4 500	24 918	44 292	79 626
At 30 June:					
Cost	5 916	4 500	64 440	44 292	119 148
Accumulated amortisation	-	-	(39 522)	-	(39 522)
Net book amount	5 916	4 500	24 918	44 292	79 626

14. Non-current assets - infrastructure, plant and equipment

2011	Work in progress	Land	Buildings	Leased sewer infrastructure	Plant and equipment
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	1 751 508	328 137	23 554	20 386	28 468
Revaluation	-	12 899	3 182	925	-
Additions	693 124	2 558	4 141	-	3 885
Disposals	-	(372)	-	-	(356)
Transfers	(291 019)	-	-	-	-
Depreciation charge	-	-	(4 418)	(602)	(5 369)
Asset write-down	(3 818)	-	-	-	-
Closing net book amount	2 149 795	343 222	26 459	20 709	26 628
At 30 June:					
Cost	2 149 795	-	-	-	57 015
Valuation	-	343 222	86 470	24 042	-
Accumulated depreciation	-	-	(60 011)	(3 333)	(30 387)
Net book amount	2 149 795	343 222	26 459	20 709	26 628

14. Non-current assets - infrastructure, plant and equipment (continued)

Year ended 30 June:	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other $'000	Total $'000
Opening net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278
Revaluation	447 156	368 375	6 074	3 919	842 530
Additions	157 191	140 103	-	14 094	1 015 096
Disposals	-	-	-	-	(728)
Transfers	-	-	-	-	(291 019)
Depreciation charge	(123 577)	(79 268)	(3 644)	(11 738)	(228 616)
Asset write-down	-	-	-	-	(3 818)
Closing net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723
At 30 June:					
Cost	-	-	-	-	2 206 810
Valuation	11 357 708	5 823 533	182 226	183 641	18 000 842
Accumulated depreciation	(4 832 357)	(2 269 696)	(46 056)	(91 089)	(7 332 929)
Net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723

2010 Year ended 30 June:	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Opening net book amount	749 121	301 651	18 396	20 318	27 935
Revaluation	-	26 419	583	643	-
Additions	1 169 502	262	5 583	-	6 748
Disposals	-	(136)	-	-	(806)
Transfers	(166 785)	(59)	-	-	-
Depreciation charge	-	-	(1 008)	(575)	(5 409)
Asset write-down	(330)	-	-	-	-
Closing net book amount	1 751 508	328 137	23 554	20 386	28 468
At 30 June:					
Cost	1 751 508	-	-	-	56 259
Valuation	-	328 137	59 821	22 998	-
Accumulated depreciation	-	-	(36 267)	(2 612)	(27 791)
Net book amount	1 751 508	328 137	23 554	20 386	28 468

Year ended 30 June:	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other $'000	Total $'000
Opening net book amount	5 179 533	2 897 700	133 014	94 691	9 422 359
Revaluation	896 218	222 737	4 212	2 210	1 153 022
Additions	90 100	60 966	-	6 811	1 339 972
Disposals	-	-	-	-	(942)
Transfers	-	-	-	-	(166 844)
Depreciation charge	(121 270)	(56 776)	(3 486)	(17 435)	(205 959)
Asset write-down	-	-	-	-	(330)
Closing net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278
At 30 June:					
Cost	-	-	-	-	1 807 767
Valuation	10 932 429	5 080 562	174 308	163 192	16 761 447
Accumulated depreciation	(4 887 848)	(1 955 935)	(40 568)	(76 915)	(7 027 936)
Net book amount	6 044 581	3 124 627	133 740	86 277	11 541 278

Carrying amounts that would have been recognised if revalued assets were stated at cost

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	Note	2011 $'000	2010 $'000
Freehold land:			
Cost		40 638	38 080
Buildings:			
Cost		54 337	50 196
Accumulated depreciation		(31 764)	(27 686)
Net book amount		22 573	22 510
Water infrastructure:			
Cost		1 984 561	1 855 231
Accumulated depreciation		(740 160)	(713 789)
Net book amount		1 244 401	1 141 442
Sewer infrastructure:			
Cost		1 447 837	1 325 180
Accumulated depreciation		(561 280)	(536 718)
Net book amount		886 557	788 462
Other:			
Cost		154 960	140 866
Accumulated depreciation		(72 358)	(61 253)
Net book amount		82 602	79 613

15. Current liabilities - payables

Interest payable		31 906	22 460
Trade creditors		155 354	183 476
Other creditors		8 853	11 291
		196 113	217 227

16. Current liabilities - interest bearing liabilities

Lease liabilities	30	5 090	4 553
Short-term borrowings		22 658	57 411
		27 748	61 964

The Corporation has a $100 million short term borrowing facility with SAFA bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Due to the short term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value (refer note 2).

17. Current tax liabilities

	2011 $'000	2010 $'000
Provision for current income tax movements during the year were as follows:		
Balance at 1 July	23 201	32 959
Income tax paid	(78 690)	(82 003)
Current year's income tax provision	77 156	83 579
Amounts over provided in prior year	(120)	(11 334)
	21 547	23 201

18. Current liabilities - provisions

Employee benefits	15 200	12 978
Asset disposal	30	30
Site rehabilitation	3 039	3 964
Damages and claims	593	477
Workers compensation	1 249	1 456
	20 111	18 905

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

Current:	Asset disposal $'000	Site rehabilitation $'000	Damages & claims $'000	Workers comp $'000	2011 Total $'000
Carrying amount at 1 July	30	3 964	477	1 456	5 927
Payments made during the year	-	(925)	(210)	(918)	(2 053)
Re-measurement adjustments	(79)	-	(80)	(1 493)	(1 652)
Additional provision recognised	79	-	406	2 204	2 689
Carrying amount at 30 June	30	3 039	593	1 249	4 911

19. Current liabilities - other current liabilities

	Note	2011 $'000	2010 $'000
Government grants		4 334	1 924
Lease incentives		134	134
Unearned income		10 925	8 773
Deposits from contractors		1 247	1 410
		16 640	12 241

20. Non-current liabilities - payables

Other payables		1 731	1 639

21. Non-current liabilities - interest bearing liabilities

Lease liabilities	30	106 162	111 252
Long-term borrowings		3 184 000	2 649 304
		3 290 162	2 760 556

22. Derivative financial instruments

Current financial assets:		
Interest rate swaps - held for trading	-	15
Total current derivative financial instrument assets	-	15
Non-current financial assets:		
Interest rate swaps - held for trading	179	348
Total derivative financial instrument assets	179	363
Current financial liabilities:		
Interest rate swaps - held for trading	203	329
Non-current financial liabilities:		
Interest rate swaps - held for trading	1 116	2 792
Total derivative financial instrument liabilities	1 319	3 121

23. Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:

Prepayments	344	266
Rates receivable	12 127	2 970
Interest receivable	17	-
Derivative financial asset	54	109
Unlisted shares at fair value	(2 406)	(2 406)
Seasonal water allocations	16 322	16 322
Depreciation and amortisation	71 581	78 501
	98 039	95 762
Amounts recognised directly in equity:		
Revaluation of infrastructure, plant and equipment	1 543 459	1 294 042
Unlisted shares at fair value	4 061	4 501
	1 547 520	1 298 543
Total deferred tax liabilities	1 645 559	1 394 305

23. Non-current liabilities - deferred tax liabilities (continued)

Movements:	Note	2011 $'000	2010 $'000
Balance at 1 July		1 394 305	1 044 431
Charged to the Statement of Comprehensive Income	7	2 278	(1 985)
Charged to equity	29	249 416	338 366
Unlisted shares at fair value		(440)	2 094
Amounts under provided in prior years		-	11 399
Balance at 30 June		1 645 559	1 394 305

	2011	2010
Deferred tax liabilities to be settled within 12 months	28 810	19 561
Deferred tax liabilities to be settled after more than 12 months	1 616 749	1 374 744
	1 645 559	1 394 305

24. Non-current liabilities - provisions

	2011	2010
Employee benefits	25 367	23 907
Workers compensation	1 441	1 339
Asset disposal	96	120
	26 904	25 366

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

2011 Non-current:	Workers comp $'000	Asset disposal $'000	Total $'000
Carrying amount at 1 July	1 339	120	1 459
Transfer to current provision	-	(24)	(24)
Re-measurement adjustments	102	-	102
Carrying amount at 30 June	1 441	96	1 537

25. Non-current liabilities - other non-current liabilities

	2011 $'000	2010 $'000
Non-business advances	497	497
Government grants	139 034	131 521
Lease incentives	1 510	1 644
	141 041	133 662

26. Reconciliation of cash

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2011	2010
Cash and cash equivalents	1 410	1 425

(a) Fair value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27. Reconciliation of net profit after income tax to net cash inflows (outflows) from operating activities

	2011 $'000	2010 $'000
Net profit for the year	180 877	190 048
Non-cash items:		
Depreciation and amortisation	234 293	211 130
Amortisation and government grant revenue	(1 891)	(70)
Contributed assets	(35 041)	(38 126)
Net loss (gain) on disposal of infrastructure, plant and equipment	(95)	509
Infrastructure, plant and equipment revaluation decrement reversal	(45)	(245)
Infrastructure, plant and equipment revaluation decrement	5 914	874
Write-down of capitalised expenditure	3 818	330

27. **Reconciliation of net profit after income tax to net cash inflows (outflows) from operating activities (continued)**	2011 $'000	2010 $'000
Changes in assets/liabilities:		
Decrease (Increase) in rates and sundry receivables	(16 205)	20 421
Decrease (Increase) in inventories	(198)	(107)
Decrease (Increase) in prepayments	638	(1 930)
Decrease (Increase) in other operating assets	(55)	(16 413)
Decrease (Increase) in fair value of derivative financial assets	183	1 213
Decrease (Increase) in deferred tax asset	(2 472)	(402)
Increase (Decrease) in trade creditors	9 931	(11 703)
Increase (Decrease) in provision for employee benefits	3 682	1 424
Increase (Decrease) in provision for workers compensation	(105)	929
Increase (Decrease) in other operating liabilities	2 412	4 909
Increase (Decrease) in fair value of derivative financial liabilities	(1 802)	(5 429)
Increase (Decrease) in government grants	12 091	87 972
Increase (Decrease) in provision for deferred income tax	2 278	9 412
Increase (Decrease) in other provisions	(833)	(1 179)
Increase (Decrease) in provision for income taxes payable	(1 655)	(9 758)
Net cash inflows from operating activities	395 720	443 809

28. Capital risk management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, CSOs and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15 percent to 25 percent.

The Corporation's strategy, which is unchanged from 2009-10, was to maintain a gearing ratio within 15 percent to 25 percent. The gearing ratios based on continuing operations at 30 June 2011 and 30 June 2010 were as follows:

	Note	2011 $'million	2010 $'million
Interest bearing liabilities	16,21	3 318	2 823
Cash and cash equivalents	26	(1)	(1)
Net debt		3 317	2 822
Total assets		13 198	11 852
Gearing ratio (percent)		25	24

Outside of the financial ownership framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the State Government continue to review the parameters of the financial ownership framework to ensure the appropriateness of the targets.

29. Reserves and retained profits

(a) Reserves	Note	2011 $'000	2010 $'000
Infrastructure, plant and equipment revaluation reserve		7 394 537	6 803 174
Available-for-sale revaluation reserve		9 473	10 501
Balance at 30 June		7 404 010	6 813 675
Movements:			
Infrastructure, plant and equipment revaluation reserve:			
Balance at 1 July		6 803 174	5 989 332
Revaluation - gross		848 400	1 153 650
Movements in deferred tax liability	23	(249 416)	(338 366)
Movements in deferred tax asset		-	52
Transfer to retained profits on disposal		(7 621)	(1 494)
Balance at 30 June		7 394 537	6 803 174

		Note	2011	2010
(a)	***Reserves (continued)***			
	Available-for-sale investments revaluation reserve:	Note	$'000	$'000
	Balance at 1 July		10 501	5 394
	Revaluation of investment in unlisted shares		(1 468)	7 297
	Movements in deferred tax asset	12	-	(96)
	Movements in deferred tax liabilities	23	440	(2 094)
	Balance at 30 June		9 473	10 501

		Note	2011	2010
(b)	***Retained profits***			
	Movements in retained profits were as follows:			
	Balance at 1 July		212 417	189 884
	Profit for the year		180 877	190 048
	Dividends	33	(169 006)	(169 009)
	Transfers from infrastructure, plant and equipment revaluation reserve		7 621	1 494
	Balance at 30 June		231 909	212 417

(c) ***Nature and purpose of reserves***

(i) *Infrastructure, plant and equipment revaluation reserve*

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(ii) *Available-for-sale revaluation reserve*

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation reserve.

30. Commitments

(a) ***Capital commitments***

	2011	2010
Total capital expenditure contracted for at balance date but not recognised in the financial statements and payable:	$'000	$'000
Within one year	289 862	500 373
Later than one year but not later than five years	29 947	106 796
Later than five years	-	1 108
	319 809	608 277

(b) ***Operating lease commitments***

	2011	2010
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	10 375	11 002
Later than one year but not later than five years	38 043	36 586
Later than five years	79 732	89 744
	128 150	137 332

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 3 percent or 4 percent. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) ***Other expenditure commitments***

	2011	2010
Future other expenditure commitments not provided for in the financial statements and payable:	$'000	$'000
Within one year	140 208	120 232
Later than one year but not later than five years	486 442	234 365
Later than five years	1 237 754	907 852
	1 864 404	1 262 449

Other expenditure commitments include commitments pursuant to contracts to:

- operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants (refer note 1(v)).
- operate, maintain and provide energy for the ADP (refer note 1(w)).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) *(i)* *Finance leases*

Commitments in relation to finance leases are payable as follows:	Note	2011 $'000	2010 $'000
Within one year		17 584	17 584
Later than one year but not later than five years		70 335	70 335
Later than five years		116 390	133 975
Minimum lease payments		204 309	221 894
Future lease charges		(93 057)	(106 089)
Recognised as a liability		111 252	115 805
Total lease liabilities		111 252	115 805
Representing lease liabilities			
Current	16	5 090	4 553
Non-current	21	106 162	111 252
		111 252	115 805
The present value of finance lease liabilities is as follows:			
Within one year		5 090	4 553
Later than one year but not later than five years		27 132	24 262
Later than five years		79 030	86 990
Minimum lease payments		111 252	115 805

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(ii) *Contingent rentals*

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2011 $'000	2010 $'000
Within one year	3 844	3 458
Later than one year but not later than five years	15 375	13 832
Later than five years	33 071	33 206
	52 290	50 496

The amount of contingent rentals paid during the year is disclosed in note 6.

(e) ***Remuneration commitments***

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

	2011 $'000	2010 $'000
Within one year	14 102	13 821
Later than one year but not later than five years	16 619	13 467
	30 721	27 288

31. Interests in joint venture

Jointly controlled operations

The Corporation holds an interest of 50 percent in the output of the joint venture operation named SA Water/Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

Jointly controlled operations (continued)	2011	2010
Current assets:	$'000	$'000
Cash and cash equivalents	60	58
Receivables	1	3
Other current assets	3	3
Total current assets	64	64
Non-current assets:		
Infrastructure, plant and equipment	1 606	1 584
Total non-current assets	1 606	1 584
Total assets	1 670	1 648
Current liabilities:		
Payables	21	26
Total current liabilities	21	26
Total liabilities	21	26
Net assets	1 649	1 622

32. Remuneration of auditors

Audit fees paid/payable to the Auditor-General's Department for auditing the accounts	378	360

No other services were provided.

33. Dividends

Dividends paid	169 006	169 009

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the PCA.

34. Remuneration of employees

	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands is:	Number	Number
$127 500 - $130 699	11	8
$130 700 - $140 699	42	26
$140 700 - $150 699	27	16
$150 700 - $160 699	15	9
$160 700 - $170 699	8	9
$170 700 - $180 699	11	5
$180 700 - $190 699	6	2
$190 700 - $200 699	4	2
$200 700 - $210 699	2	7
$210 700 - $220 699	4	2
$220 700 - $230 699	1	-
$230 700 - $240 699	1	1
$240 700 - $250 699	4	1
$250 700 - $260 699	2	3
$260 700 - $270 699	2	-
$270 700 - $280 699	1	1
$280 700 - $290 699	1	1
$290 700 - $300 699	1	-
$300 700 - $310 699	2	2
$310 700 - $320 699	1	1
$340 700 - $350 699	1	-
$350 700 - $360 699	1	-
$370 700 - $380 699	1	-
$400 700 - $410 699	-	1
$470 700 - $480 699	1	-
$570 700 - $580 699	-	1

The total remuneration paid and payable for those employees was $25.6 million ($17 million). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

Accounting policy change

In accordance with the revised APF II, the Corporation has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the level set in the APF.

The impact of this change in accounting policy is the number of employees disclosed has reduced by 197 for 2011 and 152 for 2010.

35. Remuneration of directors

The Board of SA Water was established under the *South Australian Water Corporation Act 1994* and consists of seven members including the Chief Executive Officer. The Chief Executive Officer does not receive additional remuneration in the capacity as a board member.

Remuneration of directors (excluding the Chief Executive) is shown in the table below.

The number of directors of the Corporation (excluding the Chief Executive Officer) whose remuneration received or receivable falls within the following bands is:	2011 Number	2010 Number
$1 - $9 999	2	-
$40 000 - $49 999	3	4
$50 000 - $59 999	1	1
$90 000 - $99 999	1	1

The total remuneration paid and payable for those directors was $280 000 ($310 000) which includes fringe benefits and superannuation contributions.

The remuneration of the Chief Executive Officer is included in note 34.

36. Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

G B Allison	C S Cooper	K A Maywald
S G M Blencowe	A F C Digance	P W Pledge
F T Blevins	A D Howe	J F Ringham

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of G B and J D Allison. Dr Allison's term of appointment expired on 30 June 2011.

Ms Digance, who resigned on 13 July 2010, was a Director of Australian Central Credit Union until December 2009 and a member of the Dental Professional Conduct Tribunal.

Ms Cooper is Chair of the Fisheries Council SA and a Director of Rural Solutions SA.

Ms Blencowe is an independent member of the Primary Industries and Resources SA Risk and Audit Committee, and a Specialist Member, City of Adelaide Development Assessment Panel and Specialist Member, City of Port Adelaide Enfield Development Assessment Panel.

Ms Howe, who retired as Chief Executive (and Director) of SA Water on 17 December 2010, is a Director of the Water Services Association of Australia (WSAA) and Water Quality Research Australia Ltd, and a member of the Boards of the Botanic Gardens and the Stormwater Management Authority. She is also a member of the advisory boards of SAFA, the South Australian President of CEDA and a council member of the South Australian branch of the Institute of Public Administration of Australia.

Mr Pledge is a consultant to Sportsmed SA, Chairman of Perks (Chartered Accountants), Chairman of the Commonwealth Government's Clean Energy Innovation Centre Interim Advisory Board, member of the Commonwealth Government's Enterprise Connect Advisory Council and a Director of the Financial Planning Association. Mr Pledge's term of appointment expired on 30 June 2011.

Mr Blevins is a member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Maywald, who was appointed on 21 April 2011, is a Director of Maywald Consultants Pty Ltd, and a member of the Murray Darling Basin Authority Testing Committee, Sturt Fleurieu Gpet Management Committee, and the Australian Research Council Project Steering Committee - Green Growth Australia.

(a) Directors (continued)

Mr Ringham was appointed Director and Chief Executive of SA Water on 17 December 2010.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2011 and 2010 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Management Team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits $'000	Post-employment benefits $'000	Long-term benefits $'000	Total $'000
2011	19	2 852	735	82	3 669
2010	17	2 832	679	85	3 596

37. Statement of administered items

	River Murray levy $'000	Pensioner concessions $'000	Lower Lakes irrigation pipeline $'000	2011 Total $'000	2010 Total $'000
Administered income:					
Revenue	24 996	29 000	81	54 077	84 065
Total administered income	24 996	29 000	81	54 077	84 065
Administered expenses:					
Expenses	24 996	29 000	81	54 077	84 065
Total administered expenses	24 996	29 000	81	54 077	84 065
Operating surplus	-	-	-	-	-
Current assets:					
Cash and cash equivalents	153	583	-	736	1 344
Receivables	1 229	-	-	1 229	1 179
Total current assets	1 382	583	-	1 965	2 523
Total administered assets	1 382	583	-	1 965	2 523
Current liabilities:					
Payables	1 382	583	-	1 965	2 523
Bank overdraft	-	-	-	-	-
Total current liabilities	1 382	583	-	1 965	2 523
Total administered liabilities	1 382	583	-	1 965	2 523
Net assets	-	-	-	-	-
Cash flows from operating activities:					
Cash inflows	24 923	29 000	104	53 923	93 811
Total cash inflows	24 923	29 000	104	53 923	93 811
Cash outflows	25 036	29 426	173	54 531	97 267
Total cash outflows	25 036	29 426	173	54 531	97 267
Net cash inflows (outflows) from operating activities	(113)	(426)	(69)	(608)	(3 456)
Net decrease (increase) in cash and cash equivalents held	(113)	(426)	(69)	(608)	(3 456)
Cash and cash equivalents at 1 July	266	1 009	69	1 344	4 800
Cash and cash equivalents at 30 June	153	583	-	736	1 344

38. SA Government transactions

	2011	2010
(a) Income	$'000	$'000
Income received/receivable from entities within the SA Government:		
Rates and charges	46 765	42 266
CSOs	180 780	198 547
Recoverable works	8 628	14 336
Fees and charges	156	120
Miscellaneous	65	358
Government grants	1 108	56
Interest received	130	300
Rents	2	-
Other income	528	-
Total income - SA Government entities	238 162	255 983
(b) Expenses		
Supplies and services provided by entities within the SA Government:		
Operational services	20 924	19 191
Administration	29 677	27 184
Total expenses - SA Government entities	50 601	46 375
Operational and service contracts provided by entities within the SA Government:		
Operational and service contracts	1 724	1 847
Total operational and service contracts - SA Government entities	1 724	1 847
Borrowing costs provided by entities within the SA Government:		
Interest expense	193 137	130 051
Total borrowing costs - SA Government entities	193 137	130 051
(c) Receivables		
Receivables from SA Government entities:		
CSOs	12 444	12 025
Rates receivable (water and wastewater)	2 856	3 151
Sundry debtors	2 899	3 021
Total receivables - SA Government entities	18 199	18 197
(d) Payables		
Current:		
Payables to SA Government entities:		
Trade creditors	7 021	3 375
Interest payable	31 906	22 460
Other creditors	1 954	1 768
Total payables - SA Government entities	40 881	27 603
Non-current:		
Payables to SA Government entities:		
Other creditors	1 278	1 205

Superannuation Funds Management Corporation of South Australia

Functional responsibility

Establishment

The Superannuation Funds Management Corporation of South Australia (Funds SA) is a statutory authority established by the *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act).

Functions

Funds SA's main function is to invest and manage the public sector superannuation funds, the nominated funds of approved authorities and other funds (funds under management) pursuant to strategies formulated by Funds SA. For details of Funds SA's objectives and functions refer note 1 to the financial statements.

Restrictions on operations

Pursuant to subsection 21(1) of the SFMCSA Act, Funds SA is subject to the direction and control of the Minister. However, a ministerial direction must not be given for an investment decision, dealing with property or the exercise of a voting right.

Funds SA has broad powers over the investment of funds under management. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the SFMCSA Act impose restrictions so that Funds SA must not invest in real property outside the State or enter into derivative transactions (eg futures contracts, forward contracts, swaps) without the relevant authority of the Minister.

Funds under management

The funds managed and invested by Funds SA are identified in note 1(b) to the financial statements.

Funds SA is not responsible for administering (ie receipting contributions and paying benefits) any of the public sector superannuation funds or eligible superannuation funds. This responsibility rests with the following entities:

- South Australian Superannuation Board – South Australian Superannuation Scheme, Southern State Superannuation Fund, Super SA Retirement Investment Fund and South Australian Ambulance Service Superannuation Scheme
- Police Superannuation Board – Police Superannuation Scheme
- South Australian Parliamentary Superannuation Board – Parliamentary Superannuation Scheme
- DTF – the Governors' Pensions Scheme and the Judges' Pensions Scheme
- The Trustee of the South Australian Metropolitan Fire Service Superannuation Scheme.

Additional information on administering superannuation schemes is available in the financial statements of the various schemes included elsewhere in Part B of this Report.

Approved authorities for the purpose of investing funds with Funds SA are:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission.

Structure

Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external fund management firms. Fund managers are utilised for all investment types, and there is a single custodian entity (which is responsible for holding, valuing and accounting for the assets) for the majority of those fund managers. Each fund manager and the custodian is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and section 28 of the SFMCSA Act provide for the Auditor-General to audit the accounts of Funds SA for each financial year.

Assessment of controls

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

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

Scope of audit

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

During 2010-11, the review included:

- investment policy and strategy approval and compliance
- investment activity (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- fixed assets
- administration expenses.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

In my opinion, the controls exercised by the Superannuation Funds Management Corporation 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 Superannuation Funds Management Corporation of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

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

Interpretation and analysis of the financial report

Highlights of the financial report

Funds SA	2011 $'million	2010 $'million
Total expenses	4.3	4.3
Total income	4.6	5.2
Net surplus (deficit) and total comprehensive result	0.3	0.9
Net cash provided by (used in) operating activities	0.2	1.0
Total assets	2.7	2.6
Total liabilities	1.0	1.2
Total equity	1.7	1.4

Funds under management	2011 $'billion	2010 $'billion
Net income	1.6	1.5
Net assets	16.9	14.8

Statement of Comprehensive Income

The operating result of Funds SA for the year was a surplus of $332 000 compared with a surplus of $916 000 the previous year.

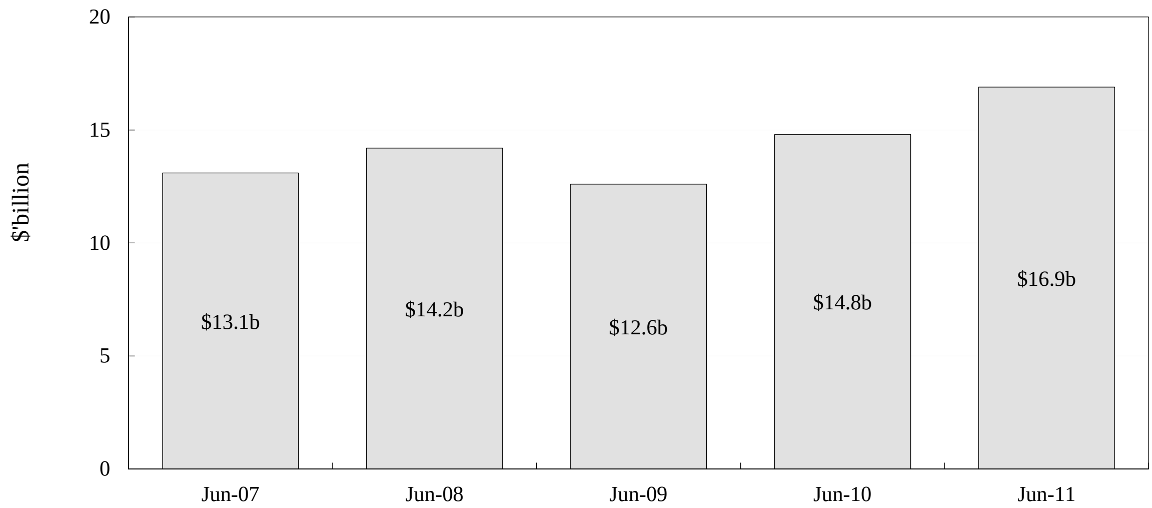
Revenues from fees and charges decreased by $562 000 as a result of a lesser level of fees charged for services provided to Funds SA clients. Funds SA aims to only recover its costs and from time to time will adjust the amounts charged for its services if excessive amounts are recovered. Expenses increased by $80 000 mainly as a result of an increase in employee benefit costs, up $27 000 and increased supplies and services costs, up $40 000 due mainly to additional fees of $25 000 for internal audit services resulting from a restructuring of internal audit arrangements.

Further commentary on operations

Funds under management

As mentioned, Funds SA invests and manages the public sector superannuation funds, the funds of eligible superannuation schemes and the nominated funds of approved authorities. The public sector superannuation funds represent 83 percent of total net funds under management.

The following chart illustrates the net funds under management as at 30 June over the past five years.



In 2011 the net funds under management increased by $2.1 billion to $16.9 billion due mainly to an increase in funds invested by clients of $478 million and net income earned from investing activities of $1.6 billion (further commented on under the heading ‘Income from investments’)

Asset allocation

An investment policy drives decisions about how funds will be invested. Section 7 of the SFMCSA Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level
- the need for liquidity in the funds
- such other matters as are prescribed by regulation.

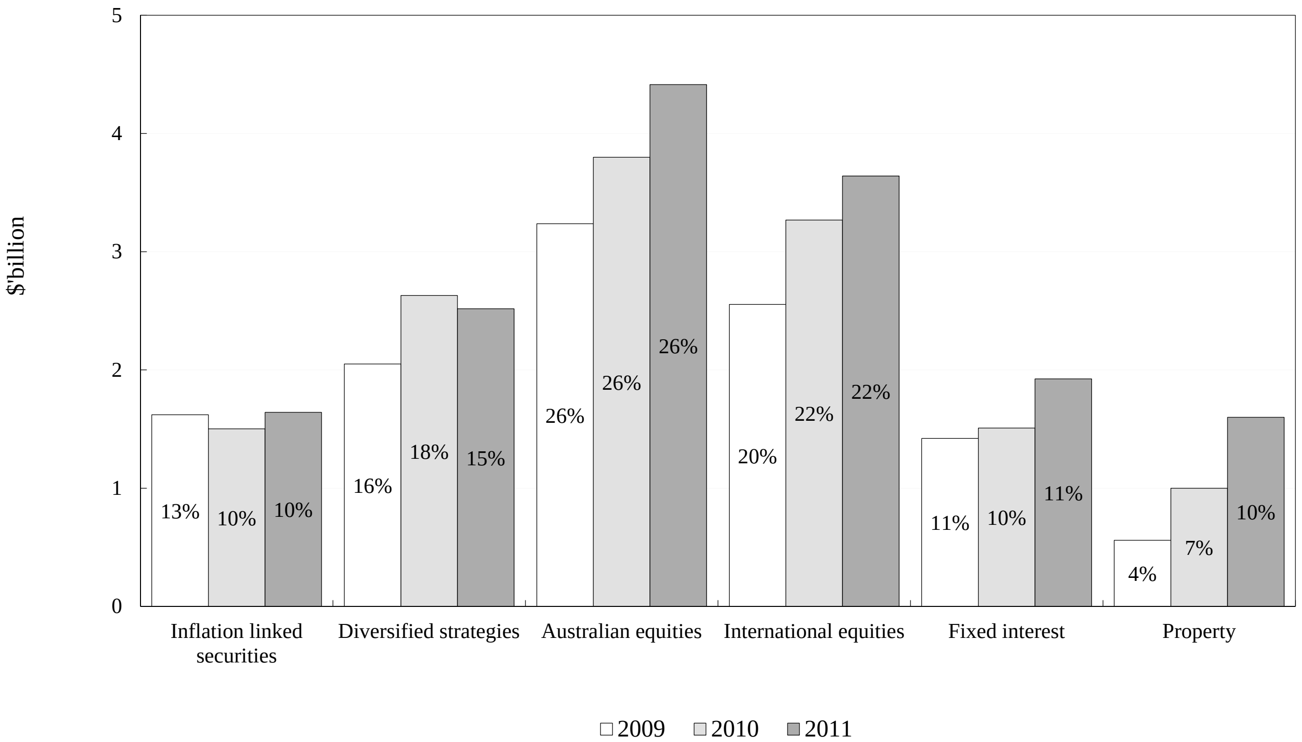
Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. Funds SA manages some of its financial risks by diversifying funds under management into 14 asset classes. These asset classes underpin the investment strategies (multi-sector portfolios) and single sector products which Funds SA offers to its clients to meet their differing time horizons and levels of acceptable risks. Client investors are responsible for setting investment objectives and selecting investment options which meet their needs. Funds SA is responsible for managing the investment portfolio in accordance with agreed asset allocations and reporting investment performance as required by the client.

From 1 July 2010, a new asset class for short-term fixed interest investments was established. This was in response to an increase in bond issuance resulting from the stimulus programs in many developed economies. The aim of this strategy is to better balance inflation risk and reduce duration risk for defensive investment classes.

Funds SA continually monitors investment performance during the year and made other adjustments to investment subclass holdings as required.

From 1 July 2011 a revised strategic asset allocation was implemented which saw the allocation to the property asset class increased.

The value of each asset class (excluding the cash and socially responsible investment classes which in total only represents 6 percent (7 percent) of the total funds under management) and the holding of each asset class as a percentage of total funds under management at 30 June for the last three financial years is illustrated in the following chart. The asset classes include both taxed and untaxed funds where applicable.



The chart shows that the improved financial markets during the year resulted in an increased value of equity investments although the percentage of overall funds invested in total equities did not change significantly. Fixed interest investments also improved significantly in value when compared with the previous year. Property investments have also grown over the last three years both in value and as a percentage of the overall investment portfolio.

The primarily long-term nature of investment strategies means funds under management are exposed to periodic falls in financial markets as well as gains.

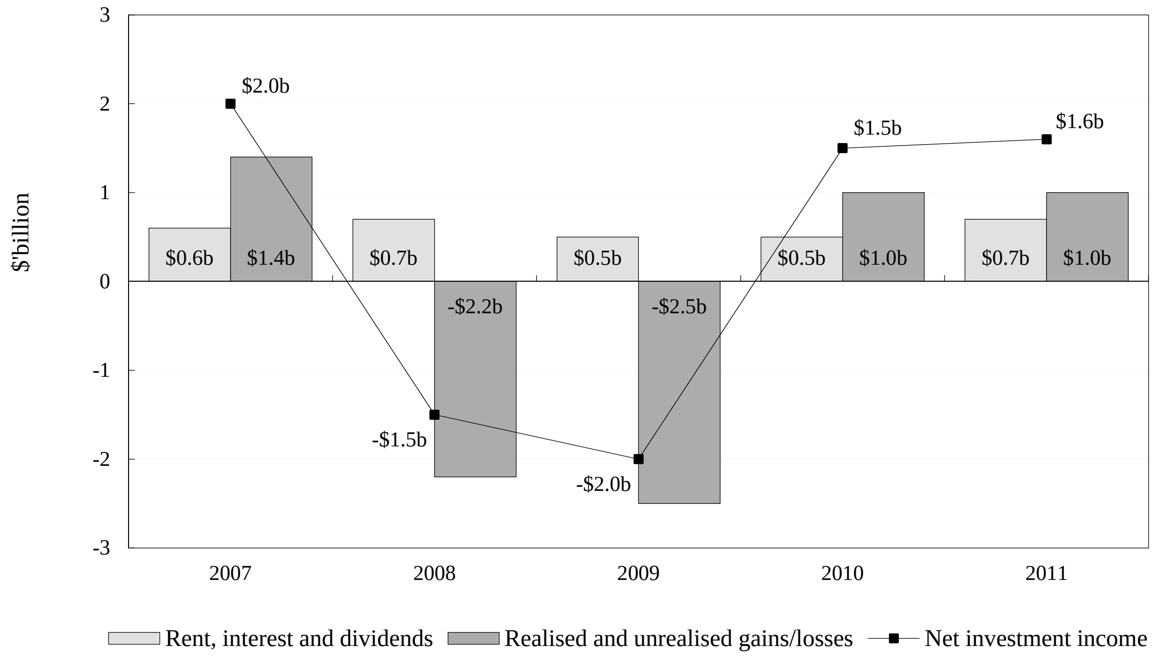
Income from investments

Net income from investment activities comprises income from rent, interest and dividends, realised and unrealised gains and losses from investment valuations less expenses incurred in the investment activity.

Net income from investment activities was a surplus of $1.6 billion ($1.5 billion). Income comprised rent, interest and dividends of $707 million ($538 million), realised gains of $690 million ($807 million) and unrealised gains of $320 million ($241 million).

Schedule 1 to the financial statements provides full details of income earned from investment activities for each asset class.

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



As can be seen from this chart positive realised and unrealised gains in 2007, 2010 and 2011 contributed significantly to the net investment income result. However, in 2008 and 2009 the significant financial market downturn resulted in negative net investment returns.

The following table shows a structural analysis of net income earned for the five years to 2011 highlighting the varying performance of the major investment asset classes. It should be noted that the magnitude of net income earned from investment activities in each year is a function of not only the performance of financial markets, especially equities, but also the size of total assets invested in the markets.

Net income earned from investment activities

	2011 $'million	2010 $'million	2009 $'million	2008 $'million	2007 $'million
Inflation linked funds	123	168	3	87	26
Property	138	52	(394)	(294)	232
Australian equities	447	416	(759)	(675)	972
International equities	453	342	(835)	(752)	569
Fixed interest	99	145	130	47	29
Diversified strategies	315	348	(178)	86	139
Cash/Socially responsible	53	46	40	23	26
Total net income	1 628	1 517	(1 993)	(1 478)	1 993
Total value of assets invested as at 30 June	16 875	14 770	12 617	14 170	13 109

The foregoing table reflects that Funds SA's investment strategy is weighted towards Australian and international equity holdings. Diversified strategies investments have also taken on increased holdings in recent years. Income from these three asset classes represents 75 percent of total net income. The property asset class also showed significantly improved returns in 2011. However, the volatile nature of these investments will cause their returns to fluctuate from year to year consistent with prevailing economic conditions. The negative net income in 2008 and 2009 reflects the significant fall in share markets in these two years.

The table below shows Funds SA's percentage return for each of the past seven years for both the balanced and growth (tax exempt) funds, which together account for 74 percent of total funds under management. These figures were provided by Funds SA and are unaudited.

Funds SA investment return periods ending 30 June

	7 years	2011	2010	2009	2008	2007	2006	2005
	Percent pa	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Balanced	6.2	10.9	12.6	(15.3)	(9.3)	17.7	17.6	14.7
Growth	6.0	11.4	12.3	(17.5)	(11.2)	19.5	19.4	15.3

The performance against target benchmarks for each asset class for the 2010-11 year and also the three years ended 2009-10 is shown in the following table. These figures were provided by Funds SA and are unaudited.

	1 year Actual Percent	1 year Benchmark Percent	3 years Actual Percent	3 years Benchmark Percent
Cash	5.1	5.0	4.9	4.8
Short-term fixed interest*	5.6	5.0	n/a	n/a
Long-term fixed interest	5.9	5.4	8.8	8.6
Inflation linked securities A	8.0	7.5	6.4	4.7
Diversified strategies income	12.0	9.9	9.9	9.7
Property A	9.3	8.5	(8.5)	(9.0)
Australian equities A	11.6	11.9	0.6	0.3
International equities A	13.5	13.1	0.2	0.7
Diversified strategies growth A	20.7	9.0	1.9	8.8
Inflation linked securities B	7.4	7.5	5.6	4.7
Property B	9.5	8.5	(7.6)	(8.6)
Australian equities B	11.0	11.9	0.3	0.3
International equities B	13.4	12.9	0.6	0.3
Diversified strategies growth B	19.1	9.0	(0.2)	8.8

* Short-term fixed interest asset class was established on 1 July 2010.

The performance of most asset classes for 2010-11 exceeded benchmark. In particular the diversified strategies growth A and B funds performed well above the benchmark. The benchmark for these two funds is set at cash plus 4 percent and is intended to proxy the long-term equity return. The majority of assets held in these two classes are equity in nature and the return over the short-term is more aligned with the performance of equity asset classes.

Investment expenses

In 2011 investment expenses amounted to $89 million, an increase of $20 million from the previous year. The increase is a result of the higher value of funds under management and higher performance fees paid to some investment managers. Investment expenses remain at 0.5 percent of average funds under management.

Year	Investment expenses $'million	Average funds under management $'billion
2007	75.5	11.8
2008	80.1	13.8
2009	57.4	12.7
2010	69.0	14.5
2011	88.9	16.2

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
Revenues from fees and charges		4 592	5 154
Interest revenues		81	23
Total income		4 673	5 177
Expenses:			
Employee benefits costs	3	3 106	3 079
Supplies and services	4	1 049	1 009
Depreciation and amortisation expense	5	186	173
Total expenses		4 341	4 261
Net surplus (deficit)		332	916
Total comprehensive result		332	916

Net surplus (deficit) and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents		1 566	1 392
Receivables - administration fee		527	450
Other current assets		70	56
Total current assets		2 163	1 898
Non-current assets:			
Property, plant and equipment	7	536	650
Funds SA investment trusts	15	-	-
Total non-current assets		536	650
Total assets		2 699	2 548
Current liabilities:			
Payables	8	163	319
Employee benefits liability	9	247	309
Total current liabilities		410	628
Non-current liabilities:			
Payables	8	50	57
Employee benefits liability	9	555	511
Total non-current liabilities		605	568
Total liabilities		1 015	1 196
Net assets		1 684	1 352
Equity:			
Retained earnings		1 684	1 352
Total equity		1 684	1 352

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	11		
Contingent assets and liabilities	12		

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

	Retained earnings $'000	Total $'000
Balance at 30 June 2009	436	436
Total comprehensive result for 2009-10	916	916
Balance at 30 June 2010	1 352	1 352
Total comprehensive result for 2010-11	332	332
Balance at 30 June 2011	1 684	1 684

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from fees and charges		5 093	5 505
Interest received		75	20
GST recovered from the ATO		103	137
Cash generated from operations		5 271	5 662
Cash outflows:			
Employee benefits payments		(3 152)	(3 066)
Supplies and services		(1 320)	(1 155)
GST paid to the ATO		(555)	(466)
Cash used in operations		(5 027)	(4 687)
Net cash provided by (used in) operating activities	13	244	975
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of property, plant and equipment		4	-
Cash generated from investing activities		4	-
Cash outflows:			
Purchase of property, plant and equipment		(74)	(59)
Cash used in investing activities		(74)	(59)
Net cash provided by (used in) investing activities		(70)	(59)
Net increase (decrease) in cash and cash equivalents		174	916
Cash and cash equivalents at 1 July		1 392	476
Cash and cash equivalents at 30 June		1 566	1 392

Schedule 1: Asset Sector Funds Under Management

This schedule provides information in relation to assets under Funds SA's management as at balance date.

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB 139. The sources of valuations are provided below.

This schedule provides the following information:

- investment valuation sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Assets Under Management
- financial instruments and management of portfolio risk.

Investment valuation sources
Discretely managed portfolios
Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

Managed funds
Pooled funds/Unlisted unit trusts
Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers.

Private equity
The value of private equity investments is based on the most recent fund valuations supplied by the relevant fund managers.

Currency hedge overlay
The value of the currency hedge overlay, as at 30 June 2011, is supplied by Funds SA's custodian and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally managed investments
Internally managed inflation-linked bonds
These investments, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2011

	Rent, interest and dividends $'000	Realised gains (losses)[1] $'000	Unrealised gains (losses)[2] $'000	Expenses $'000	2011 Total $'000
Asset sector:					
Australian equities A	161 128	129 640	146 023	(13 281)	423 510
International equities A	60 401	255 124	134 289	(18 173)	431 641
Property A	42 313	-	93 545	(6 250)	129 608
Diversified strategies growth A	51 656	97 424	(4 784)	(17 710)	126 586
Inflation linked securities A	28 297	(1 367)	11 567	(543)	37 954
Long-term fixed interest	20 458	(12 643)	28 719	(2 140)	34 394
Short-term fixed interest	16 994	5 463	4 920	(926)	26 451
Diversified strategies income	159 902	199 899	(153 103)	(23 233)	183 465
Cash	52 780	-	-	(670)	52 110
Motor Accident Commission fixed interest	45 303	(4 833)	(1 637)	(909)	37 924
Australian equities B	7 790	-	16 820	(988)	23 622
International equities B	2 239	10 399	9 333	(1 026)	20 945
Property B	4 240	-	5 044	(385)	8 899
Diversified strategies growth B	1 375	3 859	584	(666)	5 152
Inflation linked securities	51 695	7 314	27 863	(1 915)	84 957
Socially responsible investment	366	-	878	(107)	1 137
Total	706 937	690 279	320 061	(88 922)	1 628 355

Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2010

	Rent, interest and dividends $'000	Realised gains (losses)[1] $'000	Unrealised gains (losses)[2] $'000	Expenses $'000	2010 Total $'000
Asset sector:					
Australian equities A	138 351	127 521	144 419	(10 983)	399 308
International equities A	71 348	316 519	(42 102)	(17 259)	328 506
Property A	13 128	35	37 463	(3 158)	47 468
Diversified strategies growth A	23 223	116 029	(4 674)	(18 427)	116 151
Inflation linked securities A	27 348	(1 319)	20 739	(266)	46 502
Long-term fixed interest	24 214	80 479	(18 652)	(2 095)	83 946
Diversified strategies income	94 753	112 360	31 377	(10 199)	228 291
Cash	45 565	-	-	(806)	44 759
Motor Accident Commission fixed interest	47 552	8 519	5 761	(1 111)	60 721
Australian equities B	5 881	-	11 282	(811)	16 352
International equities B	2 571	10 123	2 031	(791)	13 934
Property B	1 732	1 000	2 043	(196)	4 579
Diversified strategies growth B	172	4 295	267	(650)	4 084
Inflation linked securities B	41 578	31 007	50 751	(2 078)	121 258
Socially responsible investment	787	-	300	(133)	954
Total	538 203	806 568	241 005	(68 963)	1 516 813

(1) Realised gains (losses)

Realised gains (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(2) Unrealised gains (losses)

Unrealised gains (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

Statement of Net Assets Under Management
as at 30 June 2011

	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2011 Total $'000
Asset sector:							
Australian equities A	3 579 828	556 318	-	-	203	(5 016)	4 131 333
International equities A	2 429 413	980 998	-	40 027	40	(4 158)	3 446 320
Property A	83	1 562 491	97	-	994	(981)	1 562 684
Diversified strategies growth A	-	708 648	-	15 506	9	(337)	723 826
Inflation linked securities A*	-	-	386 394	-	6	(818)	385 582
Long-term fixed interest	595 221	-	-	-	22	(505)	594 738
Short-term fixed interest	512 032	-	-	-	15	(250)	511 797
Diversified strategies income	1 069 115	669 965	-	20 058	45	(4 156)	1 755 027
Cash	-	1 061 898	-	-	76	(84)	1 061 890
Motor Accident Commission fixed interest	798 753	-	3 882	-	15 494	(228)	817 901
Australian equities B	-	282 115	-	-	6	(91)	282 030
International equities B	-	191 408	-	2 250	3	(42)	193 619
Property B	-	101 802	-	-	460	(31)	102 231
Diversified strategies growth B	-	9 861	27 322	675	1	(13)	37 846
Inflation linked securities B	1 116 651	139 738	-	-	35	(457)	1 255 967
Socially responsible investment	-	12 342	-	-	2	(3)	12 341
Total	10 101 096	6 277 584	417 695	78 516	17 411	(17 170)	16 875 132

* Inflation linked securities A excludes the portion of its ownership in the Inflation linked securities B asset class.

Statement of Net Assets Under Management
as at 30 June 2010

	Discretely managed portfolios $'000	Managed funds $'000	Internally managed investments $'000	Currency hedge overlay $'000	Other assets $'000	Liabilities $'000	2010 Total $'000
Asset sector:							
Australian equities A	3 091 476	497 276	-	-	438	(2 549)	3 586 641
International equities A	2 198 261	970 175	-	(49 405)	294	(3 462)	3 115 863
Property A	178	949 191	97	-	343	(669)	949 140
Diversified strategies growth A#	-	657 253	-	(18 155)	1 008	(291)	639 815
Inflation linked securities A	-	-	384 409	-	103	(791)	383 721
Long-term fixed interest	658 275	-	-	-	133	(527)	657 881
Diversified strategies income	1 359 160	625 848	-	(20 054)	201	(2 780)	1 962 375
Cash	-	1 027 467	-	-	396	(58)	1 027 805
Motor Accident Commission fixed interest	850 680	-	-	-	1 054	(217)	851 517
Australian equities B	-	211 723	-	-	105	(58)	211 770
International equities B	-	153 807	-	(2 413)	103	(25)	151 472
Property B	-	71 332	-	-	145	(7)	71 470
Diversified strategies growth B#	-	27 586	-	(710)	101	(3)	26 974
Inflation linked securities B	993 135	125 512	-	-	184	(380)	1 118 451
Socially responsible investment	-	15 154	-	-	4	(2)	15 156
Total	9 151 165	5 332 324	384 506	(90 737)	4 612	(11 819)	14 770 051

\# In the 30 June 2010 financial statements all private equity funds in the diversified strategies growth A and diversified strategies growth B asset classes were disclosed in the 'Internally managed investments' column. However, for the 30 June 2011 financial statements these have been moved to the 'Managed funds' column as this better reflects the nature of these investments. The comparative disclosures in the table above have also been amended to reflect this change.

Fair value hierarchy

In accordance with the disclosure requirements under AASB 7, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2011. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments. The fair value hierarchy has the following levels:

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

As per AASB 7, paragraph 27A 'the level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety'. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the investment.

The determination of what constitutes 'observable' requires significant judgment by Funds SA. Funds SA considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA's investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2011.

Fair Value of Financial Assets and Liabilities
as at 30 June 2011

2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Other $'000	Total $'000
Financial assets and liabilities through profit or loss:					
Australian equities A	3 579 741	556 318	-	(4 726)	4 131 333
International equities A	2 428 293	1 021 026	-	(2 999)	3 446 320
Property A	1 063	287 215	1 275 373	(967)	1 562 684
Diversified strategies growth A	1	144 985	579 170	(330)	723 826
Inflation linked securities*	50 989	1 201 831	386 393	2 336	1 641 549
Long-term fixed interest	470 477	124 744	-	(483)	594 738
Short-term fixed interest	316 244	195 788	-	(235)	511 797
Diversified strategies income	92 852	1 666 286	-	(4 111)	1 755 027
Cash	1 061 972	-	-	(82)	1 061 890
Motor Accident Commission fixed interest	608 422	205 814	3 882	(217)	817 901
Australian equities B	1	282 115	-	(86)	282 030
International equities B	1	193 658	-	(40)	193 619
Property B	459	19 874	81 928	(30)	102 231
Diversified strategies growth B	1	10 535	27 322	(12)	37 846
Socially responsible investment	2	12 342	-	(3)	12 341
Total	8 610 518	5 922 531	2 354 068	(11 985)	16 875 132

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Other $'000	Total $'000
Financial assets and liabilities through profit or loss:					
Australian equities A	3 091 800	497 276	-	(2 435)	3 586 641
International equities A	2 198 530	920 770	-	(3 437)	3 115 863
Property A	514	271 550	677 738	(662)	949 140
Diversified strategies growth A	1 001	57 850	581 248	(284)	639 815
Inflation linked securities*	140 328	978 576	384 409	(1 141)	1 502 172
Long-term fixed interest	517 107	141 276	-	(502)	657 881
Diversified strategies income	352 767	1 612 341	-	(2 733)	1 962 375
Cash	1 027 847	-	-	(42)	1 027 805
Motor Accident Commission fixed interest	652 574	195 340	3 803	(200)	851 517
Australian equities B	101	211 723	-	(54)	211 770
International equities B	101	151 394	-	(23)	151 472
Property B	144	18 790	52 542	(6)	71 470
Diversified strategies growth B	100	2 457	24 419	(2)	26 974
Socially responsible investment	4	15 154	-	(2)	15 156
Total	7 982 918	5 074 497	1 724 159	(11 523)	14 770 051

* Inflation linked securities includes the externally and internally managed inflation linked securities from both the inflation linked securities A and inflation linked securities B asset classes.

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Level 3 Financial assets and liabilities:	Opening balance 01.07.10 $'000	Purchases $'000	Disposals $'000	Unrealised gain (loss) $'000	Closing balance 30.06.11 $'000
Property A	677 738	510 341	-	87 294	1 275 373
Diversified strategies growth A	581 248	134 546	(76 642)	(59 982)	579 170
Inflation linked securities	384 409	-	(7 954)	9 938	386 393
Motor Accident Commission fixed interest	3 803	-	-	79	3 882
Property B	52 542	25 136	-	4 250	81 928
Diversified strategies growth B	24 419	7 881	(2 916)	(2 062)	27 322
Total	1 724 159	677 904	(87 512)	39 517	2 354 068

Level 1
Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and developed market nominal sovereign bonds.

Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

Level 2
Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

Level 3
Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used valuation techniques to derive fair value. Level 3 investments include certain unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transaction purposes and directly held non-traded index-linked securities.

Other
Although not specifically required by AASB 7, 'Other' includes accrued expenses and GST payable to, or receivable from, the ATO for each asset class and is included in the above disclosure for completeness purposes only.

Financial instruments and management of portfolio risk
Use of derivative financial instruments
Derivatives can be defined as financial contracts whose value depends on, or is derived from other specific assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements and forward rate agreements and exchange-traded futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2011 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market risk
Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

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

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

Liquidity risk
Two types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet clients' cash redemption requirements.

Funds SA manages liquidity risk as follows:

- Firstly, by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions

- Secondly, a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

Currency risk
Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

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

Currency risk (continued)

- Foreign currency exposures in the diversified strategies growth A, diversified strategies growth B, diversified strategies income and fixed interest asset sectors are fully hedged to Australian dollars.

- Foreign currency exposures in the international equities A and international equities B asset sectors are 42.5 percent hedged to Australian dollars.

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

Interest rate risk

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

Funds SA manages interest rate risk through:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation)

(a) Objectives of Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act).

Under section 5 of the Act, the functions of Funds SA are:

(a) to invest and manage:

(i) the public sector superannuation funds
(ii) the nominated funds of approved authorities

pursuant to strategies formulated by the Corporation

(ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation

(b) such other functions as are assigned to the Corporation by this or any other Act.

The objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

(a) the need to maintain the risks relating to investment at an acceptable level
(b) the need for liquidity in the funds
(c) such other matters as are prescribed by regulation.

(b) Purpose of the financial statements

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under subsection 26(1) of the Act, and in respect of each of the funds, as required by subsection 26(2) of the Act.

As at 30 June 2011, Funds SA managed the following funds:

Public sector superannuation funds:

- South Australian Superannuation Scheme
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Account

- Police Superannuation Scheme
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account

Public sector superannuation funds: (continued)

- South Australian Superannuation Scheme
  - Southern State Superannuation Fund

- Super SA Retirement Investment Fund:
  - Super SA Flexible Rollover Product
  - Super SA Income Stream

- Parliamentary Superannuation Scheme

- Judges' Pensions Scheme

- Governors' Pensions Scheme.

Eligible superannuation funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme.

Nominated funds of approved authorities:

- SAFA
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund.

(c) Format and content of Funds SA's financial statements

Funds SA adopts the format and content of the model financial statements developed by DTF.

The Statement of Financial Position does not incorporate the funds under its management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under note 16 in accordance with subsection 26(2) of the Act.

Controlled entities have not been consolidated into Funds SA's Statement of Financial Position as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:

  (a) expenses incurred as a result of engaging consultants (refer note 4)

  (b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 3)

(b) Basis of preparation (continued)

(c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement (refer note 10).

Funds SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

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

The financial statements have been prepared based on a 12 month period and presented in Australian currency and all amounts rounded to the nearest thousand dollars ($'000).

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

(c) Reporting entity

The financial report covers Funds SA as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to the Act.

(d) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative amounts have been reclassified unless reclassification is impracticable.

(e) Income and expenses

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

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

The notes to the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Income

Revenues from fees and charges

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to the Funds SA clients (being SA Government entities). This revenue is recognised upon delivery of the service to the clients.

(f) Current and non-current classification

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

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

(g) Cash and cash equivalents

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

Cash is measured at nominal value.

(h) Receivables

Receivables include amounts receivable from Funds SA's clients. Receivables arise in the normal course of providing services to the clients.

(i) Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

(j) Impairment

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

(k) 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 leasehold improvements, while depreciation is applied to physical assets such as computer and office equipment.

The useful lives of all major assets held by Funds 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)*
Leasehold improvements	Straight-line	Term of lease
Computer and office equipment:		
Computers, hardware and software	Straight-line	3
Office furniture	Straight-line	10

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

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

(m) Employee benefits

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

Wages, salaries, annual leave and sick leave

Liabilities for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is recognised after an employee has completed five years of service (5.5 years). An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with Funds SA's experience of employee retention and leave taken.

Long service leave (continued)
The long service leave liability expected to be paid out within 12 months of the reporting date is classified as current. The remainder of the long service leave liability is recognised as non-current.

Employee benefit on-costs
Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

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

(n) Leases
Funds SA has entered into an operating lease for its office premises. The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased premises. Lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased premises.

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

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

(p) Insurance
Funds SA has arranged, through SAICORP, a division of SAFA, to insure all major risks of Funds SA with the exception of directors and officer insurance which is insured through an independent insurance provider.

(q) Taxation
Funds SA is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

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

(r) Valuation basis of client funds under management
Note 16 provides financial statements in respect of each client fund under the management of Funds SA for the 2010-11 financial year.

The valuation of the investments of each client fund follows the valuation approach required under accounting standards relevant to that client:

- For superannuation scheme clients, investments have been valued at net market value in accordance with AAS 25
- All other clients' investments have been valued at fair value in accordance with AASB 139.

3. Employee benefits costs

	2011	2010
	$'000	$'000
Salaries and wages	2 316	2 259
Board fees	335	334
Employment on-costs	455	486
Total employee benefits costs	3 106	3 079

Remuneration of employees	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	-	2
$130 700 - $140 699	1	1
$170 700 - $180 699	-	3
$180 700 - $190 699	3	-
$220 700 - $230 699	1	1
$350 700 - $360 699	-	1
$360 700 - $370 699	1	-
Total	6	8

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.28 million ($1.5 million).

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

4. Supplies and services

	2011	2010
	$'000	$'000
Computing and communication	132	163
Human resource expenses	18	20
Board expenses	171	193
Staff development	62	32
Subscriptions and publications	100	96
Internal audit fees	25	-
External audit fees	82	79
Travel and accommodation	115	99
Legal and advisory expenses	31	11
Office rent	219	207
Office supplies and printing	56	58
Website expenses	4	17
Client relationship expenses	11	12
Other	23	22
Total supplies and services(1)	1 049	1 009

(1) There were no transactions with SA Government entities greater than $100 000.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	4	7	6	11
Between $10 000 and $50 000	1	46	-	-
Above $50 000	-	-	-	-
Total paid/payable to the consultants engaged	5	53	6	11

5. Depreciation and amortisation expense

	2011	2010
Depreciation:	$'000	$'000
Computer and office equipment	106	93
Amortisation:		
Leasehold improvements	80	80
Total depreciation and amortisation	186	173

6. Auditor's remuneration

	2011 $'000	2010 $'000
Audit fees paid/payable to the Auditor-General's Department	82	79
Total audit fees - SA Government entities	82	79

Other services

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

7. Property, plant and equipment

	2011	2010
Leasehold improvements:		
Leasehold improvements at fair value	576	576
Accumulated amortisation	(311)	(231)
Total leasehold improvements	265	345
Computer and office equipment:		
Computer and office equipment at fair value	595	563
Accumulated depreciation	(324)	(258)
Total computer and office equipment	271	305
Total property, plant and equipment	536	650

Reconciliation of non-current assets

The following table shows the movement of non-current assets during the year ended 30 June 2011:

	2011			2010		
	Leasehold improvements $'000	Computer and office equipment $'000	Non-current assets total $'000	Leasehold improvements $'000	Computer and office equipment $'000	Non-current assets total $'000
Carrying amount at 1 July	345	305	650	425	339	764
Additions	-	74	74	-	60	60
Disposals	-	(2)	(2)	-	(1)	(1)
Depreciation and amortisation	(80)	(106)	(186)	(80)	(93)	(173)
Carrying amount at 30 June	265	271	536	345	305	650

8. Payables

	2011 $'000	2010 $'000
Current:		
Creditors	36	185
Accrued expenses	82	79
Employment on-costs	45	55
Total current payables	163	319
Non-current:		
Employment on-costs	50	57
Total non-current payables	50	57

9. Employee benefits liability

	2011	2010
Current:		
Annual leave	120	110
Long service leave	49	72
Accrued salaries and wages	78	127
Total current employee benefits liability	247	309
Non-current:		
Long service leave*	555	511
Total non-current employee benefits liability	555	511
Total employee benefits liability	802	820

* The liability for long service leave is now recognised after an employee has completed five years of service, compared to 5.5 years of service in previous years. The impact of this change is $16 000.

10. Key management personnel

(a) Board members

The following persons held the position of governing board member during the financial year.

Helen Nugent	Chairman	throughout the year
Kevin Crawshaw	Director	throughout the year
Anne De Salis	Director	throughout the year
Leigh Hall	Director	throughout the year
David McMahon	Director	throughout the year
Jan McMahon	Director	throughout the year
Brett Rowse*	Director	commenced 3 February 2011
Jim Wright*	Director	ceased 29 September 2010

(b) Subcommittees

Funds SA has established two subcommittees where members receive remuneration for their membership. These are:

Audit Committee

Leigh Hall	Chairman	throughout the year
Kevin Crawshaw	Member	throughout the year
David McMahon	Member	throughout the year
Helen Nugent	Member	throughout the year

Human Resource Committee

Helen Nugent	Chairman	throughout the year
Anne De Salis	Member	throughout the year
Jan McMahon	Member	throughout the year
Brett Rowse*	Member	commenced 3 February 2011
Jim Wright*	Member	ceased 29 September 2010

* In accordance with DPC Circular 16 Jim Wright and Brett Rowse did not receive any remuneration for board/committee duties during the financial year.

(c) Other key management personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of the authority, directly or indirectly during the financial year.

Richard Smith	Chief Executive Officer
John Piteo	Chief Financial Officer

(d) Key management personnel compensation

The key management personnel are the governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

	2011 $'000	2010 $'000
Short-term employee benefits	867	879
Long-term employee benefits	44	19
Total	911	898

(e) Remuneration of governing board members

Board members' remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and board subcommittees. Directors' fees for the 2010-11 year were set by the Governor of South Australia. The aggregate remuneration of directors was $322 000 ($321 000).

In 2010-11, the aggregate amount paid, or due and payable, for Directors to the Southern State Superannuation Scheme totalled $168 000 ($74 000). In 2010-11, the periodic amounts paid, or due and payable, to private superannuation funds totalled $12 000 ($24 000).

(e) Remuneration of governing board members (continued)

The number of governing board members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$10 000 - $19 999	-	1
$30 000 - $39 999	-	1
$40 000 - $49 999	4	3
$50 000 - $59 999	1	1
$90 000 - $99 999	1	1
Total	6	7

(f) Transactions with directors and director-related entities

The Chairman of Funds SA, Dr Helen Nugent, is a non-executive director of the Macquarie Bank Group Limited. Macquarie Bank Group Limited (or its wholly-owned subsidiaries) has provided funds management and other services to Funds SA during 2010-11 on normal commercial terms and conditions. Dr Nugent did not receive any board papers, take part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Bank Group Limited (or its wholly-owned subsidiaries). Dr Nugent has also advised the Board that she did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

11. Unrecognised contractual commitments

Operating lease commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2011 $'000	2010 $'000
Within one year	244	233
Later than one year but not longer than five years	602	835
Later than five years	-	-
Total non-cancellable operating lease commitments	846	1 068

Remuneration commitments

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

Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:		
Within one year	1 299	1 351
Later than one year but not longer than five years	2 589	1 705
Total remuneration commitments	3 888	3 056

12. Contingent assets and liabilities

Funds SA is not aware of any contingent assets or liabilities.

13. Cash flow reconciliation

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

Net surplus (deficit)	332	916
Non-cash items:		
Depreciation and amortisation expense	186	173
Loss (gain) on disposal of assets	(2)	-
Changes in assets and liabilities:		
Decrease (Increase) in receivables	(77)	(119)
Decrease (Increase) in other current assets	(14)	3
Increase (Decrease) in payables	(163)	(11)
Increase (Decrease) in employee benefits	(18)	13
Net cash provided by (used in) operating activities	244	975

14. Financial instruments

(a) Interest rate risk

Funds SA's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with the weighted average interest rate risk at balance date.

(a) Interest rate risk (continued)

	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
2011				
Financial assets:	Percent	$'000	$'000	$'000
Cash	4.39	1 566	-	1 566
Receivables	-	-	527	527
Other assets	-	-	70	70
Total financial assets		1 566	597	2 163
Financial liabilities:				
Payables		-	116	116
Total financial liabilities		-	116	116
2010				
Financial assets:				
Cash	3.63	1 392	-	1 392
Receivables	-	-	450	450
Other assets	-	-	56	56
Total financial assets		1 392	506	1 898
Financial liabilities:				
Payables	-	-	151	151
Total financial liabilities		-	151	151

Interest rate and credit risk

Receivables are normally settled within 30 days. Receivables and other assets are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Funds SA as it has been determined that the possible impact on the net surplus/deficit or net assets from fluctuations in interest rates is immaterial.

(b) Market risk exposure

The administration fee that Funds SA charges to its clients to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depend upon the performance of the underlying investments, which are linked to the performance of world financial markets.

Funds SA manages this risk in two ways:

- firstly, its administration fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management
- secondly, Funds SA has the ability to increase the administration fee should this action be necessary to cover administration expenses.

As Funds SA has the ability to amend the administration fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

(c) Maturity analysis of financial assets and liabilities

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

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

	Contractual maturity			
	2011		2010	
	Carrying amount	Less than 1 year	Carrying amount	Less than 1 year
Financial assets:	$'000	$'000	$'000	$'000
Cash	1 566	1 566	1 392	1 392
Receivables	527	527	450	450
Other assets	70	70	56	56
Total financial assets	2 163	2 163	1 898	1 898
Financial liabilities:				
Payables	116	116	151	151
Total financial liabilities	116	116	151	151

15. Investments in Funds SA unit trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying clients. Since that time, an additional two unit trusts have been established. A consolidated list of the Funds SA unit trusts is provided below.

Trust	*Date established*	*Settled sum*
High Growth B Unit Trust	20 June 2008	$10
Growth B Unit Trust	20 June 2008	$10
Balanced B Unit Trust	20 June 2008	$10
Moderate B Unit Trust	20 June 2008	$10
Conservative B Unit Trust	20 June 2008	$10
Capital Defensive B Unit Trust	20 June 2008	$10
Cash Option B Unit Trust	20 June 2008	$10
Australian Equities B Unit Trust	20 June 2008	$10
International Equities B Unit Trust	20 June 2008	$10
Property B Unit Trust	20 June 2008	$10
Diversified Strategies Growth B Unit Trust	20 June 2008	$10
Diversified Strategies Income A and B Unit Trust	20 June 2008	$10
Fixed interest A and B Unit Trust	20 June 2008	$10
Inflation Linked Securities A and B Unit Trust	20 June 2008	$10
Cash A and B Unit Trust	20 June 2008	$10
Socially Responsible Investment Unit Trust	12 February 2009	$10
Short-term Fixed Interest A and B Unit Trust	8 June 2010	$10
		$170

16. Client funds under management

Operation of investment portfolio

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

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

Each client fund holds units in an investment option, which in turn holds units in each of the asset sectors according to the target strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the market value of underlying investments.

Under subsection 26(2) of the Act, Funds SA is required to 'prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year'. In compliance with the Act, the format of these financial statements was approved by the Treasurer on 19 April 2007.

Operation of investment portfolio (continued)

These client fund financial statements are explained and disclosed below:

- Each client fund's allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include client placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each client fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian equities A, international equities A, property A, diversified strategies growth A and inflation linked securities A asset classes are available to untaxed clients only, whereas Australian equities B, international equities B, property B and diversified strategies growth B asset classes are available to taxed clients only. All other asset classes, with the exception of Motor Accident Commission fixed interest which is available to the Motor Accident Commission only, are available to both untaxed and taxed clients.

(a) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	2 189 055	1 950 825
Receipts	355 800	362 250
Net investment income	247 649	242 530
	603 449	604 780
Payments	(418 350)	(366 550)
Funds under management at 30 June	2 374 154	2 189 055

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	2 374 154	2 189 055
Funds under management at 30 June	2 374 154	2 189 055

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	693 156	633 078
International equities A	578 351	548 931
Property A	323 462	222 697
Diversified strategies growth A	129 546	120 909
Inflation linked securities A	218 110	51 149
Inflation linked securities B	-	143 561
Long-term fixed interest	65 137	59 680
Short-term fixed interest	43 865	-
Diversified strategies income	235 257	303 212
Cash	87 270	105 838
Funds under management at 30 June	2 374 154	2 189 055

(b) South Australian Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	1 186 453	1 137 850
Receipts	13 780	1 900
Net investment income	132 590	139 353
	146 370	141 253
Payments	(82 870)	(92 650)
Funds under management at 30 June	1 249 953	1 186 453

(b) South Australian Superannuation Fund - Old Scheme Division (continued)

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	1 249 953	1 186 453
Funds under management at 30 June	1 249 953	1 186 453

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	364 935	343 123
International equities A	304 492	297 517
Property A	170 297	120 700
Diversified strategies growth A	68 204	65 532
Inflation linked securities A	114 832	27 723
Inflation linked securities B	-	77 809
Long-term fixed interest	34 294	32 346
Short-term fixed interest	23 094	-
Diversified strategies income	123 859	164 339
Cash	45 946	57 364
Funds under management at 30 June	1 249 953	1 186 453

(c) South Australian Superannuation Fund - New Scheme Division

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	551 198	507 054
Receipts	21 283	22 154
Net investment income	60 534	59 534
	81 817	81 688
Payments	(38 267)	(37 544)
Funds under management at 30 June	594 748	551 198

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
High growth A	17 810	16 817
Growth A	498 084	472 566
Balanced A	21 640	16 809
Moderate A	6 790	5 034
Conservative A	12 134	8 258
Capital defensive A	7 207	3 563
Cash A	30 086	27 070
Socially responsible investment	997	1 081
Funds under management at 30 June	594 748	551 198

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	160 538	149 268
International equities A	133 994	129 449
Property A	74 704	51 855
Diversified strategies growth A	29 685	28 298
Inflation linked securities A	53 550	12 447
Inflation linked securities B	-	35 567
Long-term fixed interest	16 413	17 557
Short-term fixed interest	13 894	-
Diversified strategies income	56 457	72 533
Cash	54 516	53 143
Socially responsible investment	997	1 081
Funds under management at 30 June	594 748	551 198

(d) Southern State Superannuation (Employer's) Fund

Statement of Receipts and Payments

	2011 $'000	2010 $'000
Funds under management at 1 July	-	4 350 338
Receipts	-	121 404
Net investment income	-	451 879
	-	573 283
Payments	-	(4 923 621)
Funds under management at 30 June	-	-

Statement of Funds Under Management - by Investment Option

Investment option:	2011 $'000	2010 $'000
High growth A	-	-
Growth A	-	-
Balanced A	-	-
Moderate A	-	-
Conservative A	-	-
Capital defensive A	-	-
Cash A	-	-
Socially responsible investment	-	-
Funds under management at 30 June	-	-

Statement of Funds Under Management - by Asset Sector

Asset sector:	2011 $'000	2010 $'000
Australian equities A	-	-
International equities A	-	-
Property A	-	-
Diversified strategies growth A	-	-
Inflation linked securities A	-	-
Inflation linked securities B	-	-
Long-term fixed interest	-	-
Diversified strategies income	-	-
Cash	-	-
Socially responsible investment	-	-
Funds under management at 30 June	-	-

(e) Southern State Superannuation Fund

Statement of Receipts and Payments

	2011 $'000	2010 $'000
Funds under management at 1 July	6 512 531	1 050 775
Receipts	552 705	5 338 437
Net investment income	719 958	213 872
	1 272 663	5 552 309
Payments	(93 409)	(90 553)
Funds under management at 30 June	7 691 785	6 512 531

(e) Southern State Superannuation Fund (continued)

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
High growth A	603 684	517 931
Growth A	236 605	196 851
Balanced A	6 459 002	5 457 872
Moderate A	29 130	18 535
Conservative A	121 400	83 789
Capital defensive A	41 561	19 813
Cash A	194 238	209 985
Socially responsible investment	6 165	7 755
Funds under management at 30 June	7 691 785	6 512 531

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	2 000 023	1 675 183
International equities A	1 641 050	1 428 648
Property A	763 246	414 900
Diversified strategies growth A	411 148	350 011
Inflation linked securities A	846 915	191 968
Inflation linked securities B	-	610 336
Long-term fixed interest	385 423	452 839
Short-term fixed interest	341 607	-
Diversified strategies income	739 225	862 420
Cash	556 983	518 471
Socially responsible investment	6 165	7 755
Funds under management at 30 June	7 691 785	6 512 531

(f) Super SA Retirement Investment Fund - Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	256 596	161 484
Receipts	114 635	155 292
Net investment income	23 141	17 006
	137 776	172 298
Payments	(79 397)	(77 186)
Funds under management at 30 June	314 975	256 596

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
High growth B	18 484	16 277
Growth B	44 535	39 311
Balanced B	123 697	91 865
Moderate B	16 678	15 192
Conservative B	30 097	17 588
Capital defensive B	19 376	13 841
Cash B	58 947	59 108
Socially responsible investment	3 161	3 414
Funds under management at 30 June	314 975	256 596

(f) Super SA Retirement Investment Fund - Super SA Flexible Rollover Product (continued)

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities B	65 444	50 755
International equities B	45 022	36 368
Property B	23 473	16 989
Diversified strategies growth B	8 633	6 351
Inflation linked securities B	31 997	26 713
Long-term fixed interest	12 449	18 053
Short-term fixed interest	16 188	-
Diversified strategies income	27 770	27 257
Cash	80 838	70 696
Socially responsible investment	3 161	3 414
Funds under management at 30 June	314 975	256 596

(g) Super SA Retirement Investment Fund - Super SA Income Stream

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	316 736	178 485
Receipts	183 921	162 448
Net investment income	32 507	19 231
	216 428	181 679
Payments	(32 299)	(43 428)
Funds under management at 30 June	500 865	316 736

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
High growth B	24 725	16 601
Growth B	54 486	34 385
Balanced B	214 421	131 233
Moderate B	43 196	25 949
Conservative B	44 295	27 073
Capital defensive B	31 817	14 365
Cash B	86 096	64 542
Socially responsible investment	1 829	2 588
Funds under management at 30 June	500 865	316 736

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities B	105 527	64 053
International equities B	72 749	46 107
Property B	37 350	20 988
Diversified strategies growth B	13 500	7 780
Inflation linked securities B	53 528	36 021
Long-term fixed interest	21 712	24 767
Short-term fixed interest	27 202	-
Diversified strategies income	45 211	35 100
Cash	122 257	79 332
Socially responsible investment	1 829	2 588
Funds under management at 30 June	500 865	316 736

(h) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2011 $'000	2010 $'000
Funds under management at 1 July	166 911	159 529
Receipts	2 938	2 038
Net investment income	18 850	19 574
	21 788	21 612
Payments	(10 899)	(14 230)
Funds under management at 30 June	177 800	166 911

Statement of Funds Under Management - by Investment Option

	2011 $'000	2010 $'000
Investment option:		
High growth A	1 236	954
Growth A	173 880	164 328
Balanced A	2 521	1 502
Socially responsible investment	163	127
Funds under management at 30 June	177 800	166 911

Statement of Funds Under Management - by Asset Sector

	2011 $'000	2010 $'000
Asset sector:		
Australian equities A	51 870	48 259
International equities A	43 269	41 837
Property A	24 125	16 925
Diversified strategies growth A	9 718	9 231
Inflation linked securities A	16 281	3 889
Inflation linked securities B	-	10 935
Long-term fixed interest	4 914	4 596
Short-term fixed interest	3 334	-
Diversified strategies income	17 577	23 078
Cash	6 549	8 034
Socially responsible investment	163	127
Funds under management at 30 June	177 800	166 911

(i) Judges' Pensions Scheme

Statement of Receipts and Payments

	2011 $'000	2010 $'000
Funds under management at 1 July	170 861	157 690
Receipts	4 630	4 270
Net investment income	19 340	19 361
	23 970	23 631
Payments	(13 430)	(10 460)
Funds under management at 30 June	181 401	170 861

Statement of Funds Under Management - by Investment Option

	2011 $'000	2010 $'000
Investment option:		
Growth A	181 401	170 861
Funds under management at 30 June	181 401	170 861

(i) Judges' Pensions Scheme (continued)

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	52 962	49 413
International equities A	44 190	42 846
Property A	24 715	17 382
Diversified strategies growth A	9 898	9 437
Inflation linked securities A	16 665	3 992
Inflation linked securities B	-	11 205
Long-term fixed interest	4 977	4 658
Short-term fixed interest	3 351	-
Diversified strategies income	17 975	23 667
Cash	6 668	8 261
Funds under management at 30 June	181 401	170 861

(j) Governors' Pensions Scheme

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	1 350	1 377
Receipts	-	-
Net investment income	148	168
	148	168
Payments	(190)	(195)
Funds under management at 30 June	1 308	1 350

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	1 308	1 350
Funds under management at 30 June	1 308	1 350

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	382	390
International equities A	319	338
Property A	178	137
Diversified strategies growth A	71	75
Inflation linked securities A	120	32
Inflation linked securities B	-	89
Long-term fixed interest	36	37
Short-term fixed interest	24	-
Diversified strategies income	130	187
Cash	48	65
Funds under management at 30 June	1 308	1 350

(k) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	124 057	102 625
Receipts	14 990	20 960
Net investment income	13 124	13 602
	28 114	34 562
Payments	(6 620)	(13 130)
Funds under management at 30 June	145 551	124 057

(k) South Australian Ambulance Service Superannuation Scheme (continued)

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Balanced B	145 551	124 057
Funds under management at 30 June	145 551	124 057

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities B	41 357	34 585
International equities B	28 823	25 167
Property B	12 747	9 870
Diversified strategies growth B	6 459	5 055
Inflation linked securities B	17 580	17 627
Long-term fixed interest	8 528	9 932
Short-term fixed interest	7 009	-
Diversified strategies income	14 840	16 763
Cash	8 208	5 058
Funds under management at 30 June	145 551	124 057

(l) Police Superannuation Scheme - Employer Contribution Account

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	420 976	335 804
Receipts	62 600	61 000
Net investment income	49 054	41 702
	111 654	102 702
Payments	(21 225)	(17 530)
Funds under management at 30 June	511 405	420 976

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	511 405	420 976
Funds under management at 30 June	511 405	420 976

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	149 309	121 747
International equities A	124 580	105 565
Property A	69 675	42 827
Diversified strategies growth A	27 905	23 252
Inflation linked securities A	46 982	9 836
Inflation linked securities B	-	27 608
Long-term fixed interest	14 031	11 477
Short-term fixed interest	9 449	-
Diversified strategies income	50 676	58 310
Cash	18 798	20 354
Funds under management at 30 June	511 405	420 976

(m) Police Superannuation Fund - Old Scheme Division

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	312 030	280 806
Receipts	100	25
Net investment income	35 497	34 429
	35 597	34 454
Payments	(3 945)	(3 230)
Funds under management at 30 June	343 682	312 030

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	343 682	312 030
Funds under management at 30 June	343 682	312 030

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	100 341	90 239
International equities A	83 722	78 245
Property A	46 824	31 744
Diversified strategies growth A	18 753	17 235
Inflation linked securities A	31 574	7 291
Inflation linked securities B	-	20 463
Long-term fixed interest	9 429	8 507
Short-term fixed interest	6 350	-
Diversified strategies income	34 056	43 220
Cash	12 633	15 086
Funds under management at 30 June	343 682	312 030

(n) South Australian Government Financing Authority (SAICORP - Insurance Fund 1)

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	256 480	204 444
Receipts	55 000	25 000
Net investment income	34 514	27 036
	89 514	52 036
Payments	(18 000)	-
Funds under management at 30 June	327 994	256 480

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	327 994	256 480
Funds under management at 30 June	327 994	256 480

(n) South Australian Government Financing Authority (SAICORP - Insurance Fund 1) (continued)

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	95 694	74 223
International equities A	79 966	64 451
Property A	45 035	26 106
Diversified strategies growth A	17 867	14 158
Inflation linked securities A	30 029	5 982
Inflation linked securities B	-	16 775
Long-term fixed interest	8 968	6 975
Short-term fixed interest	6 038	-
Diversified strategies income	32 375	35 432
Cash	12 022	12 378
Funds under management at 30 June	327 994	256 480

(o) South Australian Government Financing Authority (SAICORP - Insurance Fund 2)

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	14 012	36 304
Receipts	85 205	-
Net investment income	5 163	2 708
	90 368	2 708
Payments	(52 205)	(25 000)
Funds under management at 30 June	52 175	14 012

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Growth A	52 175	14 012
Funds under management at 30 June	52 175	14 012

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	6 196	4 056
International equities A	5 422	3 521
Property A	4 038	1 426
Diversified strategies growth A	-	773
Diversified strategies income	7 776	1 936
Inflation linked securities A	11 082	327
Inflation linked securities B	-	916
Long-term fixed interest	2 479	381
Short-term fixed interest	6 649	-
Cash	8 533	676
Funds under management at 30 June	52 175	14 012

(p) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	4 393	4 827
Receipts	1 630	500
Net investment income	402	526
	2 032	1 026
Payments	(3 030)	(1 460)
Funds under management at 30 June	3 395	4 393

(p) Adelaide Cemeteries Authority (continued)

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
High growth A	2 425	2 153
Capital defensive A	20	2 034
Cash A	950	206
Funds under management at 30 June	3 395	4 393

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	870	821
International equities A	730	736
Property A	380	305
Diversified strategies growth A	179	163
Inflation linked securities A	4	112
Inflation linked securities B	-	379
Long-term fixed interest	1	523
Short-term fixed interest	5	-
Diversified strategies income	191	617
Cash	1 035	737
Funds under management at 30 June	3 395	4 393

(q) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2011	2010
	$'000	$'000
Funds under management at 1 July	2 070 144	1 817 007
Receipts	48 000	116 000
Net investment income	177 333	173 137
	225 333	289 137
Payments	(144 000)	(36 000)
Funds under management at 30 June	2 151 477	2 070 144

Statement of Funds Under Management - by Investment Option

	2011	2010
Investment option:	$'000	$'000
Motor Accident Commission A	2 151 477	2 070 144
Funds under management at 30 June	2 151 477	2 070 144

Statement of Funds Under Management - by Asset Sector

	2011	2010
Asset sector:	$'000	$'000
Australian equities A	447 355	389 230
International equities A	395 289	363 352
Inflation linked securities A	133 659	68 973
Inflation linked securities B	-	65 308
Diversified strategies income	331 216	269 216
Motor Accident Commission fixed interest	817 901	851 517
Cash	26 057	62 548
Funds under management at 30 June	2 151 477	2 070 144

(r) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2011 $'000	2010 $'000
Funds under management at 1 July	196 628	169 663
Receipts	17 331	16 220
Net investment income	21 187	21 059
	38 518	37 279
Payments	(17 845)	(10 314)
Funds under management at 30 June	217 301	196 628

Statement of Funds Under Management - by Investment Option

	2011 $'000	2010 $'000
Investment option:		
High growth B	911	633
Growth B	210 625	192 724
Balanced B	1 516	1 077
Moderate B	425	283
Conservative B	634	63
Capital defensive B	84	14
Cash B	3 106	1 834
Funds under management at 30 June	217 301	196 628

Statement of Funds Under Management - by Asset Sector

	2011 $'000	2010 $'000
Asset sector:		
Australian equities B	69 107	61 876
International equities B	46 474	43 433
Property B	27 258	23 213
Diversified strategies growth B	9 218	7 756
Inflation linked securities B	19 498	18 086
Diversified strategies income	21 850	26 498
Long-term fixed interest	6 260	6 003
Short-term fixed interest	4 109	-
Cash	13 527	9 763
Funds under management at 30 June	217 301	196 628

Department of Trade and Economic Development

Functional responsibility

Establishment

The Department of Trade and Economic Development (the Department) is an administrative unit established under the PSA.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for Economic Development (Premier)
- Minister for Regional Development
- Minister for Industry and Trade
- Minister for Small Business.

Functions

The function of the Department is to attract new investment to the State and work with new and existing industries to maximise their contribution to economic growth, jobs and investment across South Australia in accordance with South Australia's Strategic Plan. For details of the Department's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of audit

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

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

- financial assistance grants paid to organisations to develop the State's economy
- salaries, wages and other employee benefit expenses
- supplies and services payments
- update of the general ledger.

The audit took into account the controls and procedures performed by service providers including Shared Services SA.

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

Audit findings and comments

Auditor's report on the financial report

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

Assessment of controls

In my opinion, the controls exercised by the Department of Trade and Economic Development 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 of Trade and Economic Development have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Chief Executive.

The main matters related to enhancing controls for procuring goods and services by improving the documented policies and procedures for:

- recording supplier price quotations for goods ordered/received
- confirming the appropriateness of access rights and approval limits of users of the e-Procurement system
- monitoring the level and age of unfilled purchase orders
- processing invoices for expenditure that do not require a supporting purchase order such as utilities.

Responses to the management letter matters were considered to be satisfactory.

Implementation of TIs 2 and 28

In response to the introduction of TIs 2 and 28 the Department established a financial compliance program that involves managers performing self-assessments of their control activities coupled with internal audits of the self-assessments. The internal audits include the review of controls to ensure they are designed effectively and operating.

Financial assistance grants

The Department provides financial assistance grants to organisations mainly for industry and regional development. The grant recipients must fulfil certain obligations specified in the grant agreements. The recipients must provide proof of fulfilling these obligations by the deadlines recorded in the Economic Development Integrated Database (EDID). If the recipients do not provide proof they may not receive further grants and may have to repay the grants.

Project managers are responsible for confirming that recipients have provided adequate proof of fulfilling obligations. They advise an officer who updates EDID to indicate the obligations are fulfilled.

Last year's audit noted a large backlog in overdue obligations. According to the EDID Obligations Report at February 2010 there were 161 obligations overdue. Improved reporting to the Chief Executive and continual follow-up of the outstanding obligations reduced the backlog to 140 at July 2010 with 66 being over 60 days late. Further improvement was noted during the 2010-11 audit. At 30 June 2011 there were 44 with 13 being over 60 days late.

This matter will again be subject to review by Audit in 2011-12.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	20	20
Supplies, services and other expenses	17	24
Grants and subsidies	17	19
Total expenses	54	63
Income		
Total income	2	2
Net cost of providing services	52	61
Revenues from (payments to) SA Government		
Revenues from SA Government	61	62
Payments to SA Government	(3)	(14)
Net result and total comprehensive result	6	(13)
Net cash provided by (used in) operating activities	2	(13)
Assets		
Current assets	12	11
Non-current assets	7	6
Total assets	19	17
Liabilities		
Current liabilities	5	7
Non-current liabilities	4	5
Total liabilities	9	12
Total equity	10	5

Statement of Comprehensive Income

Net cost of providing services

In 2010-11 the focus of the operations of the Department was changed. Changes were made to the Department's financial assistance programs coupled with significant staff reductions.

The net cost of providing services fell by $9 million in 2010-11 due to decreases of:

- $7 million in travel, advertising, contractors and other expenses due mainly to reductions in overseas marketing and migration programs

- $2 million in grants and subsidies reflecting slower than anticipated implementation of some grant programs intended to develop businesses in the Riverland and industries in the State.

The number of full-time equivalent staff fell from approximately 193 at 30 June 2010 to 121 at 30 June 2011. There was no corresponding fall in employee benefit expenses because the reduced salaries and wages and employment on-costs were offset by the payment of TVSPs worth $4 million.

Statement of Financial Position

Assets

There was an increase in assets of $1 million due mainly to an increase in cash held at 30 June 2011.

Liabilities

Liabilities decreased by $3 million due mainly to reductions in employee benefit liabilities and on-costs associated with the staff reductions.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	20 351	20 402
Supplies and services	6	14 718	22 152
Depreciation and amortisation	7	772	452
Grants and subsidies	8	17 482	18 992
Other expenses	9	26	33
Net loss from disposal of non-current assets	14	-	11
Impairment loss on investment	22	-	843
Total expenses		53 349	62 885
Income:			
Commonwealth revenues	12	537	606
Interest revenues	13	2	3
Recoveries	15	1 238	1 456
Total income		1 777	2 065
Net cost of providing services		(51 572)	(60 820)
Revenues from (payments to) SA Government:			
Revenues from SA Government	16	60 756	61 991
Payments to SA Government	16	(2 927)	(13 891)
Net result		6 257	(12 720)
Other comprehensive income:			
Change in property, plant and equipment asset revaluation surplus		-	11
Total comprehensive result		6 257	(12 709)

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

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash	17	11 432	10 069
Receivables	18	643	1 173
Financial assistance debtors	19	24	9
Other current assets	20	160	173
Total current assets		12 259	11 424
Non-current assets:			
Financial assistance debtors	19	875	100
Property, plant and equipment	21	5 623	5 886
Other non-current assets	20	-	60
Total non-current assets		6 498	6 046
Total assets		18 757	17 470
Current liabilities:			
Payables	23	3 465	4 098
Short-term employee benefits	24	1 424	2 593
Short-term provisions	25	45	40
Lease incentive	26	239	239
Total current liabilities		5 173	6 970
Non-current liabilities:			
Payables	23	146	298
Long-term employee benefits	24	1 677	3 010
Long-term provisions	25	154	132
Lease incentive	26	1 777	2 016
Total non-current liabilities		3 754	5 456
Total liabilities		8 927	12 426
Net assets		9 830	5 044
Equity:			
Retained earnings		9 786	5 000
Asset revaluation surplus		44	44
Total equity		9 830	5 044

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	27
Contingent assets and liabilities	28

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

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		33	20 502	20 535
Restated balance at 30 June 2009		33	20 502	20 535
Net result for 2009-10		-	(12 720)	(12 720)
Revaluation of plant and equipment		11	-	11
Total comprehensive result for 2009-10		11	(12 720)	(12 709)
Changes in accounting policy	3	-	(80)	(80)
Net assets transferred out from restructure		-	(2 702)	(2 702)
Balance at 30 June 2010		44	5 000	5 044
Net result for 2010-11		-	6 257	6 257
Total comprehensive result for 2010-11		-	6 257	6 257
Net assets transferred out from restructure	29	-	(1 471)	(1 471)
Balance at 30 June 2011		44	9 786	9 830

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(22 650)	(20 111)
Payments for supplies and services		(15 568)	(22 201)
Payments for grants and subsidies		(17 482)	(18 892)
Payments for financial assistance		(789)	-
GST paid to ATO		(3 071)	(4 109)
Payments for restructure activities		(1 951)	(2 168)
Cash used in operations		(61 511)	(67 481)
Cash inflows:			
Commonwealth revenues		537	526
Interest received		2	3
GST recovered from ATO		3 136	4 390
Other receipts		1 645	1 542
Cash generated from operations		5 320	6 461
Cash flows from SA Government:			
Receipts from SA Government		60 756	61 991
Payments to SA Government		(2 927)	(13 891)
Cash generated from SA Government		57 829	48 100
Net cash provided by (used in) operating activities	31	1 638	(12 920)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(275)	(3 060)
Purchase of investments	22	-	(1 377)
Cash used in investing activities		(275)	(4 437)
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	11
Cash generated from investing activities		-	11
Net cash provided by (used in) investing activities		(275)	(4 426)
Net increase (decrease) in cash		1 363	(17 346)
Cash at 1 July		10 069	27 415
Cash at 30 June	17,31	11 432	10 069

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

(Activities - refer note 4)	1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	1 711	4 313	1 011	1 174	4 201	5 321	2 676	2 841
Supplies and services	250	1 610	381	986	4 680	7 978	1 002	1 439
Depreciation and amortisation	-	-	-	-	-	-	-	-
Grants and subsidies	227	187	3 890	5 155	4 058	5 874	6 998	6 176
Other expenses	-	-	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	(63)	-	-
Impairment loss on investment	-	-	-	-	-	-	-	-
Total expenses	2 188	6 110	5 282	7 315	12 939	19 110	10 676	10 456
Income:								
Commonwealth revenues	-	-	79	53	300	442	158	111
Interest revenues	-	-	-	-	-	-	-	-
Recoveries	169	46	76	170	266	349	206	615
Total income	169	46	155	223	566	791	364	726
Net cost of providing services	(2 019)	(6 064)	(5 127)	(7 092)	(12 373)	(18 319)	(10 312)	(9 730)
Revenues from (payments to) SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
Net result	(2 019)	(6 064)	(5 127)	(7 092)	(12 373)	(18 319)	(10 312)	(9 730)

(Activities - refer note 4)	5		6		7		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	993	1 017	776	660	8 983	5 076	20 351	20 402
Supplies and services	2 617	2 791	833	1 110	4 955	6 238	14 718	22 152
Depreciation and amortisation	-	-	-	-	772	452	772	452
Grants and subsidies	825	101	1 466	1 473	18	26	17 482	18 992
Other expenses	-	-	-	-	26	33	26	33
Net loss from disposal of non-current assets	-	-	-	-	-	74	-	11
Impairment loss on investment	-	-	-	-	-	843	-	843
Total expenses	4 435	3 909	3 075	3 243	14 754	12 742	53 349	62 885
Income:								
Commonwealth revenues	-	-	-	-	-	-	537	606
Interest revenues	-	-	-	-	2	3	2	3
Recoveries	79	50	19	55	423	171	1 238	1 456
Total income	79	50	19	55	425	174	1 777	2 065
Net cost of providing services	(4 356)	(3 859)	(3 056)	(3 188)	(14 329)	(12 568)	(51 572)	(60 820)
Revenues from (payments to) SA Government:								
Revenues from SA Government	-	-	-	-	60 756	61 991	60 756	61 991
Payments to SA Government	-	-	-	-	(2 927)	(13 891)	(2 927)	(13 891)
Net result	(4 356)	(3 859)	(3 056)	(3 188)	43 500	35 532	6 257	(12 720)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Trade and Economic Development (DTED or the Department)

The Department's mission is to attract new investment to the State and work with new and existing industries to maximise their contribution to economic growth, jobs and investment across South Australia in accordance with South Australia's Strategic Plan.

We do this by helping to build sustainable competitive advantage and maximising value chain opportunities from major projects and the growth of emerging industries.

To achieve the DTED mission, we have set the following strategic objectives:

- foster business sectors within the value chains of the major projects in South Australia
- provide a strong strategic policy framework for economic development
- facilitate investment and trade opportunities in key markets
- lead the marketing of South Australia for economic growth
- support regional communities to maximise economic development opportunities
- support sustainable population growth for economic growth
- develop a high performance organisation engaged with its key stakeholders.

2. Summary of significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

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

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

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

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

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

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

(c) Reporting entity

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

The financial statements and accompanying notes include all the controlled activities of DTED. The Department does not have administered items.

(d) Transferred functions

The Public Sector (Administrative Units of Public Service - Variation 4) Proclamation 2010 (dated 18 November 2010) declared the establishment of the Olympic Dam Taskforce as an attached office to the Department of Primary Industries and Resources SA (PIRSA), effective 1 December 2010. Consequently, the functions and employees associated with this unit within DTED transferred to PIRSA.

(e) Comparative information

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

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

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

(f) Rounding

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

(g) Taxation

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

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

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

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

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

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

(h) Events after balance date

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 32).

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

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

(i) Income (continued)

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

The following are specific recognition criteria:

Revenues from SA Government

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

Commonwealth revenues

Commonwealth grants are recognised as revenues when the Department obtains control over the funding. Control over grants is normally obtained upon receipt.

Recoveries

The Department recognises other revenues from the partial and full recovery of costs associated with the delivery of programs.

Land sales

On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks (Stages 0, 1 and 3) to the Land Management Corporation, effective from 1 July 2004. In accordance with the contractual agreement, the Department is entitled to receive 25 percent of the net profit arising from the sale of Stage 0 and the net proceeds of Stages 1 and 3 sales. All income is recognised upon sale of land.

Net gain on non-current assets

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

Any gain (loss) on disposal of non-current assets is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

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

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

The following are specific recognition criteria:

Employee benefit expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff.

DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation

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

Works of art controlled by the Department have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no depreciation has been recognised.

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

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

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

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

Class of asset	*Useful life (years)*
Leasehold improvements	Life of lease
Plant and equipment	5-10
Intangibles/Software	5

Grants and subsidies
Financial assistance is provided from State and Commonwealth funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

Payments to SA Government
Payments to the SA Government relate to the return of surplus cash pursuant to the cash alignment policy.

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

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

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

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

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

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

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

Cash is measured at its nominal value for Australian accounts while overseas accounts are measured using the OANDA online exchange rate at 30 June.

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

Receivables arise from the partial or full recovery of costs associated with the Department's delivery of programs. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Financial assistance debtors
Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

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

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

All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value.

The office fitout (including workstations) is reported under leasehold improvements and is depreciated over the life of the lease (10 years).

Revaluation of non-current assets
All non-current tangible assets are recorded at written down cost (a proxy for fair value) until the next revaluation cycle (three years). Works of art and non-current assets or a group of assets when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years are revalued in accordance with the revaluation cycle. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

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

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

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

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

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

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

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

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

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

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

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

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

Payables
Payables include creditors, accrued expenses, GST payable, employment on-costs and the paid parental leave scheme payable.

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

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

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

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

The paid parental leave scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department’s standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into an operating lease in relation to premises and motor vehicles for its administrative and operating activities.

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

Financial guarantees
At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. In determining the value of the indemnities provided by the Department, consideration has been given to the following:

- For those properties indemnified by the Minister for Industry and Trade and subject to lease where the historical cost or borrowing from SAFA remains, the value has been calculated using historical cost less the valuation of the property as at 30 June 2011.
- For those properties that are subject to a deferred purchase agreement where the client is paying principal and interest repayments, the value has been calculated using the value of the loan outstanding as at 30 June 2011 less the most recent property or rating valuation.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2011 (there was no material liability recognised for financial guarantee contracts in 2010).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 28.

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

Wages, salaries, annual leave and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

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

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

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

Provisions (continued)

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

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

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

(n) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards and policies

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

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

4. Activities of the Department

The Department has identified seven broad activities that reflect the nature of the services delivered to the South Australian community. These activities and their objectives are:

Activity 1: A Strategic Approach to Economic Development

This program provides a strong strategic policy framework for economic development by focussing on South Australia being a place where people will choose to live, work and do business. This is through developing policies and programs that enhance the competitive advantages of our business environment, identifying challenges and opportunities for the State's industries and coordinating government economic development activities in the context of South Australia's Strategic Plan.

The key outcome of this program is an attractive, sustainable economic climate for South Australia.

Activity 2: Thriving Regions

This program works with South Australia's regional communities to maximise economic opportunity in these regions to maximise their contribution to the State's economy. It helps to build social capital, promote economic development initiatives and priorities and contribute to the funding of regional economic infrastructure.

The key outcome of this program is strong, self-reliant and economically viable regional communities.

Activity 3: Globally Integrating the SA Economy

This program supports sustainable economic growth by building on South Australia's competitive advantages. It includes facilitating investment in major projects across the State and trade and migration activities.

The key outcomes of this program are a compelling business case for investment and development in South Australia, effective global linkages and a population to support sustainable economic activity.

Activity 4: ***Evolving Businesses in SA***

This program supports businesses to be sustainable, innovative and flexible and to participate in global supply chains. This includes improving their productivity and competitiveness, responding to structural changes and focusing on producing higher value goods and services. It also supports the growth of key sectors in the South Australian economy through facilitating targeted infrastructure development and maximising supply chain opportunities for SA businesses.

The key outcome of this program is sustainable business growth.

Activity 5: ***Marketing SA for Economic Growth***

This program promotes South Australia's strong economy, enviable lifestyle, vibrancy and geography. It has a focus on markets that will contribute significantly to the growth of South Australia's economy.

The key outcome is that targeted markets have positive perceptions of South Australia.

Activity 6: ***Opportunities for Small Business***

This program supports small businesses in their growth and expansion, complementing the proposed role of the Small Business Commissioner.

The key outcome is an environment that supports the sustainable growth of small business in South Australia.

Activity 7: ***Corporate Governance***

This program includes the effective and efficient deployment of physical, financial and human resources, underpinned by high quality infrastructure systems, to achieve the objectives of the Department. It includes sound governance systems and practices, successful engagement with clients and stakeholders and a safe and healthy workplace.

The key outcome of this program is a high performance organisation.

5. Employee benefit expenses

	Note	2011 $'000	2010 $'000
Salaries and wages		12 601	15 090
TVSP payments		3 784	-
Long service leave		419	476
Annual leave		1 175	1 321
Employment on-costs - superannuation		1 290	1 766
Employment on-costs - other		807	1 009
Workers compensation		240	169
Board fees	30	35	571
Total employee benefit expenses		20 351	20 402

TVSPs and early terminations

	2011 $'000	2010 $'000
Amount paid to these employees:		
TVSPs	3 784	-
Early terminations	296	-
Annual leave and long service leave paid during the reporting period	1 107	-
Payroll tax	119	-
Redeployment training support*	28	-
Recovery from DTF	(5 334)	-
Net cost to agency	-	-

The number of employees who received a TVSP or early termination payment during 2010-11 was 51 (0).

The recovery from DTF is reflected in the financial statements as revenues from SA Government - contingency appropriation of $4.176 million and as a decrease in the cash deposits held with the Treasurer of $1.158 million.

* The recovery from DTF includes $28 000 for redeployment training support, included in staff related expenses in supplies and services (refer note 6).

Remuneration of employees	2011			2010
The number of employees whose total remuneration received or receivable falls within the following bands:	Employees receiving TVSPs/early terminations Number	Other employees Number	Total employees Number	Total employees Number
$127 500 - $130 699*	-	1	1	-
$130 700 - $140 699	3	2	5	-
$140 700 - $150 699	1	1	2	2
$150 700 - $160 699	2	1	3	5
$160 700 - $170 699	3	2	5	1
$170 700 - $180 699	2	-	2	1
$180 700 - $190 699	4	2	6	2
$190 700 - $200 699	1	1	2	-
$210 700 - $220 699	-	-	-	2
$220 700 - $230 699	2	1	3	-
$230 700 - $240 699	1	1	2	-
$240 700 - $250 699	4	-	4	1
$250 700 - $260 699	1	2	3	-
$280 700 - $290 699	2	-	2	1
$290 700 - $300 699	1	-	1	-
$310 700 - $320 699	-	1	1	-
$330 700 - $340 699	2	-	2	1
Total	29	15	44	16

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, TVSPs/early terminations, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $8.981 million ($3.066 million). The total paid to employees receiving TVSPs or early terminations includes salaries, leave entitlements and TVSP package and/or contract amount was $6.1 million in 2010-11.

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 47 (39).

There were no employees during 2009-10 that received a TVSP or early termination payment.

6. Supplies and services

Supplies and services		2011	2010
Supplies and services provided by entities within the SA Government:	Note	$'000	$'000
Accommodation and service costs		2 304	2 405
Accounting and audit fees	10	119	145
Advertising		36	39
Business training and development support		-	32
Communications and information technology expense		273	305
Contractors		10	23
Overseas trade representation[(1)]		60	2
Staff related expenses		17	26
Travel and related expenses		254	378
Office administration expenses		443	1 197
Total supplies and services - SA Government entities		3 516	4 552

6. Supplies and services (continued)

Supplies and services provided by entities external to the SA Government:	Note	2011 $'000	2010 $'000
Accommodation and service costs		392	492
Accounting and audit fees		218	257
Advertising		1 778	2 840
Business training and development support		185	509
Communications and information technology expense		1 448	1 741
Contractors		2 657	4 436
Consultancies (refer below)		1 087	1 942
Overseas trade representation(1)		448	571
Staff related expenses		993	754
Travel and related expenses		888	1 351
Lease incentive amortisation	26	(239)	(140)
Office administration expenses		1 347	2 847
Total supplies and services - non-SA Government entities		11 202	17 600
Total supplies and services		14 718	22 152

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

(1) Represents payments made to trade organisations relating to activities promoting South Australia.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011 Number	2010 Number	2011 $'000	2010 $'000
Less than $10 000	14	22	56	115
$10 000 - $50 000	14	24	395	667
More than $50 000	8	10	636	1 160
Total paid/payable to the consultants engaged	36	56	1 087	1 942

7. Depreciation and amortisation expense

	2011 $'000	2010 $'000
Depreciation:		
Plant and equipment	105	67
Buildings and improvements	525	318
Total depreciation	630	385
Amortisation:		
Intangible/software assets	142	67
Total amortisation	142	67
Total depreciation and amortisation expense	772	452

8. Grants and subsidies

	2011	2010
Grants and subsidies paid/payable to entities within the SA Government:		
Class of assistance:		
Industry development	3 772	3 664
Regional development	-	62
Other	104	82
Total grants and subsidies - SA Government entities	3 876	3 808
Grants and subsidies paid/payable to entities external to the SA Government:		
Class of assistance:		
Industry development	9 060	9 795
Regional development	4 471	5 043
Other	75	346
Total grants and subsidies - non-SA Government entities	13 606	15 184
Total grants and subsidies	17 482	18 992

Regional development assistance includes payments under the Regional Development Australia (formerly Regional Development Boards), Regional Projects, Regional Migration Workforce Officers and Riverland Futures Taskforce Programs as well as payments under the Riverland Sustainable Futures Fund.

9. Other expenses

	2011	2010
Other expenses paid/payable to entities external to the SA Government:	$'000	$'000
Bad and doubtful debts	26	33
Total other expenses – non-SA Government entities	26	33
Total other expenses	26	33

10. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	119	145
Total audit fees – SA Government entities	119	145

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

11. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the Department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

	China	Singapore	Dubai	India	Total 2011	Total 2010
	$'000	$'000	$'000	$'000	$'000	$'000
Operating expenses	798	374	265	573	2 010	2 886
Operating revenues	5	-	3	5	13	103
Funds advanced to overseas offices towards operating expenses	814	449	323	689	2 275	2 772

12. Commonwealth revenues

	2011	2010
Grants:	$'000	$'000
TradeStart	300	442
Supplier Access to Major Projects Program - Air Warfare Destroyer project	-	85
Supplier Access to Major Projects Program - Domain Specialist - Water	158	25
Regional Development Australia Adelaide Metropolitan Advisory Board	79	54
Total Commonwealth revenues	537	606

Contributions which have conditions of expenditure still to be met as at reporting date were $599 000 ($836 000). These contributions relate to Supplier Access to Major Projects Program - Domain Specialist - Water and Regional Development Australia Adelaide Metropolitan Advisory Board.

Conditions attached to the contributions relating to the Supplier Access to Major Projects Program - Domain Specialist - Water state that funds are to be used to facilitate South Australian industry participation where it has full, fair and reasonable opportunity to tender for the supply of goods and services associated with this project.

Conditions attached to the contributions relating to the Regional Development Australia (RDA) Adelaide Metropolitan Advisory Board state that funds are to be used for support services (including secretariat, administrative and research) for the RDA Adelaide Metropolitan Advisory Board.

Included in revenue is Commonwealth funding for TradeStart. The terms of this grant are that the Department must promote exporting, international business and the Commonwealth Government's trade agenda for a period of approximately 3.5 years ending 30 June 2014. As the grant is a non-recourse grant it has been recognised upon receipt.

13. Interest revenues

	2011	2010
	$'000	$'000
Interest revenues	2	3
Total interest revenues	2	3

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

Plant and equipment:		
Proceeds from disposal	-	66
Net book value of assets disposed	-	(77)
Total net gain (loss) from disposal of non-current assets	-	(11)

15. Recoveries

	2011	2010
Recoveries received/receivable from entities within the SA Government:	$'000	$'000
Recoveries - other	657	789
Total recoveries - SA Government entities	657	789
Recoveries received/receivable from entities external to the SA Government:		
Sponsorship revenues	54	108
Recoveries - financial assistance grants	40	63
Recoveries - business training and development support	11	172
Recoveries - other	476	324
Total recoveries - non-SA Government entities	581	667
Total recoveries	1 238	1 456

16. Revenues from (payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	56 291	61 804
Appropriations under other Acts (pursuant to Treasurer's contingency section 15 of the PFAA)	4 465	187
Total revenues from SA Government	60 756	61 991
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	2 927	13 891
Total payments to SA Government	2 927	13 891

Total revenues from Government consists of $56.291 million ($60.304 million) for operational funding and $nil ($1.5 million) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer notes 5 to 10 and 29. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to the Department under the annual *Appropriation Act* was not varied, however an additional advance of $4.465 million ($187 000) was received pursuant to Treasurer's contingency. Contingency appropriation in 2010-11 included $4.176 million for TVSP reimbursement and $270 000 for establishment costs for the Small Business Commissioner. Other contingency appropriation received in both financial years relates to enterprise bargaining supplementation.

17. Cash

	2011	2010
	$'000	$'000
Deposits at call - Westpac	7 099	5 316
Deposits with the Treasurer	3 890	4 463
Deposits at call - overseas offices	442	284
Other	1	6
Total cash	11 432	10 069

Deposits with the Treasurer

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

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents fair value.

18. Receivables

	2011	2010
Current:	$'000	$'000
Receivables	66	439
Allowance for doubtful debts	(3)	(3)
GST input tax recoverable	551	638
Accrued revenue	29	99
Total current receivables	643	1 173
Total receivables	643	1 173

Government/Non-government receivables	2011	2010
Receivables from SA Government entities:	$'000	$'000
Receivables	54	278
Accrued revenues	-	9
Total receivables from SA Government entities	54	287
Receivables from non-SA Government entities:		
Receivables	9	158
GST input tax recoverable	551	638
Accrued revenue	29	90
Total receivables from non-SA Government entities	589	886
Total receivables	643	1 173

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

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

	2011	2010
Movements in the allowance for doubtful debts (impairment loss):	$'000	$'000
Carrying amount at 1 July	(3)	(2)
Increase in the allowance	(1)	(3)
Amounts written off	1	2
Carrying amount at 30 June	(3)	(3)

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 33.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

19. Financial assistance debtors

	2011	2010
Current:	$'000	$'000
Financial assistance debtors	134	469
Allowance for doubtful debts	(110)	(460)
Total current financial assistance debtors	24	9
Non-current:		
Financial assistance debtors	875	100
Total non-current financial assistance debtors	875	100
Total financial assistance debtors	899	109

Financial assistance is provided to non-SA Government entities only.

Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(460)	(543)
Increase in the allowance	(25)	(27)
Amounts written off	375	110
Carrying amount at 30 June	(110)	(460)

20. Other assets

	2011 $'000	2010 $'000
Current:		
Prepayments	160	173
Total other current assets	160	173
Non-current:		
Prepayments	-	60
Total other non-current assets	-	60
Total other assets	160	233
Government/Non-government other assets:		
Other assets from SA Government entities:		
Prepayments	2	-
Total other assets from SA Government entities	2	-
Other assets from non-SA Government entities:		
Prepayments	158	233
Total other assets from non-SA Government entities	158	233
Total other assets	160	233

21. Property, plant and equipment

	2011	2010
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	693	574
Accumulated depreciation	(299)	(200)
Total plant and equipment	394	374
Leasehold improvements:		
Building improvements at fair value	5 112	5 192
Accumulated depreciation	(809)	(378)
Total leasehold improvements	4 303	4 814
Intangibles/software:		
Computer software	708	708
Accumulated amortisation	(247)	(105)
Total intangible assets	461	603
Works of art:		
Works of art at fair value	47	47
Accumulated depreciation	-	-
Total works of art	47	47
Capital work in progress:		
Work in progress at cost	418	48
Total capital work in progress	418	48
Total property, plant and equipment	5 623	5 886

Impairment

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

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2010-11.

2011	Plant and equipment $'000	Works of art $'000	Leasehold imprvmnts $'000	Intangibles/ software $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	374	47	4 814	603	48	5 886
Additions	130	-	30	-	370	530
Depreciation and amortisation	(105)	-	(525)	(142)	-	(772)
Net disposal through administrative restructuring	(5)	-	(16)	-	-	(21)
Carrying amount at 30 June	394	47	4 303	461	418	5 623

22. Financial assets

	2011 $'000	2010 $'000
Investment in private equity fund	-	1 377
Transfer out	-	(534)
Impairment loss on investment	-	(843)
Total financial assets	-	-

Movement schedule for the financial assets:		
Opening balance	-	-
Transfer in	-	-
Investments purchased at cost	-	1 377
Transfer out	-	(534)
Impairment loss on investment	-	(843)
Total financial assets	-	-

The Government approved the transfer of the right, title and interest in the Paragon Private Equity Fund 1 to SAFA. The transfer was effective 21 May 2010.

23. Payables

	2011 $'000	2010 $'000
Current:		
Creditors and accrued expenses	3 204	3 664
Employee on-costs	261	434
Total current payables	3 465	4 098
Non-current:		
Employee on-costs	146	298
Total non-current payables	146	298
Total payables	3 611	4 396

Government/Non-government payables

Payables to SA Government entities:		
Creditors and accrued expenses	470	743
Employee on-costs	344	685
Total payables to other SA Government entities	814	1 428
Payables to non-SA Government entities:		
Creditors and accrued expenses	2 734	2 921
Employee on-costs	63	47
Total payables to non-SA Government entities	2 797	2 968
Total payables	3 611	4 396

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost and employee benefit expense of $24 000. The estimated impact on 2012 and 2013 is not expected to vary from the impact reported for 2011.

Interest rate and credit risk

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

(a) Maturity analysis of payables - refer note 33.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

24. Employee benefits

	2011	2010
Current:	$'000	$'000
Accrued salaries and wages	-	463
Annual leave	1 053	1 496
Long service leave	371	634
Total current employee benefits	1 424	2 593
Non-current:		
Long service leave	1 677	3 010
Total non-current employee benefits	1 677	3 010
Total employee benefits	3 101	5 603

The total current and non-current employees expense (ie aggregate employee benefit plus related on-costs) for 2011 is $1.685 million and $1.823 million respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net effect of the changes in the current financial year is an increase in the long service leave liability of $63 000 and employee benefit expense of $30 000. The impact on future periods is impractical to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

The actuarial assessment performed by DTF determined that the salary inflation remained at 4 percent. As a result, there is no net financial effect in the annual leave liability and employee benefit expenses.

25. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	45	40
Total current provisions	45	40
Non-current:		
Provision for workers compensation	154	132
Total non-current provisions	154	132
Total provisions	199	172
Carrying amount at 1 July	172	146
Additional provisions recognised	240	164
Payments	(213)	(138)
Carrying amount at 30 June	199	172

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

26. Lease incentive

	2011	2010
Current:	$'000	$'000
Lease incentive	239	239
Total current lease incentive	239	239
Non-current:		
Lease incentive	2 156	2 156
Accumulated amortisation - lease incentive	(379)	(140)
Total non-current lease incentive	1 777	2 016
Total lease incentive	2 016	2 255

Lease incentive received from building owner applied as a contribution towards fitout costs (as per agreement) and amortised over the period of the lease (10 years), commencing December 2009.

27. Unrecognised contractual commitments

Capital commitments

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

	2011 $'000	2010 $'000
Within one year	76	-
Total capital commitments	76	-

Capital commitments at 30 June 2011 relate to the implementation of an electronic data records management system.

Remuneration commitments

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

	2011 $'000	2010 $'000
Within one year	3 280	5 106
Later than one year but not longer than five years	3 975	5 252
Total remuneration commitments	7 255	10 358

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

Other commitments

Commitments for the payment of other contracts and grant agreements in existence at the reporting date but not recognised as liabilities are payable as follows:

	2011 $'000	2010 $'000
Within one year	14 230	17 032
Later than one year but not longer than five years	6 842	16 347
Total other commitments	21 072	33 379

Amounts disclosed include commitments arising from agreements with contractors, consultants and grant recipients.

Operating lease commitments

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

	2011 $'000	2010 $'000
Within one year	2 022	2 490
Later than one year but not longer than five years	8 401	9 579
Later than five years	8 970	11 379
Total operating lease commitments	19 393	23 448
Representing:		
Cancellable operating leases	147	141
Non-cancellable operating leases	19 246	23 307
	19 393	23 448

The Department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department for Transport, Energy and Infrastructure - Building Management Accommodation Services. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Motor vehicles are leased from DTF - Fleet SA with lease periods of up to three years. These are cancellable without notice.

28. Contingent assets and liabilities

Contingent assets

Where specific conditions relating to a financial assistance grant are not met, the Department may request the amount granted be repaid by the grantee.

There are no known contingent assets arising from these present obligations as at 30 June 2011.

Contingent liabilities

Guarantees and indemnities

The Department has provided indemnities relating to various industry packages. As at 30 June 2011 the indemnities that can be reliably measured total $1.762 million ($2.163 million).

At this stage, the Department does not expect that any of these contingencies will be called upon.

29. Transferred functions

Transferred out

Under the Public Sector (Administrative Units of Public Service - Variation 4) Proclamation 2010 the Olympic Dam Taskforce was transferred to PIRSA.

The effective date of the transfer was 1 December 2010.

The following assets and liabilities were transferred to PIRSA:	PIRSA	Total
	$'000	$'000
Cash	1 951	1 951
Property, plant and equipment	21	21
Total assets	1 972	1 972
Employee benefits expense	501	501
Total liabilities	501	501
Total net assets transferred	1 471	1 471

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount.

Cash includes all budgeted appropriation less expenditure to transfer date plus net employee benefits.

30. Remuneration of board and committee members

Some members were entitled to receive remuneration for membership during the 2011 financial year were:

Manufacturing Consultative Council

Tom Koutsantonis (Chair)
John Snelling* (Deputy Chair) (appointed July 2010)
John Camillo
Andrew Downs
Chris Field
Peter Gardner
Wayne Hanson
Glenn Hunt (appointed July 2010)
Caroline McMillen (resigned February 2011)
Peter Morichovitis (resigned April 2010)
Stephen Myatt
Helen Nugent (resigned April 2010)
Michael O'Brien* (resigned June 2010)
Victor Previn
Leanna Read (ex officio) (appointed April 2010)
Chris Stathy
Angus Story
Grant Tinney

Business Development Council

Philip Sims (Chair)
Antonio Piccolo* (Deputy Chair) (appointed July 2010)
Susan Chase (appointed June 2011)
Linda Eldredge (term expired July 2010)
Debra Ferguson
Chris Herrmann
Malcolm Johnson
Christopher Johnston (appointed July 2010)
Rosemary Kemp (term expired July 2010)
Paulette Kolarz
Susan Lee
Jo-ann Lokan
Conor McKenna
Bevan Roberts
Tegan Webb
Kym Webber

Members of the Business Development Council Family Business subcommittee that were entitled to receive remuneration during the 2011 financial year were:

Business Development Council Family Business subcommittee

Christopher Johnston (Chair) (appointed July 2010)
Debra Ferguson (appointed July 2010)
Malcolm Johnson (appointed July 2010)
Tegan Webb (appointed July 2010)

30. Remuneration of board and committee members (continued)

Members of the Business Development Council Small Business Economy subcommittee that were entitled to receive remuneration during the 2011 financial year were:

Business Development Council Small Business Economy subcommittee

Bevan Roberts (Chair) (appointed July 2010)
Chris Herrmann (appointed July 2010)
Paulette Kolarz (appointed July 2010)
Susan Lee (appointed July 2010)

Regional Communities Consultative Council

Peter Blacker (Chairman)
Mark Braes (Deputy Chair)
Deborah Agnew
George Beltchev (appointed April 2011)
Bill Boehm
Jeffrey Burgess (term expired December 2010)
Mary-Lou Corcoran (term expired December 2010)
Anita Crisp
Kate Duffy (appointed April 2011)
Ann Ferguson (term expired December 2010)
William Hender (term expired December 2010)
Ann Herraman (appointed April 2011)
Monica Klein (term expired December 2010)
Kenneth Lloyd (appointed April 2011)
Jane Lowe (term expired December 2010)
Kay Matthias (appointed April 2011)
Kym McHugh (term expired December 2010)
Bill McIntosh (term expired December 2010)
Ian O'Loan (term expired December 2010)
Jim Pollock (term expired December 2010)
Ruth Schubert (term expired December 2010)
Craig Wickham (term expired December 2010)
Marian Woodberry
Jeanette Wormald (term expired December 2010)
Samantha Yates (term expired December 2010)

For the Regional Communities Consultative Council, only the Chair is entitled to remuneration.

* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$1 - $9 999	14	11
$10 000 - $19 999	1	2
$30 000 - $39 999	-	1
$40 000 - $49 999	-	8
$70 000 - $79 999	-	1
$80 000 - $89 999	-	1
Total	15	24

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $37 847 ($628 857).

Responsibilities of the Economic Development Board and Competitive Planning and Development subcommittee were transferred to DPC, effective from 1 July 2010.

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

For the purpose of this table, the travel allowance paid to members has not been included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses incurred by the relevant members.

31. Cash flow reconciliation

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day-to-day basis.

Reconciliation of cash and cash equivalents at 30 June

Cash at 30 June 2011 as per Statement of Financial Position:		
Deposits at call - Westpac	7 099	5 316
Deposits with the Treasurer	3 890	4 463
Deposits at call - overseas offices	442	284
Other	1	6
Balance as per the Statement of Cash Flows	11 432	10 069

Reconciliation of cash and cash equivalents at 30 June (continued)	2011	2010
Reconciliation of net cash provided by (used in) operating activities to net result:	$'000	$'000
Net cash provided by (used in) operating activities	1 638	(12 920)
Gain (Loss) from disposal of non-current assets	-	(11)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(772)	(452)
Amortisation of lease incentive	239	140
Asset write-downs and transfers	1 951	2 168
Impairment loss on investment	-	(843)
Doubtful debts expense	(26)	(33)
Conversion of loan to grant	-	(100)
Movement in assets/liabilities:		
Increase (Decrease) in receivables	271	(110)
Increase (Decrease) in other assets	(73)	58
Decrease (Increase) in payables	1 055	(362)
Increase (Decrease) in provisions	(27)	(30)
Decrease (Increase) in employee benefits	2 001	(225)
Net result	6 257	(12 720)

32. Events after the end of the reporting period

As at the date of this report there are no known or material events that have occurred after balance date.

33. Financial instruments/Financial risk management

33.1 Categorisation of financial instruments

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

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash:					
Cash	17,31	11 432	11 432	10 069	10 069
Loans and receivables:					
Receivables[(1)]		1 105	1 105	877	877
Total financial assets at cost		12 537	12 537	10 946	10 946
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]		3 117	3 117	3 436	3 436
Total financial liabilities at cost		3 117	3 117	3 436	3 436

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

Credit risk

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

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

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

Credit risk (continued)
The following table discloses the ageing of not impaired financial assets, past due.

33.2 Ageing analysis of financial assets

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2011	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	37	24	12	73
2010				
Not impaired:				
Receivables	249	130	529	908

Receivable amounts disclosed here exclude amounts relating to statutory receivables. The accounting standard requires disclosure of financial assets (receivables) resulting from contracts enforceable by law. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables, tax equivalents, Commonwealth tax, etc they would be excluded from the disclosure. They are carried at cost.

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

33.3 Maturity analysis of financial assets and liabilities

	Contractual maturity			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2011				
Financial assets:	$'000	$'000	$'000	$'000
Cash	11 432	11 432	-	-
Receivables	1 105	230	875	-
Total financial assets	12 537	11 662	875	-
Financial liabilities:				
Payables	3 117	3 117	-	-
Total financial liabilities	3 117	3 117	-	-
2010				
Financial assets:				
Cash	10 069	10 069	-	-
Receivables	100	-	100	-
Total financial assets	10 169	10 069	100	-
Financial liabilities:				
Payables	3 436	3 436	-	-
Total financial liabilities	3 436	3 436	-	-

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

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

The carrying amount of financial liabilities recorded in note 33.1 represent the Department's maximum exposure to financial liabilities.

Market risk
Market risk through interest rate or price fluctuations is immaterial.

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

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Part B

General index

A

B

C

D

E

F

S

T

U

V

W