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

# Report

## of the

# Auditor-General

## Annual Report

## for the

## year ended 30 June 2009

*Tabled in the House of Assembly and ordered to be published, 13 October 2009*

**Third Session, Fifty-First Parliament**

## Part B: Agency Audit Reports

## Volume IV

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**Report of the Auditor-General**
**Annual Report for the year ended 30 June 2009**

# TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V


Page

## VOLUME I

Accounts of Public Authorities ..... 1
Adelaide Convention Centre Corporation ..... 3
Adelaide Entertainments Corporation ..... 18
Adelaide Festival Centre Trust ..... 37
Adelaide Festival Corporation ..... 60
Art Gallery Board ..... 71
Attorney-General's Department ..... 91
Public Trustee ..... 148
Auditor-General's Department ..... 173
Department for Correctional Services ..... 189
Courts Administration Authority ..... 218
Defence SA ..... 256
Department of Education and Children's Services ..... 283
Electoral Commission of South Australia ..... 338

## VOLUME II

Department for Environment and Heritage ..... 355
Environment Protection Authority ..... 401
Department for Families and Communities ..... 429
Flinders University of South Australia ..... 481
Department of Further Education, Employment, Science and Technology ..... 529
Department of Health ..... 565
HomeStart Finance ..... 609
Judges' Pensions Scheme ..... 650
Land Management Corporation ..... 661
Legal Services Commission ..... 695
The Legislature ..... 712
Libraries Board of South Australia ..... 713

## VOLUME III

Local Government Finance Authority of South Australia ..... 735
Lotteries Commission of South Australia ..... 753
Motor Accident Commission ..... 780
Museum Board ..... 807
Parliamentary Superannuation Scheme ..... 827
Department of Planning and Local Government ..... 840
Police Superannuation Scheme ..... 877

**Report of the Auditor-General**
**Annual Report for the year ended 30 June 2009**

## TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

Page

## VOLUME III


Department of the Premier and Cabinet .... 894
Department of Primary Industries and Resources .... 933
South Australia Police .... 1001
South Australian Asset Management Corporation .... 1037
South Australian Country Fire Service .... 1051
South Australian Fire and Emergency Services Commission .... 1075


## VOLUME IV


South Australian Forestry Corporation .... 1111
South Australian Government Financing Authority .... 1136
South Australian Housing Trust .... 1168
South Australian Metropolitan Fire Service .... 1210
South Australian Motor Sport Board .... 1231
South Australian State Emergency Service .... 1249
South Australian Superannuation Board .... 1269
    South Australian Ambulance Service Superannuation Scheme .... 1278
    South Australian Superannuation Scheme .... 1289
    Southern State Superannuation Scheme .... 1308
South Australian Tourism Commission .... 1326
South Australian Water Corporation .... 1348
Superannuation Funds Management Corporation of South Australia .... 1388
Department of Trade and Economic Development .... 1420


## VOLUME V


TransAdelaide .... 1449
Department for Transport, Energy and Infrastructure .... 1477
Department of Treasury and Finance .... 1543
University of Adelaide .... 1600
University of South Australia .... 1649
Department of Water, Land and Biodiversity Conservation .... 1691
WorkCover Corporation of South Australia .... 1739


## Appendix


Treasurer's Financial Statements (Statements A-L)

# VOLUMES I, II, III, IV AND V

## REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

Reference should also be made to Part A — Audit Overview and Part C — State Finances and Related Matters which also contain comments on specific matters of importance and interest.


| Agency | Matter | Page |
|---|---|---|
| Adelaide Festival Centre Trust | ICT management and control | 39 |
| Attorney-General's Department | Crown Solicitor's Office | 93 |
| | Office for Recreation and Sport | 92 |
| | Residential Tenancies Fund | 94 |
| Correctional Services, Department for | Payroll | 190 |
| | Public private partnership - new prisons and secure facilities project | 193 |
| Courts Administration Authority | Cash at bank | 219 |
| | Fines, fees and levies | 224 |
| | Fines policy | 219 |
| Education and Children's Services, Department of | Accounts payable | 287 |
| | Building the Education Revolution | 293 |
| | General ledger processing | 289 |
| | Payroll | 285 |
| | Public Private Partnership - New Schools | 294 |
| | School maintenance | 288 |
| Environment and Heritage, Department for | Adelaide's Living Beaches Project | 361 |
| | Fixed assets - accounting for Crown land | 356 |
| | Marine Parks Project | 361 |
| | Qualified Auditor's Opinion | 356 |
| Families and Communities, Department for | Administration of concession payments | 434 |
| | Brokerage payments | 432 |
| | Financial accounting | 433 |
| | Management of grant payments – internal audit review | 431 |
| | Payroll | 433 |
| Flinders University of South Australia | Expenditure | 482 |
| | Research grants | 482 |
| Further Education, Employment, Science and Technology, Department of | Budgetary control | 531 |
| | Grant expenditure | 530 |
| | Payroll | 531 |
| | Student information system | 534 |
| | Student revenue | 530 |
| Health, Department of | Accounts payable | 569 |
| | Funding to non-Government organisations | 568 |
| | *Health Care Act 2008* | 570 |
| | Health unit special purpose funds | 571 |
| | Payroll | 569 |
| | Procurement and supply chain consolidation | 572 |
| | Public Private Partnership – the New Royal Adelaide Hospital project | 572 |

| Agency | Matter | Page |
|---|---|---|
| HomeStart Finance | Bad and impaired loans expense | 612 |
| | Breakthrough loan | 613 |
| | Distributions to government | 617 |
| | Financial risks | 614 |
| | General reserve for credit losses | 615 |
| | Loan quality | 615 |
| | Provisions for impairment | 614 |
| Judges' Pensions Scheme | Transfer of $45.9 million from the Consolidated Account | 651 |
| Land Management Corporation | Asset valuations | 665 |
| | Bowden Urban Village | 667 |
| | Mawson Lakes Government Infrastructure Project | 666 |
| | Playford North | 666 |
| | Port Adelaide Waterfront Redevelopment | 666 |
| Legislature, The | Status of the Financial Statements | 712 |
| Local Government Finance Authority of South Australia | Guarantee by the Treasurer | 735 |
| | Qualified Auditor's Opinion | 736 |
| Lotteries Commission of South Australia | Distributions to government | 756 |
| Motor Accident Commission | Investment result | 783 |
| | Investments | 785 |
| | Outstanding claims | 785 |
| | Solvency level | 786 |
| | Total comprehensive result | 784 |
| | Underwriting result | 782 |
| Parliamentary Superannuation Scheme | Transfer of $44.5 million from the Consolidated Account | 829 |
| Planning and Local Government, Department of | Planning SA was established as a separate administrative unit with effect from 1 July 2008 | 840 |
| Police Superannuation Scheme | Government funding towards the past service liability was $38.3 million | 879 |
| Premier and Cabinet, Department of the | An additional $7.5 million ($35 million in 2007-08) was paid to the South Australian Government Financing Authority representing an amount payable in respect of a guarantee provided by the Premier for a corporate security investment associated with the Alice Springs to Darwin Railway Project. | 896 |
| | The Office for Recreation and Sport, the Office for Racing and Minister Wright's Office (including the transfer of the Recreation and Sport Fund and the Sport and Recreation Fund) were transferred to the Attorney-General's Department effective from 1 October 2008 | 894 |
| Primary Industries and Resources, Department of | Expenditure | 934 |
| | Fisheries licensing revenue | 936 |
| | Fixed assets | 935 |
| | Jervois to Langhorne Creek and Currency Creek Pipeline | 941 |
| | Payroll | 935 |
| | Planning SA was established as a separate administrative unit with effect from 1 July 2008 | 933 |
| | Tenement Management System follow-up review | 937 |
| Public Trustee | Common fund operations | 149 |
| | Information and communications technology management and control | 150 |
| | Trust operations | 149 |
| South Australia Police | Expiation fees | 1006 |
| | Mainframe computer processing environment | 1002 |
| | Workers compensation payments | 1002 |
| South Australian Fire and Emergency Services Commission | Bona fides | 1077 |
| | Corporate governance and risk management | 1076 |
| | Purchase cards | 1077 |

| Agency | Matter | Page |
|---|---|---|
| South Australian Forestry Corporation | Distributions to government | 1115 |
| | Standing timber valuation | 1113 |
| South Australian Government Financing Authority | Common Public Sector Interest Rate | 1141 |
| | Insurance activities | 1141 |
| | Profit (Loss) | 1139 |
| South Australian Housing Trust | Accounts payable | 1170 |
| | Affordable Housing Innovation Fund | 1171 |
| | Changed Commonwealth funding arrangements | 1179 |
| | ICT management and control | 1173 |
| | Maintenance expenditure | 1170 |
| | Rent | 1169 |
| South Australian Motor Sport Board | Compliance with procurement processes mandated by the *State Procurement Act 2004* | 1233 |
| | Qualified Auditor's Opinion | 1232 |
| South Australian Superannuation Scheme | Benefits paid | 1292 |
| | Estimated liability for accrued benefits increased by $100 million to $10 billion | 1291 |
| | Transfer of $253 million into the South Australian Superannuation Scheme for past service liability funding. Of this amount $92 million was transferred back to the Consolidated Account by 30 June 2009 | 1290 |
| South Australian Water Corporation | Adelaide Desalination Project | 1357 |
| | Contributions to the State Government | 1356 |
| | South Australian Water Corporation and United Water charging dispute | 1358 |
| | Tendering and contract management | 1349 |
| Southern State Superannuation Scheme | Benefits paid | 1311 |
| | Contribution revenue | 1310 |
| TransAdelaide | Contract income - financial dependence | 1453 |
| | Information technology review - centralised traffic control system | 1451 |
| | Payroll | 1450 |
| | Joint venture relationship | 1455 |
| Transport, Energy and Infrastructure, Department for | Accounting for Commonwealth grants | 1479 |
| | Accounts payable | 1485 |
| | Cash at Bank - TRUMPS | 1479 |
| | Financial Management Compliance Program | 1483 |
| | Government Information Communication and Technology Services | 1486 |
| | Information communication technology management and control - TRUMPS | 1486 |
| | Network assets and capital work in progress | 1481 |
| | Payroll | 1484 |
| | Qualified Auditor's Opinion | 1479 |
| | The value of capital works in progress | 1490 |
| | TRUMPS - financial control | 1480 |
| Treasury and Finance, Department of | Government Accounting and Reporting Branch | 1547 |
| | Shared Services SA | 1548 |
| | The first group of agency services transitioned into Shared Services SA on 31 March 2008 and further agency services transitioned during 2008-09 | 1543 |
| University of Adelaide | Corporate governance | 1601 |
| | Payroll | 1601 |

| Agency | Matter | Page |
|---|---|---|
| University of South Australia | Government grant funding | 1650 |
| | Qualified Auditor's Opinion | 1650 |
| Water, Land and Biodiversity Conservation, Department of | Corporate governance | 1692 |
| | Critical Water Allocation Scheme – permanent plantings | 1694 |
| | Fixed assets – control and recognition | 1701 |
| | Murray Futures | 1700 |
| | Murray-Darling Basin Authority | 1698 |
| | Save the River Murray Fund | 1699 |
| | The Living Murray initiative | 1700 |
| | Water Information Licensing Management Application System | 1693 |
| WorkCover Corporation of South Australia | Auditor's report on the financial statements | |
| | Inherent uncertainty – outstanding claims liability and funding ratio | 1740 |
| | ICT infrastructure and systems | 1744 |
| | Legislative changes | 1739 |
| | Levies | 1742 |
| | Outstanding claims | 1749 |
| | Workers compensation payments | 1741 |

# SOUTH AUSTRALIAN FORESTRY CORPORATION

## FUNCTIONAL RESPONSIBILITY

### Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000* (the Act). The Corporation is responsible to the Minister for Forests.

### Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State. For more information about the Corporation's functions refer to Note 1 of the financial statements.

The Act specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

Under the PCA the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation's operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

#### *Audit Committee*

The Corporation has an Audit Committee comprising two members of the Board and one external member which is attended by internal and external auditors as observers. The Audit Committee reports to the Board.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems. The responsibilities extend to monitoring risk management practices, approving and evaluating the internal audit program, reviewing the annual financial statements prior to approval of the Board and communicating on matters raised by the Auditor-General's Department.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

Subsection 31(1)(b) of the PFAA and subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

#### *Assessment of controls*

As required by subsection 36(1)(a)(iii) of the PFAA, the audit of the Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

### Scope of audit

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

During 2008-09, specific areas of audit attention included:

- forest logging system revenue and expenditure
- revenue, receipting and banking
- expenditure, including purchase cards
- financial accounting
- payroll
- information technology

In addition, specific audit review work and testing was undertaken on the Corporation's systems and processes that underpin the valuation estimate of standing timber disclosed in the financial statements of the Corporation.

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Use has been made of the work performed by internal audit in relation to payroll.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Forestry Corporation as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the South Australian Forestry Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to the purchase of one parcel of land, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Forestry Corporation 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 officers responsible for the governance of the Corporation.

The principal matters raised with the Corporation were:

- the need to obtain Cabinet approval for land purchases where the expenditure involved exceeds $4.4 million
- a need to review purchase card credit limits to ensure consistency with the delegations of authority as approved by the Chief Executive
- a need to document processes for the extraction of data for transfer to the finance team to support the standing timber valuation on an annual basis.

In relation to the purchase of land, during the year the Corporation purchased a parcel of land for a total cost of $4.5 million. This acquisition was approved within the authorisation processes of the Corporation and was also approved by the Minister for Forests. Audit considers this purchase should also have been approved at Cabinet level consistent with the requirement in TI 8, paragraph 8.13. That requirement provides for the purchase of land where the expenditure involved exceeds $4.4 million to be approved by Cabinet.

The Corporation has responded to this matter indicating they believe the land purchase price of $4.3 million, excluding associated costs such as stamp duty, should be considered as the basis for the application of the TI and Cabinet approval was therefore not required.

The Corporation's response to the other matters raised was considered satisfactory.

#### *Implementation of the revised TIs 2 and 28*

Audit review of the work performed by the Corporation to implement the requirements of TIs 2 and 28 identified work had been performed to:

- map internal control processes against requirements of the TIs
- identify specific areas of focus
- establish a framework to report on an annual basis to the Chief Finance Officer and Chief Executive on the outcome of work performed.

The review involved analysis of the documentation prepared and completed by the Corporation and included a review of the summary document presented to the Chief Finance Officer and Chief Executive following completion of the annual program.

The need for the Corporation to finalise and issue a fraud policy in order to comply with TI 2 was identified as a result of the review.

**Standing timber valuation**

The Corporation's Statement of Financial Position and Statement of Comprehensive Income include figures for standing timber and changes in the value of standing timber respectively. The impact of the value of standing timber reported in the financial statements is significant to the Corporation's financial position and operating result. The Independent Auditor's Report on the financial report has previously qualified the Standing Timber valuation for many years.

In 2007-08 significant progress was made, with the Corporation providing further supporting information for reported values to Audit. This information, combined with additional Audit review and assessment work enabled Audit to attest to the estimates of the volume of standing timber within an acceptable level of audit confidence. As a result no qualification was applied to the 2007-08 value for standing timber in the Corporation's financial statements.

Audit review undertaken in 2008-09 identified the Corporation has continued to undertake comparisons between estimated timber yield and actual timber yield, as well as detailed field work in order to support the standing timber volume.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

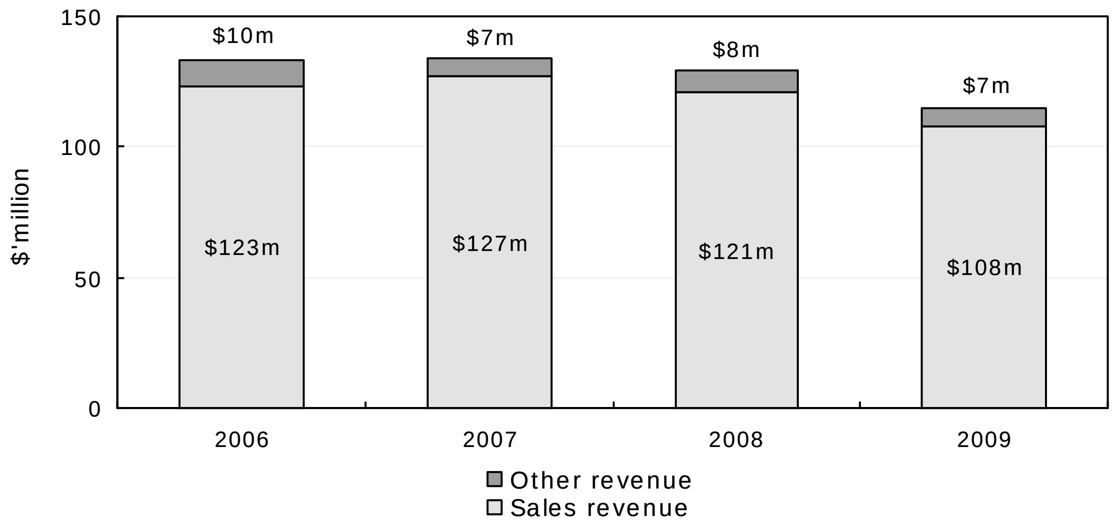
**Highlights of the financial statements**

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***INCOME*** | | |
| Sales - timber products | **108** | 121 |
| Revenues from SA Government | **3** | 3 |
| Other revenue | **4** | 5 |
| **Total income** | **115** | 129 |
| ***EXPENSES*** | | |
| Employee benefit costs | **16** | 16 |
| Contractors and wood purchases | **46** | 54 |
| Other expenses | **23** | 20 |
| **Total expenses** | **85** | 90 |
| **Trading profit before revaluation of standing timber** | **30** | 39 |
| **Net profit (after revaluation and income tax equivalents expense)** | **93** | 30 |
| **Total comprehensive result** | **112** | 59 |
| ***NET CASH FLOWS FROM OPERATING ACTIVITIES*** | **26** | 34 |
| ***ASSETS*** | | |
| Current assets | **129** | 124 |
| Non-current assets | **1 127** | 1 029 |
| **Total assets** | **1 256** | 1 153 |
| ***LIABILITIES*** | | |
| Current liabilities | **16** | 14 |
| Non-current liabilities | **37** | 33 |
| **Total liabilities** | **53** | 47 |
| ***EQUITY*** | **1 203** | 1 106 |

## Statement of Comprehensive Income

### *Income*

The following chart analyses the main sources of income for the Corporation for the four years to 2009.



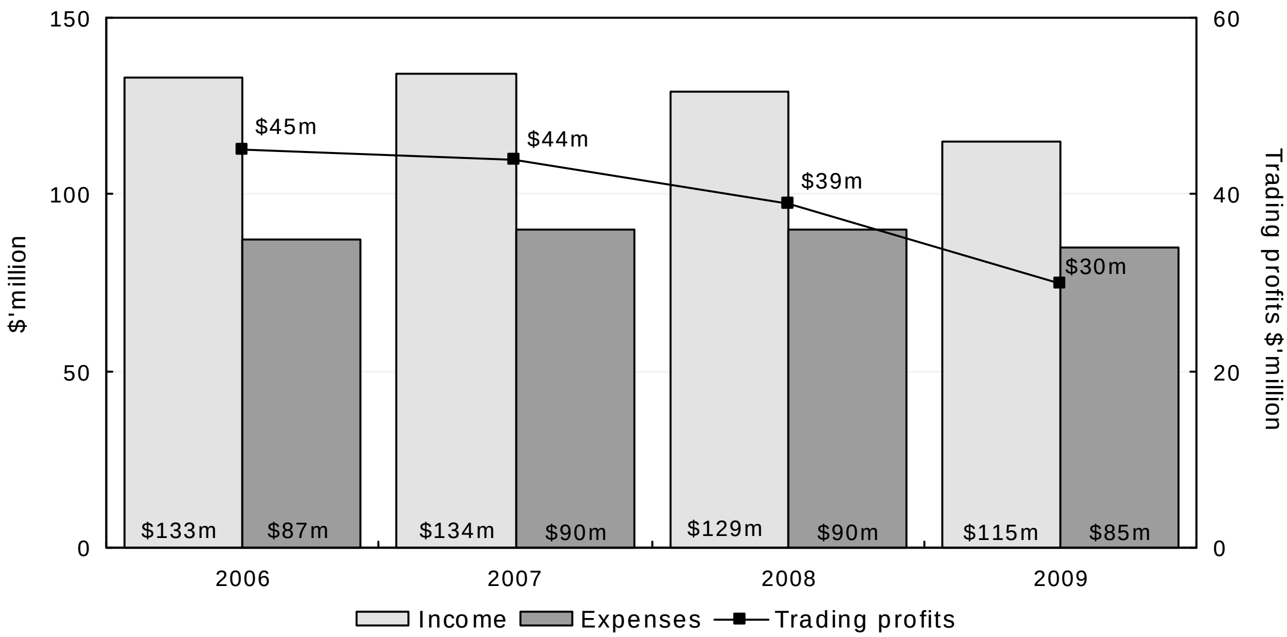

Sales revenue has decreased in 2009 as a result of the downturn in demand resulting from the substantial downturn in economic conditions. Despite this decrease the overall trend is of a stable base demand for the Corporation's product, in part due to the long-term supply sales agreements with the Corporation's customers.

### *Expenses*

Contractors and wood purchases are the main expenditure items for the Corporation representing approximately 54 percent of expenditure. Contractors and wood purchases predominantly include harvesting and transporting costs of $36 million ($39 million).

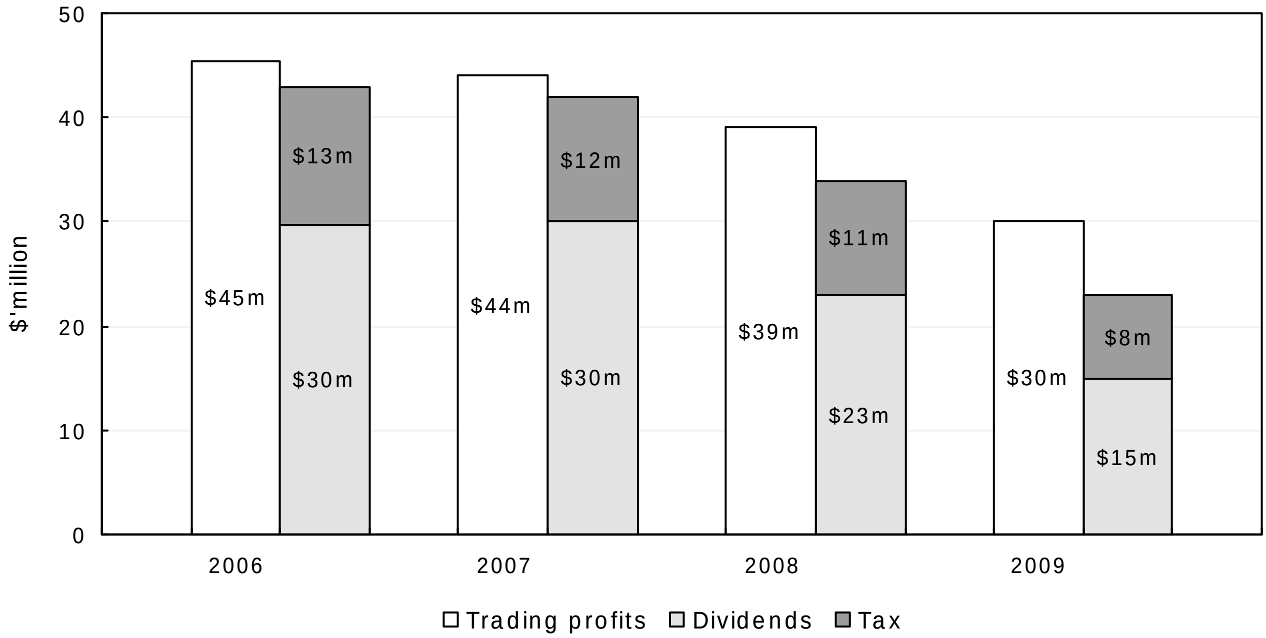
### *Trading results*

The Corporation's financial performance in 2006 and 2007 benefited from the strong demand for housing construction, with the performance in 2008 being impacted by rising fuel, fertiliser and other costs and discontinuation of exporting purchased woodchips. The further decease in performance in 2009 was the result of an overall decrease in demand as a result of the significant downturn in economic conditions.



### ***Distributions to government***

For the four years to 2009 an analysis of the Corporation's trading profits before revaluation of standing timber compared to returns to government is shown in the following chart.



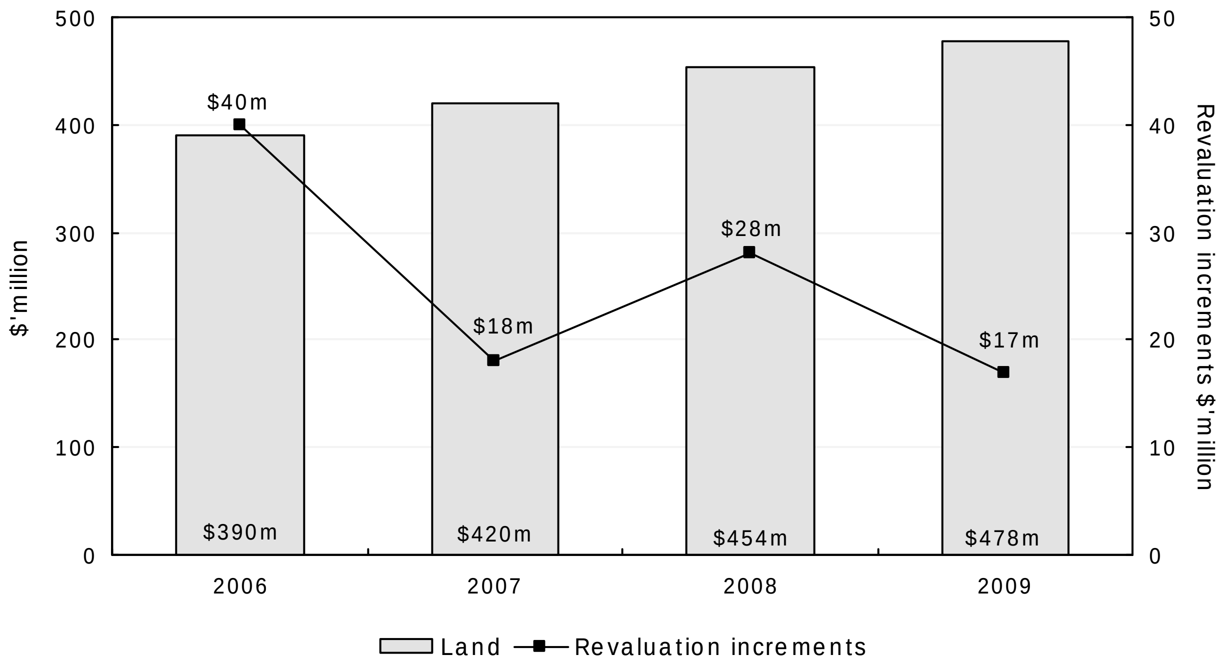

Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to the Government.

### **Statement of Financial Position**

The two dominant items in the Statement of Financial Position are 'standing timber' and 'land' which represent approximately 93 percent of the total assets of the Corporation. These are analysed below.

### ***Land***

An analysis of land balance for the four years to 2009 is presented in the following chart.



The valuation of land is undertaken each year by the Valuer-General in South Australia and local Shires in Victoria at the current market value of unimproved land. The value of land has risen significantly over the past four years due mainly to the strong real estate market. The main reasons for the significant increases from 2006 to 2009 were adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the south east region of South Australia. In 2009 the Corporation also acquired $7 million of additional land.

***Standing timber***

Note 2(m) to the financial statements explains the basis and main features of the Corporation's valuation methodology for standing timber.

The following table summarises valuations of standing timber for the past four years by region and revaluation increments (decrements).

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million |
| Region | | | | |
| South East region: | | | | |
| Young plantations | **41** | 39 | 39 | 38 |
| Mature plantations | **576** | 510 | 495 | 474 |
| Central and Northern Regions: | | | | |
| Young plantations | **6** | 6 | 5 | 5 |
| Mature plantations | **63** | 60 | 74 | 73 |
| | **686** | 615 | 613 | 590 |
| Revaluation increments (decrements) | **70** | 1 | 23 | (19) |

The net change in the valuation of standing timber is a combination of the change in the volume of standing timber and the change in price. For further information refer Note 13.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2009.

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million |
| **Net cash flows** | | | | |
| Operating | **26** | 34 | 37 | 32 |
| Investing | **(11)** | (8) | (19) | (7) |
| Financing | **(10)** | (20) | (17) | (29) |
| Change in cash | **5** | 6 | 1 | (4) |
| Cash at 30 June | **46** | 41 | 35 | 34 |

The Corporation's surplus cash generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid. Movements in cash flows for financing activities relate to dividends paid to government and funds borrowed for land purchases. The higher investing cash flows in 2007 was the result of significant one-off purchases associated with the new corporate head office in Mount Gambier.

## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| **INCOME:** | | **$'000** | $'000 |
| Sales - timber products | | **107 769** | 120 671 |
| Revenues from SA Government | 5(i) | **3 150** | 3 081 |
| Interest revenues | 5(i) | **2 292** | 3 098 |
| Other revenues | 5(i) | **1 774** | 2 075 |
| **Total income** | | **114 985** | 128 925 |
| | | | |
| **EXPENSES:** | | | |
| Employee benefit costs | 7 | **(15 953)** | (15 869) |
| Contractors | | **(42 193)** | (43 650) |
| Wood purchases | | **(3 965)** | (9 944) |
| Depreciation and amortisation | 5(iii), 14, 15 | **(2 332)** | (2 447) |
| Council rates | | **(1 257)** | (1 200) |
| Finance costs | 5(iii) | **(2 474)** | (2 080) |
| Materials | | **(5 457)** | (4 956) |
| Equipment and vehicle costs | | **(3 239)** | (3 130) |
| Other expenses | | **(5 265)** | (5 171) |
| Loss on the sale of non-current assets | 5(ii) | **(168)** | (27) |
| Revaluation decrement on non-current assets | 14 | **(2 480)** | (1 062) |
| **Total expenses** | | **(84 783)** | (89 536) |
| **Trading profit before revaluation of standing timber** | | **30 202** | 39 389 |
| Net change in value of standing timber | 13 | **70 484** | 1 048 |
| **Profit before income tax equivalents** | | **100 686** | 40 437 |
| Income tax equivalents expense | 2 (f), 6 | **(7 931)** | (10 861) |
| **NET PROFIT AFTER INCOME TAX EQUIVALENTS** | | **92 755** | 29 576 |
| | | | |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Land revaluation recorded in asset revaluation reserve | 14 | **19 397** | 29 181 |
| **TOTAL COMPREHENSIVE INCOME** | | **112 152** | 58 757 |

Net profit after income tax equivalents and total comprehensive income are attributable to the SA Government as owner

## Statement of Financial Position
## as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| **CURRENT ASSETS:** | | **$'000** | $'000 |
| Cash | 9 | **45 830** | 41 320 |
| Receivables | 10 | **15 360** | 12 317 |
| Inventories | 11 | **264** | 607 |
| Standing timber | 13 | **67 848** | 70 439 |
| Assets classified as held-for-sale | 12 | **340** | 150 |
| **Total current assets** | | **129 642** | 124 833 |
| **NON-CURRENT ASSETS:** | | | |
| Standing timber | 13 | **618 138** | 544 372 |
| Property, plant and equipment | 14 | **508 307** | 483 963 |
| Intangible assets | 15 | **405** | 402 |
| **Total non-current assets** | | **1 126 850** | 1 028 737 |
| **Total assets** | | **1 256 492** | 1 153 570 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 16 | **9 664** | 8 379 |
| Employee benefits | 17 | **1 550** | 1 618 |
| Interest bearing loans | 18 | **2 781** | 2 417 |
| Tax liabilities | 6 | **2 086** | 2 110 |
| Other provisions | 19 | **95** | 124 |
| **Total current liabilities** | | **16 176** | 14 648 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 16 | **774** | 699 |
| Employee benefits | 17 | **2 395** | 2 087 |
| Interest bearing loans | 18 | **33 539** | 29 402 |
| Other provisions | 19 | **268** | 314 |
| **Total non-current liabilities** | | **36 976** | 32 502 |
| **Total liabilities** | | **53 152** | 47 150 |
| **NET ASSETS** | | **1 203 340** | 1 106 420 |
| **EQUITY:** | | | |
| Contributed capital | | **4 984** | 4 984 |
| Reserves | | **1 111 676** | 1 017 257 |
| Retained earnings | | **86 680** | 84 179 |
| **TOTAL EQUITY** | | **1 203 340** | 1 106 420 |

Total equity is attributable to the SA Government as owner

| | | | |
|---|---|---|---|
| Commitments and contingencies | 21 | | |

# Statement of Changes in Equity for the year ended 30 June 2009

| | Contributed capital $'000 | Asset revaluation reserve $'000 | Standing timber reserve $'000 | Fire Insurance Fund reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 30 June 2007 | 4 984 | 392 765 | 581 556 | 8 770 | 82 259 | 1 070 334 |
| Gain on revaluation of property plant and equipment | - | 29 181 | - | - | - | 29 181 |
| Net income/expense recognised directly in equity | - | 29 181 | - | - | - | 29 181 |
| Net profit for the period | - | - | - | - | 29 576 | 29 576 |
| Total comprehensive income for 2007-08 | - | 29 181 | - | - | 29 576 | 58 757 |
| Dividend | - | - | - | - | (22 671) | (22 671) |
| Transfers to (from) equity | - | (3) | 983 | 4 005 | (4 985) | - |
| Total change for the period | - | 29 178 | 983 | 4 005 | 1 920 | 36 086 |
| Balance at 30 June 2008 | 4 984 | 421 943 | 582 539 | 12 775 | 84 179 | 1 106 420 |
| Gain on revaluation of property plant and equipment | - | 19 397 | - | - | - | 19 397 |
| Net income/expense recognised directly in equity | - | 19 397 | - | - | - | 19 397 |
| Net profit for the period | - | - | - | - | 92 755 | 92 755 |
| Total comprehensive income for 2008-09 | - | 19 397 | - | - | 92 755 | 112 152 |
| Dividend | - | - | - | - | (15 232) | (15 232) |
| Transfers to (from) equity | - | (11) | 70 443 | 4 590 | (75 022) | - |
| Total change for the period | - | 19 386 | 70 443 | 4 590 | 2 501 | 96 920 |
| **Balance at 30 June 2009** | **4 984** | **441 329** | **652 982** | **17 365** | **86 680** | **1 203 340** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|---|---|---|
| | | **Inflows** | Inflows |
| | | **(Outflows)** | (Outflows) |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | Note | **$'000** | $'000 |
| Receipts from customers | | **106 401** | 124 818 |
| Payments to suppliers and employees | | **(75 442)** | (83 317) |
| Finance costs | | **(2 474)** | (2 080) |
| Interest received | | **2 439** | 3 071 |
| Receipts from SA Government | | **3 150** | 3 081 |
| GST receipts on sales | | **11 393** | 12 825 |
| GST payments on purchases | | **(6 210)** | (6 612) |
| GST remitted to ATO | | **(5 190)** | (5 850) |
| Income tax equivalents paid | | **(7 955)** | (11 721) |
| **Net cash flows from operating activities** | 9 (ii) | **26 112** | 34 215 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment, including land and timber | | **(11 324)** | (8 818) |
| Proceeds from sale of fixed assets | | **451** | 353 |
| **Net cash flows from investing activities** | | **(10 873)** | (8 465) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **7 023** | 4 860 |
| Repayment of borrowings | | **(2 520)** | (2 033) |
| Dividend paid | | **(15 232)** | (22 671) |
| **Net cash flows from financing activities** | | **(10 729)** | (19 844) |
| **NET INCREASE IN CASH HELD** | | **4 510** | 5 906 |
| **CASH AT 1 JULY** | | **41 320** | 35 414 |
| **CASH AT 30 JUNE** | 9 (i) | **45 830** | 41 320 |

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

**1. Corporate information**

***Role and function of the South Australian Forestry Corporation***

The South Australian Forestry Corporation (SAFC) was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. The SAFC is subject to the provisions of the PCA. SAFC has key responsibilities to:

- manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management
- undertake and where appropriate commercialise forestry related research for the benefit of the Corporation and the State
- maximise the value of the Corporation
- encourage and facilitate regionally based economic activities based on forestry and other industries
- support regional forest resource protection initiatives and programs
- support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility
- support cooperative research activities within the forestry industry.

In addition to its business operations, SAFC receives funding from the SA Government for the provision of certain community service obligations (CSOs). These are:

- community use of forests
- native forest management
- community protection (including fire protection).

## 2. Summary of significant accounting policies

### *(a) Basis of preparation*

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

*Statement of compliance*

Except for the amendments to AASB 101 (September 2007 version), which SAFC has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFC for the reporting period ending 30 June 2009.

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

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

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

The preparation of the financial statements requires compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APS require the following Note disclosures that have been included in these financial statements:

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

(ii) Expenses incurred as a result of engaging consultants.

(iii) Employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

### *(b) Comparative information*

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 or where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

### *(c) Rounding*

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

### *(d) Changes in accounting policies*

SAFC has early-adopted the September 2007 version of AASB 101 – this includes the preparation of a single Statement of Comprehensive Income.

Except for the amendments to AASB 101, which SAFC has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAFC for the period ending 30 June 2009. 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.

### *(e) Foreign currency transactions and balances*

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. All exchange differences are reflected in the Statement of Comprehensive Income.

### *(f) Taxes*

SAFC is liable for income tax equivalent payments, payroll tax, FBT, GST, emergency services levy, land tax and local government rates.

*Income tax equivalent*
SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the SA Government Consolidated Account. The tax calculation method is prescribed by TI 22.

An amended TI 22 was approved in September 2005 requiring SAFC, as at 1 July 2005, to use the State Tax Equivalent Regime (STER). Under the STER the tax equivalent payment is calculated on the Accounting Profit Model. AASB 112 does not apply to SAFC. The Department of Treasury and Finance provided SAFC with a ruling that excludes unrealised gains and losses relating to standing timber revaluations from the accounting profit used to calculate the income tax equivalent payment. The capital gains tax (CGT) division of the ITAA does not apply to SAFC under the STER.

Under the Accounting Profits Model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

*GST*
Revenue, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the ATO has been recognised as a receivable/payable in the Statement of Financial Position.

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

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

***(g) Income and expenses***
Income and expenses are recognised in SAFC's Statement of Comprehensive Income when and only when the flow or consumption or loss of economic benefit(s) has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.2 and have not been offset unless required or permitted by a specific accounting standard.

Revenue from sales – timber products is derived from the provision of goods and services to customers. This revenue is driven by consumer demand.

Grants are recognised as income when the SAFC obtains control over the assets. Funding for CSOs received from SA Government related to operational expenditure is recognised as income when the SAFC obtains control over the assets. Funding for CSOs received from SA Government related to capital expenditure is recognised in line with the use of the underlying assets.

Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account.

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III, APS 3.9.

Finance costs are recognised as an expense.

***(h) Current and non-current classification***
Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

***(i) Cash and cash equivalents***
Cash and cash equivalents in the Statement of Financial Position include cash at bank, cash on hand and cash administered on behalf of other organisations (refer Notes 9 and 22).

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

Cash is measured at nominal value.

***(j) Financial Assets***

In accordance with the SA Government's APF IV, SAFC measures financial assets and liabilities at historical cost.

***(k) Trade and other receivables***

Receivables include trade receivables, prepayments and other revenue accruals. Receivables are recorded at amounts due to SAFC less a provision for doubtful debts.

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice or the goods/services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public and agencies.

If payment has not been received within the terms and conditions of the contractual arrangement, SAFC is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected.

***(l) Inventories***

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102. Harvested log stocks represent timber harvested for sale and are disclosed as a current asset.

***(m) Forestry accounting***

Standing timber of a marketable size is valued at its fair value less estimated point-of-sale costs and disclosed as a current asset for the portion expected to be realised within 12 months after the reporting date and as a non-current asset for the portion expected to be realised more than 12 months after the reporting date. The fair value is determined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market. SAFC has determined the fair value by sampling market conditions over the 12 months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This policy is in accordance with the requirements of AASB 141. All amounts are calculated in pre-tax dollars in accordance with the TIs.

Standing timber below a marketable size (classified as young forest in Note 13) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applied to trees up to 9 years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. The reduction in the value of standing timber attributable to fire during the period is reported under other expenses. All forest expenditure is recognised as an expense in the year the expenditure takes place.

The net change in the value of standing timber is accounted for in the movement in the standing timber reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forests, the master database was last updated as at June 2007, affecting the standing timber valuation as at 30 June 2008. For the Mount Lofty Ranges forests the master database was last updated in 2008, affecting the standing timber valuation as at 30 June 2008, while for the Mid North forest the master database was last updated in 2006, affecting the standing timber valuation as at 30 June 2006.

The method used to determine the volume of timber contained in the radiata and non-radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practices. This ensures that the fair value is based upon expected realisable volumes.

There is inherent uncertainty in the standing volume estimate and resultant standing timer valuation of profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

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

*(i) Recognition and measurement*

Assets are initially recorded at cost, plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Statement of Financial Position.

*(i)* *Recognition and measurement (continued)*

SAFC individually capitalises all non-current physical assets with a value of $1000 or greater and a low value pool is created for assets between $300 and $1000. Componentisation of complex assets is performed when the complex asset's fair value at the time of acquisition is greater than $1 million. These benchmarks are within the limits prescribed in APF III.

Plant and equipment and roads and land improvements are stated at cost less accumulated depreciation and impairment losses.

Land, buildings and structures are measured at fair value less accumulated depreciation on buildings and structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, then the asset will be brought to account at its written down current cost.

*(ii)* *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income except for revalued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

*(iii)* *Non-current assets held-for-sale*

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

*(iv)* *Revaluation*

Land has been revalued as at 30 June 2009, whilst buildings and structures were revalued as at 30 June 2006 in accordance with APF III. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land is the current site value of the unimproved land. In accordance with this policy, land was revalued in 2008 and 2009 using valuations provided by the Valuer-General and/or local Shires. SAFC undertakes an annual revaluation of land to fair value at the end of June. In accordance with APF III, APS 3.8, SAFC has elected to take revaluation adjustments to the non-current assets on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its buildings and structures in June 2006.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than $1 million and useful life greater than three years) as per APF III will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

(v) *Depreciation and amortisation of non-current assets*

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

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

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

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

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

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

| *Class of asset* | *Depreciation method* | *Useful life (years)* |
|---|---|---|
| Buildings and structures | Straight-line | 25-57 |
| Leasehold improvements | Straight-line | Life of lease |
| Roads and land improvements | Straight-line | 20-25 |
| Plant and equipment | Straight-line | 3-25 |

(vi) *Crown land*

The value of Crown land amounts to $438 million ($420 million). SAFC is entitled to the value of the Crown land and has the use of the Crown land for forestry purposes. Generally, the issue of title over Crown Land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown land, as per the Premier and Cabinet Circular 114 'Purchase and Disposal of Government Real Property (including Crown Lands)'.

***(o) Intangible assets***

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to $1000.

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

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years, using the straight line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

***(p) Trade and other payables***

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

Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

Creditors represent the amounts owing for goods and services received prior to, but remaining unpaid, at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAFC.

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

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

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

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the schemes have assumed these. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

***(q) Employee benefits***

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

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

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2009 and is measured at the undiscounted amount expected to be paid.

In accordance with APF IV, APS 5.10, SAFC applies 6.5 years of service (6.5 years) by an employee as the benchmark at which a liability for long service leave is recognised.

***(r) Interest bearing loans***

In accordance with APF IV, APS 6.1, SAFC uses the historical cost measurement for interest bearing loans.

All loans are measured at the principal amount. Interest and guarantee fees are recognised as an expense as they accrue.

***(s) Leases***

SAFC has entered into operating leases but has not entered into any finance leases.

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

***(t) Insurance***

SAFC has arranged, through South Australian Government Financing Authority, SAICORP Division, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is $250 000 from an event or occurrence covered by the agreement.

SAFC is self-insured for major fire losses of the forest (refer Note 2(w)). In addition, SAFC is self insured for workers compensation.

***(u) Provisions***

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

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

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet of the estimated unsettled workers compensation claims.

***(v) Contributed equity***

Contributions made by the SA Government through its role as owner of SAFC, which increase the net assets of the entity, are treated as contributions of equity.

***(w) Fire insurance fund and reserve***

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes. The use of the Fire Insurance Fund available cash balance is restricted to fund annual fire losses to the plantation of greater than $250 000. These funds will provide cash for clearing, re-establishment and associated costs. Monies in the Fire Insurance Fund are restricted and are therefore not available for distribution. The movement in the Fire Insurance Fund is transferred between retained earnings and the Fire Insurance Fund reserve.

**3. Financial risk management**

SAFC has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits) and liabilities (borrowings from the SA Government). SAFC's exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the SAFC Board.

**3. Financial risk management (continued)**

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 79 percent of transactions for the financial year (81 percent) were transactions with the six largest of SAFC's customers.

As part of its financial risk management policies, SAFC manages and monitors log supply commitments to ensure the commitments are within the long term forest yield forecasts, thereby maintaining SAFC's long-term viability and profitability.

**4. Segment information**

SAFC has no separately identifiable geographic or business segments which require separate preparation and disclosure of segment information.

**5. Revenue, other income and expenses**

| Profit from ordinary activities before income tax has been determined after: | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| ***(i) Crediting as revenue*** | | | |
| CSO funding(1) | 1 | **2 800** | 2 731 |
| Government Network Radio funding | | **350** | 350 |
| **Revenues from SA Government** | | **3 150** | 3 081 |

(1) CSO funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.

| | Note | 2009 | 2008 |
|---|---|---|---|
| Interest received or receivable: | | | |
| Interest received or receivable related to cash balances(2) | | **2 226** | 3 056 |
| Interest received or receivable related to trade receivables | | **66** | 42 |
| **Interest revenue** | | **2 292** | 3 098 |
| Other operating revenue: | | | |
| Other revenue from non-SA Government entities | | **1 774** | 2 075 |
| **Other revenues** | | **1 774** | 2 075 |
| ***(ii) Net gain (loss) from disposal of assets*** | | | |
| Land and buildings: | | | |
| Net proceeds from disposal | | **(7)** | 14 |
| Net book value of assets disposed | 14 | **(11)** | (16) |
| **Net loss from disposal of land and buildings** | | **(18)** | (2) |
| Plant and equipment: | | | |
| Net proceeds from disposal | | **458** | 339 |
| Net book value of assets disposed | 14 | **(608)** | (364) |
| **Net loss from disposal of plant and equipment** | | **(150)** | (25) |
| Total assets: | | | |
| Net proceeds from disposal | | **451** | 353 |
| Net book value of assets disposed | 14 | **(619)** | (380) |
| **Net loss from disposal of total assets** | | **(168)** | (27) |
| ***(iii) Charging as expenses*** | | | |
| Harvesting and transport costs | | **36 073** | 38 615 |
| Interest and guarantee fee paid or payable(2) | 18 | **2 474** | 2 080 |
| Depreciation of non-current assets | 14 | **2 259** | 2 347 |
| Amortisation | 15 | **73** | 100 |
| Rental expense on property operating leases | | **110** | 93 |
| Consultants | | **28** | 117 |
| Total other expenses related to SA Government entities | | **2 815** | 2 928 |

(2) To or from SA Government entities.

**6. Income tax equivalents**

As at 1 July 2005, as per a South Australian Department of Treasury and Finance determination, SAFC has become subject to the STER. Under the STER SAFC uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with TI 22. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net profit/result from ordinary activities determined in accordance with AASB 101.

***(i)*** The prima facie tax on operating profit is reconciled to the income tax equivalent payment provided in the accounts as follows:

*Income tax equivalents*

Accounting for income tax for the 2009 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the STER and the applicable accounting standards (refer Note 2, not including AASB 112).

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Prima facie tax equivalent at 30 percent on trading profit before revaluation of standing timber(1) less Fire Insurance Fund contributions(2) | **7 931** | 10 861 |
| **Income tax expense** | **7 931** | 10 861 |

(1) The Under Treasurer has provided SAFC with written approval to exclude unrealised gains and losses relating to standing timber revaluations from the accounting profit before SAFC calculates its income tax equivalent payment.

(2) The contributions to the Fire Insurance Fund, which equate to $3.8 million ($3.2 million) are treated as expenses for tax equivalent purposes.

***(ii)*** The income tax equivalent expense comprises amounts set aside as:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Income tax expense | **7 931** | 10 861 |
| Paid during financial year related to financial year | **(5 845)** | (8 751) |
| **Income tax equivalent payable as at 30 June** | **2 086** | 2 110 |

**7. Employee benefit costs**

| | | |
|---|---|---|
| Salaries and wages | **12 221** | 11 993 |
| Long service leave | **507** | 488 |
| Annual Leave | **1 019** | 1 023 |
| Employment on-costs - superannuation | **1 532** | 1 511 |
| Employment on-costs - other | **674** | 854 |
| **Total employee benefit costs** | **15 953** | 15 869 |

**8. Auditor's remuneration**

| | | |
|---|---|---|
| Amount received, or due and receivable, by the auditors for auditing the accounts | **107** | 106 |

**9. Cash**

| | | |
|---|---|---|
| Cash | **1** | 1 |
| Deposit account - SAFC | **28 509** | 28 623 |
| Fire Insurance Fund | **17 320** | 12 696 |
| | **45 830** | 41 320 |

The increase in the Fire Insurance Fund includes the annual contribution of $3.8 million ($3.2 million) and the interest received during the year of $860 000 ($785 000).

***Cash flows***

*(i) Components of cash*

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposit account. Cash as shown in the Statement of Cash Flows is reconciled to the beginning and end of period Statement of Financial Position as follows:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Cash | **45 830** | 41 320 |

*(ii) Reconciliation of net profit after income tax equivalent payments to net cash flows from operating activities*

| | | |
|---|---|---|
| Net profit after income tax equivalents | **92 755** | 29 576 |
| Other reconciling movements: | | |
| Net change in value of standing timber - attributable to fire | **41** | 65 |
| Net change in value of standing timber - other | **(70 484)** | (1 048) |
| Loss on revaluation of land | **2 480** | 1 062 |
| Depreciation and amortisation | **2 332** | 2 447 |
| Other asset transactions | **-** | (14) |
| Loss on sale of assets | **168** | 27 |
| | **(65 463)** | 2 539 |

| *(ii) Reconciliation of net profit after income tax equivalent payments to net cash flows from operating activities (continued)* | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in debtors | **(3 142)** | 2 011 |
| (Increase) Decrease in GST receivable | **(84)** | 267 |
| Decrease (Increase) in interest receivable | **146** | (27) |
| (Increase) Decrease in other debtors and prepayments | **(47)** | 30 |
| Decrease in assets held-for-sale | **-** | 25 |
| Decrease in inventories | **343** | 718 |
| Increase (Decrease) in trade creditors | **1 453** | (475) |
| Increase in GST payable | **78** | 96 |
| Increase (Decrease) in employee provisions | **206** | (44) |
| Decrease in income tax payable | **(24)** | (860) |
| (Decrease) Increase in other creditors | **(109)** | 359 |
| **Net cash flows from changes in operating balances** | **(1 180)** | 2 100 |
| **Net cash flows from operating activities** | **26 112** | 34 215 |

## 10. Receivables

| | | |
|---|---|---|
| Current: | | |
| Trade receivables | **15 163** | 11 964 |
| Doubtful debts | **(20)** | - |
| Other receivables | **-** | 23 |
| Accrued revenue | **130** | 293 |
| Prepayments | **87** | 37 |
| | **15 360** | 12 317 |

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

For details of credit and interest rate risks refer to Note 25.

As at 30 June 2009 SAFC did not have any material amounts outstanding greater than 30 days.

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| SA Government receivables: | | |
| Trade debtors | **-** | 284 |
| Other than trade receivables | **120** | 266 |
| | **120** | 550 |
| Non-SA Government receivables: | | |
| Trade debtors | **15 143** | 11 680 |
| Other than trade receivables | **97** | 87 |
| | **15 240** | 11 767 |

## 11. Inventories

| | | |
|---|---|---|
| Current: | | |
| Harvested log stocks | **-** | 59 |
| Chip stocks | **-** | 69 |
| Materials and stores | **264** | 479 |
| | **264** | 607 |

## 12. Assets classified as held-for-sale

| | | |
|---|---|---|
| Non-current assets classified as held-for-sale: | | |
| Land and buildings | **150** | 150 |
| Plant and equipment | **190** | - |
| | **340** | 150 |

## 13. Standing timber

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **$'000** | **$'000** | $'000 | $'000 |
| Opening balance | | **614 811** | | 612 748 |
| New plantings | **3 115** | | 2 793 | |
| Harvesting | **(64 655)** | | (72 655) | |
| Physical changes (ie growth) | **61 791** | | 68 956 | |
| Price changes | **70 233** | | 1 954 | |
| Net change recorded in Statement of Comprehensive Income | | **70 484** | | 1 048 |
| New standing timber acquisitions | | **732** | | 1 080 |
| Loss due to fire | | **(41)** | | (65) |
| **Closing balance** | | **685 986** | | 614 811 |

## 13. Standing timber (continued)

The standing timber comprises the following:

| | 2009 | 2008 |
|---|---|---|
| Fair value: | **$'000** | $'000 |
| Mature forest | **639 136** | 570 212 |
| Young forest | **46 850** | 44 599 |
| **Total fair value** | **685 986** | 614 811 |

| | 2009 | 2008 |
|---|---|---|
| Volume: | **'000 $m^3$** | '000 $m^3$ |
| Mature forest | **18 532** | 18 406 |
| Young forest | **934** | 969 |
| **Total volume** | **19 466** | 19 375 |

| | 2009 | 2008 |
|---|---|---|
| Area: | **ha** | ha |
| Mature forest | **61 097** | 60 755 |
| Young forest | **24 962** | 23 599 |
| **Total area** | **86 059** | 84 354 |

| | 2009 | 2008 |
|---|---|---|
| Current asset: | **$'000** | $'000 |
| Current portion of standing timber valuation | **67 848** | 70 439 |
| Non-current asset: | | |
| Non-current portion of standing timber valuation | **618 138** | 544 372 |

## 14. Property, plant and equipment

| **2009** | Land $'000 | Bldgs and structures $'000 | Roads and land improvmts $'000 | Plant and equipmnt $'000 | Total $'000 |
|---|---|---|---|---|---|
| As at 1 July 2008, net of accumulated depreciation and impairment | **453 718** | **10 194** | **4 216** | **15 835** | **483 963** |
| Additions | **7 100** | **289** | **581** | **2 526** | **10 496** |
| Disposals | **-** | **(11)** | **-** | **(608)** | **(619)** |
| Assets reclassified to assets held-for-sale | **-** | **-** | **-** | **(190)** | **(190)** |
| Revaluation increments | **19 481** | **-** | **-** | **-** | **19 481** |
| Revaluation decrements | **(2 565)** | **-** | **-** | **-** | **(2 565)** |
| Depreciation charge for the year | **-** | **(353)** | **(308)** | **(1 598)** | **(2 259)** |
| **Net of accumulated depreciation and impairment** | **477 734** | **10 119** | **4 489** | **15 965** | **508 307** |
| At 1 July: | | | | | |
| Cost or fair value | **453 718** | **10 873** | **7 078** | **26 577** | **498 246** |
| Accumulated depreciation and impairment | **-** | **(679)** | **(2 862)** | **(10 742)** | **(14 283)** |
| **Net carrying amount** | **453 718** | **10 194** | **4 216** | **15 835** | **483 963** |
| At 30 June: | | | | | |
| Cost or fair value | **477 734** | **11 149** | **7 660** | **26 411** | **522 954** |
| Accumulated depreciation and impairment | **-** | **(1 030)** | **(3 171)** | **(10 446)** | **(14 647)** |
| **Net carrying amount** | **477 734** | **10 119** | **4 489** | **15 965** | **508 307** |

| **2008** | | | | | |
|---|---|---|---|---|---|
| As at 1 July 2007, net of accumulated depreciation and impairment | 419 985 | 10 459 | 4 002 | 17 215 | 451 661 |
| Additions | 5 778 | 144 | 505 | 633 | 7 060 |
| Disposals | (14) | (2) | (8) | (356) | (380) |
| Assets reclassified to assets held-for-sale | (150) | - | - | - | (150) |
| Revaluation increments | 29 181 | - | - | - | 29 181 |
| Revaluation decrements | (1 062) | - | - | - | (1 062) |
| Depreciation charge for the year | - | (407) | (283) | (1 657) | (2 347) |
| **Net of accumulated depreciation and impairment** | 453 718 | 10 194 | 4 216 | 15 835 | 483 963 |
| At 1 July | | | | | |
| Cost or fair value | 419 985 | 10 731 | 6 583 | 26 825 | 464 124 |
| Accumulated depreciation and impairment | - | (272) | (2 581) | (9 610) | (12 463) |
| **Net carrying amount** | 419 985 | 10 459 | 4 002 | 17 215 | 451 661 |
| At 30 June: | | | | | |
| Cost or fair value | 453 718 | 10 873 | 7 078 | 26 577 | 498 246 |
| Accumulated depreciation and impairment | - | (679) | (2 862) | (10 742) | (14 283) |
| **Net carrying amount** | 453 718 | 10 194 | 4 216 | 15 835 | 483 963 |

***Revaluation of land and buildings and structures***
In 2006 SAFC engaged Maloney Field Services, an accredited independent valuer, to determine the fair value of its Buildings and Structures. The effective date of the revaluations is 30 June 2006.

SAFC uses the services of the Valuer-General in SA and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2009 (30 June 2008).

***Fair value of roads and land improvements and plant and equipment***
The roads and land improvements and plant and equipment asset classes contain no single asset with a purchase price (regarded as the fair value at the time of acquisition) of over $1 million. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value.

If land, buildings and structures were measured using the cost model the carrying amounts would be as follows:

| | Cost | Accumulated depreciation and impairment | Net carrying amount |
|---|---|---|---|
| **At 30 June 2009:** | **$'000** | **$'000** | **$'000** |
| Land | **44 576** | **-** | **44 576** |
| Buildings and structures | **8 390** | **(3 733)** | **4 657** |
| Roads and land improvements | **7 659** | **(3 170)** | **4 489** |
| Plant and equipment | **26 411** | **(10 446)** | **15 965** |
| **Total** | **87 036** | **(17 349)** | **69 687** |
| **At 30 June 2008:** | | | |
| Land | 37 477 | - | 37 477 |
| Buildings and structures | 8 114 | (3 379) | 4 735 |
| Roads and land improvements | 7 078 | (2 862) | 4 216 |
| Plant and equipment | 26 576 | (10 741) | 15 835 |
| **Total** | 79 245 | (16 982) | 62 263 |

The carrying value of plant and equipment held under finance leases at 30 June 2009 is $nil ($nil). Leasehold Improvements are included in plant and equipment.

Included in the roads and land improvements and plant and equipment at 30 June 2009 and 30 June 2008 are some plant and improvements in the course of construction.

***Impairment***
There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2009.

## 15. Intangible assets

| | 2009 | 2008 |
|---|---|---|
| Computer software: | **$'000** | $'000 |
| As at 1 July, net of accumulated amortisation and impairment | **402** | 446 |
| Additions | **76** | 56 |
| Amortisation charge for the year | **(73)** | (100) |
| **Total computer software, net of accumulated amortisation and impairment** | **405** | 402 |

The intangible assets consist of software for operational systems. SAFC has no contractual commitments for the acquisition of intangible assets.

| | | |
|---|---|---|
| As at 30 June: | | |
| Cost or fair value | **1 395** | 1 319 |
| Accumulated amortisation and impairment | **(990)** | (917) |
| **Net carrying amount** | **405** | 402 |

## 16. Payables

| | | |
|---|---|---|
| Current: | | |
| Trade payables | **7 251** | 6 805 |
| Accrued expenses | **841** | 1 275 |
| Other payables - deferred income | **1 269** | 25 |
| Employee benefit on-costs | **303** | 274 |
| | **9 664** | 8 379 |
| Non-current: | | |
| Other payables - deferred income | **330** | 300 |
| Employee benefit on-costs | **444** | 399 |
| | **774** | 699 |

**16. Payables (continued)**

| | 2009 | 2008 |
|---|---|---|
| SA Government payables: | **$'000** | $'000 |
| Trade payables | **413** | 224 |
| Accrued expenses | **107** | 106 |
| | **520** | 330 |

**17. Employee benefits**

| | | |
|---|---|---|
| Current: | | |
| Accrued salaries and wages | **311** | 406 |
| Long service leave | **422** | 410 |
| Annual leave | **761** | 748 |
| Other payables - superannuation | **56** | 54 |
| | **1 550** | 1 618 |
| Non-current: | | |
| Long service leave | **2 395** | 2 087 |
| | **2 395** | 2 087 |

The total current and non-current employee benefits and employee benefit on-costs for 2009 is $4.7 million ($4.4 million). Employee benefit related on-costs are disclosed as payables.

**18. Interest bearing loans**

| | | |
|---|---|---|
| Current: | | |
| Unsecured (1) | **2 781** | 2 417 |
| Non-current: | | |
| Unsecured (1) | **33 539** | 29 402 |

(1) SAFC's loans are all provided by the South Australian Government Financing Authority and are unsecured.

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in Note 25.

Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (25 June 2018).

**19. Other provisions**

| | 2009 | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Workers compensation | **95** | 124 |
| Opening balance | **124** | 95 |
| Payments | **(87)** | (92) |
| Increments in provision | **58** | 121 |
| **Closing balance** | **95** | 124 |
| Non-current: | | |
| Workers compensation | **268** | 314 |
| Opening balance | **314** | 276 |
| (Decrements) Increments in provision | **(46)** | 38 |
| **Closing balance** | **268** | 314 |

The provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment performed by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet.

**20. Equity**

Equity represents the residual interest in the net assets of the SAFC. The SA Government holds the equity interest in the Corporation on behalf of the community.

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for unrealised gains and losses in relation to forest valuation and for the annual contribution to the fire insurance fund, plus an income tax equivalent payment. SAFC declared dividends of $15.2 million ($22.7 million). This included an adjustment for prior year overpaid dividends of $1.3 million (prior year overpayment of $1.4 million). Based on the above agreement SAFC anticipates to declare an extra dividend to the 2008-09 declared dividends of $155 000. In accordance with AASB 110 no payable (receivable) has been accounted for this amount.

## 21. Commitments and contingencies

### (a) Commitments

*(i) Operating lease commitments*

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Non-cancellable operating leases contracted for but not capitalised in the accounts: | | |
| Due not later than one year | **912** | 867 |
| Due later than one year but not later than five years | **880** | 716 |
| **Total operating lease commitments** | **1 792** | 1 583 |

These operating lease commitments are not recognised in the financial report as liabilities.

*(ii) Remuneration commitments*

| | **2009** | 2008 |
|---|---|---|
| Due not later than one year | **3 409** | 2 860 |
| Due later than one year but not later than five years | **3 329** | 3 888 |
| **Total remuneration commitments** | **6 738** | 6 748 |

The remuneration commitments relate to employee agreements SAFC has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures provide an indicative amount.

| *(iii) Other commitments* | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Due not later than one year | **21 826** | 26 167 |
| Due later than one year but not later than five years | **47 661** | 70 595 |
| Due later than five years | **-** | 3 966 |
| **Total other commitments** | **69 487** | 100 728 |

SAFC's contracting commitments are for agreements for the harvesting and transport of log, silvicultural services and other commitments. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures only provide an indicative amount.

SAFC has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

### (b) Contingent liabilities

*Legal proceedings*

At the 2008 reporting date SAFC was a defendant in proceedings taken by Auspine Limited in regard to a matter pertaining to the sale of log. This matter was settled in 2009.

*Defined benefit plans - superannuation Board payments*

SAFC and the South Australian Superannuation Board entered into an arrangement at the time of incorporation of SAFC to allow officers and employees of SAFC, who were immediately before incorporation of SAFC contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988*.

SAFC was notified by the South Australian Superannuation Board in 2006 of a $2.5 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC, requiring additional contributions over 15 years. SAFC has expensed $224 000 ($216 000) being the amount payable during the current financial year. A liability has not been recognised for the remaining balance.

### (c) Contingent assets

Various banks have issued bank guarantees for SAFC customers to SAFC, which form a security in case of default on payment of fees and charges.

## 22. Schedule of Administered Items

***Sirex Fund***

SAFC administered a fund on behalf of a collective group interested in the effective control of the Sirex. The Fund is for the research into Sirex. The only asset of the Fund was cash and there are no assets or liabilities at 30 June 2009 (nil). From 29 November 2007 this Fund is no longer controlled by SAFC.

| | **2009** | 2008 |
|---|---|---|
| Summary of cash flows: | **$'000** | $'000 |
| Cash at 1 July | **-** | 269 |
| Net funds received (paid) | **-** | (276) |
| Interest received | **-** | 7 |
| **Cash at 30 June** | **-** | - |

**23. Executive disclosures**

***(a) Details of key management personnel***

*Executive*

| | |
|---|---|
| BW Farmer | Chief Executive |
| P Fuss | Executive General Manager - Human Resources |
| J O'Hehir | Executive General Manager - Planning and Development |
| I Robertson | Executive General Manager - Operations |
| W Materne | Chief Financial Officer |

| ***(b) Compensation of key management personnel*** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Short-term employee benefits paid or due and payable to or on behalf of key management personnel | **831** | 743 |
| Superannuation benefits paid or due and payable to or on behalf of key management personnel | **75** | 78 |
| **Total** | **906** | 821 |

| ***(c) Compensation of employees whose income was over $100 000*** | **2009** | 2008 |
|---|---|---|
| The number of employees whose income was within the following bands: | **Number** | Number |
| $100 000 - $109 999 | **2** | 4 |
| $110 000 - $119 999 | **1** | 2 |
| $120 000 - $129 999 | **4** | 1 |
| $130 000 - $139 999 | **-** | 1 |
| $140 000 - $149 999 | **1** | - |
| $180 000 - $189 999 | **1** | 1 |
| $200 000 - $209 999 | **1** | - |
| $220 000 - $229 999 | **-** | 1 |
| $250 000 - $259 999 | **1** | - |

| *Employee remuneration* | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Income paid or due and payable to or on behalf of employees whose income was $100 000 or more | **1 604** | 1 308 |

**24. Directors and related party disclosures**

The following persons held the position of Director of the Corporation during the financial year:

S Duncan
G Foreman
D Lloyd
J Meeking
J Ross - Chairman

Transactions between SAFC and its directors are made at arm's length. There have been no such transactions in the financial year (none).

| ***Director's remuneration*** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Income paid or due and payable to or on behalf of Directors, excluding superannuation benefits | **203** | 152 |
| Superannuation benefits paid or due and payable to or on behalf of Directors | **19** | 17 |
| **Total** | **222** | 169 |

| The number of directors whose income was within the following bands: | **2009** | 2008 |
|---|---|---|
| | **Number** | Number |
| $30 000 - $39 999 | **1** | 4 |
| $40 000 - $49 999 | **3** | 1 |
| $50 000 - $59 999 | **1** | - |

D Lloyd has a declared conflict of interest relating to an associate's involvement in business with Gunns Limited.

**25. Financial instruments**

***(i) Credit risk exposures***

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 79 percent of transactions for the financial year were transactions with the six largest of SAFC's customers (81 percent).

Credit risk in trade receivables is managed in the following ways:

- Payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- A risk assessment process is used for customers with balances over $10 000.
- Bank guarantees are obtained for specific customers (refer Note 21).
- Interest is charged on overdue balances.

***(ii) Foreign currency risk exposures***

As at 30 June 2009 SAFC has no direct exposure to foreign currencies.

***(iii) Interest rate risk exposures***

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

In addition to the interest rate SAFC paid a guarantee fee to the South Australian Government Financing Authority of 0.64 percent on the daily balance of the outstanding loan amounts (0.60 percent). The guarantee fee from 1 July 2009 is 0.75 percent.

| | | | Fixed Interest Maturing | | | | |
|---|---|---|---|---|---|---|---|
| | Floating rate | Non-interest bearing | 1 year or less | Over 1 to 5 years | Over 5 years | **2009 Total** | 2008 Total |
| Financial assets: | $'000 | $'000 | $'000 | $'000 | $'000 | **$'000** | $'000 |
| Cash | 45 830 | - | - | - | - | **45 830** | 41 320 |
| Receivables | 873 | 14 487 | - | - | - | **15 360** | 12 317 |
| | 46 703 | 14 487 | - | - | - | **61 190** | 53 637 |
| Weighted average interest rate (percent) | 3.16 | - | - | - | - | | |
| Financial liabilities: | | | | | | | |
| Interest bearing loans(1) | 3 244 | - | 4 821 | 22 297 | 17 317 | **47 679** | 43 468 |
| Payables | - | 10 438 | - | - | - | **10 438** | 9 078 |
| Tax liabilities (net) | - | 2 086 | - | - | - | **2 086** | 2 110 |
| | 3 244 | 12 524 | 4 821 | 22 297 | 17 317 | **60 203** | 54 656 |
| Weighted average interest rate (percent) including guarantee fee | 4.82 | - | 7.08 | 7.10 | 7.49 | **-** | - |
| **Net financial assets (liabilities)** | 43 459 | 1 963 | (4 821) | (22 297) | (17 317) | **987** | (1 019) |

(1) Based on contractual undiscounted cash flows.

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of SAFC. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

All financial assets and liabilities have been recognised at the balance date at their net fair value, except for the following:

| | Carrying amount | | Net fair value | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Financial liabilities: | **$'000** | $'000 | **$'000** | $'000 |
| Interest bearing loans | **36 320** | 31 819 | **37 265** | 27 966 |

***(iv) Financial liabilities carried at an amount in excess of net fair value***

Interest bearing loans with a carrying value of $36.3 million ($31.8 million) are recorded at the nominal principle amount to be settled. This is below their net fair value of $37.3 million (in excess of their net fair value of $28 million).

***(v) Net fair value of financial assets and liabilities***

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount.

*Short-term accrued revenue:* The carrying amount approximates fair value because of their short-term to maturity.

*Short-term borrowings:* The carrying amount approximates fair value because of their short-term to maturity.

*Long-term borrowings:* The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowings.

***(vi) Hedging instruments***

*Hedges of specific instruments*

SAFC has not entered into any hedging instruments.

***(vii) Liquidity risk***

Liquidity Risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place.

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

# 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 the implementation of the Government's Debt Management Policy as determined by the Treasurer of South Australia.

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

SAFA also administers the Government's insurance and risk management arrangements through its insurance division trading as SAICORP.

For details of SAFA's objectives refer to Note 1 of 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 proffer advice, as it sees fit to the Treasurer or the Authority. The Annual Report of SAFA must include details of any advice of 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 statements*

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 audit

During 2008-09, specific areas of audit attention included:

- Treasury operations (including insurance investments), including:
  - transaction initiation
  - confirmation and settlement processes
  - management reporting of the activities undertaken
- risk management, monitoring and reporting, including:
  - interest rate risk management

  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management
- Common Public Sector Interest Rate (CPSIR) calculation
- financial accounting for finance and insurance functions
- insurance premium revenue
- insurance claim expenditure
- SAFA investment products and services.

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Use has been made of the work performed by internal audit in the following areas:

- monthly findings of the Compliance Unit's review of operations
- half yearly reviews for the period ending November 2008 and period ending 31 May 2009
- SAFA yield curve methodology review
- information technology security and general controls review.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial statements

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the South Australian Government Financing Authority as at 30 June 2009, and 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 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. Responses to the management letters were generally considered to be satisfactory. Matters raised with SAFA were minor in nature. SAFA's responses indicated that each of the matters raised had been accepted and addressed accordingly.

#### *Implementation of the revised TIs 2 and 28*

SAFA has a robust governance, risk and control management framework that has been operating for over 10 years. The framework meets the requirements of the revised TIs 2 and 28. Specific elements of TIs 2 and 28 are met as follows:

*Risk and fraud management*

SAFA's Policy Manual documents the risks and controls in place for its various business activities. These include specific risks, such as interest rate risk, credit risk, liquidity risk, currency risk, operational risk, legal risk and insurance risk. Both risk and fraud are addressed by generic controls, eg segregation of duties, and specific controls over payment systems and technical business risks in treasury and insurance businesses.

Risk and fraud are considered formally at SAFA's annual risk review workshop with its internal auditors and informally through its daily operations.

The *Anti-Money Laundering and Counter Terrorism Financing Act 2006* has resulted in SAFA annually reviewing and assessing risk on all its treasury products, clients and communication channels.

Fraud is also a specific area of attention in the internal audit plan, while business risks are reviewed through the core internal audit program and individual audits.

*Control and authority frameworks*

SAFA's Policy Manual documents delegations of authority. SAFA's Compliance Unit, under the guidance of SAFA's internal auditor, undertakes testing to ensure that controls and appropriate authorisations are followed.

*Policies and procedures*

SAFA has a Policy Manual and centralised Procedures Manual. These manuals are supported by more detailed procedures at section level. These procedures include transaction processing, managing debtors and creditors, asset and liability transaction processing and managing asset and liability account balances.

*Documentation*

SAFA's Policy Manual documents SAFA's risks and controls, including its financial management policies. The Manual is supported by the centralised SAFA Procedures Manual. These documents are reviewed annually and reported to the SAFA Advisory Board. The SAFA Policy Manual is approved by the Treasurer.

All testing performed by SAFA's 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.

*Independent review*

SAFA's controls and governance frameworks are reviewed, tested and assessed by an independent accounting firm which reports to the SAFA Audit Committee. Internal audit is supported by SAFA's internal Compliance Unit, which undertakes its work program under the direction of SAFA's internal auditor.

*Audit committee/self assessment/internal audit*

SAFA's Audit Committee has a wide range of responsibilities, including ensuring that SAFA's overall risk environment is managed and controlled appropriately. It ensures this via an annually approved internal audit plan that is carried out by an independent external audit firm reporting directly to the Audit Committee.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| Interest revenue | **843** | 940 |
| Interest expense | **(816)** | (895) |
| Net loss on financial instruments and derivatives | **(54)** | (56) |
| **Net interest expense** | **(27)** | (11) |
| Insurance premium and other revenue | **71** | 56 |
| Insurance claim expense | **(74)** | (88) |
| Other expenses | **(15)** | (14) |
| **Loss before income tax** | **(45)** | (57) |
| Income tax equivalent expense | **(13)** | (17) |
| **Loss after income tax and total comprehensive result** | **(32)** | (40) |
| ***ASSETS*** | | |
| Cash, short-term assets and investments | **3 572** | 3 014 |
| Loans, advances and receivables | **7 500** | 5 554 |
| Other assets | **188** | 132 |
| **Total assets** | **11 260** | 8 700 |
| ***LIABILITIES*** | | |
| Deposits and short-term borrowings | **5 031** | 3 573 |
| Bonds, notes and debentures | **5 650** | 4 494 |
| Outstanding claims | **340** | 278 |
| Other liabilities | **49** | 123 |
| **Total liabilities** | **11 070** | 8 468 |
| ***EQUITY*** | **190** | 232 |

## Statement of Comprehensive Income

### *Interest income and expense*

Interest income and expense is determined on a market value accounting basis which combines actual interest revenue and expenses with realised and unrealised gains and losses arising from interest rate movements. Interest revenue has decreased by $97.1 million or 10 percent. This has been associated with a corresponding decrease in interest expenses of $78.8 million or 9 percent.

### *Net loss on financial instruments and derivatives*

Net loss on financial instruments and derivatives in 2008-09 comprises realised and unrealised gains from SAFA's finance and insurance investments.

*Insurance investments*

SAFA's insurance investments are managed by Funds SA. Investment revenue for 2008-09 returned a net loss of $48.7 million ($33.8 million loss) reflecting the second poor year experienced by investment markets. Refer to Note 22.1 of the financial statements.

### *Insurance premium revenue*

Insurance premium revenue, for Fund 1 insurance, was $30.2 million ($29.1 million). While the same premium rates applied in 2008-09 for all premium categories, the higher premium revenue for 2008-09 reflects higher rates used in specific circumstances.

### *Other revenue*

Other revenue increased to $40.3 million ($26.6 million) due mainly to:

- a receivable from the Treasurer, $38.9 million ($9.6 million), to reimburse SAFA for the loss incurred for insurance Fund 2. Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. Refer to Note 2(a)(2.6) of the financial statements

- a negative adjustment to insurance claims recoveries, $200 000 compared to $15.2 million recorded in the accounts as revenue from entities external to the SA Government in 2007-08. This was due mainly to an estimated recovery in 2007-08 for claims.

### *Profit (loss)*

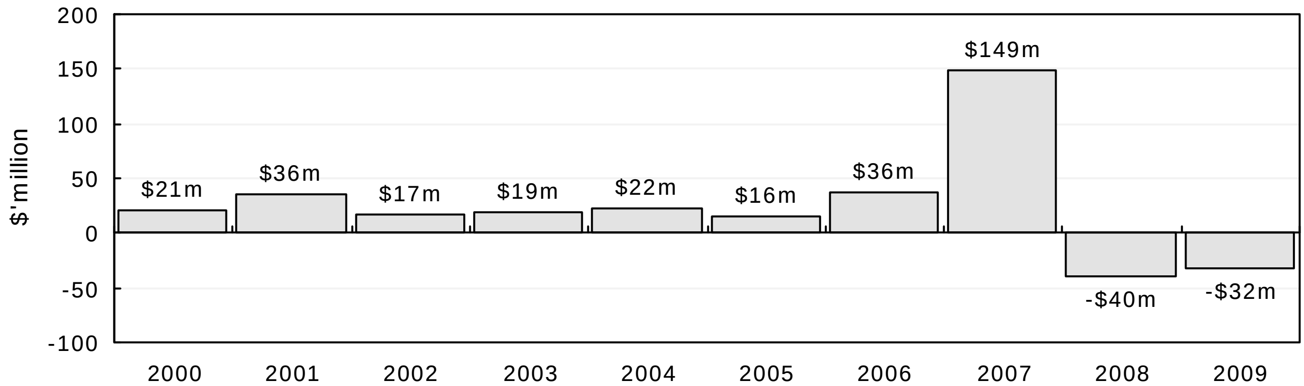
SAFA's loss before income tax equivalent was $45.3 million.

The loss for 2008-09 is attributable to Fund 1 insurance activities (refer to Note 3 of the financial statements). The insurance result reflected:

- net investment losses of $41.4 million

- an increase in the outstanding claims balance as at 30 June 2009 compared to the balance as at 1 July 2008. This resulted in an insurance claim expense of $42 million ($83.6 million).

The 10 year trend in SAFA's net result (after income tax expense) is demonstrated in the following chart.



The chart shows that until 2006, results are reasonably steady. This essentially reflects that other than occasional superior revenues, SAFA's net result is underpinned by investing retained earnings and small margins from financing activities. SAFA became responsible for insurance activities from 1 July 2006. The results for 2007 to 2009 are influenced by the insurance activities.

The 2006-07 profit result includes the initial transfer of the net assets of the former SAICORP.

The 2007-08 and 2008-09 years show loss results in the 10 year time series. As previously discussed, this is attributable to net investment losses on insurance assets and a large increase in claims expense.

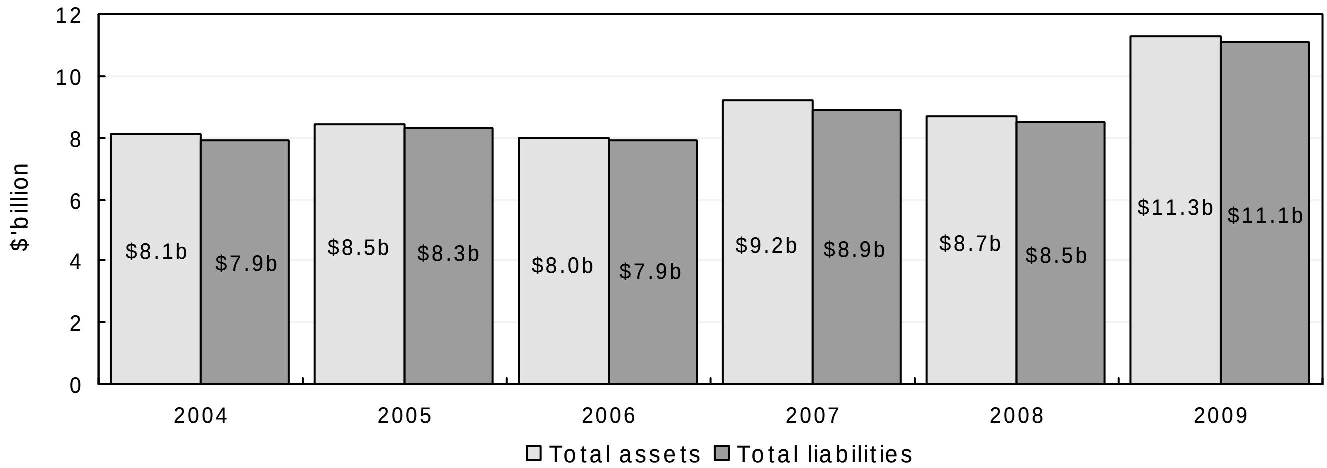
The result before income tax equivalent is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other revenue', SAFA is quarantined from Fund 2 profits or losses. This arrangement reflects the fact that Fund 2 is used to meet claim payments 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 when settled.

The result after income tax is also influenced by Treasurer's approvals. SAFA is under a Tax Equivalent Regime (TER) and taxed at 30 percent using the Accounting Profits Tax model. In 2007-08, the Treasurer approved SAFA carrying forward a deferred tax asset of $17.1 million due to the operating loss caused by insurance activities in 2007-08. Further losses in 2008-09 has increased the asset to $30.7 million. This asset will be used to offset TER income tax on future profits.

**Statement of Financial Position**

***Assets and liabilities***

A structural analysis of assets and liabilities for the six years to 2009 is shown in the following chart.




The chart shows that until 2008 the level of assets and liabilities has remained relatively unchanged. In contrast, 2008-09 shows a $2.6 billion increase in assets and liabilities.

The increase in assets is due mainly to:

- $1.2 billion increase in loans to the Treasurer, mainly to fund the Consolidated Account deficit for 2008-09 (refer to Note 6 and Treasurer's Statement A in the Appendix to Part B of this Report)

- $618 million increase in negotiable certificates of deposit (refer Note 4)

- $579 million increase in loans to public non-financial corporations and $151 million increase in loans to public financial corporations (refer Note 6).

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

- $1.1 billion increase in SAFA select lines (refer Note 9)
- $1.1 billion increase in commercial paper (refer Note 8)
- $380 million increase in deposits from the Treasurer (refer Note 8).

### *Insurance activities*

While small in SAFA's Statement of Financial Position, as shown previously, insurance activities have had a significant influence on SAFA's results over the past three years.

Outstanding claims and investments for the two years to 30 June 2009 are set out in the following table.

| | Fund 1 | | Fund 2 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Outstanding claims | **258.0** | 223.1 | **82.2** | 55.0 |
| Investments* | **204.2** | 247.5 | **36.3** | 44.0 |

* Investments are not the total assets for the Funds.

Notes 2(a)(3.7), 3 and 22 of the financial statements provide detail disclosures for insurance activities.

Outstanding claims for Fund 1 increased by $34.9 million primarily due to increases in the value of reported claims. Note 22.4 shows movements in outstanding claims. Outstanding claims are estimated annually by an independent actuary.

Insurance investments are managed by the Superannuation Funds Management Corporation of South Australia (Funds SA). SAFA is a declared prescribed authority for the purpose of investing funds with Funds SA. SAFA's insurance investments are not direct holdings of investments such as equities, but rather are interests in Funds SA's pooled investment portfolios. SAFA is responsible for setting the investment objectives whilst Funds SA is responsible for managing the investment portfolio and strategic asset allocation in accordance with the agreed investment objectives. Details of the asset allocations for SAFA's insurance assets are shown in Fund SA's financial report, Note 17(o) and (p).

Investment assets for Fund 1 reduced by $43.3 million and Fund 2 reduced by $7.7 million due to negative net investment returns for the year.

### *Capital and distributions*

At 30 June 2009, SAFA's capital reserves were represented solely by its retained earnings, which stood at $190 million ($232 million). Notwithstanding the $42 million decrease in capital reserves, a $10.7 million ($nil) 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 2009.

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million |
| **Net cash flows** | | | | |
| Operating | **45** | - | 148 | 92 |
| Investing | **(2 357)** | 583 | (1 050) | 281 |
| Financing | **2 296** | (466) | 759 | (372) |
| Change in cash | **(16)** | 117 | (143) | 1 |
| Cash at 30 June | **161** | 177 | 60 | 203 |

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

### The Common Public Sector Interest Rate

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 expenses.

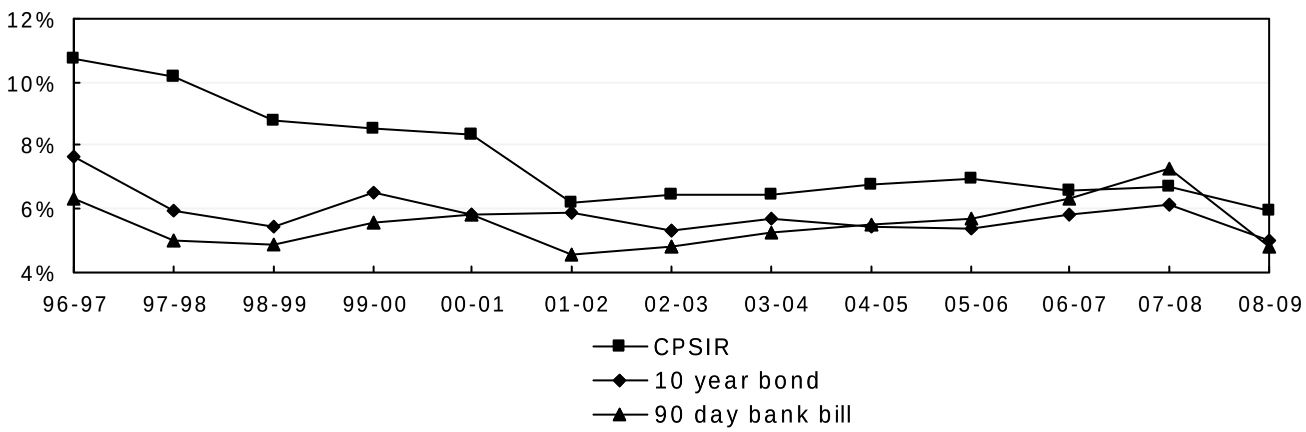
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are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

The average annual CPSIR for 2008-09 was approximately 5.94 percent (6.68 percent).

It is important to note that the objectives underlying the debt management policy of the Government, in effect, determine the CPSIR. SAFA manage 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**




**Business risk management**

***Operational risk management***

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

- an annual risk assessment performed by the 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 and monthly 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 $121.8 million at 30 June 2009 ($57.1 million), 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, $4.2 billion ($3 billion), contains transactions such as indexed liabilities and loans, Commonwealth housing loans, 2015 zero coupon bonds and rolling loans and deposits. 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.

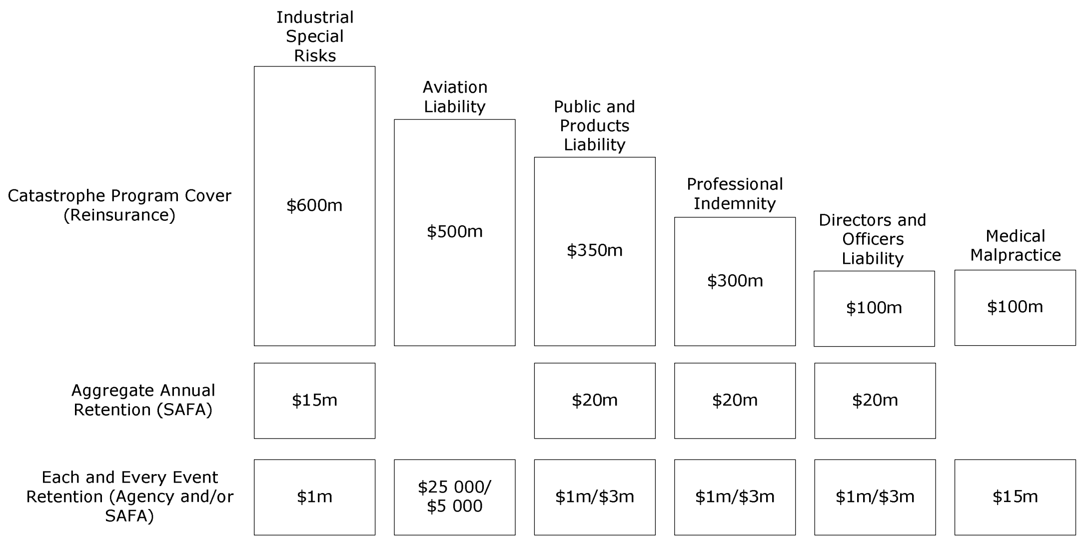
These portfolios, holding assets of $6.6 billion at 30 June 2009 ($5.3 billion), are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from the other principal portfolios are recorded in SAFA's Statement of Comprehensive Income.

**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 or claims in a year, a catastrophe reinsurance program is placed in the international insurance market through SAFA.

Reinsurance premium expense for 2008-09 was $6.2 million ($6.5 million).

The structure of SAFA's catastrophe reinsurance program is depicted as follows:




While a lower premium was paid for 2008-09 than the previous year, catastrophe coverage was the same other than an increase in the deductible for medical malpractice events to $15 million ($12.5 million).

**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 that this area has on SAFA's medical malpractice claim liabilities.

# Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| **REVENUE:** | | **$'million** | $'million |
| Interest revenue | 12 | **843.1** | 940.2 |
| *Less:* Interest expense | 12 | **816.1** | 894.9 |
| Net loss on financial instruments and derivatives | 12 | **(53.9)** | (56.0) |
| | | **(26.9)** | (10.7) |
| Insurance premium revenue | 12 | **30.2** | 29.1 |
| Other revenue | 12 | **40.3** | 26.6 |
| **Total revenue** | | **43.6** | 45.0 |
| | | | |
| **EXPENSES:** | | | |
| Insurance claim expense | 13 | **73.6** | 87.7 |
| Outward reinsurance premium expense | 13 | **6.6** | 6.9 |
| Operating expenses | 13 | **8.7** | 7.4 |
| **Total expenses** | | **88.9** | 102.0 |
| **LOSS BEFORE INCOME TAX EQUIVALENTS** | | **(45.3)** | (57.0) |
| Income tax equivalent expense with SA Government | | **(13.6)** | (17.1) |
| **LOSS AFTER INCOME TAX EQUIVALENTS** | | **(31.7)** | (39.9) |
| Other comprehensive income | | **-** | - |
| **TOTAL COMPREHENSIVE RESULT** | | **(31.7)** | (39.9) |

Total comprehensive result is attributable to the SA Government as owner

## Statement of Financial Position
## as at 30 June 2009

| | Note | **2009 $'million** | 2008 $'million |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash and short-term assets | 4 | **2 400** | 1 798 |
| Investments | 5 | **1 172** | 1 216 |
| Loans, advances and receivables | 6 | **7 500** | 5 554 |
| Other assets | 7 | **188** | 132 |
| **Total assets** | | **11 260** | 8 700 |
| **LIABILITIES:** | | | |
| Deposits and short-term borrowings | 8 | **5 031** | 3 573 |
| Bonds, notes and debentures | 9 | **5 650** | 4 494 |
| Outstanding claims | 10 | **340** | 278 |
| Other liabilities | 11 | **49** | 123 |
| **Total liabilities** | | **11 070** | 8 468 |
| **NET ASSETS** | | **190** | 232 |
| **EQUITY:** | | | |
| Retained earnings | | **190** | 232 |
| **TOTAL EQUITY** | | **190** | 232 |

Total equity is attributable to the SA Government as owner

## Statement of Changes in Equity
## for the year ended 30 June 2009

| | Retained earnings $'million |
|---|---|
| Balance at 30 June 2007 | 272.1 |
| Net result for 2007-08 | (39.9) |
| Total comprehensive result for 2007-08 | (39.9) |
| Transactions with SA Government as owner: | |
| Dividends paid/payable | - |
| Balance at 30 June 2008 | **232.2** |
| Net result for 2008-09 | (31.7) |
| Total comprehensive result for 2008-09 | (31.7) |
| Transactions with SA Government as owner: | |
| Dividends paid/payable | (10.7) |
| **Balance at 30 June 2009** | **189.8** |

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

# Statement of Cash Flows
# for the year ended 30 June 2009

| | Note | **2009 Inflows (Outflows) $'million** | 2008 Inflows (Outflows) $'million |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Proceeds from: | | | |
| Interest received | | **586** | 611 |
| Direct insurance placement | | **5** | 2 |
| Premiums received | | **30** | 29 |
| Derivatives net interest received | | **-** | (12) |
| Stamp duty received from agencies | | **4** | 4 |
| Other income | | **(4)** | 3 |
| Payments for: | | | |
| Interest paid | | **(542)** | (579) |
| Claims paid | | **(10)** | (21) |
| Outwards reinsurance premium paid | | **(7)** | (7) |
| Direct insurance placement | | **(4)** | (3) |
| Stamp duty paid to RevenueSA | | **(4)** | (4) |
| Operating expenses paid | | **(9)** | (9) |
| Income tax (TER) paid | | **-** | (14) |
| **Net cash provided by operating activities** | 15.2 | **45** | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Net proceeds from client loans | | **(1 782)** | 75 |
| Purchase of investments | | **(26 968)** | (22 135) |
| Proceeds from investments | | **26 393** | 22 643 |
| **Net cash (used in) provided by investing activities** | | **(2 357)** | 583 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Net repayments of borrowings | | **2 307** | (466) |
| Dividends paid to government | | **(11)** | - |
| **Net cash provided by (used in) financing activities** | | **2 296** | (466) |
| **NET (DECREASE) INCREASE IN CASH HELD** | | **(16)** | 117 |
| **CASH AT 1 JULY** | | **177** | 60 |
| **CASH AT 30 JUNE** | 15.1 | **161** | 177 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. Objectives**

The South Australian Government Financing Authority is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*, and is referred to as 'SAFA' in the financial statements. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia, 5000. On 1 July 2006 SAFA amalgamated with the South Australian Government Captive Insurance Corporation (SAICORP).

SAFA's objectives are to:

- develop and implement borrowing and investment programs for the benefit of semi-government authorities
- 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.

## 2. Significant accounting policies

### *(a) Basis of preparation*

The financial statements have been prepared as general purpose financial statements and comply with the requirements of the AASs and the requirements of the TIs relating to financial statements by statutory authorities that are issued pursuant to the PFAA.

The financial statements do not include SAFA consolidated with its controlled entities. These entities were dormant and were wound up during 2007-08.

The financial statements are prepared in accordance with AIFRS.

*Statement of compliance*

AASs include AIFRS. SAFA has early-adopted the revised AASB 101, AASB 2007-08 and AASB 2007-10. All other AASs 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 2009.

SAFA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are valued in accordance with the valuation policy applicable.

The preparation of the financial statements requires compliance 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:

(a) 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.

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

SAFA's financial performance and position are detailed separately in the Notes for the Finance and Insurance activities. Additionally, the Insurance activities are further broken down between those of Insurance Fund 1 and Insurance Fund 2.

*1. Market value accounting*

SAFA designates at initial recognition to account for all financial transactions at fair value (MV) through profit and loss. SAFA believes that this better reflects how SAFA manages its assets and liabilities and provides a better basis for making decisions and evaluating performance. Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial instruments are revalued to reflect market movements with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (Note 12). Financial instruments are revalued regularly (at least monthly) either at their quoted market price or their cash flows are discounted against the relevant yield curve.

*2. Revenue and expense recognition*

2.1 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/losses and unrealised gains/losses are included in the Statement of Comprehensive Income and are separately identified in Note 12.

2.2 Other revenue

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

2.3 Premium revenue

The earned portion of premiums received and receivable is recognised as premium revenue excluding amounts collected for stamp duties. Premium is treated 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. Unearned premium is determined by apportioning the premiums written prior to year end on a daily pro-rata basis.

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 insured directly with a commercial insurance organisation, 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.

2.4 Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at the end of the reporting period as a prepayment.

An amount of $6.628 million ($6.467 million) was expensed for cover provided under the Government's catastrophe reinsurance program. This program 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.

2.5 Claims

Claims expense is comprised of claim payments, deductible receipts and movements in underlying claim estimates.

2.6 Receivable from/payable to the Treasurer

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 with either a payable to or receivable from the Treasurer. In 2008-09, this policy resulted in a receivable from the Treasurer of $38.9 million (a receivable from the Treasurer of $9.6 million).

2.7 Receivable from the Premier

The Premier on behalf of the State of South Australia has guaranteed one of SAFA's corporate security investments. As at 30 June 2008, this investment was considered to be impaired and its decrease in value was recognised in the Statement of Comprehensive Income. The guarantee afforded SAFA the right to sell its investment to the Premier at its fair value prior to taking account of any impairment. In the 2007-08 financial statements this was recognised as a receivable in the Statement of Financial Position and as a gain in 'Net loss on financial instruments and derivatives' in the Statement of Comprehensive Income. SAFA called on the guarantee from the Premier during 2008-09 and sold the investment to the Premier.

*3. Assets and liabilities*

3.1 Cash and short-term assets

Primarily, short-term money market deposits and negotiable discount securities, are held for liquidity and short term investment purposes.

3.2 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. SAFA does not hold investments for trading purposes.

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.

3.3 Common Public Sector Interest Rate Loan

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 (refer to Note 21). 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 loss or gain on the CPSIR loan to the Treasurer.

3.4 Impairment of financial assets

Financial assets are recognised at fair value before assessing any required provisions for impairment. The Treasurer guarantees all loans and advances to South Australian public sector entities. Financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence that a financial asset is impaired. Objective evidence results from one or more loss events (a loss event is an event after initial recognition and prior to the end of the reporting period) that have occurred and is considered to have an impact on the estimated future cash flows of the financial asset. The review assesses whether objective evidence of impairment exists individually for assets. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. SAFA uses its experienced judgement in estimating future cash flows. Impaired financial assets and their impacts are shown in Notes 5, 7, 12 and 21.4.

3.5 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 to Note 8).

3.6 Bonds, notes and debentures and other borrowings

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis.

3.7 Outstanding claims

Insurance activities are segregated into two funds. Liabilities for outstanding claims for Fund 1 are recognised in respect of occurred incidents. The liabilities include claims incurred but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. In addition, SAFA has recognised a prudential margin of 10 percent of its outstanding claims liabilities for short tail business, 25 percent for medical malpractice and 20 percent for all other classes (the same percentages were applied in 2007-08). Liabilities for outstanding claims for Fund 2 are recognised in respect of occurred incidents including the anticipated costs of settling these claims and a prudential margin as for Fund 1.

The claims liabilities are measured as the present values of the expected future claims payments. An inflation rate of 7.5 percent per annum, comprising 4.5 percent wage inflation plus 3 percent superimposed inflation, has been assumed (inflation was 7.5 percent comprising 4.5 percent wage inflation plus 3 percent superimposed inflation was assumed). In the calculation of present values, discount rates of 5.5 percent per annum for medical malpractice, 4 percent per annum for short tail and 4.5 percent per annum for long tail has been assumed (6.6 percent per annum was applied across all classes).

Claims incurred but not paid and claims settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of IBNR claims, SAFA has employed the ‘Net written premium’ method modified to allow for IBNR claims.

Indirect claim settlement costs are those claim settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent of the outstanding claims liabilities.

The above methodologies are used by SAFA, as there is insufficient historical data to perform a portfolio analysis to derive a statistical methodology for the calculation of claims liabilities. Brett and Watson Pty Ltd - Consulting Actuaries has been engaged to consider the appropriateness of the above methodologies and to recommend appropriate discount and inflation rates, prudential margins and indirect claim settlement costs percentages to be used for annual financial reporting. Their recommendations were adopted for the preparation of the financial statements.

3.8 Derivative instruments

SAFA utilises derivative instruments in fundraising, debt management and client activities. They 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.

3.9 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 cost.

Recoveries receivable on claims paid and claims reported but not yet paid are recognised as income and assets where they can be reliably measured.

Recoveries receivable are measured as the present values of the expected future recovery receipts. An inflation rate of 7.5 percent per annum, comprising 4.5 percent wage inflation plus 3 percent superimposed inflation has been assumed (inflation was 7.5 percent comprising 4.5 percent wage inflation plus 3 percent superimposed inflation was assumed). In the calculation of present values, discount rates of 6.6 percent per annum has been assumed across all classes (6.6 percent per annum across all classes was applied).

***(b) Foreign currency translation***

Foreign currency assets and liabilities are recognised in the financial statements at the exchange rate applying at 30 June 2009. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial statements. Revaluation of foreign currency assets and liabilities are recognised as unrealised gains or losses and are recognised in the Statement of Comprehensive Income.

Forward foreign exchange contracts are translated at the exchange rate applying at 30 June 2009. Resulting exchange differences are recognised in the Statement of Comprehensive Income.

**(c) *Employee benefits***

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

**(d) *Taxation***

*Accounting Profits Tax Model*

SAFA and its controlled entities came under a Tax Equivalent Regime (TER) as from 1 July 1995 and are taxed at 30 percent using the Accounting Profits Tax Model. SAFA receives a credit against its TER liability for any income tax paid directly or by its controlled entities in Australia or in other jurisdictions. Taxable losses are carried forward as deferred tax assets to be offset against future taxable profits. As at 30 June 2009 the deferred tax asset totalled $30.7 million ($17.1 million).

*GST*

SAFA is grouped with Treasury, 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, or
- 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*

Amounts collected for stamp duty are excluded from premiums and on-paid monthly to RevenueSA.

**(e) *Comparatives***

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

**(f) *Transactions with SA Government***

In accordance with the APF the financial statements and Notes to the accounts disclose any transactions with an entity within the SA Government as at the reporting date, classified according to their nature.

**(g) *Rounding***

Unless otherwise indicated, all amounts have been rounded to the nearest million Australian dollars.

**(h) *Average balances***

The average balances presented in Note 20 refer to 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.

**(i) *Liquidity analysis***

The maturity classification of the assets and liabilities is determined by the length of time from the end of the reporting period, 30 June 2009, to the contractual repayment date of the individual assets and liabilities. The amounts shown represent the principal and interest cash flows of the financial assets and liabilities as at 30 June 2009 (refer to Note 21) for SAFA's Finance activities.

**(j) *Insurance risk assumptions***

The Insurance division writes four broad classes of insurance: Property, Liability, Other Liability and Medical Malpractice. Full details of the actuarial assumptions and risk margins adopted for the Insurance activities are in Note 22.7.

## 3. Segment information

***Business segments***

SAFA operates in the following segments:

- Finance industry - lends funds and provides financial advice to the SA Government, semi-Government authorities, South Australian public sector financial institutions and Government agencies.
- Insurance industry - underwriting several types of general insurance for SA Government agencies.

The insurance activities are further broken down into Fund 1 and Fund 2 in Note 22. Fund 1 reflects the normal commercial activities of SAFA whilst 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.

| **2009** | **Finance $'million** | **Insurance $'million** | **Eliminations $'million** | **Total $'million** |
|---|---|---|---|---|
| Revenue | **23.4** | **20.2** | **-** | **43.6** |
| Expenses | **(7.0)** | **(81.9)** | **-** | **(88.9)** |
| **Profit (loss) before tax** | **16.4** | **(61.7)** | **-** | **(45.3)** |
| Income tax expense | **(4.9)** | **18.5** | **-** | **13.6** |
| **Comprehensive result** | **11.5** | **(43.2)** | **-** | **(31.7)** |

| ***Business segments (continued)*** | **Finance** | **Insurance** | **Eliminations** | **Total** |
|---|---|---|---|---|
| **2009** | **$'million** | **$'million** | **$'million** | **$'million** |
| Segment assets | **10 917.9** | **383.2** | **(41.4)** | **11 259.7** |
| Segment liabilities | **(10 770.8)** | **(340.5)** | **41.4** | **(11 069.9)** |
| **Net assets** | **147.1** | **42.7** | **-** | **189.8** |
| **2008** | | | | |
| Revenue | 24.9 | 20.1 | - | 45.0 |
| Expenses | (6.5) | (95.5) | - | (102.0) |
| **Profit (loss) before tax** | 18.4 | (75.4) | - | (57.0) |
| Income tax expense | (5.5) | 22.6 | - | 17.1 |
| **Comprehensive result** | 12.9 | (52.8) | - | (39.9) |
| Segment assets | 8 361.0 | 364.5 | (25.1) | 8 700.4 |
| Segment liabilities | (8 214.6) | (278.7) | 25.1 | 8 468.2 |
| **Net assets** | 146.4 | 85.8 | - | 232.2 |

## 4. Cash and short-term assets

| | **2009** | 2008 |
|---|---|---|
| Finance: | **$'million** | $'million |
| Cash at bank | **6.4** | 1.8 |
| Deposits with the Treasurer | **47.1** | 54.5 |
| Short-term money market deposits | **100.5** | 115.7 |
| Negotiable certificates of deposit | **2 238.9** | 1 620.6 |
| | **2 392.9** | 1 792.6 |
| Insurance: | | |
| Deposits with the Treasurer | **7.3** | 5.7 |
| | **7.3** | 5.7 |
| **Total cash and short-term assets** | **2 400.2** | 1 798.3 |

## 5. Investments

| | | |
|---|---|---|
| Finance: | | |
| Semi-government securities | **191.3** | 143.2 |
| Commonwealth Government securities | **70.9** | 69.0 |
| Local Government securities | **18.1** | 18.5 |
| Indexed securities | **-** | 68.7 |
| Bank and corporate securities | **609.7** | 640.8 |
| Provision for impairment - corporate securities | **-** | (35.0) |
| | **890.0** | 905.2 |
| Insurance: | | |
| Growth Fund (Funds SA) | **240.5** | 291.5 |
| Bank and corporate securities | **41.1** | 19.6 |
| | **281.9** | 311.1 |
| **Total investments** | **1 171.9** | 1 216.3 |

## 6. Loans, advances and receivables

| | | |
|---|---|---|
| Finance: | | |
| Loans to the Treasurer at market | **35.6** | 37.1 |
| Loans to the Treasurer at CPSIR | **3 827.5** | 2 620.3 |
| Loans to the SA Government | **240.2** | 229.6 |
| Loans to public non-financial corporations | **2 062.2** | 1 483.4 |
| Loans to public financial corporations | **1 334.2** | 1 183.5 |
| **Total loans, advances and receivables** | **7 499.7** | 5 553.9 |

## 7. Other assets

| | | |
|---|---|---|
| Finance: | | |
| Derivatives - receivable SA Government | **21.4** | 2.9 |
| Derivatives - receivable | **74.5** | 50.4 |
| Sundry debtors SA Government | **2.6** | 1.3 |
| Sundry debtors | **0.2** | 0.2 |
| Receivable from the Premier | **-** | 35.0 |
| | **98.7** | 89.8 |
| Insurance: | | |
| Recoveries receivable | **16.8** | 17.6 |
| Prepaid outwards reinsurance | **2.5** | 1.9 |
| Sundry debtors SA Government | **0.2** | 1.0 |
| Sundry debtors | **-** | 0.3 |
| Deferred tax assets | **30.7** | 17.1 |
| Receivables from the Treasurer | **38.9** | 4.2 |
| | **89.1** | 42.1 |
| **Total other assets** | **187.8** | 131.9 |

Note SA Government includes the Treasurer.

| | | 2009 | 2008 |
|---|---|---|---|
| **8.** | **Deposits and short-term borrowings** | | |
| | Finance: | **$'million** | $'million |
| | Call deposits | **100.6** | 115.0 |
| | Deposits from the Treasurer | **2 353.2** | 1 973.3 |
| | Deposits from SA Government | **758.0** | 772.8 |
| | Repurchase agreements | **185.0** | 188.5 |
| | Commercial paper | **1 633.9** | 523.6 |
| | **Total deposits and short-term borrowings** | **5 030.7** | 3 573.2 |
| **9.** | **Bonds, notes and debentures** | | |
| | Finance: | | |
| | Select lines | **4 433.3** | 3 335.9 |
| | Retail stock | **169.0** | 143.5 |
| | Zero coupon | **236.7** | 208.5 |
| | Inflation linked bonds and securities | **250.2** | 271.0 |
| | Obligation to Commonwealth Government | **561.1** | 535.2 |
| | **Total bonds, notes and debentures** | **5 650.3** | 4 494.1 |
| **10.** | **Outstanding claims** | | |
| | Insurance: | | |
| | Outstanding claims | **323.7** | 262.3 |
| | Outstanding claims SA Government | **16.6** | 15.8 |
| | **Total outstanding claims** | **340.3** | 278.1 |
| **11.** | **Other liabilities** | | |
| | Finance: | | |
| | Derivatives - payable to SA Government | **2.5** | 3.0 |
| | Derivatives - payable | **23.4** | 99.0 |
| | Interest received in advance from the Treasurer | **20.5** | 17.7 |
| | Sundry creditors SA Government | **-** | 0.2 |
| | Sundry creditors | **1.9** | 2.2 |
| | | **48.3** | 122.1 |
| | Insurance: | | |
| | Other | **0.2** | 0.4 |
| | **Total other liabilities** | **48.5** | 122.5 |

Note SA Government includes the Treasurer.

| | | | |
|---|---|---|---|
| **12.** | **Revenue** | | |
| | Interest revenue: | | |
| | External to SA Government: | | |
| | Cash and short-term assets | **101.5** | 125.8 |
| | Investments | **57.6** | 77.3 |
| | Other assets | **310.7** | 327.5 |
| | Internal to SA Government: | | |
| | Cash and short-term assets | **1.9** | 1.9 |
| | Loans, advances and receivables | **328.5** | 375.7 |
| | Other assets | **42.9** | 32.0 |
| | | **843.1** | 940.2 |
| | *Less:* Interest expense: | | |
| | External to SA Government: | | |
| | Deposits and short-term borrowings | **70.3** | 61.4 |
| | Bonds, notes and debentures | **308.1** | 294.1 |
| | Other liabilities | **302.5** | 346.9 |
| | Internal to SA Government: | | |
| | Deposits and short-term borrowings | **101.4** | 160.0 |
| | Other liabilities | **33.8** | 32.5 |
| | | **816.1** | 894.9 |
| | Net profit (loss) on financial instruments and derivatives: | | |
| | External to SA Government: | | |
| | Realised | **-** | (9.0) |
| | Unrealised | **(102.1)** | 18.6 |
| | Impairment - Corporate securities | **-** | (35.0) |
| | Internal to SA Government: | | |
| | Realised | **(10.3)** | 2.3 |
| | Unrealised | **58.5** | (67.9) |
| | Receivable from the Premier | **-** | 35.0 |
| | | **(53.9)** | (56.0) |
| | | **(26.9)** | (10.7) |

**12. Revenue (continued)**

| | Note | **2009** | 2008 |
|---|---|---|---|
| Premium revenue: | | **$'million** | $'million |
| External to SA Government | | **1.7** | 1.6 |
| Internal to SA Government | | **28.5** | 27.5 |
| | | **30.2** | 29.1 |
| Other revenue: | | | |
| External to SA Government | | | |
| Other revenue | | **(0.2)** | 15.2 |
| Internal to SA Government | | | |
| Other revenue | | **-** | 0.1 |
| Management fees | | **1.6** | 1.7 |
| Receivable from the Treasurer | 2(a)(2.6),22.1 | **38.9** | 9.6 |
| | | **40.3** | 26.6 |
| **Total revenue** | | **43.6** | 45.0 |

Note: SA Government includes the Treasurer

**13. Expenses**

| | **2009** | 2008 |
|---|---|---|
| Insurance claim expenses: | | |
| External to SA Government | **67.6** | 85.3 |
| Internal to SA Government | **6.0** | 2.4 |
| | **73.6** | 87.7 |
| Reinsurance and other recoveries expense external to SA Government | **6.6** | 6.9 |
| Operating expenses: | | |
| Internal to SA Government: | | |
| Service Level Agreement (SLA) | **7.3** | 6.7 |
| External to SA Government: | | |
| Program and debt management fees | **1.1** | 0.9 |
| Underwriting | **(0.2)** | (0.3) |
| Other | **0.5** | 0.1 |
| | **8.7** | 7.4 |
| **Total expenses** | **88.9** | 102.0 |

The SLA is between SAFA and Treasury. Treasury provides services to SAFA to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. Treasury provides SAFA with appropriately trained and skilled staff together with necessary infrastructure support including audit. The majority of the fee relates to staffing, accommodation, audit and network systems.

SLA insurance costs of $1 417 953 ($1 055 642) have been allocated directly to claims and acquisition expense. This reflects a more accurate underwriting result.

**14. 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.

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

***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. No indemnities have been given for income tax aspects of any financing arrangement undertaken since July 1988.

By its nature insurance underwriting has liabilities contingent upon certain events occurring that give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to 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 2009, SAFA has provided a guarantee to 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 Origin Energy subsidiaries. The maximum exposure of the guarantee is estimated at $150 million to $200 million.

***Unused loan facilities***
As at 30 June 2009, SAFA had extended loan facilities that were unutilised totalling $1019.6 million.

| | **2009** | 2008 |
|---|---|---|
| **15. Cash flow information** | | |
| ***15.1 Reconciliation of cash*** | **$'million** | $'million |
| Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts | **160.8** | 177.0 |
| ***15.2 Reconciliation of net cash provided by operating activities to comprehensive result*** | | |
| Comprehensive result | **(31.7)** | (39.9) |
| Non-cash items: | | |
| Change in net market value of financial instruments | **(5.9)** | 25.3 |
| Amortisation of financial instruments | **25.5** | 5.2 |
| Change in market value of insurance investments | **51.1** | 37.1 |
| Changes in assets and liabilities: | | |
| Decrease (Increase) in accrued interest receivable | **2.5** | (9.6) |
| Decrease (Increase) in recoveries receivable | **0.8** | (14.5) |
| Increase in sundry debtors and other assets | **(42.2)** | (43.5) |
| Decrease in accrued interest payable | **(16.9)** | (25.4) |
| Increase in outstanding claims | **62.2** | 67.2 |
| Decrease in sundry creditors and other liabilities | **(0.7)** | (1.6) |
| FX movement | **-** | - |
| **Net cash provided by operating activities** | **44.7** | 0.3 |

***15.3 Non-cash financing and investing activities***
During 2008-09, $6.8 million was adjusted against the Treasurer's debt for book losses arising from debt management activity.

| **16. Auditor's remuneration** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Audit fees paid to the Auditor-General's Department | **143** | 148 |

Audit fees are paid through SAFA's SLA with Treasury

| **17. Key management personnel** | **2009** | 2008 |
|---|---|---|
| ***17.1 Board members*** | **Number** | Number |
| Remuneration: | | |
| $0 | **3** | 3 |
| $30 001 - $40 000 | **4** | 3 |
| $40 001 - $50 000 | **1** | 2 |
| **Total number of members** | **8** | 8 |

| | **2009** | 2008 |
|---|---|---|
| **Total remuneration** | **$179 537** | $138 432 |

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 2008-09 were $12 254 ($9608). All amounts paid to members are paid through SAFA's SLA with Treasury.

Members that were entitled to receive remuneration for membership during 2008-09 financial year were:

***Advisory Board***
Mr J Wright (Presiding Member)*
Mr B Brownjohn
Mr L Foster
Ms A Howe*
Mr C Long
Ms Y Sneddon
Ms J Brown

***Audit Committee***
Ms Y Sneddon
Mr L Foster
Mr P Mendo*

* Those members who are permanently employed under the PSM Act, 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.

***17.2 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 I Welch | Director, Finance |
| Mr B Daniels (retired December 2008) | Director, Insurance |
| Mr T Burfield | Director, Insurance |
| Mr D Posaner | Director, Corporate Governance and Planning |
| Mr A Thompson (resigned November 2008) | Director, Financial Markets and Client Services |
| Mr J Powell | Director, Financial Markets and Client Services |

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

**18. Consultants**

| | **2009 Number** | 2008 Number |
|---|---|---|
| Between $10 001 - $50 000 | **-** | 2 |
| **Total consultants** | **-** | 2 |
| **Total consultants expense** | **$nil** | $49 489 |

In addition to the amounts shown in the table above, $94 000 ($100 000) in consultants fees were paid through SAFA's SLA with Treasury. These consultants are disclosed in Treasury's statements.

**19. 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. 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. As at 30 June 2009, assets under management totalled $nil and liabilities total $1775.4 million ($nil and $1255.8 million).

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. Total market value (MV) of these portfolios as at 30 June 2009 was $737.4 million ($762.8 million). The assets and liabilities of these portfolios are reported within SAFA's Statement of Financial Position.

**20. Average statement of financial position and margin analysis**

| | | **2009** | | | 2008 | |
|---|---|---|---|---|---|---|
| Assets: | **Average balance $'million** | **Interest $'million** | **Average rate Percent** | Average balance $'million | Interest $'million | Average rate Percent |
| Interest earning assets: | | | | | | |
| Cash and short-term assets | **2 135.2** | **103.4** | **4.84** | 1 922.1 | 127.7 | 6.64 |
| Investments | **965.0** | **57.6** | **5.97** | 1 024.0 | 77.3 | 7.55 |
| Loans, advances and receivables | **5 914.5** | **328.5** | **5.55** | 5 570.1 | 375.7 | 6.74 |
| Other assets | **-** | **353.6** | **-** | - | 359.5 | - |
| **Total assets** | **9 014.7** | **843.1** | **5.43** | 8 516.2 | 940.2 | 6.82 |
| Liabilities: | | | | | | |
| Interest bearing liabilities: | | | | | | |
| Deposits and short-term borrowings | **3 788.6** | **171.7** | **4.53** | 3 474.6 | 221.4 | 6.37 |
| Bonds, notes and debentures | **5 166.6** | **308.1** | **5.96** | 4 993.3 | 294.1 | 5.89 |
| Other liabilities | **-** | **336.3** | **-** | - | 379.4 | - |
| **Total liabilities** | **8 955.2** | **816.1** | **5.36** | 8 467.9 | 894.9 | 6.09 |

**21. Specific disclosure - finance**

***21.1 Financial risk management***

SAFA's core Finance functions are fundraising, asset and liability management and the provision of financial risk management and advisory services to its public sector clients. SAFA aims to undertake its functions in a manner that protects the interest of its owner and clients. To assist in the management of SAFA's operations and its associated risks, SAFA's business activities have been separated into portfolios. SAFA's portfolio structure consists of a number of principal portfolios and four portfolios comprising the Treasurer's portfolio. Any profit or loss resulting from the operations of principal portfolios is for SAFA's account whilst net interest expenses and market revaluations in the Treasurer's portfolio are for the account of the Treasurer. The Treasurer's portfolio comprises assets and liabilities that together comprise the CPSIR loan to the Treasurer. Effectively, the CPSIR loan mirrors the other assets and liabilities in that portfolio. The principal portfolios are managed within strict risk limits to minimise exposure to SAFA. The Treasurer's portfolio is managed within duration limits and value at risk limits with all the risk being borne by the Treasurer.

*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.

*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 Under Treasurer and Treasurer approve interest rate risk limits for SAFA's portfolios. Limits on interest rate risk for portfolios managed on behalf of clients are set in consultation with the clients.

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.

(i) Interest rate futures contracts
A futures contract is an obligation to buy or sell an underlying commodity or financial instrument of a standardised amount and quantity at a specified future date with the price being set by an open auction system at the time when the contract is made.

The futures contracts principally transacted by SAFA are 90 day bank bill futures contracts and 3 year and 10 year bond futures contracts traded on the Sydney Futures Exchange.

SAFA utilises futures contracts to manage interest rate exposures on a specific transaction or portfolio of transactions.

As at 30 June 2009, open interest rate futures positions represented a total notional principal of $328 million ($301.3 million).

The mark to market movement in futures contracts is recognised in the Statement of Comprehensive Income, except where it was undertaken as part of the Treasurer's portfolios, and is passed onto the Treasurer as an adjustment to his debt level.

(ii) Interest rate swaps
An interest rate swap is a financial contract between two parties agreeing to exchange interest obligations over a fixed term on fixed dates. Interest amounts are calculated on a notional principal.

SAFA utilises interest rate swaps to manage interest rate exposures on a specific transaction or portfolio of transactions.

Contracts principally involve the payment or receipt of interest on a monthly, quarterly or semi-annual basis. As at 30 June 2009, the notional value of interest rate swaps totalled $6625.2 million positive MV $70.1 million ($5829.1 million negative MV $48.8 million).

(iii) Swaptions/interest rate options
An interest rate option is a contract between two parties where one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an interest rate differs to a specific strike rate. As at 30 June 2009, there were no outstanding exchange traded interest rate option contracts.

(iv) Forward rate agreements
A Forward Rate Agreement (FRA) is a contractual agreement between two parties to lock in a preset interest rate on an agreed notional principal for a given period of time commencing at a specific future date.

SAFA utilises FRAs to manage interest rate exposures on a specific transaction or portfolio of transactions. The notional value of FRAs as at 30 June 2009 was $50 million ($nil).

The settled amount for FRAs is recognised immediately in the Income Statement, except where it was undertaken as part of the Treasurer's portfolios, and is passed onto the Treasurer as an adjustment to his debt level.

(v) Sensitivity analysis
SAFA manages the sensitivity of its 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.

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 $500 000.

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

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Domestic | **355 056** | 180 945 |
| Reinvestment* | **-** | 529 |
| Cash Management Fund | **45 067** | 31 910 |

* No transactions as at 30 June 2009

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

(v) Sensitivity analysis (continued)
The increase in VaR is consistent with an increase in financial assets and liabilities and a significant increase in volatility in market rates over recent years.

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

(vi) Market value movements attributable to changes in credit risk
The majority of SAFA's lending (around 69 percent) 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 immaterial.

*Foreign exchange risk*
SAFA has a policy of avoiding foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

(i) Currency swaps
A cross currency swap is a financial contract between two parties agreeing to exchange interest obligations in two different currencies over a fixed term on fixed dates. Interest amounts are calculated on currency principals which are usually exchanged at the start of the transaction.

SAFA utilises cross currency swaps to eliminate foreign currency exposures associated with foreign currency borrowings. Currently SAFA has no cross currency swaps.

(ii) Foreign exchange and forward exchange contracts
A foreign exchange contract is an agreement between two parties to buy and sell one currency against another currency either on a spot basis or on a specified future date. A foreign exchange swap is an agreement to enter into both a spot foreign exchange transaction and a forward foreign exchange transaction.

SAFA utilises foreign exchange contracts (spot and forward) to manage foreign exchange risk associated with foreign currency borrowings and to manage exposures arising from the Foreign Exchange Hedging Service provided to South Australian public sector agencies and to hedge profits from overseas subsidiaries.

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 totalled \$19.8 million (\$11.9 million) in face value as at 30 June 2009, but the foreign exchange exposure from these transactions is nil.

(iii) Currency exposures
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.

| | GBP A$'million |
|---|---|
| Less than one year: | |
| Net foreign currency assets | 1.3 |
| Net derivatives | - |
| **Net** | 1.3 |
| Greater than one year: | |
| Net foreign currency assets | (1.0) |
| Net Derivatives | - |
| **Net** | (1.0) |
| **Total net** | 0.3 |

*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 notes, 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 \$250 million or the sum of debt maturities over the next 30 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.

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.

### 21.2 Liquidity analysis of financial instruments

A maturity analysis has been calculated based on the repayment of the principal (face value) and interest.

| | 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | **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** |
| Cash and short-term assets | **2 243.0** | **160.0** | **-** | **-** | **-** | **-** | **-** | **2 403.0** |
| Investments | **66.5** | **344.1** | **192.1** | **46.3** | **62.0** | **94.1** | **219.5** | **1 024.6** |
| Loans, advances and receivables | **981.8** | **505.3** | **1 422.4** | **542.4** | **744.4** | **338.2** | **4 169.3** | **8 703.8** |
| **Total** | **3 291.3** | **1 009.4** | **1 614.5** | **588.7** | **806.4** | **432.3** | **4 388.8** | **12 131.4** |
| **Liabilities:** | | | | | | | | |
| Deposits and short-term borrowings | **4 560.2** | **437.9** | **-** | **-** | **-** | **-** | **-** | **4 998.1** |
| Bonds, notes and debentures | **1 090.7** | **333.0** | **2 262.8** | **126.9** | **1 435.1** | **129.3** | **1 379.0** | **6 756.8** |
| **Total** | **5 650.9** | **770.9** | **2 262.8** | **126.9** | **1 435.1** | **129.3** | **1 379.0** | **11 754.9** |
| **Net** | **(2 359.6)** | **238.5** | **(648.3)** | **461.8** | **(628.7)** | **303.0** | **3 009.8** | **376.5** |
| **Derivatives (off Balance Sheet)** | **15.3** | **37.0** | **33.3** | **11.5** | **15.5** | **(6.0)** | **(5.5)** | **101.1** |

| | 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | 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 |
| Cash and short-term assets | 1 627.0 | 182.0 | - | - | - | - | - | 1 809.0 |
| Investments | 118.6 | 132.9 | 381.4 | 153.2 | 46.2 | 64.4 | 252.9 | 1 149.6 |
| Loans, advances and receivables | 497.6 | 481.4 | 1 1114 | 975.9 | 328.8 | 733.3 | 2 988.3 | 7 116.7 |
| **Total** | 2 243.2 | 796.3 | 1 492.8 | 1 129.1 | 375.0 | 797.7 | 3 241.2 | 10 075.3 |
| **Liabilities:** | | | | | | | | |
| Deposits and short-term borrowings | 3 377.0 | 152.8 | - | - | - | - | - | 3 529.8 |
| Bonds, notes and debentures | 91.8 | 282.1 | 1 702.5 | 1 260.1 | 97.4 | 1 004.8 | 1 507.7 | 5 946.4 |
| **Total** | 3 468.8 | 434.9 | 1 702.5 | 1 260.1 | 97.4 | 1 004.8 | 1 507.7 | 9 476.2 |
| **Net** | (1 225.6) | 361.4 | (209.7) | (131.0) | 277.6 | (207.1) | 1 733.5 | 599.1 |
| Derivatives (off Balance Sheet) | (9.7) | (17.9) | (4.0) | (15.9) | (2.8) | (3.3) | 2.4 | (51.2) |

### 21.3 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 and liquidity management.

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.

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.

No credit losses were incurred by SAFA over the reporting period.

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.

An analysis of credit risk exposure by country, counterparty class, asset class and credit rating as at 30 June 2009 and 30 June 2008 is detailed below.

| | 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total by counter-party class** | **Australia (AAA) $'million** | **Canada (AAA) $'million** | **France (AAA) $'million** | **Germany (AAA) $'million** | **Hong Kong (AA) $'million** | **Japan (AA) $'million** | **Netherlands (AAA) $'million** |
| SA Government | **7 446.2** | **-** | **-** | **-** | **-** | **-** | **-** |
| Commonwealth/ State Government | **227.8** | **-** | **-** | **-** | **-** | **-** | **-** |
| Banks | **2 622.7** | **48.6** | **99.0** | **51.7** | **-** | **56.0** | **15.0** |
| Corporate/other | **111.2** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total by country** | **10 407.9** | **48.6** | **99.0** | **51.7** | **-** | **56.0** | **15.0** |

| **Total by counter-party Class** | **Singapore (AAA) $'million** | **Supra-national (AAA) $'million** | **Switzerland (AAA) $'million** | **United Kingdom (AAA) $'million** | **United States (AAA) $'million** | **Total $'million** |
|---|---|---|---|---|---|---|
| SA Government | **-** | **-** | **-** | **-** | **-** | **7 446.2** |
| Commonwealth/ State Government | **-** | **-** | **-** | **-** | **-** | **227.8** |
| Banks | **155.0** | **-** | **-** | **8.6** | **14.6** | **3 071.2** |
| Corporate/other | **-** | **121.0** | **23.2** | **-** | **-** | **255.4** |
| **Total by country** | **155.0** | **121.0** | **23.2** | **8.6** | **14.6** | **11 000.6** |

### *21.3 Credit risk*

| **Total by asset class** | **Australia $'million** | **Canada $'million** | **France $'million** | **2009 Germany $'million** | **Hong Kong $'million** | **Japan $'million** | **Netherlands $'million** |
|---|---|---|---|---|---|---|---|
| Loans/investments | **10 265.1** | **35.0** | **99.0** | **37.0** | **-** | **56.0** | **15.0** |
| Interest rate swaps | **142.4** | **13.5** | **-** | **14.7** | **-** | **-** | **-** |
| FX contracts | **0.4** | **0.1** | **-** | **-** | **-** | **-** | **-** |
| **Total by country** | **10 407.9** | **48.6** | **99.0** | **51.7** | **-** | **56.0** | **15.0** |

| **Total by asset class** | **Singapore $'million** | **Supra-national $'million** | **Switzerland $'million** | **United Kingdom $'million** | **United States $'million** | **Total $'million** |
|---|---|---|---|---|---|---|
| Loans/investments | **155.0** | **121.0** | **2.3** | **-** | **-** | **10 785.4** |
| Interest rate swaps | **-** | **-** | **20.9** | **8.6** | **14.6** | **214.7** |
| FX contracts | **-** | **-** | **-** | **-** | **-** | **0.5** |
| **Total by country** | **155.0** | **121.0** | **23.2** | **8.6** | **14.6** | **11 000.6** |

**2009 Rating**

| **Asset class** | **AAA $'million** | **AA+ $'million** | **AA $'million** | **AA- $'million** | **A+ $'million** | **A $'million** | **A- $'million** | **BBB+ $'million** | **NR* $'million** | **Total $'million** |
|---|---|---|---|---|---|---|---|---|---|---|
| Loans/investments | **667.0** | **115.0** | **1 949.1** | **194.0** | **349.3** | **97.0** | **-** | **-** | **7 414.0** | **10 785.4** |
| Interest rate swaps | **-** | **-** | **101.2** | **13.6** | **58.7** | **9.7** | **-** | **-** | **31.5** | **214.7** |
| FX contracts | **-** | **-** | **-** | **0.1** | **-** | **-** | **-** | **-** | **0.4** | **0.5** |
| **Total** | **667.0** | **115.0** | **2 050.3** | **207.7** | **408.0** | **106.7** | **-** | **-** | **7 445.9** | **11 000.6** |

* Includes loans to SA Government of $7397.3 million.

| **Total by counter-party class** | Australia (AAA) $'million | Canada (AAA) $'million | France (AAA) $'million | **2008** Germany (AAA) $'million | Hong Kong (AA) $'million | Japan (AA) $'million | Netherlands (AAA) $'million |
|---|---|---|---|---|---|---|---|
| SA Government | 5 591.0 | - | - | - | - | - | - |
| Commonwealth/ State Government | 225.3 | - | - | - | - | - | - |
| Banks | 1 842.2 | 57.6 | 120.0 | 35.0 | 30.0 | 111.0 | 15.8 |
| Corporate/other | 198.3 | - | - | - | - | - | - |
| **Total by country** | 7 856.8 | 57.6 | 120.0 | 35.0 | 30.0 | 111.0 | 15.8 |

| **Total by counter-party Class** | Singapore (AAA) $'million | Supra-national (AAA) $'million | Switzerland (AAA) $'million | United Kingdom (AAA) $'million | United States (AAA) $'million | Total $'million |
|---|---|---|---|---|---|---|
| SA Government | - | - | - | - | - | 5 591.0 |
| Commonwealth/ State Government | - | - | - | - | - | 225.3 |
| Banks | 70.0 | - | 1.6 | 95.0 | 70.2 | 2 448.4 |
| Corporate/other | - | 63.0 | 9.4 | - | - | 270.7 |
| **Total by country** | 70.0 | 63.0 | 11.0 | 95.0 | 70.2 | 8 535.4 |

| **Total by asset class** | Australia $'million | Canada $'million | France $'million | **2008** Germany $'million | Hong Kong $'million | Japan $'million | Netherlands $'million |
|---|---|---|---|---|---|---|---|
| Loans/investments | 7 789.9 | 50.0 | 120.0 | 15.0 | 30.0 | 111.0 | 15.0 |
| Interest rate swaps | 65.3 | 7.6 | - | 20.0 | - | - | 0.8 |
| FX contracts | 1.6 | - | - | - | - | - | - |
| **Total by country** | 7 856.8 | 57.6 | 120.0 | 35.0 | 30.0 | 111.0 | 15.8 |

| **Total by asset class** | Singapore $'million | Supra-national $'million | Switzerland $'million | United Kingdom $'million | United States $'million | Total $'million |
|---|---|---|---|---|---|---|
| Loans/investments | 70.0 | 63.0 | 0.4 | 95.0 | 56.4 | 8 415.7 |
| Interest rate swaps | - | - | 10.6 | - | 13.8 | 118.1 |
| FX contracts | - | - | - | - | - | 1.6 |
| **Total by country** | 70.0 | 63.0 | 11.0 | 95.0 | 70.2 | 8 535.4 |

**2008 Rating**

| **Asset class** | AAA $'million | AA+ $'million | AA $'million | AA- $'million | A+ $'million | A $'million | A- $'million | BBB+ $'million | NR* $'million | Total $'million |
|---|---|---|---|---|---|---|---|---|---|---|
| Loans/investments | 738.9 | 1.3 | 1 295.3 | 170.4 | 493.0 | 80.0 | - | 24.0 | 5 612.8 | 8 415.7 |
| Interest rate swaps | - | - | 81.5 | 19.0 | - | 3.2 | - | - | 14.4 | 118.1 |
| FX contracts | - | - | - | - | - | - | - | - | 1.6 | 1.6 |
| **Total** | 738.9 | 1.3 | 1 376.8 | 189.4 | 493.0 | 83.2 | - | 24.0 | 5 628.8 | 8 535.4 |

* Includes Loans to SA Government of $5556.7 million.

NR - Amounts not classified under particular ratings.

SAFA's credit guidelines also permit SAFA to undertake credit exposure transactions with counterparties from New Zealand and Norway. As at 30 June 2009, SAFA did not have any credit exposure to these countries.

### 21.4 Ageing analysis of financial assets

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

| | Past due by | | | |
|---|---|---|---|---|
| **2009** | **Overdue for less than 30 days $million** | **Overdue for 30-60 days $million** | **Overdue for more than 60 days $million** | **Total $million** |
| Not impaired: | | | | |
| Investments | **-** | **-** | **-** | **-** |
| Loans, advances and other receivables | **-** | **-** | **-** | **-** |
| Impaired: | | | | |
| Investments | **-** | **-** | **-** | **-** |
| **2008** | | | | |
| Not impaired: | | | | |
| Investments | - | - | 4.8 | 4.8 |
| Loans, advances and other receivables | 1.2 | - | - | 1.2 |
| Impaired: | | | | |
| Investments | - | - | 35.0 | 35.0 |

SAFA's impaired investments do not impact profit as the investments reported in the 2007-08 were guaranteed by the SA Government.

### 21.5 Mortgage - backed securities

As at 30 June 2009, SAFA's investments included $109.3 million ($162.6 million) of mortgage-backed securities (MBS) secured by Australian residential mortgages. All these securities were rated AAA by Standard & Poor's rating agency. SAFA also had $100.4 million ($96.5 million) of Australian bank floating rate notes (FRNs). Adverse movements in trading margins on these MBS and bank FRNs during 2008-09 resulted in a negative impact on SAFA's profit of $1 193 550 ($582 000). However, SAFA does not consider there is objective evidence that the principal or interest cash flows of these financial assets has been impacted. Therefore, SAFA does not consider these assets to be impaired.

## 22. Statement of Comprehensive Income

### 22.1 Statement of Comprehensive Income

| | Fund 1 | | Fund 2 | |
|---|---|---|---|---|
| | **2009 $'million** | 2008 $'million | **2009 $'million** | 2008 $'million |
| Net earned premium: | | | | |
| Premium revenue | **30.2** | 29.1 | **-** | - |
| Outwards reinsurance expense | **(6.2)** | (6.5) | **-** | - |
| Outwards reinsurance fees | **(0.4)** | (0.3) | **-** | - |
| Outwards reinsurance brokerage | **-** | - | **-** | - |
| | **23.6** | 22.3 | **-** | - |
| Net claims incurred: | | | | |
| Claims expense | **(42.0)** | (83.6) | **(31.6)** | (4.1) |
| Recoveries | **(0.3)** | 15.9 | **0.1** | (0.7) |
| Doubtful debts | **(0.5)** | (0.1) | **-** | - |
| | **(42.8)** | (67.8) | **(31.5)** | (4.8) |
| Underwriting (expense) revenue | **0.2** | 0.3 | **-** | - |
| **Underwriting result** | **(19.0)** | (45.2) | **(31.5)** | (4.8) |
| Investment revenue (loss) | **(41.4)** | (29.3) | **(7.3)** | (4.5) |
| Operating expenses | **(1.3)** | (0.9) | **(0.1)** | (0.3) |
| Receivable (payable) to the Treasurer | **-** | - | **38.9** | 9.6 |
| **Loss before income tax equivalents** | **(61.7)** | (75.4) | **-** | - |

### 22.2 Net claims incurred

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 | **2009 Total $'000** |
|---|---|---|---|
| Gross claims incurred and related expenses undiscounted | 75 234 | (44 661) | **30 573** |
| Other recoveries undiscounted | (5) | 2 055 | **2 050** |
| **Net claims incurred - undiscounted** | 75 229 | (42 606) | **32 623** |
| Discount and discount movement | | | |
| Gross claims incurred | (31 665) | 43 134 | **11 469** |
| Other recoveries | 1 | (1 327) | **(1 326)** |
| **Net discount movement** | (31 664) | 41 807 | **10 143** |
| **Net claims incurred** | 43 565 | (799) | **42 766** |

***22.2 Net claims incurred (continued)***

The net claims incurred during 2008-09 in respect of claims incurred prior to 30 June 2008 was a negative $799 000 due to overall net recovery for the period This is equivalent to 0.3 percent of the outstanding liability as at 30 June 2009 in respect of claims incurred prior to 30 June 2008. The net claims incurred of $799 000 is a result of:

| | **2009 $'million** |
|---|---|
| Interest on the 30 June 2008 provision less payments during 2008-09 | **13.4** |
| Release of administration allowance and risk margin in respect of payments during 2008-09 | **(1.4)** |
| Change in actuarial assumptions | **2.7** |
| Experience deviation from expected | **(15.5)** |
| | **(0.8)** |

| **Fund 2** | In respect of current year $'000 | In respect of prior years $'000 | **2009 Total $'000** |
|---|---|---|---|
| Gross claims incurred and related expenses undiscounted | 21 | 32 071 | **32 092** |
| Other recoveries undiscounted | - | (1 677) | **(1 677)** |
| **Net claims incurred - undiscounted** | 21 | 30 394 | **30 415** |
| Discount and discount movement: | | | |
| Gross claims incurred | - | (462) | **(462)** |
| Other recoveries | - | 1 570 | **1 570** |
| **Net discount movement** | - | 1 108 | **1 108** |
| **Net claims incurred** | 21 | 31 502 | **31 523** |

The net claims incurred during 2008-09 in respect of claims incurred prior to 30 June 2008 was $31.5 million. This is equivalent to 38 percent of the outstanding liability as at 30 June 2009 in respect of claims incurred prior to 30 June 2008. The net claims incurred of $31.5 million is a result of:

| | **2009 $'million** |
|---|---|
| Interest on the 30 June 2008 provision less payments during 2008-09 | **3.5** |
| Release of administration allowance and risk margin in respect of payments during 2008-09 | **(1.0)** |
| Change in actuarial assumptions | **0.6** |
| Experience deviation from expected | **28.4** |
| | **31.5** |

***22.3 Total outstanding claims***

| **Fund 1** | **Central estimate $'million** | **Risk margin $'million** | **Indirect claim settlements margin $'million** | **2009 $'million** |
|---|---|---|---|---|
| Expected future claims payments (inflated/undiscounted) | **292.5** | **59.9** | **13.6** | **366.0** |
| Discount to present value | **(84.3)** | **(19.6)** | **(4.1)** | **(108.0)** |
| **Total outstanding claims** | **208.2** | **40.3** | **9.5** | **258.0** |

| | **2009 $'million** |
|---|---|
| Current: | |
| Liability: | |
| Medical malpractice | **9.6** |
| Other liability | **24.3** |
| Property | **5.7** |
| Other | **-** |
| **Total current outstanding claims** | **39.6** |
| Non-current: | |
| Liability: | |
| Medical malpractice | **161.4** |
| Other liability | **53.0** |
| Property | **3.9** |
| Other | **0.1** |
| **Total non-current outstanding claims** | **218.4** |
| **Total outstanding claims** | **258.0** |
| Outstanding claims payable to entities internal to the SA Government | **9.6** |
| Outstanding claims payable to entities external to the SA Government | **248.4** |
| **Total outstanding claims** | **258.0** |

### *22.3 Total outstanding claims (continued)*

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

| | Balance under 2008 assumptions[1] $'million | **Balance under 2009 assumptions $'million** | Change due to revision of assumptions $'million |
|---|---|---|---|
| Medical Malpractice | 193.3 | **171.0** | (22.3) |
| Liability | 78.4 | **77.3** | (1.1) |
| Property | 9.6 | **9.6** | - |
| Other | 0.1 | **0.1** | - |
| **Total outstanding claims** | 281.4 | **258.0** | (23.4) |

(1) The outstanding claims position, both current and non-current, as at 30 June 2009 and the economic assumptions as at 30 June 2008 have been used to identify the impact due to revision of those assumptions.

| **Fund 2** | **Central estimate** | **Risk margin** | **Indirect claim settlements margin** | **2009** |
|---|---|---|---|---|
| Expected future claims payments | **$'million** | **$'million** | **$'million** | **$'million** |
| (inflated/undiscounted) | **78.9** | **17.3** | **3.9** | **100.1** |
| Discount to present value | **(13.9)** | **(3.3)** | **(0.7)** | **(17.9)** |
| **Total outstanding claims** | **65.0** | **14.0** | **3.2** | **82.2** |

| | **2009** |
|---|---|
| Current: | |
| Liability: | **$'million** |
| Medical malpractice | **4.2** |
| Other liability | **22.6** |
| Property | **6.9** |
| Other | **-** |
| **Total current outstanding claims** | **33.7** |
| | |
| Non-current: | |
| Liability: | |
| Medical malpractice | **36.7** |
| Other liability | **11.7** |
| Property | **0.1** |
| Other | **-** |
| **Total non-current outstanding claims** | **48.5** |
| **Total outstanding claims** | **82.2** |
| | |
| Outstanding claims payable to entities internal to the SA Government | **7.0** |
| Outstanding claims payable to entities external to the SA Government | **75.2** |
| **Total outstanding claims** | **82.2** |

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

| | Balance under 2008 assumptions[1] $'million | **Balance under 2009 assumptions $'million** | Change due to revision of assumptions $'million |
|---|---|---|---|
| Medical malpractice | 44.6 | **40.9** | (3.7) |
| Liability | 34.4 | **34.3** | (0.1) |
| Property | 7.0 | **7.0** | - |
| **Total outstanding claims** | 86.0 | **82.2** | (3.8) |

(1) The outstanding claims position, both current and non-current, as at 30 June 2009 and the economic assumptions as at 30 June 2008 have been used to identify the impact due to revision of those assumptions.

### *22.4 Reconciliation of movements in outstanding claims*

| **Fund 1** | 2008 Balance $'million | Paid $'million | Reported claims $'million | IBNR/ IBNER reserve $'million | Risk margin $'million | Indirect claims settlement reserve $'million | **2009 Balance $'million** |
|---|---|---|---|---|---|---|---|
| Medical malpractice | 152.3 | (1.3) | 14.4 | 1.5 | 3.5 | 0.7 | **171.1** |
| Liability* | 59.9 | (4.7) | 18.3 | 0.4 | 2.7 | 0.7 | **77.3** |
| Property | 10.9 | (3.0) | 1.8 | 0.1 | (0.1) | (0.1) | **9.6** |
| | 223.1 | (9.0) | 34.5 | 2.0 | 6.1 | 1.3 | **258.0** |

| **Fund 2** | 2008 Balance $'million | Paid $'million | Reported claims $'million | IBNR/ IBNER reserve $'million | Risk margin $'million | Indirect claims settlement reserve $'million | **2009 Balance $'million** |
|---|---|---|---|---|---|---|---|
| Medical Malpractice | 36.5 | (0.6) | 4.0 | - | 0.8 | 0.2 | **40.9** |
| Liability* | 13.6 | (2.7) | 19.3 | - | 3.3 | 0.8 | **34.3** |
| Property | 4.9 | (1.2) | 3.0 | - | 0.2 | 0.1 | **7.0** |
| | 55.0 | (4.5) | 26.3 | - | 4.3 | 1.1 | **82.2** |

* Includes other.

### *22.5 Claims development*

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 eight most recent financial years.

**Fund 1**

Medical malpractice

| Loss year ending 30 June | Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2002 $'000 | 2003 $'000 | 2004 $'000 | 2005 $'000 | 2006 $'000 | 2007 $'000 | 2008 $'000 | 2009 $'000 | Paid to date $'000 | Undiscounted liability June 2009 $'000 | Discount to present value $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Prior | 77 825 | 55 068 | 46 416 | 45 080 | 57 841 | 56 760 | 76 653 | 65 108 | 11 522 | 53 586 | 39 893 |
| 2000 | 7 965 | 6 190 | 5 518 | 9 471 | 15 422 | 10 960 | 11 769 | 11 432 | 6 195 | 5 237 | 3 758 |
| 2001 | 11 274 | 8 879 | 7 140 | 7 060 | 10 273 | 9 967 | 9 925 | 9 979 | 34 | 9 945 | 6 962 |
| 2002 | 16 522 | 15 038 | 13 328 | 7 581 | 10 253 | 9 625 | 12 742 | 11 766 | 166 | 11 600 | 8 003 |
| 2003 | | 11 619 | 21 220 | 17 077 | 14 533 | 13 159 | 13 789 | 14 108 | 52 | 14 056 | 9 529 |
| 2004 | | | 14 397 | 12 260 | 9 012 | 3 355 | 11 643 | 7 043 | 86 | 6 957 | 4 485 |
| 2005 | | | | 18 826 | 16 683 | 12 519 | 7 752 | 4 200 | 148 | 4 052 | 2 380 |
| 2006 | | | | | 21 363 | 17 896 | 25 892 | 16 422 | 21 | 16 401 | 9 960 |
| 2007 | | | | | | 21 513 | 22 589 | 13 748 | 45 | 13 703 | 7 585 |
| 2008 | | | | | | | 22 947 | 20 345 | 111 | 20 234 | 10 978 |
| 2009 | | | | | | | | 49 922 | 93 | 49 829 | 26 732 |
| | | | | | **Totals** | | | 224 073 | 18 473 | 205 600 | 130 265 |

Liability

| Loss year ending 30 June | Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2002 $'000 | 2003 $'000 | 2004 $'000 | 2005 $'000 | 2006 $'000 | 2007 $'000 | 2008 $'000 | 2009 $'000 | Paid to date $'000 | Undiscounted liability June 2009 $'000 | Discount to present Value $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Prior | 14 465 | 13 809 | 14 334 | 14 558 | 16 488 | 14 874 | 16 509 | 28 643 | 13 944 | 14 699 | 14 239 |
| 2000 | 3 367 | 4 157 | 10 275 | 8 651 | 9 614 | 4 833 | 6 185 | 7 667 | 4 721 | 2 946 | 2 861 |
| 2001 | 2 045 | 2 606 | 4 214 | 4 931 | 7 892 | 4 784 | 4 729 | 4 635 | 3 818 | 817 | 764 |
| 2002 | 4 226 | 2 383 | 2 046 | 3 402 | 3 684 | 3 753 | 5 543 | 5 843 | 2 946 | 2 897 | 2 721 |
| 2003 | | 4 670 | 2 792 | 2 593 | 2 280 | 2 237 | 2 099 | 2 102 | 1 357 | 745 | 663 |
| 2004 | | | 5 078 | 2 686 | 3 093 | 2 733 | 2 813 | 2 816 | 1 638 | 1 178 | 1 028 |
| 2005 | | | | 6 283 | 5 187 | 4 407 | 23 291 | 24 446 | 2 181 | 22 265 | 19 721 |
| 2006 | | | | | 7 922 | 3 488 | 2 295 | 1 961 | 332 | 1 629 | 1 369 |
| 2007 | | | | | | 7 366 | 3 564 | 2 106 | 266 | 1 840 | 1 507 |
| 2008 | | | | | | | 6 359 | 3 610 | 69 | 3 541 | 2 890 |
| 2009 | | | | | | | | 5 784 | 20 | 5 764 | 4 654 |
| | | | | | **Totals** | | | 89 613 | 31 292 | 58 321 | 52 417 |

Property

| Loss year ending 30 June | Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2002 $'000 | 2003 $'000 | 2004 $'000 | 2005 $'000 | 2006 $'000 | 2007 $'000 | 2008 $'000 | 2009 $'000 | Paid to date $'000 | Undiscounted liability June 2009 $'000 | Discount to present Value $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Prior | 10 779 | 5 538 | 5 538 | 5 538 | 5 533 | 5 273 | 6 131 | 5 961 | 5 561 | 400 | 392 |
| 2000 | 1 512 | 991 | 984 | 459 | 487 | 492 | 1 274 | 1 739 | 1 305 | 434 | 425 |
| 2001 | 808 | 1 256 | 1 146 | 1 418 | 1 386 | 1 190 | 1 180 | 1 180 | 1 180 | - | - |
| 2002 | 1 372 | 4 041 | 3 802 | 3 817 | 1 737 | 3 872 | 1 529 | 1 588 | 574 | 1 014 | 994 |
| 2003 | | 1 162 | 853 | 586 | 426 | 668 | 447 | 447 | 447 | - | - |
| 2004 | | | 2 764 | 2 920 | 2 444 | 4 430 | 4 111 | 3 975 | 2 631 | 1 344 | 1 318 |
| 2005 | | | | 12 812 | 4 035 | 4 027 | 2 849 | 2 700 | 2 392 | 308 | 296 |
| 2006 | | | | | 1 667 | 2 461 | 1 927 | 1 604 | 1 018 | 586 | 552 |
| 2007 | | | | | | 3 269 | 2 907 | 2 666 | 1 420 | 1 246 | 1 159 |
| 2008 | | | | | | | 2 347 | 2 265 | 1 431 | 834 | 763 |
| 2009 | | | | | | | | 2 777 | 455 | 2 322 | 2 104 |
| | | | | | **Totals** | | | 26 902 | 18 414 | 8 488 | 8 003 |

This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

### 22.6 *Recoveries receivable*

| **Fund 1** | **2009 $'million** |
|---|---|
| Total discounted recoveries receivable before provision for doubtful debts: | |
| Expected future recoveries (inflated/undiscounted) | **20.1** |
| Discount to present value | **(2.6)** |
| **Total discounted recoveries receivable before provision for doubtful debts** | **17.5** |
| Provision for doubtful debts | **(1.3)** |
| **Total discounted recoveries receivable after provision for doubtful debts** | **16.2** |
| Current: | |
| Recoveries receivable | **0.4** |
| Provision for doubtful debts | **-** |
| **Total current recoveries receivable after provision for doubtful debts** | **0.4** |
| Non-current: | |
| Recoveries receivable | **17.1** |
| Provision for doubtful debts | **(1.3)** |
| **Total non-current recoveries receivable after provision for doubtful debts** | **15.8** |
| **Total recoveries receivable after provision for doubtful debts** | **16.2** |
| Current recoveries from entities external to SA Government | **0.4** |
| Non-current recoveries from entities external to SA Government | **15.8** |
| **Total recoveries receivable from entities external to the SA Government** | **16.2** |
| **Total recoveries receivable** | **16.2** |

The majority of the doubtful debts provision is a result of HIH Insurance Ltd being placed in liquidation.

| **Fund 2** | **2009 $'million** |
|---|---|
| Total discounted recoveries receivable before provision for doubtful debts: | |
| Expected future recoveries (inflated/undiscounted) | **0.8** |
| Discount to present value | **(0.2)** |
| **Total discounted recoveries receivable before provision for doubtful debts** | **0.6** |
| Provision for doubtful debts | **-** |
| **Total discounted recoveries receivable after provision for doubtful debts** | **0.6** |
| Current: | |
| Recoveries receivable | **0.1** |
| Provision for doubtful debts | **-** |
| **Total current recoveries receivable after provision for doubtful debts** | **0.1** |
| Non-current: | |
| Recoveries receivable | **0.5** |
| Provision for doubtful debts | **-** |
| **Total non-current recoveries receivable after provision for doubtful debts** | **0.5** |
| **Total recoveries receivable after provision for doubtful debts** | **0.6** |
| Current recoveries from entities external to SA Government | **0.1** |
| Non-current recoveries from entities external to SA Government | **0.5** |
| **Total recoveries receivable from entities external to the SA Government** | **0.6** |
| **Total recoveries receivable** | **0.6** |

### 22.7 *Actuarial assumptions and methods*

SAFA writes four broad classes of general insurance: Property, Liability, Other Liability and Medical Malpractice. Products included in those broad classes are detailed below:

| *Property (Short Tail)* | *Liability (Long Tail)* | *Medical Malpractice* | *Other (Long Tail)* |
|---|---|---|---|
| Aviation Property | Aviation Liability | Medical Malpractice | Other |
| Buildings and Contents | General Liability | | |
| Consequential Loss | Marine Liability | | |
| Fidelity Guarantee | Other | | |
| General Property | Professional Indemnity | | |
| Machinery Breakdown | Volunteers | | |
| Marine Property | Personal Accident/ Corporate Travel | | |
| Motor Vehicle | | | |
| Standing Timber | | | |

*Percentage Risk Margin Adopted for Fund 1 and Fund 2*

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

| | **2009 Percent** | 2008 Percent |
|---|---|---|
| Medical malpractice | **25** | 25 |
| Liability | **20** | 20 |
| Property | **10** | 10 |
| Other | **20** | 20 |

The process used to determine the risk margin took into account the stochastic nature of insurance, uncertainty regarding the central estimate and environmental uncertainty including:

- random variation in the claim process
- case estimates subject to movement up or down
- uncertainty regarding economic and other assumptions used for the central estimate
- impact of adverse changes in future rates of inflation and interest
- court precedents for liability claims
- social attitudes.

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of Australian Prudential Regulation Authority (APRA) 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:

| For the succeeding year: | **2009 Percent** | 2008 Percent |
|---|---|---|
| Inflation rate (which includes superimposed inflation) | **7.5** | 7.5 |
| Discount rate - Medical malpractice | **5.5** | 6.6 |
| Discount rate - Short tail classes | **4.0** | 6.6 |
| Discount rate - Long tail classes | **4.5** | 6.6 |
| For subsequent years: | | |
| Inflation rate (which includes superimposed inflation) | **7.5** | 7.5 |
| Discount rate - Medical malpractice | **5.5** | 6.6 |
| Discount rate - Short tail classes | **4.0** | 6.6 |
| Discount rate - Long tail classes | **4.5** | 6.6 |

| *Weighted average expected term to settlement of outstanding claims from the end of the reporting period* | **Fund 1 2009 Years** | **Fund 2 2009 Years** | Fund 1 2008 Years | Fund 2 2008 Years |
|---|---|---|---|---|
| Medical malpractice | **9.2** | **6.6** | 9.0 | 6.7 |
| Liability (other than medical malpractice) | **2.4** | **0.5** | 3.5 | 1.0 |
| Property | **1.5** | **1.0** | 1.6 | 0.5 |

### 22.8 *Underwriting expense*

| **Fund 1** | **2009 $'million** | 2008 $'million |
|---|---|---|
| Underwriting expense paid/payable to entities internal to the SA Government: | | |
| Direct insurance placement revenue | **3.7** | 2.9 |
| **Total underwriting expense paid/payable to entities internal to the SA Government** | **3.7** | 2.9 |

### *22.8 Underwriting expense (continued)*

| Underwriting expense paid/payable to entities external to the SA Government: | **2009** **$'million** | 2008 $'million |
|---|---|---|
| Brokerage revenue | **0.4** | 0.3 |
| Direct insurance placement revenue | **0.1** | 0.1 |
| Direct insurance placement expense | **(4.0)** | (3.0) |
| **Total underwriting expense paid/payable to entities external to the SA Government** | **(3.5)** | (2.6) |
| **Total underwriting (expense) revenue** | **0.2** | 0.3 |

This information is not produced for Fund 2 as it is not appropriate for its activities.

### *22.9 General insurance risk management*

*Insurance risk*

SAFA uses a variety of policies and processes for managing the risk associated with its 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 Insurance division is 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.

### *22.10 Financial risk management*

*Interest rate risk*

The insurance investments invested with Funds SA in the Growth Fund do not present an interest rate risk, however they are subject to market value movements. The cash balance of $7.3 million held with Westpac and other short term investments of $41.3 million earn an overnight call rate.

*Liquidity risk*

A sufficient cash balance is maintained to meet claim payment projections and operational expenses for the current year.

*Credit risk*

The agencies of the SA Government present very little credit risk in the collection of premium revenue as it is mandated that SAFA be used as the Government's captive insurer. In addition, the operations of SAFA's Insurance division are backed by the Treasurer's Indemnity should SAFA fail to meet its obligations. Credit risk exists in the form of reinsurance recoveries. 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. Reinsurers must have a Standard and Poor's insurer financial strength rating of A- or higher, or equivalent with another rating agency.

*Market risk*

The table below shows the impact of a positive/negative 10% movement in the value of investment funds held with Funds SA.

| **2009** | **Investment** | **Profit (Post Tax)** | | **Equity** | |
|---|---|---|---|---|---|
| | | **-10%** | **+10%** | **-10%** | **+10%** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Funds: | | | | | |
| Fund 1 | **204 211** | **(14 295)** | **14 295** | **(14 295)** | **14 295** |
| Fund 2* | **36 262** | **(2 538)** | **2 538** | **(2 538)** | **2 538** |
| **Total** | **240 473** | **(16 833)** | **16 833** | **(16 833)** | **16 833** |

* 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 to Note 2(a)(2.6)).

*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. For this purpose SAFA has considered case estimates, IBNR percentages, the discount rate and inflation rate. SAFA has not examined the effect of varying the assumed payment pattern as the results are quite insensitive to this assumption. A large variation in the implied average terms to payment would be required to have any significant effect.

*Sensitivity analysis (continued)*
The following table sets out the tests carried out and the results:

| | 2009 | | | |
|---|---|---|---|---|
| | Present Value of Outstanding Liability **Fund 1** | Present Value of Outstanding Liability **Fund 2** | Change from Central Estimate **Fund 1** | Change from Central Estimate **Fund 2** |
| 1. Case Estimates: | $'000 | $'000 | Percent | Percent |
| 10 percent increase | 205 423 | 70 814 | 7.7 | 10.0 |
| 10 percent decrease | 175 950 | 57 939 | (7.7) | (10.0) |
| 2. IBNR/IBNER: | | | | |
| 10 percent increase | 195 019 | N/A | 2.3 | N/A |
| 10 percent decrease | 186 354 | N/A | (2.3) | N/A |
| 3. Discount Rate: | | | | |
| Decrease by 1 percent | 202 267 | 66 483 | 6.1 | 3.3 |
| 4. Inflation Rate: | | | | |
| Decrease by 1 percent to 5.5 percent | 180 732 | 62 430 | (5.2) | (3.0) |

## 23. Controlled entities

As at 30 June 2009, SAFA did not control any entities either through ownership or management control.

## 24. Events after the end of the reporting period

SAFA advises that since the end of the reporting period there has been one matter arise that will affect the operations of the consolidated entity and the reported results from the consolidated entity in the future financial reporting periods. It was announced in the 2008-09 Mid Year Budget Review that Fleet SA would transfer to SAFA. As a consequence of the Administrative Arrangements (Transfer of Assets, Rights and Liabilities to the South Australian Government Financing Authority) Proclamation 2009, Fleet SA's assets, rights and liabilities transferred to SAFA on 1 July 2009.

The nature of the fleet business makes it difficult to estimate precisely the financial impact on the accounts of SAFA in future years. However the transfer of this business is not expected to have any significant impact on SAFA's financial position or operating capability, as the business will be run on a cost recovery basis.

# 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 statements*

Section 31 of the PFAA and subsection 27(4) of the *South Australian Housing Trust Act 1995* requires 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 statements and internal controls.

During 2008-09, 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.

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 statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Housing Trust as at 30 June 2009, and 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 raised in relation to implementation of the revised TIs 2 and 28, rent, maintenance expenditure, accounts payable, business service fees, Affordable Housing Innovation Fund, fixed assets, community housing operations, water and council rates, and ICT governance and control, as 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. Major matters raised and the related responses are detailed below.

#### *Implementation of the revised TIs 2 and 28*

Audit wrote to the Trust seeking information of the status of the implementation of the requirements of TIs 2 and 28. In response the Trust advised that they had developed a financial management and compliance program based on the Financial Management Toolkit checklist. This checklist forms adjunct guidance to TI 28. The checklist had been completed predominantly by Corporate Services with some questions answered by the relevant area with functional responsibility. The results were analysed and any gaps or deficiencies were risk assessed. Recommendations have been made to address the deficiencies and where appropriate new policies, processes and procedures have been developed. In addition, Corporate Finance reviewed and updated all financial policies and procedures as well as the instrument of financial delegations and they also implemented a formal accountability process in relation to account balances through the Trust and SSSA.

Audit reviewed the work undertaken by the Trust and although a sound financial management compliance program was implemented there were a number of areas where improvement was required. At the time of preparing this Report those matters had not yet been conveyed to the Trust. This will occur after this Report is completed and developments will be followed up during 2009-10.

#### *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 tenant's 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 2008-09. A number of these matters have been raised with the Trust as a result of previous audits.

- Rent calculation overrides process 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.

- There was scope to improve controls to ensure that benefit review processes, which confirm tenant's income, captured all tenants.

- The need to ensure that all write-off of debts were supported by appropriate documentation.

- There is no independent check of adjustments to market rents manually processed into the HOMES database. This database is used as the basis for updating rent in the rent management system. There is also no policy regarding the independent check of adjustments to data in the HOMES database.

In response the Trust advised that prompt return of information by regions will be monitored and non-compliance will be reported to the Director of State Operations, additional controls over the benefit review processes have been implemented and that staff have been reminded of the need to have appropriate supporting documentation for debt write-offs. The Trust also advised that independent checking of adjustments to market rents in HOMES has been implemented and a policy and procedure has been developed.

***Maintenance expenditure***

The Trust manages the costs associated with ownership of Trust properties including their maintenance. A separate system operates to facilitate the management and payment of costs associated with the area. In 2008-09 audit review highlighted areas where controls could be improved. The main areas are outlined below:

- The delegations provided to contractors to place orders and approve payments on the Trust's behalf may not be in compliance with the requirements of TI 8. This issue was raised with the Trust last year and is yet to be resolved.

- Delegations for users of the maintenance system did not agree with delegations provided in the Trust's instrument of delegation. In addition there was no regular review of delegations to ensure they reflected the instrument of delegation.

- The review of user access levels within the maintenance system was ineffective.

- Changes made to contractor rates in the maintenance system were not independently reviewed.

The Trust responded that discussions are being held with the Department of Treasury and Finance to seek exemption from the requirements of TI 8. The Trust also advised that new procedures are being developed for updating and reviewing delegations and access levels in the maintenance system and for checking changes to contractor rates.

***Accounts payable***

The accounts payable system controls processing and reporting of a significant volume and value of expenditure related to administration costs, financing costs, capital work in progress and inventory expenditure. Payments for maintenance activities and for council and water rates are processed through separate specialised systems.

An integral part of the accounts payable system is the Online Purchase Order System (the purchase order system) which provides for authorisation of purchases in accordance with predetermined authority limits and matching of invoice and order details to facilitate payment. The use of this system, which is mandated by Trust policy, provides for a stronger control environment that can be achieved through the manual payment voucher systems and associated manual checking procedures.

Since 2003-04 Audit has raised issues with the Trust about the limited use of the purchase order system to process payments. This again was the case in 2008-09. It is clear that little progress has been made in increasing the use of the purchase order system and in light of this Audit suggested that it would be opportune for the Trust to reassess its preferred control environment and the need to continue the mandate of the purchase order system for all payments.

The Trust advised that a further review of the options and risks to improve the controls over payment will be undertaken in light of the new procurement and payment system being rolled out by SSSA which now provides accounts payable services to the Trust.

Other important matters raised with the Trust were:

- controls to ensure manual payment vouchers were authorised in accordance with the delegations of authority were ineffective

- issues were noted for grant payments. In particular, controls around the indexation of payments, approval of agreements and review of quarterly expense reports provided by grant recipients could all be improved.

In response the Trust advised that staff will be reminded of the policies and procedures for manual payments and that action on grant agreements will be undertaken.

***Business service fees***

The Trust has a service level agreement (SLA) with DFC to provide services in a number of areas such as information technology, human resources, internal audit and fleet management. The SLA sets out certain requirements for billing, provision of information and monitoring of the arrangements.

Audit noted concerns in the following areas:

- The lack of timely review of the SLA prior to commencement of the new financial year.

- The timing of invoicing not being in accordance with the SLA and not providing sufficient details of services provided.

- The lack of independent verification of invoices prior to payment.

- The lack of information regarding the level of services provided by DFC to enable assessment of value for money.

- Monitoring of performance was not undertaken on a regular basis.

The Trust advised that a review is being undertaken and the outcome will be included in the formulation of a new agreement to operate at the conclusion of the current arrangements in 2009-10.

***Affordable Housing Innovation Fund***

The Affordable Housing Innovation Fund (AHIF) was established by the Trust to provide funding for reinvestment into affordable rental housing with partnering organisations. These arrangements were approved by Cabinet as part of the Building South Australia - Housing Plan in 2005.

When social housing tenants enter into home ownership by purchasing their existing property under the EquityStart scheme managed by HomeStart Finance, a portion of the proceeds from the sale of these properties is paid into the AHIF. Under this scheme, tenants may also purchase a property on the open market and in this case the Trust is obligated, under arrangements approved by Cabinet, to pay into the AHIF the relevant portion based on an amount equivalent to the value of the property tenanted. This obligation was funded through the general house sale program.

Grants are made from the AHIF to non-government organisations to fund projects that provide affordable rental housing outcomes.

Audit reviewed the operations of the AHIF covering the following areas:

- viability of the AHIF
- adequacy of policies and procedures
- expenditure from the AHIF
- revenue transactions recorded by the AHIF
- adequacy of grant monitoring procedures.

The following issues were raised with the Trust including two which may impact on the continued viability of the AHIF.

*Obligation for replacement sales*

As indicated above, when tenants make EquityStart purchases in the private market, the Trust has an obligation to contribute to the AHIF the relevant portion based capital value of the vacated property. A review of the AHIF showed that the Trust has a significant obligation to the Fund for replacement sales. Given that during 2008-09 the Trust had difficulty in meeting its sales targets due to market conditions Audit was concerned about the Trust's ability to meet its obligation for replacement sales.

*Payment of HomeStart subsidy*

As part of the EquityStart scheme, the Trust is obliged to provide a subsidy to HomeStart as compensation for the reduced interest rates offered to borrowers under the scheme. An initial grant of $15 million was provided to the AHIF for the purpose of paying the subsidy for 1000 loans. Audit review of the AHIF indicated that the $15 million grant was exhausted prior to 1000 loans being made. Payments are currently being made out of the interest earned by the AHIF, but as the level of the AHIF diminishes so does the interest earnings which would result in the funding of interest subsidy repayments from this source being unsustainable.

At the time of the audit, May 2009, the AHIF had cash of $10.1 million to fund future interest subsidy payments to HomeStart as well as future projects. The availability of funds from the net obligation for replacement sales was uncertain.

Audit raised a concern about the future viability of the AHIF given that flows of funds from replacement house sales had diminished significantly and existing resources were substantially committed. Also, recent funding from the Commonwealth for affordable housing projects might impact on the need to continue with the AHIF.

Audit sought advice as to how the future viability of the AHIF would be maintained.

In response the Trust indicated that the obligation for replacement sales has been incorporated into the Trust's budget and could be met from either the Trust's cash reserves or future house sales. Regarding the payment of the HomeStart subsidy, the Trust advised that the AHIF is responsible only for subsidy payments in relation to the first 1000 loans and that this obligation had now been met.

*Other areas for improvement*

The audit also noted the following areas for improvement:

- outdated policies and procedures
- non-compliance with documented procedures regarding the submission of business cases to the Minister or Cabinet
- non-compliance with the requirement of TI 15 which requires that a grant entity provide a report at the conclusion of a project that grant money has been expended in accordance with the agreement
- inadequate evaluation of whether the requirements regarding appropriate tenancy of projects has been met.

In response the Trust indicated that the policies and procedures would be updated.

Regarding the two grant management issues, the Trust indicated that it considered no further action is necessary as it deems the current arrangement sufficient to secure the Government's interests. It is Audit's opinion that this response is not satisfactory as it does not ensure that grants were being used for the purpose provided and that grant agreement conditions have been met. The Trust has advised that it will reassess the risks and a further review will be undertaken by Audit in this area in 2009-10.

***Fixed assets***

The Trust maintains a database of property information known as HOMES. Audit noted that community housing properties are not recorded in HOMES but are recorded in a separate database which is not subject to the same level of access control that is present in the HOMES system. Maintaining a separate database for the community housing properties also impacts on other systems which interface with HOMES, such as the house sales system and the council and water rates system. Audit recommended that details of the community housing properties be included in HOMES.

The Trust indicated the feasibility of including all asset data in HOMES is being investigated.

### *Community housing operations*

The Trust manages funding agreements with community housing associations and co-operatives which are known as the community housing organisations (CHOs). The agreements require that the CHOs collect rent from tenants and after retaining an amount for property maintenance, property and administration costs, the balance is submitted to the Trust as a 'capital contribution'. The CHOs are also required to submit monthly Capital Contribution Statements and annual audited statements.

Audit noted issues regarding:

- outdated policies and procedures
- return and certification of audited financial statements
- capital contribution statements being incorrectly completed which may result in incorrect capital contributions being made to the Trust.

In response the Trust advised that policies and procedures had been updated and a reconciliation tool has been introduced to improve controls around the capital contribution statements. In relation to the return and certification of audited financial statements, the Trust advised that those CHOs with outstanding statements have taken action to remedy the situation and that an auditor information session was held to outline the requirements of the CHOs auditors.

### *Council and water rates*

Council and water rates expenditure is processed through the council/water rate system and in 2008-09 expenditure was $60 million. Audit review found issues regarding appropriate authorisation of payments, the timely reconciliation between the council/water rate system and the accounts payable system and review of exception reports generated by the council/water rate system.

The Trust responded that revised procedures have been implemented for the authorisation of payments and staff have been reminded of the need to undertake reconciliations and investigate exceptions on a timely basis.

### *ICT management and control*

Last year's Report included comment on the project management, development and eventual cancellation of a Maintenance Works System (MWS) project. The MWS project commenced in 2003 as a replacement for an ageing Trust legacy maintenance system. As a result of serious problems with the project management and development of the MWS, in June 2008 the South Australian Housing Trust Board cancelled the project with a resultant write-off of $4.7 million in capitalised expenditure.

In 2008, Audit sought advice from the Trust as to the way forward in terms of its ICT strategy and project management processes and how the replacement of the legacy maintenance system would be addressed. In response, the Trust advised of its directions which included improvement of ICT governance, implementation of a program management framework and a project management methodology, and development of an ICT Strategic Plan.

The ICT Strategic Plan was approved by the Board in March 2008 and foreshadowed the development of a business case for system modernisation which was expected to be completed towards the end of 2008-09.

An audit of the Housing ICT Services was conducted by the DFC Risk Management and Internal Audit and completed in August 2009. The objective of the audit was to assess and report on the revised project governance and project management practices implemented within ICT. This involved reviewing the governance structures and processes, the project methodology and a sample of certain ICT projects.

The internal audit found that there was improvement in the governance and control practices and maturity over ICT project management and the overall assessment of controls was satisfactory. However, it identified certain areas for attention, including:

- improvement in Project Steering Committee's awareness of its responsibilities towards project success
- preparation of business cases that include all relevant aspects of the project and not just ICT
- establishment of clear guidance of costs of projects to be tracked and managed

- consideration of business benefits tracking to ensure ongoing management of the realisation of benefits throughout the project
- consideration for formalisation of change management and contingency management processes.

Audit will monitor the progress of the Trust's direction concerning ICT governance and management in 2009-10, including its response to the matters identified by internal audit.

***Management of grant payments***

In 2008-09 the Risk Management and Internal Audit group in DFC also completed a review of grant management that included housing activities. The Trust has not received this report from DFC at the time of this Report. Commentary on DFC findings is included in the section of this part of the Report titled 'Department for Families and Communities'.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

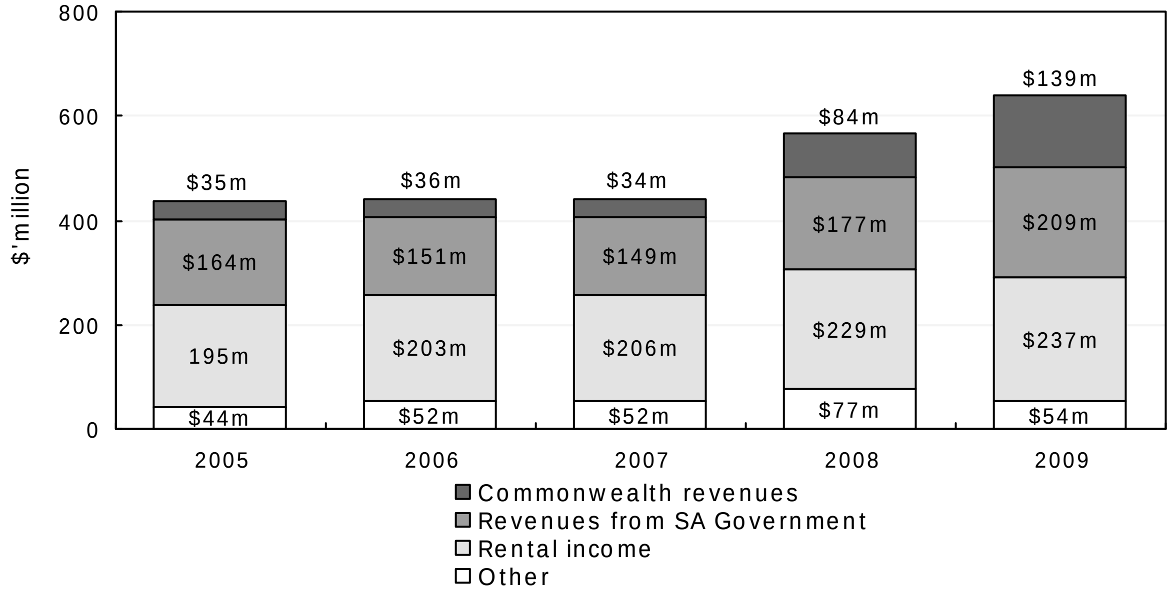
### Highlights of the financial statements

| | **2009 $'million** | 2008 $'million |
|---|---|---|
| ***EXPENSES*** | | |
| Staffing costs | **63** | 55 |
| Finance costs | **39** | 45 |
| Maintenance | **93** | 84 |
| Council rates and water charges | **60** | 55 |
| Land tax equivalent | **149** | 130 |
| Depreciation and amortisation | **81** | 72 |
| Other expenses | **133** | 103 |
| **Total expenses** | **618** | 544 |
| ***INCOME*** | | |
| Rental income | **237** | 229 |
| Commonwealth revenues | **139** | 84 |
| Other | **54** | 77 |
| **Total income** | **430** | 390 |
| **Net cost of providing services** | **(188)** | (154) |
| Revenues from SA Government | **209** | 177 |
| **Net result before income tax equivalent** | **21** | 23 |
| Income tax equivalent | **5** | 5 |
| **Net result after income tax equivalent** | **16** | 18 |
| ***OTHER COMPREHENSIVE INCOME*** | **1 171** | 429 |
| **Total comprehensive result** | **1 187** | 447 |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **91** | 44 |
| ***ASSETS*** | | |
| Current assets | **309** | 265 |
| Non-current assets | **8 601** | 7 478 |
| **Total assets** | **8 910** | 7 743 |
| ***LIABILITIES*** | | |
| Current liabilities | **75** | 77 |
| Non-current liabilities | **730** | 749 |
| **Total liabilities** | **805** | 826 |
| ***EQUITY*** | **8 105** | 6 917 |

**Statement of Comprehensive Income**

***Income***

For the five years to 2009 a structural analysis of income for the Trust is presented in the following chart.




Total income was $639 million, an increase of $72 million over the previous year. The main increases related to:

- revenues from SA Government increasing by $32 million primarily as a result of:
  - — tax equivalent reimbursement, up $20 million. Under the Commonwealth State Housing Agreement (CSHA) 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 $151 million ($131 million). An income tax equivalent reimbursement of $5 million ($5 million) was received due to the Trust recording a surplus in 2009
  - — CSHA matching funding, down $13 million. The CSHA agreement finished on 31 December 2008 and as a result the requirement for matching funding ceased
  - — general purpose grant, up $19 million
  - — new funding for the Supported Accommodation Assistance Program, $7 million
  - — State matching funding of $6 million under the National Partnership Agreement for Homelessness.
- Commonwealth revenues increased by $55 million primarily as a result of:
  - — National Affordable Housing base funding of $45 million. This arrangement replaced the CSHA which ceased on 31 December 2008
  - — CSHA funding decreased by $32 million as a result of the cessation of the agreement
  - — New funding under the National Partnership Agreements – nation building and economic stimulus plan $19 million, social housing $15 million, remote indigenous housing $9 million and homelessness $2 million
  - — New funding of $9 million for the Supported Accommodation Assistance program.

  Note 35 and later commentary under the heading 'Changed Commonwealth funding arrangements' explains current grant funding arrangements
- rental income increased by $8 million mainly as a result of increased market rent.

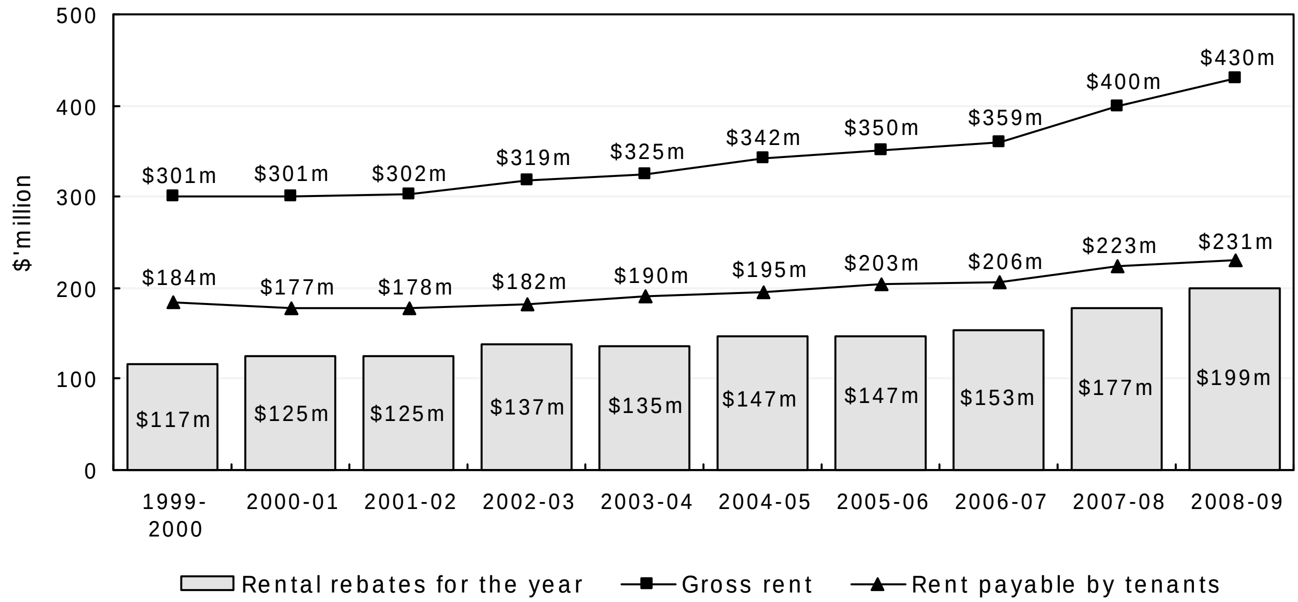
***Rental operations***

As at 30 June 2009 the level of housing stock, excluding unlettable properties, was 45 103 (45 819) of which 98 percent (98 percent) was tenanted.

86 percent (85 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:

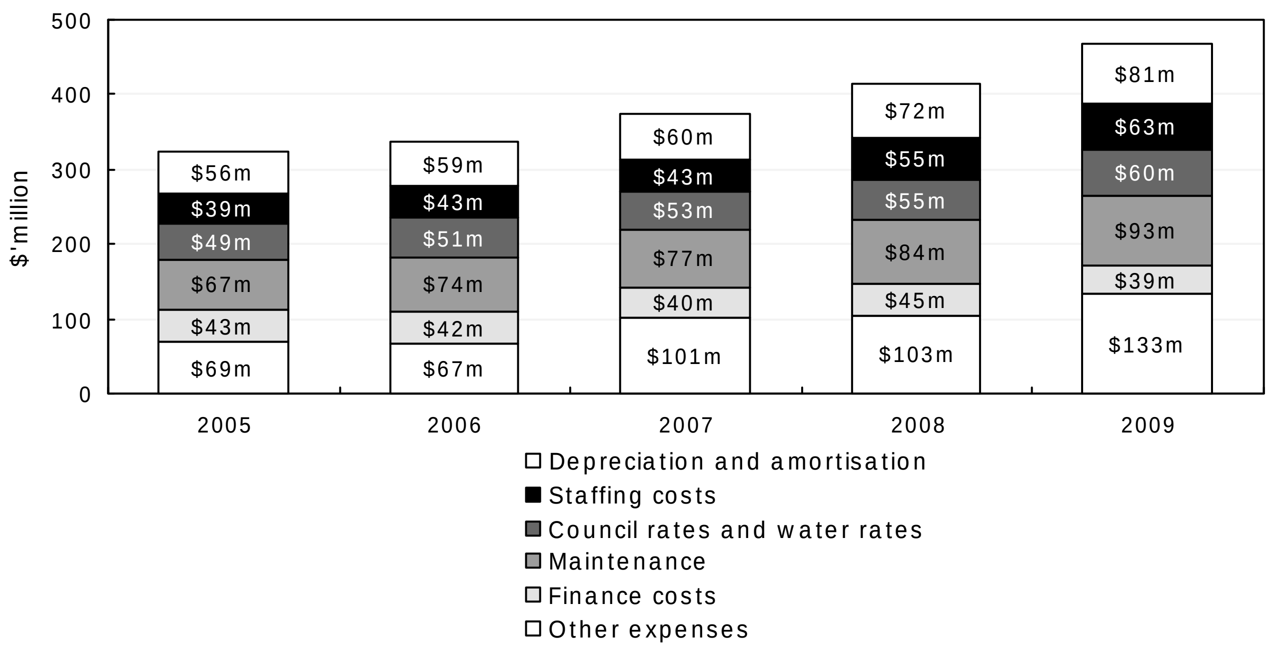
**Trust Rental Income**




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 2009 gross rent increased 8 percent ($30 million), rent revenue increased 4 percent ($8 million) and rent rebates increased 12 percent ($22 million). 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 2009, 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 three years. For 2005 and 2006 total expenses were relatively stable while 2007 saw an increase in other expenses primarily as a result of increased grants and subsidies and impairment expenses. In 2008 and 2009 depreciation and amortisation expenses, maintenance costs and staffing costs have increased. In 2009 other expenses also rose as a result of increased grants and subsidies.

In 2009 total expenses (excluding tax equivalent expenses) increased by $55 million (13 percent). This increase was due mainly to increases in:

- depreciation and amortisation ($9 million) as a result of higher property values
- staffing costs ($8 million) with salaries and wages up $4 million, long service leave expense up $1 million and workers compensation expense up $1 million
- maintenance ($9 million) due to additional maintenance being funded through Commonwealth funding
- grants and subsidies (included in other expenses) ($40 million). See below for further discussion.

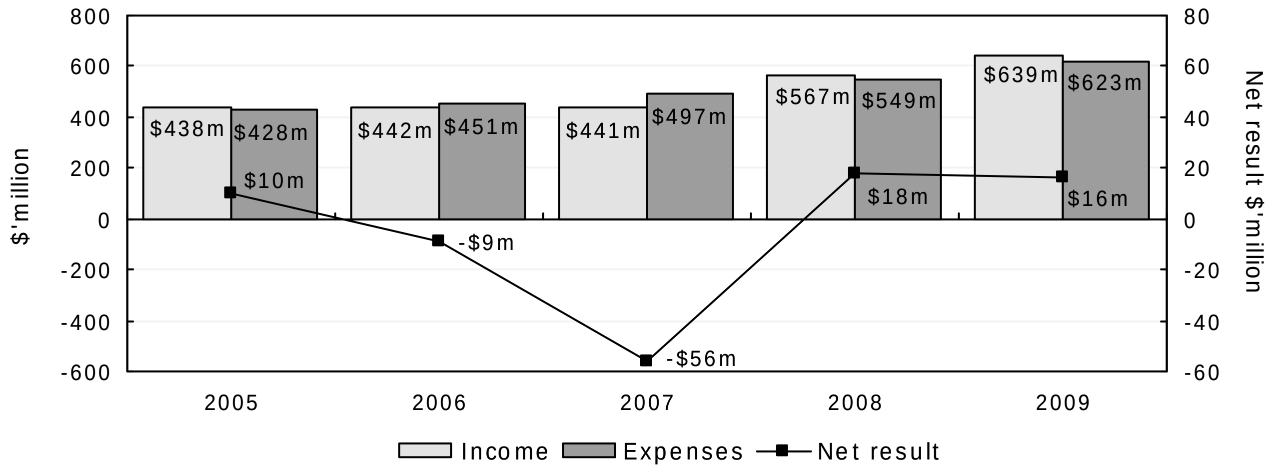
***Grant funded programs***

The Trust's recurrent direct expenditure with respect to grant funded programs was $68 million ($28 million). This increase of $40 million was mainly as a result of:

- grants of $31 million paid for the supported accommodation assistance program. This program was previously the responsibility of the DFC
- new grants for homelessness programs of $2 million. This program is funded by the Commonwealth
- grants for the indigenous community housing program increasing by $2 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 2009.




The chart demonstrates that the net result has fluctuated over the period under review. Expenses and income both increased in 2008 as a result of the restructure of housing activities which saw the Trust become responsible for indigenous and community housing. In 2009 expenses and income both increased for reasons discussed earlier while the net result remained steady.

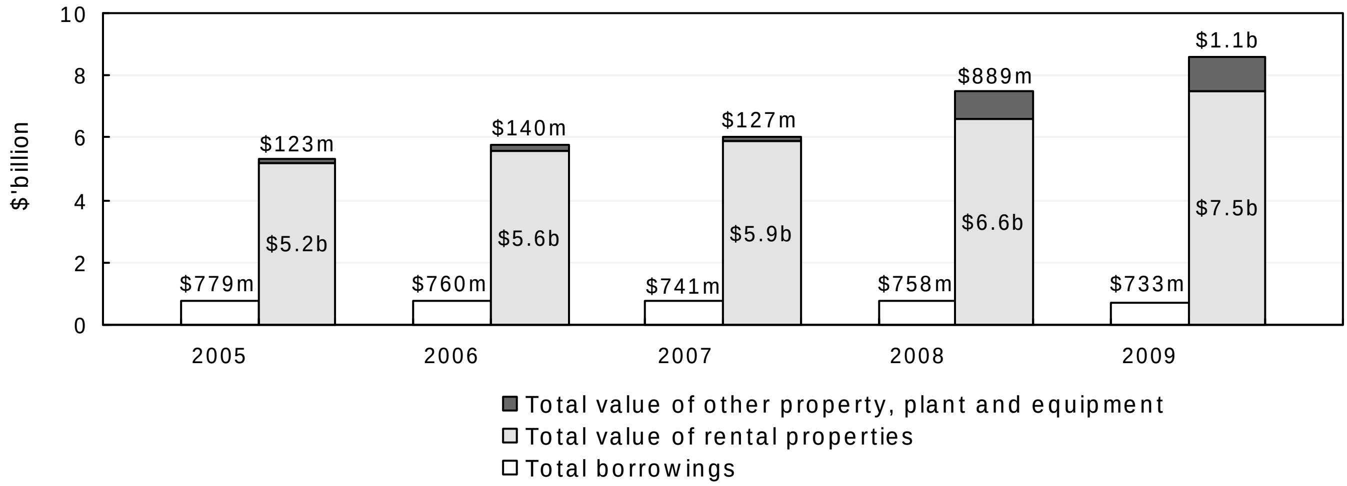
State and Commonwealth Government funds have been received for a number of projects which are yet to be expended. Note 35 to the financial statements details that $43 million of grant funds received during 2008-09 and $14 million of grant funds received in 2007-08 were unspent as at 30 June 2009.

Unspent grants and also grants received for capital purposes (where the resultant expenditure is brought to account through the Statement of Financial Position and not the Statement of Comprehensive Income) 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 2009 current liabilities amounted to $75 million, while current assets were $309 million.

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




In 2009 the value of rental properties increased by $945 million (14 percent) to $7.5 billion. Of this increase asset additions accounted for $109 million and revaluation of assets for $1.1 billion, offset by disposal of assets of $159 million and depreciation of $70 million.

The chart shows the steady increase in value during the 2005 to 2007 years with significant increases in value in 2008 and 2009. The 2008 increase was the result of additional assets acquired in the restructure of housing activities along with asset revaluation. The 2009 increase was primarily a result of asset revaluation. Other property, plant and equipment includes assets under arrangement of $897 million.

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 2008-09 were issued by the Valuer-General as at 1 July 2008. 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.

Of the total borrowings of $733 million, $696 million is subject to concessional interest rates which are fixed and range from four percent to 5.73 percent. These rates compare to the common public sector interest rate which averaged 5.94 percent for 2008-09. The fair value of borrowings at 30 June 2009 was $615 million ($612 million).

**Statement of Cash Flows**

| | **2009** **$'million** | 2008 $'million | 2007 $'million | 2006 $'million | 2005 million |
|---|---|---|---|---|---|
| **Net cash flows** | | | | | |
| Operating | **91** | 44 | (9) | 26 | 61 |
| Investing | **(45)** | 41 | 28 | (3) | (31) |
| Financing | **(24)** | (61) | (20) | (19) | (17) |
| Change in cash | **22** | 24 | (1) | 4 | 13 |
| Cash at 30 June | **143** | 121 | 97 | 98 | 94 |

In 2009 the Trust recorded an increase in cash of $22 million ($24 million).

Cash inflows from operating activities increased by $130 million largely because of an increase in cash received from the State Government and Commonwealth Government of $100 million. Grants received during 2009 which were unspent at 30 June 2009 totalled $43 million, up $20 million from the previous year. In addition a further $14 million from grants received in 2008 remains unspent at 30 June 2009. Refer to Note 35 of the financial statements.

Cash outflows from operating activities also increased by $83 million, primarily as a result of increased rental property expenses, up $35 million and grants and subsidies, up $40 million.

The Trust's investing activities saw $156 million for the purchase of property, plant and equipment, an increase of $36 million. The additional activity in this area is largely attributed to the Commonwealth funding received for the purchase of additional housing under the Nation Building and Economic Stimulus agreement. Proceeds from the sale of property, plant and equipment were $114 million, a decrease of $50 million from the previous year. This decrease reflects a downturn in the property market which saw house sales fall, together with a policy shift which saw more houses being retained and refurbished rather than sold, as a result of Commonwealth funding for this purpose.

Cash outflows from financing activities saw repayment of borrowings of $24 million compared to $104 million the previous year. In 2008 additional repayments were made a result of surplus cash and 2008 also saw additional borrowings and receipt of cash as a result of the housing restructure which contributed to the overall financing result.

## FURTHER COMMENTARY ON OPERATIONS

### Changed Commonwealth funding arrangements

The CSHA and the Supported Accommodation Assistance Program (SAAP) provided Commonwealth funding to the States in the areas of housing and supported accommodation. The agreements required the State to provide a matching component of funding. In July 2008 responsibility for administering the SAAP was transferred to the Trust from DFC. The funds under these agreements were received from the Commonwealth by DFC and paid as a grant to the Trust. These agreements came to an end as at 31 December 2008.

The introduction of the National Affordable Housing Agreement (NAHA) as of 1 January 2009 combined and took over the role of the CSHA and SAAP. The NAHA agreement signed between the Commonwealth and the States, under the provisions of the Intergovernmental Agreement on Federal Financial Relations (IAFFR), is a specific purpose payment (SPP) which 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 the Department of Treasury and Finance, from there to DFC and from DFC to the Trust.

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 SPP on how States allocate their own funding across or within sectors.

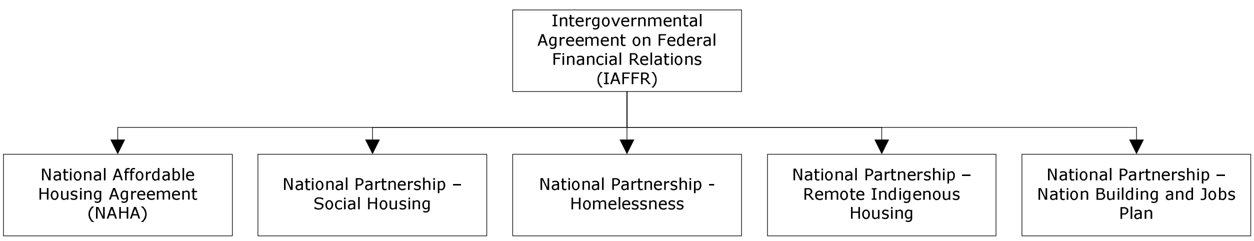
The State has an obligation to report compliance with the above requirement within six months of the end of every financial year to the Ministerial Council.

Base funding is provided on an ongoing basis and is indexed on 1 July 2010 and each year after that. The amount of base funding for affordable housing across all States in 2009-10 is $1.2 billion. Each State's share of funding in a financial year will be its population share. The South Australian population share for 2009-10 is 7.8889 percent. Total funding for 2009-10 is $94.9 million.

The NAHA is supported by National Partnership Agreements on:

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

The arrangements as at 1 January 2009 can be shown as follows:



*National Partnership Agreement: Social Housing*
The agreement facilitates the establishment of a 'Social Housing Growth Fund' to increase the supply of social housing. The fund will provide capital funding to support a range of projects to increase the supply of social housing through new construction. The Agreement commenced on 1 January 2009 and expires on 30 June 2010. The Commonwealth approved $14.990 million in funding in May 2009.

*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 condition 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 (SHI), which is a commitment by the Commonwealth to increase the supply of social housing throughout Australia.

*Implementation Plans*

Each of the NPAs 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:

- NPA: Social Housing
  - 2008-09 $14.990 million
- NPA: Nation Building and Jobs Plan - Element 1 Construction Stage 1
  - 2008-09 $4.497 million
  - 2009-10 $47.369 million
- NPA: Nation Building and Jobs Plan - Element 2 Repairs and Maintenance
  - 2008-09 $14.990 million
  - 2009-10 $14.990 million
- NPA: Remote Indigenous Housing*
  - 2008-09 $54.459 million
  - 2009-10 $52.696 million
  - 2010-11 $20.282 million
  - 2011-12 $23.257 million
  - 2012-13 $27.858 million
- NPA: Homelessness
  - 2008-09 $1.817 million
  - 2009-10 $7.227 million
  - 2010-11 $9.617 million
  - 2011-12 $9.987 million
  - 2012-13 $11.972 million

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

## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **EXPENSES:** | | | |
| Staffing costs | 6 | **62 968** | 55 327 |
| Supplies and services | 7 | **26 254** | 26 250 |
| Business service fees | 8 | **18 738** | 22 278 |
| Rental property expenses | 9 | **305 521** | 270 621 |
| Depreciation and amortisation | 10 | **81 226** | 72 432 |
| Grants and subsidies | 11 | **68 172** | 28 497 |
| Finance costs | 12 | **39 117** | 44 645 |
| Impairment expenses | 13 | **16 235** | 23 293 |
| **Total expenses** | | **618 231** | 543 343 |
| **INCOME:** | | | |
| Rental income | 14 | **236 751** | 228 896 |
| Interest revenue | 15 | **8 027** | 12 845 |
| Net gain from disposal of assets | 16 | **29 206** | 39 286 |
| Recoveries | 17 | **12 858** | 15 307 |
| Commonwealth revenues | 18 | **139 096** | 83 972 |
| Other revenue | 19 | **4 731** | 9 292 |
| **Total income** | | **430 669** | 389 598 |
| **NET COST OF PROVIDING SERVICES** | | **187 562** | 153 745 |
| **REVENUES FROM SA GOVERNMENT:** | | | |
| Revenues from SA Government | 20 | **208 896** | 177 562 |
| **Net result before income tax equivalent** | | **21 334** | 23 817 |
| Income tax equivalent | | **4 923** | 5 496 |
| **NET RESULT AFTER INCOME TAX EQUIVALENT** | | **16 411** | 18 321 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Changes in property, plant and equipment asset revaluation reserve | | **1 171 253** | 428 984 |
| **TOTAL COMPREHENSIVE RESULT** | | **1 187 664** | 447 305 |

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

# Statement of Financial Position
## as at 30 June 2009

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 22 | **143 050** | 121 618 |
| Receivables | 23 | **21 234** | 29 015 |
| Inventories | 24 | **131 311** | 99 784 |
| Non-current assets classified as held-for-sale | 25 | **13 039** | 14 203 |
| **Total current assets** | | **308 634** | 264 620 |
| **NON-CURRENT ASSETS:** | | | |
| Inventories | 24 | **4 579** | 3 192 |
| Property, plant and equipment | 26 | **8 590 966** | 7 470 705 |
| Intangible assets | 27 | **5 439** | 4 409 |
| Receivables | 23 | **19** | 29 |
| **Total non-current assets** | | **8 601 003** | 7 478 335 |
| **Total assets** | | **8 909 637** | 7 742 955 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 28 | **32 848** | 33 757 |
| Staff entitlements | 29 | **7 903** | 6 675 |
| Borrowings | 30 | **21 682** | 24 643 |
| Provisions | 31 | **2 193** | 2 119 |
| Other liabilities | 32 | **10 196** | 9 128 |
| **Total current liabilities** | | **74 822** | 76 322 |
| **NON-CURRENT LIABILITIES:** | | | |
| Borrowings | 30 | **711 545** | 733 101 |
| Staff entitlements | 29 | **12 595** | 11 348 |
| Provisions | 31 | **2 068** | 1 274 |
| Payables | 28 | **1 277** | 1 056 |
| Other liabilities | 32 | **2 301** | 2 489 |
| **Total non-current liabilities** | | **729 786** | 749 268 |
| **Total liabilities** | | **804 608** | 825 590 |
| **NET ASSETS** | | **8 105 029** | 6 917 365 |
| **EQUITY:** | | | |
| Retained earnings | | **2 248 233** | 2 170 417 |
| Asset revaluation reserve | | **5 856 796** | 4 746 948 |
| **TOTAL EQUITY** | | **8 105 029** | 6 917 365 |

Total equity is attributable to the SA Government as owner

| | Note |
|---|---|
| Unrecognised contractual commitments | 33 |
| Contingent assets and liabilities | 34 |

# Statement of Changes in Equity
# for the year ended 30 June 2009

| | Note | Asset revaluation reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 30 June 2007 | | 4 394 223 | 1 037 765 | 5 431 988 |
| Prior period adjustment | | - | 415 | 415 |
| Error correction | | - | (307) | (307) |
| Restated balance at 30 June 2007 | | 4 394 223 | 1 037 873 | 5 432 096 |
| Net result after income tax equivalent for 2007-08 | | - | 18 321 | 18 321 |
| Revaluation of property during 2007-08: | | | | |
| Decrement in rental houses due to revaluation: | | | | |
| Transferred to capital works | | (34 837) | - | (34 837) |
| Subject to sales contracts | | (436) | - | (436) |
| Increment in freehold land and buildings due to revaluation | | 464 257 | - | 464 257 |
| Total comprehensive result for 2007-08 | | 428 984 | 18 321 | 447 305 |
| Transfer between equity components | | | | |
| Transfer to retained earnings of increment realised on sale of freehold land and buildings | | (76 259) | - | (76 259) |
| Realisation of asset revaluation reserve on sale of freehold land and buildings | | - | 76 259 | 76 259 |
| Total transfer between equity components | | (76 259) | 76 259 | - |
| Transactions with SA Government as owner | | | | |
| Net assets transferred as a result of an administrative restructure | 21 | - | 1 037 964 | 1 037 964 |
| Balance at 30 June 2008 | | 4 746 948 | 2 170 417 | 6 917 365 |
| Net result after income tax equivalent for 2008-09 | | - | 16 411 | 16 411 |
| Revaluation of property during 2008-09: | | | | |
| Decrement in rental houses due to revaluation: | | | | |
| Transferred to capital works | | (46 345) | - | (46 345) |
| Subject to sales contracts | | (551) | - | (551) |
| Increment in freehold land and buildings due to revaluation | | 1 218 149 | - | 1 218 149 |
| Total comprehensive result for 2008-09 | | 1 171 253 | 16 411 | 1 187 664 |
| Transfer between equity components | | | | |
| Transfer to retained earnings of increment realised on sale of freehold land and buildings | | (61 405) | - | (61 405) |
| Realisation of asset revaluation reserve on sale of freehold land and buildings | | - | 61 405 | 61 405 |
| Total transfer between equity components | | (61 405) | 61 405 | - |
| **Balance at 30 June 2009** | | **5 856 796** | **2 248 233** | **8 105 029** |

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

# Statement of Cash Flows
# for the year ended 30 June 2009

| | Note | 2009 Inflows (Outflows) $'000 | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Staffing costs | | **(59 081)** | (71 411) |
| Supplies and services | | **(27 135)** | (19 622) |
| Business service fees | | **(18 738)** | (22 278) |
| Rental property expenses | | **(304 539)** | (269 525) |
| Grants and subsidies | | **(68 172)** | (28 497) |
| Interest paid | | **(34 321)** | (39 617) |
| Other finance costs | | **(5 012)** | (5 208) |
| Income tax equivalent paid | | **(5 496)** | - |
| GST payments on purchases | | **(14 333)** | (6 944) |
| GST paid to DFC | | **(16 812)** | (6 241) |
| Other payments | | **(5 237)** | (6 646) |
| **Cash used in operations** | | **(558 876)** | (475 989) |
| CASH INFLOWS: | | | |
| Rent received | | **242 810** | 226 923 |
| Recoveries received | | **12 858** | 15 307 |
| Other receipts | | **4 731** | 5 160 |
| Receipts from Commonwealth | | **139 096** | 75 882 |
| Interest received | | **8 999** | 12 205 |
| GST receipts on receivables | | **14 454** | 6 220 |
| GST receipts from DFC | | **17 413** | 6 253 |
| **Cash generated from operations** | | **440 361** | 347 950 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Receipts from SA Government | | **209 201** | 171 971 |
| **Cash generated from SA Government** | | **209 201** | 171 971 |
| **Net cash provided by operating activities** | 36 | **90 686** | 43 932 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | **(156 492)** | (120 730) |
| Purchase of intangibles | | **(2 760)** | (2 857) |
| **Cash used in investing activities** | | **(159 252)** | (123 587) |
| CASH INFLOWS: | | | |
| Proceeds from sale of property, plant and equipment | | **114 262** | 164 081 |
| Proceeds from interest bearing receivables | | **10** | 27 |
| **Cash generated from investing activities** | | **114 272** | 164 108 |
| **Net cash (used in) provided by investing activities** | | **(44 980)** | 40 521 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Repayment of borrowings | | **(24 274)** | (104 270) |
| **Cash used in financing activities** | | **(24 274)** | (104 270) |
| CASH INFLOWS: | | | |
| Proceeds from borrowings | | **-** | 19 043 |
| Revenues from restructure | | **-** | 24 925 |
| **Cash generated from financing activities** | | **-** | 43 968 |
| **Net cash used in financing activities** | | **(24 274)** | (60 302) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS HELD** | | **21 432** | 24 151 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **121 618** | 97 467 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 22 | **143 050** | 121 618 |

# Disaggregated Disclosures - Expenses and Income
# for the year ended 30 June 2009

| (Activities - refer Note 5) | 1 | | 2 | | 3 | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **EXPENSES:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Staffing costs | **49 887** | 43 457 | **6 836** | 5 830 | **911** | 1 654 |
| Supplies and services | **20 300** | 20 377 | **3 402** | 3 741 | **877** | 921 |
| Business service fees | **14 827** | 15 203 | **2 092** | 5 289 | **275** | 387 |
| Rental property expenses | **294 583** | 261 012 | **10 343** | 9 141 | **576** | 451 |
| Depreciation and amortisation | **68 790** | 62 033 | **3 676** | 3 298 | **8 760** | 7 101 |
| Grants and subsidies | **18 980** | 13 464 | **11 516** | 8 389 | **284** | 316 |
| Finance costs | **36 603** | 38 030 | **-** | 300 | **2 514** | 6 263 |
| Impairment expenses | **13 599** | 17 052 | **772** | 4 168 | **30** | 99 |
| **Total expenses** | **517 569** | 470 628 | **38 637** | 40 156 | **14 227** | 17 192 |
| | | | | | | |
| **INCOME:** | | | | | | |
| Rental income | **220 011** | 212 527 | **10 912** | 10 112 | **5 828** | 6 257 |
| Interest revenue | **8 027** | 12 845 | **-** | - | **-** | - |
| Net gain (loss) from disposal of assets | **30 143** | 37 275 | **(58)** | 2 071 | **(879)** | (60) |
| Recoveries | **8 184** | 8 980 | **1 166** | 2 622 | **58** | 221 |
| Commonwealth revenues | **64 910** | 36 995 | **28 379** | 21 669 | **18 467** | 18 426 |
| Other revenue | **4 305** | 6 863 | **218** | 2 250 | **-** | 19 |
| **Total income** | **335 580** | 315 485 | **40 617** | 38 724 | **23 474** | 24 863 |
| | | | | | | |
| **NET COST OF PROVIDING SERVICES** | **(181 989)** | (155 143) | **1 980** | (1 432) | **9 247** | 7 671 |
| **REVENUES FROM SA GOVERNMENT:** | | | | | | |
| Revenues from SA Government | **174 460** | 157 200 | **4 532** | 4 533 | **11 372** | 11 927 |
| **NET RESULT BEFORE INCOME TAX EQUIVALENT** | **(7 529)** | 2 057 | **6 512** | 3 101 | **20 619** | 19 598 |
| Income tax equivalent | **-** | 445 | **859** | 676 | **3 868** | 4 375 |
| **NET RESULT AFTER INCOME TAX EQUIVALENT** | **(7 529)** | 1 612 | **5 653** | 2 425 | **16 751** | 15 223 |

# Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009 (continued)

| (Activities - refer Note 5) | 4 | | 5 | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **EXPENSES:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Staffing costs | **4 744** | 3 672 | **590** | 714 | **62 968** | 55 327 |
| Supplies and services | **1 306** | 1 045 | **369** | 166 | **26 254** | 26 250 |
| Business service fees | **1 332** | 1 272 | **212** | 127 | **18 738** | 22 278 |
| Rental property expenses | **18** | 17 | **1** | - | **305 521** | 270 621 |
| Depreciation and amortisation | **-** | - | **-** | - | **81 226** | 72 432 |
| Grants and subsidies | **6 993** | 6 225 | **30 399** | 103 | **68 172** | 28 497 |
| Finance costs | **-** | 46 | **-** | 6 | **39 117** | 44 645 |
| Impairment expenses | **1 834** | 1 937 | **-** | 37 | **16 235** | 23 293 |
| **Total expenses** | **16 227** | 14 214 | **31 571** | 1 153 | **618 231** | 543 343 |
| **INCOME:** | | | | | | |
| Rental income | **-** | - | **-** | - | **236 751** | 228 896 |
| Interest revenue | **-** | - | **-** | - | **8 027** | 12 845 |
| Net gain (loss) from disposal of assets | **-** | - | **-** | - | **29 206** | 39 286 |
| Recoveries | **3 277** | 3 445 | **173** | 39 | **12 858** | 15 307 |
| Commonwealth revenues | **8 630** | 6 882 | **18 710** | - | **139 096** | 83 972 |
| Other revenue | **208** | 153 | **-** | 7 | **4 731** | 9 292 |
| **Total income** | **12 115** | 10 480 | **18 883** | 46 | **430 669** | 389 598 |
| **NET COST OF PROVIDING SERVICES** | **(4 112)** | (3 734) | **(12 688)** | (1 107) | **(187 562)** | (153 745) |
| **REVENUES FROM SA GOVERNMENT:** | | | | | | |
| Revenues from SA Government | **4 315** | 3 902 | **14 217** | - | **208 896** | 177 562 |
| **NET RESULT BEFORE INCOME TAX EQUIVALENT** | **203** | 168 | **1 529** | (1 107) | **21 334** | 23 817 |
| Income tax equivalent | **-** | - | **196** | - | **4 923** | 5 496 |
| **NET RESULT AFTER INCOME TAX EQUIVALENT** | **203** | 168 | **1 333** | (1 107) | **16 411** | 18 321 |

# Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

| (Activities - refer Note 5) | 1 | | 2 | | 3 | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **ASSETS:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Cash and cash equivalents | **143 047** | 121 616 | **3** | 2 | **-** | - |
| Receivables | **20 087** | 23 828 | **1 094** | 4 528 | **72** | 688 |
| Inventories | **125 104** | 93 508 | **5 406** | 3 780 | **5 380** | 5 688 |
| Non-current assets classified as held-for-sale | **13 039** | 14 203 | **-** | - | **-** | - |
| Property, plant and equipment | **7 274 614** | 6 338 898 | **399 759** | 344 700 | **916 593** | 787 107 |
| Intangible assets | **5 439** | 4 404 | **-** | 5 | **-** | - |
| **Total assets** | **7 581 330** | 6 596 457 | **406 262** | 353 015 | **922 045** | 793 483 |
| **LIABILITIES:** | | | | | | |
| Payables | **28 025** | 30 557 | **1 997** | 2 039 | **4 103** | 2 217 |
| Staff entitlements | **20 498** | 18 023 | **-** | - | **-** | - |
| Provisions | **4 111** | 3 242 | **34** | 35 | **116** | 116 |
| Borrowings | **699 552** | 720 505 | **-** | - | **33 675** | 37 239 |
| Other liabilities | **12 497** | 11 617 | **-** | - | **-** | - |
| **Total liabilities** | **764 683** | 783 944 | **2 031** | 2 074 | **37 894** | 39 572 |

| (Activities - refer Note 5) | 4 | | 5 | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **ASSETS:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Cash and cash equivalents | **-** | - | **-** | - | **143 050** | 121 618 |
| Receivables | **-** | - | **-** | - | **21 253** | 29 044 |
| Inventories | **-** | - | **-** | - | **135 890** | 102 976 |
| Non-current assets classified as held-for-sale | **-** | - | **-** | - | **13 039** | 14 203 |
| Property, plant and equipment | **-** | - | **-** | - | **8 590 966** | 7 470 705 |
| Intangible assets | **-** | - | **-** | - | **5 439** | 4 409 |
| **Total assets** | **-** | - | **-** | - | **8 909 637** | 7 742 955 |
| **LIABILITIES:** | | | | | | |
| Payables | **-** | - | **-** | - | **34 125** | 34 813 |
| Staff entitlements | **-** | - | **-** | - | **20 498** | 18 023 |
| Provisions | **-** | - | **-** | - | **4 261** | 3 393 |
| Borrowings | **-** | - | **-** | - | **733 227** | 757 744 |
| Other liabilities | **-** | - | **-** | - | **12 497** | 11 617 |
| **Total liabilities** | **-** | - | **-** | - | **804 608** | 825 590 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the South Australian Housing Trust

#### *1.1 Objectives*

The South Australian Housing Trust (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 is formalised in a Ministerial Performance Agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

The primary objective of the Trust is to focus on the provision of affordable housing to households and families in greatest need. These include those who have complex needs and those on low income who need affordable rental or aspire to affordable home ownership. The Board is responsible to the Minister for overseeing the operations of the Trust with the goal of:

### *1.1 Objectives (continued)*

- 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 Housing 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:

- TIs 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) employees whose normal remuneration is $100 000 or more (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 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.

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 period ended 30 June 2009 and the comparative information presented.

### *2.3 Reporting entity*

The South Australian Housing Trust's financial statements include only Trust activities and does 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 AASB 101 (September 2007 version) and specific revised APSs or AASs.

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

Where presentation or classification of items in the financial statements has been amended comparative amounts have been reclassified where practicable.

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 Department of Treasury and Finance 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 to 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 the Act, section 25, the Trust may be required to pay to the State Government tax equivalents. Tax equivalent payments are required in respect of income tax, land tax, other State taxes and local government rates.

### 2.7 Taxation (continued)

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.

Under the Commonwealth State Housing Agreement (CSHA), up until 31 December 2008, the use of funds provided under the agreement or revenues derived from CSHA-funded assets, cannot be used to meet the cost of tax equivalent payments levied by the State. Consequently, Treasury reimburses the cost of tax equivalent payments to the Trust resulting in a nil effect on the net result.

The Trust is liable for the cost of payroll tax, FBT and GST.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is the Department for Families and Communities (DFC), which is responsible for paying GST 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.

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 2009, 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 12th year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered.

### 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 2008.

### 2.12 Non-current assets held-for-sale

Non-current assets classified as held-for-sale relate to rental properties that are no longer required for public rental 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.

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.

*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 2008 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 2008, using the 1 July 2008 values, for all land and buildings.

*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 3 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.

*(iii) Depreciation (continued)*

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

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

| *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.

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

### *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 reserve.

### *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 Housing SA, DFC 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 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 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 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand 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 the South Australian Government Financing Authority, SAICORP Division, 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 Department for Families and Communities 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 2009 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*

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

As at 30 June 2009 the Trust has no finance leases.

### *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 the major part of its debt. Note 30 details the interest rates applicable to borrowings and Note 22 details the interest rates applicable to the cash held in the bank accounts.

**3. Financial risk management (continued)**

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 it's 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**

The Trust has early-adopted the September 2007 version of AASB 101. This includes the preparation of a single Statement of Comprehensive Income.

In accordance with AASB 1004, the Trust has recognised the 2007-08 administrative restructure as a transaction with owners in the Statement of Changes in Equity rather than recording this event as a revenue item.

In accordance with AASB 1052, the Trust has disclosed for the first time the amounts of assets and liabilities reliably attributable to each activity.

All other recently issued or amended AASs and Interpretations that are not yet effective, have not been adopted by the Trust for the reporting period ending 30 June 2009. 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 report 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 Indigenous Community Housing Program. The Indigenous Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia for new housing, housing upgrades, insurance, community administration assistance, and repairs and maintenance subsidies.

***Activity 3: Community Housing***

Development, support and promotion of the community housing sector, including administering the *South Australian Co-operative and Community Housing Act 1991*, 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: Supported Accommodation Assistance Program***

Provision and management of grant funding to non-Government organisations for the delivery of supported accommodation and support services to assist people who are homeless or at imminent risk of homelessness.

**6. Staffing Costs**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries and wages | **44 885** | 41 066 |
| Superannuation | **6 154** | 5 721 |
| Annual leave | **5 106** | 4 593 |
| Payroll tax | **3 059** | 2 920 |
| Other staff expenses | **2 539** | 2 368 |

| 6. Staffing Costs (continued) | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Long service leave | **3 117** | 1 731 |
| Workers compensation | **2 196** | 1 102 |
| Board fees | **226** | 147 |
| Charged to capital program | **(4 314)** | (4 321) |
| **Total staffing costs** | **62 968** | 55 327 |

***Remuneration of staff***

| The number of staff whose remuneration received or receivable falls within the following bands: | Executive 2009 Number | Executive 2008 Number | Staff 2009 Number | Staff 2008 Number |
|---|---|---|---|---|
| $100 000 - $109 999 | **-** | 4 | **16** | 8 |
| $110 000 - $119 999 | **1** | 5 | **4** | 1 |
| $120 000 - $129 999 | **-** | 1 | **1** | 1 |
| $130 000 - $139 999 | **1** | 1 | **2** | - |
| $140 000 - $149 999 | **3** | - | **-** | - |
| $150 000 - $159 999 | **1** | - | **-** | - |
| $160 000 - $169 999 | **-** | 2 | **-** | - |
| $170 000 - $179 999 | **2** | 1 | **-** | - |
| $180 000 - $189 999 | **2** | - | **-** | - |
| $190 000 - $199 999 | **1** | 1 | **-** | - |
| $200 000 - $209 999 | **-** | 1 | **-** | - |
| $210 000 - $219 999 | **1** | 1 | **-** | - |
| **Total number of staff** | **12** | 17 | **23** | 10 |

The table includes DFC executives and staff paid by the Trust under the service level agreement with DFC who received remuneration of $100 000 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 $4.457 million ($3.441 million).

***Remuneration of Board and Committee members***

Membership for various Boards and Committees during 2008-09 were:

***SAHT Governing Board*** (appointed by the Governor)

M Marsland (Chair)
M Patetsos
E Byrt
G Crafter
C Davidson
K Liddle(1) (appointed 21 May 2009)
P Smith(1) (resigned 24 October 2008)

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

M Marsland (Chair)
M Patetsos
G Crafter
E Byrt
T Maras
W Gibbings(1) (appointed 30 June 2009)
G Storkey(1) (appointed 30 June 2009)
K Liddle(1) (appointed 30 June 2009)
P Martin(1) (expired 13 November 2008)
E Bowman(1) (expired 23 October 2008)

***Audit Committee*** (appointed by the Board)

M Patetsos (Chair)
E Byrt
C Davidson
P Agars
K Liddle(1)

***Finance Committee*** (appointed by the Board)

M Patetsos (Chair)
E Byrt
C Davidson
P Agars

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

***Public Housing Appeals Board*** (appointed by the Governor)

K McEvoy
G Cotton Kenny
G Hone
K Millar (resigned 21 January 2009)
N Ferencz
K Warren
M Castles
U Dahl
C Finn

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

R Payze
M Marsland
K Gligic(1)
M Curran(1)
M Devine
C Menz
S Russell

***Homes for 100 Project Committee***

W Cossey (Chair)
M Curran(1) (from 5 February 2009)
C Bruno(1) (from 5 February 2009)
S Carman(1) (from 2 July 2008)
L Clift(1) (resigned 16 December 2008)
P Fagan-Schmidt(1) (resigned 19 December 2008)
J Birkill
M Dyason
E Clare

***Remuneration of Board and Committee members (continued)***

***Minister's Strategic Housing Advisory Committee*** (appointed by the Minister)

| | |
|---|---|
| A Beer | G Ross |
| H Connolly | B Seeger |
| L Garrett | P R Smith (resigned 28 May 2009) |
| C Halsey | R Snell |
| S Langton | M Woodward |
| W Malycha | N Zivkovic |
| A Matheson | P Beddall (appointed 4 May 2009) |

(1) In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for Board/Committee duties during the financial year.

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: | **2009 Number** | 2008 Number |
|---|---|---|
| $0 - $9 999 | **44** | 36 |
| $10 000 - $19 999 | **-** | 3 |
| $20 000 - $29 999 | **2** | 1 |
| $30 000 - $39 999 | **3** | 3 |
| $40 000 - $49 999 | **1** | - |
| $50 000 - $59 999 | **-** | 1 |
| | **50** | 44 |

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Total remuneration received, or due and received by Board and Committee members | **246** | 282 |
| Amounts paid to a superannuation plan for Board and Committee members | **20** | 23 |

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

| | **2009** | 2008 |
|---|---|---|
| Supplies and services provided by entities within the SA Government: | **$'000** | $'000 |
| Insurance | **1 985** | 1 855 |
| Contractors | **142** | 199 |
| Travel and accommodation | **232** | - |
| Debt management | **403** | 317 |
| Operating lease | **4 043** | 3 682 |
| Accommodation expenses | **1 070** | 1 041 |
| Subsidy repayment | **-** | 497 |
| Early repayment of loan | **126** | - |
| Computer expenses | **226** | 127 |
| Audit fees - Auditor-General's Department(1) | **327** | 323 |
| **Total supplies and services - SA Government entities** | **8 554** | 8 041 |
| | | |
| Supplies and services provided by entities external to the SA Government: | | |
| Operating lease | **1 324** | 1 560 |
| Accommodation expenses | **2 192** | 2 139 |
| Insurance | **3 057** | 2 481 |
| Contractors | **6 352** | 3 366 |
| Administration expenses | **1 766** | 1 969 |
| Printing, stationery and postage | **1 353** | 1 209 |
| Travel and accommodation | **937** | 943 |
| Agent fees | **607** | 842 |
| Communications | **789** | 774 |
| Other customer related expenses | **527** | 591 |
| Computer expenses | **1 550** | 1 756 |
| Tenant relocation | **367** | 502 |
| Consultants | **203** | 345 |
| Staff development | **414** | 309 |
| Debt management | **239** | 248 |
| Brokerage | **52** | 108 |
| Charged to capital program | **(4 029)** | (933) |
| **Total supplies and services - non-SA Government entities** | **17 700** | 18 209 |
| **Total supplies and services** | **26 254** | 26 250 |

(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:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Number** | **$'000** | Number | $'000 |
| Below $10 000 | **10** | **38** | 11 | 40 |
| Between $10 000 and $50 000 | **7** | **165** | 5 | 109 |
| Above $50 000 | **-** | **-** | 2 | 196 |
| **Total paid / payable to the consultants engaged** | **17** | **203** | 18 | 345 |

**8. Business service fees**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Computing services and processing charges | **6 667** | 9 727 |
| Motor vehicles hire charges | **2 753** | 2 982 |
| Legal and financial services | **500** | 1 683 |
| GST expense | **1 523** | 1 045 |
| Staff development | **1 054** | 1 030 |
| Human resources services | **1 048** | 1 004 |
| Records management and mail services | **649** | 902 |
| Administration premises management | **648** | 730 |
| Procurement services | **710** | 692 |
| Geographical information services | **694** | 575 |
| Payroll services | **504** | 492 |
| Internal audit | **479** | 479 |
| Business planning, strategy and quality assurance | **259** | 387 |
| Masterpiece support | **251** | - |
| Insurance | **229** | 195 |
| Media and communications services | **203** | 195 |
| SA Government Shared Services | **424** | - |
| Telecommunications management and charges | **143** | 160 |
| **Total business service fees** | **18 738** | 22 278 |

**9. Rental property expenses**

| | | |
|---|---|---|
| Rental property expenses provided by entities within the SA Government: | | |
| Land tax equivalent | **149 162** | 129 927 |
| Water rates | **24 411** | 21 256 |
| Stamp duty and search fees | **1 702** | 413 |
| Valuations | **-** | 136 |
| Emergency Services levy | **143** | 115 |
| **Total rental property expenses - SA Government entities** | **175 418** | 151 847 |
| Rental property expenses provided by entities external to the SA Government: | | |
| Maintenance | **93 397** | 83 687 |
| Council rates | **35 417** | 33 868 |
| Construction variances | **1 124** | 1 052 |
| Property expenses | **165** | 167 |
| **Total rental property expenses - non-SA Government entities** | **130 103** | 118 774 |
| **Total rental property expenses** | **305 521** | 270 621 |

**10. Depreciation and amortisation**

| | | |
|---|---|---|
| Depreciation: | | |
| Rental properties | **69 843** | 63 253 |
| Assets under arrangement | **8 648** | 6 964 |
| Plant and equipment | **323** | 310 |
| Administrative properties | **183** | 84 |
| **Total depreciation** | **78 997** | 70 611 |
| Amortisation: | | |
| Intangible assets | **1 729** | 1 362 |
| Leasehold improvements | **500** | 459 |
| **Total amortisation** | **2 229** | 1 821 |
| **Total depreciation and amortisation** | **81 226** | 72 432 |

**11. Grants and subsidies**

| | | |
|---|---|---|
| Grants and subsidies paid/payable to entities within the SA Government: | | |
| Affordable housing grants | **3 183** | 4 659 |
| Private rental assistance | **3 424** | 3 396 |
| Supported Accommodation Assistance program | **1 718** | 320 |
| Subsidies to other housing providers | **127** | - |
| **Total grants and subsidies - SA Government entities** | **8 452** | 8 375 |

| | | 2009 | 2008 |
|---|---|---|---|
| **11.** | **Grants and subsidies (continued)** | **2009** | 2008 |
| | Grants and subsidies paid/payable to entities external to the SA Government: | **$'000** | $'000 |
| | Indigenous Community Housing program | **9 912** | 7 955 |
| | Affordable housing grants | **10 218** | 7 911 |
| | Private rental assistance | **3 569** | 2 829 |
| | Crisis accommodation | **417** | 779 |
| | Subsidies to community housing organisations | **279** | 316 |
| | Other recurrent grants | **-** | 107 |
| | Fixing Houses for Better Health program | **1 029** | 113 |
| | APY Septic Intervention program | **575** | - |
| | Infrastructure contribution to City of Playford | **660** | - |
| | Supported Accommodation Assistance program | **28 883** | - |
| | Homelessness programs | **2 298** | - |
| | Subsidies to other housing providers | **1 880** | 112 |
| | **Total grants and subsidies - non-SA Government entities** | **59 720** | 20 122 |
| | **Total grants and subsidies** | **68 172** | 28 497 |
| **12.** | **Finance costs** | | |
| | Interest on borrowings | **34 321** | 39 617 |
| | Treasurer's guarantee fee | **4 796** | 5 028 |
| | **Total finance costs - SA Government entities** | **39 117** | 44 645 |
| **13.** | **Impairment expenses** | | |
| | Impairment expenses paid/payable to entities external to the SA Government: | | |
| | Asset write-offs(1) | **10 284** | 9 858 |
| | Bad debts expense | **5 237** | 6 646 |
| | Computer system write-offs | **-** | 4 638 |
| | Doubtful debts expense | **714** | 2 151 |
| | **Total impairment expenses - non-SA Government entities** | **16 235** | 23 293 |

(1) Expensing of book value of assets demolished.

| | | | |
|---|---|---|---|
| **14.** | **Rental income** | | |
| | Rent received/receivable from entities external to the SA Government: | | |
| | Market rent income | **430 033** | 400 054 |
| | Rental rebates | **(199 499)** | (177 490) |
| | Other rent | **6 217** | 6 332 |
| | **Total rental income - non-SA Government entities** | **236 751** | 228 896 |
| **15.** | **Interest revenue** | | |
| | Interest from entities within the SA Government | **7 908** | 12 689 |
| | Interest from entities external to the SA Government | **119** | 156 |
| | **Total interest revenue** | **8 027** | 12 845 |
| **16.** | **Net gain from disposal of assets** | | |
| | Rental properties: | | |
| | Proceeds from disposal | **56 309** | 97 162 |
| | Net book value of assets disposed(1) | **50 296** | 79 990 |
| | **Net Gain from Disposal of Rental Properties** | **6 013** | 17 172 |
| | Inventory - capital work in progress: | | |
| | Proceeds from disposal | **56 741** | 65 087 |
| | Net book value of assets disposed(1) | **33 787** | 43 507 |
| | **Net gain from disposal of completed assets** | **22 954** | 21 580 |
| | Inventory - vacant land: | | |
| | Proceeds from disposal | **986** | 1 717 |
| | Net book value of assets disposed(1) | **747** | 1 183 |
| | **Net gain from disposal of vacant land** | **239** | 534 |
| | Total assets: | | |
| | Total proceeds from disposal | **114 036** | 163 966 |
| | Total net book value of assets disposed(1) | **84 830** | 124 680 |
| | **Net gain from disposal of assets** | **29 206** | 39 286 |

(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.

| | | **2009** | 2008 |
|---|---|---|---|
| **17.** | **Recoveries** | **$'000** | $'000 |
| | Recoveries received/receivable from entities within the SA Government: | | |
| | *Housing Improvement Act* recoveries | **377** | - |
| | Administrative services to other agencies | **767** | 5 541 |
| | **Total recoveries - SA Government entities** | **1 144** | 5 541 |
| | Recoveries received/receivable from entities external to the SA Government: | | |
| | Maintenance | **4 197** | 4 130 |
| | Private Rental Assistance program | **2 806** | 2 682 |
| | Water charges | **3 561** | 1 580 |
| | *Housing Improvement Act* recoveries | **79** | 513 |
| | General service recoveries | **535** | 605 |
| | Grant recoveries | **352** | - |
| | Insurance | **117** | 168 |
| | Other | **67** | 88 |
| | **Total recoveries - non-SA Government entities** | **11 714** | 9 766 |
| | **Total recoveries** | **12 858** | 15 307 |

| | | | |
|---|---|---|---|
| **18.** | **Commonwealth revenues** | | |
| | National affordable housing base funding | **44 550** | - |
| | CSHA: | | |
| | Base funding | **27 190** | 51 346 |
| | Community housing | **2 590** | 5 103 |
| | Aboriginal Rental Housing program | **4 685** | 8 804 |
| | Crisis Accommodation program | **1 604** | 3 162 |
| | National Partnership Agreements: | | |
| | Nation Building - Economic Stimulus Plan | **19 487** | - |
| | Social Housing | **14 954** | - |
| | Remote Indigenous Housing | **9 245** | - |
| | Homelessness | **1 817** | - |
| | Supported Accommodation Assistance program | **9 002** | - |
| | Community Housing and Infrastructure program | **1 736** | 3 526 |
| | Fixing Houses for Better Health program | **1 254** | 261 |
| | Other Commonwealth receipts | **689** | 2 147 |
| | Healthy Indigenous Housing initiative | **293** | 585 |
| | Disability supported accommodation | **-** | 8 090 |
| | APY Septic Intervention program | **-** | 948 |
| | **Total Commonwealth revenues** | **139 096** | 83 972 |

| | | | |
|---|---|---|---|
| **19.** | **Other revenue** | | |
| | Bad debts recovered | **2 860** | 4 173 |
| | Write-back of asset decrements | **-** | 3 854 |
| | Interest discount due to early repayment of loans | **-** | 737 |
| | Sundry revenue | **1 871** | 528 |
| | **Total other revenue - non-SA Government entities** | **4 731** | 9 292 |

| | | | |
|---|---|---|---|
| **20.** | **Revenues from SA Government** | | |
| | Tax equivalent reimbursement | **155 750** | 135 767 |
| | CSHA matching | **13 311** | 26 163 |
| | National Partnership Agreement: | | |
| | Homelessness | **5 500** | - |
| | Strathmont Centre redevelopment | **2 812** | 5 495 |
| | Affordable housing initiatives | **-** | 6 800 |
| | General purpose grant | **21 405** | 2 156 |
| | Social inclusion initiatives | **3 285** | 1 113 |
| | Supported Accommodation Assistance program | **6 833** | - |
| | Other grants | **-** | 68 |
| | **Total revenues from SA Government** | **208 896** | 177 562 |

| | | | |
|---|---|---|---|
| **21.** | **Net assets transferred from administrative restructure** | | |
| | Assets transferred from restructure | **-** | 1 146 583 |
| | Liabilities transferred from restructure | **-** | (108 619) |
| | **Total net assets transferred from administrative restructure** | **-** | 1 037 964 |

In June 2007 Parliament passed the *Statutes Amendment (Affordable Housing) Act 2007*. The new legislation came into effect on 1 July 2007. The separate Boards of the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA) were dissolved and their responsibilities encompassed within the Trust Board.

## 22. Cash and cash equivalents

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Cash held in SAFA cash management fund | **81 912** | 112 075 |
| Deposits with the Treasurer | **59 719** | 7 169 |
| Cash - development projects | **1 383** | 1 938 |
| Deposits at call with other entities | **-** | 400 |
| Cash on hand | **36** | 36 |
| **Total cash and cash equivalents** | **143 050** | 121 618 |

***Deposits with the Treasurer***
Relates to working cash held in the Westpac Working account through the SA Department of Treasury and Finance.

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

***Deposits at call with other entities***
Tenants can make payments through Australia Post. This account relates to monies received by Australia Post on behalf of the Trust that have not been transferred to the Westpac working account as at balance date.

***Interest rates applicable at 30 June 2009***
Deposits with the Treasurer: 2.99 percent - 7.10 percent (6.17 percent – 7.09 percent)
Cash - development projects: 0.19 percent - 3.06 percent (3.25 percent – 7.33 percent)
Cash held at SAFA Cash Management Fund: 3.11 percent - 7.72 percent (6.39 percent – 7.62 percent)

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

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Affordable Housing Initiative Fund balance at 1 July | **53 378** | 37 652 |
| Grant revenue | **-** | 6 800 |
| Interest revenue | **5 315** | 5 645 |
| Equity Start sales revenue | **5 431** | 18 912 |
| Affordable Housing Initiative Fund land sales revenue | **880** | - |
| Funds withheld for debt retirement | **(1 729)** | (5 350) |
| Approved payments from fund | **(18 445)** | (10 281) |
| **Affordable Housing Initiative Fund balance at 30 June** | **44 830** | 53 378 |

## 23. Receivables

| | 2009 | 2008 |
|---|---|---|
| Current: | | |
| Receivables | **26 386** | 31 781 |
| Allowance for doubtful debts | **(12 676)** | (11 962) |
| Income tax equivalent | **4 923** | 5 496 |
| Accrued revenues | **1 292** | 2 006 |
| GST receivable | **1 100** | 1 221 |
| Prepayments | **194** | 458 |
| Interest bearing receivables | **15** | 15 |
| **Total current receivables** | **21 234** | 29 015 |
| Non-current: | | |
| Interest bearing receivables | **19** | 29 |
| **Total non-current receivables** | **19** | 29 |
| **Total receivables** | **21 253** | 29 044 |

***Government/non-Government receivables***

| | 2009 | 2008 |
|---|---|---|
| Receivables from SA Government entities: | | |
| Receivables | **1 847** | 4 702 |
| Accrued revenues | **732** | 1 436 |
| Income tax equivalent | **4 923** | 5 496 |
| GST receivable from DFC | **1 100** | 1 221 |
| **Total receivables - SA Government entities** | **8 602** | 12 855 |
| Receivables from non-SA Government entities | | |
| Receivables | **11 863** | 15 117 |
| Accrued revenues | **560** | 570 |
| Prepayments | **194** | 458 |
| Interest bearing receivables | **34** | 44 |
| **Total receivables - non-SA Government entities** | **12 651** | 16 189 |
| **Total receivables** | **21 253** | 29 044 |

***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): | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Carrying amount at 1 July | **11 962** | 7 661 |
| Increase in the provision | **5 951** | 10 947 |
| Amounts written off | **(5 237)** | (6 646) |
| **Carrying amount at 30 June** | **12 676** | 11 962 |

***Bad and doubtful debts***

The Trust has recognised a bad and doubtful debts expense of $5.951 million ($8.797 million) in the Statement of Comprehensive Income.

Maturity analysis of receivables – refer Note 37.

Categorisation of financial instruments and risk exposure information – refer Note 37.

## 24. Inventories

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Capital work in progress | **105 506** | 68 057 |
| Developed land | **25 607** | 31 656 |
| Vacant land | **198** | 71 |
| **Total current inventories** | **131 311** | 99 784 |
| Non-current: | | |
| Capital work in progress | **4 579** | 3 192 |
| **Total non-current inventories** | **4 579** | 3 192 |
| **Total inventories** | **135 890** | 102 976 |

## 25. Non-current assets classified as held-for-sale

| | | |
|---|---|---|
| Current: | | |
| Rental properties: | | |
| Land | **6 400** | 7 175 |
| Buildings | **6 639** | 7 028 |
| **Total non-current assets classified as held-for-sale** | **13 039** | 14 203 |

## 26. Property, plant and equipment

| | | |
|---|---|---|
| Rental properties: | | |
| Land: | | |
| Land at fair value | **3 948 132** | 3 430 900 |
| Buildings: | | |
| Buildings at fair value | **3 627 515** | 3 193 815 |
| Accumulated depreciation | **(48 664)** | (42 796) |
| **Total buildings** | **3 578 851** | 3 151 019 |
| **Total rental properties** | **7 526 983** | 6 581 919 |
| Administrative properties: | | |
| Land: | | |
| Freehold land | **1 877** | 1 343 |
| Buildings: | | |
| Buildings | **3 561** | 3 376 |
| Accumulated depreciation | **(135)** | (97) |
| **Total buildings** | **3 426** | 3 279 |
| Leasehold improvements: | | |
| Leasehold improvements | **7 006** | 5 635 |
| Accumulated depreciation | **(3 450)** | (2 950) |
| **Total leasehold improvements** | **3 556** | 2 685 |
| **Total administrative properties** | **8 859** | 7 307 |

**26. Property, plant and equipment (continued)**

| | 2009 | 2008 |
|---|---|---|
| Assets under arrangement: | | |
| Land: | **$'000** | $'000 |
| Assets under arrangement | **447 093** | 388 492 |
| Buildings: | | |
| Assets under arrangement | **455 452** | 389 246 |
| Accumulated depreciation | **(6 007)** | (6 926) |
| **Total assets under arrangement - buildings** | **449 445** | 382 320 |
| **Total assets under arrangement** | **896 538** | 770 812 |
| Vacant land and improvements: | | |
| Vacant land and improvements | **69 973** | 31 921 |
| **Total vacant land and improvements** | **69 973** | 31 921 |
| Plant and equipment: | | |
| Plant and equipment at cost (deemed fair value) | **2 468** | 2 358 |
| Accumulated depreciation | **(1 298)** | (1 091) |
| **Total plant and equipment** | **1 170** | 1 267 |
| Capital works in progress: | | |
| Freehold land | **75 800** | 61 804 |
| Buildings | **11 643** | 15 675 |
| **Total capital works in progress** | **87 443** | 77 479 |
| **Total property, plant and equipment** | **8 590 966** | 7 470 705 |

| | | |
|---|---|---|
| Total property, plant and equipment at fair value | **8 560 609** | 7 444 728 |
| Total property, plant and equipment at cost | **89 911** | 79 837 |
| Total accumulated depreciation | **(59 554)** | (53 860) |
| **Total property, plant and equipment** | **8 590 966** | 7 470 705 |

Refer to Note 38 for reconciliation of property, plant and equipment.

**27. Intangible assets**

| | | |
|---|---|---|
| Computer software: | | |
| Internally generated computer software | **10 436** | 9 716 |
| Accumulated amortisation | **(8 055)** | (6 325) |
| **Total computer software** | **2 381** | 3 391 |
| Work in progress computer system development | **3 058** | 1 018 |
| **Total intangible assets** | **5 439** | 4 409 |

| | Internally generated software | | Work in progress computer system development | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Balance at 1 July | **3 391** | 2 918 | **1 018** | 5 841 | **4 409** | 8 759 |
| Additions | **720** | 1 835 | **2 780** | 2 855 | **3 500** | 4 690 |
| Project expenses | **-** | - | **(21)** | (1 244) | **(21)** | (1 244) |
| Transfers | **-** | - | **(719)** | (1 796) | **(719)** | (1 796) |
| Impairment | **-** | - | **-** | (4 638) | **-** | (4 638) |
| Amortisation | **(1 730)** | (1 362) | **-** | - | **(1 730)** | (1 362) |
| **Balance at 30 June** | **2 381** | 3 391 | **3 058** | 1 018 | **5 439** | 4 409 |

**28. Payables**

| | 2009 | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Creditors | **20 009** | 22 893 |
| Income tax equivalent | **4 923** | 5 496 |
| Accrued expenses | **5 579** | 3 813 |
| GST payable | **1 128** | 527 |
| Staff on-costs | **1 209** | 1 028 |
| **Total current payables** | **32 848** | 33 757 |
| Non-current: | | |
| Staff on-costs | **1 277** | 1 056 |
| **Total non-current payables** | **1 277** | 1 056 |
| **Total payables** | **34 125** | 34 813 |
| Payables to SA Government entities: | | |
| Creditors | **1 921** | 8 141 |
| Accrued expenses | **4 553** | 3 780 |
| Income tax equivalent | **4 923** | 5 496 |
| GST payable to DFC | **1 128** | 527 |
| Staff on-costs | **2 486** | 2 083 |
| **Total payables - SA Government entities** | **15 011** | 20 027 |

**28. Payables (continued)**

| | **2009** | 2008 |
|---|---|---|
| Payables to non-SA Government entities: | **$'000** | $'000 |
| Creditors | **18 088** | 14 753 |
| Accrued expenses | **1 026** | 33 |
| **Total payables - non-SA Government entities** | **19 114** | 14 786 |
| **Total payables** | **34 125** | 34 813 |

***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 37.

Categorisation of financial instruments and risk exposure information - refer Note 37.

**29. Staff entitlements**

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Annual leave | **5 027** | 4 221 |
| Long service leave | **1 399** | 1 261 |
| Accrued salaries and wages | **1 477** | 1 193 |
| **Total current staff entitlements** | **7 903** | 6 675 |
| Non-current: | | |
| Long service leave | **12 595** | 11 348 |
| **Total non-current staff entitlements** | **12 595** | 11 348 |
| **Total staff entitlements** | **20 498** | 18 023 |

**30. Borrowings**

| | | |
|---|---|---|
| Current: | | |
| Borrowings - Department of Treasury and Finance | **21 439** | 20 710 |
| Borrowings - SAFA | **-** | 3 690 |
| Managed Houses Scheme | **243** | 243 |
| **Total current borrowings** | **21 682** | 24 643 |
| Non-current: | | |
| Borrowings - Department of Treasury and Finance | **674 895** | 696 334 |
| Borrowings - SAFA | **33 675** | 33 549 |
| Managed Houses Scheme | **2 975** | 3 218 |
| **Total non-current borrowings** | **711 545** | 733 101 |
| **Total borrowings - SA Government entities** | **733 227** | 757 744 |

Department of Treasury and Finance loans consist of concessional interest rate borrowing (originally under the CSHA), of $696.3 million ($717 million) which are repayable over a period of 33 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 - 5.73 percent (3 percent - 5.73 percent). The weighted average interest rate is 4.6 percent (4.5 percent).

The fair value of the Department of Treasury and Finance loans is $581.2 million ($571.8 million).

The SAFA loans are subject to principal repayments and interest at fixed interest rates ranging from 6 percent - 6.08 percent (5.85 percent - 7.14 percent). The fair value of SAFA loans is $34 million.

**31. Provisions**

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Public risk | **1 296** | 1 393 |
| Workers compensation | **674** | 458 |
| Professional indemnity | **176** | 196 |
| General insurance | **47** | 72 |
| **Total current provisions - SA Government entities** | **2 193** | 2 119 |
| Non-current: | | |
| Workers compensation | **1 952** | 1 158 |
| General insurance | **116** | 116 |
| **Total non-current provisions - SA Government entities** | **2 068** | 1 274 |
| **Total provisions** | **4 261** | 3 393 |

**31. Provisions**

| | Public risk $'000 | Workers compensation $'000 | Professional indemnity $'000 | General insurance $'000 | Total $'000 |
|---|---|---|---|---|---|
| Carrying amount at 1 July | **1 393** | **1 616** | **196** | **188** | **3 393** |
| Additional provisions recognised | **2 606** | **2 196** | **15** | **-** | **4 817** |
| Reduction in provisions | **(2 424)** | **-** | **(33)** | **(25)** | **(2 482)** |
| Payments made | **(279)** | **(1 186)** | **(2)** | **-** | **(1 467)** |
| **Carrying amount at 30 June** | **1 296** | **2 626** | **176** | **163** | **4 261** |

**32. Other liabilities**

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Current: | | |
| Rent received in advance | **7 331** | 6 504 |
| Deposits held: | | |
| Tenant deposits held | **2 220** | 2 205 |
| Sale deposits held | **446** | 220 |
| Unearned revenue | **199** | 199 |
| **Total current other liabilities** | **10 196** | 9 128 |
| Non-current: | | |
| Unearned revenue | **2 301** | 2 489 |
| **Total non-current other liabilities** | **2 301** | 2 489 |
| **Total other liabilities** | **12 497** | 11 617 |
| Other liabilities - SA Government entities: | | |
| Unearned revenue | **1 668** | 1 794 |
| **Total other liabilities - SA Government entities** | **1 668** | 1 794 |
| Other liabilities - non-SA Government entities: | | |
| Rent received in advance | **7 331** | 6 504 |
| Unearned revenue | **832** | 894 |
| Deposits held: | | |
| Tenant deposits held | **2 220** | 2 205 |
| Sale deposits held | **446** | 220 |
| **Total other liabilities - non-SA Government entities** | **10 829** | 9 823 |
| **Total other liabilities** | **12 497** | 11 617 |

**33. Unrecognised contractual commitments**

***Remuneration commitments***

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

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Not later than one year | **5 012** | 2 781 |
| Later than one year but not later than five years | **5 982** | 1 522 |
| Later than five years | **-** | - |
| **Total remuneration commitments** | **10 994** | 4 303 |

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:

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Not later than one year | **48 399** | 23 547 |
| Later than one year but not later than five years | **35** | 379 |
| Later than five years | **-** | - |
| **Total capital commitments** | **48 434** | 23 926 |

***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 | **7 272** | 5 084 |
| Later than one year but not later than five years | **-** | - |
| Later than five years | **-** | - |
| **Total recurrent commitments** | **7 272** | 5 084 |

***Management agreement commitments***

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

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Not later than one year | **287** | 296 |
| Later than one year but not later than five years | **4 880** | 4 761 |
| Later than five years | **12 914** | 14 179 |
| **Total management agreement commitments** | **18 081** | 19 236 |

***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:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Not later than one year | **6 205** | 5 327 |
| Later than one year but not later than five years | **19 164** | 15 476 |
| Later than five years | **21 972** | 13 967 |
| **Total operating lease commitments** | **47 341** | 34 770 |

**34. Contingent assets and liabilities**

***Contingent assets***

The Trust does not have any contingent assets as at 30 June 2009.

***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 41 (48) of the properties included in the Scheme are subject to mortgages with a collective loan balance of $1.109 million ($1.504 million). The tenants share of the value of the properties subject to mortgage is estimated to be $4.817 million ($5.039 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 12 (15) 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 $2.340 million ($2.775 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.

*Bonding agreements with local government*

The Trust is required by the City of Port Adelaide Enfield to execute Bonding Agreements in relation to the Trust's Gilles Plains and Kilburn South projects. The Council requires the agreements to be supported by a guarantee from SAFA. As at 30 June 2009 there are no current bonds ($308 000).

*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 2009 is $16.060 million ($14.201 million). The value of claims made this financial year is $2.654 million ($2.464 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 2009 is $9.511 million ($7.913 million).

## 35. Unexpended funding commitments

***Unspent grant commitments***

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

| | **2009** | 2008 |
|---|---|---|
| Unspent SA Government revenues: | **$'000** | $'000 |
| National Partnership Agreement: | | |
| Homelessness | **5 500** | - |
| Strathmont Centre redevelopment | **-** | 5 495 |
| Ladder Accommodation project | **-** | 4 000 |
| Common Ground Port Augusta project | **-** | 2 800 |
| **Total unspent SA Government commitments** | **5 500** | 12 295 |
| | | |
| Unspent Commonwealth revenues: | | |
| National Partnership Agreements: | | |
| Nation Building - Economic Stimulus Plan | **11 366** | - |
| Social Housing | **14 954** | - |
| Remote Indigenous Housing | **9 084** | - |
| Sturt Street Supported Tenancy Accommodation | **363** | - |
| Family Violence Partnership Program | **256** | - |
| Community Housing Program | **78** | - |
| Disability Supported Accommodation | **-** | 8 090 |
| Crisis Accommodation Program* | **1 604** | 2 383 |
| APY Safe House (Coober Pedy) project | **-** | 906 |
| **Total unspent Commonwealth Grant commitments** | **37 705** | 11 379 |
| **Total unspent grants** | **43 205** | 23 674 |

* Represents funding for capital programs

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 for each agreement. The conditions attached to these grants can be summarised as:

*National Partnership Agreement: Homelessness*
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, 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 progress report to the Council of Australian Governments (COAG) by December 2009. 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: 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 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 on going maintenance and management of rental houses in remote indigenous communities. A report is due to COAG by December 2009 outlining new arrangements to be put in place to ensure ongoing maintenance of infrastructure and effective tenancy management.

*Sturt Street Supported Tenancy Accommodation*
Funding is granted for the purpose of providing intensive support for six indigenous women/family groups at any one time for 3-6 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 6-12 months after they exit the accommodation.

*Family Violence Partnership Program*
Funds are to be used to provide accommodation and support services in the Ceduna and Unicorp West Coast Local Council areas for women and children (with a focus on indigenous clients) escaping domestic violence situations.

*Community Housing Program*
Funds to be used to develop and maintain a strong, self-managing and governing Indigenous Community Housing Organisation (ICHO) sector. Specific programs to be undertaken include:

- implementation of Housing Industry Standards in ICHOs
- development and implementation of Skills Recognition and Learning packages to ICHOs
- development and implementation of Strategic Partnerships Agreements - Safe Tracks
- development and implementation of placed based Indigenous Community Housing Models
- development and implementation of Indigenous Housing Strategy for South Australia.

*Crisis Accommodation Program*
Funds to be used to construct, renovate or purchase housing dedicated for those at risk of homelessness. Annual reporting on agreed performance measures is required.

Of the revenue reported as unspent at 30 June 2008, $13.971 million remains unspent at 30 June 2009. This total comprises the following: $710 000 for the Ladder Accommodation Project, $2.8 million for the Common Ground Port Augusta Project, $8.09 million for Disability Supported Accommodation, $1.51 million for the Crisis Accommodation Program and $868 000 for the APY Safe House (Cooper Pedy) Project. These amounts remain unspent due to various operational delays.

## 36. Cash flow reconciliation

| | 2009 | 2008 |
|---|---|---|
| Reconciliation of cash and cash equivalents - Cash and cash equivalents at 30 June: | $'000 | $'000 |
| **Statement of Cash Flows** | **143 050** | 121 618 |
| **Statement of Financial Position** | **143 050** | 121 618 |
| Reconciliation of net cash provided by operating activities to net cost of providing services: | | |
| Net cash provided by operating activities | **90 686** | 43 932 |
| Revenues from SA Government | **(209 201)** | (171 971) |
| | **(118 515)** | (128 039) |
| *Add (Less):* Non-cash items: | | |
| Depreciation and amortisation | **(81 226)** | (72 432) |
| Loan amortisation | **243** | 162 |
| Write-off of computer software | **-** | (4 638) |
| Systems development projects transferred to expenses | **-** | (1 245) |
| Buildings written off | **(10 284)** | (9 858) |
| Provision for doubtful debts | **(714)** | (2 151) |
| Provision adjustment | **(74)** | (45) |
| Construction variance, surplus on property | **(1 124)** | (1 052) |
| Revaluation adjustment | **-** | 4 173 |
| Net gain from disposal of assets | **29 206** | 39 286 |
| | **(63 973)** | (47 800) |
| Changes in assets/liabilities: | | |
| (Decrease) increase in receivables | **(6 762)** | 8 068 |
| Decrease (increase) in payables | **5 611** | (2 491) |
| Increase in staffing entitlements | **(2 475)** | (2 659) |
| (Increase) decrease in provisions | **(794)** | 20 139 |
| Increase in other liabilities | **(654)** | (963) |
| | **(5 074)** | 22 094 |
| **Net cost of providing services** | **(187 562)** | (153 745) |

## 37. 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.

| | | **2009** | | 2008 | |
|---|---|---|---|---|---|
| | | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Financial assets** | Note | **$'000** | **$'000** | $'000 | $'000 |
| Cash: | | | | | |
| Cash and cash equivalents | 22 | **143 050** | **143 050** | 121 618 | 121 618 |
| Loans and receivables: | | | | | |
| Receivables (at cost) | 23 | **21 253** | **21 253** | 29 044 | 29 044 |
| **Financial liabilities** | | | | | |
| Payables: | | | | | |
| Payables (at cost) | 28 | **34 125** | **34 125** | 34 813 | 34 813 |
| Borrowings: | | | | | |
| Borrowings (at cost) | 30 | **733 227** | **615 232** | 757 744 | 612 087 |

***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.

Provisions for impairment of financial assets is 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 aging of financial assets, past due, including impaired assets past due.

| **2009** | **Overdue for less than 30 days $'000** | **Overdue for 30-60 days $'000** | **Overdue for more than 60 days $'000** | **2009 Total $'000** |
|---|---|---|---|---|
| Not impaired: | | | | |
| Receivables | **18 364** | **-** | **-** | **18 364** |
| Impaired: | | | | |
| Receivables | **2 477** | **1 377** | **11 711** | **15 565*** |
| **2008** | | | | |
| Not impaired: | | | | |
| Receivables | 25 868 | - | - | 25 868 |
| Impaired: | | | | |
| Receivables | 2 657 | 1 268 | 11 213 | 15 138* |

* 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.

| **2009** | **Carrying amount $'000** | **Less than 1 year $'000** | **1-5 years $'000** | **More than 5 years $'000** |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | **143 050** | **143 050** | **-** | **-** |
| Receivables | **21 253** | **14 946** | **4 558** | **1 749** |
| **Total financial assets** | **164 303** | **157 996** | **4 558** | **1 749** |
| Financial liabilities: | | | | |
| Payables | **34 125** | **32 848** | **1 277** | **-** |
| Borrowings | **733 227** | **21 682** | **52 565** | **658 980** |
| **Total financial liabilities** | **767 352** | **54 530** | **53 842** | **658 980** |
| **2008** | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 121 618 | 121 618 | - | - |
| Receivables | 29 044 | 20 863 | 4 403 | 3 778 |
| **Total financial assets** | 150 662 | 142 481 | 4 403 | 3 778 |
| Financial liabilities: | | | | |
| Payables | 34 813 | 33 641 | 1 172 | - |
| Borrowings | 757 744 | 24 643 | 125 534 | 607 567 |
| **Total financial liabilities** | 792 557 | 58 284 | 126 706 | 607 567 |

## 38. Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2007-08 and 2008-09.

| | Rental properties land | | Rental properties buildings | | Admin properties land | |
|---|---|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Carrying amount at 1 July | **3 430 900** | 3 025 029 | **3 151 019** | 2 891 548 | **1 343** | 1 001 |
| Assets transferred in due to restructure | **-** | 186 233 | **-** | 147 098 | **-** | 157 |
| Additions | **30 370** | 37 574 | **57 451** | 58 868 | **61** | 115 |
| Maintenance upgrades | **-** | - | **21 533** | 17 778 | **-** | - |
| Assets classified as held-for-sale | **775** | 2 014 | **389** | 1 220 | **-** | - |
| Disposals | **(104 970)** | (108 633) | **(53 838)** | (72 731) | **-** | (64) |
| Revaluation increment | **591 057** | 288 981 | **471 611** | 169 811 | **473** | 134 |
| Depreciation and amortisation expenses | **-** | - | **(69 843)** | (63 253) | **-** | - |
| Depreciation and amortisation on disposals | **-** | - | **529** | 680 | **-** | - |
| Other movements | **-** | (298) | **-** | - | **-** | - |
| **Carrying amount at 30 June** | **3 948 132** | 3 430 900 | **3 578 851** | 3 151 019 | **1 877** | 1 343 |

### 38. Reconciliation of property, plant and equipment (continued)

| | Admin properties buildings | | Admin properties leasehold improvements | | Assets under arrangement land | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Carrying amount at 1 July | **3 279** | 2 693 | **2 685** | 2 523 | **388 492** | - |
| Assets transferred in due to restructure | **-** | 319 | **-** | 502 | **-** | 387 740 |
| Additions | **90** | 128 | **1 861** | 507 | **7 585** | 11 911 |
| Maintenance upgrades | **-** | - | **-** | - | **-** | - |
| Assets classified as held-for-sale | **-** | - | **-** | - | **-** | - |
| Disposals | **-** | (22) | **(490)** | (388) | **(8 006)** | (11 159) |
| Revaluation increment | **240** | 245 | **-** | - | **59 022** | - |
| Depreciation and amortisation expenses | **(183)** | (84) | **(500)** | (459) | **-** | - |
| Depreciation and amortisation on disposals | **-** | - | **-** | - | **-** | - |
| Other movements | **-** | - | **-** | - | **-** | - |
| **Carrying Amount at 30 June** | **3 426** | 3 279 | **3 556** | 2 685 | **447 093** | 388 492 |

| | Assets under arrangement buildings | | Vacant land and improvements | | Plant and equipment | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Carrying amount at 1 July | **382 320** | - | **31 921** | 21 331 | **1 267** | 775 |
| Assets transferred in due to restructure | **-** | 374 256 | **-** | 4 857 | **-** | 162 |
| Additions | **19 020** | 24 465 | **33 354** | 11 749 | **278** | 1 021 |
| Maintenance upgrades | **-** | - | **-** | - | **-** | - |
| Assets classified as held-for-sale | **-** | - | **-** | - | **-** | - |
| Disposals | **(5 737)** | (9 475) | **(15 942)** | (11 019) | **(168)** | (337) |
| Revaluation increment | **62 436** | - | **20 640** | 3 854 | **-** | - |
| Depreciation and amortisation expenses | **(8 648)** | (6 964) | **-** | - | **(323)** | (310) |
| Depreciation and amortisation on disposals | **54** | 38 | **-** | - | **116** | 338 |
| Other movements | **-** | - | **-** | 1 149 | **-** | (382) |
| **Carrying amount at 30 June** | **449 445** | 382 320 | **69 973** | 31 921 | **1 170** | 1 267 |

| | Capital work in progress land | | Capital work in progress buildings | | Total property, plant and equipment | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Carrying amount at 1 July | **61 804** | 64 853 | **15 675** | 33 432 | **7 470 705** | 6 043 185 |
| Assets transferred in due to restructure | **-** | 11 096 | **-** | 2 814 | **-** | 1 115 234 |
| Additions | **13 996** | - | **-** | - | **164 066** | 146 338 |
| Maintenance upgrades | **-** | - | **-** | - | **21 533** | 17 778 |
| Assets classified as held-for-sale | **-** | - | **-** | - | **1 164** | 3 234 |
| Disposals | **-** | (14 145) | **(4 032)** | (20 571) | **(193 183)** | (248 544) |
| Revaluation increment | **-** | - | **-** | - | **1 205 479** | 463 025 |
| Depreciation and amortisation expenses | **-** | - | **-** | - | **(79 497)** | (71 070) |
| Depreciation and amortisation on disposals | **-** | - | **-** | - | **699** | 1 056 |
| Other movements | **-** | - | **-** | - | **-** | 469 |
| **Carrying amount at 30 June** | **75 800** | 61 804 | **11 643** | 15 675 | **8 590 966** | 7 470 705 |

# 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.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

### Functions and funding

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

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

For more information about SAMFS's objectives refer to Note 1 of the financial statements.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

Subsection 31(1)(b) of the PFAA and subsection 52(2) of the FES Act provide for the Auditor-General to audit the accounts of the SAMFS 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 SAMFS in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

### Scope of audit

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

The audit included access to systems and information maintained by SAMFS and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

During 2008-09, specific areas of audit attention included:

- revenue
- payroll
- expenditure, including purchase cards
- non-current assets, including capital works
- cash at bank
- investments
- general ledger

- the Fund
- follow-up of 2007-08 audit findings.

The audit also covered the operations of the Fund.

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Use has been made of the work performed by internal audit, including:

- the overall assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of the emergency services sector.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Metropolitan Fire Service as at 30 June 2009, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the South Australian Metropolitan Fire Service 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 bona fides, expenditure, purchase cards and implementation of the revised TIs 2 and 28 outlined under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire Service have been conducted properly and in accordance with law.

### Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Commissioner of Fire and Emergencies and the Chief Officer of the SAMFS. Responses to the management letters were generally considered to be satisfactory.

A summary of matters raised are included under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***EXPENSES*** | | |
| Employee benefits expenses | **80** | 73 |
| Supplies and services | **14** | 13 |
| Other expenses (includes payment to SA Government) | **8** | 7 |
| **Total expenses** | **102** | 93 |
| ***INCOME*** | | |
| **Total income** | **7** | 8 |
| **Net cost of providing services** | **95** | 85 |
| Contributions from Community Emergency Services Fund | **100** | 93 |
| **Net result** | **5** | 8 |
| ***OTHER COMPREHENSIVE INCOME*** | **4** | 9 |
| **Total comprehensive result** | **9** | 17 |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **15** | 15 |

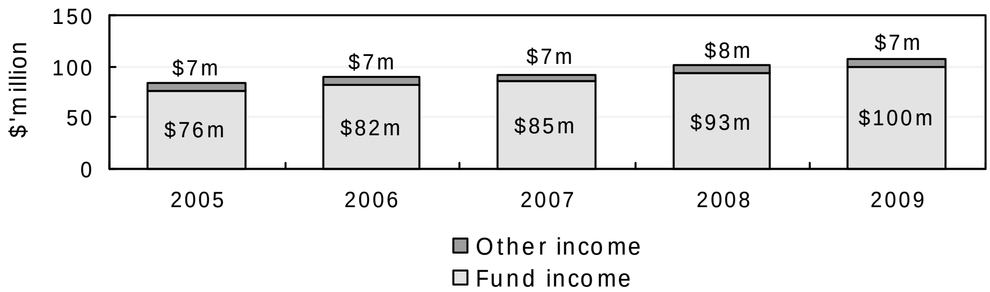
| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***ASSETS*** | | |
| Current assets | **38** | 35 |
| Non-current assets | **136** | 126 |
| **Total assets** | **174** | 161 |
| ***LIABILITIES*** | | |
| Current liabilities | **14** | 12 |
| Non-current liabilities | **20** | 18 |
| **Total liabilities** | **34** | 30 |
| ***EQUITY*** | **140** | 131 |

**Statement of Comprehensive Income**

***Fund contributions and income***

For 2009, the contributions from the Fund increased by $7 million (7 percent) to $100 million which represents 94 percent of the SAMFS's total revenues. The additional funding is attributable to once off fuel cost supplementation, an additional crew for metropolitan response and enterprise bargaining agreement increases.

A structural analysis of income for the SAMFS for the five years to 2009 is presented in the following chart.



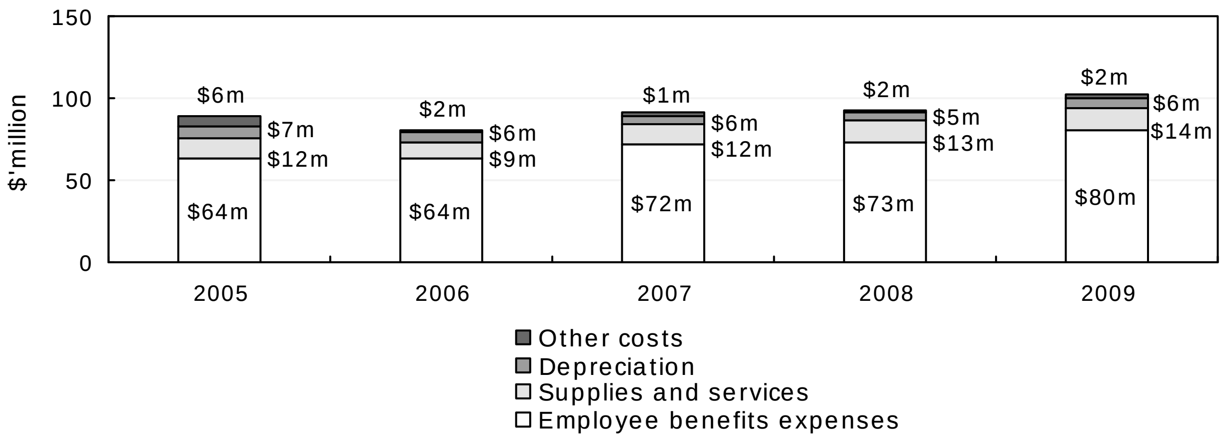

The chart highlights that the contributions from the Fund have increased over recent years.

***Expenses***

Total expenses increased by $9 million (10 percent) to $102 million. Employee benefits costs account for 79 percent of the total expenses of the SAMFS. Employee benefits expenses increased by $7 million (10 percent) to $80 million. This is due mainly to increased salaries and wages under the enterprise bargaining agreement.

The number of employees receiving remuneration in excess of $100 000 increased to 142 from 73 in 2008-09 due to increased overtime, allowances and salaries under the enterprise bargaining agreement during the year. Refer Note 5 of the financial statements.

For the five years to 2009, an analysis of the main operating expense items (excluding payments to SA Government) for the SAMFS is shown in the following chart.



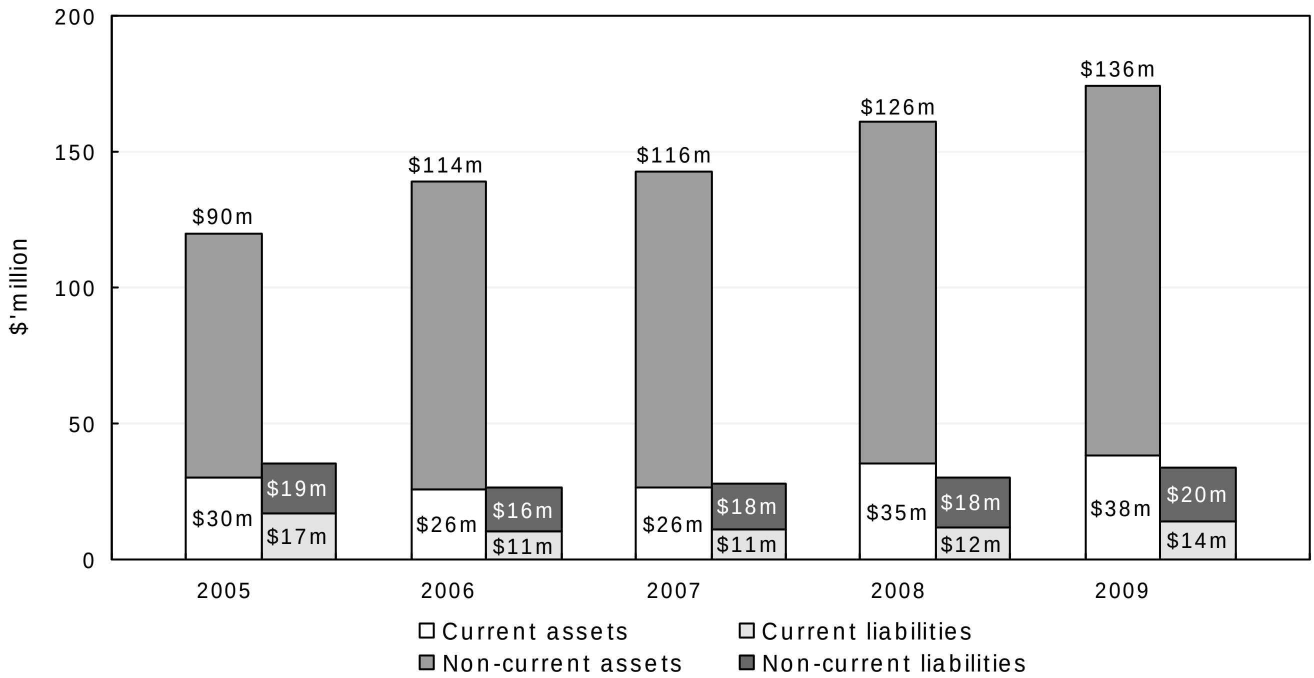
Over the five years, expenses have increased by $13 million or 15 percent.

***Net result***

SAMFS recorded a surplus of $5 million in 2009 following the surplus of $8 million the previous year. Positive net results over the past four years have been recorded due mainly to the contributions from the Fund.

**Statement of Financial Position**

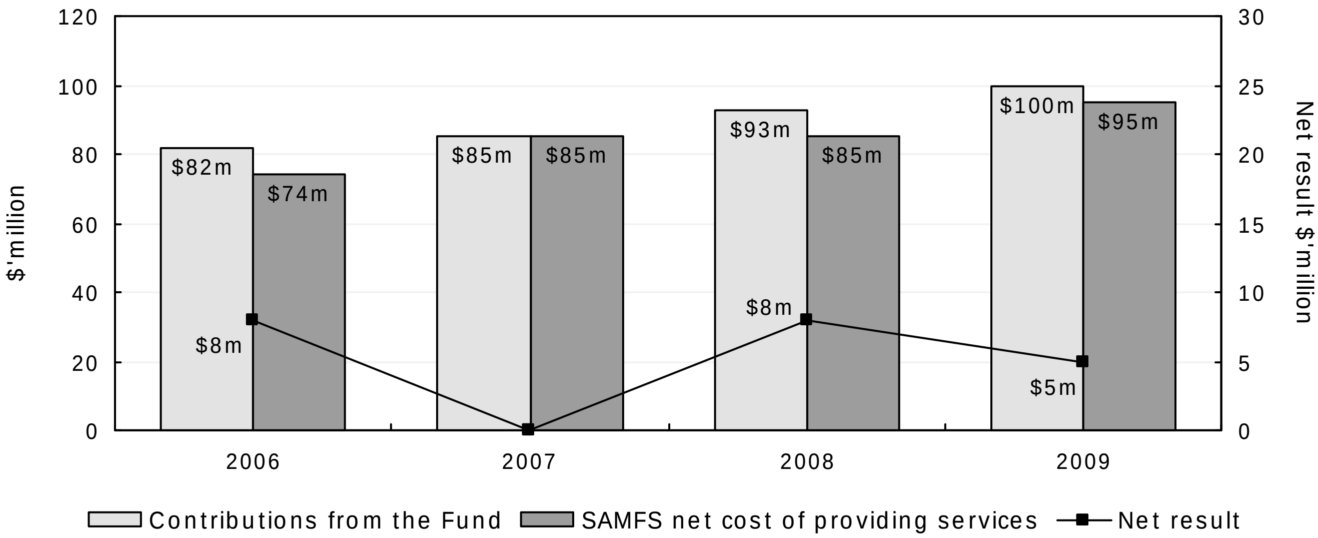
For the four years to 2009, a structural analysis of assets and liabilities is shown in the following chart.




The SAMFS's financial position is dominated by the non-current asset 'Property, plant and equipment' which has grown by 51 percent over the five year period to $136 million, primarily as a result of asset purchases and revaluations of assets.

**FURTHER COMMENTARY ON OPERATIONS**

The following table shows the funding received by the SAMFS from the Fund and the net cost of services for the past four years:



## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | **2009** $'000 | 2008 $'000 |
|---|---|---|---|
| **EXPENSES:** | | | |
| Employee benefits expenses | 5 | **80 284** | 72 725 |
| Supplies and services | 6 | **13 658** | 12 871 |
| Government Radio Network expenses | 8 | **1 442** | 1 565 |
| Depreciation | 9 | **6 296** | 5 403 |
| Net loss from disposal of non-current assets | 10 | **-** | 13 |
| **Total expenses** | | **101 680** | 92 577 |
| **INCOME:** | | | |
| Net gain from disposal of non-current assets | 10 | **9** | - |
| Revenue from fees and charges | 11 | **3 376** | 3 162 |
| Interest revenues | | **1 882** | 2 056 |
| Commonwealth revenues | 12 | **1 030** | 2 359 |
| Other income | 13 | **525** | 880 |
| **Total income** | | **6 822** | 8 457 |
| **NET COST OF PROVIDING SERVICES** | | **94 858** | 84 120 |
| **REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:** | | | |
| Contributions from Community Emergency Services Fund | | **99 910** | 93 042 |
| Payments to SA Government | | **-** | (505) |
| **NET RESULT** | | **5 052** | 8 417 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Changes in property, plant and equipment asset revaluation reserve | | **3 831** | 8 426 |
| **TOTAL COMPREHENSIVE RESULT** | | **8 883** | 16 843 |

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

## Statement of Financial Position
## as at 30 June 2009

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 14 | **36 381** | 34 222 |
| Receivables | 15 | **1 360** | 1 016 |
| **Total current assets** | | **37 741** | 35 238 |
| **NON-CURRENT ASSETS:** | | | |
| Property, plant and equipment | 16 | **135 880** | 125 762 |
| **Total non-current assets** | | **135 880** | 125 762 |
| **Total assets** | | **173 621** | 161 000 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 17 | **3 098** | 2 365 |
| Employee benefits | 18 | **9 437** | 8 250 |
| Short-term provisions | 19 | **1 552** | 1 413 |
| **Total current liabilities** | | **14 087** | 12 028 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 17 | **1 427** | 1 151 |
| Employee benefits | 18 | **13 462** | 12 279 |
| Long-term provisions | 19 | **4 888** | 4 668 |
| **Total non-current liabilities** | | **19 777** | 18 098 |
| **Total liabilities** | | **33 864** | 30 126 |
| **NET ASSETS** | | **139 757** | 130 874 |
| **EQUITY:** | | | |
| Retained earnings | | **45 495** | 40 443 |
| Asset revaluation reserve | | **94 262** | 90 431 |
| **TOTAL EQUITY** | | **139 757** | 130 874 |

Total equity is attributable to the SA Government as owner

| | |
|---|---|
| Unrecognised contractual commitments | 20 |
| Contingent assets and liabilities | 21 |

# Statement of Changes in Equity
## for the year ended 30 June 2009

| | | Asset revaluation reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 30 June 2007 | | 82 005 | 32 026 | 114 031 |
| Net result for 2007-08 | | - | 8 417 | 8 417 |
| Gain on revaluation of property during 2007-08 | 16 | 6 524 | - | 6 524 |
| Gain on revaluation of vehicles during 2007-08 | 16 | 1 855 | - | 1 855 |
| Gain on revaluation of communications equipment during 2007-08 | 16 | 47 | - | 47 |
| Total comprehensive result for 2007-08 | | 8 426 | 8 417 | 16 843 |
| Balance at 30 June 2008 | | 90 431 | 40 443 | 130 874 |
| Net result for 2008-09 | | - | 5 052 | 5 052 |
| Gain on revaluation of property during 2008-09 | 16 | 1 029 | - | 1 029 |
| Gain on revaluation of vehicles during 2008-09 | 16 | 2 756 | - | 2 756 |
| Gain on revaluation of communications equipment during 2008-09 | 16 | 15 | - | 15 |
| Gain on revaluation of plant and equipment during 2008-09 | 16 | 31 | | 31 |
| Total comprehensive result for 2008-09 | | 3 831 | 5 052 | 8 883 |
| **Balance at 30 June 2009** | | **94 262** | **45 495** | **139 757** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|---|---|---|
| | | **Inflows** | Inflows |
| | | **(Outflows)** | (Outflows) |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | Note | **$'000** | $'000 |
| CASH OUTFLOWS: | | | |
| Employee benefits payments | | **(77 914)** | (71 653) |
| Payments for supplies and services | | **(14 086)** | (13 193) |
| Government Radio Network costs | | **(1 437)** | (1 637) |
| **Cash used in operations** | | **(93 437)** | (86 483) |
| CASH INFLOWS: | | | |
| Fees and charges | | **3 281** | 2 773 |
| Interest received | | **1 977** | 1 988 |
| Receipts from Commonwealth | | **854** | 2 295 |
| GST recovered from the ATO | | **1 627** | 1 514 |
| Other receipts | | **525** | 850 |
| **Cash generated from operations** | | **8 264** | 9 420 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Contributions from Community Emergency Services Fund | | **99 910** | 93 042 |
| Payments to SA Government | | **-** | (505) |
| **Cash generated from SA Government** | | **99 910** | 92 537 |
| **Net cash provided by operating activities** | 23 | **14 737** | 15 474 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | **(12 587)** | (6 944) |
| Proceeds from the sale of property, plant and equipment | | **9** | 83 |
| **Net cash used in investing activities** | | **(12 578)** | (6 861) |
| | | | |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **2 159** | 8 613 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **34 222** | 25 609 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 14 | **36 381** | 34 222 |

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

**1. Objectives and funding**

***Objectives***

The South Australian Metropolitan Fire Service (the MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- To provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district.
- To provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue.
- To protect life, property and environmental assets from fire or other emergencies in any fire district.
- To develop and maintain plans to cope with the effects of fires or emergencies in any fire district.
- To provide services or support to assist with recovery in the event of a fire or other emergency in a fire district.
- To perform any other function assigned to the MFS by or under this or any other Act.

***Funding***

Funding of the MFS is primarily derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

**2. 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 the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the MFS has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the MFS for the reporting period ending 30 June 2009 (refer Note 4).

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

The presentation of the financial statement requires:

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

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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, 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.

  (c) Employees whose normal remuneration is $100 000 or more (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 MFS's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented for the year ended 30 June 2008.

***(c) Reporting entity***

The MFS is established under the Act. Under the Act, the MFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the MFS.

***(d) Comparative information***

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and accounting policy statements.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

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

***(e) Rounding***

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

***(f) Taxation***

The MFS is not subject to income tax. The MFS 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.

***(g) Events after the end of the reporting period***

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

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

***(h) Income***

Income is recognised to the extent that it is probable that the flow of economic benefits to the MFS will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

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

The following are specific recognition criteria:

*Revenues from SA Government*
Contributions from the Fund are recognised as income when the MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

*Commonwealth revenues*
Commonwealth revenues are recognised as income when the MFS obtains control of revenues or the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

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

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

***(i) Expenses***

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the MFS will occur and can be reliably measured.

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

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

The following are specific recognition criteria:

*Employee benefits expenses*
Employee benefits expenses include all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

*Superannuation*
The amount charged to the Statement of Comprehensive Income represents the contributions made by the MFS to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

*Payments to SA Government*
Payments to the SA Government in 2008 relate to the payment of proceeds from the sale of property pursuant to Department of the Premier and Cabinet Circular 114 (PC114). As required by PC114, proceeds have been paid to the Treasurer for application to the Consolidated Account.

*Depreciation of non-current assets*
All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and 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. Land is not depreciated.

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

| *Asset class* | *Useful lives (years)* |
|---|---|
| Communications equipment | 5-10 |
| Vehicles | 5-20 |
| Plant and equipment | 5-10 |
| Computer equipment | 5-10 |
| Buildings | 40-50 |

***(j) Current and non-current classification***
Assets and liabilities are characterised as either current or non-current in nature. The MFS has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

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

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

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

*Cash and cash equivalents*
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and 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 agencies and to the public. Receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that MFS will not be able to collect the debt. Bad debts are written off when identified.

*Non-current assets - acquisition and recognition*
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

*Revaluation of non-current assets*
All non-current tangible assets are valued at written-down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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 reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an income, in which case the increase is recognised in the Statement of Comprehensive 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 reserve 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 assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

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

Where a liability line item combine amounts expected to be settled within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be settled after more than 12 months.

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

*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 MFS.

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 superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The MFS 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 superannuation funds.

*Employee benefits expenses*
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*
Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salaries 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 8.5 (9) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MFS's experience of employee retention and leave taken.

*Provisions*
Provisions are recognised when the MFS 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 MFS 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 Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

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

***(m) Disaggregated disclosures***
In achieving its objectives, the MFS provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled MFS.

***(n) Unrecognised contractual commitments and contingent assets and liabilities***
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

## 3. Financial risk management

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank). The MFS's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the MFS in its present form, and with its present activities, is dependent on government policy and on continuing payments from the Fund for the MFS's administration and activities.

## 4. Changes in accounting policies

The MFS has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

*Issued or amended but not yet effective*

Except for the amendments to AASB 101, which the MFS 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 MFS for the period ending 30 June 2009. The MFS 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.

## 5. Employee benefits expenses

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Salaries and wages | **57 846** | 53 120 |
| Payroll tax | **3 776** | 3 543 |
| Superannuation | **7 385** | 6 277 |
| Long service leave | **3 519** | 2 556 |
| Annual leave | **7 435** | 6 953 |
| Other employee related expenses | **323** | 276 |
| **Total employee benefits expenses** | **80 284** | 72 725 |

***Remuneration of employees***

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands were:

| | 2009 | 2008 |
|---|---|---|
| | Number | Number |
| $100 000 - $109 999 | **88** | 29 |
| $110 000 - $119 999 | **19** | 33 |
| $120 000 - $129 999 | **24** | 5 |
| $130 000 - $139 999 | **4** | 3 |
| $140 000 - $149 999 | **3** | - |
| $160 000 - $169 999 | **1** | - |
| $170 000 - $179 999 | **-** | 1 |
| $180 000 - $189 999 | **1** | - |
| $200 000 - $209 999 | **1** | 1 |
| $260 000 - $269 999 | **-** | 1 |
| $270 000 - $279 999 | **1** | - |
| **Total number of employees** | **142** | 73 |

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $16.112 million ($8.455 million).

## 6. Supplies and services

| | 2009 | 2008 |
|---|---|---|
| Supplies and services provided by entities within the SA Government: | $'000 | $'000 |
| Accommodation | **130** | 134 |
| Communication expenses | **21** | - |
| Computing costs | **113** | 210 |
| Consultancy, contractor and legal fees | **134** | 231 |
| Consumables | **-** | 43 |
| Minor plant and equipment | **-** | 14 |
| Operating lease costs | **690** | 690 |
| Operational costs | **-** | 3 |
| Other expenses | **328** | 342 |
| Repairs and maintenance | **294** | 295 |
| Travel and training | **284** | 228 |
| **Total supplies and services - SA Government entities** | **1 994** | 2 190 |
| Supplies and services provided by entities external to the SA Government: | | |
| Accommodation | **18** | 17 |
| Communication expenses | **590** | 688 |
| Computing costs | **759** | 590 |
| Consultancy, contractor and legal fees | **900** | 754 |
| Consumables | **1 038** | 1 087 |
| Energy | **524** | 450 |
| Minor plant and equipment | **970** | 927 |
| Operating lease costs | **48** | 39 |
| Operational costs | **120** | 75 |
| Other expenses | **3 036** | 2 732 |
| Repairs and maintenance | **1 679** | 1 582 |
| Travel and training | **634** | 619 |
| Uniforms and protective clothing | **1 348** | 1 121 |
| **Total supplies and services - non-SA Government entities** | **11 664** | 10 681 |
| **Total supplies and services** | **13 658** | 12 871 |

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

| | 2009 | 2008 |
|---|---|---|
| ***Consultancies*** | | |
| The number and dollar amount of consultancies paid/payable, included within supplies and services expenses, that fell within the following bands were: | **Number** | Number |
| Less than $10 000 | **3** | 6 |
| $10 000 - $50 000 | **-** | 1 |
| **Total number of consultants** | **3** | 7 |

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Less than $10 000 | **6** | 8 |
| $10 000 - $50 000 | **-** | 36 |
| **Total amount paid / payable to consultants engaged** | **6** | 44 |

**7. Remuneration of auditors**

| | | |
|---|---|---|
| The amount due and payable for audit services provided by the Auditor-General's Department | **20** | 24 |
| **Total auditor's remuneration** | **20** | 24 |

The auditors provided no other services.

**8. Government Radio Network (GRN) expenses**

The MFS has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

| | | |
|---|---|---|
| Contribution towards GRN - voice | **983** | 994 |
| Contribution towards GRN - paging | **459** | 571 |
| **Total GRN expenses** | **1 442** | 1 565 |

**9. Depreciation**

| | | |
|---|---|---|
| Depreciation expenses for the reporting period were charged in respect of: | | |
| Communications equipment | **674** | 683 |
| Vehicles | **2 253** | 1 618 |
| Plant and equipment | **408** | 396 |
| Buildings | **2 831** | 2 541 |
| Computer equipment | **130** | 165 |
| **Total depreciation** | **6 296** | 5 403 |

**10. Net gain (loss) from disposal of non-current assets**

| | | |
|---|---|---|
| Proceeds from disposal of non-current assets | **9** | 83 |
| Net book value of non-current assets disposed | **-** | (96) |
| **Net gain (loss) from disposal of non-current assets** | **9** | (13) |

**11. Revenues from fees and charges**

| | | |
|---|---|---|
| Fees and charges received/receivable from entities within the SA Government: | | |
| Fire alarm monitoring fees | **139** | 141 |
| Fire attendance fees | **276** | 234 |
| Fire safety fees | **22** | 24 |
| Other recoveries | **2** | 6 |
| **Total fees and charges - SA Government entities** | **439** | 405 |
| Fees and charges received/receivable from entities external to the SA Government: | | |
| Fire alarm monitoring fees | **1 333** | 1 274 |
| Fire attendance fees | **1 133** | 1 126 |
| Fire safety fees | **296** | 275 |
| Other recoveries | **175** | 82 |
| **Total fees and charges - non-SA Government entities** | **2 937** | 2 757 |
| **Total fees and charges** | **3 376** | 3 162 |

**12. Commonwealth revenues**

| | | |
|---|---|---|
| Grants | **1 030** | 2 359 |
| **Total Commonwealth revenues** | **1 030** | 2 359 |

Commonwealth revenues include contributions towards the cost of providing fire and emergency services to Commonwealth property.

## 13. Other income

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Rent received | **116** | 159 |
| Transfer of capital funding for GRN | **-** | 355 |
| Assets received free of charge from South Australian Country Fire Service | **-** | 30 |
| Other | **409** | 336 |
| **Total other income** | **525** | 880 |

## 14. Cash and cash equivalents

| | | |
|---|---|---|
| Cash on hand | **10** | 8 |
| Cash at bank | **36 371** | 34 214 |
| **Total cash and cash equivalents** | **36 381** | 34 222 |

***Interest rate risk***

Cash on hand is non-interest bearing; cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

## 15. Receivables

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Current: | | |
| Receivables | **788** | 611 |
| Allowance for doubtful debts | **(4)** | (3) |
| | **784** | 608 |
| GST receivables | **576** | 408 |
| **Total current receivables** | **1 360** | 1 016 |
| | | |
| Receivables from SA Government entities: | | |
| Receivables | **225** | 241 |
| **Total receivables - SA Government entities** | **225** | 241 |
| | | |
| Receivables from non-SA Government entities: | | |
| Receivables | **559** | 367 |
| GST receivables | **576** | 408 |
| **Total receivables - non-SA Government entities** | **1 135** | 775 |
| **Total receivables** | **1 360** | 1 016 |

***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.

| Movements in the allowance for doubtful debts (impairment loss): | | |
|---|---|---|
| Carrying amount at 1 July | **(3)** | (2) |
| Increase in the allowance | **(5)** | (7) |
| Amounts written off | **4** | 6 |
| **Carrying amount at 30 June** | **(4)** | (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. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

***Bad and doubtful debts***

The MFS has recognised a bad and doubtful debt expense of $4000 ($6000) in the Statement of Comprehensive Income.

(a) Maturity analysis of receivables - refer Note 24.
(b) Categorisation of financial instruments and risk exposure information - refer Note 24.

## 16. Non-current assets

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

| 2009 | Cost / valuation $'000 | Accumulated depreciation $'000 | Written down value $'000 |
|---|---|---|---|
| Land at fair value | **33 171** | **-** | **33 171** |
| Land at cost | **1 014** | **-** | **1 014** |
| Buildings at fair value | **63 917** | **-** | **63 917** |
| Vehicles at fair value | **26 894** | **-** | **26 894** |
| Communications equipment at fair value | **2 025** | **-** | **2 025** |
| Computer equipment at fair value | **197** | **-** | **197** |
| Plant and equipment at fair value | **1 961** | **-** | **1 961** |
| Work in progress | **6 701** | **-** | **6 701** |
| **Total property, plant and equipment** | **135 880** | **-** | **135 880** |

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

| | 2008 | | |
|---|---|---|---|
| | Cost/ valuation $'000 | Accumulated depreciation $'000 | Written down value $'000 |
| Land at fair value | 30 284 | - | 30 284 |
| Land at cost | 859 | - | 859 |
| Buildings at fair value | 61 969 | (382) | 61 587 |
| Buildings at cost | 802 | (187) | 615 |
| Vehicles at fair value | 23 552 | - | 23 552 |
| Vehicles at cost | 212 | (209) | 3 |
| Plant and equipment at cost | 2 300 | - | 2 300 |
| Communications equipment at cost | 199 | (21) | 178 |
| Computer equipment at cost | 1 410 | (1 166) | 244 |
| Plant and equipment at cost | 5 984 | (3 899) | 2 085 |
| Work in progress | 4 055 | - | 4 055 |
| **Total property, plant and equipment** | 131 626 | (5 864) | 125 762 |

*Valuation of assets*
Independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific as at 30 June 2008. The valuer arrived at fair value on the basis of open market values for existing use or at written-down current cost which is considered to be equivalent to fair value.

As at 30 June 2009, valuations for all assets have been undertaken by a suitably qualified officer of SAFECOM. Assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

*Impairment*
There were no indications of impairment for property, plant and equipment as at 30 June 2009.

*Change in accounting estimate*
As from 1 July 2008, MFS increased its useful life policy for new buildings from 40 years to 50 years. This change in accounting estimate has impacted on depreciation expense for buildings completed and upgraded during 2008-09 and resulted in building depreciation expense decreasing by $3 000 compared to the former 40 year useful life policy.

The lower depreciation expense will also be reflected in future years.

***(b) Reconciliation of non-current assets***
The following table shows the movement of non-current assets during 2008-09.

| **2009** | **Land and Buildings $'000** | **Vehicles $'000** | **Communi-cation Equipment $'000** | **Computer Equipment $'000** | **Plant and Equipment $'000** | **Work in Progress $'000** | **Total $'000** |
|---|---|---|---|---|---|---|---|
| Carrying amount at 1 July | **93 345** | **23 557** | **2 477** | **245** | **2 084** | **4 054** | **125 762** |
| Additions | **11** | **-** | **-** | **-** | **-** | **12 652** | **12 663** |
| Transferred from WIP | **6 548** | **2 834** | **207** | **86** | **254** | **(10 005)** | **(76)** |
| Revaluation | **1 029** | **2 756** | **15** | | **31** | **-** | **3 831** |
| Revaluation - recognised in expenses | **-** | **-** | **-** | **(4)** | **-** | **-** | **(4)** |
| Depreciation | **(2 831)** | **(2 253)** | **(674)** | **(130)** | **(408)** | **-** | **(6 296)** |
| **Carrying amount 30 June** | **98 102** | **26 894** | **2 025** | **197** | **1 961** | **6 701** | **135 880** |

The following table shows the movement of non-current assets during 2007-08.

| **2008** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Carrying amount at 1 July | 84 853 | 22 739 | 2 732 | 409 | 2 301 | 2 827 | 115 861 |
| Additions | 82 | - | 169 | - | - | 6 693 | 6 944 |
| Transferred from WIP | 4 500 | 549 | 213 | - | 203 | (5 465) | - |
| Disposals | (73) | - | - | - | (23) | - | (96) |
| Revaluation | 6 524 | 1 855 | 47 | - | - | - | 8 426 |
| Depreciation | (2 541) | (1 618) | (683) | (165) | (396) | - | (5 403) |
| Transfer from various parties | - | 30 | - | - | - | - | 30 |
| **Carrying amount 30 June** | 93 345 | 23 555 | 2 478 | 244 | 2 085 | 4 055 | 125 762 |

## 17. Payables

| | **2009** | 2008 |
|---|---|---|
| Current liabilities: | **$'000** | $'000 |
| Creditors | **1 158** | 622 |
| Accrued expenses | **440** | 426 |
| Employment on-costs | **1 500** | 1 317 |
| **Total current payables** | **3 098** | 2 365 |
| Non-current liabilities: | | |
| Employment on-costs | **1 427** | 1 151 |
| **Total non-current payables** | **1 427** | 1 151 |
| **Total payables** | **4 525** | 3 516 |

**17. Payables (continued)**

| ***Government/non-Government payables*** | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Payables to SA Government entities: | | |
| Creditors | **794** | 160 |
| Accrued expenses | **337** | 202 |
| Employment on-costs | **1 306** | 1 162 |
| **Total payables to SA Government entities** | **2 437** | 1 524 |
| Payables to non-SA Government entities: | | |
| Creditors | **364** | 462 |
| Accrued expenses | **103** | 224 |
| Employment on-costs | **1 621** | 1 306 |
| **Total payables to non-SA Government entities** | **2 088** | 1 992 |
| **Total payables** | **4 525** | 3 516 |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate of 35 percent to 45 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2008 rate of 11 percent to 10.5 percent. These rates are used in the employment on-cost calculation.

The net financial effect of the changes in the current financial year is an increase in the employment on-cost of $217 000 and an increase in the employee benefit expense of $217 000.

***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 approximates net fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables – refer Note 24.
(b) Categorisation of financial instruments and risk exposure information - refer Note 24.

**18. Employee benefits**

| | **2009** | 2008 |
|---|---|---|
| Current Liabilities: | **$'000** | $'000 |
| Annual leave | **6 587** | 6 122 |
| Long service leave | **1 496** | 1 259 |
| | **8 083** | 7 381 |
| Accrued salaries and wages | **1 354** | 869 |
| **Total current employee benefits** | **9 437** | 8 250 |
| Non-current liabilities: | | |
| Long service leave | **13 462** | 12 279 |
| **Total non-current employee benefits** | **13 462** | 12 279 |
| **Total employee benefits** | **22 899** | 20 529 |

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2009 is $11.011 million and $14.889 million respectively ($9.57 million and $13.43 million respectively for 2008).

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9 years to 8.5 years.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $84 000 and an increase in employee benefit expense of $84 000. The impact of future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate of 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of $32 000 and a decrease in employee benefit expense of $32 000.

**19. Provisions**

| | **2009** | 2008 |
|---|---|---|
| Current liabilities: | **$'000** | $'000 |
| Provision for workers compensation | **1 552** | 1 413 |
| **Total current provisions** | **1 552** | 1 413 |
| Non-current liabilities: | | |
| Provision for workers compensation | **4 888** | 4 668 |
| **Total non-current provisions** | **4 888** | 4 668 |
| **Total provisions** | **6 441** | 6 081 |

## 19. Provisions (continued)

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Carrying amount at 1 July | **6 081** | 5 876 |
| Additional provisions recognised (released) | **2 077** | 1 989 |
| Payments | **(1 718)** | (1 784) |
| **Carrying amount at 30 June** | **6 440** | 6 081 |

The MFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

## 20. Unrecognised contractual commitments

***Capital commitments***

| | **2009** | 2008 |
|---|---|---|
| Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial statements are payable as follows: | **$'000** | $'000 |
| Within one year | **1 439** | 1 146 |
| **Total capital commitments** | **1 439** | 1 146 |

These capital commitments are for property and vehicle.

***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 | **660** | 614 |
| Later than one year but not later than five years | **875** | 836 |
| **Total remuneration commitments** | **1 535** | 1 450 |

Amounts disclosed include commitments arising from executive contracts. MFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

***Operating lease commitments***

| | **2009** | 2008 |
|---|---|---|
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: | **$'000** | $'000 |
| Within one year | **398** | 452 |
| Later than one year but not later than five years | **330** | 357 |
| **Total operating lease commitments** | **728** | 809 |

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

***Other contractual commitments***

At the end of the reporting period the MFS had the following commitments on contracts:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Within one year | **401** | 4 |
| Later than one year but not longer than five years | **100** | - |
| **Total contractual commitments** | **501** | 4 |

Contractual commitments relate to operational equipment, personal protective clothing and photocopier services.

## 21. Contingent assets and liabilities

The MFS has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2009-10 financial year, however, the outcome cannot be reliably determined at this stage. In each case the financial exposure to the MFS is limited to $10 000 excess under insurance arrangements.

The MFS is not aware of any contingent assets.

## 22. Board members' remuneration

Members that were entitled to receive remuneration for membership during the 2008-09 financial year were:

***South Australian Metropolitan Fire Service Disciplinary Committee***
(refer section 71 of the Act)

Mr Graham Dart
Mr Haydon Castle*
Mr Gregory Howard*
Mr Michael Vander-Jeugd*

**22. Board members' remuneration (continued)**

The number of members whose income from the South Australian Metropolitan Fire Service Disciplinary Committee falls within the following bands was:

| | 2009 Number | 2008 Number |
|---|---|---|
| $0 - $9 999 | **1** | 1 |
| **Total number of Board members** | **1** | 1 |

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 $5000 ($4000).

* In accordance with the Department of the Premier and Cabinet Circular 16, Government employees did not receive any remuneration for Board/Committee duties during the financial year.

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

**23. Cash flow reconciliation**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| ***Reconciliation of cash and cash equivalents*** | | |
| Cash and cash equivalents at 30 June as per: | | |
| Statement of Cash Flows | **36 381** | 34 222 |
| Statement of Financial Position | **36 381** | 34 222 |
| ***Reconciliation of net cash provided by operating activities to net cost of providing services*** | | |
| Net cash provided by operating activities | **14 737** | 15 474 |
| Contributions from Community Emergency Services Fund | **(99 910)** | (93 042) |
| Payments to SA Government | **-** | 505 |
| *Add (Less)*: Non-cash Items: | | |
| Depreciation | **(6 296)** | (5 403) |
| Net gain (loss) from disposal of non-current assets | **9** | (13) |
| Assets received free of charge | **-** | 30 |
| Asset revaluation decrement recognised in Statement of Comprehensive Income | **(4)** | - |
| Changes in assets and liabilities: | | |
| Increase in receivables | **344** | 156 |
| Increase in payables | **(1 009)** | (550) |
| Increase in provision for employee benefits | **(2 370)** | (1 072) |
| Increase in provisions | **(359)** | (205) |
| **Net cost of providing services** | **(94 858)** | (84 120) |

**24. Financial instruments/financial risk management**

***24.1 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.

| | | 2009 | | 2008 | |
|---|---|---|---|---|---|
| **Financial assets** | Note | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| Cash and cash equivalents | 14 | **36 381** | **36 381** | 34 222 | 34 222 |
| Receivables[(1)] | 15 | **784** | **784** | 608 | 608 |
| **Financial liabilities at cost** | | | | | |
| Payables[(1)] | 17 | **3 603** | **3 603** | 2 918 | 2 918 |

(1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In Government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The Standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for 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 MFS's debtors defaulting on their contractual obligations resulting in financial loss to the MFS. The MFS measures credit risk on a fair value basis and monitors risk on a regular basis.

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

### 24.2 *Ageing analysis of financial assets*

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

| | Past due by | | | |
|---|---|---|---|---|
| **2009** | **Overdue for less than 30 days $'000** | **Overdue for 30-60 days $'000** | **Overdue for more than 60 days $'000** | **Total $'000** |
| Not impaired: | | | | |
| Receivables | **665** | **86** | **33** | **784** |
| Impaired: | | | | |
| Receivables | - | - | 4 | 4 |
| **2008** | | | | |
| Not impaired: | | | | |
| Receivables | 495 | 60 | 53 | 608 |
| Impaired: | | | | |
| Receivables | - | - | 3 | 3 |

### 24.3 *Maturity analysis of financial assets and liabilities*

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

| | | Contractual maturity | | |
|---|---|---|---|---|
| **2009** | **Carrying amount $'000** | **Less than 1 Year $'000** | **1-5 years $'000** | **More than 5 years $'000** |
| Financial assets: | | | | |
| Cash and cash equivalents | **36 381** | **36 381** | **-** | **-** |
| Receivables | **784** | **784** | **-** | **-** |
| **Total financial assets** | **37 165** | **37 165** | **-** | **-** |
| Financial liabilities: | | | | |
| Payables | **3 603** | **3 603** | **-** | **-** |
| **Total financial liabilities** | **3 603** | **3 603** | **-** | **-** |
| **2008** | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 34 222 | 34 222 | - | - |
| Receivables | 608 | 608 | - | - |
| **Total financial assets** | 34 830 | 34 830 | - | - |
| Financial liabilities: | | | | |
| Payables | 2 918 | 2 918 | - | - |
| **Total financial liabilities** | 2 918 | 2 918 | - | - |

The financial assets and liabilities of the MFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

***Liquidity risk***

The MFS is funded principally from contributions from the Fund. The MFS works with the Fund Manager of the Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The MFS'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 24.1 represent the MFS's maximum exposure to financial liabilities.

***Market risk***

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The MFS's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

***Sensitivity disclosure analysis***

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

# 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 to Note 1 of the financial statements.

The Board comprises no more than nine members (nine members as at 30 June 2009) appointed by the Governor and is subject to the general control and direction of the Deputy Premier.

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 has assumed responsibility for the staging of the 2009 Global Green Challenge to be held in October 2009.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

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 statements and internal controls.

During 2008-09, 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 statements

The following is an extract from the 2008-09 Independent Auditor's Report, which details the qualification to the Board's financial statements.

***Basis for Qualified Auditor's Opinion***

*State Government Capital Grant*

*As detailed in Note 2.2 to the financial statements, the South Australian Motor Sport Board (the Board) have amortised capital grants received since 1999 over a period of five years. The grants have been recognised as a Deferred State Government grant - Capital liability. As a result, of the total $10.7 million received by way of capital grants only $10 million has been recognised as revenue. The remaining $717 000 is recognised as a liability as at 30 June 2009.*

*State Government Infrastructure Grant*

*In the past three reporting periods the Board received from the State Government a total of $23 million for construction of infrastructure of which $3 million was expensed on the cancelled Victoria Park (Bakkabakkandi) redevelopment. The remaining $20 million ($12.5 million in 2008-09 and $7.5 million in 2007-08) was received for upgrades and additions to the Board's infrastructure assets including a new demountable pit building. Of this amount, $18.7 million was spent on capital costs of assets and $1.3 million was expensed on indirect costs attributable to the infrastructure upgrade. The Board has deferred recognising grant revenue equivalent to the value of capitalised assets of $18.7 million, creating a Deferred State Government grant - Infrastructure liability in the Statement of Financial Position. The Board is amortising this liability to revenue over the estimated useful life of the infrastructure assets. As a result, of the total $20 million received for completed infrastructure upgrades and additions, only $2.9 million has been recognised as revenue. The remaining $17.1 million is recognised as a liability as at 30 June 2009.*

*Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework APF V 'Income Framework' require that contributions to a not-for-profit entity must be recognised as an asset and income when the Authority obtains control of the contributions and the income recognition criteria are met.*

*The total financial effect of the Board not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:*

*2009*

*Total income, operating surplus and total comprehensive result are understated in the current year by $10 million. Total liabilities are overstated by $17.8 million. Total equity is understated by $17.8 million.*

*2008*

*Total Income, Operating surplus and Total comprehensive result are overstated by $6.5 million. Total liabilities are overstated by $7.8 million. Total equity is understated by $7.8 million.*

***Qualified Auditor's Opinion***

*In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the South Australian Motor Sport Board as at 30 June 2009, and 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 compliance with procurement processes mandated by the *State Procurement Act 2004* and implementation of the revised 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 South Australian Motor Sport Board. The main matters raised with the Board and the related responses are detailed below.

**Compliance with procurement processes mandated by the *State Procurement Act 2004***

In 2008-09 a significant number of contracts were awarded by the Board. The audit included a review of Board's procurement practices. The *State Procurement Act 2004* (SP Act) requires public authorities to comply with applicable policies, principles, guidelines, standards or directions issued or given by the State Procurement Board. The Board's procurement practices were not consistent with the SP Act in the following ways:

- Procurement approval guidelines require certain processes and documentation. While the Board undertook aspects of these (for example, seeking expressions of interest and issuing invitations for tender), the specific requirements of the guidelines were not followed and documentation was not at the level required. Further, approval by the delegated officer at each of the stages required by the guidelines was not evident. The mandatory nature of the SP Act and its associated policies and guidelines were raised with the Board.

  The Board responded that its procurement procedures had been based on the requirements of the SP Act and were reviewed by the State Procurement Board. The Board acknowledged that it had not met the requirements for documented acquisition plans and has subsequently drafted a procedure and checklist to be reviewed and approved by its Finance and Audit subcommittee.

- Where the procurement processes exceeded $1.1 million the policies and guidelines under the SP Act require certain approvals by the State Procurement Board. These approvals were not obtained.

  The Board's response acknowledged that procurement in excess of $1.1 million requires prior examination and approval by the State Procurement Board. The Board indicated that relevant staff and contractors will be advised of these requirements. Further, the response indicated that the Board had considered the race to be an annual event and that contracts were evaluated on an annual cost basis.

***Implementation of the revised TIs 2 and 28***

The audit included observations of the status of the implementation of the new TIs. It was noted that, while certain requirements of TIs 2 and 28 exist within its control environment, the Board had yet to formally assess its controls against the TIs. The need to formally consider the new TIs and act to ensure compliance was raised with the Board.

The Board responded that any non-compliance with TIs 2 and 28 will be addressed.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The following analysis has been prepared from the financial statements and should be read in conjunction with the 'Qualified Auditor's Opinion' as provided under the heading 'Auditor's report on the financial statements'. The qualification expresses that the Board has not applied AASs and mandatory APF when reporting grant revenues. Reference should also be made to Note 2.2 of the Board's financial statements.

**Highlights of the financial statements**

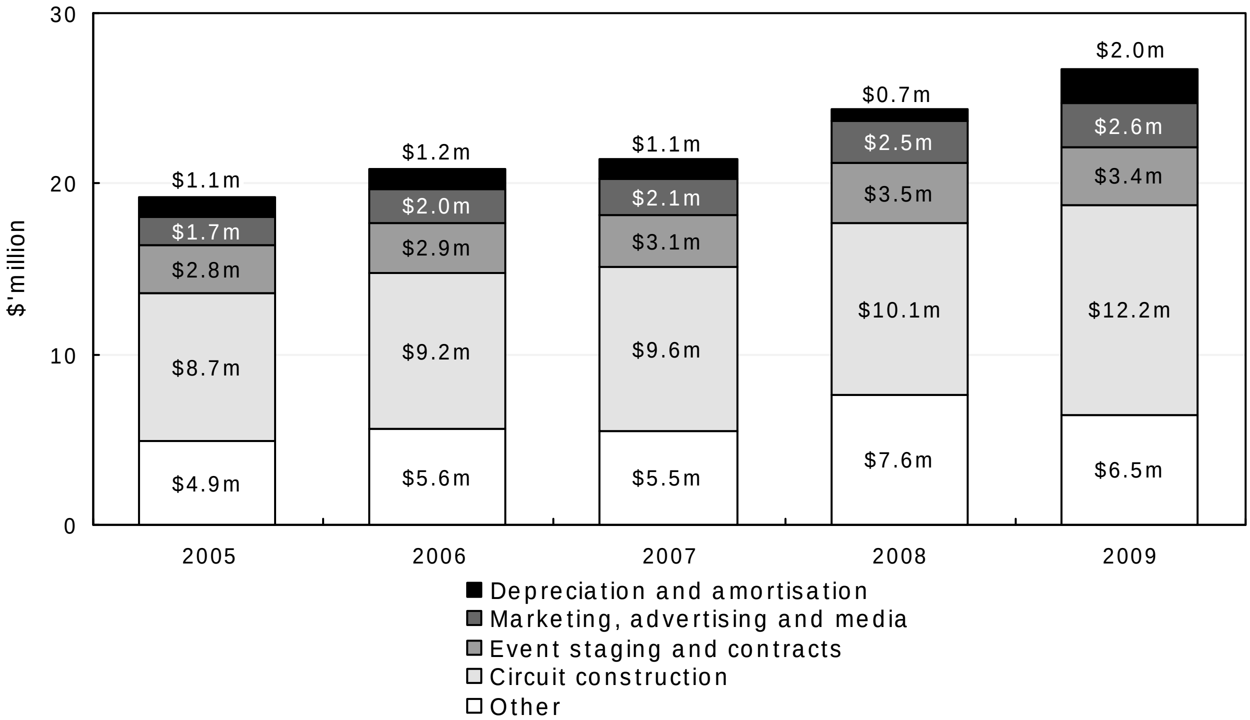
| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| ***EXPENSES*** | | |
| Supplies and services | **23.4** | 22.8 |
| Depreciation and amortisation | **2.0** | 0.7 |
| Salaries, wages and related payments | **1.3** | 0.9 |
| **Total expenses** | **26.7** | 24.4 |
| ***INCOME*** | | |
| State Government grants | **2.8** | 2.6 |
| User charges | **20.0** | 21.1 |
| Amortisation of capital grants | **0.5** | 0.7 |
| Amortisation of infrastructure grants | **1.6** | - |
| Other | **1.1** | 0.9 |
| **Total income** | **26.0** | 25.3 |
| **Operating (deficit) surplus** | **(0.7)** | 0.9 |
| ***OTHER COMPREHENSIVE INCOME*** | **0.6** | - |
| **Total comprehensive result** | **(0.1)** | 0.9 |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| ***NET CASH (USED IN) PROVIDED BY OPERATIONS*** | **(0.3)** | 0.6 |
| ***ASSETS*** | | |
| Current assets | **5.4** | 12.8 |
| Non-current assets | **20.3** | 2.8 |
| **Total assets** | **25.7** | 15.6 |
| ***LIABILITIES*** | | |
| Current liabilities | **5.0** | 3.3 |
| Non-current liabilities | **15.9** | 7.4 |
| **Total liabilities** | **20.9** | 10.7 |
| ***EQUITY*** | **4.8** | 4.9 |

**Statement of Comprehensive Income**

***Expenses***

For the five years to 2009, a structural analysis of the main expense items for the Board is shown in the following chart.




Total expenses increased by $2.3 million (9 percent) to $26.7 million. A significant aspect of this increase was depreciation charges which increased by $1.3 million to $2 million. The increase in depreciation reflects the first year of depreciation of new racing infrastructure, including the demountable pit building and shade structures. Depreciation charges are offset by revenue from amortisation of deferred infrastructure grants. Reference should be made to Note 2.2 of the Board's financial statements and to commentary provided above under the heading 'Auditor's report on the financial statements'.

Circuit construction costs increased by $2.1 million, reflecting upgrades in temporary infrastructure at the track.

Other expenditure decreased by $1.1 million to $6.5 million. Of note were the following items:

- Hospitality, sponsorship and ticketing costs decreased by $1.3 million reflecting a decrease in hospitality and sponsorship for the 2009 'Clipsal 500 Adelaide' and hospitality and sponsorship management previously externally contracted that is now managed in-house by the Board.

- Salaries, wages and related expenses increased by $316 000 (34 percent). This was due to wage rate increases and an increase in staff numbers associated with the management of hospitality and sponsorship.

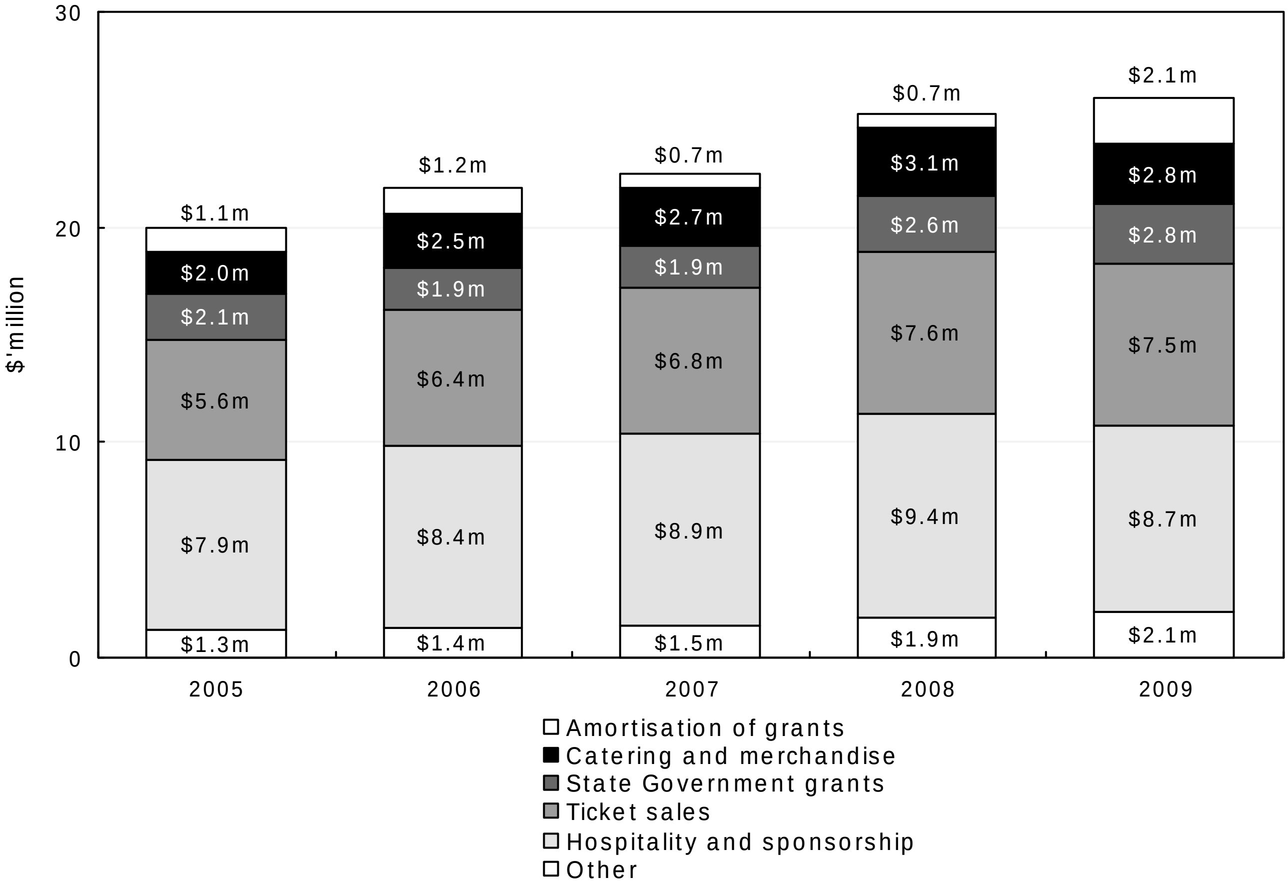
The Board's activities remain predominately delivered through contracted services and therefore salaries costs are comparatively low.

***Income***

The Board has not applied AASs and mandatory APFs when reporting its capital and infrastructure grant revenues. Reference should be made to Note 2.2 of the Board's financial statements and to commentary provided above under the heading 'Auditor's report on the financial statements'.

The Board's decision not to apply APF V and AASB 1004 has resulted in an understatement of income of $10 million ($6.5 million).

A structural analysis of income for the Board for the five years to 2009 is presented in the following chart.




The chart illustrates that overall income has increased each year since 2005. However, the 2009 increase relates to non-operating revenue items, including:

- amortisation of deferred grants which increased by $1.4 million. The increase reflected the first year of amortisation of the Deferred State Government grant - infrastructure

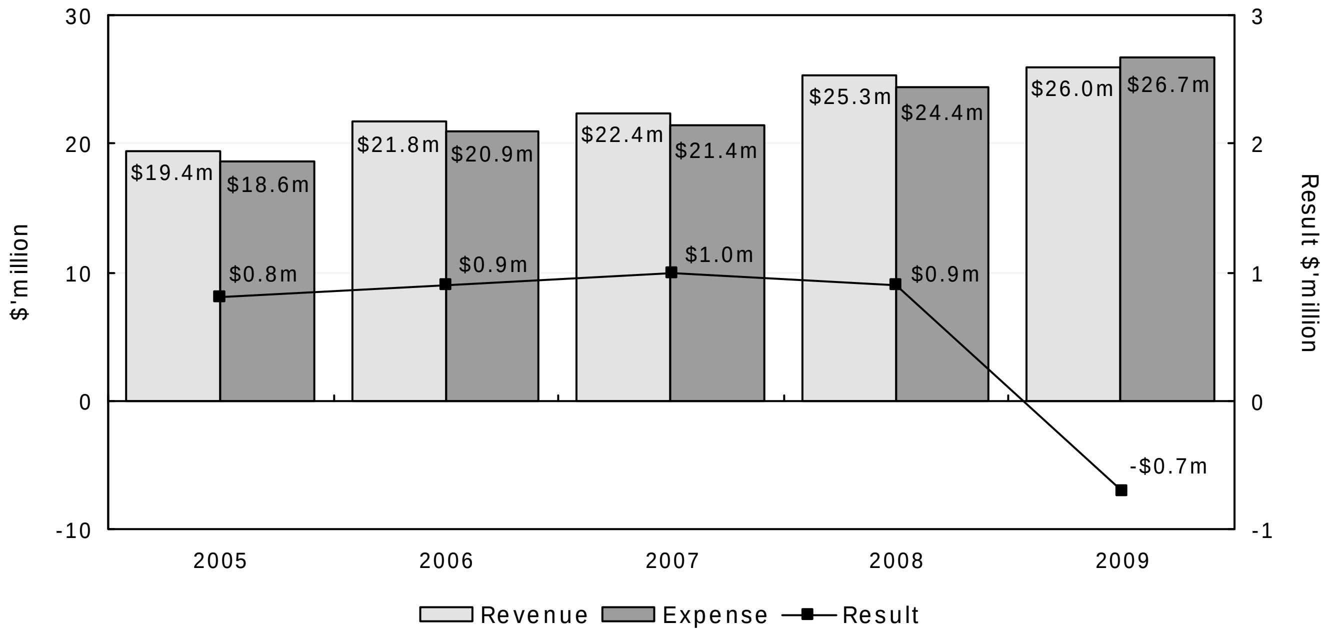
- interest revenues increased by $262 000 resulting from higher cash balances associated with infrastructure grants received.

User charges have decreased by $1.1 million to $20 million reflecting decreased attendance at the 2009 'Clipsal 500 Adelaide', including:

- hospitality and sponsorship decreased by $644 000 to $8.8 million
- catering and merchandise decreased by $292 000 to $2.8 million
- ticketing sales decreased by $140 000 to $7.5 million.

**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 $690 000 ($852 000 surplus). This is the first operating deficit since 2000-01 and reflects decreased operating revenue when compared with an increase in costs for 2009.

**Statement of Financial Position**

In 2008-09 the Board upgraded its temporary facilities and other infrastructure used for the 'Clipsal 500 Adelaide'. The additions to racing infrastructure of $18.7 million included:

- new demountable pit building
- resurface of existing track in Victoria Park
- temporary shade over Pit Straight and Hairpin grandstands
- temporary shade over all other grandstands
- upgrades to certain tracks and paths.

These asset additions were funded by State Government infrastructure grants totalling $20 million ($12.5 million in 2008-09 and $7.5 million in 2007-08). Of these receipts, $18.7 million was spent on capital costs representing the asset value of the works undertaken and $1.3 million was spent on indirect costs attributable to the infrastructure upgrade.

**Statement of Cash Flows**

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

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'000** | $'000 | $'000 | $'000 |
| **Net cash flows** | | | | |
| Operating | **(0.3)** | 0.6 | 1.4 | 1.2 |
| Investing | **(6.2)** | 7.1 | - | (0.2) |
| Change in cash | **(6.5)** | 7.7 | 1.4 | 1.0 |
| Cash at 30 June | **5.1** | 11.6 | 3.9 | 2.5 |

Cash flows from investing activities reflects the cash receipt of State Government grants for infrastructure, $12.5 million, and capital, $296 000, reduced by cash out flows of $19 million for the purchase of non-current assets.

## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **INCOME:** | | | |
| State Government operating grants | 1 | **2 090** | 1 928 |
| State Government infrastructure grants | 1 | **671** | 627 |
| Interest: | | | |
| Interest received from SA Government entities | | **1 097** | 819 |
| Interest received from non-SA Government entities | | **29** | 45 |
| User charges | 3 | **20 024** | 21 148 |
| Amortisation of capital grants | 1,2.2,12 | **491** | 747 |
| Amortisation of infrastructure grants | 1,2.2,12 | **1 585** | - |
| Profit on sale of fixed assets | | **1** | 1 |
| **Total income** | | **25 988** | 25 315 |
| **EXPENSES:** | | | |
| Supplies and services | 4 | **23 438** | 22 780 |
| Depreciation and amortisation | 9 | **1 994** | 743 |
| Salaries, wages and related payments | 2.12,5 | **1 246** | 930 |
| Bad debts written off | | **-** | 10 |
| **Total expenses** | | **26 678** | 24 463 |
| **OPERATING (DEFICIT) SURPLUS** | | **(690)** | 852 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Changes in plant and equipment asset revaluation reserve | | | |
| Concrete safety barriers | 2.5 | **158** | - |
| Other racing infrastructure, plant and equipment | 2.5 | **445** | - |
| **Total changes in plant and equipment asset revaluation reserve** | | **603** | - |
| **TOTAL COMPREHENSIVE RESULT** | | **(87)** | 852 |

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

# Statement of Financial Position
## as at 30 June 2009

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 7,15.1 | **5 136** | 11 603 |
| Receivables | 8 | **289** | 1 252 |
| **Total current assets** | | **5 425** | 12 855 |
| **NON-CURRENT ASSETS:** | | | |
| Concrete safety barriers, other racing infrastructure, plant and equipment | 2.5,9 | **20 341** | 2 777 |
| **Total non-current assets** | | **20 341** | 2 777 |
| **Total assets** | | **25 766** | 15 632 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 10 | **3 055** | 2 728 |
| Staffing entitlements and related provisions | 11 | **37** | 158 |
| Deferred State Government grant - capital | 12 | **299** | 432 |
| Deferred State Government grant - infrastructure | 12 | **1 585** | - |
| **Total current liabilities** | | **4 976** | 3 318 |
| **NON-CURRENT LIABILITIES:** | | | |
| Staffing entitlements and related provisions | 11 | **44** | 51 |
| Deferred State Government grant - capital | 12 | **418** | 480 |
| Deferred State Government grant - infrastructure | 12 | **15 500** | 6 868 |
| **Total non-current liabilities** | | **15 962** | 7 399 |
| **Total liabilities and deferred State Government grants** | | **20 938** | 10 717 |
| **NET ASSETS** | | **4 828** | 4 915 |
| **EQUITY:** | | | |
| Reserves | 2.3 | **1 000** | 1 000 |
| Accumulated surplus | | **3 225** | 3 915 |
| Asset revaluation reserves | 2.5 | **603** | - |
| **TOTAL EQUITY** | | **4 828** | 4 915 |

Total equity is attributable to the SA Government as owner

| | |
|---|---|
| Contingent liabilities | 13 |
| Commitments for expenditure | 14 |

## Statement of Changes in Equity
## for the year ended 30 June 2009

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| RESERVES AND ACCUMULATED SURPLUS: | | |
| Reserve for extreme weather: | | |
| Balance at 1 July | **1 000** | 1 000 |
| Reserve for extreme weather at 30 June | **1 000** | 1 000 |

The basis for the creation of this reserve is contained in Note 2.3

| | 2009 | 2008 |
|---|---|---|
| Accumulated surplus: | | |
| Accumulated surplus at 1 July | **3 915** | 3 063 |
| Operating (deficit) surplus | **(690)** | 852 |
| Accumulated surplus at 30 June | **3 225** | 3 915 |
| Asset revaluation reserve: | | |
| Gain on revaluation of plant and equipment during 2008-09 | **603** | - |
| Asset revaluation reserve at 30 June | **603** | - |
| **TOTAL RESERVES AND ACCUMULATED SURPLUS** | **4 828** | 4 915 |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | Note | 2009 Inflows (Outflows) $'000 | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers and sponsors | | **23 120** | 23 235 |
| Payments to suppliers and staff | | **(28 639)** | (25 833) |
| Refunds of GST | | **2 578** | 983 |
| Payments of GST | | **(557)** | (532) |
| Interest received | | **1 126** | 864 |
| State Government contributions - operating | | **2 090** | 1 928 |
| **Net cash (used in) provided by operating activities** | 15.2 | **(282)** | 645 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments for racing infrastructure, plant and equipment | | **(18 955)** | (837) |
| Proceeds from the sales of plant and equipment | | **1** | 1 |
| State Government contributions - capital | | **296** | 400 |
| State Government contributions - infrastructure | | **12 473** | 7 495 |
| **Net cash (used in) provided by investing activities** | | **(6 185)** | 7 059 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD** | | **(6 467)** | 7 704 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **11 603** | 3 899 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 15.1 | **5 136** | 11 603 |

## 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 '2009 Global Green Challenge' in October 2009 (formerly The World Solar Challenge).

During the year, the Board received funding from the State Government of $2.1 million for operating activities, $296 000 for event staging capital and $12.5 million for additions to the infrastructure assets of the Board used in Victoria Park. The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

The Board's financial report includes both controlled and administered items. The financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by the Board in its own right. As administered items are insignificant in relation to the Board's overall financial performance and position, they have been disclosed in a schedule of administered items as Note 22 to the accounts. The administered items relate to the initial redevelopment program of Victoria Park which was subsequently cancelled in November 2007. No administered items occurred in the 2008-09 year.

The State Government approved $23 million for upgrades and additions to the infrastructure assets of the Board used in Victoria Park. This includes $3 million for the original redevelopment of Victoria Park which was subsequently cancelled. The balance of $20 million was expended on capital and recurrent costs. Recurrent costs during the year totalled $671 000 ($627 000). An equivalent amount is included in Income - State Government infrastructure grants. The capital value of the work undertaken was $18.7 million. An equivalent amount of revenue has been deferred (refer to Note 12).

**2. Statement of significant accounting policies**

***2.1 Basis of accounting***

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provision of the PFAA except as described in Note 2.2 below in relation to the entity's financial accounting and reporting treatment of the capital grant funds provided by the State Government.

***Statement of compliance***

AASs include AIFRS. Except for the amendments to AASB 101 (eg Statement of Comprehensive Income) which the Board has 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 2009.

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. 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 21).

  (c) Staff whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff (refer Note 17).

  (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 20).

***Statement of compliance (continued)***

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 and do not take into account changing money values except where it is specifically stated.

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

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

### 2.2 *Amortisation of State Government grant*

The State Government has since 1999 provided a total of $10.7 million for race staging capital. A further $23 million was provided for the infrastructure upgrade of which $4.3 million has been spent on non-capital items. The balance of $18.7 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 2008-09 $1.6 million has been amortised leaving a Deferred State Government grant - infrastructure liability of $17.1 million.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', 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 Treasurer's 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:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **AASB 1004 APF V $'000** | **Board policy $'000** | AASB 1004 APF V $'000 | Board policy $'000 |
| Revenue - State Government grant: | | | | |
| Capital | **296** | **-** | 400 | - |
| Infrastructure | **12 473** | **671** | 7 495 | 627 |
| Amortisation - State Government grant: | | | | |
| Capital | **-** | **491** | - | 747 |
| Infrastructure | **-** | **1 585** | - | - |
| Operating surplus (deficit) | **9 332** | **(690)** | 7 373 | 852 |
| Assets | **25 766** | **25 766** | 15 632 | 15 632 |
| Liabilities | **3 136** | **20 938** | 2 937 | 10 717 |
| **Equity** | **22 630** | **4 828** | 12 695 | 4 915 |

Therefore the application of AASB 1004 and APF V would result in an operating surplus for the year of $9.3 million. The application of IAS 20 results in an operating deficit of $690 000 which the Board believes to be a true reflection of the result for the year.

### 2.3 *Reserve for extreme weather*

The Directors believe 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 has considered that it is prudent and commercially sound to create a reserve for extreme weather at future events. This reserve ($1 million) has been created by transfers from accumulated surplus and will be utilised at events adversely affected by rain or extreme heat.

### 2.4 *Revenue recognition*

Except as described in Note 2.2 above, revenues are recorded in the Statement of Comprehensive Income at the time they are earned or at the time control passes to the Board. Interest revenues are recognised as they accrue.

### 2.5 *Non-current assets*

The Board does not own any land or permanent buildings.

All non-current assets controlled by the Board are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Board. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

### *2.5 Non-current assets (continued)*

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or group of assets is 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.

APF III requires an independent revaluation of plant and equipment every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

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

In June 2009 an independent valuation of the concrete safety barriers, debris fencing and track overpasses was undertaken based on fair value. Material differences between the valuation and the carrying amount of the assets represented an increment in asset value of $603 000. This has been recognised in the financial statements as an asset revaluation reserve.

### *2.6 Depreciation and amortisation*

Depreciation is calculated on a straight-line basis to write-off the assets over their useful economic lives.

Racing infrastructure, plant and equipment useful lives range from 1-20 years. Lease improvements are written off over the period of the lease or the estimated useful life of the asset, whichever is lower.

Concrete safety barriers' useful life is determined by reference to their likely rate of deterioration, namely from 10-20 years. This is supported by independent valuation of concrete barriers and debris fencing obtained by the Board as reported in Note 2.5. Depreciation of concrete safety barriers and debris fencing has been determined using the basis provided by the independent valuation.

### *2.7 Recoverable amounts of non-current assets*

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount.

### *2.8 Principles of consolidation*

There were no controlled entities during the reporting period.

### *2.9 Income tax*

The entity is exempt from income tax.

### *2.10 Leased assets*

The entity has no finance leases. In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that it is representative of the pattern of benefits derived from the leased assets.

### *2.11 Staffing entitlements*

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

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

The liability for long service leave is recognised based on staff completing 6.5 years of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of staff throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. The Board also accrues additional long service leave based on experience of staffing retention and leave taken.

### *2.12 Changes to staffing 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 the Department of Treasury and Finance 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.

**2.12 Changes to staffing arrangements (continued)**

Consistent with the PSE Act, the Chief Executive of the Department of Treasury and Finance 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 WorkCover 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 agency's liability for workers compensation by Taylor Fry Consulting Actuaries reflects that no such liability exists at the reporting date.

**2.13 Cash on hand and on deposit**

For purposes of the Statement of Cash Flows, cash includes cash deposits, which are used in the cash management function on a day-to-day basis. Interest revenues are recognised as they accrue. The average interest rate for the reporting period was 5.7 percent (6.6 percent).

**2.14 Financial instruments**

The Board's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2009, are as follows:

*Financial assets*

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises cash on hand and at bank and deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk).

Credit terms, other than those specified in contractual agreements, are net 14 days.

*Financial liabilities*

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of staffing on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

*Interest rate risk*

The Board's only exposure to interest rate risk relates to cash. The average interest rate in relation to cash is 5.7 percent (6.6 percent). All other financial assets and financial liabilities of the Board have no exposure to interest rate risk.

*Credit risk*

The Board does not have any significant credit risk exposure to any single debtor.

The carrying amount of financial assets recorded in the financial statements, net of provisions for doubtful debts, represent the Board's maximum exposure to credit risk.

*Net fair value*

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

**2.15 GST**

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

- where the amount of GST incurred by the Board as a purchaser is not recoverable from the ATO
- receivables and payables are stated with the amount of GST included.

The net GST payable to the ATO is included as part of payables in the Statement of Financial Position.

**2.16 Economic dependency**

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.

**2.17 Rounding**

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

**3. User charges**

| User charges received/receivable from entities within the SA Government: | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Other income | | **36** | 24 |
| Sponsorship | | **140** | - |
| **Total user charges - SA Government** | | **176** | 24 |
| User charges received/receivable from entities external to the SA Government: | | | |
| Hospitality and sponsorship | | **8 658** | 9 442 |
| Ticketing sales | | **7 480** | 7 620 |
| Catering and merchandise | | **2 782** | 3 074 |
| Entry fees | | **200** | 182 |
| Asset hire | | **-** | 14 |
| Profit on sale of assets | | **1** | - |
| Other | | **727** | 792 |
| **Total user charges - non-SA Government** | | **19 848** | 21 124 |
| **Total user charges** | | **20 024** | 21 148 |

**4. Supplies and services**

| Supplies and services provided by entities within the SA Government: | | | |
|---|---|---|---|
| Hospitality, sponsorship and ticketing costs | | **-** | 184 |
| Administration | | **135** | 103 |
| Event staging and contracts | | **50** | 45 |
| Marketing, advertising and media | | **61** | 57 |
| Circuit construction | | **79** | 66 |
| **Total supplies and services - SA Government entities** | | **325** | 455 |
| Supplies and services provided by entities external to the SA Government: | | | |
| Circuit construction | | **12 134** | 10 029 |
| Hospitality, sponsorship and ticketing costs | | **326** | 1 455 |
| Catering and merchandise costs | | **1 093** | 1 356 |
| Event staging and contracts | | **3 324** | 3 448 |
| Entertainment | | **1 316** | 1 351 |
| Security and ground staff | | **948** | 924 |
| Administration | | **737** | 644 |
| Marketing, advertising and media | | **2 564** | 2 491 |
| Victoria Park infrastructural expenditure | | **671** | 627 |
| **Total supplies and services - non-SA Government entities** | | **23 113** | 22 325 |
| **Total supplies and services** | | **23 438** | 22 780 |

**5. Salaries, wages and related payments**

| Salaries, wages and related payments comprise: | | | |
|---|---|---|---|
| Salaries, wages, annual and sick leave | | **1 015** | 772 |
| Long service leave | | **63** | 11 |
| Superannuation | 6 | **97** | 71 |
| Other staffing on-costs | | **71** | 76 |
| **Total salaries, wages and related payments** | | **1 246** | 930 |

Total number of full-time equivalent staff at reporting date was 11.6 (10.9).

**6. Superannuation**

The superannuation costs included in the financial statements relate to the Commonwealth Government's Superannuation Guarantee legislation. The payments of $97 000 ($71 000) have been made to externally managed funds.

**7. Cash and cash equivalents**

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Cash on deposit with SAFA | | **4 603** | 11 245 |
| Cash on hand and at bank - other | | **533** | 358 |
| | | **5 136** | 11 603 |

**8. Receivables**

| Current: | Note | | |
|---|---|---|---|
| Trade debtors | | **289** | 8 |
| Amount owing by BASS for funds held in trust | 10 | **-** | 1 244 |
| | | **289** | 1 252 |
| SA Government/non-SA Government receivables: | | | |
| Receivables from SA Government entities | | **-** | 1 244 |
| Receivables from non-SA Government entities | | **289** | 8 |
| | | **289** | 1 252 |

Receivables amounting to $1.1 million ($1.1 million) and the corresponding liability relating to advanced ticket sales exclusive of GST for Year 2010 event and the Global Green Challenge (refer Note 10) have not been recognised as they have been treated as agreements equally proportionately unperformed.

| | | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|---|
| **9.** | **Concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements** | | | |
| | Concrete safety barriers: | | | |
| | Gross carrying amount: | | | |
| | Balance at 1 July | | **1 441** | 1 441 |
| | Adjustment arising from revaluation of assets | 2.5 | **158** | - |
| | Elimination of depreciation on revalued assets | | **(171)** | - |
| | **Balance at 30 June** | | **1 428** | 1 441 |
| | Accumulated depreciation: | | | |
| | Balance at 1 July | | **(888)** | (864) |
| | Elimination of depreciation on revalued assets | | **171** | - |
| | Depreciation expense | | **(6)** | (24) |
| | **Balance at 30 June** | | **(723)** | (888) |
| | **Net carrying amount** | | **705** | 553 |
| | Other racing infrastructure, plant and equipment: | | | |
| | Gross carrying amount: | | | |
| | Balance at 1 July | | **11 706** | 10 876 |
| | Additions | | **18 955** | 837 |
| | Adjustments arising from revaluation of assets | 2.5 | **445** | - |
| | Elimination of depreciation on revalued assets | | **(999)** | - |
| | Disposals | | **(883)** | (7) |
| | **Balance at 30 June** | | **29 224** | 11 706 |
| | Accumulated depreciation: | | | |
| | Balance at 1 July | | **(9 628)** | (8 949) |
| | Depreciation expense | | **(1 955)** | (686) |
| | Elimination of depreciation on revalued assets | 2.5 | **999** | - |
| | Disposals | | **883** | 7 |
| | **Balance at 30 June** | | **(9 701)** | (9 628) |
| | **Net carrying amount** | | **19 523** | 2 078 |
| | Leasehold improvements: | | | |
| | Gross carrying amount: | | | |
| | Balance at 1 July | | **219** | 219 |
| | **Balance at 30 June** | | **219** | 219 |
| | Accumulated depreciation: | | | |
| | Balance at 1 July | | **(73)** | (41) |
| | Depreciation expense | | **(33)** | (32) |
| | **Balance at 30 June** | | **(106)** | (73) |
| | **Net carrying amount** | | **113** | 146 |
| | **Total concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements** | | **20 341** | 2 777 |
| **10.** | **Payables** | | | |
| | Current: | | | |
| | Trade creditors | | **454** | 474 |
| | Other creditors and accruals | | **1 223** | 1 173 |
| | Funds held in trust[(i)] | | **1 378** | 1 081 |
| | | | **3 055** | 2 728 |

(i) Advanced ticket sales exclusive of GST for Year 2010 event.

| | | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|---|
| **11.** | **Staff benefits and related on-cost liabilities** | | | |
| | Annual leave: | | | |
| | Included in other creditors - current | 10 | **5** | 23 |
| | Provision for staff benefits - current | | **34** | 92 |
| | | | **39** | 115 |
| | Long service leave: | | | |
| | Included in other creditors - current | 10 | **6** | 7 |
| | Provision for staff benefits: | | | |
| | Current | | **3** | 66 |
| | Non-current | | **44** | 51 |
| | | | **53** | 124 |
| | **Aggregate staff benefits and related on-cost liabilities** | | **92** | 239 |
| **12.** | **Deferred State Government grants** | | | |
| | Capital: | | | |
| | Deferred State Government grant - capital | | **10 734** | 10 438 |
| | Accumulated amortisation | | **(10 017)** | (9 527) |
| | | | **717** | 911 |

**12. Deferred State Government grants (continued)**

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Reconciled to: | | | |
| Current | | **299** | 431 |
| Non-current | | **418** | 480 |
| | | **717** | 911 |
| Infrastructure grant: | | | |
| Deferred State Government grant - infrastructure | | **19 968** | 7 495 |
| Transferred to income | 1 | **(1 298)** | (627) |
| Accumulated amortisation | | **(1 585)** | - |
| | | **17 085** | 6 868 |
| Reconciled to: | | | |
| Current | | **1 585** | - |
| Non-current | | **15 500** | 6 868 |
| | | **17 085** | 6 868 |

**13. Contingent liabilities**

Contingent obligations are items in the nature of liabilities which, at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as being dependent on certain events taking place before a present obligation for the Board to make payments in respect of them will arise. The Board is not aware of any contingent liabilities.

**14. Commitments for expenditure**

***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:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Within one year | **153** | 149 |
| Later than one year but not longer than five years | **408** | 562 |
| **Total operating lease commitments** | **561** | 711 |

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***

The Board has commitments for the staging of future events. Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Within one year | **10 259** | 3 712 |
| Later than one year but not longer than five years | **33 673** | 8 497 |
| Later than five years | **8 458** | 4 052 |
| **Total event staging commitments** | **52 390** | 16 261 |

**15. Notes to the Statement of Cash Flows**

***15.1 Reconciliation of cash***

| | 2009 | 2008 |
|---|---|---|
| Cash on hand | **5** | 3 |
| Cash at bank | **5 131** | 11 600 |
| | **5 136** | 11 603 |

***15.2 Reconciliation of net cash provided by operating activities to operating (deficit) surplus***

| | 2009 | 2008 |
|---|---|---|
| Operating (deficit) surplus | **(690)** | 852 |
| Adjustments for non-cash income and expense items: | | |
| Depreciation and amortisation | **1 994** | 743 |
| Amortisation of State Government grant - capital | **(491)** | (747) |
| Profit on sale of fixed assets | **(1)** | (1) |
| Bad debts written off | **-** | 10 |
| State Government grant - infrastructure | **(671)** | (627) |
| Amortisation of State Government grant - infrastructure | **(1 585)** | - |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in assets: | | |
| Receivables | **962** | (132) |
| Prepayments | **-** | 21 |
| (Decrease) Increase in liabilities: | | |
| Staff entitlements | **(127)** | 10 |
| Payables | **327** | 516 |
| **Net cash (used in) provided by operating activities** | **(282)** | 645 |

**16. Financing arrangements**

The State Government pledges financial support for the entity.

**17. Staffing remuneration**

| The number of officers who received or were due to receive total remuneration of $100 000 or more: | **2009 Number** | 2008 Number |
|---|---|---|
| $130 000 - $140 000 | **-** | 1 |
| $160 000 - $170 000 | **1** | - |
| $170 000 - $180 000 | **1** | - |
| $260 000 - $270 000 | **-** | 1 |

The total remuneration (including superannuation, motor vehicles including FBT thereon and parking) amounted to $346 000 ($396 000).

**18. Auditor's remuneration**

Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total $27 000 ($26 000).

**19. Related parties**

***19.1 Directors***

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 director during the reporting period:

R Cook, AM - Chairman
G Boulton - Deputy Chairman
B Carter
A Ford
R Hayward
T Schenken
C Smerdon
J Turbill
F Wong

***19.2 Directors' loans***

There are no loans to directors.

***19.3 Other director transactions***

Directors of the economic entity and directors of its related parties, or their director related entities, 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 director or director-related entity at arm's length in similar circumstances. 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:

| | | | |
|---|---|---|---|
| G Boulton | Complete Fire Services Pty Ltd | $417 430 | Supply and installation of pit building fire services |
| R Cook, AM | Motor Accident Commission | $30 000 | Contribution to free transport initiative |
| R Cook, AM | V8 Supercars Australia Pty Ltd | $630 136 | Hospitality, rights income and infrastructure recoveries |
| R Cook, AM | V8 Supercars Australia Pty Ltd | $1 342 383 | Race staging deed and television requirements |
| T Schenken | CAMS Ltd | $112 500 | Licence fees, permit fees and insurance |
| T Schenken | CAMS Ltd | $2 500 | Sponsorship of CAMS award |
| C Smerdon | Travelink Pty Ltd | $29 313 | Travel wholesaler commission |
| J Turbill | Intuito Pty Ltd | $4 000 | Global Green Challenge research |
| R Hayward, F Wong | Adelaide City Council | $55 182 | Sponsorship revenue and TV package |
| R Hayward, F Wong | Adelaide City Council | $60 861 | Circuit construction and sponsor costs |

All corporate facilities purchased by directors or by related entities are at arm's length rates.

**20. Remuneration of Directors of the Board**

| The number of Directors who received, or were due to receive, remuneration (including superannuation) were: | **2009 Number** | 2008 Number |
|---|---|---|
| $1 - $10 000 | **-** | 4 |
| $10 001 - $20 000 | **7** | 6 |
| $20 001 - $30 000 | **2** | - |

The total remuneration of the Directors was $186 000 ($92 000). The aggregate amount paid to a superannuation fund amounted to $14 000 ($7000).

**21. Consultants**

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $9000 ($22 000).

## 22. Disclosure of administered item for the year ended 30 June

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Income** | | |
| State Government grants | - | 1 429 |
| **Total income** | - | 1 429 |
| **Expenses** | | |
| Supplies and services - SA Government entities | - | 28 |
| Supplies and services - non-SA Government | - | 1 403 |
| **Total expenses** | - | 1 431 |
| **Operating deficit** | - | (2) |

### *22.1 Administered revenues and administered cash inflows*

The Board received funding from the SA Government for the initial Victoria Park redevelopment program, an initiative of the State Government that was cancelled in November 2007. The amounts were administered by the Board but have not been recognised as revenue. These amounts are disclosed as administered revenues and administered cash inflows.

### *22.2 Administered expenses and administered cash outflows*

The Board made payments to various suppliers in the capacity of an agent responsible for the administration of the Victoria Park redevelopment program. These transfers are disclosed as administered expenses and administered cash outflows.

# SOUTH AUSTRALIAN STATE EMERGENCY SERVICE

## FUNCTIONAL RESPONSIBILITY

### Establishment

*The Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian State Emergency Services (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.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

### 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 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 (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about the SASES's objectives refer to Note 1 of the financial statements.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

Subsection 31(1)(b) of the PFAA and subsection 120(2) of the FES Act provide for the Auditor-General to audit the accounts of the SASES 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 SASES in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

### Scope of audit

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

The audit included access to systems and information maintained by the SASES and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

During 2008-09, specific areas of audit attention included:

- revenue
- payroll
- expenditure, including purchase cards
- non-current assets, including capital works
- cash at bank

- investments
- general ledger
- follow up of 2007-08 audit findings.

The audit also covered the operations of the Fund.

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Use has been made of the work performed by internal audit, including:

- the overall assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of the emergency services sector.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian State Emergency Service as at 30 June 2009, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the South Australian State Emergency Service 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 bona fides, expenditure, credit cards and Implementation of the revised TIs 2 and 28 outlined under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission', are sufficient to provide reasonable assurance that the financial transactions of the South Australian State Emergency Service have been conducted properly and in accordance with law.

### Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer of the SASES. Responses to the management letters were generally considered to be satisfactory.

A summary of matters raised are included under 'Communication of audit matters' in the section of this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009 $'million** | 2008 $'million |
|---|---|---|
| ***EXPENSES*** | | |
| Employee benefits expenses | **3** | 3 |
| Supplies and services | **5** | 5 |
| Other expenses | **4** | 4 |
| **Total expenses** | **12** | 12 |
| ***INCOME*** | | |
| **Total income** | **1** | 1 |
| **Net cost of providing services** | **11** | 11 |
| Contributions from Community Emergency Services Fund | **12** | 12 |
| **Net result** | **1** | 1 |
| ***OTHER COMPREHENSIVE INCOME*** | **3** | 1 |
| **Total comprehensive result** | **4** | 3 |

| | **2009** $'million | 2008 $'million |
|---|---|---|
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **3** | 3 |
| ***ASSETS*** | | |
| Current assets | **2** | 2 |
| Non-current assets | **26** | 22 |
| **Total assets** | **28** | 24 |
| ***LIABILITIES*** | | |
| Current liabilities | **1** | 1 |
| Non-current liabilities | **1** | 1 |
| **Total liabilities** | **2** | 2 |
| ***EQUITY*** | **26** | 22 |

**Statement of Comprehensive Income**

The main source of funds for the SASES are the contributions from the Fund which accounts for 91 percent of revenues.

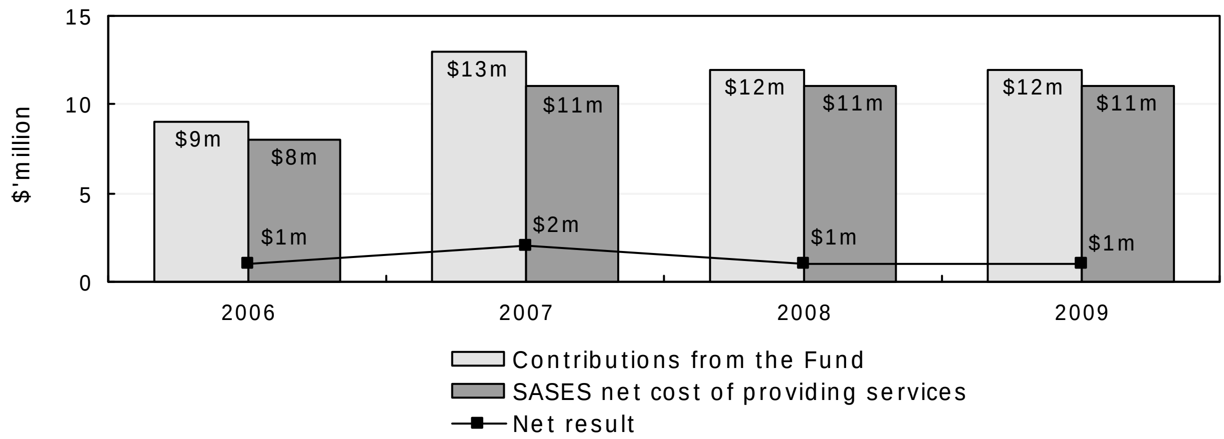
The contributions from the Fund to the SASES in 2008-09 of $12 million were similar to the level of contribution funding received in 2007-08.

**Statement of Financial Position**

The Statement of Financial Position is dominated by the non-current asset 'Property, plant and equipment' which increased by $4 million during the year to $26 million due mainly to revaluations. The fair value of the main asset classes held by the SASES were land and buildings ($16 million) and vehicles ($8 million).

**FURTHER COMMENTARY ON OPERATIONS**

The following chart shows the funding received by the SASES from the Fund and the net cost of providing services for the past four years.



## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note 2(b) | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **EXPENSES:** | | | |
| Employee benefits expenses | 5 | **3 273** | 3 064 |
| Payments for supplies and services | 6 | **5 089** | 5 229 |
| Government Radio Network expenses | 8 | **1 736** | 1 811 |
| Depreciation | 9 | **1 557** | 1 296 |
| Grants and contributions | | **84** | 74 |
| Net loss from disposal of non-current assets | 10 | **144** | - |
| **Total expenses** | | **11 883** | 11 474 |
| **INCOME:** | | | |
| Net gain from disposal of non-current assets | 10 | **-** | 62 |
| Interest revenues | | **87** | 102 |
| Commonwealth revenues | 11 | **583** | 520 |
| Resources received free of charge | | **300** | 63 |
| Other income | 12 | **208** | 223 |
| **Total income** | | **1 178** | 970 |
| **NET COST OF PROVIDING SERVICES** | | **10 705** | 10 504 |
| **REVENUES FROM SA GOVERNMENT:** | | | |
| Contributions from Community Emergency Services Fund | | **12 035** | 12 070 |
| **NET RESULT** | | **1 330** | 1 566 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Changes in property, plant and equipment asset revaluation reserve | | **2 799** | 1 466 |
| **TOTAL COMPREHENSIVE RESULT** | | **4 129** | 3 032 |

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

# Statement of Financial Position as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 13 | **1 495** | 1 823 |
| Receivables | 14 | **245** | 365 |
| Other financial assets | 2(k) | **137** | 115 |
| **Total current assets** | | **1 877** | 2 303 |
| **NON-CURRENT ASSETS:** | | | |
| Property, plant and equipment | 15 | **26 084** | 21 633 |
| **Total non-current assets** | | **26 084** | 21 633 |
| **Total assets** | | **27 961** | 23 936 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 16 | **602** | 709 |
| Employee benefits | 17 | **476** | 366 |
| Short-term provisions | 18 | **169** | 165 |
| **Total current liabilities** | | **1 247** | 1 240 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 16 | **59** | 64 |
| Employee benefits | 17 | **570** | 688 |
| Long-term provisions | 18 | **406** | 394 |
| **Total non-current liabilities** | | **1 035** | 1 146 |
| **Total liabilities** | | **2 282** | 2 386 |
| **NET ASSETS** | | **25 679** | 21 550 |
| **EQUITY:** | | | |
| Retained earnings | | **20 959** | 19 629 |
| Asset revaluation reserve | | **4 720** | 1 921 |
| **TOTAL EQUITY** | | **25 679** | 21 550 |

Total equity is attributable to the SA Government as owner

| | |
|---|---|
| Unrecognised contractual commitments | 19 |
| Contingent assets and liabilities | 20 |

## Statement of Changes in Equity
## for the year ended 30 June 2009

| | Note | Asset revaluation reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 30 June 2007 | | 455 | 18 063 | 18 518 |
| Net result for 2007-08 | | - | 1 566 | 1 566 |
| Gain on revaluation of property during 2007-08 | 15 | 812 | - | 812 |
| Gain on revaluation of vehicles during 2007-08 | 15 | 654 | - | 654 |
| Total comprehensive result for 2007-08 | | 1 466 | 1 566 | 3 032 |
| Balance at 30 June 2008 | | 1 921 | 19 629 | 21 550 |
| Net result for 2008-09 | | - | 1 330 | 1 330 |
| Gain on revaluation of property during 2008-09 | 15 | 2 089 | - | 2 089 |
| Gain on revaluation of vehicles during 2008-09 | 15 | 689 | - | 689 |
| Gain on revaluation of computer equipment during 2008-09 | 15 | 1 | - | 1 |
| Gain on revaluation of plant and equipment during 2008-09 | 15 | 20 | - | 20 |
| Total comprehensive result for 2008-09 | | 2 799 | 1 330 | 4 129 |
| **Balance at 30 June 2009** | | **4 720** | **20 959** | **25 679** |

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

# Statement of Cash Flows
## for the year ended 30 June 2009

| | Note | 2009 Inflows (Outflows) $'000 | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | 2(b) | | |
| Employee benefit payments | | **(3 281)** | (3 012) |
| Supplies and services | | **(5 884)** | (5 712) |
| Government Radio Network costs | | **(1 781)** | (1 856) |
| Grants and contributions | | **(84)** | (74) |
| **Cash used in operations** | | **(11 030)** | (10 654) |
| CASH INFLOWS: | | | |
| Receipts from Commonwealth | | **614** | 489 |
| Interest received | | **90** | 97 |
| GST recovered from the ATO | | **836** | 692 |
| Other receipts | | **202** | 463 |
| **Cash generated from operations** | | **1 742** | 1 741 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Contributions from Community Emergency Services Fund | | **12 035** | 12 070 |
| **Cash generated from SA Government** | | **12 035** | 12 070 |
| **Net cash provided by operating activities** | 21 | **2 747** | 3 157 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | **(3 107)** | (2 653) |
| Proceeds from the sale of property, plant and equipment | | **54** | 227 |
| Proceeds from maturities of investments | | **(22)** | 3 |
| **Net cash used in investing activities** | | **(3 075)** | (2 423) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(328)** | 734 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **1 823** | 1 089 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 13 | **1 495** | 1 823 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives and funding

***Objectives***

The South Australian State Emergency Service (the SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- To assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency.
- To assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004.*
- To deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency.
- To deal with any emergency until such time as any other body or person that has lawful authority to assume control of operations for dealing with the emergency has assumed control.
- To respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency.
- To undertake rescues.

***Funding arrangements***

Funding of the SES is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

Funds generated by units through fund raising activities are held locally for expenditure in the local community. These funds are recognised as part of 'other income' within the SES's financial statements.

### 2. 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 the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the SES has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SES for the reporting period ending 30 June 2009. These are outlined in Note 4.

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

The presentation of these financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the SES'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 accounting policy statements require the following Note disclosures, that have been included in this financial report:

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

  (b) expenses incurred as a result of engaging consultants

  (c) employees whose normal remuneration is $100 000 or more (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.

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

The SES'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 statement has 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 2009 and the comparative information presented for the year ended 30 June 2008.

***(c) Reporting entity***

The SES is established under the Act. Under the Act, the SES is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the SES.

***(d) Comparative information***

The presentation and classification of items in the financial statements are consistent with prior periods except were adjusted to reflect the early adoption of AASB 101 and specific revised AASs and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

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

***(e) Rounding***

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

***(f) Taxation***

The SES is not subject to income tax. The SES 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.

***(g) Events after the end of the reporting period***

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

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

***(h) Income***

Income is recognised to the extent that it is probable that the flow of economic benefits to the SES will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

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

The following are specific recognition criteria:

*Revenues from SA Government*
Contributions from the Fund are recognised as income when the SES obtains control over the funding. Control over funding is normally obtained upon receipt.

*Commonwealth revenues*
Commonwealth revenues are recognised as income when the SES obtains control of revenues or the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

*Resources received free of charge*
Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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

*Other income*
Other income consists of donations received and other minor revenues.

***(i) Expenses***

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the SES will occur and can be reliably measured.

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

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

The following are specific recognition criteria:

*Employee benefits expenses*
Employee benefits expenses 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 SES to the superannuation plan in respect of current services of current SES staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

*Depreciation of non-current assets*
All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and 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. Land is not depreciated.

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

| *Asset class:* | *Useful lives years* |
|---|---|
| Communications equipment | 5-10 |
| Vehicles | 5-20 |
| Plant and equipment | 6-10 |
| Computer equipment | 5 |
| Buildings | 30-45 |

***(j) Current and non-current classification***

Assets and liabilities are characterised as either current or non-current in nature. The SES has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

***(k) Assets***

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

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

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and 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 agencies and to the public. Receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the organisation will not be able to collect the debt. Bad debts are written off when identified.

*Other financial assets*

SES measures financial assets and debt at historic cost. Other financial assets recorded in the Statement of Financial Position are medium-term liquid maturities of between three and 12 months that are readily converted to cash and which are subject to insignificant risk of changes in value. Medium-term maturities are lodged with various financial institutions at their respective medium-term deposit rates.

*Non-current assets - acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

*Revaluation of non-current assets*

All non-current tangible assets are valued at written-down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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 reserve, 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 reserve 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 assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

***(l) Liabilities***

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

Where a liability line item combine amounts expected to be settled within twelve months and more than twelve months, the SES has separately disclosed the amounts expected to be settled after more than twelve 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 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 SES.

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 superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The SES 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.

*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*

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

*Long service leave*

The liability for long service leave is recognised after an employee has completed 8.5 (9) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the SES's experience of employee retention and leave taken.

*Provisions*

Provisions are recognised when the SES 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 SES 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 balance 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.

*Financial liabilities*
The SES measures financial liabilities at historical cost.

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

***(m) Disaggregated disclosures***
In achieving its objectives, the SES provides services within four areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'State Emergency Service'.

***(n) Unrecognised contractual commitments and contingent assets and liabilities***
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

**3. Financial risk management**
The SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The SES's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the SES in its present form, and with its present activities, is dependent on Government policy and on continuing payments from the Fund for the SES's administration and activities.

**4. Changes in accounting policies**
The SES has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

*Issued or amended but not yet effective*
Except for the amendments to AASB 101, which the SES 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 SES for the period ending 30 June 2009. The SES 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.

**5. Employee benefits expenses**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries and wages | **2 531** | 2 222 |
| Payroll tax | **132** | 124 |
| Superannuation | **305** | 274 |
| Long service leave | **-** | 91 |
| Annual leave | **243** | 190 |
| Other employee related expenses | **62** | 163 |
| **Total employee benefits expenses** | **3 273** | 3 064 |

***Remuneration of employees***

| | **2009** | 2008 |
|---|---|---|
| The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands: | **Number** | Number |
| $100 000 - $109 999 | **4** | 5 |
| $110 000 - $119 999 | **5** | 3 |
| $120 000 - $129 999 | **1** | 1 |
| $130 000 - $139 999 | **1** | - |
| $160 000 - $169 999 | **-** | 1 |
| $200 000 - $209 999 | **1** | - |
| **Total number of employees** | **12** | 10 |

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.443 million ($1.172 million).

## 6. Supplies and services

| | **2009** | 2008 |
|---|---|---|
| Supplies and services provided by entities within the SA Government: | **$'000** | $'000 |
| Accommodation | **6** | 3 |
| Communication expenses | **31** | 29 |
| Computing costs | **32** | 41 |
| Consultancy, contractor and legal fees | **129** | 36 |
| Consumables | **121** | 117 |
| Energy | **9** | 10 |
| Operating lease costs | **732** | 718 |
| Operational costs | **-** | 2 |
| Other expenses | **150** | 121 |
| Repairs and maintenance | **134** | 146 |
| Travel and training | **35** | 24 |
| **Total supplies and services - SA Government entities** | **1 379** | 1 247 |
| Supplies and services provided by entities external to the SA Government: | | |
| Accommodation | **14** | 13 |
| Communication expenses | **258** | 282 |
| Computing costs | **104** | 117 |
| Consultancy, contractor and legal fees | **320** | 505 |
| Consumables | **279** | 292 |
| Energy | **69** | 62 |
| Minor plant and equipment | **701** | 582 |
| Operating lease costs | **169** | 144 |
| Operational costs | **168** | 135 |
| Other expenses | **290** | 446 |
| Repairs and maintenance | **653** | 679 |
| Travel and training | **478** | 429 |
| Uniforms and protective clothing | **207** | 296 |
| **Total supplies and services - non-SA Government entities** | **3 710** | 3 982 |
| **Total supplies and services** | **5 089** | 5 229 |

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

***Consultancies***

| | **2009** | 2008 |
|---|---|---|
| The number and dollar amount of consultancies paid/payable that fell within the following bands were: | **Number** | Number |
| Below $10 000 | **2** | 3 |
| $10 000 - $50 000 | **1** | 1 |
| **Total number of consultants** | **3** | 4 |

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Below $10 000 | **9** | 18 |
| $10 000 - $50 000 | **14** | 13 |
| **Total amount paid / payable to consultants engaged** | **23** | 31 |

## 7. Remuneration of auditors

| | | |
|---|---|---|
| The amount due and payable for audit services provided by the Auditor-General's Department: | **20** | 20 |
| **Total Auditor-General's Department** | **20** | 20 |

The auditors provided no other service.

## 8. Government Radio Network (GRN) expenses

The SES has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Contribution towards GRN - voice | **1 540** | 1 567 |
| Contribution towards GRN - paging | **196** | 244 |
| **Total GRN expenses** | **1 736** | 1 811 |

## 9. Depreciation

| | | |
|---|---|---|
| Depreciation expenses for the reporting period were charged in respect of: | | |
| Communications equipment | **186** | 172 |
| Vehicles | **673** | 512 |
| Plant and equipment | **171** | 158 |
| Buildings | **430** | 358 |
| Computer equipment | **97** | 96 |
| **Total depreciation** | **1 557** | 1 296 |

| | | 2009 | 2008 |
|---|---|---|---|
| **10.** | **Net gain from disposal of non-current assets** | **$'000** | $'000 |
| | Proceeds from disposal of non-current assets | **54** | 227 |
| | Net book value of non-current assets disposed | **(198)** | (165) |
| | **Net gain from disposal of non-current assets** | **(144)** | 62 |

| | | | |
|---|---|---|---|
| **11.** | **Commonwealth revenues** | | |
| | Grants | **583** | 520 |
| | **Total Commonwealth revenues** | **583** | 520 |

Commonwealth grant funding relates primarily to the State Support package which must be used to develop emergency management capacity in the state.

| | | | |
|---|---|---|---|
| **12.** | **Other income** | | |
| | Fundraising by SES units | **33** | 48 |
| | Other | **175** | 175 |
| | **Total other income** | **208** | 223 |

| | | | |
|---|---|---|---|
| **13.** | **Cash and cash equivalents** | | |
| | Cash on hand | **1** | 1 |
| | Cash at bank | **754** | 1 093 |
| | Cash at bank - groups and brigades/units | **682** | 674 |
| | Short-term deposits | **2** | 2 |
| | Short-term deposits - groups and brigades | **56** | 53 |
| | **Total cash and cash equivalents** | **1 495** | 1 823 |

***Short-term deposits***

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their 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 bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

| | | 2009 | 2008 |
|---|---|---|---|
| **14.** | **Receivables** | | |
| | Current: | **$'000** | $'000 |
| | Receivables | **59** | 85 |
| | Allowance for doubtful debts | **(2)** | - |
| | GST receivables | **188** | 280 |
| | **Total current receivables** | **245** | 365 |

***Government/non-Government receivables***

| | | |
|---|---|---|
| Receivables from SA Government entities: | | |
| Receivables | **5** | 54 |
| **Total receivables from SA Government entities** | **5** | 54 |
| Receivables from non-SA Government entities: | | |
| Receivables | **52** | 31 |
| GST receivable | **188** | 280 |
| **Total receivables from non-SA Government entities** | **240** | 311 |
| **Total receivables** | **245** | 365 |

***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.

***Movements in the allowance for doubtful debts (impairment loss)***

| | | |
|---|---|---|
| Carrying amount at 1 July | **-** | - |
| Increase in the allowance | **(2)** | (30) |
| Amounts written off | **-** | 30 |
| **Carrying amount at 30 June** | **(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 recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer Note 22.
(b) Categorisation of financial instruments and risk exposure information - refer Note 22.

**15. Non-current assets**

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

| **2009** | **Cost / valuation** | **Accumulated depreciation** | **Written down value** |
|---|---|---|---|
| Land at fair value | **1 891** | **-** | **1 891** |
| Buildings at fair value | **13 645** | **-** | **13 645** |
| Vehicles at fair value | **7 742** | **-** | **7 742** |
| Communications equipment at fair value | **969** | **-** | **969** |
| Computer equipment at fair value | **149** | **-** | **149** |
| Plant and equipment at fair value | **860** | **-** | **860** |
| Work in progress | **828** | **-** | **828** |
| **Total property, plant and equipment** | **26 084** | **-** | **26 084** |

| **2008** | Cost/ valuation | Accumulated depreciation | Written down value |
|---|---|---|---|
| Land at fair value | 1 613 | - | 1 613 |
| Buildings at fair value | 9 093 | (24) | 9 069 |
| Buildings at cost | 430 | (37) | 393 |
| Vehicles at fair value | 7 392 | - | 7 392 |
| Communications equipment at fair value | 830 | - | 830 |
| Computer equipment at cost | 523 | (308) | 215 |
| Plant and equipment at cost | 1 691 | (721) | 970 |
| Work in progress | 1 151 | - | 1 151 |
| **Total property, plant and equipment** | 22 723 | (1 090) | 21 633 |

*Valuation of assets*

Independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific as at 30 June 2008. The valuer arrived at fair value on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

As at 30 June 2009, valuations for all assets have been undertaken by a suitably qualified officer of the SAFECOM. Assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

*Impairment*

There were no indications of impairment for property, plant and equipment as at 30 June 2009.

*Resources received free of charge*

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

During 2008-09 two additional properties at Tea Tree Gully and Pt Lincoln (Pt Lincoln shared with South Australian Country Fire Service) have been transitioned into the control of the Minister (valued at fair value of $300 000).

***(b) Reconciliation of non-current assets***

The following tables shows the movement of non-current assets during 2008-09 and 2007-08.

| **2009** | **Land and buildings $'000** | **Vehicles $'000** | **Communi-cations equipment $'000** | **Computer equip-ment $'000** | **Plant and equip-ment $'000** | **Work in progress $'000** | **Total $'000** |
|---|---|---|---|---|---|---|---|
| Carrying amount at 1 July | **11 075** | **7 392** | **830** | **215** | **970** | **1 151** | **21 633** |
| Additions | **-** | **17** | **-** | **-** | **10** | **3 080** | **3 107** |
| Transfer from WIP | **2 680** | **332** | **325** | **30** | **36** | **(3 403)** | **-** |
| Disposals | **(178)** | **(15)** | **-** | **-** | **(5)** | **-** | **(198)** |
| Revaluation | **2 089** | **689** | **-** | **1** | **20** | **-** | **2 799** |
| Depreciation | **(430)** | **(673)** | **(186)** | **(97)** | **(171)** | **-** | **(1 557)** |
| Transfer from various parties | **300** | **-** | **-** | **-** | **-** | **-** | **300** |
| **Carrying amount at 30 June** | **15 536** | **7 742** | **969** | **149** | **860** | **828** | **26 084** |
| **2008** | | | | | | | |
| Carrying amount at 1 July | 6 822 | 7 229 | 717 | 311 | 977 | 2 877 | 18 933 |
| Additions | 6 | - | - | - | 20 | 2 627 | 2 653 |
| Transfer from WIP | 3 831 | 85 | 306 | - | 131 | (4 353) | - |
| Disposals | (101) | (64) | - | - | - | - | (165) |
| Revaluation | 812 | 654 | - | - | - | - | 1 466 |
| Revaluation - recognised in expenses | - | - | (21) | - | - | - | (21) |
| Depreciation | (358) | (512) | (172) | (96) | (158) | - | (1 296) |
| Transfer from various parties | 63 | - | - | - | - | - | 63 |
| **Carrying amount at 30 June** | 11 075 | 7 392 | 830 | 215 | 970 | 1 151 | 21 633 |

## 16. Payables

| | 2009 | 2008 |
|---|---|---|
| Current liabilities: | **$'000** | $'000 |
| Creditors | **323** | 397 |
| Accrued expenses | **186** | 174 |
| FBT payable | **18** | 80 |
| Employment on-costs | **75** | 58 |
| **Total current payables** | **602** | 709 |
| Non-current liabilities: | | |
| Employment on-costs | **59** | 64 |
| **Total non-current payables** | **59** | 64 |
| **Total payables** | **661** | 773 |

***Government/non-Government payables***

| | 2009 | 2008 |
|---|---|---|
| Payables to SA Government entities: | | |
| Creditors | **152** | 293 |
| Accrued expenses | **107** | 100 |
| Employment on-costs | **59** | 58 |
| **Total payables - SA Government entities** | **318** | 451 |
| Payables to non-SA Government entities: | | |
| Creditors | **171** | 104 |
| Accrued expenses | **79** | 74 |
| FBT payable | **18** | 80 |
| Employment on-costs | **75** | 64 |
| **Total payables - non-SA Government entities** | **343** | 322 |
| **Total payables** | **661** | 773 |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate of 35 percent to 45 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2008 rate of 11 percent to 10.5 percent. These rates are used in the employment on-cost calculation.

The net financial effect of the changes in the current financial year is an increase in the employment on-cost of $6000 and an increase in employee benefit expense of $6000.

***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 approximates net fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables - refer Note 22.
(b) Categorisation of financial instruments and risk exposure information - refer Note 22.

*Change in accounting estimate*

A reduction of $6000 to the carrying amount of the FBT payable has been required following new information relating to FBT obligations. This change in an accounting estimate has been reflected by adjusting the carrying amount in the current period and recognising the adjustment in the Statement of Comprehensive Income.

## 17. Employee benefits

| | 2009 | 2008 |
|---|---|---|
| Current liabilities: | **$'000** | $'000 |
| Annual leave | **330** | 242 |
| Long service leave | **63** | 70 |
| | **393** | 312 |
| Accrued salaries and wages | **83** | 54 |
| **Total current employee benefits** | **476** | 366 |
| Non-current liabilities: | | |
| Long service leave | **570** | 688 |
| **Total non-current employee benefits** | **570** | 688 |
| **Total employee benefits** | **1 046** | 1 054 |

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2009 is $568 000 and $628 000 respectively ($423 000 and $752 000 respectively for 2008).

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9 years to 8.5 years.

The financial effect of the changes in the financial year to the long service leave liability and employee benefit expense was nil. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate of 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of $2000 and employee benefit expense of $2000.

**18. Provisions**

| | **2009** | 2008 |
|---|---|---|
| Current liabilities: | **$'000** | $'000 |
| Provision for workers compensation | **169** | 165 |
| **Total current provisions** | **169** | 165 |
| | | |
| Non-current liabilities: | | |
| Provision for workers compensation | **406** | 394 |
| **Total non-current provisions** | **406** | 394 |
| **Total provisions** | **575** | 559 |
| | | |
| Carrying amount at 1 July | **559** | 496 |
| Additional provisions recognised (released) | **165** | 205 |
| Payments | **(149)** | (142) |
| **Carrying amount at 30 June** | **575** | 559 |

SES has reported a liability 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 the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

**19. Unrecognised contractual commitments**

| ***Commitments for capital expenditure*** | **2009** **$'000** | 2008 $'000 |
|---|---|---|
| Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial statements, are payable as follows: | | |
| Within one year | **240** | 584 |
| **Total capital commitments** | **240** | 584 |

These capital commitments are for unit buildings and rescue vehicles.

***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 | **327** | 172 |
| Later than one year but not later than five years | **422** | 273 |
| **Total remuneration commitments** | **749** | 445 |

Amounts disclosed include commitments arising from executive contracts. The SES does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4.0 percent per annum have been assumed in the calculation of remuneration commitments.

| ***Operating lease commitments*** | **2009** | 2008 |
|---|---|---|
| Commitments under non-cancellable operating leases at the reporting date are payable as follows: | **$'000** | $'000 |
| Within one year | **723** | 809 |
| Later than one year but not later than five years | **1 167** | 1 700 |
| **Total operating lease commitments** | **1 890** | 2 509 |

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

| ***Other contractual commitments*** | **2009** | 2008 |
|---|---|---|
| Commitments under non-cancellable operating leases at the reporting date are payable as follows: | **$'000** | $'000 |
| Within one year | **40** | - |
| **Total other contractual commitments** | **40** | - |

Contractual commitments exist for the SES in relation to Training Administration System Software and arrangements for employee assistance programs.

**20. Contingent assets and liabilities**

The SES has one contingent liability in the form of unresolved litigation. This liability is likely to be finalised early in the 2009-10 financial year, however the outcome cannot be reliably determined. The financial exposure to the SES is limited to $10 000 excess under insurance arrangements.

The SES is not aware of any contingent assets.

**21. Cash flow reconciliation**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| ***Reconciliation of cash and cash equivalents*** | | |
| Cash and cash equivalents at 30 June as per: | | |
| Statement of Cash Flows | **1 495** | 1 823 |
| Statement of Financial Position | **1 495** | 1 823 |
| ***Reconciliation of net cash provided by operating activities to net cost of providing services*** | | |
| Net cash provided by operating activities | **2 747** | 3 157 |
| Contributions from Community Emergency Services Fund | **(12 035)** | (12 070) |
| *Add/(Less):* Non-cash items: | | |
| Assets received free of charge | **300** | 63 |
| Depreciation | **(1 557)** | (1 296) |
| Net loss from disposal of non-current assets | **(144)** | 62 |
| Revaluations recognised in Statement of Comprehensive Income | **-** | (21) |
| Change in assets and liabilities: | | |
| Decrease in receivables | **(120)** | (90) |
| Decrease (Increase) in payables | **112** | (194) |
| Decrease (Increase) in provision for employee benefits | **8** | (52) |
| Increase in provisions | **(16)** | (63) |
| **Net cost of providing services** | **(10 705)** | (10 504) |

**22. Financial instruments/financial risk management**

***22.1: Categorisation of financial instruments***

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

| | Note | 2009 Carrying amount $'000 | 2009 Fair value $'000 | 2008 Carrying amount $'000 | 2008 Fair value $'000 |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Cash and cash equivalents | 13 | **1 495** | **1 495** | 1 823 | 1 823 |
| Receivables(1) | 14 | **57** | **57** | 85 | 85 |
| Held to maturity investments: | 2(k) | | | | |
| Other financial assets | | **137** | **137** | 115 | 115 |
| **Financial liabilities:** | | | | | |
| Financial liabilities at cost: | 16 | | | | |
| Payables (1) | | **430** | **430** | 633 | 633 |
| **Total financial liabilities at cost** | | **430** | **430** | 633 | 633 |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In Government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The Standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost 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 SES's debtors defaulting on their contractual obligations resulting in financial loss to the SES. The SES measures credit risk on a fair value basis and monitors risk on a regular basis.

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

***22.2: Ageing analysis of financial assets***

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

| | Past due by | | | |
|---|---|---|---|---|
| **2009** | **Overdue for less than 30 days** | **Overdue for 30-60 days** | **Overdue for more than 60 days** | **Total** |
| Not impaired: | **$'000** | **$'000** | **$'000** | **$'000** |
| Receivables | **57** | **-** | **-** | **57** |
| Impaired: | | | | |
| Receivables | **-** | **-** | **2** | **2** |

***22.2: Ageing analysis of financial assets (continued)***

| | Past due by | | | |
|---|---|---|---|---|
| | **Overdue for less than 30 days** | **Overdue for 30-60 days** | **Overdue for more than 60 days** | **Total** |
| **2008** | **$'000** | **$'000** | **$'000** | **$'000** |
| Not impaired: | | | | |
| Receivables | 40 | - | 45 | 85 |

***22.3: Maturity analysis of financial assets and liabilities***

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

| | Contractual Maturities | | | |
|---|---|---|---|---|
| | **Carrying amount ($'000)** | **Less than 1 year ($'000)** | **1-5 years ($'000)** | **More than 5 years ($'000)** |
| **2009** | | | | |
| **Financial assets:** | | | | |
| Cash and cash equivalent | **1 495** | **1 495** | - | - |
| Receivables | **57** | **57** | - | - |
| Other financial assets | **137** | **137** | - | - |
| **Total financial assets** | **1 689** | **1 689** | - | - |
| **Financial liabilities:** | | | | |
| Payables | **430** | **633** | - | - |
| **Total financial liabilities** | **430** | **633** | - | - |
| **2008** | | | | |
| **Financial assets:** | | | | |
| Cash and cash equivalent | 1 823 | 1 823 | - | - |
| Receivables | 85 | 85 | - | - |
| Other financial assets | 115 | 115 | - | - |
| **Total financial assets** | 2 023 | 2 023 | - | - |
| Financial liabilities: | | | | |
| Payables | 633 | 633 | - | - |
| **Total financial liabilities** | 633 | 633 | - | - |

The financial assets and liabilities of the SES are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

***Liquidity risk***

The SES is funded principally from contributions from the Fund. The SES works with the Fund Manager of the Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The SES'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 22.1 represents the SES's maximum exposure to financial liabilities.

***Market risk***

The SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The SES's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

***Sensitivity disclosure analysis***

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

# 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 three superannuation schemes:

- South Australian Superannuation Scheme (the Scheme) under the Act comprising:
  - South Australian Superannuation Fund
  - Employer Contribution Accounts
- Southern State Superannuation Scheme (the Triple S Scheme) under the *Southern State Superannuation Act 1994* comprising:
  - Southern State Superannuation Fund
  - Southern State Superannuation (Employers) Fund
  - Super SA Allocated Pension
  - Super SA Flexible Rollover.
- South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) under Schedule 3 of the Act.

The Board's administration of these three 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.

For further details of the Board's functions refer to Note 1 of the financial statements. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer to Note 1 of 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 the Department of Treasury and Finance — State Superannuation Office (Super SA) to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia (Funds SA) 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*.

For further information on the investment and management of superannuation monies reference should be made to comments 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 statements*

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 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' and 'Southern State Superannuation Scheme' which directly follow 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 comments on the individual schemes.

## AUDIT FINDINGS AND COMMENTS

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Superannuation Board as at 30 June 2009, and 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 matters raised in relation to compliance with TIs 2 and 28, benefit payments and contributions revenue, 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 detailed in a management letter to the Presiding Member of the Board. Matters raised included the following:

***TI 28***

TI 28 requires the board to develop, implement, document and maintain a robust and transparent Financial Management Compliance Program (FMCP).

At the time of audit, Super SA had not implemented a FMCP but is developing a framework to ensure compliance.

Super SA tabled a FMCP policy at the May 2009 Audit and Finance Committee and plans to have the FMCP approved at the March 2010 Board meeting.

***TI 2***

TI 2 requires the establishment, maintenance and proper documentation of policies and procedures for key operational areas. At the time of audit, some policies and procedures mainly for contributions and benefit payments did not exist, were outdated or not reviewed by management.

***Benefit payments***

Control deficiencies existed where:

- officers can confirm benefit payments above their delegated limit

- benefit payment reports ensuring segregation of duties between processing and confirming benefits are not generated by an independent officer
- Super SA has not monitored changes in pensioners' bank details for the entire financial year.

***Contributions revenue***

Super SA could improve reconciliation controls to ensure that contributions are allocated correctly in member accounts.

Responses from management effectively addressed the matters raised.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The Board, with the approval of the Treasurer, prepared its first financial statements as at 30 June 2008 to improve the transparency and accountability of its operations. In prior years, the Board's operations were reflected in the financial statements of the three superannuation schemes which it administers.

### Highlights of the financial statements

| | **2009**<br>**$'million** | 2008<br>$'million |
|---|---|---|
| ***EXPENSES AND INCOME*** | | |
| **Total expenses** | **14.5** | 14.1 |
| **Total income** | **15.3** | 15.3 |
| **Net surplus and comprehensive result** | **0.8** | 1.2 |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **0.5** | 1.1 |
| ***ASSETS*** | | |
| Cash and cash equivalents | **3.8** | 3.3 |
| Receivables | **0.3** | 0.3 |
| **Total assets** | **4.1** | 3.6 |
| ***LIABILITIES*** | **-** | 0.2 |
| ***EQUITY*** | **4.1** | 3.4 |

### Statement of Comprehensive Income

The net surplus for the year was $800 000. This result reflects:

- revenues from fees and charges of $15.3 million. A majority of this amount is the administration fee charged to the three superannuation schemes administered by the Board
- administration expense of $14.5 million. A majority of this amount is payment to the Department of Treasury and Finance for administrative services.

## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| **INCOME:** | | | |
| Revenue from fees and charges | 4 | **15 300** | 15 332 |
| **Total income** | | **15 300** | 15 332 |
| **EXPENSES:** | | | |
| Administration expense | 5 | **14 531** | 14 134 |
| **Total expenses** | | **14 531** | 14 134 |
| **TOTAL COMPREHENSIVE RESULT** | | **769** | 1 198 |

Comprehensive result is attributable to the SA Government as owner

## Statement of Financial Position
## as at 30 June 2009

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 6 | **3 767** | 3 262 |
| Receivables | 7 | **385** | 322 |
| **Total assets** | | **4 152** | 3 584 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 8 | **15** | 216 |
| **Total liabilities** | | **15** | 216 |
| **NET ASSETS** | | **4 137** | 3 368 |
| **EQUITY:** | | | |
| Reserves | 9 | **4 137** | 3 368 |
| **TOTAL EQUITY** | | **4 137** | 3 368 |

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 2009

| | Retained earnings $'000 | Reserves $'000 | Total $'000 |
|---|---|---|---|
| Balance as at 30 June 2007 | - | 2 170 | 2 170 |
| Total comprehensive result for 2007-08 | 1 198 | - | 1 198 |
| Transferred to reserves | (1 198) | 1 198 | - |
| Balance as at 30 June 2008 | - | 3 368 | 3 368 |
| Total comprehensive result for 2008-09 | 769 | - | 769 |
| Transferred to reserves | (769) | 769 | - |
| **Balance as at 30 June 2009** | **-** | **4 137** | **4 137** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | Note | **2009 Inflows (Outflows) $'000** | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Administration expenses | | **(14 732)** | (13 918) |
| **Cash used in operations** | | **(14 732)** | (13 918) |
| CASH INFLOWS: | | | |
| Receipts from fees and charges | | **15 237** | 15 010 |
| **Cash generated from operations** | | **15 237** | 15 010 |
| **Net cash provided by operating activities** | 12 | **505** | 1 092 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **505** | 1 092 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **3 262** | 2 170 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | **3 767** | 3 262 |

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

**1. Objectives and funding of the South Australian Superannuation Board**

***(a) Objectives of the South Australian Superannuation Board***

The South Australian Superannuation 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 1994* (Triple S Scheme, Flexible Rollover Product and Allocated Pension), except for investment matters relating to the Schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer has 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 SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board The State Superannuation Office adopts the 'Super SA' name as administrator of the Board schemes. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the Service Level Agreement (SLA) to the Department of Treasury and Finance for costs incurred in the administration of the Schemes. This amount is then recouped from the various Schemes as per the Board's authority.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future administrative costs.

***(b) Format and content of financial statements***

The Board, with the approval of the Treasurer, has prepared its general purpose financial statements to improve the transparency and accountability of its operations. Prior to the 2007-2008 financial year the Board's operations were reflected in the financial statements of the following public sector superannuation schemes which it administers:

- South Australian Superannuation Scheme
- Southern State Superannuation Scheme
- South Australian Ambulance Service Superannuation Scheme.

## 2. Summary of significant accounting policies

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

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

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-08 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), 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 2009. 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 these financial statements:
  - 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. All transactions of the Board are with the SA Government, except bank fees.
  - Board member and remuneration information, where a Board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and comparative information is presented for the year ended 30 June 2008.

***(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 has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

***(d) Rounding***

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

***(e) 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 balance date***

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

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

***(g) 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.

***(g) Income and expenses (continued)***

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***
Revenue is derived from the recovery of the administration fee from the three superannuation schemes which the Board administers.

Interest comprises of the interest received on the cash held in the Deposit Account at the applicable SA Government rate and advised quarterly by the Department of Treasury and Finance.

***Expenses***
Administration expense is the payment of the administration fee to the Department of Treasury and Finance 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 for 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**
Details of the accounting policies that the Board has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are also detailed below.

The Board has early adopted the September 2007 version of AASB 101 including AASB 2007-08 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

***Issued or amended but not yet effective***
Except for the amendments to AASB 101, 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 2009. 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. Revenue**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Interest | **150** | - |
| Recovery of administration fees | **14 707** | 14 134 |
| Transfers from other schemes | **443** | 1 198 |
| **Total revenue** | **15 300** | 15 332 |

**5. Administration expense**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Administration fees | **14 238** | 13 918 |
| Other expenses(1) | **249** | 14 |
| Transfers to other schemes | **44** | 202 |
| **Total administration expenses** | **14 531** | 14 134 |

(1) Other expenses include Auditor's Remuneration. Amounts paid or payable to the Auditor-General's Department for the audit of the Board for the reporting period were $14 850 ($13 200). No other service has been provided by the Auditor-General's Department.

**6. Cash and cash equivalents**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Cash and cash equivalents | **3 767** | 3 262 |
| **Total cash** | **3 767** | 3 262 |

**7. Receivables**

| | | |
|---|---|---|
| Sundry debtors | **63** | - |
| Audit fee recovery | **15** | 14 |
| Transfers from other schemes | **307** | 308 |
| **Total receivables** | **385** | 322 |

**8. Payables**

| | | |
|---|---|---|
| Audit fees payable | **15** | 14 |
| Transfers to other schemes | **-** | 202 |
| **Total payables** | **15** | 216 |

**9. Reserves**

| Reserves: | Opening balance $'000 | Transfers to reserve $'000 | Transfers from reserve $'000 | **2009 $'000** | 2008 $'000 |
|---|---|---|---|---|---|
| Board Election Reserve (i) | | | | | |
| South Australian Superannuation Scheme | 86 | 3 | 27 | **62** | 86 |
| Southern State Superannuation Scheme | 116 | 5 | 27 | **94** | 116 |
| Office Administration Reserve (ii) | | | | | |
| South Australian Superannuation Scheme | 661 | 180 | 114 | **727*** | 661 |
| Southern State Superannuation Scheme | 454 | 250 | 65 | **639*** | 454 |
| Capital and Development Reserve (iii) | | | | | |
| South Australian Superannuation Scheme | 1 170 | 74 | - | **1 244*** | 1 170 |
| Southern State Superannuation Scheme | 584 | 477 | - | **1 061*** | 584 |
| Triple S Investment Reserve (iv) | | | | | |
| Southern State Superannuation Scheme | 297 | 13 | - | **310** | 297 |
| **Total reserves** | 3 368 | 1 002 | 233 | **4 137** | 3 368 |

* Prior year balances have been adjusted to reflect the adjustment of office budget refund not previously allocated to Capital and Development Reserve. There has been no impact of the total balance of the reserves.

The transfers to/from Reserves are outlined below:

(i) The Board Election Reserve represents amounts which have been put aside for the three yearly board election costs. These amounts represent investment earnings received during the year and expenses incurred in relation to the 2009 Board Election processes.

(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. These amounts represent investment earnings received during the year plus the refund of the under spent SLA for 2008-09.

(iii) The Capital and Development Reserve represents amounts which have been put aside for future capital replacement costs. The transfer to Reserves represents interest received and unspent funds are returned to this reserve on a yearly basis. The Southern State Superannuation Scheme also reflects net income received from the Allocated Pension and Flexible Rollover Product to offset setup costs incurred for the establishment of these new products.

(iv) The Triple S Investment Reserve – Prior to the merger of the Triple S Scheme and the State Superannuation Benefit Scheme the interest that was credited to member accounts was the average of the 10 year bond rates declared by the South Australian Government Financing Authority on the first day of each month. This differed from the amount earned by Funds SA and the balance of the investment earnings was credited to the Investment Reserve. Transfers from the Investment Reserve represent adjustments processed to member accounts to correct data integrity issues, while transfers to the Investment Reserve are due to interest income. While the level of data integrity adjustments is now minimal, the Board has endorsed the maintenance of the Reserve to cover any shortfall in legal liability cover from the South Australian Government Financing Authority, SAICORP Division. This reserve will be renamed Operational Risk Reserve - Triple S from 1 July 2009.

**10. Contingent assets and liabilities**

The Board is not aware of any contingent assets or liabilities.

**11. Remuneration of Board members**

Members that were entitled to receive remuneration for membership during the 2009 financial year were:

***South Australian Superannuation Board***

| | |
|---|---|
| Hedley Bachmann | 1 July 2008 - 30 June 2009 |
| Kevin Cantley* (John Wright - Deputy) | 1 July 2008 - 30 June 2009 |
| Virginia Deegan (Liz Hipala - Deputy) | 1 July 2008 - 30 June 2009 |
| Jan McMahon (Leah York - Deputy) | 1 July 2008 - 30 June 2009 |
| Ros Sumner (Joslene Mazel - Deputy) | 1 July 2008 - 30 June 2009 |
| Leah York** | 1 July 2008 - 30 June 2009 |

| The number of members whose remuneration received or receivable falls within the following bands: | **2009 Number** | 2008 Number |
|---|---|---|
| $0 | **1** | 2 |
| $1 - $9 999 | **1** | 1 |
| $20 000 - $29 999 | **2** | 2 |
| $30 000 - $39 999 | **1** | 1 |
| $40 000 - $49 999 | **1** | - |
| | **6** | 6 |

Remuneration of members reflects all costs of performing Board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The total remuneration of the Board members was $133 000 ($79 000).

Amounts paid to a superannuation plan for Board members was $11 000 ($6900).

Unless otherwise disclosed, transactions between members are on condition no more favourable that 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 the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for Board/Committee members 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**

| | **2009** | 2008 |
|---|---|---|
| Reconciliation of cash and cash equivalents - cash at 30 June as per: | **$'000** | $'000 |
| Cash and cash equivalents disclosed in the Statement of Financial Position | **3 767** | 3 262 |
| **Balance as per Statement of Cash Flows** | **3 767** | 3 262 |

***Reconciliation of net surplus to net cash provided by operating activities***

| | | |
|---|---|---|
| Net surplus | **769** | 1 198 |
| Movement in assets and liabilities: | | |
| Increase in receivables | **(63)** | (322) |
| (Decrease) Increase in payables | **(201)** | 216 |
| **Net cash provided by operating activities** | **505** | 1 092 |

**13. Financial instruments**

The Board holds all cash in a Deposit Account with the Department of Treasury and Finance 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***

Section 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 audit opinion on the financial report and internal controls.

During 2008-09, 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 (Funds SA) audit.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including Australian Accounting Interpretations) the net assets of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2009, and changes in net assets for the year ended 30 June 2009.

### Communication of audit matters

The audit did not identify any specific matters relating to the SA Ambulance Scheme's operations that warranted 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 Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the Notes to the financial report.

### Highlights of the financial report

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***REVENUE*** | | |
| Contribution revenue | **21.2** | 13.9 |
| Investment revenue | **(16.8)** | (12.2) |
| **Total revenue** | **4.4** | 1.7 |

| | **2009 $'million** | 2008 $'million |
|---|---|---|
| ***EXPENSES*** | | |
| Benefits expense | **5.9** | 5.3 |
| Other expenses | **0.8** | 1.1 |
| Income tax expense | **1.2** | (1.0) |
| **Total expenses** | **7.9** | 5.4 |
| **Net decrease in funds** | **(3.5)** | (3.7) |
| ***ASSETS*** | | |
| Investments | **102.6** | 112.2 |
| Other assets | **8.4** | 3.2 |
| **Total assets** | **111.0** | 115.4 |
| ***LIABILITIES*** | | |
| Current liabilities | **2.2** | 3.2 |
| **Total liabilities** | **2.2** | 3.2 |
| **Net assets available to pay benefits** | **108.8** | 112.2 |

**Statement of Changes in Net Assets**

There was a net decrease in funds of $3.5 million for 2008-09, reflecting the following matters:

- Contributions revenue increased by $7.3 million mainly due to contributions from the Department of Health for past service liabilities of $4.6 million (for the first time in 2008-09) and an increase in contributions by employers of $3.1 million. These increases were offset by decreases in rollovers from other schemes. The increase in employer contributions was mainly due to the majority of employees receiving pay rises backdated to 1 January 2007.

- Negative returns on investments of $16.8 million ($12.2 million negative return) due to the continued depressed returns from world wide investment markets in 2008-09. Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

**Statement of Net Assets**

The main item in the Statement of Net Assets is investments which decreased by $9.6 million to $102.6 million. The decrease is due mainly to the negative returns on investments.

## 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 of the financial report.

The vested benefits as at 30 June 2009 were $112 million as disclosed in Note 9 of the financial report. Vested benefits represent benefits which 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:

| | **2009** | 2008 |
|---|---|---|
| Non-contributory members | **47** | 52 |
| Contributory members | **1 038** | 1 104 |
| Contributions from members received ($'000) | **1 703** | 1 306 |

## Statement of Changes in Net Assets for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY** | | **112 230** | 115 895 |
| **REVENUE:** | | | |
| Investment revenue | | **(16 820)** | (12 223) |
| Other revenue | | **34** | 44 |
| Contribution revenue: | | | |
| Contributions by employers | 3 | **14 253** | 11 155 |
| Contributions for past service liability | 1(d) | **4 560** | - |
| Contributions by members | | **1 703** | 1 306 |
| Rollovers from other schemes | | **589** | 1 387 |
| Spouse contributions | | **13** | 13 |
| Government co-contributions | | **67** | 71 |
| **Total contribution revenue** | | **21 185** | 13 932 |
| **Total revenue** | | **4 399** | 1 753 |
| **EXPENSES:** | | | |
| Direct investment expense | 6 | **492** | 526 |
| Administration expense | 4 | **292** | 580 |
| Benefits expense | 7 | **5 919** | 5 329 |
| **Total expenses** | | **6 703** | 6 435 |
| **INCOME TAX EXPENSE** | 12(a),(b) | **1 198** | (1 017) |
| **NET DECREASE IN FUNDS** | | **(3 502)** | (3 665) |
| **NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE** | | **108 728** | 112 230 |

# Statement of Net Assets
# as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **INVESTMENTS:** | | | |
| Inflation linked securities | | **15 595** | 14 128 |
| Property B | | **2 795** | 9 368 |
| Australian equities B | | **29 798** | 37 609 |
| International equities B | | **18 277** | 24 437 |
| Fixed interest | | **6 885** | 16 387 |
| Diversified strategies growth B | | **5 447** | 2 591 |
| Diversified strategies income | | **12 033** | 6 459 |
| Cash | | **11 794** | 1 237 |
| **Total investments** | | **102 624** | 112 216 |
| **OTHER ASSETS:** | | | |
| Cash and cash equivalents | | **4 871** | 966 |
| Deferred tax assets | 12(e) | **3 458** | 2 262 |
| Other assets | | **25** | 29 |
| **Total other assets** | | **8 354** | 3 257 |
| **Total assets** | | **110 978** | 115 473 |
| **CURRENT LIABILITIES:** | | | |
| Benefits payable | | **2** | 232 |
| Pre-paid contributions | | **-** | 455 |
| Other liabilities | | **54** | 97 |
| Current tax liabilities | 12(c) | **2 193** | 2 458 |
| **Total current liabilities** | | **2 249** | 3 242 |
| **NON-CURRENT LIABILITIES:** | | | |
| Deferred tax liabilities | 12(d) | **1** | 1 |
| **Total liabilities** | | **2 250** | 3 243 |
| **NET ASSETS AVAILABLE TO PAY BENEFITS** | | **108 728** | 112 230 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives and funding

***(a) South Australian Ambulance Service Superannuation Scheme***

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (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 only entitled to non defined 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). This was closed to further new members with effect from 1 July 2008.

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

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (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 2009, contributory members contributed 5 percent of salary from post-tax salary or 5.9 percent of salary from 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 11.6 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 the Treasurer determined that the Department of Health will 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. The amount is reported in the Statement of Changes in Net Assets as contributions for past service liability.

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 a specific additional contribution paid by the employer. The 11.6 percent employer contribution for the defined benefit scheme members comprises: 1 percent represents administration expenses, 1 percent represents insurance premiums for Death and Total and Permanent Disablement cover, and 1.2 percent represents premiums for Income Protection cover and 8.4 percent for the defined benefit employer contribution. The components, which comprise contributions by employers, are provided in Note 3.

**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 AASs 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 and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

***(b) Basis of valuations of assets and liabilities***

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

*(i) Inflation linked securities*

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 sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

*(ii)* *Property B (continued)*

- Unlisted property vehicles
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

*(iii)* *Australian equities 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 (UUT's) 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 comprises investments in domestic and overseas private equity funds and domestic and overseas 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 domestic and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). 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 domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

*(viii)* *Cash*

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

### *(c) 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 statements 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 2009, 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.

***(e) Revenue***

Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis when 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**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Employer contributions | **12 136** | 9 374 |
| Group life premiums | **1 455** | 1 224 |
| Administration expense | **662** | 557 |
| | **14 253** | 11 155 |

**4. Administration expenses**

| | **2009** | 2008 |
|---|---|---|
| Administration fees | **267** | 261 |
| Other expenses | **25** | 19 |
| Transfer to the Board | **-** | 300 |
| | **292** | 580 |

**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 $21 450 ($20 900). No other services were provided by the Auditor-General's Department.

**6. Direct investment expense**

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

**7. Benefits expense**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Retirement | **2 564** | 2 884 |
| Resignation | **1 270** | 959 |
| Transfers to other schemes | **1 357** | - |
| Total and permanent disablement | **633** | 1 160 |
| Death | **-** | 290 |
| Disability income protection | **-** | 6 |
| Temporary disablement | **95** | 30 |
| | **5 919** | 5 329 |

**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 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).

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Vested benefits | **112 333** | 111 948 |

**10. Guaranteed benefits**

No guarantees have been made in respect of any part of the liability for accrued benefits.

**11. Insurance reserve**

| | | |
|---|---|---|
| Opening balance of reserve | **1 178** | 958 |
| Employer fees | **1 455** | 1 224 |
| Premium deduction | **(208)** | (153) |
| Investment revenue | **(227)** | (104) |
| Benefits payments: | | |
| Total and permanent disablement | **(274)** | (435) |
| Death | **-** | (283) |
| Temporary disablement | **(95)** | (29) |
| **Closing balance of reserve** | **1 829** | 1 178 |

**12. Taxation**

***(a) Major components of tax expense***

| | | |
|---|---|---|
| Current income tax: | | |
| Current tax charge | **3 164** | 2 458 |
| Adjustment to current tax for prior periods | **38** | (446) |
| Deferred income tax: | | |
| Relating to the originating and reversal of temporary differences | **(2 004)** | (3 029) |
| **Income tax expense (benefit)** | **1 198** | (1 017) |

***(b) Income tax expense***

| | | |
|---|---|---|
| Changes in net assets before tax | **(2 301)** | (4 608) |
| Tax applicable at the rate of 15 percent | **(345)** | (691) |
| Tax effect of income that is not assessable in determining taxable income: | | |
| Investment income | **1 033** | 198 |
| Member contributions | **(268)** | (209) |
| Transfers in | **(88)** | (171) |
| Insurance proceeds | **(24)** | (24) |
| Tax effect of expenses that are not deductible in determining taxable income: | | |
| Benefits expense | **911** | 857 |
| Tax effect of other adjustments: | | |
| Imputation and foreign tax credits | **(59)** | (403) |
| Self-insurance deduction | **-** | (128) |
| Over provision prior period | **38** | (446) |
| **Income tax expense (benefit)** | **1 198** | (1 017) |

| ***(c) Current tax liabilities*** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Balance at 1 July | **2 458** | 2 669 |
| Income tax paid - prior periods | **(1 688)** | (2 223) |
| Income tax paid - current period | **(971)** | - |
| Current years income tax provision | **3 164** | 2 458 |
| Over provision - prior period | **(770)** | (446) |
| **Total current tax liabilities** | **2 193** | 2 458 |

***(d) Deferred tax liabilities***

The amount of deferred tax liabilities 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 | **3** | 3 |
| Realised capital losses carried forward (discounted) | **1 474** | 2 197 |
| Unrealised capital losses carried forward (discounted) | **1981** | - |
| Prepaid employer contributions | **-** | 62 |
| **Total deferred tax assets** | **3 458** | 2 262 |

## 13. Related parties

The Board acts as Trustee for the Scheme. For details of Board membership and remuneration refer to the Board's financial statements.

## 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.

*(i)* *Currency risk (continued)*

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

- Foreign currency exposures in the diversified strategies growth, diversified strategies income, property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 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** |
|---|---|---|---|
| **2009** | | | |
| Balanced | Nominal standard deviation | 9.60 | **9 852** |
| **Total** | | | **9 852** |
| **2008** | | | |
| Balanced | Nominal standard deviation | 10.00 | 11 222 |
| **Total** | | | 11 222 |

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 counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

***(c) Liquidity risk***

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

| **2009** | **Less than three months $'000** | **Three months to one year $'000** | **Total contractual cash flows $'000** | **Carrying amount (assets) liabilities $'000** |
|---|---|---|---|---|
| Benefits payable | **2** | **-** | **2** | **2** |
| Sundry creditors | **54** | **-** | **54** | **54** |
| Current tax liabilities | **2 193** | **-** | **2 193** | **2 193** |
| Vested benefits (i) | **112 333** | **-** | **112 333** | **112 333** |
| **Total** | **114 582** | **-** | **114 582** | **114 582** |
| **2008** | | | | |
| Benefits payable | 232 | - | 232 | 232 |
| Sundry creditors | 22 | - | 22 | 22 |
| Current tax liabilities | 2 458 | - | 2 458 | 2 458 |
| Vested benefits (i) | 111 948 | - | 111 948 | 111 948 |
| **Total** | 114 660 | - | 114 660 | 114 660 |

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

***(d) Fair value estimation***

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

***(e) Derivative financial instruments***

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

# 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 audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2008-09, 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 presents fairly, in all material respects, the financial position of the South Australian Superannuation Scheme as at 30 June 2009, and 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 specific matters relating to the Scheme's operations that warranted formal communication to the Board.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the financial report

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***REVENUE*** | | |
| Investment revenue | **(811)** | (574) |
| Contribution revenue | **411** | 384 |
| Other revenue | **30** | 33 |
| **Total revenue** | **(370)** | (157) |
| ***EXPENSES*** | | |
| Benefits expense | **671** | 1 025 |
| Direct investment expense | **19** | 31 |
| Other expenses | **15** | 15 |
| **Total expenses** | **705** | 1 071 |
| **Transfer to Consolidated Account** | **92** | 30 |
| **Operating result** | **(1 167)** | (1 258) |

| | **2009 $'million** | 2008 $'million |
|---|---|---|
| ***NET CASH USED IN OPERATING ACTIVITIES*** | **(228)** | (224) |
| ***ASSETS*** | | |
| Investments | **3 596** | 4 672 |
| Other assets | **36** | 20 |
| **Total assets** | **3 632** | 4 692 |
| ***LIABILITIES*** | | |
| Liability for accrued benefits | **9 953** | 9 853 |
| Current liabilities | **25** | 18 |
| **Total liabilities** | **9 978** | 9 871 |
| ***EXCESS OF LIABILITIES OVER NET ASSETS*** | **(6 346)** | (5 179) |

**Operating Statement**

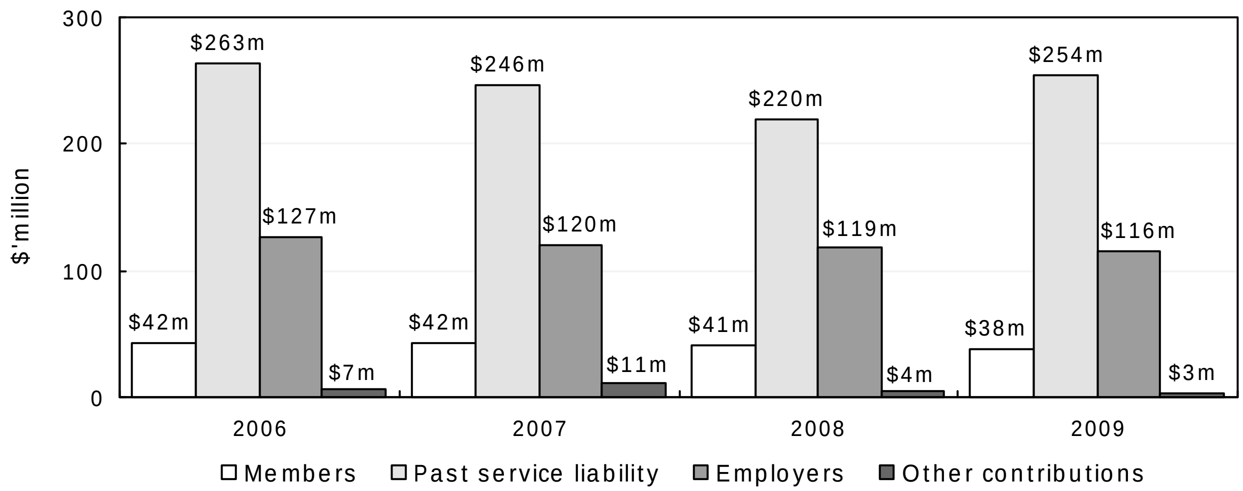
***Revenues***

Investment activity for the year resulted in a negative return of $811 million ($574 million negative return). The negative returns are a direct result of the world wide depressed investment markets. Investment returns are discussed in the commentary for Funds SA.

Contribution revenue increased by $27 million to $411 million, due mainly to an increase of $33 million in contributions for past service liability.

During the year the Government transferred $253 million ($201 million) into the 'South Australian Superannuation Scheme Contribution Account' (the Employer Account) for past service liability funding. Of this amount, $92 million ($30 million) was transferred back to the Consolidated Account by 30 June 2009.

A structural analysis of contribution revenues of the Scheme for the four years to 2009 is presented in the following chart.

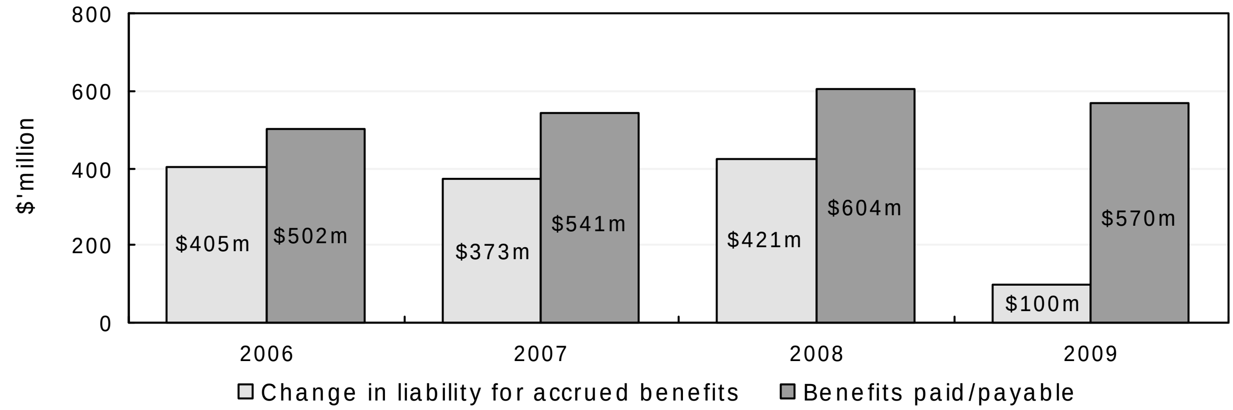



The chart shows that over the last four years employer and member contributions have remained relatively constant. This is expected as the New and Old Schemes are closed schemes with no new contributors. Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

***Expenses***

The Scheme's dominant expenditure item is benefits expense which decreased by $355 million to $670 million for the year.

For the four years to 2009 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.

As mentioned previously, in 2008-09 the Treasurer approved a transfer of $92 million ($30 million) to the Consolidated Account. The Treasurer also approved transfers from the Consolidated Account of $45 million to the Parliamentary Superannuation Scheme, $46 million to the Judges' Pensions Scheme and $1 million to the Governors' Pensions Scheme.

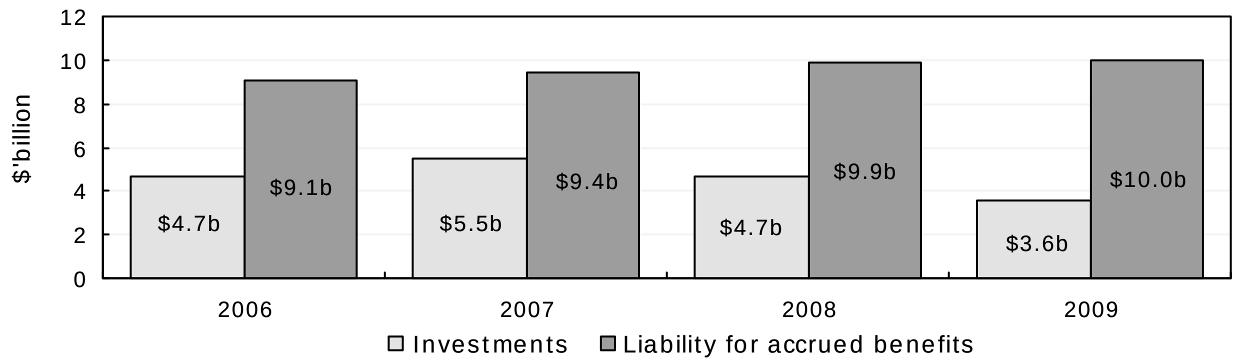
**Statement of Financial Position**

The estimated liability for accrued benefits increased by $100 million to $10 billion for which net assets of $3.6 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $6.3 billion. Of the $10 billion liability, $8.4 billion (84 percent) represents the Old Scheme (Pension) liability and $1.6 billion (16 percent) is the New Scheme (Lump Sum) liability. The demographic assumptions of the 2007 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

CPI decreased from 3 percent to 2.5 percent from the 2007-08 liability calculation for financial reporting. This changed the discount rate applied from 7.5 percent to 7 percent and long-term salary inflation from 4.5 percent to 4 percent.

The liability for the Old Scheme increased by $190 million due mainly to an additional year of service accrued at reporting date. This was offset by a decrease in the liability for the New Scheme of $90 million due mainly to negative investment returns.

For the four years to 2009 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



Prior to 2008 there has been a steady growth in investments as a result of: the decision by the Government to move to full funding of the public sector superannuation liability; increase in contributions; and accumulation of strong investment earnings. The decrease in investments since 2008 reflects the negative returns on investments from depressed financial markets.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2009.

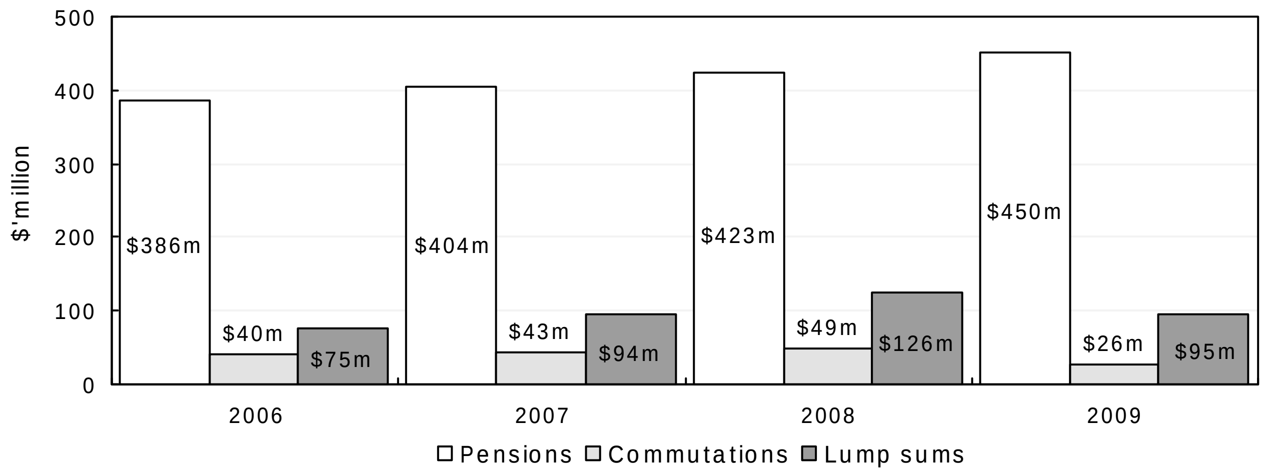
| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million |
| **Net cash flows** | | | | |
| Operating | **(228.2)** | (224.3) | (105.4) | 450.9 |
| Investing | **245.4** | 231.8 | 108.9 | (450.8) |
| Change in cash | **17.2** | 7.5 | 3.5 | 0.1 |
| Cash at 30 June | **30.8** | 13.6 | 6.1 | 2.6 |

The operating cash outflow increased in 2008-09 due mainly to a $33 million increase in contributions for past service liability and a $27 million decrease in benefits paid offset by an increase of $62 million in transfers to Consolidated Account.

***Benefits paid***

In 2008-09 total benefits paid amounted to $571 million ($598 million), which included $450 million ($423 million) paid as pensions. Details of benefits paid/payable are disclosed in Note 7 of the financial report.

The following chart analyses benefits paid for the four years to 2009.




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 SA Superannuation 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 report 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:

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Pensioners | **15 115** | 15 283 | 14 940 | 14 842 |
| Pensions paid ($'million) | **450** | 423 | 404 | 386 |

**Contributions by members**

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

| | **2009** | | | | |
|---|---|---|---|---|---|
| | **Old Scheme** | **New Scheme** | **Total** | 2008 Total | 2007 Total |
| Contributors (excludes preserved members) | **3 269** | **5 826** | **9 095** | 9 780 | 10 686 |
| Contributions revenue ($'000) | **13 140** | **25 040** | **38 180** | 40 684 | 42 095 |

# Operating Statement
# for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|---|---|---|
| **REVENUE:** | Note | **$'000** | $'000 |
| Investment revenue | | **(811 026)** | (574 214) |
| Other revenue | 17 | **29 959** | 33 328 |
| Contribution revenue: | | | |
| Contribution for past service liability | | **254 000** | 220 512 |
| Contributions by employers | | **115 797** | 118 868 |
| Contributions by members | | **38 180** | 40 684 |
| Rollovers from other schemes | | **1 340** | 2 664 |
| Government co-contributions | 18 | **1 424** | 1 719 |
| **Total contribution revenue** | | **410 741** | 384 447 |
| **Total revenue** | | **(370 326)** | (156 439) |
| | | | |
| **EXPENSES:** | | | |
| Direct investment expenses | 4 | **19 436** | 31 495 |
| Co-contributions transferred to other scheme | 18 | **1 424** | 1 719 |
| Higher education superannuation costs | 20 | **8 762** | 8 077 |
| Administration expenses | 5 | **5 077** | 5 099 |
| Benefits expense | 8 | **670 226** | 1 024 983 |
| **Total expenses** | | **704 925** | 1 071 373 |
| **TRANSFER TO CONSOLIDATED ACCOUNT** | 21 | **91 500** | 30 000 |
| **OPERATING RESULT FOR THE PERIOD** | | **(1 166 751)** | (1 257 812) |

## Statement of Financial Position
## as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **INVESTMENTS:** | | | |
| Inflation linked securities | | **300 688** | 414 468 |
| Property A | | **253 037** | 477 976 |
| Australian equities A | | **1 033 873** | 1 460 201 |
| International equities A | | **864 372** | 1 462 220 |
| Fixed interest | | **88 888** | 264 568 |
| Diversified strategies growth A | | **213 987** | 221 609 |
| Diversified strategies income | | **454 897** | 312 092 |
| Cash | | **286 564** | 58 458 |
| Internal inflation linked securities | | **98 416** | - |
| Socially responsible | | **1 007** | - |
| | 10 | **3 595 729** | 4 671 592 |
| **OTHER ASSETS:** | | | |
| Cash and cash equivalents | 12 | **30 848** | 13 681 |
| Contributions receivable | 3 | **435** | 3 401 |
| Other income receivable | 16 | **5 095** | 2 951 |
| Sundry debtors | | **111** | 117 |
| | | **36 489** | 20 150 |
| **Total assets** | | **3 632 218** | 4 691 742 |
| **CURRENT LIABILITIES:** | | | |
| Benefits payable | 19 | **15 668** | 17 317 |
| Sundry creditors | 13 | **8 868** | 460 |
| PAYG withholding tax | 14 | **43** | 61 |
| **Total liabilities** | | **24 579** | 17 838 |
| **NET ASSETS AVAILABLE TO PAY BENEFITS** | 6 | **3 607 639** | 4 673 904 |
| **LIABILITY FOR ACCRUED BENEFITS** | 8 | **9 953 361** | 9 852 875 |
| **EXCESS OF LIABILITIES OVER NET ASSETS** | | **(6 345 722)** | (5 178 971) |

# Statement of Cash Flows
# for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|---|---|---|
| | | **Inflows** | Inflows |
| | | **(Outflows)** | (Outflows) |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | Note | **$'000** | $'000 |
| Contributions received: | | | |
| Contributions for past service liability | | **254 080** | 220 696 |
| Contributions by employers | | **118 188** | 118 295 |
| Contributions by members | | **38 677** | 40 554 |
| Rollovers from other schemes | | **1 340** | 2 643 |
| Government co-contributions | | **1 424** | 1 719 |
| | | **413 709** | 383 907 |
| Other income: | | | |
| Reimbursement from other sources: | | | |
| Public authorities | | **27 357** | 33 951 |
| Temporary disability reimbursements | | **96** | 93 |
| Other | | **368** | 929 |
| | | **27 821** | 34 973 |
| GST recoup received | | **-** | 428 |
| Benefits paid: | | | |
| Pensions | | **(450 465)** | (422 807) |
| Commutation of pension benefits | | **(25 611)** | (49 722) |
| Lump sums | | **(95 313)** | (125 776) |
| PAYG withholding tax | | **(17)** | (72) |
| | | **(571 406)** | (598 377) |
| Administration expense | | **(5 433)** | (5 401) |
| Co-contributions transferred to other scheme | | **(1 424)** | (1 719) |
| Higher education superannuation costs | | **-** | (8 077) |
| Transferred to Consolidated Account | | **(91 500)** | (30 000) |
| **Net cash used in operating activities** | 11 | **(228 233)** | (224 266) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Receipts from Funds SA | | **530 050** | 475 900 |
| Payments to Funds SA | | **(284 650)** | (244 101) |
| **Net cash provided by investing activities** | | **245 400** | 231 799 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS HELD** | | **17 167** | 7 533 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **13 681** | 6 148 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 12 | **30 848** | 13 681 |

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

**1. Objectives and funding**

***(a) South Australian Superannuation Scheme***

The South Australian Superannuation 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 Government of South Australia 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 (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 Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted the Department of Treasury and Finance to provide the administrative services. A portion of the administrative costs are recovered from the Scheme. The Board's financial statements provide the total administration cost paid to the Department of Treasury and Finance.

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) Superannuation Funds Management Corporation of South Australia***

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). 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 section 47C and 47D of the Act. During the year ended 30 June 2009 payments of $91.5 million ($30 million) were made to the Consolidated Account.

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 arrangement 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 $86.3 million ($89.1 million) was received or receivable from State Government departments.

*(i) State Government Departments (continued)*
Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2009 the Government transferred a total of $253.2 million ($201 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, based on actuarial assessment, to the Treasurer. 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 $350 000 ($337 000) have also been received from SA Water, $225 000 ($216 000) from WorkCover and $225 000 ($216 000) from Forestry SA 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, $28 million ($29.1 million) relates to amounts received or receivable from SA Government entities and $500 000 ($600 000) 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 these statements 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 and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

### *(b) Basis of valuations of assets and liabilities*

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which is provided by Funds SA.

*(i) Inflation linked securities*
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) *Internal inflation linked securities*
Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.

(iii) *Property A*
The property A portfolio comprises two subsectors:

- *Listed property trusts*
These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iv) *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.

(v) *International equities A*
The International equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vi) *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.

(vii) *Diversified strategies growth A*
The diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic and overseas 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 domestic and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). 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) *Diversified strategies income*
The Diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

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

(x) *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 2009, 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. This is a change from previous years where contributions were recorded on an accrual basis. The change affects the account balances contributions by employers, contributions by members and contributions receivable.

This results in the financial reporting providing reliable and relevant information as contributions receivable cannot be reliably estimated at 30 June.

The financial report has not been retrospectively adjusted as per AASB 108, as it is not practicable and does not materially affect the net assets available to pay benefits as reported in the Statement of Financial Position.

***(f) Receivables and payables***

Contributions receivable are contributions relating to the 2008-09 financial year received by the Scheme after 30 June 2009.

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 2009 but who had not been paid until after 30 June 2009.

***(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**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Contributions by members | **-** | 696 |
| Contributions by employers | **435** | 2 705 |
| | **435** | 3 401 |

**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 proportionate investment.

**5. Administration expenses**

| | **Old Scheme Division** | **New Scheme Division** | Total | |
|---|---|---|---|---|
| | | | **2009** | 2008 |
| | **$'000** | **$'000** | **$'000** | $'000 |
| Administration expenses(i) | **2 732** | **2 213** | **4 945** | 4 916 |
| Bank fees | **38** | **-** | **38** | 38 |
| Other expenses (2) | **50** | **40** | **90** | 126 |
| Consultancy expenses | **4** | **-** | **4** | 19 |
| **Total administration expenses** | **2 824** | **2 253** | **5 077** | 5 099 |

(i) *Administration expense*

Administration expense comprises the costs incurred by the Department of Treasury and Finance 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 expense*

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 $93 000 ($96 250). 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) SA Superannuation Fund Account (employee component)***

| | **2009 Old Scheme Division $'000** | **2009 New Scheme Division $'000** | **Total 2009 $'000** | Total 2008 $'000 |
|---|---|---|---|---|
| Funds held at 1 July | **1 483 684** | **615 775** | **2 099 459** | 2 453 333 |
| Contributions | **13 140** | **25 040** | **38 180** | 40 684 |
| Rollovers from other schemes | **278** | **1 062** | **1 340** | 2 664 |
| Investment revenue | **(250 988)** | **(100 132)** | **(351 120)** | (251 243) |
| Government co-contributions | **282** | **1 142** | **1 424** | 1 719 |
| Other income | **59** | **48** | **107** | 143 |
| | **(237 229)** | **(72 840)** | **(310 069)** | (206 033) |
| Benefits paid | **(97 187)** | **(30 081)** | **(127 268)** | (130 824) |
| Direct Investment expense | **(6 031)** | **(2 473)** | **(8 504)** | (13 788) |
| Co-contributions transferred to other schemes | **(282)** | **(1 142)** | **(1 424)** | (1 719) |
| Administration expenses | **(871)** | **(678)** | **(1 549)** | (1 510) |
| | **(104 371)** | **(34 374)** | **(138 745)** | (147 841) |
| **Funds held at 30 June** | **1 142 084** | **508 561** | **1 650 645** | 2 099 459 |

***(b) SA Superannuation Scheme Contribution Account (employer component)***

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Funds held at 1 July | **2 574 445** | 3 057 409 |
| Employer contributions: | | |
| State Government departments | **87 269** | 89 130 |
| Statutory authorities | **28 528** | 29 738 |
| Contribution for past service liability | **254 000** | 220 512 |
| | **369 797** | 339 380 |
| Investment revenue | **(459 906)** | (322 971) |
| Other income - public authorities | **29 532** | 32 748 |
| Other income - interest received | **255** | 331 |
| Other income - temporary disability | **65** | 106 |
| | **(60 257)** | 49 594 |
| Benefits paid: | | |
| Old Scheme contributors | **(383 635)** | (396 914) |
| New Scheme contributors | **(58 837)** | (76 271) |
| Direct investment expense | **(10 932)** | (17 707) |
| Higher education superannuation costs | **(8 762)** | (8 077) |
| Administration expenses | **(3 528)** | (3 589) |
| Transfer to consolidated account | **(91 500)** | (30 000) |
| | **(557 194)** | (532 558) |
| **Funds held at 30 June** | **1 956 994** | 2 574 445 |
| **Total net assets available to pay benefits** | **3 607 639** | 4 673 904 |

## 7. Benefits paid / payable

| | **2009 Old Scheme Division $'000** | **2009 New Scheme Division $'000** | **2009 Total $'000** | 2008 Old Scheme Division $'000 | 2008 New Scheme Division $'000 | 2008 Total $'000 |
|---|---|---|---|---|---|---|
| **Pensions:** | | | | | | |
| Funded from: | | | | | | |
| SA Superannuation Fund | **90 899** | **126** | **91 025** | 73 259 | 88 | 73 347 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer Contribution Accounts | **20 870** | **2** | **20 872** | 41 216 | 399 | 41 615 |
| Public authorities | **27 833** | **17** | **27 850** | 27 605 | - | 27 605 |
| SA Government Employer Account | **312 023** | **877** | **312 900** | 282 778 | 273 | 283 051 |
| **Gross Scheme Costs** | **451 625** | **1 022** | **452 647** | 424 858 | 760 | 425 618 |

## 7. Benefits paid / payable (continued)

| | 2009 Old Scheme Division $'000 | 2009 New Scheme Division $'000 | 2009 Total $'000 | 2008 Old Scheme Division $'000 | 2008 New Scheme Division $'000 | 2008 Total $'000 |
|---|---|---|---|---|---|---|
| **Commutations:** | | | | | | |
| Funded from: | | | | | | |
| SA Superannuation Fund | **4 943** | **-** | **4 943** | 8 724 | - | 8 724 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer Contribution Accounts | **2 479** | **-** | **2 479** | 7 172 | - | 7 172 |
| Public authorities | **833** | **-** | **833** | 3 374 | - | 3 374 |
| SA Government employer account | **15 975** | **-** | **15 975** | 31 252 | - | 31 252 |
| **Gross scheme costs** | **24 230** | **-** | **24 230** | 50 522 | - | 50 522 |
| **Lump sums:** | | | | | | |
| Funded from: | | | | | | |
| SA Superannuation Fund | **1 343** | **29 955** | **31 298** | 1 081 | 47 444 | 48 525 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer Contribution Accounts | **844** | **17 831** | **18 675** | 691 | 27 861 | 28 552 |
| Public authorities | **90** | **868** | **958** | 301 | 1 592 | 1 893 |
| SA Government Employer Account | **652** | **39 242** | **41 894** | 2 462 | 45 595 | 48 057 |
| **Gross scheme costs** | **4 929** | **87 896** | **92 825** | 4 535 | 122 492 | 127 027 |
| **Retrenchments:** | | | | | | |
| Funded from: | | | | | | |
| SA Superannuation Fund | **2** | **-** | **2** | 3 | 225 | 228 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer Contribution Accounts | **-** | **-** | **-** | - | 551 | 551 |
| Public authorities | **36** | **-** | **36** | 63 | - | 63 |
| **Gross scheme costs** | **38** | **-** | **38** | 66 | 776 | 842 |
| **Total benefits paid / payable** | **480 822** | **88 918** | **569 740** | 479 981 | 124 028 | 604 009 |

## 8. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by the State Superannuation Office of the Department of Treasury and Finance 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 2009 based on membership data as at 30 June 2008.

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 2009.

The expected future benefit payments have been determined using the 2007 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.

| | 2009 Old Scheme Division $'000 | 2009 New Scheme Division $'000 | 2009 Total $'000 | 2008 Old Scheme Division $'000 | 2008 New Scheme Division $'000 | 2008 Total $'000 |
|---|---|---|---|---|---|---|
| Changes in the liability for accrued benefits: | | | | | | |
| Liability for accrued benefits at 1 July | **8 176 900** | **1 675 975** | **9 852 875** | 7 737 500 | 1 694 401 | 9 431 901 |
| Benefits expense(i) | **671 122** | **(896)** | **670 226** | 919 381 | 105 602 | 1 024 983 |
| Benefits paid(ii) | **480 822** | **88 918** | **569 740** | 479 981 | 124 028 | 604 009 |
| **Liability for accrued benefits at 30 June** | **8 367 200** | **1 586 161** | **9 953 361** | 8 176 900 | 1 675 975 | 9 852 875 |
| Represented by: | | | | | | |
| SA Superannuation Fund | **1 711 300** | **508 561** | **2 219 861** | 1 672 700 | 615 755 | 2 288 475 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer contribution accounts | **1 106 000** | **334 300** | **1 440 300** | 1 077 900 | 343 900 | 1 421 800 |
| SA Government employer account | **5 242 600** | **728 600** | **5 971 200** | 5 120 700 | 701 800 | 5 822 500 |
| Public authorities | **307 300** | **14 700** | **322 000** | 305 600 | 14 500 | 320 100 |
| **Total** | **8 367 200** | **1 586 161** | **9 953 361** | 8 176 900 | 1 675 975 | 9 852 875 |

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer to Note 7.

Although the total liability for accrued benefits shown above is $10 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.

**8. Liability for accrued benefits (continued)**

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 2007 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 30 November 2007, to the Minister was tabled in Parliament on 4 March 2008. 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.

When contributors resign they have two options in the Old Scheme Division (Pension Scheme) and three options 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 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 2009 based on membership data as at 30 June 2008.

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Old Scheme Division $'000** | **New Scheme Division $'000** | **Total $'000** | Old Scheme Division $'000 | New Scheme Division $'000 | Total $'000 |
| SA Superannuation Fund | **1 646 500** | **508 561** | **2 155 061** | 1 604 300 | 615 775 | 2 220 075 |
| SA Superannuation Scheme Contribution Account: | | | | | | |
| Employer Contribution Accounts | **1 054 100** | **362 900** | **1 417 000** | 1 022 200 | 396 000 | 1 418 200 |
| SA Government Employer Account | **5 046 700** | **842 300** | **5 889 000** | 4 916 100 | 866 600 | 5 782 700 |
| Public authorities | **304 300** | **15 500** | **319 800** | 302 000 | 15 800 | 317 800 |
| **Total** | **8 051 600** | **1 729 261** | **9 780 861** | 7 844 600 | 1 894 175 | 9 738 775 |

**10. Summary of investment holdings**

The interests of the Fund and the Account in the unitised investment portfolio of Funds SA are as follows:

| | **2009** | | | Total | |
|---|---|---|---|---|---|
| | **Fund - Old Scheme Division $'000** | **Fund - New Scheme Division $'000** | **Scheme Contribution Accounts $'000** | **2009 $'000** | 2008 $'000 |
| Inflation linked securities | **95 814** | **40 604** | **164 270** | **300 688** | 414 468 |
| Property A | **81 039** | **33 059** | **138 939** | **253 037** | 477 976 |
| Australian equities A | **330 579** | **136 522** | **566 772** | **1 033 873** | 1 460 201 |
| International equities A | **276 410** | **114 063** | **473 899** | **864 372** | 1 462 220 |
| Fixed interest | **27 534** | **14 147** | **47 207** | **88 888** | 264 568 |
| Diversified strategies growth A | **68 504** | **28 033** | **117 450** | **213 987** | 221 609 |
| Diversified strategies income | **145 231** | **60 669** | **248 997** | **454 897** | 312 092 |
| Cash | **81 336** | **65 779** | **139 449** | **286 564** | 58 458 |
| Internal Inflation Linked Securities | **31 404** | **13 170** | **53 842** | **98 416** | - |
| Socially responsible | **-** | **1 007** | **-** | **1 007** | - |
| **Total** | **1 137 851** | **507 053** | **1 950 825** | **3 595 729** | 4 671 592 |

| **11. Reconciliation of operating result to net cash used in operating activities** | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Operating result | **(1 166 751)** | (1 257 812) |
| Increase in liability for accrued benefits | **100 486** | 420 974 |
| Investment revenue | **811 026** | 574 463 |
| Direct investment expense | **19 436** | 31 495 |
| (Increase) Decrease in other income receivable | **(2 144)** | 1 189 |
| Decrease (Increase) in contributions receivable | **2 966** | (519) |
| Decrease in PAYG withholding tax | **(18)** | (72) |
| (Decrease) Increase in benefits payable | **(1 649)** | 5 696 |
| Decrease (Increase) in other debtors | **7** | (3) |
| Increase in other creditors | **8 408** | 323 |
| **Net cash used in operating activities** | **(228 233)** | (224 266) |

**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 the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Cash and cash equivalents | **30 848** | 13 681 |

**13. Sundry creditors**

| | | |
|---|---|---|
| Higher education costs | **8 762** | - |
| Audit fees | **99** | 110 |
| Bank fees | **3** | 3 |
| Transfer to Triple S | **4** | 234 |
| GST payable | **-** | 113 |
| | **8 868** | 460 |

**14. PAYG withholding tax**

The PAYG withholding tax represents taxation due on benefit payments made in June 2009 which had not been remitted to the Commissioner of Taxation as at 30 June 2009. This amount was forwarded to the Commissioner of Taxation early in the 2009-10 financial year.

**15. Guaranteed benefits**

Contributors' benefit entitlements are specified by the Act.

**16. Other income receivable**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Temporary disability debtors | **41** | 72 |
| Public authorities | **5 054** | 2 879 |
| | **5 095** | 2 951 |

**17. Other revenue**

| | | |
|---|---|---|
| Bank account interest | **362** | 474 |
| Public authorities | **29 532** | 32 748 |
| Temporary disability | **65** | 106 |
| | **29 959** | 33 328 |

**18. Government co-contributions**

During the 2008-09 financial year, the Scheme received co-contributions from the ATO amounting to $1.4 million ($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. Benefits payable**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Benefits payable by SA Superannuation Fund | **3 259** | 3 989 |
| Benefits payable by SA Superannuation Scheme Contribution Account | **12 409** | 13 328 |
| | **15 668** | 17 317 |

**20. Higher education superannuation costs**

An amount of $8.8 million ($8.1 million) was paid to the Commonwealth Government which related to the South Australian share of the 2008-09 higher education superannuation costs under the Commonwealth – State agreement. This 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 approved a transfer of $91.5 million ($30 million) to the Consolidated Account in 2008-09.

**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.

**22. Financial instruments (continued)**

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

***(a) Market Risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*(i) Currency risk*

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

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

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

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

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

*(ii) Interest rate risk*

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

Funds SA manages interest rate risk through:

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

*(iii) Other market price risk*

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

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the 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 | **Change in investment assets** |
|---|---|---|---|
| **2009** | | Percent | **$'000** |
| High growth | Nominal standard deviation | 13.80 | **1 955** |
| Growth | Nominal standard deviation | 11.30 | **398 246** |
| Balanced | Nominal standard deviation | 10.00 | **1 160** |
| Moderate | Nominal standard deviation | 8.20 | **278** |
| Conservative | Nominal standard deviation | 5.40 | **314** |
| Capital defensive | Nominal standard deviation | 3.00 | **130** |
| Cash | Nominal standard deviation | 2.60 | **809** |
| Socially responsible | Nominal standard deviation | 10.00 | **101** |
| **Total** | | | **402 993** |
| **2008** | | | |
| High growth | Nominal standard deviation | 13.30 | 2 599 |
| Growth | Nominal standard deviation | 11.70 | 541 085 |
| Balanced | Nominal standard deviation | 10.40 | 993 |
| Moderate | Nominal standard deviation | 7.90 | 228 |
| Conservative | Nominal standard deviation | 6.00 | 308 |
| Capital defensive | Nominal standard deviation | 3.30 | 80 |
| Cash | Nominal standard deviation | 1.20 | 89 |
| **Total** | | | 545 381 |

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.

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

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

| **2009** | **Less than three months $'000** | **Three months to one year $'000** | **Total contractual cash flows $'000** | **Carrying amount (assets) liabilities $'000** |
|---|---|---|---|---|
| Benefits payable | **15 668** | **-** | **15 668** | **15 668** |
| Sundry creditors | **111** | **-** | **111** | **111** |
| Vested benefits(i) | **9 780 837** | **-** | **9 780 837** | **9 780 837** |
| **Total** | **9 796 616** | **-** | **9 796 616** | **9 796 616** |
| **2008** | | | | |
| Benefits payable | 17 317 | - | 17 317 | 17 317 |
| Sundry creditors | 521 | - | 521 | 521 |
| Vested benefits(i) | 9 738 775 | - | 9 738 775 | 9 738 775 |
| **Total** | 9 756 613 | - | 9 756 613 | 9 756 613 |

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

***(d) Fair value estimation***

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

***(e) Derivative financial instruments***

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

## 23. Related parties

Details of the members of the Board and their remuneration for the 2008-09 financial year are disclosed in the Notes to the Board's financial report.

# SOUTHERN STATE SUPERANNUATION SCHEME

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial report*

Section 8 of the *Southern State Superannuation Act 1994* (Triple S Act) provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (the 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 2008-09, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits
- transfer from the Police Superannuation Scheme of New Scheme Division members.

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 presents fairly, in all material respects, the financial position of the Southern State Superannuation Scheme as at 30 June 2009, and 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 specific matters relating to the Scheme's operations that warranted formal communication to the Board.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the financial report

| | **2009 $'million** | 2008 $'million |
|---|---|---|
| ***REVENUE*** | | |
| Investment revenue | **(887)** | (575) |
| Contribution revenue | **914** | 842 |
| Other revenue | **1** | 1 |
| **Total revenue** | **28** | 268 |
| ***EXPENSES*** | | |
| Direct investment expenses | **26** | 34 |
| Income tax expense | **10** | 9 |
| Other expenses | **9** | 9 |
| **Total expenses** | **45** | 52 |
| **Benefits accrued as a result of operations** | **(17)** | 216 |

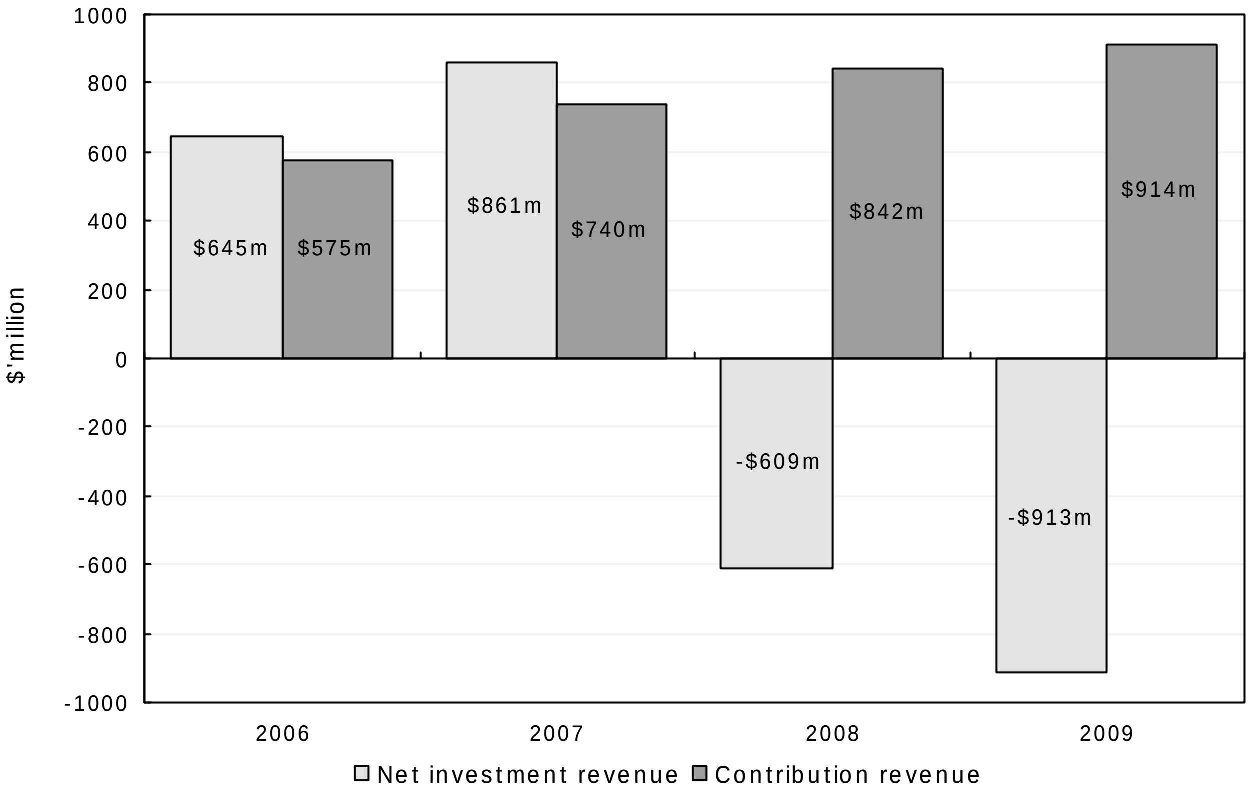
| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **685** | 576 |
| | | |
| ***ASSETS*** | | |
| Investments | **5 741** | 5 960 |
| Other assets | **10** | 30 |
| **Total Assets** | **5 751** | 5 990 |
| | | |
| ***LIABILITIES*** | | |
| Current liabilities | **9** | 7 |
| **Total liabilities** | **9** | 7 |
| ***NET ASSETS AVAILABLE TO PAY BENEFITS*** | **5 742** | 5 983 |
| ***LIABILITY FOR ACCRUED BENEFITS*** | **5 742** | 5 983 |

**Operating Statement**

***Revenues***

Total revenue decreased by $240 million. The decrease is due to a negative return on investments of $312 million offset by an increase in contribution revenue of $72 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 2009 is presented in the following chart.

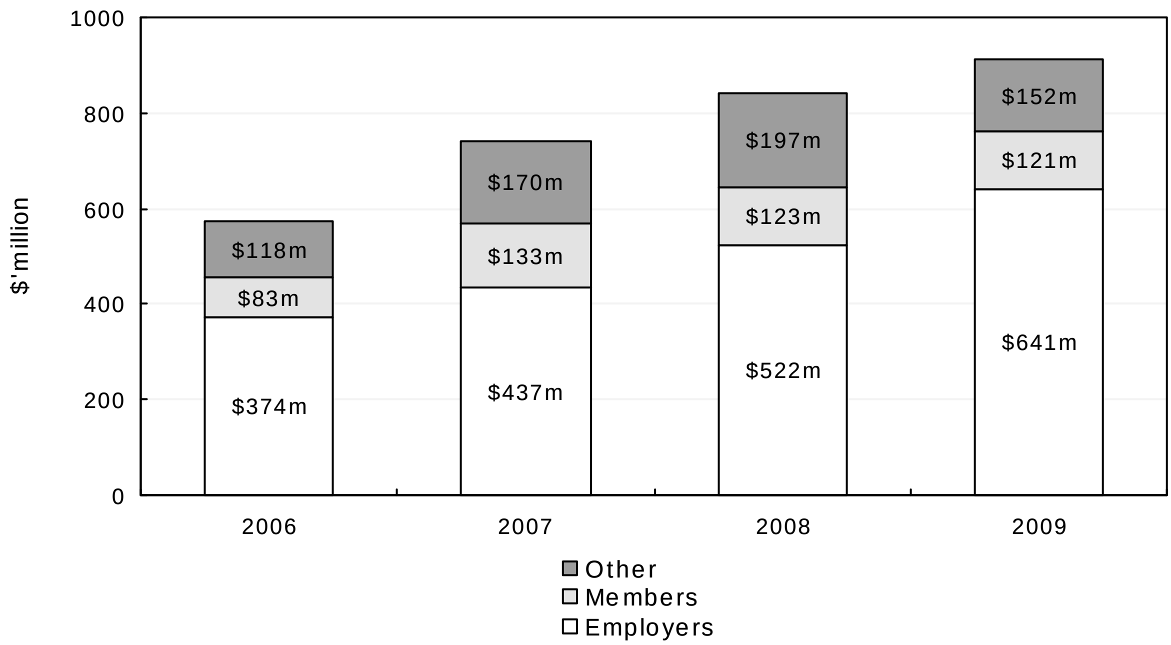



Revenue from contributions rose rapidly over a number of years due to an increase in both the value of contributions and number of contributors to the Scheme. Included in contributions in 2008-09 are transfers of balances from the Police Superannuation Scheme New Scheme Division totalling $98 million (refer Note 1(a)).

The chart also demonstrates the significant reversal after 2007 of the high growth trend in net investment returns experienced in previous years. The negative returns on investments are a direct result of the world wide downturn in investment markets. Investment returns are discussed in the commentary for Funds SA.

***Contribution revenue***

Active members of the Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Scheme. An analysis of amounts contributed by members and employers for the four years to 2009 is presented in the following chart.




The chart indicates that the value of contributions by employers has increased over the four year period by $267 million (71 percent). This is predominantly a result of increased number of active members in the Scheme and salary increases. Contributions by members have increased over the same period by $38 million (46 percent) due mainly to increases in the numbers of members contributing.

As previously noted, contributions revenue for 2008-09 included amounts transferred from the Police Superannuation Scheme of $72 million in employer contributions and $26 million in member contributions.

In 2009 other contributions decreased by $45 million, due mainly to a decrease of $43.4 million in rollovers from other schemes.

Membership statistics for the last three years are provided in the following table.

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| | **Numbers** | Numbers | Numbers |
| Contributory | **31 963** | 32 364 | 29 241 |
| Non-contributory | **75 688** | 71 871 | 70 180 |

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| | **Percent** | Percent | Percent |
| Contributory | **29.7** | 31.0 | 29.4 |
| Non-contributory | **70.3** | 69.0 | 70.6 |

**Statement of Financial Position**

After steady growth in 2006 and 2007 in investments and liability for accrued benefits, a lack of growth since 2008 is reflective of negative investment returns from depressed financial markets. The movement 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:

| Year | $'billion |
|---|---|
| 2006 | 4.6 |
| 2007 | 6.0 |
| 2008 | 6.0 |
| **2009** | **5.7** |

**Statement of Cash Flows**

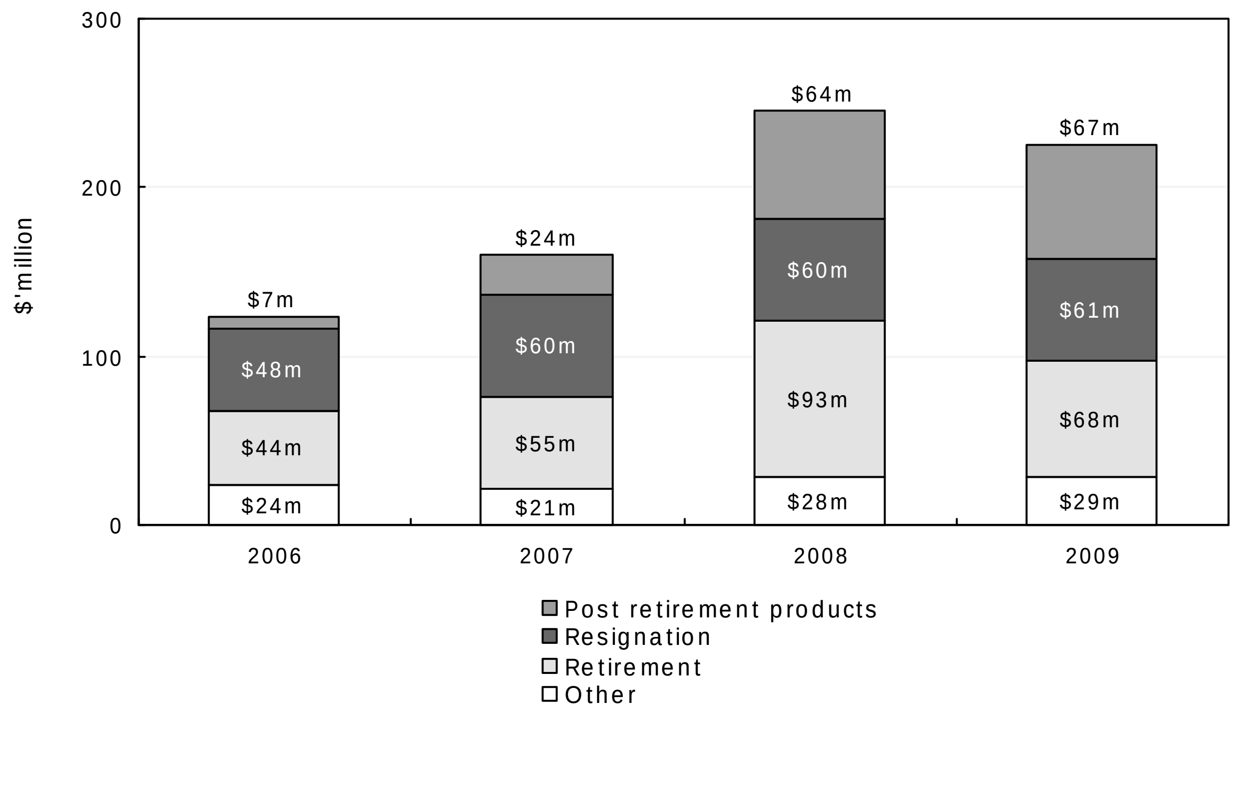
The following table summarises the net cash flows for the four years to 2009.

| | **2009 $'million** | 2008 $'million | 2007 $'million | 2006 $'million |
|---|---|---|---|---|
| **Net cash flows** | | | | |
| Operating | **684.7** | 575.6 | 567.9 | 447.0 |
| Investing | **(693.3)** | (587.4) | (551.1) | (443.0) |
| Change in cash | **(8.6)** | (11.8) | 16.8 | 4.0 |
| Cash at 30 June | **6.5** | 15.1 | 26.9 | 10.1 |

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. At 30 June 2007 the cash balance was high due to the receipt of the additional government co-contribution in late June.

***Benefits paid***

Total benefits paid amounted to $225 million ($245 million). The following chart analyses benefits paid for the four years to 30 June 2009 and shows an increasing trend. This is expected in an open scheme which was established 14 years ago. The introduction of post retirement products in 2006 has also contributed to the upward trend.



## Operating Statement
## for the year ended 30 June 2009

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **REVENUE:** | | | |
| Investment revenue | | **(886 833)** | (575 111) |
| Other revenue | | **955** | 1 540 |
| Contribution revenue: | | | |
| Contributions by members | 1(a) | **120 804** | 122 623 |
| Contributions by employers | 1(a) | **640 764** | 522 196 |
| Government co-contributions | | **11 772** | 13 359 |
| Rollovers from other schemes | | **140 332** | 183 709 |
| **Total contribution revenue** | | **913 672** | 841 887 |
| **Total revenue** | | **27 794** | 268 316 |
| **EXPENSES:** | | | |
| Direct investment expense | 3 | **25 878** | 34 499 |
| Insurance administration expense | 11 | **598** | 528 |
| Administration expense | 4 | **8 167** | 7 656 |
| **Total expenses** | | **34 643** | 42 683 |
| **BENEFITS ACCRUED** | | **(6 849)** | 225 633 |
| **INCOME TAX EXPENSE** | 18(a),(b) | **(9 792)** | (9 361) |
| **BENEFITS ACCRUED AS A RESULT OF OPERATIONS** | | **(16 641)** | 216 272 |

## Statement of Financial Position
## as at 30 June 2009

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| **INVESTMENTS:** | | | |
| Internal inflation linked securities | | **177 970** | - |
| Inflation linked securities | | **623 964** | 647 958 |
| Property A and B | | **210 532** | 546 199 |
| Australian equities A and B | | **1 453 685** | 1 646 130 |
| International equities A and B | | **1 179 597** | 1 625 996 |
| Fixed interest | | **374 352** | 661 921 |
| Diversified strategies growth A and B | | **321 947** | 276 058 |
| Diversified strategies income | | **681 126** | 392 730 |
| Socially responsible | | **6 799** | - |
| Cash | | **711 104** | 163 027 |
| | | **5 741 076** | 5 960 019 |
| **OTHER ASSETS:** | | | |
| Cash and cash equivalents | 5 | **6 577** | 15 136 |
| Contributions receivable | 6 | **16** | 12 063 |
| Deferred tax assets | 18(d) | **3 493** | 2 269 |
| Sundry debtors | 13 | **207** | 389 |
| | | **10 293** | 29 857 |
| **Total assets** | | **5 751 369** | 5 989 876 |
| **CURRENT LIABILITIES:** | | | |
| Benefits payable | 7 | **3 107** | 4 103 |
| Sundry creditors | 14 | **389** | 81 |
| PAYG withholding tax | | **26** | 107 |
| Current tax liabilities | 18(c) | **5 308** | 2 775 |
| | | **8 830** | 7 066 |
| **Total liabilities** | | **8 830** | 7 066 |
| **NET ASSETS AVAILABLE TO PAY BENEFITS** | 8 | **5 742 539** | 5 982 810 |
| **REPRESENTED BY:** | | | |
| **LIABILITY FOR ACCRUED BENEFITS:** | | | |
| Allocated to members' accounts | 9 | **5 649 887** | 5 859 166 |
| Not Allocated to members' accounts | 10 | **3 750** | 17 064 |
| | | **5 653 637** | 5 876 230 |
| **RESERVES:** | | | |
| Death, invalidity and income protection insurance reserve | 11 | **83 298** | 99 090 |
| Administration reserve | 12 | **5 604** | 7 490 |
| | | **88 902** | 106 580 |
| | | **5 742 539** | 5 982 810 |

# Statement of Cash Flows
# for the year ended 30 June 2009

| | Note | **2009 Inflows (Outflows) $'000** | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Contributions received: | | | |
| Contributions by members | | **122 029** | 122 870 |
| Contributions by employers | | **651 583** | 518 920 |
| Government co-contributions | | **11 772** | 13 358 |
| Rollovers from other schemes | | **140 332** | 183 730 |
| | | **925 716** | 838 878 |
| GST paid/recoup received | | **(57)** | (94) |
| Other revenue | | **689** | 1 315 |
| Benefits paid: | | | |
| Retirement | | **(67 683)** | (93 445) |
| Resignation | | **(61 056)** | (60 355) |
| Retrenchment | | **-** | (178) |
| Invalidity | | **(15 928)** | (14 082) |
| Death | | **(10 259)** | (9 869) |
| Payments to unclaimed monies | | **(147)** | (3) |
| Temporary disability | | **(2 523)** | (2 607) |
| Allocated pension | | **(19 359)** | (11 306) |
| Flexible rollover product | | **(47 752)** | (52 780) |
| | | **(224 707)** | (244 625) |
| Insurance administration expense | | **(598)** | (528) |
| Administration expense | | **(7 861)** | (7 653) |
| Income tax expense | | **(8 482)** | (11 626) |
| **Net cash provided by operating activities** | 17 | **684 700** | 575 667 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Receipts from Funds SA | | **60 660** | 98 318 |
| Payments to Funds SA | | **(753 919)** | (685 767) |
| **Net cash used in investing activities** | | **(693 259)** | (587 449) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS HELD** | | **(8 559)** | (11 782) |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **15 136** | 26 918 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 5 | **6 577** | 15 136 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. Objectives and funding**

***(a) Southern State Superannuation Scheme***

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 1994* (the Act). The Scheme, commenced from 1 July 1995 for contributory members only. Effective 1 July 1998, the *Southern State Superannuation (Merger of Schemes) Amendment Act 1998* merged the schemes established under the Act and the *Superannuation (Benefit Scheme) Act 1992*. At that time, all members of the State Superannuation Benefit Scheme were effectively transferred into the Scheme and the State Superannuation Benefit Scheme ceased to exist.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under section 25 of the Act. 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 contributions are deposited by the Treasurer into the Southern State Superannuation Fund (the Employee Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 26 of the Act. The employer contributes 9 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. A separate employer contribution account is maintained for each member. Employer contributions are deposited by the Treasurer into the Southern State Superannuation (Employers) Fund (the Employers Fund) which is managed and invested by Funds SA.

Benefits, represented by the balances of 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 SA 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.

In accordance with section 47(B) of the Act the South Australian Superannuation Board (the Board) introduced the Super SA Flexible Rollover Product and the Super SA Allocated Pension from 1 April 2005. These products form part of and are consolidated with the Scheme for financial reporting purposes at 30 June 2009. From 1 July 2006 a non-commutable allocated pension option was made available to members.

During June 2008, legislation was passed that enabled the Lump Sum Scheme members of the Police Superannuation Scheme to transfer to Triple S from 1 July 2008, being a total of $98 million (Employer $72 million and Employee $26 million).

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

The purpose of this financial report is to discharge the responsibilities of the Board under section 13 of the Act to keep 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 Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board determines a rate of return to be credited to member accounts pursuant to section 7A of the Act. In determining the rate the Board considers the net rate of return achieved by the investment of the Employee Fund.

Pursuant to sections 7A and 11, where a member or members have nominated a class of investments, or combination of classes of investments, the Board determines a rate of return on the investments of their class, or combination of classes.

The Board is required under sections 7A and 27, respectively, to credit interest earnings to member accounts and employer contribution accounts based on the earnings of the Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. Since the introduction of investment choice, the amount of interest credited is determined by the change in unit price.

***(c) Superannuation Funds Management Corporation of South Australia (Funds SA)***

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

The Treasurer has directed that the Southern State Superannuation (Employers) Fund also be managed and invested 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 disclose 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, rollovers and transfers from other schemes be paid to the Treasurer, who in turn deposits these amounts into the Employee Fund.

The Act requires that employer payments be made to the Treasurer, who in turn deposits these amounts into the Employers Fund. All employer contributions are received from SA Government Entities.

***(d) Funding arrangements (continued)***

Under section 12 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. 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 which are provided by Funds SA.

*(i) Inflation linked securities*

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) Internal inflation linked securities*

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 as at 30 June 2008 was performed by an independent valuer, Macquarie Bank Limited.

*(iii) Property A and B*

Property A and 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*
  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.

*(iv) 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.

*(v) 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) (UUT's). Pooled vehicles (UUT's) 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.

*(vi) 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.

*(vii) International equities B*

Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUT's). 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.

*(viii) 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.

*(ix) Diversified strategies growth A and B*

The diversified strategies growth A and B portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic and overseas 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 domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). 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.

*(x) Diversified strategies Income*

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

*(xi) 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.

*(xii) 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) 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. All funds are constitutionally protected superannuation funds except the Super SA Flexible Rollover Product and Super SA Allocated Pension.

The Super SA Flexible Rollover Product and Super SA Allocated Pension 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 statements 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 2009, 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 Scheme.

Members of the post-retirement products, the Super SA Flexible Rollover Product and the Super SA Allocated Pension, have the same eight investment options as other members, but the asset allocations differ slightly.

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. This is a change from previous years where contributions were recorded on an accrual basis. The change affects the account balances contributions by employers, contributions by members and contributions receivable.

This results in the financial reporting providing reliable and relevant information as contributions receivable cannot be reliably estimated at 30 June.

The financial report has not been retrospectively adjusted as per AASB 108 as it is not practicable and does not materially affect the net assets available to pay members as reported in the Statement of Financial Position.

***(f) Receivables and payables***

Contributions receivable are contributions relating to the 2008-09 financial year received by the Scheme after 30 June 2009.

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.

***(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 comprises of fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

**4. Administration expenses**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Administration expenses[(i)] | **7 986** | 7 453 |
| Other expenses [(ii)] | **181** | 172 |
| Actuarial review of insurance pool | **-** | 31 |
| | **8 167** | 7 656 |

(i) Section 27 of the Act provides for an administrative charge to be debited each year to members' employer contribution accounts and section 9 of the Act requires the amount to be paid from the Southern State Superannuation (Employers) 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 2009 the charge is $1 per week ($1 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 Account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2009 the amount charged to members' employer contribution accounts was $7.3 million ($7.9 million).

**4. Administration expenses (continued)**

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. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2009, based on actual costs of administering the Scheme, amounted to $8 million including GST ($7.5 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 $71 500 ($60 500). No other service has been 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 the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

| | 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents: | $'000 | $'000 |
| Triple S | **4 302** | 13 430 |
| Flexible Rollover Product | **1 752** | 656 |
| Allocated Pension | **523** | 1 050 |
| | **6 577** | 15 136 |

**6. Contributions receivable**

| | 2009 | 2008 |
|---|---|---|
| Contributions from members | **15** | 1 240 |
| Contributions from employers | **1** | 10 823 |
| | **16** | 12 063 |

**7. Benefits payable**

| | 2009 | 2008 |
|---|---|---|
| Benefits payable by Southern State Superannuation (Employee) Fund | **486** | 625 |
| Benefits payable by Southern State Superannuation (Employers) Fund | **2 369** | 3 267 |
| Benefits payable by Allocated Pension | **252** | 211 |
| | **3 107** | 4 103 |

**8. Net assets available to pay benefits**

***(a) Southern State Superannuation (Employee) Fund***

| | 2009 | 2008 |
|---|---|---|
| Funds held at 1 July | **1 101 470** | 1 089 549 |
| Contributions by members | **101 799** | 92 261 |
| Government co-contributions | **11 574** | 13 171 |
| Rollovers from other schemes | **68 650** | 95 505 |
| Spouse contributions | **295** | 1 467 |
| Internal transfers(i) | **2 420** | 464 |
| Investment income | **(162 558)** | (107 200) |
| Other revenue | **58** | 145 |
| | **22 238** | 95 813 |
| Benefits paid and payable | **(33 514)** | (38 554) |
| Internal transfers(i) | **(34 218)** | (38 944) |
| Direct investment expense | **(4 711)** | (6 394) |
| | **(72 443)** | (83 892) |
| **Funds held at 30 June** | **1 051 265** | 1 101 470 |

***(b) Southern State Superannuation (Employers) Fund***

| | 2009 | 2008 |
|---|---|---|
| Funds held at 1 July | **4 611 218** | 4 753 797 |
| Employer contributions | **640 764** | 522 196 |
| Investment income | **(695 459)** | (445 906) |
| Other revenue | **223** | 1 660 |
| | **(54 472)** | 77 950 |
| Benefits paid and payable | **(122 964)** | (143 225) |
| Internal transfers(i) | **(54 156)** | (42 031) |
| Direct investment expense | **(20 111)** | (27 118) |
| Administration expense | **(7 653)** | (7 627) |
| Insurance administration | **(598)** | (528) |
| | **(205 482)** | (220 529) |
| **Funds held at 30 June** | **4 351 264** | 4 611 218 |

***(c) Allocated Pension***

| | 2009 | 2008 |
|---|---|---|
| Funds held at 1 July | **125 061** | 49 476 |
| Rollovers from other schemes | **17 811** | 15 032 |
| Internal transfers(i) | **76 139** | 86 140 |
| Investment income | **(14 052)** | (10 202) |
| Other revenue | **503** | 27 |
| | **80 401** | 90 997 |

| ***(c) Allocated Pension (continued)*** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Benefits paid and payable | **(19 400)** | (11 462) |
| Direct investment expense | **(539)** | (382) |
| Administration expense | **(443)** | (277) |
| Internal transfers(i) | **(4 944)** | (816) |
| Income tax | **(4 546)** | (2 475) |
| | **(29 872)** | (15 412) |
| **Funds held at 30 June** | **175 590** | 125 061 |

| ***(d) Flexible Rollover Product*** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds held at 1 July | **145 061** | 119 737 |
| Contributions by members | **17 796** | 27 764 |
| Government co-contributions | **198** | 188 |
| Rollovers from other schemes | **53 871** | 73 172 |
| Internal transfers(i) | **41 973** | 52 334 |
| Spouse contributions | **914** | 1 131 |
| Investment income | **(14 764)** | (11 803) |
| Other revenue | **171** | 64 |
| | **100 159** | 142 850 |
| Benefits paid and payable | **(47 752)** | (52 780) |
| Direct investment expense | **(517)** | (605) |
| Administration expense | **(71)** | (108) |
| Internal transfers(i) | **(27 214)** | (57 147) |
| Income tax | **(5 246)** | (6 886) |
| | **(80 800)** | (117 526) |
| **Funds held at 30 June** | **164 420** | 145 061 |
| **Total net assets available to pay benefits** | **5 742 539** | 5 982 810 |

(i) Internal transfers relate to transfers between the Employee Fund, the Employer Fund, the Allocated Pension and the Flexible Rollover Product and do not appear in the Operating Statement as they occur within the Scheme.

**9. 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 2009 year.

**10. 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 member's accounts on a cash basis.

**11. 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 before age 65 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 (standard insurance benefit of one unit costing $0.75 per week) and is compulsory for most members of the scheme except some casual employees who opted out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the Southern State Superannuation Regulations 1995, and those who are special category members in terms of section 14 (4)-(6) of the Act. Police officers, 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 are required to have at least 6 units of standard insurance cover. The value of a unit under standard insurance for members up to age 34 years is $75 000 ($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 also a table of fixed insurance with costs increasing with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1.5 million ($1 million) and casual employees up to $750 000 ($500 000).

Triple S insurance changes were introduced from 18 January 2009. These changes enhanced the attractiveness of Triple S insurance offerings, and included the following changes; increasing standard insurance for eligible members without fixed units of cover, from one unit of death and total and permanent disablement (TPD) cover to two units, increasing the maximum amount of cover that can be purchased to $1.5 million for permanent employees and $750 000 for casual employees, increasing the minimum death and TPD cover for Police, 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 to the equivalent of six units of standard cover, and increasing the value of a standard unit between the ages of 59 and 63. The enhancements to the insurance offerings had a significant impact on take up rates, with applications for insurance exceeding targets by over 21 percent.

**11. Death, invalidity and income protection insurance reserve (continued)**

As required by section 13a of the Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2007. 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 20 years.

In the event of invalidity, the basic and voluntary additional units of insurance are paid to the member. In the event of death, the basic and voluntary additional units of insurance are paid to the member's spouse, otherwise to the member's estate.

To be eligible for the income protection insurance benefit, a member must be contributing from post-tax salary or have an employer contribution that is greater than the minimum Superannuation Guarantee for at least a year or apply and be accepted for cover subject to medical evidence.

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Opening balance of the death, invalidity and income protection insurance reserve | **99 090** | 111 672 |
| Investment earnings on insurance reserve | **(15 126)** | (10 229) |
| Contributions | **12 208** | 9 646 |
| | **(2 918)** | (583) |
| Benefit payments: | | |
| Invalidity | **(5 978)** | (5 715) |
| Death | **(3 743)** | (3 153) |
| Disability pensions | **(2 555)** | (2 572) |
| Actuarial review of insurance pool | **-** | (31) |
| Administration costs (i) | **(598)** | (528) |
| | **(12 874)** | (11 999) |
| Net transfer value to the death, invalidity and income protection insurance reserve | **(15 792)** | (12 582) |
| **Closing balance of reserve** | **83 298** | 99 090 |

(i) The amount relates to the annual administration charge paid to the Department of Treasury and Finance for administering the insurance arrangements.

**12. Administration 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.

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Balance as at 1 July | **7 490** | 7 578 |
| Transfers to reserves | **7 273** | 7 881 |
| Transfers out of reserves | **(9 159)** | (7 969) |
| **Balance as at 30 June** | **5 604** | 7 490 |

**13. Sundry debtors**

| | | |
|---|---|---|
| Refund from Taxation Office for GST | **157** | 99 |
| Bank interest receivable | **40** | 87 |
| Other | **10** | 203 |
| | **207** | 389 |

**14. Sundry creditors**

| | | |
|---|---|---|
| Audit fees payable | **81** | 77 |
| Transfers to board reserves | **307** | - |
| Other | **1** | 4 |
| | **389** | 81 |

**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.

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Liability for accrued benefits at 1 July | **5 982 810** | 6 012 559 |
| (Decrease) Increase in accrued benefits | **(16 641)** | 216 272 |
| Benefits paid and payable | **(223 630)** | (246 021) |
| **Liability for accrued benefits at 30 June** | **5 742 539** | 5 982 810 |

**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.

| | 2009 | 2008 |
|---|---|---|
| Vested benefits: | $'000 | $'000 |
| Triple S | **5 310 771** | 5 589 077 |
| Allocated Pension | **175 262** | 125 518 |
| Flexible Rollover Product | **163 854** | 144 571 |
| | **5 649 887** | 5 859 166 |

**17. Reconciliation of benefits accrued as a result of operations to net cash provided by operating activities**

| | | |
|---|---|---|
| Benefits accrued as a result of operations | **(16 641)** | 216 272 |
| Benefits paid and payable | **(223 630)** | (246 021) |
| Investment revenue | **886 833** | 575 111 |
| Direct investment expense | **25 878** | 34 499 |
| Investors admin fee received | **(515)** | - |
| Decrease (Increase) in contributions receivable | **12 047** | (3 032) |
| Decrease (Increase) in sundry debtors | **188** | (292) |
| Increase in deferred tax assets | **(1 224)** | (2 269) |
| Increase in current tax liabilities | **2 533** | 763 |
| Decrease in deferred tax liabilities | **-** | (757) |
| Increase (Decrease) in sundry creditors | **308** | (4) |
| Decrease in PAYG withholding tax | **(81)** | (79) |
| (Decrease) Increase in benefits payable | **(996)** | 1 476 |
| **Net cash provided by operating activities** | **684 700** | 575 667 |

**18. Income tax**

***(a) Major components of tax expense***

| | | |
|---|---|---|
| Current income tax: | | |
| Current tax charge | **12 104** | 12 639 |
| Adjustment to current tax for prior periods | **(250)** | (250) |
| Deferred income tax: | | |
| Relating to the originating and reversal of temporary differences | **(2 062)** | (3 028) |
| **Income tax expense** | **9 792** | 9 361 |

***(b) Income tax expense***

| | | |
|---|---|---|
| Benefits accrued before tax | **(6 849)** | 225 633 |
| Changes in net assets related to constitutionally protected schemes | **185 838** | 6 198 |
| Total change in net assets related to retirement products | **178 989** | 231 831 |
| Tax applicable at the rate of 15 percent | **26 848** | 34 775 |
| Tax effect of expenses that are not deductible in determining taxable income: | | |
| Non-deductible expenses | **45** | 99 |
| Tax effect of income that is not accessible in determining taxable income: | | |
| Investment income | **2 085** | 1 027 |
| Member contributions | **(19 862)** | (26 311) |
| Exempt pension income | **1 088** | 710 |
| Tax effect of other adjustments: | | |
| Imputation and foreign tax credits | **(162)** | (689) |
| Over provision prior period | **(250)** | (250) |
| **Income tax expense** | **9 792** | 9 361 |

***(c) Current tax liabilities***

| | | |
|---|---|---|
| Balance at 1 July | **2 775** | 2 012 |
| Income tax paid - current period | **(6 796)** | (9 864) |
| Income tax paid - prior periods | **(1 686)** | (1 762) |
| Current years income tax provision | **12 104** | 12 639 |
| Over provision prior period | **(1 089)** | (250) |
| | **5 308** | 2 775 |

***(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: | | |
| Realised capital losses carried forward (discounted) | **1 786** | 2 269 |
| Unrealised capital losses carried forward (discounted) | **1 707** | - |
| | **3 493** | 2 269 |

**19. Guaranteed benefits**

Benefit entitlements are specified by the *Southern State Superannuation Act 1994*.

**20. 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 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. 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 | **Change in investment Assets $'000** |
|---|---|---|---|
| **2009** | | | |
| High growth | Nominal standard deviation | 13.79 | **60 647** |
| Growth | Nominal standard deviation | 11.25 | **20 866** |
| Balanced | Nominal standard deviation | 10.00 | **464 170** |
| Moderate | Nominal standard deviation | 8.17 | **2 396** |
| Conservative | Nominal standard deviation | 5.39 | **4 508** |
| Capital defensive | Nominal standard deviation | 2.94 | **1 064** |
| Cash | Nominal standard deviation | 2.53 | **8 050** |
| Socially responsible | Nominal standard deviation | 9.88 | **672** |
| **Total** | | | **562 372** |
| **2008** | | | |
| High growth | Nominal standard deviation | 13.29 | 66 789 |
| Growth | Nominal standard deviation | 11.64 | 24 842 |
| Balanced | Nominal standard deviation | 10.40 | 521 563 |
| Moderate | Nominal standard deviation | 7.65 | 1 888 |
| Conservative | Nominal standard deviation | 6.00 | 5 372 |
| Capital defensive | Nominal standard deviation | 3.36 | 874 |
| Cash | Nominal standard deviation | 1.14 | 1 012 |
| **Total** | | | 622 340 |

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

***(b)*** ***Credit risk***

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

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

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

***(c) Liquidity risk***

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

| **2009** | **Less than three months $'000** | **Three months to one year $'000** | **Total contractual cash flows $'000** | **Carrying amount (assets) liabilities $'000** |
|---|---|---|---|---|
| Benefits payable | **3 107** | **-** | **3 107** | **3 107** |
| Sundry creditors | **389** | **-** | **389** | **389** |
| PAYG withholding tax | **26** | **-** | **26** | **26** |
| Current tax liabilities | **5 308** | **-** | **5 308** | **5 308** |
| Vested benefits (i) | **5 649 887** | **-** | **5 649 887** | **5 649 887** |
| **Total** | **5 658 717** | **-** | **5 658 717** | **5 658 717** |
| | | | | |
| **2008** | | | | |
| Benefits payable | 4 103 | - | 4 103 | 4 103 |
| Sundry creditors | 81 | - | 81 | 81 |
| PAYG withholding tax | 107 | - | 107 | 107 |
| Current tax liabilities | 2 775 | - | 2 775 | 2 775 |
| Vested benefits (i) | 5 859 166 | - | 5 859 166 | 5 859 166 |
| **Total** | 5 866 232 | - | 5 866 232 | 5 866 232 |

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

***(d) Fair value estimation***

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

***(e) Derivative financial instruments***

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

**21. Related parties**

Details of the members of the Board and their remuneration for the 2008-09 financial year are disclosed in the notes to the 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 to Note 1 of the financial statements.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

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 audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2008-09, specific areas of audit attention included:

- payroll
- expenditure
- contract management
- revenue (including SA Visitor and Travel Centre)
- cash at bank and general ledger.

## AUDIT FINDINGS AND COMMENTS

### Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Tourism Commission as at 30 June 2009, and 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 were detailed in management letters to the Chief Executive of the Commission and the Executive Director of Shared Services SA (SSSA). Responses to the management letters were generally considered to be satisfactory. Matters raised with the Commission and SSSA were aimed at improving the control environment. Those matters and related responses are detailed below.

#### *Commission*

- Some payroll reports with evidence of review thereon could not be provided. All reports are required to be reviewed to ensure payments made to employees and leave taken are valid and accurate.

- Expenditure delegates signatures were not provided to SSSA. The signatures are required to enable SSSA to check correct approval of invoices prior to processing payments.

- Policies and procedures for the SA Visitor and Travel Centre covering the review of the tourism supplier master file required development.

- A policy for the SA Visitor and Travel Centre covering the commission rates charged required development.

#### *Shared Services SA*

There were two issues identified that related to SSSA. The issues related to the Commission's accounts receivable and accounts payable processing by SSSA, notably:

- there was no effective independent review of changes to the accounts receivable customer master file
- expenditure reports were not being provided to the Commission by SSSA.

#### *Responses*

In response to the issues raised with the Commission, the Chief Executive advised that:

- the Commission has established a consistent tracking method for all payroll reports. There has been a noticeable improvement in the follow-up and timeliness of review and receipt of reports. It has located all payroll reports outstanding

- an updated list of signatories has since been provided to SSSA

- the Commission is currently implementing a new Reservations System and will require the system to produce:

  — a report of additions, changes and deletions of suppliers. Procedures will be put in place to ensure an independent verification of theses changes

  — a commission rate exception report together with the development of a policy to ensure that any variations to commission rates are appropriately verified.

In response to the issues raised with SSSA, the Executive Director, SSSA advised that:

- all changes to the accounts receivable customer master file are now checked by an independent accounts receivables officer

- all expenditure reports required under the service design are now being provided to the Commission.

### Implementation of the revised TIs 2 and 28

The Commission has updated its policies and procedures in its procedure manual. It has established a compliance program which includes an up to date version of a compliance checklist. This checklist is in accordance with the toolkit promulgated by the Department of Treasury and Finance. Its purpose is to assist in the assessment of the adequacy of the control environment. The Commission has reported the results of the assessment and compliance to the Internal Audit and Risk Committee.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

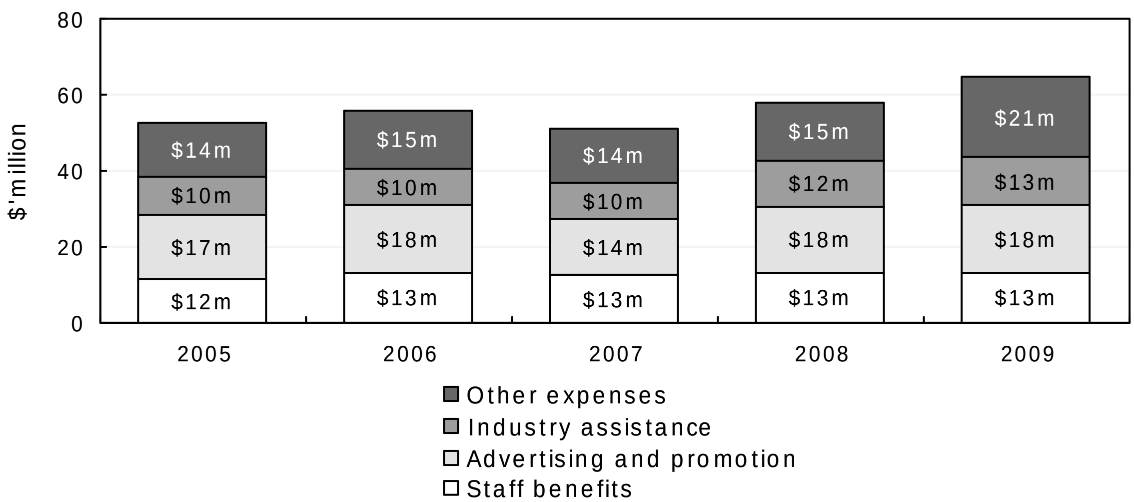
### Highlights of the financial statements

| | **2009** **$'million** | 2008 $'million |
|---|---|---|
| ***EXPENSES*** | | |
| Employee benefit expenses | **13.0** | 13.0 |
| Advertising and promotion | **18.1** | 17.5 |
| Industry assistance | **12.6** | 11.9 |
| Other | **21.1** | 15.3 |
| **Total expenses** | **64.8** | 57.7 |
| ***INCOME*** | | |
| Revenues from SA Government | **52.3** | 50.3 |
| Other | **12.8** | 7.3 |
| **Total income** | **65.1** | 57.6 |
| **Net result and comprehensive result** | **0.3** | (0.1) |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | **1.4** | 1.0 |
| ***ASSETS*** | | |
| Current assets | **5.3** | 5.7 |
| Non-current assets | **3.8** | 1.9 |
| **Total assets** | **9.1** | 7.6 |
| ***LIABILITIES*** | | |
| Current liabilities | **4.4** | 4.2 |
| Non-current liabilities | **2.6** | 1.6 |
| **Total liabilities** | **7.0** | 5.8 |
| ***EQUITY*** | **2.1** | 1.8 |

### Statement of Comprehensive Income

#### *Expenses*

For the five years to 2009, a structural analysis of the main expense items for the Commission is shown in the following chart.



Expenses increased in 2009 mainly as a result of an increase in other expenses due to:

- an increase in event operations costs of $3.5 million due mainly to increases in costs for the Tour Down Under
- an increase in administration and accommodation expenses of $2.3 million. This resulted from increased costs in communications and computing and increased contractors and consultants expenses.

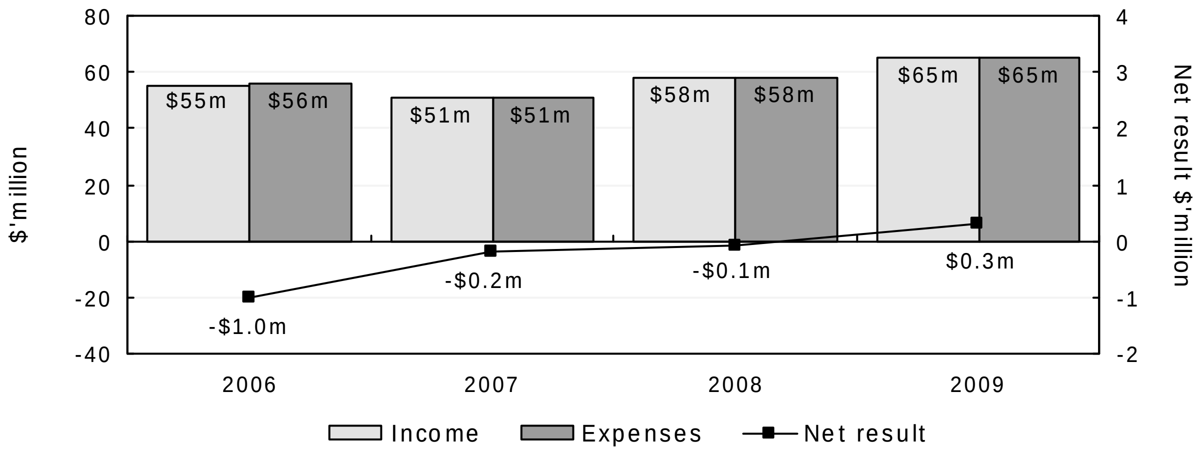
### *Income*

Income for the year totalled $65.1 million ($57.6 million). This includes revenue predominantly appropriated from Government for operating purposes of $52.3 million ($50.3 million) representing 80 percent (87 percent) of total income. The Commission is dependent on the ongoing financial support of the State 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. The increase in other income is mainly as a result of increases in participation fees, event entry fees and grants and recoups.

### *Net result*

The following chart shows the income, expenses and net result for the four years to 2009.




The funding from the SA Government was sufficient to cover operating expenses for the last three years. The 2006 year was an exception due to the settlement of a legal claim relating to the staging of the Le Mans event in Adelaide.

### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2009.

| | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million |
| **Net cash flows** | | | | |
| Operating | **1.4** | 1.0 | (0.3) | 1.8 |
| Investing | **(1.2)** | (0.5) | (0.2) | (0.4) |
| Financing | **(0.1)** | (0.2) | (0.2) | (0.1) |
| Change in cash | **0.1** | 0.3 | (0.7) | 1.3 |
| Cash at 30 June | **3.6** | 3.5 | 3.2 | 3.9 |

The analysis of cash flows shows that funds generated from operating activities of $1.4 million was used to finance investing activities of $1.2 million and resulted in a small increase in cash at 30 June to $3.6 million.

# Statement of Comprehensive Income
# for the year ended 30 June 2009

| | | | |
|---|---|---|---|
| | | **2009** | 2008 |
| **EXPENSES:** | Note | **$'000** | $'000 |
| Employee benefit expenses | 4 | **12 946** | 13 041 |
| Advertising and promotion | | **18 141** | 17 542 |
| Industry assistance | 5 | **12 644** | 11 881 |
| Administration and accommodation | 6 | **10 560** | 8 268 |
| Event operations | | **9 690** | 6 174 |
| Depreciation expense | 7 | **765** | 682 |
| Goodwill written off | 15 | **-** | 88 |
| Borrowing costs | | **24** | 35 |
| Net loss from the disposal of non-current assets | 10 | **32** | 8 |
| **Total expenses** | | **64 802** | 57 719 |
| **INCOME:** | | | |
| Participation fees | 8 | **6 346** | 4 114 |
| Commission on sales | | **825** | 514 |
| Other revenue | 9 | **5 664** | 2 676 |
| **Total income** | | **12 835** | 7 304 |
| **NET COST OF PROVIDING SERVICES** | | **51 967** | 50 415 |
| **REVENUES FROM SA GOVERNMENT:** | | | |
| Revenues from SA Government | 11 | **52 242** | 50 306 |
| **NET RESULT** | | **275** | (109) |
| **TOTAL COMPREHENSIVE RESULT** | | **275** | (109) |

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

# Statement of Financial Position
# as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 12 | **3 610** | 3 537 |
| Receivables | 13 | **1 733** | 2 121 |
| **Total current assets** | | **5 343** | 5 658 |
| **NON-CURRENT ASSETS:** | | | |
| Plant and equipment | 14 | **3 398** | 1 471 |
| Intangible assets | 15 | **-** | - |
| Investment in Australian Tourism Data Warehouse Ltd | 16 | **400** | 400 |
| **Total non-current assets** | | **3 798** | 1 871 |
| **Total assets** | | **9 141** | 7 529 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 17 | **2 744** | 2 653 |
| Other current liabilities | 18 | **191** | 161 |
| Employee benefits | 19 | **1 270** | 1 167 |
| Borrowings | 20 | **193** | 180 |
| **Total current liabilities** | | **4 398** | 4 161 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 17 | **119** | 110 |
| Other non-current liabilities | 18 | **1 246** | - |
| Employee benefits | 19 | **1 196** | 1 222 |
| Borrowings | 20 | **50** | 243 |
| **Total non-current liabilities** | | **2 611** | 1 575 |
| **Total liabilities** | | **7 009** | 5 736 |
| **NET ASSETS** | | **2 132** | 1 793 |
| **EQUITY:** | | | |
| Contributed capital | 2(r) | **64** | - |
| Retained earnings | | **2 068** | 1 793 |
| **TOTAL EQUITY** | | **2 132** | 1 793 |

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 21

# Statement of Changes in Equity
# for the year ended 30 June 2009

| | Contributed capital $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|
| Balance at 30 June 2007 | - | 1 902 | 1 902 |
| Net result for 2007-08 | - | (109) | (109) |
| Total comprehensive result for 2007-08 | - | (109) | (109) |
| Balance at 30 June 2008 | - | 1 793 | 1 793 |
| Net result for 2008-09 | - | 275 | 275 |
| Total comprehensive result for 2008-09 | - | 275 | 275 |
| Transactions with SA Government as owner | | | |
| Equity contribution received | 64 | - | 64 |
| **Balance at 30 June 2009** | **64** | **2 068** | **2 132** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | | | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **Inflows** | Inflows |
| | | **(Outflows)** | (Outflows) |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | Note | **$'000** | $'000 |
| CASH OUTFLOWS: | | | |
| Employee benefit payments | | **(12 813)** | (12 756) |
| Payments for supplies and services | | **(51 106)** | (43 317) |
| Interest paid | | **(24)** | (35) |
| GST payments on purchases | | **(4 044)** | (3 569) |
| **Cash used in operations** | | **(67 987)** | (59 677) |
| CASH INFLOWS: | | | |
| Fees and charges | | **6 879** | 3 720 |
| Commission earned | | **825** | 514 |
| GST recovered from the ATO | | **2 781** | 2 720 |
| GST receipts on receivables | | **1 123** | 800 |
| Other receipts | | **5 540** | 2 626 |
| **Cash generated from operations** | | **17 148** | 10 380 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Receipts from SA Government | | **52 242** | 50 306 |
| **Cash generated from SA Government** | | **52 242** | 50 306 |
| **Net cash provided by operating activities** | 25 | **1 403** | 1 009 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Purchase of plant and equipment | | **(1 189)** | (571) |
| **Cash used in investing activities** | | **(1 189)** | (571) |
| CASH INFLOWS: | | | |
| Proceeds from sale of plant and equipment | | **6** | 4 |
| **Cash generated from investing activities** | | **6** | 4 |
| **Net cash used in investing activities** | | **(1 183)** | (567) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Cash transferred as a result of restructuring activities | 22 | **(31)** | - |
| Repayment of borrowings | | **(180)** | (170) |
| **Cash used in financing activities** | | **(211)** | (170) |
| CASH INFLOWS: | | | |
| Capital contributions from government | 2(r) | **64** | - |
| **Cash generated from financing activities** | | **64** | - |
| **Net cash used in financing activities** | | **(147)** | (170) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **73** | 272 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **3 537** | 3 265 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 12 | **3 610** | 3 537 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the South Australian Tourism Commission

***Objectives***

The purpose of the South Australian Tourism Commission (the Commission) established under the *South Australian Tourism Commission Act 1993* is, on behalf of the Government, 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 the amendments to AASB 101, 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 2009.

***(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 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 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 accounting policy statements require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, 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

  (c) employees whose normal remuneration is $100 000 or more (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 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.

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 2009 and the comparative information presented for the year ended 30 June 2008.

***(c) Reporting entity***

The Commission is a statutory corporation of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993.*

The financial statements 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 insignificant in relation to the Commission's overall financial performance and position, they are disclosed in the schedule of administered items at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Commission items.

***(d) Administered items***

The Commission is responsible for the administration of the items described below. These items are 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 South Australian Visitor and Travel Centre (SAV&TC) are detailed separately in Note 27.

*South Australian Visitor and Travel Centre*

The Commission operates the 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.

***(e) Transferred functions***

The Public Sector Management (Shared Services (1)) Proclamation 2008 declared that from 14 July 2008 the employees listed in the proclamation were incorporated into the Department of Treasury and Finance.

The Public Sector Management (Shared Services (6)) Proclamation 2008 declared that from 20 October 2008 the employees listed in the proclamation were incorporated into the Department of Treasury and Finance.

***(f) Comparative information***

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised AASs and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

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

***(g) Rounding***

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

***(h) Taxation***

The Commission is not subject to income tax. The Commission is liable for payroll tax, FBT, GST and the emergency services levy.

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

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

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

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

Commitments 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.

***(i) Income, expenses, assets and liabilities***

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Commission will occur and can be reliably measured.

Income, expenses, 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 income, expenses, 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.

***Income***
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:

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved, agreement/contract is executed, and/or the contribution is received

- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied, that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the 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.

*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.

*Participation fees*
The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees. This income is recognised as it accrues.

*Other income*
Other income comprises event entry fees, merchandise sales, recoups of expenditure from regional marketing boards and other government agencies.

***Expenses***
*Employee benefits*
Employee benefit expense 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. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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

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

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

Depreciation/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* |
|---|---|
| General plant and equipment | 3-5 |
| Event plant and equipment | 10 |
| Fitouts | 10 |
| Pageant plant and equipment | 5-15 |

*Borrowing costs*
All borrowing costs are recognised as expenses.

***(j) Current and non-current classification***

Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

***(k) Cash and cash equivalents***

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash on hand and at bank and deposits with the Treasurer.

***(l) Receivables***

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

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

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised where there is objective evidence that the Commission will not be able to collect the debt. Bad debts are written off when identified.

***(m) Non-current asset acquisition, recognition and revaluation***

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

Items of plant and equipment controlled by the Commission with an individual value greater than $5000 are recognised as non-current assets in the Statement of Financial Position. Items of plant and equipment are recorded at historic cost less accumulated depreciation.

Minor items of plant and equipment with an individual value less than $5000 are expensed in the Statement of Comprehensive Income at the time of acquisition.

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.

Asset revaluation would occur if the fair value at the time of acquisition was greater than $1 million and estimated useful life was greater than three years.

*Impairment*

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

***(n) 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. Goodwill was assessed for impairment in 2007-08 and written off. Refer Note 15.

***(o) 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 superannuation contributions, workers compensation and payroll tax with 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.

***(p) 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. Related on-costs consequential to the employment of employees have been included in payables.

*Wages, salaries, annual leave and sick leave*

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, calculated on current pay rates plus an inflation allowance of 4 percent.

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 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand 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.

*Employee benefit on-costs*

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

*Workers compensation*

There is no provision for workers compensation as the Commission pays a levy to the WorkCover Corporation of South Australia.

***(q) Lease incentive***

All incentives for the agreement of the new operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the accommodation. Incentives received to enter into the operating lease are recognised as a liability.

The aggregate benefits of the lease incentive received in respect of the operating lease 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, as such, is capitalised as an asset and depreciated over the remaining term of the lease.

***(r) Contributed capital***

Where the investing activities of the Commission are not funded through appropriations, operating receipts, proceeds from asset sales or grants, government funding is provided via a capital contribution. The Commission received $64 000 in 2008-09.

***(s) Foreign currency***

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at reporting date. Associated currency gains and losses are not material and therefore have not been disclosed separately in the Statement of Comprehensive Income.

***(t) Unrecognised contractual commitments***

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

## 3. Activities of the Commission

The Commission has identified four broad activities that reflect the nature of the services delivered to the South Australian community. These are:

***Activity 1: Strategic advice***

To assist the tourism industry by providing tourism forecasting data and statistical research advice and evaluation, and industry policy and planning services.

***Activity 2: Tourism development***

To provide advice and assistance to tourism operators and develop sustainable tourism products and infrastructure to raise the standard of tourism services and facilities across the State.

***Activity 3: Tourism events***

To bid for and stage major events in South Australia.

***Activity 4: Tourism marketing***

To provide high quality marketing services and development of marketing strategies and campaigns that increase the number of visitors to South Australia.

**3. Activities of the Commission (continued)**

Expenses and income by activity for the year are as follows:

| Activities | 1 | | 2 | | 3 | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **Expenses:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefit expenses | **640** | 961 | **1 721** | 1 174 | **1 788** | 2 423 |
| Advertising and promotion | **760** | 543 | **139** | 146 | **1 611** | 2 015 |
| Industry assistance | **135** | 222 | **4 771** | 2 442 | **3 024** | 5 123 |
| Administration and accommodation | **186** | 273 | **898** | 523 | **3 038** | 2 460 |
| Event operations | **-** | - | **-** | - | **9 690** | 6 158 |
| Depreciation expense | **27** | 33 | **76** | 44 | **182** | 210 |
| Goodwill written off | **-** | - | **-** | - | **-** | 88 |
| Borrowing costs | **1** | 2 | **3** | 3 | **3** | 7 |
| Net loss from the disposal of non-current assets | **1** | - | **4** | 1 | **4** | 1 |
| **Total expenses** | **1 750** | 2 034 | **7 612** | 4 333 | **19 340** | 18 485 |
| **Income:** | | | | | | |
| Participation fees | **-** | 14 | **1 515** | 46 | **3 826** | 2 706 |
| Commission on sales | **-** | - | **-** | - | **-** | - |
| Other income | **40** | 17 | **917** | 35 | **2 094** | 1 307 |
| **Total income** | **40** | 31 | **2 432** | 81 | **5 920** | 4 013 |
| **Net cost of providing services** | **1 710** | 2 003 | **5 180** | 4 252 | **13 420** | 14 472 |
| **Revenues from SA Government:** | | | | | | |
| Revenues from SA Government | **1 891** | 1 897 | **4 036** | 4 436 | **13 829** | 14 243 |
| **NET RESULT** | **181** | (106) | **(1 144)** | 184 | **409** | (229) |

| Activities | 4 | | Total | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| **Expenses:** | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefit expenses | **8 797** | 8 483 | **12 946** | 13 041 |
| Advertising and promotion | **15 631** | 14 838 | **18 141** | 17 542 |
| Industry assistance | **4 714** | 4 094 | **12 644** | 11 881 |
| Administration and accommodation | **6 438** | 5 012 | **10 560** | 8 268 |
| Event operations | **-** | 16 | **9 690** | 6 174 |
| Depreciation expense | **480** | 395 | **765** | 682 |
| Goodwill written off | **-** | - | **-** | 88 |
| Borrowing costs | **17** | 23 | **24** | 35 |
| Net loss from the disposal of non-current assets | **23** | 6 | **32** | 8 |
| **Total expenses** | **36 100** | 32 867 | **64 802** | 57 719 |
| **Income:** | | | | |
| Participation fees | **1 005** | 1 348 | **6 346** | 4 114 |
| Commission on sales | **825** | 514 | **825** | 514 |
| Other income | **2 613** | 1 317 | **5 664** | 2 676 |
| **Total income** | **4 443** | 3 179 | **12 835** | 7 304 |
| **Net cost of providing services** | **31 657** | 29 688 | **51 967** | 50 415 |
| **Revenues from SA Government:** | | | | |
| Revenues from SA Government | **32 486** | 29 730 | **52 242** | 50 306 |
| **NET RESULT** | **829** | 42 | **275** | (109) |

An activity schedule of the Commission's assets and liabilities has not been provided as the information is not readily available.

**4. Employee benefit expenses**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries and wages | **10 160** | 9 940 |
| Long service leave | **240** | 439 |
| Annual leave | **755** | 785 |
| Employment on-costs - superannuation | **1 016** | 1 042 |
| Employment on-costs - other | **591** | 685 |
| Board fees | **153** | 113 |
| Other employee related expenses | **31** | 37 |
| **Total employee benefit expenses** | **12 946** | 13 041 |

***Remuneration of employees***

| The number of employees whose remuneration received or receivable falls within the following bands: | **2009 Number** | 2008 Number |
|---|---|---|
| $100 000 - $109 999 | **2** | 1 |
| $110 000 - $119 999 | **-** | 1 |
| $120 000 - $129 999 | **1** | - |
| $130 000 - $139 999 | **1** | 2 |
| $140 000 - $149 999 | **1** | 1 |
| $150 000 - $159 999 | **1** | 1 |
| $170 000 - $179 999 | **1** | - |
| $180 000 - $189 999 | **1** | - |
| $190 000 - $199 999 | **-** | 1 |
| $330 000 - $339 999 | **-** | 1 |
| $360 000 - $369 999 | **1** | - |
| **Total number of employees** | **9** | 8 |

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment and includes salary and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.499 million ($1.32 million).

**5. Industry assistance**

| | **2009** | 2008 |
|---|---|---|
| Industry assistance paid/payable to entities external to the SA Government: | **$'000** | $'000 |
| Sponsorship of events | **3 226** | 5 633 |
| Tourism infrastructure grants | **4 164** | 2 238 |
| Tourism marketing boards/information centre grants | **2 585** | 1 414 |
| Marketing/industry support | **2 411** | 2 277 |
| Trade show subsidies/membership of tourism industry bodies | **46** | 319 |
| | **12 432** | 11 881 |
| Industry assistance paid/payable to entities within the SA Government: | | |
| Sponsorship of events | **140** | - |
| Marketing/industry support | **72** | - |
| | **212** | - |
| **Total industry assistance** | **12 644** | 11 881 |

**6. Administration and accommodation**

| | | |
|---|---|---|
| Administration and accommodation paid/payable to entities external to the SA Government: | | |
| Communication and computing | **2 681** | 1 590 |
| Stationery, postage, couriers and freight | **402** | 467 |
| Contractors and consultants | **1 731** | 1 086 |
| Taxis, hire cars and car parking | **260** | 223 |
| Domestic and international travel | **704** | 842 |
| Seminars, courses and training | **302** | 278 |
| Accommodation and service costs | **916** | 771 |
| Bad debts and allowances for doubtful debts | **(4)** | 6 |
| Other | **1 286** | 749 |
| | **8 278** | 6 012 |
| Administration and accommodation paid/payable to entities within the SA Government: | | |
| Accommodation and service costs | **1 262** | 1 193 |
| Motor vehicle | **440** | 508 |
| Computer processing | **118** | 126 |
| Contractors | **-** | 95 |
| Insurance | **124** | 114 |
| Audit, legal and other fees | **338** | 220 |
| | **2 282** | 2 256 |
| **Total administration and accommodation** | **10 560** | 8 268 |

***Consultants***

| The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands: | **2009 Number** | **2009 $'000** | 2008 Number | 2008 $'000 |
|---|---|---|---|---|
| Below $10 000 | **-** | **-** | 1 | 5 |
| Between $10 000 and $50 000 | **1** | **14** | 1 | 11 |
| Above $50 000 | **1** | **52** | - | - |
| **Total consultants** | **2** | **66** | 2 | 16 |

## 7. Depreciation expense

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| General plant and equipment | **85** | 100 |
| Event plant and equipment | **24** | - |
| Fitouts | **563** | 484 |
| Pageant plant and equipment | **93** | 98 |
| **Total depreciation expense** | **765** | 682 |

## 8. Participation fees

| | | |
|---|---|---|
| Participation fees received/receivable from entities external to the SA Government: | | |
| Cooperative marketing/advertising | **1 799** | 1 337 |
| Sponsorship revenue | **2 756** | 1 713 |
| Trade/consumer show participation/workshops/training | **160** | 166 |
| In-kind revenue | **1 631** | 773 |
| | **6 346** | 3 989 |
| Participation fees received/receivable from entities within the SA Government: | | |
| Sponsorship revenue | **-** | 125 |
| **Total participation fees** | **6 346** | 4 114 |

## 9. Other revenue

| | | |
|---|---|---|
| Other revenue received/receivable from entities external to the SA Government: | | |
| Event entry fees | **1 439** | 801 |
| Refunds/recoups of expenses | **703** | 676 |
| Service fees | **135** | 41 |
| Salary recoups | **1 305** | 514 |
| Familiarisation expenditure recouped | **202** | 119 |
| Sales of merchandise | **97** | 94 |
| Sundry income | **683** | 431 |
| | **4 564** | 2 676 |
| Other revenue received/receivable from entities within the SA Government: | | |
| Grants | **300** | - |
| Recoups of expenses | **800** | - |
| | **1 100** | - |
| **Total other revenue** | **5 664** | 2 676 |

## 10. Net loss from the disposal of non-current assets

| | | |
|---|---|---|
| Plant and equipment: | | |
| Proceeds from disposal | **6** | 4 |
| Net book value of assets disposed | **(38)** | (12) |
| **Total net loss from the disposal of non-current assets** | **32** | 8 |

## 11. Revenues from SA Government

| | | |
|---|---|---|
| Appropriations from Consolidated Account pursuant to the *Appropriation Act* | **51 713** | 48 698 |
| Other revenues from SA Government | **529** | 1 608 |
| **Total revenues from SA Government** | **52 242** | 50 306 |

## 12. Cash and cash equivalents

| | | |
|---|---|---|
| Cash on hand and at bank | **3 552** | 2 265 |
| Deposits with the Treasurer | **58** | 1 272 |
| **Total cash and cash equivalents** | **3 610** | 3 537 |

***Deposits with the Treasurer***

Relates to funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use; ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

***Interest rate risk***

Cash on hand and at bank and deposits with the Treasurer are non-interest bearing.

## 13. Receivables

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Current: | | |
| Receivables | **691** | 1 064 |
| Allowance for doubtful debts | **(7)** | (12) |
| | **684** | 1 052 |
| GST input tax recoverable | **579** | 439 |
| Accrued revenue | **250** | 547 |
| Prepayments | **220** | 83 |
| **Total receivables** | **1 733** | 2 121 |
| Receivables from SA Government entities: | | |
| Receivables | **13** | 57 |
| **Total receivables from SA Government entities** | **13** | 57 |

## 13. Receivables (continued)

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Receivables from non-SA Government entities: | | |
| Receivables | **678** | 1 007 |
| Allowance for doubtful debts | **(7)** | (12) |
| | **671** | 995 |
| GST input tax recoverable | **579** | 439 |
| Accrued revenue | **250** | 547 |
| Prepayments | **220** | 83 |
| **Total receivables from non-SA Government entities** | **1 720** | 2 064 |
| **Total receivables** | **1 733** | 2 121 |

***Movement in the allowance for doubtful debts***

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. The Commission has recognised a bad and doubtful debts expense of -$4000 ($6000) in the Statement of Comprehensive Income under administration and accommodation.

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Carrying amount at 1 July | **12** | 11 |
| Increase in the allowance | **1** | 3 |
| Amounts recovered during the year | **(5)** | - |
| Amounts written off | **(1)** | (2) |
| **Carrying amount at 30 June** | **7** | 12 |

***Interest rate and credit risk***

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenue 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.

## 14. Plant and equipment

| **2009** | **General Plant and Equipment $'000** | **Event Plant and Equipment $'000** | **Fitouts $'000** | **Pageant Plant and Equipment $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Gross carrying amount: | | | | | |
| Balance at 1 July | **713** | **-** | **2 694** | **1 166** | **4 573** |
| Additions | **123** | **35** | **2 435** | **137** | **2 730** |
| Disposals | **(120)** | **-** | **(1 977)** | **-** | **(2 097)** |
| Other changes | **(211)** | **211** | **-** | **-** | **-** |
| **Balance at 30 June** | **505** | **246** | **3 152** | **1 303** | **5 206** |
| Accumulated depreciation: | | | | | |
| Balance at 1 July | **369** | **-** | **2 093** | **640** | **3 102** |
| Depreciation expense | **85** | **24** | **563** | **93** | **765** |
| Disposals | **(82)** | **-** | **(1 977)** | **-** | **(2 059)** |
| Other changes | **(68)** | **68** | **-** | **-** | **-** |
| **Balance at 30 June** | **304** | **92** | **679** | **733** | **1 808** |
| Net book value: | | | | | |
| **As at 30 June 2009** | **201** | **154** | **2 473** | **570** | **3 398** |
| As at 30 June 2008 | 344 | - | 601 | 526 | 1 471 |

| **2008** | General Plant and Equipment $'000 | Event Plant and Equipment $'000 | Fitouts $'000 | Pageant Plant and Equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| Gross carrying amount: | | | | | |
| Balance at 1 July | 720 | - | 2 409 | 977 | 4 106 |
| Additions | 97 | - | 285 | 189 | 571 |
| Disposals | (104) | - | - | - | (104) |
| **Balance at 30 June** | 713 | - | 2 694 | 1 166 | 4 573 |
| Accumulated depreciation: | | | | | |
| Balance at 1 July | 361 | - | 1 609 | 542 | 2 512 |
| Depreciation expense | 100 | - | 484 | 98 | 682 |
| Disposals | (92) | - | - | - | (92) |
| **Balance at 30 June** | 369 | - | 2 093 | 640 | 3 102 |
| Net book value: | | | | | |
| **As at 30 June 2008** | 344 | - | 601 | 526 | 1 471 |
| As at 30 June 2007 | 359 | - | 800 | 435 | 1 594 |

## 15. Intangible assets

| | Christmas Pageant Goodwill 2009 | 2008 |
|---|---|---|
| Christmas Pageant goodwill: | **$'000** | $'000 |
| Net carrying amount | **-** | 88 |
| Write-off following impairment assessment | **-** | 88 |
| **Total Christmas Pageant goodwill** | **-** | - |

The Commission carried out an impairment assessment of the value of goodwill as at 30 June 2008. As future economic benefits are assessed to be minimal, goodwill has been written down to zero.

## 16. 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 the Tourism Australia (TA) to present and market Australian tourism product to the world through the TA's website. Operators listed on the ATDW have their details uploaded onto the new 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.

## 17. Payables

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Creditors | **199** | 649 |
| Accrued expenses | **2 318** | 1 793 |
| Employment on-costs | **227** | 211 |
| **Total current payables** | **2 744** | 2 653 |
| Non-current: | | |
| Employment on-costs | **119** | 110 |
| **Total non-current payables** | **119** | 110 |

***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.

## 18. Other liabilities

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Lease incentive | **154** | - |
| Unclaimed monies | **14** | 14 |
| Unearned revenue | **23** | 147 |
| **Total current other liabilities** | **191** | 161 |
| Non-current: | | |
| Lease incentive | **1 246** | - |
| **Total non-current other liabilities** | **1 246** | - |

## 19. Employee benefits

| | | |
|---|---|---|
| Current: | | |
| Annual leave | **725** | 731 |
| Short-term long service leave | **236** | 202 |
| Accrued salaries and wages | **309** | 234 |
| **Total current employee benefits** | **1 270** | 1 167 |
| Non-current: | | |
| Long service leave | **1 196** | 1 222 |
| **Total non-current employee benefits** | **1 196** | 1 222 |

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2009 was $1.497 million ($1.378 million) and $1.315 million ($1.332 million) respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not been changed from the 2008 benchmark (6.5 years).

## 20. Borrowings

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Balance 1 July | **423** | 593 |
| Repayments | **(180)** | (170) |
| **Balance 30 June** | **243** | 423 |
| Represented by: | | |
| Current borrowings | **193** | 180 |
| Non-current borrowings | **50** | 243 |
| **Total borrowings** | **243** | 423 |

All borrowings held at 30 June 2009 were payable to SA Government. Borrowings are recognised at cost and have a maturity date of 21 September 2010. The interest rate is 6.72 percent for the life of the loan.

**21. 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: | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Within one year | **1 572** | 1 436 |
| Later than one year but not longer than five years | **5 830** | 5 255 |
| Later than five years | **5 965** | 6 540 |
| **Total operating lease commitments** | **13 367** | 13 231 |

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***

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Within one year | **11 859** | 6 400 |
| Later than one year but not longer than five years | **10 694** | 7 337 |
| Later than five years | **22** | 891 |
| **Total other commitments** | **22 575** | 14 628 |

The Commission's other commitments are for grants to Regional Tourism Marketing Boards, international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts.

***(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:

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Within one year | **4 501** | 3 383 |
| Later than one year but not longer than five years | **3 051** | 2 763 |
| **Total remuneration commitments** | **7 552** | 6 146 |

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

**22. Transferred functions**

***(a) Transferred out***

Under the Public Sector Management (Shared Services (1)) Proclamation 2008, from 14 July 2008 the one employee listed in the proclamation was incorporated into the Department of Treasury and Finance.

Likewise, under the Public Sector Management (Shared Services (6)) Proclamation 2008, from 20 October 2008 the one employee listed in the proclamation was also incorporated into the Department of Treasury and Finance.

The following assets and liabilities were transferred to Shared Services SA, Department of Treasury and Finance:

| **Assets** | **14.07.08** | **20.10.08** | **Total** |
|---|---|---|---|
| Current: | **$'000** | **$'000** | **$'000** |
| Cash and cash equivalents | **28** | **3** | **31** |
| **Total assets** | **28** | **3** | **31** |
| **Liabilities** | | | |
| Current: | | | |
| Payables | **2** | **-** | **2** |
| Short-term employee benefits | **22** | **3** | **25** |
| Non-current: | | | |
| Long-term employee benefits | **4** | **-** | **4** |
| **Total liabilities** | **28** | **3** | **31** |
| **Net assets transferred** | **-** | **-** | **-** |

**23. Auditors' remuneration**

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Audit fees paid/payable to the Auditor-General's Department | **69** | 65 |

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

**24. Remuneration of Board members**

Members who were entitled to receive remuneration for membership during the 2008-09 financial year were:

***South Australian Tourism Commission Board***

| | |
|---|---|
| R Foord | J Jeffreys |
| A Skipper | W Campana |
| L Tuit | M Tilley |
| J Ellison | M Michalewicz (term expired 28 July 2008) |
| I Horne | |

| The number of directors whose total remuneration received or receivable falls within the following bands: | **2009 Number** | 2008 Number |
|---|---|---|
| $0 - $9 999 | **1** | 6 |
| $10 000 - $19 999 | **7** | 7 |
| $20 000 - $29 999 | **1** | - |
| **Total number of directors** | **9** | 13 |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Total remuneration received or receivable by members was $162 000 ($127 000).

Amounts paid to a superannuation plan for board members was $55 000 ($51 000).

Unless otherwise disclosed, transactions between members 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.

**25. Cash flow reconciliation**

| | **2009** | 2008 |
|---|---|---|
| Reconciliation of cash and cash equivalents - cash at 30 June as per: | **$'000** | $'000 |
| Statement of Financial Position | **3 610** | 3 537 |
| Statement of Cash Flows | **3 610** | 3 537 |

***Reconciliation of net cash provided by operating activities to net cost of providing services:***

| | | |
|---|---|---|
| Net cash provided by operating activities | **1 403** | 1 009 |
| Revenues from SA Government | **(52 242)** | (50 306) |
| Non-cash items: | | |
| Depreciation expense and impairment of non-current assets | **(765)** | (770) |
| Loss from disposal of non-current assets | **(32)** | (8) |
| Movement in assets and liabilities: | | |
| (Decrease) Increase in receivables | **(388)** | 374 |
| Increase in employee benefits | **(108)** | (224) |
| Decease in other liabilities | **265** | 50 |
| Increase in payables | **(100)** | (540) |
| **Net cost of providing services** | **(51 967)** | (50 415) |

**26. Financial instruments/financial risk management**

***26.1 Categorisation of financial instruments***

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

| | | Carrying amount | |
|---|---|---|---|
| **Financial assets** | | **2009** | 2008 |
| Cash and cash equivalents: | Note | **$'000** | $'000 |
| Cash and cash equivalents | 12 | **3 610** | 3 537 |
| Receivables: | | | |
| Receivables (1) | 13 | **934** | 1 599 |
| Held to maturity investments: | | | |
| Shares | 16 | **400** | 400 |
| **Total financial assets** | | **4 944** | 5 536 |
| **Financial liabilities** | | | |
| Financial liabilities - at cost: | | | |
| Payables (1) | 17 | **2 517** | 2 442 |
| Other current liabilities | 18 | **37** | 161 |
| Borrowings | 20 | **243** | 423 |
| **Total financial liabilities** | | **2 797** | 3 026 |

(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. The fair value of all financial assets and liabilities is represented by their carrying amount.

***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.

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 any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 13 for information on the allowance for impairment in relation to receivables.

### *26.2 Ageing analysis of financial assets*

| | Past due by | | | |
|---|---|---|---|---|
| **2009** | **Less than 30 days $'000** | **30-60 days $'000** | **More than 60 days $'000** | **Total $'000** |
| Not impaired: | | | | |
| Receivables [1] | **607** | **67** | **10** | **684** |
| Impaired: | | | | |
| Receivables | **-** | **-** | **7** | **7** |
| **2008** | | | | |
| Not impaired: | | | | |
| Receivables [1] | 887 | 123 | 42 | **1 052** |
| Impaired: | | | | |
| Receivables | - | - | 12 | **12** |

### *26.3 Maturity analysis of financial assets and liabilities*

| | Contractual maturities | | | |
|---|---|---|---|---|
| **2009** | **Carrying amount $'000** | **Less than 1 year $'000** | **1-5 years $'000** | **More than 5 years $'000** |
| Financial assets: | | | | |
| Cash and cash equivalents | **3 610** | **3 610** | **-** | **-** |
| Receivables | **934** | **934** | **-** | **-** |
| Shares | **400** | **-** | **-** | **400** |
| **Total financial assets** | **4 944** | **4 544** | **-** | **400** |
| Financial liabilities: | | | | |
| Payables | **2 517** | **2 517** | **-** | **-** |
| Borrowings | **243** | **193** | **50** | **-** |
| Other financial liabilities | **37** | **37** | **-** | **-** |
| **Total financial liabilities** | **2 797** | **2 747** | **50** | **-** |
| **2008** | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 3 537 | 3 537 | - | - |
| Receivables | 1 599 | 1 599 | - | - |
| Shares | 400 | - | - | 400 |
| **Total financial assets** | 5 536 | 5 136 | - | 400 |
| Financial liabilities: | | | | |
| Payables | 2 442 | 2 442 | - | - |
| Borrowings | 423 | 180 | 243 | - |
| Other financial liabilities | 161 | 161 | - | - |
| **Total financial liabilities** | 3 026 | 2 783 | 243 | - |

***Liquidity risk***

The Commission is funded principally by appropriations from the SA Government. The Commission works with the Department of Treasury and Finance 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.

***Market risk***

Market risk for the Commission is primarily through interest rate risk. Exposure to interest rate risk may arise through its borrowings. The Commission's borrowings are managed through SAFA and any movement in interest rates are monitored on a daily basis.

***Market risk (continued)***

The Commission does not engage in high risk hedging for its financial assets. The hedges in 2008-09 were for the payment of representation fees and marketing activity in overseas offices. In 2008-09 the Commission had 10 (four) cash flow hedging contracts mature totalling $6.995 million ($576 000). As at 30 June 2009 the Commission had in place eight hedging contracts to manage exchange risk for 2009-10 totalling $5.34 million. As with all hedges there are minimal financial risks. Cash flows from hedges in 2008-09 are included in the Statement of Comprehensive Income, but not shown separately as the gains (losses) are immaterial.

***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 ($284 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2009 was $220 000 ($227 000).

## 27. Disclosure of administered items

| | SA Visitor and Travel Centre | |
|---|---|---|
| | **2009** | 2008 |
| Administered expenses: | **$'000** | $'000 |
| Commissions paid | **837** | 540 |
| Expenditure to tourism operators | **5 906** | 4 909 |
| **Total administered expenses** | **6 743** | 5 449 |
| Administered income: | | |
| Revenues from SA Government | **-** | - |
| Gross sales revenue | **6 743** | 5 449 |
| **Total administered income** | **6 743** | 5 449 |
| Administered assets: | | |
| Cash and cash equivalents | **1 176** | 1 874 |
| Receivables | **2** | 2 |
| **Total administered assets** | **1 178** | 1 876 |
| Administered liabilities: | | |
| Payables | **852** | 1 001 |
| Deposits on bookings | **76** | 324 |
| Commissions payable | **250** | 547 |
| GST payable | **-** | 4 |
| **Total administered liabilities** | **1 178** | 1 876 |

# SOUTH AUSTRALIAN WATER CORPORATION

## FUNCTIONAL RESPONSIBILITY

### Establishment

The South Australian Water Corporation (the Corporation) was established pursuant to the *South Australian Water Corporation Act 1994*. The Corporation is responsible to the Minister for Water Security.

### Functions

The primary functions of the Corporation, 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 the Corporation and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with the Corporation.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

Subsection 31(1)(b) of the PFAA and subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

#### *Assessment of controls*

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

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

### Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls. During 2008-09, specific areas of audit attention included:

- revenue raising, collection, receipting and banking
- tendering and contract management
- expenditure, including procurement, accounts payable, purchase cards and rebate schemes
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowings 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 statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Water Corporation as at 30 June 2009, and 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 accounts payable, payroll and tendering and contract management 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

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

### *Accounts payable*

Audit identified some areas where internal controls, documentation of procedures and compliance with existing procedures could be improved. These mainly related to: performing checks on supplier master file additions and modifications; controlling the number of non-purchase order suppliers; monitoring and auditing of non-purchase order transactions; reviewing system user access; and complying with credit card procedures.

The response from the Corporation outlined actions planned and taken to address the matters raised.

### *Payroll*

The main audit observation from the payroll audit was that there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. This matter was reported last year.

The Corporation's response outlined action to be taken in 2009-10 to address completeness of recording employee leave and time worked adjustments in the payroll system.

### *Bank reconciliation*

The audit found that the bank reconciliation was incomplete as it contained unexplained variances.

The Corporation's response satisfactorily addressed this matter. As at 30 June 2009 there were no unexplained variances.

### *Revenue*

The main issues from the revenue audit were the non-performance of key reconciliations, unexplained variances in reconciliations and improving the management of recurring estimated water readings.

A satisfactory response was received from the Corporation.

### *Tendering and contract management*

Audit reviewed tendering practices and compliance with established policies and procedures for tendering. The audit also considered the contract management framework which ensures compliance with contractual obligations and management of risks. Audit noted the Corporation engaged a contractor to review the procurement process for the Corporation. That review identified the following issues with the procurement process and control environment at the Corporation:

- no over-arching procurement framework exists that is consistently utilised across all the procurement divisions
- several polices and procedures are outdated, lack clarity and are inconsistently applied
- no consistent key control structure exists that is applied across all procurement divisions (there are existing controls within each procurement division)

- there is a lack of centralised decision making and involvement of procurement practitioners in critical/strategic procurement planning

- there is a lack of guidance procedures to govern contract management.

*Audit observations*

Audit review of tendering and contract management identified areas for improvement similar to the contractor's review. In particular for key areas such as the procurement framework, policies and procedures, key control structures and contract management.

In addition, Audit noted examples where the Corporation could improve documentation to demonstrate compliance with existing policies and procedures. The examples included instances where: approvals were missing; approvals were obtained after the appropriate time; outdated forms were used; and contracts were not published on the Government website. These emphasise the need for a clear framework and policies and procedures, and a consistent control structure to ensure regularity and evidence of compliance.

*Review of Policies and Procedures*

Audit has reported the need to review policies and procedures to the Corporation over the last few years. In March 2009 the Corporation started a reform process to improve procurement practice and the related policies and procedures. This action will benefit the Corporation's procurement practices as well as meeting the requirements of the revised TIs 2 and 28. Refer to comment below on the TIs.

*Corporation's response*

The Corporation advised that the contractor's work formed part of a procurement business improvement process. This process includes collecting all procedures and associated forms and templates in a central controlled location and developing a policy and procedure review plan including process mapping, filling identified process gaps and process improvement. Main elements identified by the contractor are planned for completion in November 2009.

***Virginia pipeline agreement***

The Corporation received funding to assist with the construction of an extension to the Virginia pipeline under an agreement with the commonwealth. Audit observed that the Corporation had not identified all of its obligations under the agreement, or implemented measures to ensure compliance with these obligations. Audit recommended the Corporation develop a policy framework to identify requirements upon establishment of future funding agreements and implement measures to ensure they can demonstrate how the requirements of funding agreements have been met.

***Implementation of the revised TIs 2 and 28***

The Corporation has implemented certain actions in relation to addressing and ensuring compliance with the TIs. The Corporation advised it has:

- developed and maintained a risk management policy, a fraud control policy and a fraud control procedure

- a control and authority framework that is in line with TI 8

- documented policies, procedures, systems and internal controls. In addition the Corporation has developed a policy management policy and procedure to facilitate the timely creation, review and update of all policies and procedures

- developed and issued a Financial Management Compliance Questionnaire (FMCQ). The FMCQ identified policy/procedure gaps and any outdated policies and procedures. Any matters identified from this review are being actioned

- a Compliance Management Framework Policy, which has the intent to establish a uniform approach to the Corporation's compliance with all applicable laws, regulations, industry and internal codes of conduct, corporate polices and other compliance obligations

- drafted a document describing the financial management compliance program.

Audit also noted that the Corporation engaged a contractor to conduct an independent review of the Corporation's compliance with TIs 2 and 28. This review was completed in late July 2009. The review included sample testing of responses to the FMCQ to determine their validity. This review reported:

- the FMCQ was clear and comprehensive and identified the internal systems, processes, policies and procedures already in place demonstrating compliance with TIs 2 and 28
- a sound understanding of the requirements of TIs 2 and 28 by respondents and that non-compliant responses had clear action plans in place to ensure compliance is achieved.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***INCOME*** | | |
| Water and wastewater rates and charges | **630** | 582 |
| Community service obligations | **183** | 165 |
| Other | **176** | 143 |
| **Total income** | **989** | 890 |
| ***EXPENSES*** | | |
| Employment expenses | **92** | 84 |
| Depreciation and amortisation expense | **178** | 162 |
| Operational and service contracts | **140** | 115 |
| Finance costs | **107** | 100 |
| Other expenses | **214** | 142 |
| **Total expenses** | **731** | 603 |
| **Net profit after income tax expense** | **181** | 201 |
| ***OTHER COMPREHENSIVE INCOME*** | **363** | 346 |
| **Total comprehensive income for the year** | **544** | 547 |
| ***NET CASH FLOWS FROM OPERATING ACTIVITIES*** | **331** | 325 |
| ***ASSETS*** | | |
| Current assets | **155** | 101 |
| Non-current assets | **9 534** | 8 411 |
| **Total assets** | **9 689** | 8 512 |
| ***LIABILITIES*** | | |
| Current liabilities | **338** | 214 |
| Non-current liabilities | **2 987** | 2 318 |
| **Total liabilities** | **3 325** | 2 532 |
| ***EQUITY*** | **6 364** | 5 980 |

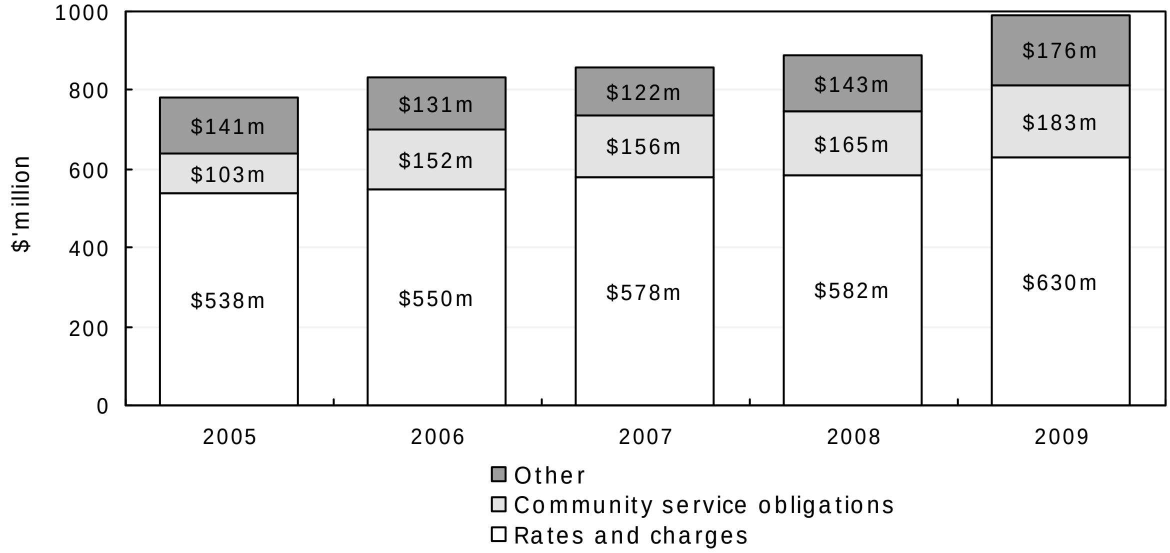
### Statement of Comprehensive Income

#### *Income*

Total income increased by $99 million to $989 million. The increase was due mainly to:

- water and wastewater rates and charges increasing by $48 million due mainly to an increase in prices
- additional recoverable works of $27 million for various government initiatives
- community service obligations (CSOs) increasing by $18 million for more country services and new initiatives
- increased contributed assets of $7 million.

The following chart analyses the main sources of income for the Corporation for the five years to 2009.




The above chart shows total income has increased by $207 million since 2005. Comments on the trend over this period are:

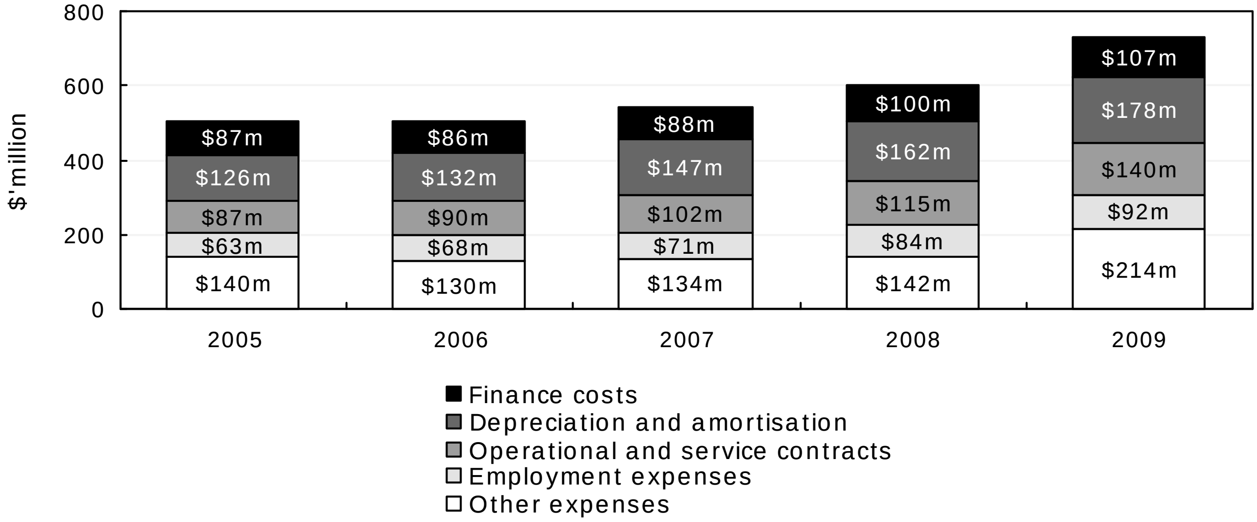
- The main factors affecting water and wastewater rates and charges are price increases and water consumption. Water restrictions, which commenced in November 2006, have resulted in an overall reduction of water consumption since that time. The increase since that time is attributable mainly to price increases and growth in customer numbers.
- The increase in CSOs is due to revised funding arrangements implemented in 2006 under the Financial Ownership Framework agreed with the Department of Treasury and Finance. This resulted in a higher overall level of payments received by the Corporation on an ongoing basis. The increases in 2008 and 2009 reflect mainly additional investment in country water.
- Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives.

***Expenses***

Total expenses increased by $128 million to $731 million. The major components of the increase were:

- finance costs increased by $7 million due to increased borrowings to fund capital projects
- depreciation and amortisation increased by $16 million due mainly to higher asset values
- operation and service costs increased by $25 million due mainly to additional recoverable works and CSO dependent works being undertaken, and escalation factors included in an operations and maintenance contract
- employment expenses increased by $8 million due to salary escalation and the appointment of additional employees for drought and water security initiatives
- other expenses increased by $72 million. Factors contributing to change were:
  - $18 million additional recoverable works being undertaken
  - increases in electricity costs of $13 million due mainly to greater pumping demands and renewable energy and carbon offset programs
  - ex gratia payments to customers arising from a change in billing policy of $10 million
  - losses on interest rate swap derivatives due to historic lows in interest rates and foreign exchange transactions of $12 million
  - increases in rebates provided of $5 million
  - increase in accommodation costs of $4 million.

The following chart analyses the main expense items for the Corporation for the five years to 2009.



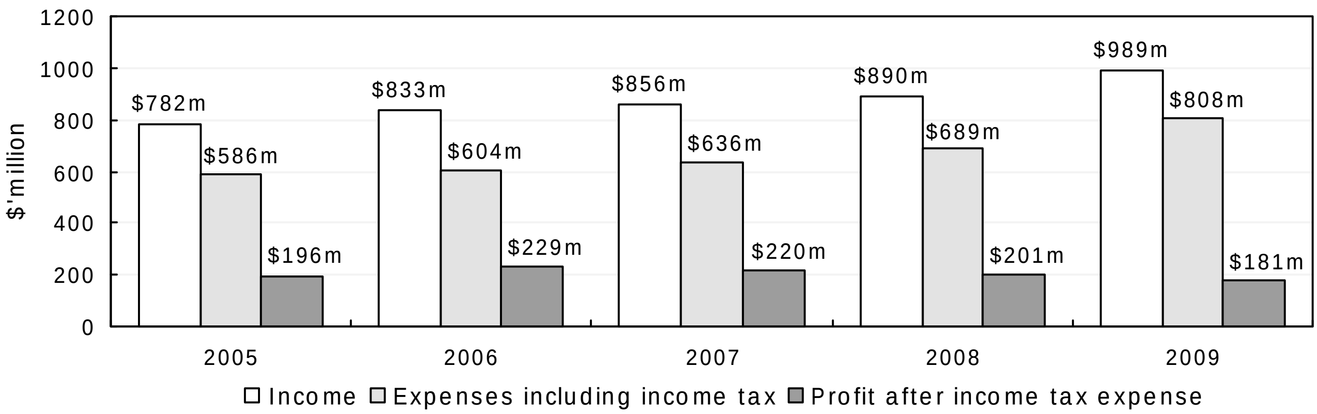

Since 2005 expenses have increased by $228 million. Major factors affecting expenses this period are:

- finance costs increased in 2008 reflecting additional borrowings and increased interest rates. The increase in 2009 was due to additional borrowings even though interest rates decreased
- depreciation and amortisation costs continue to grow significantly in line with the impact of asset revaluations. Over the past five years this expense has increased by $52 million, primarily due to asset revaluations
- operational and service contracts increasing over the past three years due mainly to increased costs for water security activities, water restrictions and the drought
- employment expenses over the past two years exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions and drought initiatives
- 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
  - there was an increase in the level of recoverable works in 2008 and 2009. The level of works varies from year to year depending on economic conditions and government initiatives.

***Operating result***

The Corporation's profit after income tax decreased by $20 million ($19 million) to $181 million ($201 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2009.



The chart shows that both income and expenses have increased over the period since 2005. The chart also shows that for the past four years the profit after income tax has decreased.

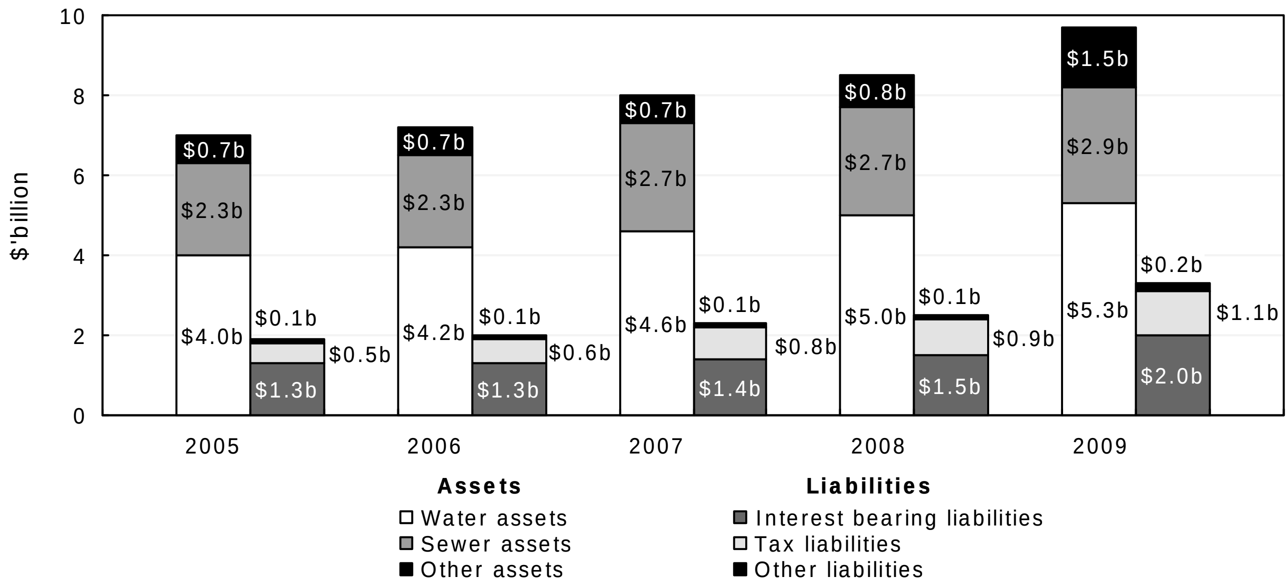
The biggest impact on the Corporation's profit has been various drought and water security initiatives causing higher operating and financing costs.

### *Other comprehensive income*

Other comprehensive income of $363 million ($346 million) is attributable mainly to the revaluation of assets.

### Statement of Financial Position

A structural analysis of non-current assets and non-current liabilities for the five years to 2009, is shown in the following chart.




The Corporation's financial position is dominated by non-current infrastructure assets and related borrowings and tax liabilities.

In 2008-09 total assets increased by $1.2 billion to $9.7 billion. The change was due mainly to:

- expenditure on infrastructure, plant and equipment of $761 million, an increase of $489 million over 2008. The increase reflects additional projects for water security and use of recycled water. Major expenditure for 2009 includes the desalination plant $400 million, Glenelg to Adelaide Recycled Water project $58 million, assets contributed by developers $39 million, Christies Beach wastewater treatment plant capacity upgrade $36 million and lower lakes pipeline $25 million

- infrastructure, plant and equipment revaluations of $501 million. The combined revaluations over the past two years amounted to $980 million. 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 the Corporation's revaluation policies.

Interest bearing liabilities increased by $479 million to fund non-current asset additions. In addition tax liabilities increased by $156 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 2009 current liabilities amounted to $338 million ($214 million), exceeding current assets of $155 million ($101 million) by $183 million ($113 million). While such a large deficiency in working capital can be of concern, the Corporation has a strong cash flow position from operating activities which would enable all of its current liabilities to be met. The increase in current assets of $54 million is due mainly to an increase in GST receivable from the ATO from non-current asset purchases and unused temporary water allocations. Current liabilities increased by $124 million due mainly to an increase in payables for non-current assets and tax liabilities.

***Impact of desalination plant on the Statement of Financial Position and related disclosures***

As described in Note 1(v), in 2008-09 the Corporation began the Adelaide Desalination Project (ADP) to build a seawater desalination plant and transfer pipeline system at Port Stanvac. The total indicative cost of the ADP is $1.8 billion. The ADP has had a material impact on the Statement of Financial Position and related disclosures. The major impacts were additional:

- expenditure on infrastructure, plant and equipment of $400 million
- sundry debtors of $14 million due to GST receivable
- additional trade creditors of $76 million
- capital commitments of $1.1 billion
- other expenditure commitments of $600 million for the operation and maintenance of the desalination plant.

**Statement of Cash Flows**

The following table summarises the net cash flows for the five years to 2009.

| | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | **$'000** | $'000 | $'000 | $'000 | $'000 |
| **Net cash flows** | | | | | |
| Operating activities | **331** | 325 | 308 | 400 | 277 |
| Investing activities | **(649)** | (249) | (160) | (106) | (115) |
| Financing activities | **317** | (79) | (145) | (290) | (163) |
| Change in cash | **(1)** | (3) | 3 | 4 | (1) |
| Cash at 30 June | **1** | 2 | 5 | 2 | (2) |

Factors affecting cash flows over the five years include:

- changed CSO funding arrangements being introduced in 2006 that affected the timing of operating receipts in that year
- an increasing level of investment in the construction and purchase of infrastructure, plant and equipment. In 2009 investing activities increased by $400 million to $649 million, while over a five year period investing activities totalled $1.3 billion
- payment of a dividend to the Government. This amounted to $161 million ($186 million) in 2009
- increased net borrowings. In 2009 net cash flows from borrowings were $482 million ($112 million)
- repayment of $74 million of capital in 2006 made as a result of revised CSO funding arrangements.

**FURTHER COMMENTARY ON OPERATIONS**

**Performance Statement**

As a public corporation the Corporation 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 to between the Corporation, 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.

Two key financial performance measures agreed to in the Performance Statement are set out in the following table.

| **Performance measure** | **Target 2008-09** | **Actual Result 2008-09** |
|---|---|---|
| Profit before tax ($'million) | **278.3** | **258.9** |
| Rate of return on assets (percent)(1) | **4.3** | **3.6** |

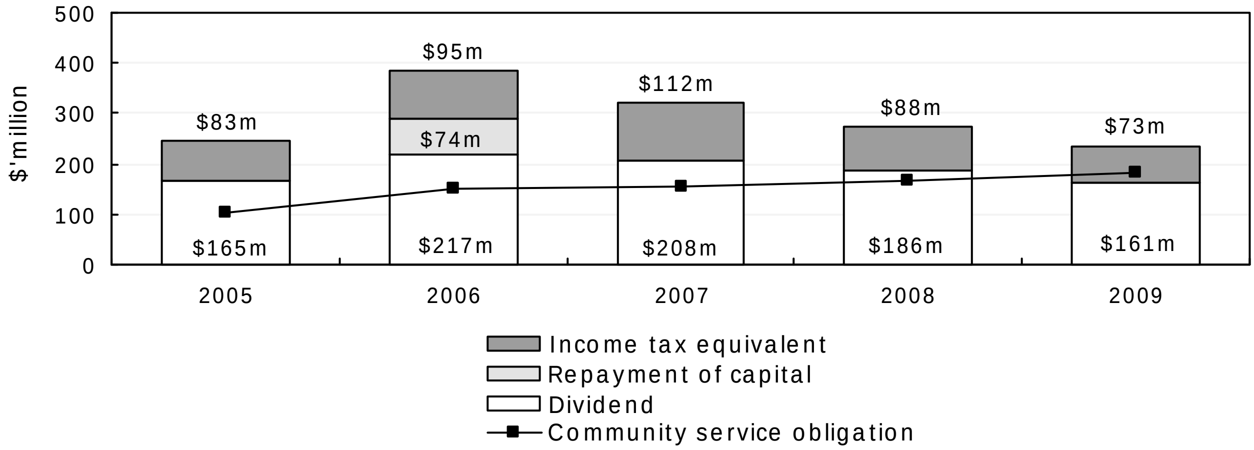
(1) (Profit before tax plus net interest costs, less free assets revenue, plus free assets depreciation) divided by (assets excluding free assets).

The Corporation was close to achieving the profit before tax target. The Corporation's rate of return on assets is less than the target primarily due to increased asset values from revaluations and capital additions.

**Contributions to the State Government**

Effectively, the Government fulfils a number of key roles in relation to the Corporation including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of the Corporation which impacts on the amount of funding it provides to, or receives from, the Corporation.

A structural analysis of particular contributions (dividends, capital repayments, income tax equivalent) paid to the Government and CSO funding provided by the government for the five years to 2009 is shown in the following chart.




The above chart shows that the amount of money returned to the SA Government through tax equivalent, dividend and capital repayment decreased each year since 2006, while the level of CSO funding has increased. In 2009 the CSO funding exceeded the dividend. The change in 2006 was due to the introduction of a Financial Ownership Framework.

The Corporation operates under a Financial Ownership Framework developed by the Department of Treasury and Finance 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 and the debt to asset (gearing) ratio.

| | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | **$'000** | $'000 | $'000 | $'000 | $'000 |
| Net cash inflows from operating activities | **331** | 325 | 308 | 400 | 277 |
| Net cash outflows from investing activities | **(649)** | (249) | (160) | (106) | (115) |
| Surplus cash from operations after investing activities | **(318)** | 76 | 148 | 294 | 162 |
| Repayments to owners | **(161)** | (186) | (208) | (292) | (165) |
| Shortfall in funds available to pay owners | **479** | 110 | 60 | (2) | 3 |
| Net increase in borrowings | **482** | 112 | 63 | 1 | 2 |
| Debt/Asset ratio (percent) | **20** | 17 | 17 | 18 | 18 |

Up to 2008 the net cash generated from operating activities was sufficient to cover the net cash used in investing activities (ie essentially the purchase of property, plant and equipment, etc), but insufficient to pay the level of dividend and return of capital required by the Department of Treasury and Finance. To meet its payment obligations to government and finance its capital works programs the Corporation's net increase in borrowings has risen significantly since 2007.

The Performance Statement debt/asset ratio target is 20 percent. In previous years the debt/asset ratio was below the target predominantly due to the value of assets increasing significantly due to revaluation. However, in 2009, due to borrowings to fund capital works (discussed above), the ratio was close to the target.

**Adelaide Desalination Project**

As a part of the consideration of a range of water security projects, Cabinet has approved the construction of the desalination plant. Last year I reported on the commencement of the procurement associated with the desalination plant. The procurement process has been ongoing during 2008-09.

*Major components of the Adelaide Desalination Project*

The ADP is a major construction undertaking. The objective of the work is to construct infrastructure that obtains and treats seawater to produce drinking quality water. The major components the project include:

- design and construction of the desalination plant and associated marine works
- design and construction of the transfer pipeline system (TPS)
- construction of power supply infrastructure (PSI)

Further, there are ongoing costs for the operation and maintenance the desalination plant and the power to operate the desalination plant.

*Major events*

In November 2007 Cabinet approved, in principle, the construction of a 50 GL desalination plant and preparations for a pilot plant to investigate the treatment of seawater for detailed design of a desalination plant.

In February 2008, Cabinet approved the Corporation procuring the desalination plant and marine works at Port Stanvac using a Design, Build, Operate and Maintain (DBOM) procurement method.

On 16 June 2008 Cabinet approved for the Corporation to procure the TPS separately from the DBOM procurement.

In July 2008 Cabinet approved the acceleration of the procurement of the full scale plant. In essence, project acceleration is to be achieved through shortening the tendering, construction and commissioning processes.

On 10 November 2008, Cabinet approved estimated capital expenditure of $1374 million for the ADP for a 50 GL per annum plant with the capability to expand up to 100 GL per annum capacity in the future.

On 23 December 2008 the TPS contract was executed.

In December 2008, contracts for construction and operational PSI were executed.

On 16 February 2009 the DBOM contracts were executed comprising Design and Construct contracts and an Operation and Maintenance contract for a 20 year period.

On 1 June 2009 Cabinet approved capital expenditure of up to $1824 million for the expansion of the ADP from 50 GL per annum to 100 GL per annum capacity. Reasons for the expansion included:

- Commonwealth funding of $228 million (taking the total commonwealth funding to $328 million)
- improved water security
- price certainty as provision for expansion was built into existing contracts
- utilisation of existing mobilised project delivery resources.

The June 2009 submission also noted that the 100 GL plan can only be utilised fully in the summer months through the Happy Valley System. For full (whole year) utilisation of the 100 GL in the future, the Corporation will need to undertake additional pipeline interconnection works. These are budgeted at $403 million in the Corporation’s forward capital expenditure plan for delivery by 2013-14.

In July 2009 Cabinet approved development funding for the preliminary works for the pipeline interconnection works. Oversight of the project is provided by the Adelaide Desalination Project Steering Committee (see 'Governance arrangements' hereafter).

On 7 September 2009, the contract to supply renewable energy to operate the desalination plant was executed.

*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 the Corporation, the Department for Transport, Energy and Infrastructure, the Department of Water, Land and Biodiversity Conservation and the Department for Environment and Heritage.

A separate project team established within the Corporation has responsibility for executing the procurement and delivery arrangements for the pilot and full scale desalination plant facilities.

*Project expenditure*

The financial statements have included information on the ADP. This includes ADP expenditure on infrastructure, plant and equipment of $400 million in 2009 and discloses commitments at 30 June 2009 of $1.1 billion for capital and $600 million for the operation and maintenance.

*Audit review*

Audit has recently commenced a review of aspects of the ADP procurement strategy and process.

**South Australian Water Corporation and United Water charging dispute**

Note 34 to the Corporation's financial statements discloses that the Corporation has commenced Supreme Court action against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract.

The action relates to a charging dispute under the contractual agreement that exists between the Corporation and United Water. United Water's main responsibilities under the agreement involve 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. United Water charges the Corporation for these services.

*Nature of charging dispute*

The Corporation and United Water entered an 'Agreement for the Development of a World-Class Water Industry in South Australia and the Management, Operation and Maintenance of the Adelaide's Water and Wastewater Systems'. The agreement commenced on 1 January 1996 and will expire on 30 June 2011.

A key objective of the agreement is the introduction by United Water of international best practice water and wastewater services so as to realise savings in the costs of these services to South Australia.

The agreement provides for two pricing reviews during its 15.5 year term. The second pricing review began in December 2005 for the pricing period from 1 July 2006. Regarding negotiations between the parties for the second review, in July 2007 the Corporation notified Uniting Water of a dispute over charging determination.

*Developments in 2008-09*

Audit has noted that the Corporation has continued with actions directed to addressing resolution of this dispute, including a joint review process between the Corporation and United Water involving each party using independent experts to analyse financials important to the charging determination.

The joint review exercise did not result in a resolution of the charging dispute. The Corporation acting under expert advice initiated Supreme Court proceedings in August 2009 in relation to the charging dispute.

*Audit comment*

It is important that the Corporation takes 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 Corporation 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 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| **INCOME:** | | **$'000** | $'000 |
| Revenue from ordinary activities | 4 | **988 690** | 887 153 |
| Other income | 5 | **745** | 2 313 |
| **Total income** | | **989 435** | 889 466 |
| | | | |
| **EXPENSES:** | | | |
| Depreciation and amortisation expense | 6 | **(177 696)** | (162 128) |
| Finance costs | | **(106 905)** | (99 821) |
| Electricity expense | | **(40 550)** | (27 792) |
| Services and supplies | | **(174 060)** | (114 002) |
| Operational and service contracts | | **(139 549)** | (114 917) |
| Salaries and employee benefits expense | | **(91 821)** | (84 005) |
| **Total expenses** | | **(730 581)** | (602 665) |
| | | | |
| **PROFIT BEFORE INCOME TAX** | | **258 854** | 286 801 |
| Income tax expense | 7 | **(77 296)** | (85 771) |
| **NET PROFIT AFTER INCOME TAX EXPENSE** | | **181 558** | 201 030 |
| | | | |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Gain on revaluation of infrastructure, plant and equipment assets | 31 | **500 524** | 480 658 |
| Revaluation of investment in unlisted shares | 31 | **5 931** | 637 |
| Income tax relating to components of other comprehensive income | 7(c) | **(143 788)** | (135 045) |
| **Other comprehensive income for the year, net of tax** | | **362 667** | 346 250 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **544 225** | 547 280 |

Total comprehensive income for the year is attributable to the SA Government as owner

# Statement of Financial Position
## as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| **CURRENT ASSETS:** | | **$'000** | $'000 |
| Cash and cash equivalents | 28 | **1 281** | 2 430 |
| Receivables | 9 | **127 478** | 91 644 |
| Inventories | 10 | **5 287** | 5 123 |
| Derivative financial instruments | 24 | **-** | 222 |
| Other current assets | 11 | **20 866** | 1 795 |
| **Total current assets** | | **154 912** | 101 214 |
| **NON-CURRENT ASSETS:** | | | |
| Derivative financial instruments | 24 | **1 576** | 906 |
| Available-for-sale financial assets | 12 | **14 536** | 8 605 |
| Property, plant and equipment | 15 | **9 422 359** | 8 338 078 |
| Deferred tax assets | 13 | **27 540** | 19 064 |
| Intangible assets | 14 | **50 026** | 44 621 |
| Other non-current assets | 16 | **18 464** | - |
| **Total non-current assets** | | **9 534 501** | 8 411 274 |
| **Total assets** | | **9 689 413** | 8 512 488 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 17 | **188 235** | 80 623 |
| Interest bearing liabilities | 18 | **96 955** | 97 244 |
| Derivative financial instruments | 24 | **1 359** | - |
| Current tax liabilities | 19 | **32 959** | 19 303 |
| Provisions | 20 | **17 551** | 14 993 |
| Other current liabilities | 21 | **1 511** | 1 374 |
| **Total current liabilities** | | **338 570** | 213 537 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 22 | **1 630** | 1 551 |
| Interest bearing liabilities | 23 | **1 860 109** | 1 381 181 |
| Derivative financial instruments | 24 | **7 191** | 5 486 |
| Deferred tax liabilities | 25 | **1 044 428** | 901 683 |
| Provisions | 26 | **25 545** | 26 681 |
| Other non-current liabilities | 27 | **48 096** | 1 492 |
| **Total non-current liabilities** | | **2 986 999** | 2 318 074 |
| **Total liabilities** | | **3 325 569** | 2 531 611 |
| **NET ASSETS** | | **6 363 844** | 5 980 877 |
| **EQUITY:** | | | |
| Contributed equity | | **173 610** | 173 610 |
| Reserves | 31(a) | **5 994 726** | 5 634 338 |
| Retained profits | 31(b) | **195 508** | 172 929 |
| **TOTAL EQUITY** | | **6 363 844** | 5 980 877 |

Total equity is attributable to the SA Government as owner

# Statement of Changes in Equity
# for the year ended 30 June 2009

| | Note | Contributed equity $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2007 | | 173 610 | 5 338 038 | 157 493 | 5 669 141 |
| Effect of changes in accounting policies | 1 | - | (49 490) | - | (49 490) |
| Restated total equity at 1 July | | 173 610 | 5 288 548 | 157 493 | 5 619 651 |
| Profit for the year | | - | - | 201 030 | 201 030 |
| Gain on revaluation of infrastructure, plant and equipment assets | 31 | - | 480 658 | - | 480 658 |
| Revaluation of investment in unlisted shares | 31 | - | 637 | - | 637 |
| Transfer to retained profits on disposal | 31 | - | (460) | 460 | - |
| Income tax relating to components of other comprehensive income | 7(c) | - | (135 045) | - | (135 045) |
| Total comprehensive income for the year | | - | 345 790 | 201 490 | 547 280 |
| Transactions with the SA Government in their capacity as owners: | | | | | |
| Dividends provided for or paid | 37 | - | - | (186 054) | (186 054) |
| Balance at 30 June 2008 | | 173 610 | 5 634 338 | 172 929 | 5 980 877 |
| Balance at 1 July 2008 | | 173 610 | 5 634 338 | 172 929 | 5 980 877 |
| Profit for the year | | - | - | 181 558 | 181 558 |
| Gain on revaluation of infrastructure, plant and equipment assets | 31 | - | 500 524 | - | 500 524 |
| Revaluation of investment in unlisted shares | 31 | - | 5 931 | - | 5 931 |
| Transfer to retained profits on disposal | 31 | - | (2 279) | - | (2 279) |
| Transfer from infrastructure, plant and equipment reserve | 31 | - | - | 2 317 | 2 317 |
| Income tax relating to components of other comprehensive income | 7(c) | - | (143 788) | - | (143 788) |
| Total comprehensive income for the year | | - | 360 388 | 183 875 | 544 263 |
| Transactions with the SA Government in their capacity as owners: | | | | | |
| Dividends provided for or paid | 37 | - | - | (161 296) | (161 296) |
| **Balance at 30 June 2009** | | **173 610** | **5 994 726** | **195 508** | **6 363 844** |

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

# Statement of Cash Flows
# for the year ended 30 June 2009

| | Note | **2009 Inflows (Outflows) $'000** | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **808 496** | 699 002 |
| Payments to suppliers and employees | | **(552 060)** | (380 597) |
| Receipts from community service obligation funding | | **182 669** | 163 494 |
| Receipts from contributions | | **29 357** | 31 925 |
| Receipts from government grants | | **43 872** | 1 005 |
| Interest received | | **418** | 634 |
| Finance costs paid | | **(108 947)** | (102 282) |
| Income taxes paid | 19 | **(73 159)** | (87 753) |
| **Net cash inflows from operating activities** | 29 | **330 646** | 325 428 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments for construction and purchase of infrastructure, plant and equipment | | **(641 857)** | (244 578) |
| Payments for intangible assets | | **(10 278)** | (5 162) |
| Proceeds from disposal of infrastructure, plant and equipment | | **2 964** | 906 |
| **Net cash outflows from investing activities** | | **(649 171)** | (248 834) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **1 677 615** | 795 179 |
| Repayment of borrowings | | **(1 195 333)** | (683 017) |
| Dividends paid | 37 | **(161 296)** | (186 054) |
| Repayment of finance lease liability | | **(3 610)** | (5 034) |
| **Net cash inflows (outflows) from financing activities** | | **317 376** | (78 926) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(1 149)** | (2 332) |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **2 430** | 4 762 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 28 | **1 281** | 2 430 |

## 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 incorporated 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 *Public Corporations Act 1993* apply. Property, rights, powers and liabilities of the Minister for Water Security, 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 the TIs and APFs issued pursuant to the PFAA.

*Reclassification of information*

Preliminary investigations relates to expenditure incurred to assess the performance and potential improvement of infrastructure assets, as well as options for broadening services to customers. Where the expenditure leads to new or improved infrastructure assets, the costs are transferred to infrastructure assets. Preliminary investigation expenditure is reviewed annually to ensure the accuracy of classification as either capital or operating in nature. Preliminary investigations are now included within work in progress and the 2007-08 comparatives have been amended to reflect this change.

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

The APF was amended to classify easements held over land as intangible assets and measured at cost. Easements were previously reported under land and were indexed annually using the Producer Price Index. The change in the APF has resulted in the revaluation amount of easements being reversed against the asset revaluation reserve as easements are now reported at cost. Refer to the Statement of Changes in Equity.

*Historical cost convention*

The 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.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

*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 to Note 33.

**(c) Revenue recognition**

*Rates and charges*

Revenue from water usage is based on water consumed by customers and other rates and charges are based on amounts billed during the financial year ended 30 June. Refer also to Note 3.

*Community service obligations*

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 community service obligations (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; or

 (b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets and contributions to assist in the construction of assets are recognised as revenue at the fair value of the asset received when the Corporation gains control of the asset.

*Disposal of non-current assets*

The gain or loss on disposal of non-current assets is included as income 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 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 (continued)*
Government grants relating to construction of property, 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 Commonwealth grant funding in 2008-09 amounting to $44.826 million for the following projects: Virginia Pipeline Extension, Glenelg to Adelaide Park Lands Recycled Water Project, Lower Lakes Integrated Pipeline (potable water component) and the Water Information - Modernisation and Extension of Hydrometric Stations Programme.

**(d) Non-current assets**

*(i) 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 annually revalues its non-current assets at Directors' valuation or independent valuation, with effect from 1 July each year. 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.

  Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial 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:

  (i) 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) Water mains, water meters and sewer mains - Directors' valuations are predominantly based on current contract rates. 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 were independently valued by GHD Pty Ltd.

  (c) Other infrastructure assets - independent valuation or Directors' valuations based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

  (ii) Land and buildings
  Land is brought to account at market value using valuations provided from the State Valuer-General.

  Buildings were indexed by the PPI for the year ended 30 June 2009.

  (iii) Plant and equipment
  Plant and equipment is brought to account at historical cost.

  (iv) 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:

| | *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.

*(ii)* *Available-for-sale financial assets*
The Corporation's investment in non-voting class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme (VPS) have been measured at fair value, in accordance with AASB 139 (refer Note 12). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the fair value 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.

*(iii)* *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:

  — Licence 2333 River Murray licence for metropolitan Adelaide.
  — Licence 2334 River Murray licence for country Adelaide.
  — Various other River Murray licences that can be used for Adelaide, country or other purposes.
  — 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.

- *Water allocations - permanent*
  The Corporation has purchased a series of tradable water allocations. The allocations are accumulated onto licences held by the Corporation issued by the SA Government.

  Water allocations are measured at cost on the date of acquisition. The water allocations have an indefinite useful life and as such, are not subject to amortisation.

- *Water allocations - temporary*
  In addition to the permanent water allocations above, during 2008-09 the Government granted approval for SA Water to purchase temporary water allocations to be used for critical human needs in 2009-10 and 2010-11. These purchases have been treated as other assets in the accounts and will be expensed as the water is used.

- *Prescription of the Mount Lofty Ranges*
  SA Water has incurred $4.5 million expenditure 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 intangible assets and measured at cost. Easements gifted to the Corporation are not valued.

- *Application software*
  Application software is measured at cost as per AASB. The useful life is reviewed annually and has been assessed at seven years. The software is amortised using the straight-line method.

### (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. SA Water's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows under the assumption of consisting of two cash generating units. 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 2009 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.

*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 RevenueSA, 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 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) Finance costs***

Finance costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges. Finance costs are expensed as incurred.

***(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. Refer also to Note 3.

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), ASIA, FIAA 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 WorkCover 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), ASIA, FIAA of Professional Financial Consulting Pty Ltd.

***(o) Insurance***

The SAICORP Division of the South Australian Government Financing Authority (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 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 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 Crown Law advice are 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.

*Make good provision*

In accordance with the lease agreement with the Department for Transport, Energy and Infrastructure the Corporation must have restored the leased premises in Grenfell Street to its original condition by the end of the lease term (November 2008). The costs were fully incurred during 2008-09.

***(r) Borrowings***

All SA Water’s core debt borrowings are measured at their historical value. The Corporation has a fully utilised long term borrowing facility with the 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 provides 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.

*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.

*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 2009 the Corporation 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's 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 Treasury Policy, derivative financial instruments are not held for speculative purposes.

***(t) Segment reporting***

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities mainly comprise tax assets, interest bearing liabilities, tax liabilities and corporate assets and liabilities that cannot be allocated to segments on a reasonable basis.

Segment capital expenditure is the total cost recognised during the period to acquire and construct segment assets that are expected to be used for more than one annual reporting period.

***(u) 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 in Note 41 as administered items.

*River Murray levy*

The Corporation is responsible for administering the Save the River Murray Levy. The Save 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.

*Cooperative Research Centre for Water Quality and Treatment*

The Cooperative Research Centre for Water Quality and Treatment (CRC) was formed on 14 June 1995, as an Unincorporated Joint Initiative between seventeen participants including SA Water to conduct research and education programs on the quality of water for urban communities in Australia. SA Water provides accounting services to the CRC by administering the collection of funds and payment of accounts. The Corporation does not have discretionary control over CRC funds. Funding for the CRC for Water Quality and Treatment under the Commonwealth's Cooperative Research Centre Program expired on 30 June 2008. The CRC ceased to be administered by SA Water on 30 November 2008.

*Compensation payments from United Water International*

In 2005-06, the State Government consented to a change in ownership of United Water International (United Water). As part of the change in ownership negotiation, United Water agreed to make payments to the Government (through SA Water) in settlement of United Water being released from a condition of the contract to relocate Thames Water Asia Pacific to South Australia and a requirement for Australianisation. The United Water contract requires these payments be made to the Minister for Water Security. SA Water receives these payments which are then forwarded to the Department of Treasury and Finance.

*Rainwater Tank Plumbing Rebate Scheme*

In 2006-07 the Minister for Water Security approved the introduction of a Rainwater Tank Plumbing Rebate Scheme. The scheme is administered by SA Water on behalf of the Minister for Environment and Conservation.

*Water Allocations on behalf of Department of Water, Land and Biodiversity Conservation*

In 2008-09 the Minister for Water Security conferred on SA Water the function of purchasing water entitlements (both permanent and temporary) for and on behalf of the State. This includes the purchase of temporary water allocations on behalf of The Department of Water, Land and Biodiversity Conservation (DWLBC). The revenue and expenditure relating to the purchase of water allocations for DWLBC is included in the Administered Items schedule. Administration costs relating to the water allocations purchased are recovered from DWLBC and recognised in the SA Water controlled financial statements. Water allocations that are purchased for SA Water's use are recognised in the SA Water controlled Financial Statements.

*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 SA (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 is expected to be complete in 2009-10.

***(v) Adelaide Desalination Project***
In 2008-09 SA Water began the Adelaide Desalination Project to build a seawater desalination plant and transfer pipeline system at Port Stanvac. The Adelaide Desalination Project will deliver up to 100 billion litres of water each year to manage the expected long term reduction of reservoir inflows. First water will be delivered via the plant in December 2010. The plant will be fully operational in late 2012. Material movements in the 2008-09 financial statements as a result of the Adelaide Desalination Project are disclosed separately in the Notes.

***(w) New accounting standards and interpretations***
AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2009, except for the amendments to AASB 101 which have been early-adopted. The Corporation has assessed the impact of the other new and amended standards and there will be no material impact on the accounting policies 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.

*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:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying, amount $'000 | Fair value $'000 |
| Long-term borrowings | **1 744 304** | **1 757 157** | 1 261 304 | 1 241 249 |

The fair values of all other financial liabilities approximates the carrying values.

*(ii) Summarised sensitivity analysis*
The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, assuming all other variables are held constant. The movements in post-tax profit for the year and equity 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 2009 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1 percent upwards and 0.5 percent downwards. This assumption is based on the term to maturity of interest rates swaps and the current implied future three month floating rate.

| | | **Interest rate risk** | | | |
|---|---|---|---|---|---|
| | **Carrying** | **-0.5%** | | **+1%** | |
| **2009** | **amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| Financial assets: | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash and cash equivalents | **1 281** | **(5)** | **(5)** | **9** | **9** |
| Derivatives - held-for-trading | **1 576** | **575** | **575** | **(1 150)** | **(1 150)** |
| Financial liabilities: | | | | | |
| Derivatives - held-for-trading | **(8 550)** | **(838)** | **(838)** | **1 676** | **1 676** |
| Short-term borrowings | **(92 882)** | **325** | **325** | **(650)** | **(650)** |
| Long-term borrowings | **(1 744 304)** | **718** | **718** | **(1 435)** | **(1 435)** |
| **Total increase (decrease)** | | **775** | **775** | **(1 550)** | **(1 550)** |

| 2008 | Carrying amount | Interest rate risk -1% Profit | Equity | +1% Profit | Equity |
|---|---|---|---|---|---|
| Financial assets: | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 2 430 | (17) | (17) | 17 | 17 |
| Derivatives - held-for-trading | 1 128 | (1 584) | (1 584) | 1 584 | 1 584 |
| Financial liabilities: | | | | | |
| Derivatives - held-for-trading | (5 486) | 1 111 | 1 111 | (1 111) | (1 111) |
| Short-term borrowings | (93 600) | 655 | 655 | (655) | (655) |
| Long-term borrowings | (1 261 304) | 1 435 | 1 435 | (1 435) | (1 435) |
| **Total increase (decrease)** | | 1 600 | 1 600 | (1 600) | (1 600) |

***(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 unforseen 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 and interest. 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.

| **2009** | **Less than 1 year $'000** | **1-2 years $'000** | **2-5 years $'000** | **More than 5 years $'000** | **Total contractual cash flows $'000** |
|---|---|---|---|---|---|
| Non-derivatives: | | | | | |
| Non-interest bearing liabilities* | **166 451** | **-** | **-** | **-** | **166 451** |
| Finance lease liabilities | **20 852** | **20 852** | **62 553** | **186 224** | **290 481** |
| Floating rate borrowings | **195 789** | **86 497** | **27 872** | **-** | **310 158** |
| Fixed rate borrowings | **656 629** | **326 871** | **590 085** | **185 580** | **1 759 165** |
| **Total non-derivatives** | **1 039 721** | **434 220** | **680 510** | **371 804** | **2 526 255** |
| Derivatives: | | | | | |
| Financial liabilities: | | | | | |
| Net settled (interest rate swaps) | **6 730** | **2 214** | **992** | **-** | **9 936** |
| Financial assets: | | | | | |
| Net settled (interest rate swaps) | **(1 727)** | **(854)** | **344** | **-** | **(2 237)** |
| **Total derivatives** | **5 003** | **1 360** | **1 336** | **-** | **7 699** |
| **2008** | | | | | |
| Non-derivatives: | | | | | |
| Non-interest bearing liabilities* | 60 395 | | - | - | 60 395 |
| Finance lease liabilities | 20 460 | 20 460 | 61 378 | 202 406 | 304 704 |
| Floating rate borrowings | 115 824 | 108 693 | 117 095 | - | 341 612 |
| Fixed rate borrowings | 412 429 | 210 817 | 481 602 | 133 412 | 1 238 260 |
| **Total non-derivatives** | 609 108 | 339 970 | 660 075 | 335 818 | 1 944 971 |

| *Contractual maturities (continued)* **2008** | Less than 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|---|
| Derivatives: | | | | | |
| Financial liabilities: | | | | | |
| Net settled (interest rate swaps) | 1 941 | 1 913 | 2 574 | - | 6 428 |
| Financial assets: | | | | | |
| Net settled (interest rate swaps) | (379) | (399) | (219) | - | (997) |
| **Total derivatives** | 1 562 | 1 514 | 2 355 | - | 5 431 |

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

## 3. Critical accounting estimates and judgements

Estimates and judgements 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.

***Unbilled income***

Under the existing meter reading and billing program most customer meters are read and billed on a six month rolling basis. However, for accounting purposes, the revenue generated by customer water consumption is accrued so that it reflects the amount of water used by customers during the financial year. Given that the existing meter reading and billing program does not align with the financial year, it is not possible to determine the actual water used by customers during the year. SA Water therefore utilises a model that draws on information from master meters, the billing system and assessments of water losses to determine an estimate of unbilled water.

## 4. Revenue from ordinary activities

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| CSOs | | **183 087** | 164 597 |
| Water and wastewater rates and charges | | **630 167** | 582 455 |
| Recoverable works | | **83 026** | 55 627 |
| Fees and charges | | **19 819** | 20 697 |
| Miscellaneous | | **2 180** | 688 |
| Government grants | | **4** | 5 |
| Contributed assets | | **68 864** | 61 890 |
| Rents | | **1 069** | 970 |
| Interest | | **474** | 224 |
| | | **988 690** | 887 153 |

## 5. Other income

| | | | |
|---|---|---|---|
| Net gain on disposal of infrastructure, plant and equipment | | **212** | 487 |
| Net gain on interest rate derivatives | | **-** | 228 |
| Net gain on termination of finance lease | | **-** | 990 |
| Reversal of prior year infrastructure, plant and equipment revaluation decrement | | **533** | 608 |
| | | **745** | 2 313 |

## 6. Expenses

Profit before income tax includes the following specific expenses:

| | Note | | |
|---|---|---|---|
| Depreciation: | 15 | | |
| Buildings | | **2 156** | 2 664 |
| Plant and equipment | | **3 759** | 4 795 |
| Other | | **9 338** | 9 869 |
| Infrastructure assets - water | | **104 775** | 93 914 |
| Infrastructure assets - sewer | | **53 927** | 48 797 |
| Amortisation: | 14 | | |
| Computer software | | **3 741** | 2 089 |
| **Total depreciation and amortisation** | | **177 696** | 162 128 |
| Finance costs: | | | |
| Interest paid/payable for borrowings not at fair value through profit or loss | | **92 965** | 85 429 |
| Finance charges on capitalised leases | | **13 940** | 14 392 |
| **Total finance costs** | | **106 905** | 99 821 |
| Net losses from fair value adjustments of derivatives held-for-trading:* | | | |
| Interest rate derivatives | | **9 459** | - |
| Foreign currency derivatives | | **2 135** | - |
| | | **11 594** | - |

**6. Expenses (continued)**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Finance lease contingent rentals | **3 073** | 2 760 |
| Rental expense relating to operating leases: | | |
| Minimum lease payments | **7 116** | 3 277 |
| Net bad and doubtful debts expense including movements in allowance for doubtful debts | **99** | (314) |
| Infrastructure, plant and equipment revaluation decrement | **569** | - |
| Write-down in value of infrastructure, plant and equipment | **47** | 40 |
| Write-off value of capital works in progress | **1 140** | 1 043 |
| Superannuation contributions | **11 272** | 10 332 |
| Consultancy costs | **2 485** | 872 |
| Expenditure on behalf of State Government: | | |
| Water Industry Best Practice Program | **487** | 500 |
| CRC | **-** | 150 |
| | **487** | 650 |

* During 2008-09 interest rates fell to historic lows. Net accounting losses on interest rate derivatives were incurred as noted above. The Corporation achieved reduced cost benefits on interest expense where maturing debt was re-priced at lower rates.

**7. Income tax expense**

***(a) Income tax expense***

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Current tax | | **86 898** | 83 550 |
| Deferred tax | | **(9 385)** | 2 418 |
| Amounts over provided in prior years | | **(217)** | (197) |
| | | **77 296** | 85 771 |
| Deferred income tax (revenue) expense included in income tax expense comprises: | | | |
| Increase in deferred tax assets | 13 | **(10 106)** | (1 107) |
| Increase in deferred tax liabilities | 25 | **721** | 3 525 |
| | | **(9 385)** | 2 418 |

***(b) Numerical reconciliation of income tax expense to prima facie tax payable***

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Profit before income tax expense | **258 854** | 286 801 |
| Tax at the Australian tax rate of 30 percent (30 percent) | **77 656** | 86 040 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Net loss (gain) on sale of assets | **3** | (6) |
| Investment allowance | **(146)** | - |
| Revaluation increment | **-** | (66) |
| | **77 513** | 85 968 |
| Amounts over provided in prior years | **(217)** | (197) |
| Income tax expense | **77 296** | 85 771 |
| **Total income tax expense** | **77 296** | 85 771 |

***(c) Tax expense (income) relating to items of other comprehensive income***

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Gain in revaluation of infrastructure, plant and equipment assets | 31(a) | **142 009** | 134 854 |
| Revaluation of investment in unlisted shares | 31(a) | **1 779** | 191 |
| | | **143 788** | 135 045 |

**8. Segment information**

***(a) Description of segments***

*Business segments*

The Corporation comprises the following main business segments based on the Corporation's management reporting system:

- *Metropolitan Water*
  Manage, operate and maintain metropolitan water filtration plants and pipelines that deliver water to customers.

- *Country Water*
  Manage, operate and maintain country reservoirs, pipelines and water filtration plants delivering peak and off-peak water to customers.

- *Metropolitan Sewer*
  Manage, operate and maintain metropolitan wastewater treatment plants and pipelines that remove wastewater from customer properties.

*Business segments (continued)*

- *Country Sewer*
  Manage, operate and maintain country wastewater treatment plants and pipelines that remove wastewater from customer properties.

- *Other*
  Revenue and expenses associated with the Murray-Darling Basin Authority, the Australian Water Quality Centre, engineering workshops and water industry business development.

***(b) Business segments***

| **2009** | **Metro Water** | **Country Water** | **Metro Sewer** | **Country Sewer** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| Segment income: | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Rates and charges | **231 481** | **116 500** | **254 498** | **30 788** | **-** | **633 267** |
| CSOs | **6 926** | **145 379** | **6 895** | **23 887** | **-** | **183 087** |
| Contributed assets | **20 872** | **13 432** | **24 616** | **9 944** | **-** | **68 864** |
| Other revenue | **12 007** | **4 359** | **13 837** | **1 831** | **71 889** | **103 923** |
| Unallocated revenue | **-** | **-** | **-** | **-** | **-** | **294** |
| **Total segment income** | **271 286** | **279 670** | **299 846** | **66 450** | **71 889** | **989 435** |
| **Segment result** | **69 018** | **95 217** | **156 572** | **30 652** | **63** | **351 522** |
| Unallocated expense net of unallocated revenue | | | | | | **(92 668)** |
| Profit before income tax | | | | | | **258 854** |
| Income tax expense | | | | | | **(77 296)** |
| **Profit for the year** | | | | | | **181 558** |
| **Segment assets** | **3 483 641** | **2 758 155** | **2 622 161** | **549 156** | **225 557** | **9 638 670** |
| Unallocated assets | | | | | | **50 743** |
| **Total Assets** | | | | | | **9 689 413** |
| **Segment liabilities** | **134 402** | **165 443** | **51 690** | **12 073** | **34 575** | **398 183** |
| Unallocated liabilities | | | | | | **2 927 386** |
| **Total liabilities** | | | | | | **3 325 569** |
| Acquisition and construction of non-current assets | **454 445** | **81 555** | **131 927** | **10 871** | **52 674** | **731 472** |
| Depreciation and amortisation expense | **61 210** | **56 377** | **48 249** | **11 860** | **-** | **177 696** |
| Other non-cash expenses | **1 141** | **754** | **501** | **182** | **130** | **2 708** |

| **2008** | Metro Water | Country Water | Metro Sewer | Country Sewer | Other | Total |
|---|---|---|---|---|---|---|
| **Segment income:** | | | | | | |
| Rates and charges | 206 323 | 103 326 | 243 605 | 29 200 | - | 582 454 |
| Community service obligations | 2 561 | 131 065 | 7 104 | 22 849 | 1018 | 164 597 |
| Contributed assets | 17 459 | 12 343 | 25 146 | 6 942 | - | 61 890 |
| Other revenue | 9 222 | 4 776 | 11 642 | 2 916 | 51 517 | 80 073 |
| Unallocated revenue | - | - | - | - | - | 452 |
| **Total segment income** | 235 565 | 251 510 | 287 497 | 61 907 | 52 535 | 889 466 |
| **Segment result** | 76 682 | 96 379 | 167 476 | 32 082 | (841) | 371 778 |
| Unallocated expense net of unallocated revenue | | | | | | (84 977) |
| Profit before income tax | | | | | | 286 801 |
| Income tax expense | | | | | | (85 771) |
| **Profit for the year** | | | | | | 201 030 |
| **Segment assets** | 2 788 021 | 2 639 743 | 2 424 563 | 541 237 | 90 802 | 8 484 366 |
| Unallocated assets | | | | | | 28 122 |
| **Total assets** | | | | | | 8 512 488 |
| **Segment liabilities** | 33 010 | 154 763 | 28 900 | 9 566 | 11 021 | 237 260 |
| Unallocated liabilities | | | | | | 2 294 351 |
| **Total liabilities** | | | | | | 2 531 611 |
| Acquisition and construction of non-current assets | 51 463 | 94 922 | 28 548 | 8 529 | 63 635 | 247 097 |
| Depreciation and amortisation expense | 54 274 | 52 941 | 45 095 | 9 818 | - | 162 128 |
| Other non-cash expenses | 1 074 | 1 594 | 735 | 403 | 388 | 4 194 |

## 9. Current assets - receivables

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Receivables: | | |
| Rates receivable (water and wastewater) | **62 709** | 56 218 |
| Sundry debtors* | **53 112** | 24 198 |
| Allowance for doubtful debts | **(65)** | (76) |
| | **115 756** | 80 340 |
| Other receivables: | | |
| CSOs | **11 722** | 11 304 |
| | **127 478** | 91 644 |

* Sundry debtors includes $13.927 million (GST receivable) for the Adelaide Desalination Project.

### (a) *Impaired receivables*

An allowance for impairment loss is recognised when there is objective evidence than an individual receivable is impaired.

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| The ageing of these receivables is as follows: | | |
| More than 90 days overdue | **65** | 76 |
| Movements in the allowance for impairment loss are as follows: | | |
| At 1 July | **76** | 422 |
| Provision for impairment recognised during the year | **23** | (315) |
| Amounts written off | **(34)** | (31) |
| **At 30 June** | **65** | 76 |

### (b) *Past due but not impaired*

| | | |
|---|---|---|
| At 30 June, the ageing of rates receivable that are past due but not impaired is as follows: | | |
| Past due 0-69 days | **10 140** | 10 968 |
| More than 69 days | **6 429** | 5 786 |
| | **16 569** | 16 754 |

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/impaired rates receivables with renegotiated terms at balance date is $6.687 million ($6.068 million).

| | **2009** | 2008 |
|---|---|---|
| At 30 June, the ageing of sundry debtors receivable that are past due but not impaired is as follows: | **$'000** | $'000 |
| Past due 0-30 days | **2 985** | 1 206 |
| Past due more than 30 days | **1 645** | 1 199 |
| | **4 630** | 2 405 |

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/impaired sundry debtor receivables with renegotiated terms at balance date is $1563 million ($1341 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 to Note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

## 10. Current assets - inventories

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Raw materials and stores | **5 613** | 5 231 |
| Allowance for obsolete stock | **(1 038)** | (791) |
| Work in progress - sundry debtors | **712** | 683 |
| | **5 287** | 5 123 |

## 11. Current assets - other current assets

| | | |
|---|---|---|
| Interest receivable | **56** | - |
| Prepayments | **1 278** | 1 795 |
| Temporary water allocations | **19 532** | - |
| | **20 866** | 1 795 |

## 12. Non-current assets - available-for-sale financial assets

| | | |
|---|---|---|
| Unlisted shares at fair value | **14 536** | 8 605 |

**12. Non-current assets - available-for-sale financial assets (continued)**

The Corporation was a participant to the funding arrangements for the 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, a subsidiary of Euratech Limited. Advances to Water Reticulation Systems (Virginia) Pty Ltd were converted to non-voting class B shares, issued at a price of $1 per share.

**13. Non-current assets - deferred tax assets**

| | Note | **2009** | 2008 |
|---|---|---|---|
| The balance comprises temporary differences attributable to: | | **$'000** | $'000 |
| Doubtful debts | | **20** | 23 |
| Obsolete stock | | **311** | 237 |
| Unlisted shares at fair value | | **2 406** | 2 406 |
| Infrastructure, plant and equipment | | **2 486** | 2 169 |
| Pooled assets | | **83** | 85 |
| Payables | | **1 046** | 985 |
| Audit fee payable | | **85** | 82 |
| Government grants | | **7 747** | 299 |
| Employee benefits | | **10 638** | 9 804 |
| Deferred lease incentive | | **573** | - |
| Provision for site rehabilitation | | **1 443** | 1 016 |
| Provision for asset disposal | | **50** | 73 |
| Provision for damages and claims | | **237** | 332 |
| Provision for workers compensation | | **177** | 101 |
| Make good provision | | **-** | 339 |
| Derivative financial liability | | **(118)** | (1 037) |
| | | **27 184** | 16 914 |
| Amounts recognised directly in equity: | | | |
| Derivative financial liability | | **2 683** | 2 682 |
| Unlisted shares at fair value | | **(2 312)** | (532) |
| Revaluation of infrastructure, plant and equipment | | **(15)** | - |
| **Net deferred tax assets** | | **27 540** | 19 064 |
| Movements: | | | |
| Balance at 1 July | | **19 064** | 18 083 |
| Credited to the Statement of Comprehensive Income | 7 | **10 106** | 1 107 |
| Charged to equity | | **(1 764)** | (191) |
| Amounts under-provided in prior years | | **134** | 65 |
| **Balance at 30 June** | | **27 540** | 19 064 |
| Deferred tax assets to be recovered within 12 months | | **6 575** | 5 101 |
| Deferred tax assets to be recovered after more than 12 months | | **20 965** | 13 963 |
| | | **27 540** | 19 064 |

**14. Non-current assets - intangible assets**

| **2009** | **Easements** | **Prescription rights** | **Computer software** | **Purchased water allocations** | **Total** |
|---|---|---|---|---|---|
| Year ended 30 June 2009: | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Opening net book amount | **5 637** | **4 500** | **14 137** | **20 347** | **44 621** |
| Additions from internal development | **-** | **-** | **3 099** | **-** | **3 099** |
| Additions from external acquisitions | **220** | **-** | **5 827** | **-** | **6 047** |
| Amortisation charge | **-** | **-** | **(3 741)** | **-** | **(3 741)** |
| **Closing net book amount** | **5 857** | **4 500** | **19 322** | **20 347** | **50 026** |
| At 30 June 2009: | | | | | |
| Cost | **5 857** | **4 500** | **53 673** | **20 347** | **84 377** |
| Accumulated amortisation | **-** | **-** | **(34 351)** | **-** | **(34 351)** |
| **Net book amount** | **5 857** | **4 500** | **19 322** | **20 347** | **50 026** |
| **2008** | | | | | |
| Year ended 30 June 2008: | | | | | |
| Opening net book amount | 5 623 | 4 500 | 7 442 | 20 347 | 37 912 |
| Additions from internal development | - | - | 5 642 | - | 5 642 |
| Additions from external acquisitions | 14 | - | 3 142 | - | 3 156 |
| Amortisation charge | - | - | (2 089) | - | (2 089) |
| **Closing net book amount** | 5 637 | 4 500 | 14 137 | 20 347 | 44 621 |
| At 30 June 2008: | | | | | |
| Cost | 5 637 | 4 500 | 44 747 | 20 347 | 75 231 |
| Accumulated amortisation | - | - | (30 610) | - | (30 610) |
| **Net book amount** | 5 637 | 4 500 | 14 137 | 20 347 | 44 621 |

## 15. Non-current assets - infrastructure, plant and equipment

| **Year ended 30 June 2009** | **Work in progress $'000** | **Land $'000** | **Buildings $'000** | **Leased sewer infrastructure $'000** | **Plant and equipment $'000** |
|---|---|---|---|---|---|
| Opening net book amount | **249 437** | **257 859** | **13 295** | **19 457** | **24 217** |
| Revaluation* | **-** | **27 960** | **878** | **1 418** | **-** |
| Additions** | **731 472** | **18 269** | **6 379** | **-** | **7 825** |
| Disposals | **-** | **(2 437)** | **-** | **-** | **(301)** |
| Transfers | **(230 648)** | **-** | **-** | **-** | **-** |
| Depreciation charge | **-** | **-** | **(2 156)** | **(557)** | **(3 759)** |
| Asset write-down | **(1 140)** | **-** | **-** | **-** | **(47)** |
| **Closing net book amount** | **749 121** | **301 651** | **18 396** | **20 318** | **27 935** |
| At 30 June 2009: | | | | | |
| Cost | **749 121** | **-** | **-** | **-** | **54 188** |
| Valuation | **-** | **301 651** | **53 134** | **22 292** | **-** |
| Accumulated depreciation | **-** | **-** | **(34 738)** | **(1 974)** | **(26 253)** |
| **Net book amount** | **749 121** | **301 651** | **18 396** | **20 318** | **27 935** |

| | **Water infrastructure $'000** | **Sewer infrastructure $'000** | **Leased water infrastructure $'000** | **Other $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Opening net book amount | **4 913 985** | **2 693 970** | **127 126** | **38 732** | **8 338 078** |
| Revaluation* | **256 154** | **202 411** | **9 267** | **2 436** | **500 524** |
| Additions** | **110 790** | **54 689** | **-** | **62 861** | **992 285** |
| Disposals | **-** | **-** | **-** | **-** | **(2 738)** |
| Transfers | **-** | **-** | **-** | **-** | **(230 648)** |
| Depreciation charge | **(101 396)** | **(53 370)** | **(3 379)** | **(9 338)** | **(173 955)** |
| Asset write-down | **-** | **-** | **-** | **-** | **(1 187)** |
| **Closing net book amount** | **5 179 533** | **2 897 700** | **133 014** | **94 691** | **9 422 359** |
| At 30 June 2009: | | | | | |
| Cost | **-** | **-** | **-** | **-** | **803 309** |
| Valuation | **9 336 467** | **4 719 024** | **168 958** | **151 802** | **14 753 328** |
| Accumulated depreciation | **(4 156 934)** | **(1 821 324)** | **(35 944)** | **(57 111)** | **(6 134 278)** |
| **Net book amount** | **5 179 533** | **2 897 700** | **133 014** | **94 691** | **9 422 359** |

* Includes the reversal of the prior year revaluation decrement. Refer Notes 5 and 31.
** Additions include $400.187 million for the Adelaide Desalination Project.

| **Year ended 30 June 2008** | Work in progress $'000 | Land $'000 | Buildings $'000 | Leased sewer infrastructure $'000 | Plant and equipment $'000 |
|---|---|---|---|---|---|
| Opening net book amount | 223 194 | 224 139 | 14 524 | 22 423 | 22 492 |
| Revaluation | - | 30 608 | 412 | 678 | - |
| Additions | 247 097 | 3 143 | 1 023 | - | 6 949 |
| Disposals | - | (31) | - | - | (389) |
| Transfers | (219 811) | - | - | (3 124) | - |
| Depreciation charge | - | - | (2 664) | (520) | (4 795) |
| Asset write-down | (1 043) | - | - | - | (40) |
| **Closing net book amount** | 249 437 | 257 859 | 13 295 | 19 457 | 24 217 |
| At 30 June 2008: | | | | | |
| Cost | 249 437 | - | - | - | 49 467 |
| Valuation | - | 257 859 | 44 819 | 20 777 | - |
| Accumulated depreciation | - | - | (31 524) | (1 320) | (25 250) |
| **Net book amount** | 249 437 | 257 859 | 13 295 | 19 457 | 24 217 |

| | Water infrastructure $'000 | Sewer infrastructure $'000 | Leased water infrastructure $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening net book amount | 4 442 598 | 2 635 017 | 122 786 | 40 964 | 7 748 137 |
| Revaluation | 407 573 | 34 466 | 4 318 | 1 339 | 479 394 |
| Additions | 154 585 | 69 640 | 3 165 | 6 298 | 491 900 |
| Disposals | - | - | - | - | (420) |
| Transfers | - | 3 124 | - | - | (219 811) |
| Depreciation charge | (90 771) | (48 277) | (3 143) | (9 869) | (160 039) |
| Asset write-down | - | - | - | - | (1 083) |
| **Closing net book amount** | 4 913 985 | 2 693 970 | 127 126 | 38 732 | 8 338 078 |
| At 30 June 2008: | | | | | |
| Cost | - | - | - | - | 298 904 |
| Valuation | 8 723 724 | 4 364 454 | 157 478 | 83 810 | 13 652 921 |
| Accumulated depreciation | (3 809 739) | (1 670 484) | (30 352) | (45 078) | (5 613 747) |
| **Net book amount** | 4 913 985 | 2 693 970 | 127 126 | 38 732 | 8 338 078 |

***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 | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| Freehold land: | | | |
| Cost | | **37 817** | 19 547 |
| Buildings: | | | |
| Cost | | **44 613** | 38 234 |
| Accumulated depreciation | | **(26 817)** | (24 684) |
| **Net book amount** | | **17 796** | 13 550 |
| Water infrastructure: | | | |
| Cost | | **1 782 315** | 1 689 004 |
| Accumulated depreciation | | **(677 623)** | (648 473) |
| **Net book amount** | | **1 104 692** | 1 040 531 |
| Sewer infrastructure: | | | |
| Cost | | **1 286 934** | 1 254 030 |
| Accumulated depreciation | | **(516 093)** | (497 392) |
| **Net book amount** | | **770 841** | 756 638 |
| Other: | | | |
| Cost | | **134 056** | 64 009 |
| Accumulated depreciation | | **(45 595)** | (37 465) |
| **Net book amount** | | **88 461** | 26 544 |

**16. Non-current assets - other non-current assets**

| | | | |
|---|---|---|---|
| Temporary water allocations | | **18 464** | - |

**17. Current liabilities - payables**

| | | | |
|---|---|---|---|
| Interest payable | | **11 466** | 10 406 |
| Trade creditors* | | **163 797** | 56 481 |
| Other creditors | | **12 972** | 13 736 |
| | | **188 235** | 80 623 |

* Trade creditors includes $75.745 million relating to the Adelaide Desalination Project.

**18. Current liabilities - interest bearing liabilities**

| | | | |
|---|---|---|---|
| Lease liabilities | 32 | **4 073** | 3 644 |
| Short-term borrowings | | **92 882** | 93 600 |
| | | **96 955** | 97 244 |

The Corporation has a $100 million short-term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by SAFA.

***(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 to Note 2.

**19. Current tax liabilities**

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Provision for current income tax movements during the year were as follows: | | |
| Balance at 1 July | **19 302** | 23 638 |
| Income tax paid | **(73 159)** | (87 753) |
| Current year's income tax provision | **86 899** | 83 550 |
| Amounts over provided in prior year | **(83)** | (132) |
| | **32 959** | 19 303 |

**20. Current liabilities - provisions**

| | | |
|---|---|---|
| Employee benefits | **11 897** | 10 340 |
| Asset disposal | **60** | 68 |
| Site rehabilitation | **4 015** | 1 150 |
| Damages and claims | **790** | 1 106 |
| Workers compensation | **789** | 1 197 |
| Make good | **-** | 1 132 |
| | **17 551** | 14 993 |

***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 rehabili-tation $'000 | Damages & claims $'000 | Workers compen-sation $'000 | Make good $'000 | 2009 Total $'000 |
|---|---|---|---|---|---|---|
| Carrying amount at 1 July | **68** | **1150** | **1 106** | **1 197** | **1 132** | **4 653** |
| Payments made during the year | **(75)** | **(133)** | **(504)** | **(528)** | **(1 132)** | **(2 372)** |
| Transfer from non-current provision | **67** | **1 440** | **-** | **-** | **-** | **1 507** |
| Re-measurement adjustments | **-** | **1 558** | **(161)** | **120** | **-** | **1 517** |
| Additional provision recognised | **-** | **-** | **349** | **-** | **-** | **349** |
| **Carrying amount at 30 June** | **60** | **4 015** | **790** | **789** | **-** | **5 654** |

## 21. Current liabilities - other current liabilities

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| Government grants | | **-** | 4 |
| Lease incentives | | **134** | - |
| Unearned revenue | | **32** | 41 |
| Deposits from contractors | | **1 345** | 1 329 |
| | | **1 511** | 1 374 |

## 22. Non-current liabilities - payables

| | | | |
|---|---|---|---|
| Other payables | | **1 630** | 1 551 |

## 23. Non-current liabilities - interest bearing liabilities

| | | | |
|---|---|---|---|
| Lease liabilities | 32 | **115 805** | 119 877 |
| Long-term borrowings | | **1 744 304** | 1 261 304 |
| | | **1 860 109** | 1 381 181 |

## 24. Derivative financial instruments

| | | |
|---|---|---|
| Current financial assets | | |
| Interest rate swaps - held-for-trading | **-** | 222 |
| **Total current derivative financial instrument assets** | **-** | 222 |
| Non-current financial assets | | |
| Interest rate swaps - held-for-trading | **1 576** | 906 |
| **Total derivative financial instrument assets** | **1 576** | 1 128 |
| Current financial liabilities | | |
| Interest rate swaps - held-for-trading | **1 359** | - |
| Non-current financial liabilities | | |
| Interest rate swaps - held-for-trading | **7 191** | 5 486 |
| **Total derivative financial instrument liabilities** | **8 550** | 5 486 |

## 25. Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:

| | Note | | |
|---|---|---|---|
| Prepayments | | **157** | 234 |
| Rates receivable | | **8 556** | 8 555 |
| Interest receivable | | **17** | - |
| Derivative financial asset | | **473** | 339 |
| Depreciation and amortisation | | **79 549** | 78 903 |
| | | **88 752** | 88 031 |
| Other: | | | |
| Revaluation of infrastructure, plant and equipment | | **955 676** | 813 652 |
| **Total deferred tax liabilities** | | **1 044 428** | 901 683 |
| Movements: | | | |
| Balance at 1 July | | **901 683** | 763 304 |
| Charged to the Statement of Comprehensive Income | 7 | **721** | 3 525 |
| Charged to equity | 31 | **142 024** | 134 854 |
| **Balance at 30 June** | | **1 044 428** | 901 683 |
| Deferred tax liabilities to be settled within 12 months | | **8 729** | 8 789 |
| Deferred tax liabilities to be settled after more than 12 months | | **1 035 699** | 892 894 |
| | | **1 044 428** | 901 683 |

## 26. Non-current liabilities - provisions

| | | |
|---|---|---|
| Employee benefits | **23 564** | 22 342 |
| Site rehabilitation | **796** | 2 236 |
| Workers compensation | **1 077** | 1 928 |
| Asset disposal | **108** | 175 |
| | **25 545** | 26 681 |

***Movements in provisions***

Movements in each class of provision during the financial year, other than employee benefits are set out below:

| Non-current: | Site rehabili-tation $'000 | Workers compen-sation $'000 | Asset disposal $'000 | 2009 Total $'000 |
|---|---|---|---|---|
| Carrying amount at 1 July | **2 236** | **1 928** | **175** | **4 339** |
| Transfer to current provision | **(1 440)** | **-** | **(67)** | **(1 507)** |
| Re-measurement adjustments | **-** | **(851)** | **-** | **(851)** |
| **Carrying amount at 30 June** | **796** | **1 077** | **108** | **1 981** |

**27. Non-current liabilities - other non-current liabilities**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Non-business advances | **497** | 497 |
| Government grants | **45 822** | 995 |
| Lease incentives | **1 777** | - |
| | **48 096** | 1 492 |

**29. 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:

| | | |
|---|---|---|
| Cash and cash equivalents | **1 281** | 2 430 |

***(a) Fair value***

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

**29. Reconciliation of net profit after income tax to net cash inflows from operating activities**

| | | |
|---|---|---|
| Net profit for the year | **181 558** | 201 030 |
| *Add (Less):* Non-cash items: | | |
| Depreciation and amortisation | **177 696** | 162 128 |
| Contributed assets | **(39 264)** | (30 157) |
| Net gain on disposal of infrastructure, plant and equipment | **(225)** | (487) |
| Infrastructure, plant and equipment revaluation decrement reversal | **(533)** | (608) |
| Infrastructure, plant and equipment revaluation decrement | **569** | - |
| Net gain on termination of finance lease | **-** | (990) |
| Write-down of capitalised expenditure | **1 187** | 1 083 |
| Changes in assets and liabilities: | | |
| Increase in rates and sundry receivables | **(31 553)** | (8 473) |
| Increase in inventories | **(168)** | (27) |
| Decrease in prepayments | **517** | 718 |
| (Increase) Decrease in other operating assets | **(38 240)** | 284 |
| Increase in fair value of derivative financial assets | **(447)** | (608) |
| Increase in deferred tax asset | **(10 240)** | (1 172) |
| Increase in trade creditors | **15 528** | 2 162 |
| Increase in provision for employee benefits | **2 780** | 2 839 |
| (Decrease) Increase in provision for workers compensation | **(1 259)** | 272 |
| Increase (Decrease) in other operating liabilities | **11 527** | (2 763) |
| Increase in fair value of derivative financial liabilities | **3 064** | 540 |
| Increase in government grants | **43 868** | 1 000 |
| Increase in provision for deferred income tax | **721** | 3 525 |
| Decrease in other provisions | **(96)** | (533) |
| Increase (Decrease) in provision for income taxes payable | **13 656** | (4 335) |
| **Net cash inflow from operating activities** | **330 646** | 325 428 |

**30. 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.

**30. Capital risk management (continued)**

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 2008, was to maintain a gearing ratio within 15 percent to 25 percent. The gearing ratios based on continuing operations at 30 June 2009 and 30 June 2008 were as follows:

| | Note | **2009 $'million** | 2008 $'million |
|---|---|---|---|
| Current interest bearing liabilities | 18 | **97** | 97 |
| Non-current interest bearing liabilities | 23 | **1 860** | 1 381 |
| **Net debt** | | **1 957** | 1 478 |
| **Total assets** | | **9 689** | 8 512 |
| | | | |
| **Gearing ratio (percent)** | | **20** | 17 |

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.

**31. Reserves and retained profits**

***(a) Reserves***

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| Infrastructure, plant and equipment revaluation reserve | | **5 989 332** | 5 633 096 |
| Available-for-sale revaluation reserve | | **5 394** | 1 242 |
| **Balance at 30 June** | | **5 994 726** | 5 634 338 |
| | | | |
| Movements: | | | |
| Property, plant and equipment revaluation reserve: | | | |
| Balance at 1 July | | **5 633 096** | 5 287 752 |
| Revaluation - gross | 15 | **500 524** | 480 658 |
| Movements in deferred tax liability | 25 | **(142 024)** | (134 854) |
| Movements in deferred tax asset | | **15** | - |
| Transfer to retained profits on disposal | | **(2 279)** | (460) |
| **Balance at 30 June** | | **5 989 332** | 5 633 096 |
| | | | |
| Available-for-sale investments revaluation reserve: | | | |
| Balance at 1 July | | **1 242** | 796 |
| Revaluation of investment in unlisted shares | | **5 931** | 637 |
| Movements in deferred tax asset | 13 | **(1 779)** | (191) |
| **Balance at 30 June** | | **5 394** | 1 242 |

***(b) Retained profits***

Movements in retained profits were as follows:

| | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| Balance at 1 July | | **172 929** | 157 493 |
| Profit for the year | | **181 558** | 201 030 |
| Dividends | 37 | **(161 296)** | (186 054) |
| Transfers from infrastructure, plant and equipment revaluation reserve | | **2 317** | 460 |
| **Balance at 30 June** | | **195 508** | 172 929 |

***(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.

**32. Commitments**

***(a) Capital commitments***

Total capital expenditure contracted for at balance date but not recognised in the financial statements and payable:

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Within one year | **904 423** | 87 082 |
| Later than one year but not later than five years | **404 983** | 6 215 |
| Later than five years | **-** | - |
| | **1 309 406** | 93 297 |

Included in capital commitments is $1119.725 million relating to the Adelaide Desalination Project.

***(b)*** ***Operating leases commitments***

| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | **2009** **$'000** | 2008 $'000 |
|---|---|---|
| Within one year | **12 984** | 5 282 |
| Later than one year but not later than five years | **34 056** | 32 154 |
| Later than five years | **73 908** | 101 313 |
| | **120 948** | 138 749 |

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and market value. 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***

| Future other expenditure commitments not provided for in the financial statements and payable: | **2009** **$'000** | 2008 $'000 |
|---|---|---|
| Within one year | **94 471** | 106 082 |
| Later than one year but not later than five years | **184 748** | 141 679 |
| Later than five years | **450 314** | 96 |
| | **729 533** | 247 857 |

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. The costs for the commitments include the service charge payable to United Water and the costs incurred by United Water in performing the services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

Also included in other expenditure commitments is $599.678 million relating to the operations and maintenance of the Adelaide Desalination Project.

***(d)*** *(i)* *Finance leases*

| | | **2009** | | 2008 | |
|---|---|---|---|---|---|
| Commitments in relation to finance leases are payable as follows: | Note | **Present value of minimum lease payments $'000** | **Minimum lease payments $'000** | Present value of minimum lease payments $'000 | Minimum lease payments $'000 |
| Within one year | | **4 073** | **17 584** | 3 644 | 17 584 |
| Later than one year but not later than five years | | **21 698** | **70 335** | 19 407 | 70 335 |
| Later than five years | | **94 107** | **151 559** | 100 470 | 169 142 |
| **Minimum lease payments** | | **119 878** | **239 478** | 123 521 | 257 061 |
| Future finance charges | | **-** | **(119 600)** | - | (133 540) |
| **Total lease liabilities** | | **119 878** | **119 878** | 123 521 | 123 521 |
| Representing lease liabilities: | | | | | |
| Current | 18 | | **4 073** | | 3 644 |
| Non-current | 23 | | **115 805** | | 119 877 |
| | | | **119 878** | | 123 521 |

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:

| | **2009** **$'000** | 2008 $'000 |
|---|---|---|
| Within one year | **3 268** | 2 876 |
| Later than one year and not later than five years | **13 070** | 11 503 |
| Later than five years | **34 665** | 33 264 |
| | **51 003** | 47 643 |

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:

| | 2009 | 2008 |
|---|---|---|
| | $'000 | $'000 |
| Within one year | **11 443** | 9 375 |
| Later than one year but not later than five years | **16 296** | 16 948 |
| Later than five years | **-** | - |
| | **27 739** | 26 323 |

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

**33. 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:

| | 2009 | 2008 |
|---|---|---|
| Current assets: | $'000 | $'000 |
| Cash and cash equivalents | **49** | 41 |
| Receivables | **3** | 4 |
| **Total current assets** | **52** | 45 |
| | | |
| Non-current assets: | | |
| Infrastructure, plant and equipment | **1 581** | 1 516 |
| **Total non-current assets** | **1 581** | 1 516 |
| **Total assets** | **1 633** | 1 561 |
| | | |
| Current liabilities: | | |
| Payables | **21** | 18 |
| **Total current liabilities** | **21** | 18 |
| **Total liabilities** | **21** | 18 |
| **Net assets** | **1 612** | 1 543 |

**34. Events occurring after the balance date**

SA Water has filed proceedings in the Supreme Court against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract. This action relates to past charges invoiced by United Water under the metropolitan outsourcing contract. The matter is now before the Courts.

**35. Employee benefits**

| | 2009 | 2008 |
|---|---|---|
| Aggregate liability for employee benefits, including on-costs: | $'000 | $'000 |
| Current: | | |
| Accrued wages and salaries including on-costs included in other creditors | **3 055** | 2 410 |
| Annual leave: | | |
| On-costs included in other creditors | **1 364** | 1 321 |
| Provision for employee benefits | **8 596** | 7 669 |
| | **9 960** | 8 990 |
| Long service leave: | | |
| On-costs included in other creditors | **219** | 181 |
| Provision for employee benefits | **3 301** | 2 671 |
| | **3 520** | 2 852 |
| **Total current employee benefits** | **16 535** | 14 252 |
| | | |
| Non-current: | | |
| Long service leave: | | |
| On-costs included in other creditors | **1 630** | 1 551 |
| Provision for employee benefits | **23 564** | 22 342 |
| **Total non-current employee benefits** | **25 194** | 23 893 |
| **Total employee benefits** | **41 729** | 38 145 |

**36. Remuneration of auditors**

| | | |
|---|---|---|
| Amounts received and receivable by the Auditors for auditing the accounts | **277** | 266 |

The Auditors received no other benefits.

**37. Dividends**

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Dividends paid | **161 296** | 186 054 |

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer, pursuant to subsection 30(2) of the PCA.

**38. Remuneration of employees**

| The number of employees whose remuneration received and receivable falls within the following bands is: | **2009 Number** | 2008 Number |
|---|---|---|
| $100 000 - $109 999 | **53** | 52 |
| $110 000 - $119 999 | **44** | 36 |
| $120 000 - $129 999 | **29** | 27 |
| $130 000 - $139 999 | **21** | 13 |
| $140 000 - $149 999 | **19** | 9 |
| $150 000 - $159 999 | **5** | 6 |
| $160 000 - $169 999 | **10** | 4 |
| $170 000 - $179 999 | **2** | 3 |
| $190 000 - $199 999 | **4** | 5 |
| $200 000 - $209 999 | **4** | - |
| $210 000 - $219 999 | **2** | 2 |
| $220 000 - $229 999 | **-** | 3 |
| $230 000 - $239 999 | **3** | 1 |
| $240 000 - $249 999 | **1** | - |
| $250 000 - $259 999 | **1** | 1 |
| $270 000 - $279 999 | **3** | 2 |
| $310 000 - $319 999 | **1** | 1 |
| $330 000 - $339 999 | **-** | 1 |
| $360 000 - $369 999 | **1** | - |
| $400 000 - $409 999 | **-** | 1 |
| $470 000 - $479 999 | **1** | - |

The total remuneration received and receivable by those employees was $27.8 million ($22.3 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance.

**39. Remuneration of Directors**

| The number of Directors of the Corporation whose remuneration received and receivable falls within the following bands is: | **2009 Number** | 2008 Number |
|---|---|---|
| $40 000 - $49 999 | **4** | 5 |
| $50 000 - $59 999 | **1** | - |
| $80 000 - $89 999 | **-** | 1 |
| $90 000 - $99 999 | **1** | - |
| $400 000 - $409 999 | **-** | 1 |
| $470 000 - $479 999 | **1** | - |

The total remuneration received and receivable by those Directors was $800 000 ($700 000) which includes fringe benefits and superannuation contributions. These figures include the Chief Executive, Ms Anne Howe, who is also included in Note 38.

**40. Related party disclosures**

***(a) Directors***

The following persons held the position of Director of the Corporation during the financial year:

G B Allison
S G M Blencowe
F T Blevins
C S Cooper
A F C Digance
A D Howe
P W Pledge

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison and a Principal of Allison Partners P/L.

Ms Blencowe is an independent member of the Primary Industries and Resources SA Risk and Audit Committee and an independent member of the Community CPS Australia Ltd Nomination Committee.

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 Cooper is Chair of the Fisheries Council SA and a Director of Rural Solutions SA.

Ms Digance is a Director of Australian Central Credit Union and a member of the Dental Professional Conduct Tribunal.

***(a) Directors (continued)***

Ms Howe 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) and a South Australian Chair of TEC.

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 2009 and 2008 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 |
|---|---|---|---|---|---|
| **2009** | **17** | **2 768** | **632** | **86** | **3 486** |
| 2008 | 17 | 2 664 | 525 | 80 | 3 269 |

**41. Statement of administered items**

| | River Murray levy $'000 | Pensioner concess'ns $'000 | United Water payments $'000 | Co-operative Research Centre $'000 | Rainwater tank rebates $'000 |
|---|---|---|---|---|---|
| Administered income: | | | | | |
| Revenue | 23 329 | 29 000 | 600 | 640 | 2 626 |
| **Total administered income** | 23 329 | 29 000 | 600 | 640 | 2 626 |
| Administered expenses: | | | | | |
| Expenses | 23 329 | 29 000 | 600 | 640 | 2 626 |
| **Total administered expenses** | 23 329 | 29 000 | 600 | 640 | 2 626 |
| **Operating surplus** | - | - | - | - | - |
| Current assets: | | | | | |
| Cash and cash equivalents | 113 | 1 370 | - | - | - |
| Receivables | 878 | - | - | - | 426 |
| **Total current assets** | 991 | 1 370 | - | - | 426 |
| **Total administered assets** | 991 | 1 370 | - | - | 426 |
| Current liabilities: | | | | | |
| Payables | 991 | 1 370 | - | - | - |
| Bank overdraft | - | - | - | - | 426 |
| **Total current liabilities** | 991 | 1 370 | - | - | 426 |
| **Total administered liabilities** | 991 | 1 370 | - | - | 426 |
| **Net assets** | - | - | - | - | - |
| Cash flows from operating activities: | | | | | |
| Cash inflows | 23 275 | 29 000 | 600 | 795 | 2 552 |
| **Total cash inflows** | 23 275 | 29 000 | 600 | 795 | 2 552 |
| Cash outflows | (23 306) | (29 608) | (600) | (2 200) | (2 626) |
| **Total cash outflows** | (23 306) | (29 608) | (600) | (2 200) | (2 626) |
| **Net cash (outflows) inflows from operating activities** | (31) | (608) | - | (1 405) | (74) |
| **Net increase (decrease) in cash and cash equivalents held** | (31) | (608) | - | (1 405) | (74) |
| **Cash and cash equivalents at 1 July** | 144 | 1 978 | - | 1 405 | (352) |
| **Cash and cash equivalents at 30 June** | 113 | 1 370 | - | - | (426) |

| | Water purchases $'000 | Lower Lakes irrigtn pipeline $'000 | **2009 Total $'000** | 2008 Total $'000 |
|---|---|---|---|---|
| Administered income: | | | | |
| Revenue | 41 762 | 66 374 | **164 331** | 60 131 |
| **Total administered income** | 41 762 | 66 374 | **164 331** | 60 131 |
| Administered Expenses: | | | | |
| Expenses | 41 762 | 66 374 | **164 331** | 60 131 |
| **Total administered expenses** | 41 762 | 66 374 | **164 331** | 60 131 |
| **Operating surplus** | - | - | **-** | - |

**41. Statement of administered items (continued)**

| | Water purchases $'000 | Lower Lakes irrigtn pipeline $'000 | **2009 Total $'000** | 2008 Total $'000 |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | - | 3 841 | **5 324** | 3 527 |
| Receivables | 98 | 9 524 | **10 926** | 1 176 |
| **Total current assets** | 98 | 13 365 | **16 250** | 4 703 |
| **Total administered assets** | 98 | 13 365 | **16 250** | 4 703 |
| Current liabilities: | | | | |
| Payables | - | 13 365 | **15 726** | 4 351 |
| Bank overdraft | 98 | - | **524** | 352 |
| **Total current liabilities** | 98 | 13 365 | **16 250** | 4 703 |
| **Total administered liabilities** | 98 | 13 365 | **16 250** | 4 703 |
| **Net assets** | - | - | **-** | - |
| Cash flows from operating activities: | | | | |
| Cash inflows | 41 664 | 56 850 | **154 736** | 59 186 |
| **Total cash inflows** | 41 664 | 56 850 | **154 736** | 59 186 |
| Cash outflows | (41 762) | (53 009) | **(153 111)** | (60 371) |
| **Total cash outflows** | (41 762) | (53 009) | **(153 111)** | (60 371) |
| **Net cash (outflows) inflows from operating activities** | (98) | 3 841 | **1 625** | (1 185) |
| **Net increase (decrease) in cash and cash equivalents held** | (98) | 3 841 | **1 625** | (1 815) |
| **Cash and cash equivalents at 1 July** | - | - | **3 175** | 4 360 |
| **Cash and cash equivalents at 30 June** | (98) | 3 841 | **4 800** | 3 175 |

**42. SA Government/non-SA Government transactions**

***(a) Income***

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Income received/receivable from entities external to the SA Government: | | |
| Rates and charges | **593 122** | 546 757 |
| Contributed assets | **68 864** | 61 890 |
| Recoverable works | **64 131** | 47 260 |
| Fees and charges | **19 541** | 20 369 |
| Miscellaneous | **2 136** | 621 |
| Government grants | **4** | 5 |
| Interest received | **467** | 179 |
| Rents | **1 058** | 881 |
| Other income | **745** | 2 085 |
| **Total income - non-SA Government entities** | **750 068** | 680 047 |
| Income received/receivable from entities within the SA Government: | | |
| Rates and charges | **37 045** | 35 698 |
| CSOs | **183 087** | 164 597 |
| Recoverable works | **18 895** | 8 367 |
| Fees and charges | **278** | 328 |
| Miscellaneous | **44** | 67 |
| Interest received | **7** | 45 |
| Rents | **11** | 89 |
| Other income | **-** | 228 |
| **Total income - SA Government entities** | **239 367** | 209 419 |
| **Total income** | **989 435** | 889 466 |

***(b) Expenses***

| | **2009 $'000** | 2008 $'000 |
|---|---|---|
| Supplies and services: | | |
| Supplies and services provided by entities external to the SA Government: | | |
| Operational services | **63 283** | 43 922 |
| Materials and other | **15 865** | 13 056 |
| Administration | **60 649** | 24 114 |
| **Total supplies and services - non-SA Government entities** | **139 797** | 81 092 |
| Supplies and services provided by entities within the SA Government: | | |
| Operational services | **18 713** | 16 836 |
| Materials and other | **22** | 62 |
| Administration | **15 528** | 16 012 |
| **Total supplies and services - SA Government entities** | **34 263** | 32 910 |
| **Total supplies and services** | **174 060** | 114 002 |

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| ***(b) Expenses (continued)*** | | |
| Operational and service contracts: | | |
| Provided by entities external to the SA Government: | | |
| Operational and service contracts | **138 021** | 113 091 |
| **Total operational and service contracts - non-SA Government entities** | **138 021** | 113 091 |
| Provided by entities within the SA Government: | | |
| Operational and service contracts | **1 528** | 1 826 |
| **Total operational and service contracts - SA Government entities** | **1 528** | 1 826 |
| **Total operational and service contracts** | **139 549** | 114 917 |
| Finance costs: | | |
| Finance costs provided by entities external to the SA Government: | | |
| Interest expense | **344** | 224 |
| Finance lease charges | **13 940** | 14 392 |
| **Total finance costs - non-SA Government entities** | **14 284** | 14 616 |
| Finance costs provided by entities within the SA Government: | | |
| Interest expense | **92 621** | 85 205 |
| **Total finance costs - SA Government entities** | **92 621** | 85 205 |
| **Total finance costs** | **106 905** | 99 821 |

***(c) Receivables***

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Receivables from SA Government entities: | | |
| CSOs | **11 722** | 11 304 |
| Rates receivable (water and wastewater) | **588** | 362 |
| Sundry debtors | **7 301** | 4 769 |
| | **19 611** | 16 435 |
| Receivables from non-SA Government entities: | | |
| Rates receivable (water and wastewater) | **62 121** | 55 856 |
| Sundry debtors | **45 746** | 19 353 |
| | **107 867** | 75 209 |
| **Total receivables** | **127 478** | 91 644 |

***(d) Payables***

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Current: | | |
| Payables to SA Government entities: | | |
| Trade creditors | **7 266** | 6 480 |
| Interest payable | **11 466** | 10 406 |
| Other creditors | **2 183** | 4 029 |
| | **20 915** | 20 915 |
| Payables to non-SA Government entities: | | |
| Trade creditors | **156 531** | 50 001 |
| Other creditors | **10 789** | 9 707 |
| | **167 320** | 59 708 |
| **Total current payables** | **188 235** | 80 623 |
| Non-current: | | |
| Payables to SA Government entities: | | |
| Other creditors | **1 188** | 1 127 |
| Payables to non-SA Government entities: | | |
| Other creditors | **442** | 424 |
| **Total non-current payables** | **1 630** | 1 551 |

# 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 to Note 1 of 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) of 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 Scheme and South Australian Ambulance Service Superannuation Scheme
- Police Superannuation Board — Police Superannuation Scheme
- South Australian Parliamentary Superannuation Board — Parliamentary Superannuation Scheme
- Department of Treasury and Finance — 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:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission (MAC).

#### *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 (who 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 statements*

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 statements and internal controls.

During 2008-09, the review included:

- investment policy and strategy
- investment (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 statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Superannuation Funds Management Corporation of South Australia as at 30 June 2009, and 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 audit undertaken indicated that the internal controls over Funds SA's operations were satisfactory. No matters arising from the audit warranted communication in a management letter to the Chief Executive Officer.

The audit considered Funds SA's implementation of the revised TIs 2 and 28. No matters were raised in writing with Funds SA.

#### *Implementation of the revised TIs 2 and 28*

Funds SA has in place risk management, financial management and delegation systems and processes as well as a comprehensive compliance program undertaken on a quarterly basis with results presented to the Funds SA Audit Committee. Audit considers that the programs in place meet the requirements of TIs 2 and 28.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| **Total expenses** | **4.3** | 4.6 |
| **Total income** | **4.0** | 3.9 |
| ***NET DEFICIT AND COMPREHENSIVE RESULT*** | **(0.3)** | (0.7) |
| ***NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES*** | **(0.1)** | 0.5 |
| **Total assets** | **1.6** | 1.7 |
| **Total liabilities** | **1.2** | 1.0 |
| ***EQUITY*** | **0.4** | 0.7 |

### Funds under management

| | **2009** | 2008 |
|---|---|---|
| | **$'billion** | $'billion |
| ***NET INCOME*** | **(2.0)** | (1.5) |
| ***NET ASSETS*** | **12.6** | 14.2 |

### Statement of Comprehensive Income

The operating result for the year was a deficit of $284 000 compared with a deficit of $732 000 the previous year.

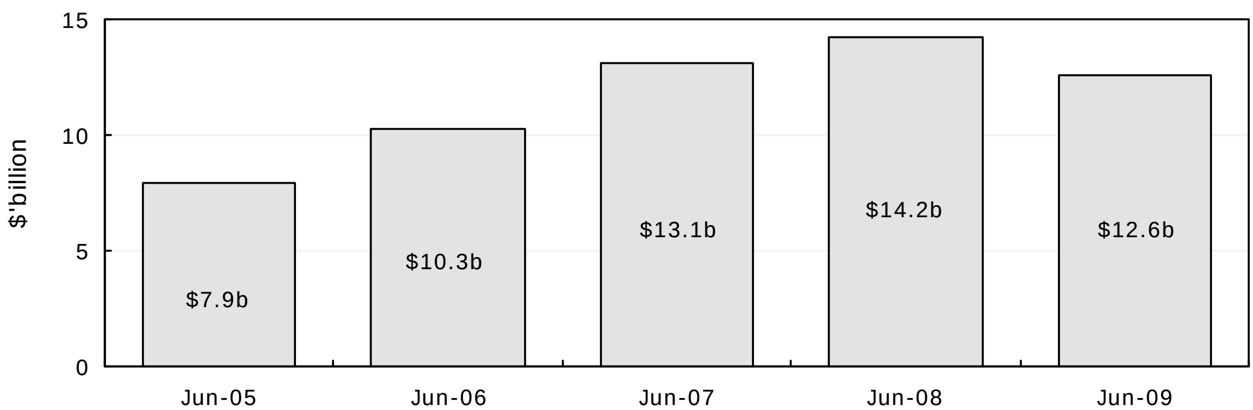
Revenues from fees and charges increased by $113 000 while expenses decreased $360 000. Although employee benefit costs increased by $373 000, this was offset by no administration fee rebate being paid in 2008-09 ($588 000 was paid in 2007-08).

## 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 84 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 2009 the net funds under management decreased by $1.6 billion to $12.6 billion due mainly to an increase in funds invested by clients of $452 million offset by negative net income earned from investing activities of $2 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.

During 2008-09 Funds SA has repositioned the multi-sector portfolios more defensively in light of the high level of volatility and uncertainty prevailing in financial markets. Action taken included suspending the usual portfolio rebalancing processes to accumulate cash and redeeming approximately $730 million from equity and listed property markets.

Moving forward from 1 July 2009, Funds SA has reduced the strategic weightings to property and equity in the portfolios. The major adjustments are summarised below:

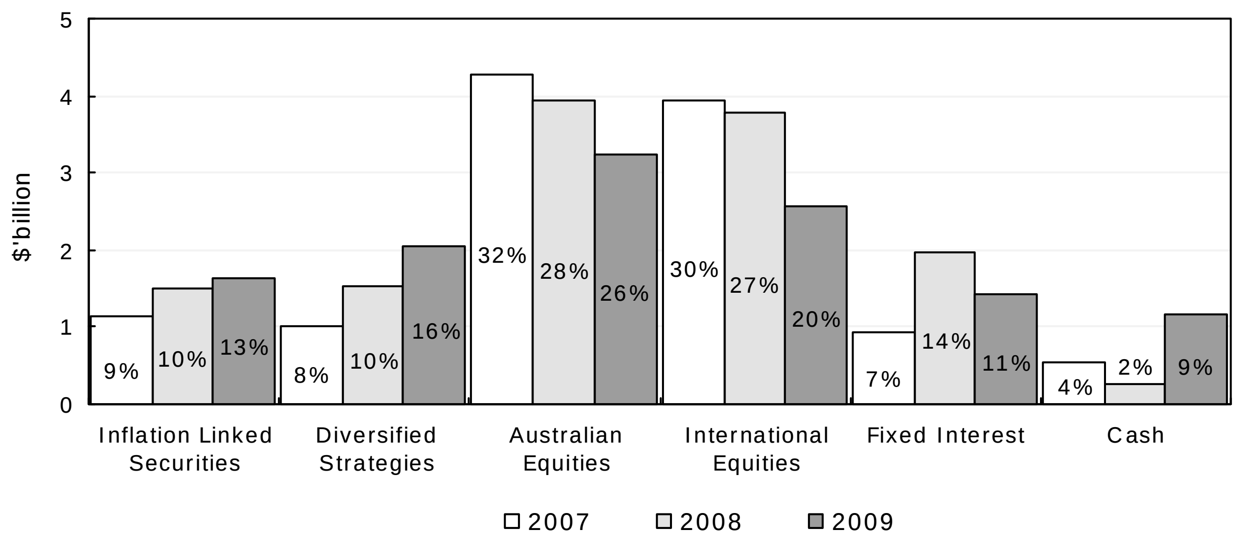
- a general reduction in 'growth assets' with an offsetting rise in 'defensive/income' asset classes

- listed International equities markedly reduced with Australian equities only marginally reduced

- Diversified strategies income allocation is marginally increased across most strategies

- cash is significantly raised across all strategies to enhance portfolio flexibility and to cater for the heightened environment of risk and illiquidity.

The value of each asset class (excluding property and the socially responsible investment class which in total only represents 5 percent (8 percent) of 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 the increase in cash and the decrease in investment in equities which occurred during the year as discussed above.

The primarily long-term nature of investment strategies means funds under management are exposed to periodic falls in financial markets as well as gains.

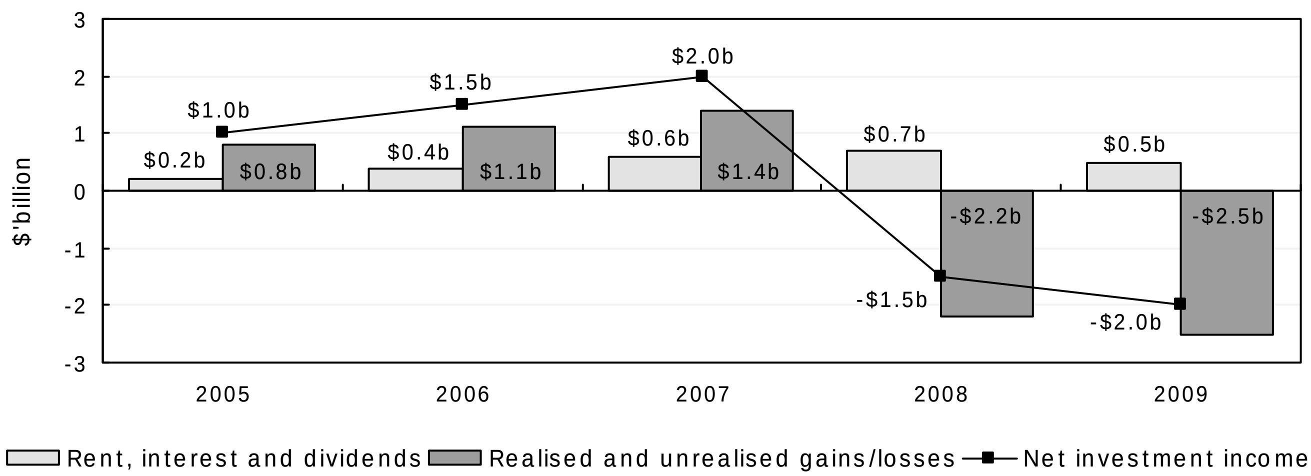
**Income from investments**

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 loss of $2 billion ($1.5 billion loss). Income from rent, interest and dividends was $533 million, down $214 million but this was offset by realised losses of $1.6 billion ($298 million realised losses) and unrealised losses of $889 million ($1.8 billion unrealised losses).

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 2009 is shown in the following chart.




As can be seen from this chart realised and unrealised gains contributed significantly to the growth in net investment income for the three years to 2006-07. There was a marked reversal in this trend in 2008 and 2009 because of the significant financial market downturn resulting in negative net investment returns. The negative net investment income for 2008 and 2009 effectively negated the positive net investment income achieved in 2006 and 2007.

The following table shows a structural analysis of net income earned for the five years to 2009 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**

| | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | **$'million** | $'million | $'million | $'million | $'million |
| Inflation linked funds | **3** | 87 | 26 | 59 | 93 |
| Property | **(394)** | (294) | 232 | 88 | 74 |
| Australian equities | **(759)** | (675) | 972 | 630 | 553 |
| International equities | **(835)** | (752) | 569 | 630 | 204 |
| Fixed interest | **130** | 47 | 29 | 19 | 67 |
| Cash and other | **(138)** | 109 | 165 | 85 | 21 |
| Total net income | **(1 993)** | (1 478) | 1 993 | 1 511 | 1 012 |
| **Total value of assets invested as at 30 June** | **12 617** | 14 170 | 13 109 | 10 290 | 7 901 |

The above table reflects that Funds SA's investment strategy is weighted towards equity holdings. The volatile nature of equities will cause returns from these investments 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** | **2009** | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| | **Percent p.a.** | **Percent** | Percent | Percent | Percent | Percent | Percent | Percent |
| Balanced | **5.3** | **(15.3)** | (9.3) | 17.7 | 17.6 | 14.7 | 16.1 | 1.1 |
| Growth | **5.0** | **(17.5)** | (11.2) | 19.5 | 19.4 | 15.3 | 17.9 | (0.7) |

The performance against target benchmarks for each asset class for the 2008-09 year and also the three years ended 2008-09 is shown in the following tables. These figures were provided by Funds SA and are unaudited.

| | 1 year Actual Percent | 1 year Actual Percent | 3 years Actual Percent | 3 years Benchmark Percent |
|---|---|---|---|---|
| Cash | 5.6 | 5.6 | 6.1 | 6.4 |
| Fixed interest | 5.6 | 5.6 | 4.5 | 7.0 |
| MAC fixed interest | 10.6 | 10.6 | n/a | n/a |
| Inflations linked securities A | 0.4 | 0.4 | 3.2 | 2.0 |
| Diversified strategies income | 3.4 | 3.4 | 6.8 | 8.2 |
| Property A | (35.0) | (35.0) | (13.6) | (14.2) |
| Australian equities A | (19.1) | (19.1) | (3.8) | (3.9) |
| International equities A | (21.7) | (21.7) | (8.7) | (8.2) |
| Diversified strategies growth A | (27.9) | (27.9) | (1.7) | 10.4 |
| Inflation linked securities B | (0.6) | (0.6) | 2.9 | 1.9 |
| Property B | (37.3) | (37.3) | (14.8) | (13.6) |
| Australian equities B | (19.4) | (19.4) | (5.0) | (3.9) |
| International equities B | (21.1) | (21.1) | (8.1) | (8.3) |
| Diversified strategies growth B | (29.3) | (29.3) | (2.3) | 10.4 |

The performance of most asset classes for 2008-09 was close to benchmark. The main exceptions were the diversified strategies growth A and B funds which performed well below the benchmark. The benchmark for these two funds is set at cash plus four 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 2009 investment expenses amounted to $57.4 million, a decrease of $22.7 million from the previous year. The decrease is a result of the lower value of funds under management and lower performance fees due to under performance of managers. Investment expenses remain at 0.5 percent of average funds under management.

| Year | $'million |
|---|---|
| 2005 | 38.5 |
| 2006 | 55.9 |
| 2007 | 75.5 |
| 2008 | 80.1 |
| **2009** | **57.4** |

## Statement of Comprehensive Income
## for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **INCOME:** | | | |
| Revenues from fees and charges | | **3 976** | 3 863 |
| Interest revenues | | **43** | 68 |
| **Total income** | | **4 019** | 3 931 |
| | | | |
| **EXPENSES:** | | | |
| Employee benefits costs | 3 | **2 940** | 2 567 |
| Supplies and services | 4 | **1 259** | 1 428 |
| Depreciation and amortisation expense | 5 | **104** | 80 |
| Administration fee rebate expense | 6 | **-** | 588 |
| **Total expenses** | | **4 303** | 4 663 |
| **NET DEFICIT** | | **(284)** | (732) |
| **TOTAL COMPREHENSIVE RESULT** | | **(284)** | (732) |

The net deficit and comprehensive result is attributable to the SA Government as owner

# Statement of Financial Position
## as at 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | | **476** | 1 018 |
| Receivables - administration fee | | **331** | 231 |
| Other current assets | | **59** | 38 |
| **Total current assets** | | **866** | 1 287 |
| | | | |
| **NON-CURRENT ASSETS:** | | | |
| Property, plant and equipment | 8 | **764** | 437 |
| Funds SA investment trusts | 16 | **-** | - |
| **Total non-current assets** | | **764** | 437 |
| **Total assets** | | **1 630** | 1 724 |
| | | | |
| **CURRENT LIABILITIES:** | | | |
| Payables | 9 | **342** | 236 |
| Employee benefits liability | 10 | **329** | 205 |
| Provisions - lease incentive | | **-** | 9 |
| **Total current liabilities** | | **671** | 450 |
| | | | |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 9 | **45** | 50 |
| Employee benefits liability | 10 | **478** | 504 |
| **Total non-current liabilities** | | **523** | 554 |
| **Total liabilities** | | **1 194** | 1 004 |
| **NET ASSETS** | | **436** | 720 |
| | | | |
| **EQUITY:** | | | |
| Retained earnings | | **436** | 720 |
| **TOTAL EQUITY** | | **436** | 720 |

Total equity is attributable to the SA Government as owner

| | | | |
|---|---|---|---|
| Unrecognised contractual commitments | 12 | | |
| Contingent assets and liabilities | 13 | | |

## Statement of Changes in Equity
## for the year ended 30 June 2009

| | Administration fee rebate reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|
| Balance at 30 June 2007 | 588 | 864 | 1 452 |
| Total comprehensive result for 2007-08 | - | (732) | (732) |
| Transfer of reserve (to) from retained earnings | (588) | 588 | - |
| Balance at 30 June 2008 | - | 720 | 720 |
| Total comprehensive result for 2008-09 | - | (284) | (284) |
| **Balance at 30 June 2009** | **-** | **436** | **436** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | Note | **2009 Inflows (Outflows) $'000** | 2008 Inflows (Outflows) $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| CASH INFLOWS: | | | |
| Receipts from fees and charges | | **3 877** | 4 920 |
| Interest received | | **42** | 68 |
| **Cash generated from operations** | | **3 919** | 4 988 |
| CASH OUTFLOWS: | | | |
| Employee benefits payments | | **(2 842)** | (2 469) |
| Supplies and services | | **(1 225)** | (1 392) |
| Payments of administration fee rebate | | **-** | (588) |
| **Cash used in operations** | | **(4 067)** | (4 449) |
| **Net cash (used in) provided by operating activities** | 14 | **(148)** | 539 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| CASH INFLOWS: | | | |
| Proceeds from the sale of property, plant and equipment | | **1** | - |
| **Cash generated from investing activities** | | **1** | - |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | **(395)** | (127) |
| **Cash used in investing activities** | | **(395)** | (127) |
| **Net cash used in investing activities** | | **(394)** | (127) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(542)** | 412 |
| **CASH AND CASH EQUIVALENTS AT 1 JULY** | | **1 018** | 606 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | **476** | 1 018 |

# 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 2009, is supplied by the currency hedge manager (Barclays Global Investors) 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, Macquarie Bank Limited.

**Statement of Income and Expenses of Assets Under Management**
**for the year ended 30 June 2009**

| Asset sector: | Rent interest and dividends $'000 | Realised gains (losses)[1] $'000 | Unrealised gains (losses)[2] $'000 | Expenses $'000 | **2009 Total $'000** |
|---|---|---|---|---|---|
| Inflation linked securities | 70 761 | 2 097 | (79 983) | (2 140) | **(9 265)** |
| Property A | 4 839 | (232 278) | (145 873) | (4 180) | **(377 492)** |
| Australian equities A | 162 732 | (573 864) | (306 091) | (5 149) | **(722 372)** |
| International equities A | 71 046 | (667 357) | (195 035) | (16 735) | **(808 081)** |
| Internal inflation linked securities | 27 482 | (29) | (14 518) | (379) | **12 556** |
| Fixed interest | 23 289 | 12 702 | (2 476) | (1 782) | **31 733** |
| Diversified strategies: | | | | | |
| Growth A | 21 505 | (119 861) | (104 051) | (15 532) | **(217 939)** |
| Income | 47 706 | (32 318) | 41 669 | (7 531) | **49 526** |
| Cash | 40 517 | - | - | (712) | **39 805** |
| MAC fixed interest | 57 217 | 44 732 | (2 883) | (1 362) | **97 704** |
| Australian equities B | 2 860 | 175 | (39 482) | (663) | **(37 110)** |
| International equities B | 292 | (10 005) | (16 829) | (656) | **(27 198)** |
| Property B | 1 132 | - | (17 322) | (129) | **(16 319)** |
| Diversified strategies: | | | | | |
| Growth B | 1 730 | (4 095) | (6 246) | (433) | **(9 044)** |
| Socially responsible investment | - | - | 123 | (8) | **115** |
| **Total** | 533 108 | (1 580 101) | (888 997) | (57 391) | **(1 993 381)** |

***(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 Income and Expenses of Assets Under Management for the year ended 30 June 2008

| Asset Sector: | Rent interest and dividends $'000 | Realised gains (losses)[1] $'000 | Unrealised gains (losses)[2] $'000 | Expenses $'000 | 2008 Total $'000 |
|---|---|---|---|---|---|
| Inflation linked securities | 84 246 | 54 849 | (50 639) | (1 308) | 87 148 |
| Property A | 44 759 | (224 136) | (94 619) | (5 520) | (279 516) |
| Australian equities A | 234 824 | (120 413) | (716 855) | (16 492) | (618 936) |
| International equities A | 187 126 | (118 563) | (765 621) | (29 374) | (726 432) |
| Fixed interest | 54 276 | 35 588 | (44 861) | (2 788) | 42 215 |
| Diversified strategies: | | | | | |
| Growth | 66 080 | 45 959 | (53 270) | (13 542) | 45 227 |
| Income | 37 077 | 42 965 | (30 562) | (9 380) | 40 100 |
| Cash | 24 365 | - | (710) | (364) | 23 291 |
| MAC fixed interest | 3 264 | 672 | 761 | - | 4 697 |
| Australian equities B | 8 535 | (17 322) | (46 602) | (418) | (55 807) |
| International equities B | 7 | 1 942 | (26 493) | (659) | (25 203) |
| Property B | 2 326 | - | (16 543) | (213) | (14 430) |
| **Total** | 746 885 | (298 459) | (1 846 014) | (80 058) | (1 477 646) |

## Statement of Net Assets Under Management as at 30 June 2009

| Asset Sector: | Discretely managed portfolios $'000 | Managed funds $'000 | Internally managed investments $'000 | Currency hedge overlay $'000 | Other assets $'000 | Liabilities $'000 | **2009 Total $'000** |
|---|---|---|---|---|---|---|---|
| Inflation linked securities | 1 098 524 | 149 830 | - | - | 191 | (443) | **1 248 102** |
| Property A | 254 | 538 148 | 97 | - | 343 | (443) | **538 399** |
| Australian equities A | 2 564 850 | 524 628 | - | - | 429 | (2 229) | **3 087 678** |
| International equities A | 1 725 617 | 644 526 | - | 95 970 | 296 | (2 405) | **2 464 004** |
| Internal inflation linked securities | - | - | 372 749 | - | 1 049 | (745) | **373 053** |
| Fixed interest | 501 197 | - | - | - | 444 | (407) | **501 234** |
| Diversified strategies: | | | | | | | |
| Growth A | - | 52 632 | 489 221 | 55 202 | 941 | (277) | **597 719** |
| Income | 763 670 | 640 302 | - | 25 576 | 199 | (726) | **1 429 021** |
| Cash | - | 1 165 115 | - | - | 335 | (81) | **1 165 369** |
| MAC fixed interest | 920 162 | - | - | - | 38 | (230) | **919 970** |
| Australian equities B | 76 | 147 519 | - | - | 736 | (54) | **148 277** |
| International equities B | - | 85 893 | - | 3 278 | 552 | (9) | **89 714** |
| Property B | - | 22 481 | - | - | 317 | (2) | **22 796** |
| Diversified strategies: | | | | | | | |
| Growth B | - | 3 047 | 18 808 | 2 023 | 101 | (4) | **23 975** |
| Socially responsible investment | - | 7 835 | - | - | - | (1) | **7 834** |
| **Total** | 7 574 350 | 3 981 956 | 880 875 | 182 049 | 5 971 | (8 056) | **12 617 145** |

## Statement of Net Assets Under Management as at 30 June 2008

| Asset sector: | Discretely managed portfolios $'000 | Managed funds $'000 | Internally managed investments $'000 | Currency hedge overlay $'000 | Other assets $'000 | Liabilities $'000 | 2008 Total $'000 |
|---|---|---|---|---|---|---|---|
| Inflation linked securities | 1 102 433 | - | 404 019 | - | 423 | (13 521) | 1 493 354 |
| Property A | 464 620 | 687 180 | 97 | - | 337 | (1 266) | 1 150 968 |
| Australian equities A | 3 553 420 | 203 430 | - | - | 252 | (11 411) | 3 745 691 |
| International equities A | 3 040 730 | 580 382 | - | 40 169 | 533 | (6 699) | 3 655 115 |
| Fixed interest | 1 034 927 | - | - | - | 101 | (664) | 1 034 364 |
| Diversified strategies: | | | | | | | |
| Growth | - | 97 844 | 464 179 | 12 304 | 1 456 | (290) | 575 493 |
| Income | 131 635 | 804 223 | - | 4 651 | 161 | (579) | 940 091 |
| Cash | - | - | 268 793 | - | 53 | (37) | 268 809 |
| MAC fixed interest | 942 667 | - | - | - | 30 | - | 942 697 |
| Australian equities B | 8 878 | 181 888 | - | - | 50 | (112) | 190 704 |
| International equities B | - | 124 657 | - | 1 385 | 50 | (47) | 126 045 |
| Property B | - | 47 325 | - | - | 94 | (83) | 47 336 |
| **Total** | 10 279 310 | 2 726 929 | 1 137 088 | 58 509 | 3 540 | (34 709) | 14 170 667 |

**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 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, 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.

The fair value of all derivative positions as at 30 June 2009 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 sub markets
- 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 transactions 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:

- 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 45 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

***(a) Objectives of the Superannuation Funds Management Corporation of South Australia***

The Superannuation Funds Management Corporation of South Australia (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.

***(a) Objectives of the Superannuation Funds Management Corporation of South Australia (continued)***

The object 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 2009, 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
- Southern State Superannuation Scheme
  - Southern State Superannuation Fund
  - Southern State Superannuation (Employer's) Fund
  - Super SA Flexible Rollover Product
  - Super SA Allocated Pension
- 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:*

- South Australian Government Financing Authority
- 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 the Department of Treasury and Finance.

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 17 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 provision of the PFAA.

Except for the amendments to AASB 101 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 2009. Funds SA 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 Funds SA.

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

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying Funds SA'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

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

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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, which have been included in this financial report:

  (a) Expenses incurred as a result of engaging consultants (refer Note 4).

  (b) Employees whose normal remuneration is $100 000 or more (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).

  (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 11).

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 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 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 2009 and the comparative information presented.

***(c) Comparative information***

The presentation and classification of items in the financial statements are consistent with prior periods except where 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.

***(d) 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.

***(e) 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 and 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 have separately disclosed the amounts expected to be recovered or settled after more than 12 months.

***(f) 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.

***(g) Receivables***

Receivables include amounts receivable from Funds SA's clients. Receivables arise in the normal course of providing services to the clients.

**(h) *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.

**(i) *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.

**(j) *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 | Life of lease |
| Computer and office equipment: | | |
| Computers, hardware and software | Straight-line | 3 |
| Office furniture | Straight-line | 10 |

**(k) *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.

**(l) *Employee benefits***

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

*Wages, salaries, annual leave and sick leave*

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

*Long service leave*

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand 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.

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.

***(m) 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.

*Lease incentives*
All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

***(n) 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.

***(o) Insurance***
Funds SA has arranged, through SAICORP, a division of the South Australian Government Financing Authority, to insure all major risks of Funds SA.

***(p) 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.

***(q) Valuation basis of client funds under management***
Note 17 provides financial statements in respect of each client fund under the management of Funds SA for the 2008-09 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

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries and wages | **2 086** | 1 826 |
| Board fees | **327** | 221 |
| Employment on-costs | **527** | 520 |
| **Total employee benefits costs** | **2 940** | 2 567 |

| ***Remuneration of employees*** | **2009** | 2008 |
|---|---|---|
| The number of employees whose remuneration received or receivable falls within the following bands: | **Number** | Number |
| $100 000 - $109 999 | **3** | 1 |
| $110 000 - $119 999 | **1** | 1 |
| $120 000 - $129 999 | **2** | 2 |
| $150 000 - $159 999 | **-** | 1 |
| $160 000 - $169 999 | **-** | 2 |
| $170 000 - $179 999 | **3** | - |
| $200 000 - $209 999 | **-** | 1 |
| $210 000 - $219 999 | **1** | - |
| $330 000 - $339 999 | **-** | 1 |
| $340 000 - $349 999 | **1** | - |
| **Total number of employees** | **11** | 9 |

The table includes all employees who received or are due remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.75 million ($1.503 million).

| **4. Supplies and services** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Computing and communication | **215** | 159 |
| Human resource expenses | **39** | 38 |
| Board expenses | **217** | 170 |
| Staff development | **33** | 63 |
| Subscriptions and publications | **83** | 66 |
| External audit fees | **74** | 95 |
| Travel and accommodation | **58** | 165 |
| Legal and advisory expenses | **231** | 384 |
| Office rent | **197** | 142 |
| Office supplies and printing | **45** | 58 |
| Website expenses | **11** | 12 |
| Client relationship expenses | **19** | 24 |
| Other | **37** | 52 |
| **Total supplies and services [(1)]** | **1 259** | 1 428 |

(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: | **2009 Number** | **2009 $'000** | 2008 Number | 2008 $'000 |
|---|---|---|---|---|
| Below $10 000 | **6** | **22** | 5 | 21 |
| Between $10 000 and $50 000 | **2** | **51** | 3 | 36 |
| Above $50 000 | **2** | **149** | 3 | 326 |
| **Total paid/payable to the consultants engaged** | **10** | **222** | 11 | 383 |

| **5. Depreciation and amortisation expense** | **2009** | 2008 |
|---|---|---|
| Depreciation: | **$'000** | $'000 |
| Computer and office equipment | **51** | 46 |
| Amortisation: | | |
| Leasehold improvements | **53** | 34 |
| **Total depreciation and amortisation** | **104** | 80 |

**6. Administration fee rebate expense**

| | | |
|---|---|---|
| Administration fee rebate expense | **-** | 588 |
| **Total administration fee rebate expense** | **-** | 588 |

The administration fee rebate reserve was established to provide for the rebate of a portion of administration fees charged to Funds SA's clients during the 2006-07 financial year. This fee rebate was set aside as a reserve at 30 June 2007 as it was approved by the board after the end of the financial year ended 30 June 2007; accordingly it was not brought to account as an expense in the 2006-07 financial year. The actual payment of the administration fee rebate reserve was made to Funds SA's clients during 2007-08 and was brought to account as an expense in the Statement of Comprehensive Income during this period.

| **7. Auditor's remuneration** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Audit fees paid/payable to the Auditor-General's Department | **74** | 95 |
| **Total audit fees - SA Government entities** | **74** | 95 |

***Other services***

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

## 8. Property, plant and equipment

| | **2009** | 2008 |
|---|---|---|
| Leasehold improvements: | **$'000** | $'000 |
| Leasehold improvements at fair value | **576** | 380 |
| Accumulated amortisation | **(151)** | (98) |
| **Total leasehold improvements** | **425** | 282 |
| Computer and office equipment: | | |
| Computer and office equipment at fair value | **811** | 591 |
| Accumulated depreciation | **(472)** | (436) |
| **Total computer and office equipment** | **339** | 155 |
| **Total property, plant and equipment** | **764** | 437 |

***Reconciliation of non-current assets***

The following table shows the movement of non-current assets:

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Leasehold improve-ments $'000** | **Computer and office equipment $'000** | **Non-current assets total $'000** | Leasehold improve-ments $'000 | Computer and office equipment $'000 | Non-current assets total $'000 |
| Carrying amount at 1 July | **282** | **155** | **437** | 229 | 165 | 394 |
| Additions | **196** | **236** | **432** | 87 | 40 | 127 |
| Disposals | **-** | **(1)** | **(1)** | - | (4) | (4) |
| Depreciation and amortisation | **(53)** | **(51)** | **(104)** | (34) | (46) | (80) |
| **Carrying amount at 30 June** | **425** | **339** | **764** | 282 | 155 | 437 |

## 9. Payables

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Creditors | **204** | 124 |
| Accrued expenses | **82** | 84 |
| Employment on-costs | **56** | 28 |
| **Total current payables** | **342** | 236 |
| Non-current: | | |
| Employment on-costs | **45** | 50 |
| **Total non-current payables** | **45** | 50 |

## 10. Employee benefits liability

| | | |
|---|---|---|
| Current: | | |
| Annual leave | **126** | 102 |
| Long service leave | **79** | 6 |
| Accrued salaries and wages | **124** | 97 |
| **Total current employee benefits** | **329** | 205 |
| Non-current: | | |
| Long service leave | **478** | 504 |
| **Total non-current employee benefits** | **478** | 504 |
| **Total employee benefits** | **807** | 709 |

## 11. 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 |
| Julie Brennan | Director | Ceased 1 December 2008 |
| Leigh Hall | Director | Throughout the year |
| Jan McMahon | Director | Throughout the year |
| Jim Wright* | Director | Throughout the year |
| Anne De Salis | Director | Throughout the year |
| Ros Sumner | Director | Throughout the year |
| David McMahon | Director | Appointed 11 December 2008 |

***(b) Sub-committees***

Funds SA has established two sub-committees where members receive remuneration for their membership. These are:

*Audit Committee*

| | | |
|---|---|---|
| Leigh Hall | Chairman | Throughout the year |
| Helen Nugent | Member | Throughout the year |
| Julie Brennan | Member | Ceased 1 December 2008 |
| Ros Sumner | Member | Throughout the year |
| David McMahon | Member | Appointed 11 December 2008 |

*Human Resource Committee*

| | | |
|---|---|---|
| Helen Nugent | Chairman | Throughout the year |
| Jim Wright* | Member | Throughout the year |
| Jan McMahon | Member | Throughout the year |
| Anne De Salis | Member | Throughout the year |

* As an SA Government employee, Jim Wright is not entitled to and does not receive remuneration for membership of the Funds SA Board and the Human Resource Committee.

***(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 Officer) who have responsibility for the strategic direction and management of Funds SA.

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Short-term employee benefits | **841** | 748 |
| Long-term employee benefits | **28** | 45 |
| **Total** | **869** | 793 |

***(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 sub-committees. Directors' fees for the 2008-09 year were set by the Governor of South Australia. The aggregate remuneration of Directors was $310 000 ($210 000).

In 2008-09, the aggregate amount paid, or due and payable for Directors, to the Southern State Superannuation Scheme totalled $8000 ($5000). In 2008-09, the periodic amounts paid, or due and payable, to private superannuation funds totalled $74 000 ($73 000).

In accordance with the Department of the Premier and Cabinet Circular 16, Board members who are government employees did not receive any remuneration for Board/Committee duties during the financial year.

| The number of governing Board members whose remuneration received or receivable falls within the following bands: | 2009 Number | 2008 Number |
|---|---|---|
| $10 000 - $19 999 | **1** | - |
| $20 000 - $29 999 | **1** | 1 |
| $30 000 - $39 999 | **1** | 4 |
| $40 000 - $49 999 | **2** | - |
| $50 000 - $59 999 | **1** | - |
| $60 000 - $69 999 | **-** | 1 |
| $90 000 - $99 999 | **1** | - |
| **Total** | **7** | 6 |

***(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 2008-09 on normal commercial terms and conditions. Dr Nugent did not 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.

## 12. 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:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Within one year | **219** | 171 |
| Later than one year but not longer than five years | **954** | 745 |
| Later than five years | **85** | 271 |
| **Total non-cancellable operating lease commitments** | **1 258** | 1 187 |

***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:

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Within one year | **1 360** | 1 183 |
| Later than one year but not longer than five years | **1 867** | 2 042 |
| **Total remuneration commitments** | **3 227** | 3 225 |

**13. Contingent assets and liabilities**

Funds SA is not aware of any contingent assets or liabilities.

**14. Cash flow reconciliation**

***Reconciliation of net cash provided by operating activities to net deficit***

| | | |
|---|---|---|
| Net deficit | **(284)** | (732) |
| *Add (Less):* Non-cash items: | | |
| Write-off of fixed assets | **-** | 4 |
| Lease incentive | **-** | (25) |
| Depreciation and amortisation expense | **104** | 80 |
| Changes in assets/liabilities: | | |
| (Increase) Decrease in receivables | **(100)** | 1 057 |
| Increase in other current assets | **(21)** | (24) |
| Increase in payables | **64** | 81 |
| Increase in employee benefits | **98** | 98 |
| Decrease in provisions | **(9)** | - |
| **Net cash (used in) provided by operating activities** | **(148)** | 539 |

**15. 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.

| **2009** | **Weighted average interest rate Percent** | **Floating interest rate $'000** | **Non-interest bearing $'000** | **Total $'000** |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash | **6.06** | **476** | **-** | **476** |
| Receivables | **-** | **-** | **331** | **331** |
| Other assets | **-** | **-** | **59** | **59** |
| **Total financial assets** | | **476** | **390** | **866** |
| Financial liabilities: | | | | |
| Payables | **-** | **-** | **239** | **239** |
| **Total financial liabilities** | | **-** | **239** | **239** |

| **2008** | | | | |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash | 6.72 | 1 018 | - | 1 018 |
| Receivables | - | - | 231 | 231 |
| Other assets | - | - | 38 | 38 |
| **Total financial assets** | | 1 018 | 269 | 1 287 |
| Financial liabilities: | | | | |
| Payables | - | - | 208 | 208 |
| **Total financial liabilities** | | - | 208 | 208 |

***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.

| | Contractual Maturities | | | |
|---|---|---|---|---|
| | **2009** | | 2008 | |
| | **Carrying amount** | **Less than one year** | Carrying amount | Less than one year |
| Financial assets: | **$'000** | **$'000** | $'000 | $'000 |
| Cash | **476** | **476** | 1 018 | 1 018 |
| Receivables | **331** | **331** | 231 | 231 |
| Other assets | **59** | **59** | 38 | 38 |
| **Total financial assets** | **866** | **866** | 1 287 | 1 287 |
| Financial liabilities: | | | | |
| Payables | **239** | **239** | 208 | 208 |
| **Total financial liabilities** | **239** | **239** | 208 | 208 |

## 16. Investments in Funds SA Unit Trusts

On 20 June 2008, Funds SA established a number of unit trusts to manage the investments of Funds SA's tax-paying clients. There were 15 unit trusts created, collectively called the 'Funds SA Investment Trusts'. On 12 February 2009, Funds SA established a further unit trust called 'Socially Responsible Investment Unit Trust'.

The Funds SA investment trusts exist under a Master Trust Deed which came into operation on 1 July 2008. Funds SA seeded each trust with $10 of initial assets. Accordingly, Funds SA has total investments of $160 in the Funds SA investment trusts at balance date.

## 17. 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 2009, 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.

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.

Furthermore, a number of clients hold direct investments in Funds SA's socially responsible investment asset class.

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 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 Internal Inflation linked securities 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 MAC 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**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **2 577 462** | 3 063 641 |
| Receipts | **276 950** | 237 789 |
| Net investment income | **(470 837)** | (340 818) |
| | **(193 887)** | (103 029) |
| Payments | **(432 750)** | (383 150) |
| **Funds under management at 30 June** | **1 950 825** | 2 577 462 |

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **1 950 825** | 2 577 462 |
| **Funds under management at 30 June** | **1 950 825** | 2 577 462 |

**Statement of Funds Under Management - by Asset Sector**

| | **2009** | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **566 772** | 807 597 |
| International equities A | **473 899** | 808 678 |
| Property A | **138 939** | 264 309 |
| Inflation linked bonds | **164 271** | 229 297 |
| Internal inflation linked bonds | **53 841** | - |
| Fixed interest | **47 207** | 144 821 |
| Diversified strategies income | **248 997** | 172 254 |
| Diversified strategies growth A | **117 450** | 122 521 |
| Cash | **139 449** | 27 985 |
| **Funds under management at 30 June** | **1 950 825** | 2 577 462 |

### *(b) South Australian Superannuation Fund - Old Scheme Division*

**Statement of Receipts and Payments**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **1 479 020** | 1 734 660 |
| Receipts | **1 300** | 2 679 |
| Net investment income | **(257 020)** | (188 169) |
| | **(255 720)** | (185 490) |
| Payments | **(85 450)** | (70 150) |
| **Funds under management at 30 June** | **1 137 850** | 1 479 020 |

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **1 137 850** | 1 479 020 |
| **Funds under Management at 30 June** | **1 137 850** | 1 479 020 |

***(b) South Australian Superannuation Fund - Old Scheme Division (continued)***

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **330 579** | 463 422 |
| International equities A | **276 409** | 464 042 |
| Property A | **81 038** | 151 668 |
| Inflation linked bonds | **95 814** | 131 577 |
| Internal inflation linked bonds | **31 404** | - |
| Fixed interest | **27 534** | 83 102 |
| Diversified strategies income | **145 232** | 98 844 |
| Diversified strategies growth A | **68 504** | 70 306 |
| Cash | **81 336** | 16 059 |
| **Funds under management at 30 June** | **1 137 850** | 1 479 020 |

***(c) South Australian Superannuation Fund - New Scheme Division***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **615 109** | 711 049 |
| Receipts | **6 400** | 3 632 |
| Net investment income | **(102 605)** | (76 972) |
| | **(96 205)** | (73 340) |
| Payments | **(11 850)** | (22 600) |
| **Funds under management at 30 June** | **507 054** | 615 109 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth A | **14 168** | 19 543 |
| Growth A | **435 628** | 568 175 |
| Balanced A | **11 598** | 9 544 |
| Moderate A | **3 387** | 2 892 |
| Conservative A | **5 822** | 5 125 |
| Capital Defensive A | **4 339** | 2 405 |
| Cash A | **31 105** | 7 425 |
| Socially responsible investment | **1 007** | - |
| **Funds under management at 30 June** | **507 054** | 615 109 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **136 522** | 189 182 |
| International equities A | **114 063** | 189 500 |
| Property A | **33 059** | 61 999 |
| Inflation linked bonds | **40 605** | 53 594 |
| Internal inflation linked bonds | **13 171** | - |
| Fixed interest | **14 147** | 36 645 |
| Diversified strategies income | **60 668** | 40 994 |
| Diversified strategies growth A | **28 033** | 28 781 |
| Cash | **65 779** | 14 414 |
| Socially responsible investment | **1 007** | - |
| **Funds under management at 30 June** | **507 054** | 615 109 |

***(d) Southern State Superannuation (Employer's) Fund***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **4 593 526** | 4 734 833 |
| Receipts | **472 383** | 336 417 |
| Net investment income | **(715 571)** | (473 024) |
| | **(243 188)** | (136 607) |
| Payments | **-** | (4 700) |
| **Funds under management at 30 June** | **4 350 338** | 4 593 526 |

***(d) Southern State Superannuation (Employer's) Fund (continued)***

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth A | **287 318** | 326 143 |
| Growth A | **109 346** | 121 692 |
| Balanced A | **3 766 985** | 4 067 877 |
| Moderate A | **4 948** | 4 630 |
| Conservative A | **29 559** | 36 519 |
| Capital Defensive A | **11 238** | 8 473 |
| Cash A | **138 221** | 28 192 |
| Socially responsible investment | **2 723** | - |
| **Funds under management at 30 June** | **4 350 338** | 4 593 526 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **1 126 727** | 1 268 581 |
| International equities A | **924 396** | 1 273 095 |
| Property A | **160 074** | 426 151 |
| Inflation linked bonds | **483 776** | 508 349 |
| Internal inflation linked bonds | **146 177** | - |
| Fixed interest | **288 898** | 508 763 |
| Diversified strategies income | **529 996** | 305 352 |
| Diversified strategies growth A | **254 308** | 218 765 |
| Cash | **433 263** | 84 470 |
| Socially responsible investment | **2 723** | - |
| **Funds under management at 30 June** | **4 350 338** | 4 593 526 |

***(e) Southern State Superannuation Fund***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **1 097 114** | 1 078 336 |
| Receipts | **121 454** | 133 421 |
| Net investment income | **(167 268)** | (113 593) |
| | **(45 814)** | 19 828 |
| Payments | **(525)** | (1 050) |
| **Funds under management at 30 June** | **1 050 775** | 1 097 114 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth A | **134 803** | 159 711 |
| Growth A | **39 112** | 45 977 |
| Balanced A | **753 145** | 824 223 |
| Moderate A | **5 729** | 4 607 |
| Conservative A | **32 781** | 31 844 |
| Capital Defensive A | **9 387** | 5 435 |
| Cash A | **74 708** | 25 317 |
| Socially responsible investment | **1 110** | - |
| **Funds under management at 30 June** | **1 050 775** | 1 097 114 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **263 871** | 302 002 |
| International equities A | **216 878** | 303 206 |
| Property A | **41 313** | 101 073 |
| Inflation linked bonds | **105 481** | 110 852 |
| Internal inflation linked bonds | **31 793** | - |
| Fixed interest | **66 081** | 115 791 |
| Diversified strategies income | **122 740** | 73 131 |
| Diversified strategies growth A | **57 959** | 51 685 |
| Cash | **143 549** | 39 374 |
| Socially responsible investment | **1 110** | - |
| **Funds under management at 30 June** | **1 050 775** | 1 097 114 |

### *(f) Southern State Superannuation Scheme - Super SA Flexible Rollover Product*

**Statement of Receipts and Payments**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **144 657** | 119 300 |
| Receipts | **41 602** | 56 431 |
| Net investment income | **(13 895)** | (11 661) |
| | **27 707** | 44 770 |
| Payments | **(9 318)** | (19 413) |
| **Funds under management at 30 June** | **163 046** | 144 657 |

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth B | **10 914** | 11 352 |
| Growth B | **20 844** | 28 903 |
| Balanced B | **55 254** | 62 079 |
| Moderate B | **7 026** | 4 850 |
| Conservative B | **7 555** | 9 340 |
| Capital Defensive B | **7 711** | 5 843 |
| Cash B | **51 545** | 22 290 |
| Socially responsible investment | **2 197** | - |
| **Funds under management at 30 June** | **163 046** | 144 657 |

**Statement of Funds Under Management - by Asset Sector**

| | **2009** | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities B | **29 942** | 40 452 |
| International equities B | **18 177** | 26 682 |
| Property B | **4 493** | 10 114 |
| Inflation linked bonds | **15 333** | 14 270 |
| Fixed interest | **8 319** | 17 816 |
| Diversified strategies income | **13 008** | 7 440 |
| Diversified strategies growth B | **4 718** | 3 223 |
| Cash | **65 294** | 24 413 |
| Socially responsible investment | **2 200** | - |
| Other assets | **1 562** | 247 |
| **Funds under management at 30 June** | **163 046** | 144 657 |

### *(g) Southern State Superannuation Scheme - Super SA Allocated Pension*

**Statement of Receipts and Payments**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **125 360** | 48 574 |
| Receipts | **67 990** | 87 214 |
| Net investment income | **(14 147)** | (10 201) |
| | **53 843** | 77 013 |
| Payments | **(327)** | (227) |
| **Funds under management at 30 June** | **178 876** | 125 360 |

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth B | **7 050** | 5 479 |
| Growth B | **16 928** | 17 179 |
| Balanced B | **67 405** | 61 015 |
| Moderate B | **11 728** | 10 646 |
| Conservative B | **13 857** | 11 885 |
| Capital Defensive B | **7 858** | 6 273 |
| Cash B | **53 279** | 12 883 |
| Socially responsible investment | **771** | - |
| **Funds under management at 30 June** | **178 876** | 125 360 |

***(g) Southern State Superannuation Scheme - Super SA Allocated Pension (continued)***

**Statement of Funds Under Management - by Asset Sector**

| | **2009** | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities B | **33 146** | 35 095 |
| International equities B | **20 146** | 23 013 |
| Property B | **4 651** | 8 861 |
| Inflation linked bonds | **19 374** | 14 487 |
| Fixed interest | **11 054** | 19 551 |
| Diversified strategies income | **15 382** | 6 807 |
| Diversified strategies growth B | **4 961** | 2 385 |
| Cash | **68 999** | 14 770 |
| Socially responsible investment | **771** | - |
| Other assets | **392** | 391 |
| **Funds under management at 30 June** | **178 876** | 125 360 |

***(h) Parliamentary Superannuation Scheme***

**Statement of Receipts and Payments**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **143 968** | 144 287 |
| Receipts | **46 250** | 21 093 |
| Net investment income | **(25 053)** | (16 230) |
| | **21 197** | 4 863 |
| Payments | **(5 636)** | (5 182) |
| **Funds under management at 30 June** | **159 529** | 143 968 |

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth A | **740** | 767 |
| Growth A | **157 454** | 141 959 |
| Balanced A | **1 317** | 1 240 |
| Capital Defensive A | **-** | 2 |
| Socially responsible investment | **18** | - |
| **Funds under management at 30 June** | **159 529** | 143 968 |

**Statement of Funds Under Management - by Asset Sector**

| | **2009** | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **46 365** | 45 092 |
| International equities A | **38 759** | 45 154 |
| Property A | **11 326** | 14 758 |
| Inflation linked bonds | **13 421** | 12 778 |
| Internal inflation linked bonds | **4 395** | - |
| Fixed interest | **3 907** | 8 125 |
| Diversified strategies income | **20 343** | 9 634 |
| Diversified strategies growth A | **9 616** | 6 858 |
| Cash | **11 379** | 1 569 |
| Socially responsible investment | **18** | - |
| **Funds under management at 30 June** | **159 529** | 143 968 |

***(i) Judges' Pensions Scheme***

**Statement of Receipts and Payments**

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **138 912** | 145 482 |
| Receipts | **49 820** | 15 778 |
| Net investment income | **(24 102)** | (16 208) |
| | **25 718** | (430) |
| Payments | **(6 940)** | (6 140) |
| **Funds under management at 30 June** | **157 690** | 138 912 |

### *(i) Judges' Pensions Scheme (continued)*

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **157 690** | 138 912 |
| **Funds under management at 30 June** | **157 690** | 138 912 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **45 813** | 43 525 |
| International equities A | **38 307** | 43 584 |
| Property A | **11 231** | 14 245 |
| Inflation linked bonds | **13 278** | 12 358 |
| Internal inflation linked bonds | **4 352** | - |
| Fixed interest | **3 816** | 7 805 |
| Diversified strategies income | **20 127** | 9 284 |
| Diversified strategies growth A | **9 494** | 6 603 |
| Cash | **11 272** | 1 508 |
| **Funds under management at 30 June** | **157 690** | 138 912 |

### *(j) Governors' Pensions Scheme*

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **552** | 792 |
| Receipts | **1 100** | - |
| Net investment income | **(90)** | (75) |
| | **1 010** | (75) |
| Payments | **(185)** | (165) |
| **Funds under management at 30 June** | **1 377** | 552 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **1 377** | 552 |
| **Funds under management at 30 June** | **1 377** | 552 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **400** | 173 |
| International equities A | **335** | 173 |
| Property A | **98** | 57 |
| Inflation linked bonds | **116** | 49 |
| Internal inflation linked bonds | **38** | - |
| Fixed interest | **33** | 31 |
| Diversified strategies income | **176** | 37 |
| Diversified strategies growth A | **83** | 26 |
| Cash | **98** | 6 |
| **Funds under management at 30 June** | **1 377** | 552 |

### *(k) South Australian Ambulance Service Superannuation Scheme*

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **112 093** | 117 380 |
| Receipts | **12 890** | 11 248 |
| Net investment income | **(15 571)** | (11 415) |
| | **(2 681)** | (167) |
| Payments | **(5 170)** | (5 120) |
| **Funds under management at 30 June** | **104 242** | 112 093 |

***(k) South Australian Ambulance Service Superannuation Scheme (continued)***

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Balanced B | **104 242** | 112 093 |
| **Funds under management at 30 June** | **104 242** | 112 093 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities B | **29 798** | 37 610 |
| International equities B | **18 277** | 24 437 |
| Property B | **2 795** | 9 368 |
| Inflation linked bonds | **15 595** | 14 128 |
| Fixed interest | **6 886** | 16 387 |
| Diversified strategies income | **12 033** | 6 459 |
| Diversified strategies growth B | **5 447** | 2 591 |
| Cash | **11 794** | 1 237 |
| Other assets | **1 617** | - |
| | **104 242** | 112 217 |
| Liabilities | **-** | (124) |
| **Funds under management at 30 June** | **104 242** | 112 093 |

***(l) Police Superannuation Scheme - Employer Contribution Account***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **447 980** | 479 114 |
| Receipts | **40 225** | 36 094 |
| Net investment income | **(70 674)** | (56 923) |
| | **(30 449)** | (20 829) |
| Payments | **(81 727)** | (10 305) |
| **Funds under management at 30 June** | **335 804** | 447 980 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **335 804** | 447 980 |
| **Funds under management at 30 June** | **335 804** | 447 980 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **97 561** | 140 365 |
| International equities A | **81 574** | 140 554 |
| Property A | **23 916** | 45 939 |
| Inflation linked bonds | **28 277** | 39 853 |
| Internal inflation linked bonds | **9 268** | - |
| Fixed interest | **8 126** | 25 171 |
| Diversified strategies income | **42 861** | 29 939 |
| Diversified strategies growth A | **20 217** | 21 295 |
| Cash | **24 004** | 4 864 |
| **Funds under management at 30 June** | **335 804** | 447 980 |

***(m) Police Superannuation Fund - New Scheme Division***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **24 261** | 26 349 |
| Receipts | **-** | 1 056 |
| Net investment income | **-** | (2 914) |
| | **-** | (1 858) |
| Payments | **(24 261)** | (230) |
| **Funds under management at 30 June** | **-** | 24 261 |

***(m) Police Superannuation Fund - New Scheme Division (continued)***

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **-** | 24 261 |
| **Funds under management at 30 June** | **-** | 24 261 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **-** | 7 602 |
| International equities A | **-** | 7 612 |
| Property A | **-** | 2 488 |
| Inflation linked bonds | **-** | 2 158 |
| Fixed interest | **-** | 1 363 |
| Diversified strategies income | **-** | 1 621 |
| Diversified strategies growth A | **-** | 1 153 |
| Cash | **-** | 264 |
| **Funds under management at 30 June** | **-** | 24 261 |

***(n) Police Superannuation Fund - Old Scheme Division***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **358 927** | 405 537 |
| Receipts | **480** | 1 063 |
| Net investment income | **(60 595)** | (45 028) |
| | **(60 115)** | (43 965) |
| Payments | **(18 006)** | (2 645) |
| **Funds under management at 30 June** | **280 806** | 358 927 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Growth A | **280 806** | 358 927 |
| **Funds under management at 30 June** | **280 806** | 358 927 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **81 582** | 112 463 |
| International equities A | **68 214** | 112 613 |
| Property A | **19 999** | 36 807 |
| Inflation linked bonds | **23 646** | 31 931 |
| Internal inflation linked bonds | **7 750** | - |
| Fixed interest | **6 795** | 20 167 |
| Diversified strategies income | **35 841** | 23 987 |
| Diversified strategies growth A | **16 906** | 17 062 |
| Cash | **20 073** | 3 897 |
| **Funds under management at 30 June** | **280 806** | 358 927 |

***(o) South Australian Government Financing Authority (SAICORP - Insurance Fund 1)***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **247 919** | 279 084 |
| Receipts | **-** | 53 |
| Net investment income | **(43 475)** | (31 218) |
| | **(43 475)** | (31 165) |
| Payments | **-** | - |
| **Funds under management at 30 June** | **204 444** | 247 919 |

***(o) South Australian Government Financing Authority (SAICORP - Insurance Fund 1) (continued)***

**Statement of Funds Under Management - by Investment Option**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Investment option: | | |
| Growth A | **204 444** | 247 919 |
| **Funds under management at 30 June** | **204 444** | 247 919 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Asset sector: | | |
| Australian equities A | **59 368** | 77 693 |
| International equities A | **49 818** | 77 905 |
| Property A | **14 545** | 25 414 |
| Inflation linked bonds | **17 166** | 21 980 |
| Internal inflation linked bonds | **5 636** | - |
| Fixed interest | **4 931** | 13 894 |
| Diversified strategies income | **26 078** | 16 556 |
| Diversified strategies growth A | **12 305** | 11 789 |
| Cash | **14 597** | 2 688 |
| **Funds under management at 30 June** | **204 444** | 247 919 |

***(p) South Australian Government Financing Authority (SAICORP - Insurance Fund 2)***

**Statement of Receipts and Payments**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Funds under management at 1 July | **44 023** | - |
| Receipts | **-** | 50 000 |
| Net investment income | **(7 719)** | (5 977) |
| | **(7 719)** | 44 023 |
| Payments | **-** | - |
| **Funds under management at 30 June** | **36 304** | 44 023 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Investment option: | | |
| Growth A | **36 304** | 44 023 |
| **Funds under management at 30 June** | **36 304** | 44 023 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Asset sector: | | |
| Australian equities A | **10 542** | 13 796 |
| International equities A | **8 846** | 13 834 |
| Property A | **2 583** | 4 513 |
| Inflation linked bonds | **3 048** | 3 903 |
| Internal inflation linked bonds | **1 001** | - |
| Fixed interest | **876** | 2 467 |
| Diversified strategies income | **4 631** | 2 940 |
| Diversified strategies growth A | **2 185** | 2 093 |
| Cash | **2 592** | 477 |
| **Funds under management at 30 June** | **36 304** | 44 023 |

***(q) Adelaide Cemeteries Authority***

**Statement of Receipts and Payments**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Funds under management at 1 July | **6 292** | - |
| Receipts | **200** | 6 788 |
| Net investment income | **(465)** | (496) |
| | **(265)** | 6 292 |
| Payments | **(1 200)** | - |
| **Funds under management at 30 June** | **4 827** | 6 292 |

***(q) Adelaide Cemeteries Authority (continued)***

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth A | **1 906** | 2 398 |
| Capital Defensive A | **2 767** | 2 793 |
| Cash A | **154** | 1 101 |
| **Funds under management at 30 June** | **4 827** | 6 292 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **800** | 1 045 |
| International equities A | **678** | 1 061 |
| Property A | **231** | 386 |
| Inflation linked bonds | **557** | 577 |
| Internal inflation linked bonds | **159** | - |
| Fixed interest | **697** | 1 054 |
| Diversified strategies income | **620** | 575 |
| Diversified strategies growth A | **150** | 162 |
| Cash | **935** | 1 432 |
| **Funds under management at 30 June** | **4 827** | 6 292 |

***(r) Motor Accident Commission Compulsory Third Party Fund***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **1 799 315** | - |
| Receipts | **34 000** | 1 883 608 |
| Net investment income | **23 192** | (67 280) |
| | **57 192** | 1 816 328 |
| Payments | **(39 500)** | (17 013) |
| **Funds under management at 30 June** | **1 817 007** | 1 799 315 |

**Statement of Funds Under Management - by Investment Option**

| | 2009 | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| Motor Accident Commission A | **1 817 007** | 1 799 315 |
| **Funds under management at 30 June** | **1 817 007** | 1 799 315 |

**Statement of Funds Under Management - by Asset Sector**

| | 2009 | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities A | **319 025** | 267 931 |
| International equities A | **162 370** | 164 137 |
| Inflation linked bonds | **193 030** | 277 748 |
| Internal inflation linked bonds | **64 069** | - |
| Diversified strategies income | **110 023** | 121 622 |
| Cash | **48 520** | 25 179 |
| MAC fixed interest | **919 970** | 942 698 |
| **Funds under management at 30 June** | **1 817 007** | 1 799 315 |

***(s) South Australian Metropolitan Fire Service Superannuation Scheme***

**Statement of Receipts and Payments**

| | 2009 | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Funds under management at 1 July | **204 932** | - |
| Receipts | **11 803** | 270 447 |
| Net investment income | **(31 782)** | (23 130) |
| | **(19 979)** | 247 317 |
| Payments | **(10 318)** | (42 385) |
| **Funds under management at 30 June** | **174 635** | 204 932 |

***(s) South Australian Metropolitan Fire Service Superannuation Scheme (continued)***

**Statement of Funds Under Management - by Investment Option**

| | **2009** | 2008 |
|---|---|---|
| Investment option: | **$'000** | $'000 |
| High Growth B | **337** | 231 |
| Growth B | **170 510** | 203 001 |
| Balanced B | **694** | 203 |
| Moderate B | **87** | 53 |
| Conservative B | **34** | 50 |
| Capital Defensive B | **40** | 2 |
| Cash B | **2 933** | 1 392 |
| **Funds under management at 30 June** | **174 635** | 204 932 |

**Statement of Funds Under Management - by Asset Sector**

| | **2009** | 2008 |
|---|---|---|
| Asset sector: | **$'000** | $'000 |
| Australian equities B | **55 025** | 77 155 |
| International equities B | **32 803** | 51 832 |
| Property B | **10 853** | 18 960 |
| Diversified strategies growth B | **8 828** | 7 238 |
| Diversified strategies income | **19 598** | 12 117 |
| Inflation linked securities | **17 090** | 18 964 |
| Fixed interest | **3 031** | 12 640 |
| Cash | **22 435** | 4 203 |
| Other assets | **4 972** | 1 823 |
| **Funds under management at 30 June** | **174 635** | 204 932 |

# 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 PSM Act.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for Industry and Trade (Deputy Premier)
- Minister for Economic Development (Premier)
- Minister for Regional Development
- Minister for Small Business.

### Functions

The function of the Department is to promote economic development in the State by working with business and the community to create and retain jobs, maintain a competitive business climate, increase investment, facilitate major projects, encourage innovation and entrepreneurship, promote trade and encourage industry's involvement in the development of a highly skilled work force to meet the needs of business. For details of the Department's objectives refer to Note 1 of the financial statements.

## AUDIT MANDATE AND COVERAGE

### Audit authority

#### *Audit of the financial statements*

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 2008-09, 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 and the Department of Primary Industries and Resources.

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 statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Trade and Economic Development as at 30 June 2009, and 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, except for the matter of the implementation of the revised TIs 2 and 28 outlined under 'Communication of audit matters', 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 detailed in a management letter to the Chief Executive. Responses to the management letter were generally considered to be satisfactory.

The main matters raised with the Chief Executive are detailed below.

#### *Financial assistance grants*

In 2008-09 the Department paid financial assistance grants of approximately $20 million 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 Department's Economic Development Integrated Database (EDID). If the recipients do not provide proof they may not be allowed to receive further grants and may have to repay the grants.

Project managers are responsible for confirming that recipients have provided adequate proof of the obligations being fulfilled. They advise an officer who updates EDID to indicate the obligations are fulfilled. Audit noted that some project managers were not providing the officer with sufficient and prompt information on the status of outstanding obligations.

The Department responded that outstanding obligations will be reported monthly to the Budget and Finance Executive Committee and processes will be reinforced to ensure project managers support this activity in a timely manner.

#### *Review of bona fide reports*

Shared Services SA took over the Department's payroll function during 2008-09.

Under the new arrangements, units of the Department must review and retain bona fide reports and advise Shared Services SA of any errors. The reports show the name of each employee and key information used to calculate their pay. Late notification of errors may cause higher under or overpayments and more work recovering overpayments or re-processing underpayments.

Audit noted the Department did not ensure units were promptly reviewing bona fide reports and reporting errors to Shared Services SA. Some units:

- had not retained all their bona fide reports for 2008-09
- had not reviewed their bona fide reports promptly.

The Department responded that correct management of bona fides is covered by the Department's 'Working Hours Accountability' procedure which requires each Business Unit Executive Assistant (now with Business Managers assisting as well) to undertake the bona fide responsibilities. The Department advised that it will remind units regularly of the need to fulfil the requirements of the 'Working Hours Accountability' procedure.

***Leave recording***

Units forward leave application forms to Shared Services SA to record in the leave system. The units compare copies of the forms to monthly leave reports from Shared Services SA. The comparison is meant to provide assurance that leave forms are completely and accurately recorded in the leave system. If leave is not deducted from entitlements the employees will be paid again for the same entitlements. If too much leave is deducted from entitlements the employees will not be paid for the leave mistakenly deducted.

Audit identified the following problems with this control:

- the leave reports omitted leave taken during the month but processed after the end of the month
- some units did not ensure discrepancies between the leave forms and leave reports were resolved.

The Department responded that each Business Unit Executive Assistant (now with Business Managers assisting as well) is required to undertake leave checking responsibilities. The Department advised that it will undertake more regular training of the Executive Assistants to ensure they clearly understand the required process for verification of leave. The Department also advised that it will raise with Shared Services SA whether a report can be produced that shows all leave processed during the month (not just the leave taken within that month).

***Implementation of the revised TIs 2 and 28***

In response to the introduction of TIs 2 and 28 the Department has reviewed all its policies and procedures. It has also developed, in addition to its policies and procedures, an overarching financial compliance program as required by TI 28 which will only be implemented in 2009-10.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Highlights of the financial statements

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| ***EXPENSES*** | | |
| Employee benefit expenses | **21** | 18 |
| Supplies, services and other expenses | **29** | 25 |
| Grants and subsidies | **20** | 19 |
| **Total expenses** | **70** | 62 |
| ***INCOME*** | | |
| **Total income** | **3** | 4 |
| **Net cost of providing services** | **67** | 58 |
| ***REVENUES FROM (PAYMENTS TO) SA GOVERNMENT*** | | |
| Revenues from SA Government | **66** | 57 |
| Payments to SA Government | **(3)** | - |
| **Net result and total comprehensive result** | **(4)** | (1) |
| | | |
| ***NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES*** | **14** | (3) |
| | | |
| ***ASSETS*** | | |
| Current assets | **29** | 25 |
| Non-current assets | **1** | 1 |
| **Total assets** | **30** | 26 |
| | | |
| ***LIABILITIES*** | | |
| Current liabilities | **6** | 4 |
| Non-current liabilities | **3** | 2 |
| **Total liabilities** | **9** | 6 |
| ***EQUITY*** | **21** | 20 |

## Statement of Comprehensive Income

### *Net cost of providing services*

Net cost of providing services increased by $9 million in 2008-09 due to:

- an increase in expenses of $6 million due mainly to an increase in employee benefits, advertising, contractor and consultancy expenses
- an impairment loss of $3 million on investment (refer to Note 22 of the financial statements)
- a decrease in income of $1 million due mainly to a once off GST refund from the ATO of $2 million received in the previous financial year (refer to Note 15) offset by recoveries income of approximately $800 000 from the Department of the Premier and Cabinet to fund the creative industries program.

## Statement of Financial Position

### *Assets*

Assets increased by $4 million due mainly to:

- an increase in cash of $13 million due mainly to $9 million received from the Land Management Corporation for land disposals recognised as revenue in prior periods and $3 million cash received from the Office of the Venture Capital Board on its abolishment
- a decrease in receivables of $9 million relating to proceeds received from the Land Management Corporation for land disposals that occurred in past years.

### *Liabilities*

Liabilities increased by $3 million due mainly to a $1.6 million increase in creditors and accrued expenses arising from late processing of invoices.

# Statement of Comprehensive Income
# for the year ended 30 June 2009

| | Note | **2009** | 2008 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **EXPENSES:** | | | |
| Employee benefit expenses | 5 | **20 721** | 18 202 |
| Supplies and services | 6 | **26 636** | 23 720 |
| Depreciation and amortisation | 7 | **266** | 286 |
| Grants and subsidies | 8 | **19 638** | 19 349 |
| Other expenses | 9 | **443** | 35 |
| Impairment loss on investment | 22 | **2 789** | - |
| **Total expenses** | | **70 493** | 61 592 |
| **INCOME:** | | | |
| Commonwealth revenue | 12 | **530** | 385 |
| Interest revenues | 13 | **16** | 31 |
| Net gain (loss) from disposal of non-current assets | 14 | **20** | (5) |
| Recoveries | 15 | **2 574** | 3 606 |
| **Total income** | | **3 140** | 4 017 |
| **NET COST OF PROVIDING SERVICES** | | **(67 353)** | (57 575) |
| **REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:** | | | |
| Revenues from SA Government | 16 | **65 868** | 56 900 |
| Payments to SA Government | 16 | **(2 849)** | - |
| **NET RESULT** | | **(4 334)** | (675) |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Gain on revaluation of plant and equipment | | **-** | 33 |
| **TOTAL COMPREHENSIVE RESULT** | | **(4 334)** | (642) |

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

# Statement of Financial Position
## as at 30 June 2009

| | Note | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash | 17 | **27 415** | 14 762 |
| Receivables | 18 | **1 374** | 10 072 |
| Financial assistance debtors | 19 | **100** | 700 |
| Other current assets | 20 | **115** | 209 |
| **Total current assets** | | **29 004** | 25 743 |
| **NON-CURRENT ASSETS:** | | | |
| Property, plant and equipment | 21 | **622** | 723 |
| Other non-current assets | 20 | **60** | - |
| **Total non-current assets** | | **682** | 723 |
| **Total assets** | | **29 686** | 26 466 |
| **CURRENT LIABILITIES:** | | | |
| Payables | 23 | **3 349** | 1 659 |
| Short-term employee benefits | 24 | **2 470** | 1 952 |
| Short-term provisions | 25 | **36** | 43 |
| **Total current liabilities** | | **5 855** | 3 654 |
| **NON-CURRENT LIABILITIES:** | | | |
| Payables | 23 | **282** | 218 |
| Long-term employee benefits | 24 | **2 908** | 2 408 |
| Long-term provisions | 25 | **106** | 111 |
| **Total non-current liabilities** | | **3 296** | 2 737 |
| **Total liabilities** | | **9 151** | 6 391 |
| **NET ASSETS** | | **20 535** | 20 075 |
| **EQUITY:** | | | |
| Retained earnings | | **20 502** | 20 042 |
| Asset revaluation reserve | | **33** | 33 |
| **TOTAL EQUITY** | | **20 535** | 20 075 |

Total equity is attributable to the SA Government as owner

| | |
|---|---|
| Unrecognised contractual commitments | 26 |
| Contingent assets and liabilities | 27 |

## Statement of Changes in Equity
## for the year ended 30 June 2009

| | Note | Asset revaluation reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 30 June 2007 | | - | 29 367 | 29 367 |
| Error correction | 32 | - | (4 756) | (4 756) |
| Restated balance at 30 June 2007 | | - | 24 611 | 24 611 |
| Gain on revaluation of plant and equipment during 2007-08 | | 33 | - | 33 |
| Net result for 2007-08 | | - | (675) | (675) |
| Total comprehensive result for 2007-08 | | 33 | (675) | (642) |
| Net expense from restructure | | - | (3 894) | (3 894) |
| Balance at 30 June 2008 | | 33 | 20 042 | 20 075 |
| Net result for 2008-09 | | - | (4 334) | (4 334) |
| Total comprehensive result for 2008-09 | | - | (4 334) | (4 334) |
| Net assets from restructure | | - | 4 794 | 4 794 |
| **Balance at 30 June 2009** | | 33 | **20 502** | **20 535** |

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

## Statement of Cash Flows
## for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|---|---|---|
| | | Inflows | Inflows |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | (Outflows) | (Outflows) |
| CASH OUTFLOWS: | Note | $'000 | $'000 |
| Employee benefit payments | | **(19 779)** | (17 556) |
| Payments for supplies and services | | **(24 903)** | (25 270) |
| Payments for grants and subsidies | | **(19 138)** | (19 150) |
| Payments of financial assistance | | **(100)** | - |
| GST paid to ATO | | **(3 644)** | (3 929) |
| Payments for restructure activities | | **-** | (3 281) |
| **Cash used in operations** | | **(67 564)** | (69 186) |
| CASH INFLOWS: | | | |
| Commonwealth revenue | | **551** | 449 |
| Interest received | | **16** | 31 |
| GST recovered from ATO | | **3 665** | 6 106 |
| Receipts from restructure activities | | **2 993** | - |
| Other receipts | | **10 943** | 2 856 |
| **Cash generated from operations** | | **18 168** | 9 442 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Receipts from SA Government | | **65 868** | 56 900 |
| Payments to SA Government | | **(2 849)** | - |
| **Cash generated from SA Government** | | **63 019** | 56 900 |
| **Net cash provided by (used in) operating activities** | 30 | **13 623** | (2 844) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | **(166)** | (186) |
| Purchase of investments | | **(804)** | - |
| **Cash used in investing activities** | | **(970)** | (186) |
| CASH INFLOWS: | | | |
| Proceeds from the sale of property, plant and equipment | | **-** | - |
| **Cash generated from investing activities** | | **-** | - |
| **Net cash used in investing activities** | | **(970)** | (186) |
| **NET INCREASE (DECREASE) IN CASH** | | **12 653** | (3 030) |
| **CASH AT 1 JULY** | | **14 762** | 17 792 |
| **CASH AT 30 JUNE** | 17,30 | **27 415** | 14 762 |

# Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009

| (Activities - refer Note 4) | 1 | | 2 | | 3 | | 4 | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **EXPENSES:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefit expenses | **2 899** | 2 667 | **2 138** | 1 865 | **2 636** | 2 612 | **2 204** | 1 800 |
| Supplies and services | **2 692** | 1 981 | **4 071** | 3 608 | **2 720** | 1 857 | **6 067** | 5 507 |
| Depreciation | **-** | - | **-** | - | **-** | - | **-** | - |
| Grants and subsidies | **334** | 1 246 | **1 437** | 3 090 | **6 063** | 3 299 | **1 672** | 2 109 |
| Other expenses | **-** | - | **-** | - | **-** | - | **-** | - |
| Impairment loss on investment | **-** | - | **-** | - | **-** | - | **-** | - |
| **Total expenses** | **5 925** | 5 894 | **7 646** | 8 563 | **11 419** | 7 768 | **9 943** | 9 416 |
| **INCOME:** | | | | | | | | |
| Commonwealth revenues | **-** | - | **-** | - | **55** | - | **475** | 385 |
| Interest revenues | **-** | - | **-** | - | **-** | - | **7** | 31 |
| Net gain (loss) from disposal of non-current assets | **-** | - | **-** | - | **-** | - | **20** | - |
| Recoveries | **376** | 187 | **9** | 95 | **189** | 174 | **367** | 398 |
| **Total income** | **376** | 187 | **9** | 95 | **244** | 174 | **869** | 814 |
| **NET COST OF PROVIDING SERVICES** | **(5 549)** | (5 707) | **(7 637)** | (8 468) | **(11 175)** | (7 594) | **(9 074)** | (8 602) |
| **REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:** | | | | | | | | |
| Revenues from SA Government | **-** | - | **-** | - | **-** | - | **-** | - |
| Payments to SA Government | **-** | - | **-** | - | **-** | - | **-** | - |
| **NET RESULT** | **(5 549)** | (5 707) | **(7 637)** | (8 468) | **(11 175)** | (7 594) | **(9 074)** | (8 602) |

| (Activities - refer Note 4) | 5 | | 6 | | 7 | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **EXPENSES:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefit expenses | **3 660** | 2 478 | **4 899** | 4 289 | **816** | 860 |
| Supplies and services | **2 947** | 2 737 | **5 719** | 5 472 | **1 208** | 1 183 |
| Depreciation | **-** | - | **266** | 286 | **-** | - |
| Grants and subsidies | **5 174** | 1 678 | **628** | 210 | **79** | 1 430 |
| Other expenses | **-** | - | **443** | 35 | **-** | - |
| Impairment loss on investment | **-** | - | **2 789** | - | **-** | - |
| **Total expenses** | **11 781** | 6 893 | **14 744** | 10 292 | **2 103** | 3 473 |
| **INCOME:** | | | | | | |
| Commonwealth revenues | **-** | - | **-** | - | **-** | - |
| Interest revenues | **-** | - | **9** | - | **-** | - |
| Net gain (loss) from disposal of non-current assets | **-** | - | **-** | (5) | **-** | - |
| Recoveries | **227** | 91 | **1 272** | 2 511 | **65** | 107 |
| **Total income** | **227** | 91 | **1 281** | 2 506 | **65** | 107 |
| **NET COST OF PROVIDING SERVICES** | **(11 554)** | (6 802) | **(13 463)** | (7 786) | **(2 038)** | (3 366) |
| **REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:** | | | | | | |
| Revenues from SA Government | **-** | - | **65 868** | 56 900 | **-** | - |
| Payments to SA Government | **-** | - | **(2 849)** | - | **-** | - |
| **NET RESULT** | **(11 554)** | (6 802) | **49 556** | 49 114 | **(2 038)** | (3 366) |

# Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009 (continued)

| (Activities - refer Note 4) | 8 | | 9 | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **EXPENSES:** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Employee benefit expenses | **1 469** | 1 494 | **-** | 137 | **20 721** | 18 202 |
| Supplies and services | **1 212** | 1 020 | **-** | 355 | **26 636** | 23 720 |
| Depreciation | **-** | - | **-** | - | **266** | 286 |
| Grants and subsidies | **4 251** | 5 946 | **-** | 341 | **19 638** | 19 349 |
| Other expenses | **-** | - | **-** | - | **443** | 35 |
| Impairment loss on investment | **-** | - | **-** | - | **2 789** | - |
| **Total Expenses** | **6 932** | 8 460 | **-** | 833 | **70 493** | 61 592 |
| **INCOME:** | | | | | | |
| Commonwealth revenues | **-** | - | **-** | - | **530** | 385 |
| Interest revenues | **-** | - | **-** | - | **16** | 31 |
| Net gain (loss) from disposal of non-current assets | **-** | - | **-** | - | **20** | (5) |
| Recoveries | **69** | 41 | **-** | 2 | **2 574** | 3 606 |
| **Total income** | **69** | 41 | **-** | 2 | **3 140** | 4 017 |
| **NET COST OF PROVIDING SERVICES** | **(6 863)** | (8 419) | **-** | (831) | **(67 353)** | (57 575) |
| **REVENUE FROM (PAYMENT TO) SA GOVERNMENT:** | | | | | | |
| Revenues from SA Government | **-** | - | **-** | - | **65 868** | 56 900 |
| Payments to SA Government | **-** | - | **-** | - | **(2 849)** | - |
| **NET RESULT** | **(6 863)** | (8 419) | **-** | (831) | **(4 334)** | (675) |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED or the Department) leads the Government of South Australia's efforts to drive productivity and foster sustainable economic development for the benefit of all South Australians.

The Department's objectives are to maintain:

- an internationally competitive business and a diverse 'high value' industry base
- a globally integrated economy
- benefits to South Australia from projects of economic significance
- a competitive economic environment
- a high-performance Department.

### 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 TI and APSs promulgated under the provisions of the PFAA.

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), 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 2009. These are outlined in Note 3.

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

The preparation of the financial statements requires:

- the use of certain accounting estimates requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:

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

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

  (c) employees whose normal remuneration is $100 000 or more (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 2009 and the comparative information presented.

***(c) Reporting entity***

DTED is a government department of the State of South Australia, established pursuant to the PSM Act. 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 Management (Abolition of Office of the Venture Capital Board and Transfer of Employees ) Proclamation 2008 (dated 5 June 2008) declared that the Office of the Venture Capital Board is abolished with the functions and employees transferred to DTED, effective 1 July 2008.

***(e) Comparative information***

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

Comparative figures have been restated as a result of some income and receivables from the Land Management Corporation being incorrectly recognised before the land had been sold.

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

***(f) Rounding***

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

***(g) Taxation***

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

***(g) Taxation (continued)***

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are 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 31.

***(i) Income***

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured. Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

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

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.

*Recoveries*

The Department recognises other revenues from the partial and full recovery of costs associated with the delivery of programs.

*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 reserve 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. The Department of Treasury and Finance 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.

*Depreciation and amortisation (continued)*
Assets' residual values, useful lives and amortisation methods are reviewed and adjusted in appropriate, on an annual basis.

Changes in the expected useful life of 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 base over the estimated useful life of the following categories of assets as follows:

| *Class of asset* | *Useful life (years)* |
|---|---|
| Leasehold improvements | Life of lease |
| Computer equipment | 3-5 |
| Plant and equipment | 5-10 |
| Furniture and fittings | 3-10 |
| Intangibles/software | 5 |

*Contributions paid*
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 twelve 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 twelve months and more than twelve months, the Department has separately disclosed the amounts expected to be recovered or settled after more than twelve 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 twelve months and more than twelve months, the Department has separately disclosed the amounts expected to be recovered after more than twelve 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 nominal value.

*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 due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

*Land sales*
On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks to the Land Management Corporation, effective from 1 July 2004. All land sales are recognised upon sale of land as this is the mechanism which triggers a past event, and hence, the requirement to recognise an asset in the form of a receivable.

*Other financial assets*
The Department measures financial assets at historic cost less or plus any impairment loss or gain.

Where there is an impairment loss, it is reviewed each year and the value of the investment is written down to no more than the Department's interest in the net financial assets of the Paragon Private Equity Fund 1, in which it has invested. Where there is a gain, it is reviewed each year and the value of the investment is revised upwards according to the revaluation of the financial assets, in which the Department has invested.

*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 $2000 are capitalised.

*Revaluation of non-current assets*
All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every three years, the Department revalues its buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, 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 reserve 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 reserve.

*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 (identifiably, 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 $2000.

*Intangible assets (continued)*
All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

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

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

Where a liability line item combine amounts expected to be settled within twelve months and more than twelve months, the Department has separately disclosed the amounts expected to be settled after more than twelve months.

The Notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with a entity within the SA Government as at the reporting date, classified according to their nature.

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

Creditors represent the amounts owing for goods and services received 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 had 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 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 2009.
- 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 2009 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 2009 (there was no material liability recognised for financial guarantee contracts in 2008).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at Note 27.

*Employee benefits*

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at 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 twelve 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 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand 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 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.

***(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

Details of accounting policies that the Department has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on the Department's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are detailed below.

### *3.1 Restructure of administrative arrangements*

In accordance with the revised AASB 1004, the Department records restructures of administrative arrangements as transactions with owners rather than recording these events as a revenue/expense item.

### *3.2 Other*

The Department has early-adopted the September 2007 versions of AASB 101 including AASB 2007-08 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

*Issued or amended but not yet effective*

Except for the amendments to AASB 101, 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 2009. The Department has assessed the impact of the new and amended accounting 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 nine broad activities (as outlined in the 2009-10 Portfolio Statement) that reflect the nature of the services delivered to the South Australian community. These activities and their objectives are:

***Activity 1: Economic Strategy and Policy Development***

The objective of this activity is to create a clear strategic direction for the economic development of South Australia and a business environment that is competitive and supports development. This will be achieved by promoting partnerships between industry, the community and other government departments and assessing opportunities and constraints on future growth. It will also assist in developing industry strategies and economic development policies.

***Activity 2: Population and Migration***

The objective of this activity is to work in partnership with other government agencies to meet the targets in Prosperity through People - A Population Policy for South Australia. This will be achieved by encouraging, promoting and supporting increased overseas/interstate migration to South Australia, through positive messages about South Australia's job opportunities, housing affordability, quality education systems, lifestyle and recreational advantages. Population Policy Unit will also take a lead role across government in Prosperity through People - A Population Policy for South Australia.

***Activity 3: Business Growth***

The objective of this activity is to promote a competitive and vibrant manufacturing and trade services sector and work with industry and other stakeholders in addressing issues and promoting growth. It also aims to grow South Australian business' share of the Australian professional private equity, venture capital and business angel markets. This will be achieved by promoting the development and uptake of new technologies in partnership with tertiary institutions, facilitating import replacement, and maximising Australian content in major investment projects and developing and implementing the strategy for manufacturing.

***Activity 4: International Market Development***

The objective of this activity is to maximise export market opportunities for South Australian based companies and to ensure that South Australia's interests are reflected in all trade agreements. This will be achieved by implementing export strategies, disseminating market intelligence, providing business matching services, promoting the value of exports to South Australians and participating in national trade consultations.

***Activity 5: Investment Attraction***

The objective of this activity is to help facilitate major projects and secure new investment in South Australia. This will be achieved by identifying strategic investment opportunities, working across South Australian Government to reduce impediments to investing in South Australia and providing high quality services to investors.

***Activity 6: Corporate Leadership, Governance and Support***

The objective of this activity is to deliver services that are customer focused, timely and effective and in support of all DTED divisions and offices.

***Activity 7: Small Business Growth***

The objective of this activity is to ensure that small business issues are represented at the state government level and that their interests are taken into account in the delivery of programs or development of policies. This will be achieved through partnerships and networks that will deliver advice and training on business management and skills, on the ground support in emergencies and the promotion of small business in South Australia.

***Activity 8: Regional Development***

The objective of this activity is to improve economic, social and environmental wellbeing in South Australia's regions. This will be achieved by working in partnership with the three spheres of government and local communities, in addition to the enhancement of community and business capacity and the improved coordination of government activities impacting on regions.

***Activity 9: Defence Industry Development***

The objective of this activity was to double defence industry contribution to Gross State Product and increase defence employment in the State over the coming decade. Activities undertaken under this activity were transferred to Defence SA from 1 September 2007.

**5. Employee benefit expenses**

| | Note | **2009** **$'000** | 2008 $'000 |
|---|---|---|---|
| Salaries and wages | | **15 534** | 13 524 |
| Long service leave | | **463** | 399 |
| Annual leave | | **1 277** | 1 113 |
| Employment on-costs - superannuation | | **1 796** | 1 500 |
| Employment on-costs - other | | **1 078** | 1 026 |
| Board fees | 29 | **573** | 640 |
| **Total employee benefit expenses** | | **20 721** | 18 202 |

DTED had no TVSPs in 2008-09 and 2007-08.

***Remuneration of employees***

| The number of employees whose remuneration received or receivable falls within the following bands: | **2009 Number** | 2008 Number |
|---|---|---|
| $100 000 - $109 999 | **19** | 8 |
| $110 000 - $119 999 | **6** | 7 |
| $120 000 - $129 999 | **2** | 1 |
| $130 000 - $139 999 | **3** | 7 |
| $140 000 - $149 999 | **3** | 1 |
| $150 000 - $159 999 | **1** | 2 |
| $160 000 - $169 999 | **2** | 1 |
| $170 000 - $179 999 | **2** | 2 |
| $180 000 - $189 999 | **1** | 1 |
| $190 000 - $199 999 | **-** | 1 |
| $200 000 - $209 999 | **1** | - |
| $210 000 - $219 999 | **1** | - |
| $260 000 - $269 999 | **-** | 1 |
| $270 000 - $279 999 | **2** | - |
| $290 000 - $299 999 | **-** | 1 |
| $310 000 - $319 999 | **1** | - |
| **Total number of employees** | **44** | 33 |

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $6.034 million ($4.601 million).

## 6. Supplies and services

| Supplies and services provided by entities within the SA Government: | Note | **2009 $'000** | 2008 $'000 |
|---|---|---|---|
| Accommodation and service costs | | **1 446** | 1 285 |
| Accounting and audit fees | 10 | **111** | 115 |
| Advertising | | **37** | 45 |
| Business training and development support | | **79** | 51 |
| Communications and information technology expense | | **317** | 448 |
| Contractors | | **22** | 14 |
| Consultancies (refer below) | | **-** | 14 |
| Overseas trade representation* | | **586** | 575 |
| Staff related expenses | | **26** | 146 |
| Travel and related expenses | | **504** | 422 |
| Office administration expenses | | **904** | 932 |
| **Total supplies and services - SA Government entities** | | **4 033** | 4 047 |
| Supplies and services provided by entities external to the SA Government: | | | |
| Accommodation and service costs | | **873** | 682 |
| Accounting and audit fees | | **350** | 691 |
| Advertising | | **1 807** | 1 099 |
| Business training and development support | | **1 359** | 1 155 |
| Communications and information technology expense | | **1 396** | 947 |
| Contractors | | **5 280** | 4 578 |
| Consultancies (refer below) | | **2 651** | 1 958 |
| Overseas trade representation* | | **133** | 198 |
| Staff related expenses | | **1 105** | 958 |
| Travel and related expenses | | **1 940** | 1 645 |
| Office administration expenses | | **5 709** | 5 762 |
| **Total supplies and services - non-SA Government entities** | | **22 603** | 19 673 |
| **Total supplies and services** | | **26 636** | 23 720 |

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.

* 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: | **2009 Number** | 2008 Number | **2009 $'000** | 2008 $'000 |
|---|---|---|---|---|
| Below $10 000 | **13** | 14 | **48** | 56 |
| Between $10 000 and $50 000 | **20** | 23 | **490** | 547 |
| Above $50 000 | **15** | 10 | **2 113** | 1 369 |
| **Total paid/payable to the consultants engaged** | **48** | 47 | **2 651** | 1 972 |

## 7. Depreciation and amortisation expense

| | 2009 | 2008 |
|---|---|---|
| Depreciation: | **$'000** | $'000 |
| Plant and equipment | **145** | 206 |
| Buildings and improvements | **86** | 77 |
| **Total depreciation** | **231** | 283 |
| Amortisation: | | |
| Intangible/software assets | **35** | 3 |
| **Total amortisation** | **35** | 3 |
| **Total depreciation and amortisation** | **266** | 286 |

## 8. Grants and subsidies

| | | |
|---|---|---|
| Grants and subsidies paid/payable to entities within the SA Government: | | |
| Class of assistance: | | |
| Industry development | **8 001** | 4 529 |
| Regional development | **250** | 50 |
| Other | **138** | 122 |
| **Total grants and subsidies - SA Government entities** | **8 389** | 4 701 |
| Grants and subsidies paid/payable to entities external to the SA Government: | | |
| Class of assistance: | | |
| Industry development | **7 623** | 9 176 |
| Regional development | **3 195** | 4 386 |
| Regional infrastructure* | **-** | 111 |
| Other | **431** | 975 |
| **Total grants and subsidies - non-SA Government entities** | **11 249** | 14 648 |
| **Total grants and subsidies** | **19 638** | 19 349 |

* The administration of the Regional Development Infrastructure Fund was transferred to the Department of Treasury and Finance effective from 31 October 2007.

## 9. Other expenses

| | | |
|---|---|---|
| Other Expenses paid/payable to entities external to the SA Government: | | |
| Bad and doubtful debts | **443** | 35 |
| **Total other expenses - non-SA Government entities** | **443** | 35 |
| **Total other expenses** | **443** | 35 |

## 10. Auditors' remuneration

| | | |
|---|---|---|
| Audit fees paid/payable to the Auditor-General's Department | **111** | 115 |
| **Total audit fees** | **111** | 115 |

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

## 11. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the Department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

| | | | | | Total | |
|---|---|---|---|---|---|---|
| | **SATIC** | **Singapore** | **Dubai** | **India** | **2009** | 2008 |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | $'000 |
| Operating expenses | **1 086** | **908** | **853** | **636** | **3 483** | 2 357 |
| Operating revenues | **8** | **5** | **-** | **79** | **92** | 36 |
| Funds advanced to overseas offices towards operating expenses | **332** | **373** | **613** | **383** | **1 701** | 2 410 |

## 12. Commonwealth revenues

| | 2009 | 2008 |
|---|---|---|
| Grants: | **$'000** | $'000 |
| Tradestart | **475** | 385 |
| Supplier access to major projects program - Air Warfare Destroyer Project | **55** | - |
| **Total Commonwealth revenues** | **530** | 385 |

Contributions which have conditions of expenditure still to be met as at reporting date were $85 000. These contributions relate to Supplier Access to Major Projects Program - Air Warfare Destroyer Project.

Conditions attached to these contributions state that funds are to be used to facilitate South Australian industry participation where it has full, fair and reasonable opportunity to tender for the supply of goods and services associated with this project. Included in revenue is Commonwealth funding for Tradestart. The terms of this grant are that the Department must promote exporting international business and the Commonwealth Government's trade agenda for a period of approximately four years (ending 30 June 2010). As the grant is a non-recourse grant it has been recognised upon receipt.

## 13. Interest revenues

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Interest revenues | **16** | 31 |
| **Total interest revenues** | **16** | 31 |

## 14. Net gain (loss) from disposal of non-current assets

| | **2009** | 2008 |
|---|---|---|
| Plant and equipment: | | |
| Proceeds from disposal | **20** | - |
| Net book value of assets disposed | **-** | (5) |
| **Total net gain (loss) from disposal of non-current assets** | **20** | (5) |

## 15. Recoveries

| | **2009** | 2008 |
|---|---|---|
| Recoveries received/receivable from entities within the SA Government: | | |
| Recoveries - Shared Services | **-** | 157 |
| Recoveries - other | **1 680** | 539 |
| **Total recoveries - SA Government entities** | **1 680** | 696 |
| Recoveries received/receivable from entities external to the SA Government: | | |
| Sponsorship revenues | **70** | 41 |
| Recoveries - financial assistance grants | **92** | 334 |
| Recoveries - business training and development support | **108** | 138 |
| Recoveries - ATO(1) | **-** | 1 871 |
| Recoveries - other | **624** | 526 |
| **Total recoveries - non-SA Government entities** | **894** | 2 910 |
| **Total recoveries** | **2 574** | 3 606 |

(1) Relates to an amendment in the GST treatment of land transferred to the Land Management Corporation in July 2004. A private ruling in March 2008 enabled the Department to receive a refund.

## 16. Revenues from (payments to) SA Government

| | **2009** | 2008 |
|---|---|---|
| Revenues from SA Government: | **$'000** | $'000 |
| Appropriations from Consolidated Account pursuant to the *Appropriation Act* | **65 868** | 56 900 |
| **Total revenues from SA Government** | **65 868** | 56 900 |
| Payments to SA Government: | | |
| Return of surplus cash pursuant to cash alignment policy | **2 849** | - |
| **Total payments to SA Government** | **2 849** | - |

Total revenues from Government consists of $64.4 million ($56.9 million) for operational funding and $1.5 million ($nil) for capital projects - investing in Paragon Private Equity Fund 1. 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 $217 000 was received from the Treasurer via the Governor's Appropriation Fund. Refer to Note 28 for details on additional funding transferred to the Department as a result of administrative restructure.

## 17. Cash

| | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Deposits at call - Westpac | **18 802** | 5 192 |
| Deposits with the Treasurer | **8 029** | 7 675 |
| Deposits at call - Overseas offices | **578** | 1 889 |
| Other | **6** | 6 |
| **Total cash** | **27 415** | 14 762 |

***Deposits with the Treasurer***

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds are 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

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Receivables | **410** | 201 |
| Allowance for doubtful debts | **(2)** | - |
| Receivables - land sales(1) | **-** | 8 854 |
| GST input tax recoverable | **884** | 916 |
| Accrued revenue | **82** | 101 |
| **Total current receivables** | **1 374** | 10 072 |
| **Total receivables** | **1 374** | 10 072 |

**18. Receivables (continued)**

***Government/non-Government receivables***

| | **2009** | 2008 |
|---|---|---|
| Receivables from SA Government entities: | **$'000** | $'000 |
| Receivables | **395** | 99 |
| Receivables - land sales[1] | **-** | 8 854 |
| Accrued revenue | **12** | 14 |
| **Total receivables from SA Government entities** | **407** | 8 967 |
| Receivables from non-SA Government entities: | | |
| Receivables | **13** | 102 |
| GST input tax recoverable | **884** | 916 |
| Accrued revenue | **70** | 87 |
| **Total receivables from non-SA Government entities** | **967** | 1 105 |
| **Total receivables** | **1 374** | 10 072 |

(1) During 2008-09, $8.9 million was received from the Land Management Corporation in relation to Edinburgh Parks land sales.

***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.

| | **2009** | 2008 |
|---|---|---|
| Movements in the allowance for doubtful debts (impairment loss): | **$'000** | $'000 |
| Carrying amount at 1 July | **-** | (59) |
| (Increase) Decrease in the allowance | **(2)** | 47 |
| Amounts written off | **-** | 12 |
| **Carrying amount at 30 June** | **(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. 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.

(a) Maturity analysis of receivables - refer to Note 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 33.

**19. Financial assistance debtors**

| | **2009** | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Financial assistance debtors | **643** | 800 |
| Allowance for doubtful debts | **(543)** | (100) |
| **Total current financial assistance debtors** | **100** | 700 |
| Non-Current: | | |
| Financial assistance debtors | **-** | 2 401 |
| Allowance for doubtful debts | **-** | (2 401) |
| **Total non-current financial assistance debtors** | **-** | - |
| **Total financial assistance debtors** | **100** | 700 |

Financial assistance is provided to non-SA Government entities only.

| | | |
|---|---|---|
| Movements in the allowance for doubtful debts (impairment loss): | | |
| Carrying amount at 1 July | **(2 501)** | (2 797) |
| (Increase) Decrease in the allowance | **(326)** | 213 |
| Amounts recovered | **-** | 60 |
| Amounts written off | **2 284** | 23 |
| **Carrying amount at 30 June** | **(543)** | (2 501) |

**20. Other assets**

| | | |
|---|---|---|
| Current: | | |
| Prepayments | **115** | 209 |
| **Total other current assets** | **115** | 209 |

| 20. **Other assets (continued)** | **2009** | 2008 |
|---|---|---|
| Non-current: | **$'000** | $'000 |
| Prepayments | **60** | - |
| **Total other non-current assets** | **60** | - |
| **Total other assets** | **175** | 209 |
| Government/non-Government other assets: | | |
| Other assets from SA Government entities: | | |
| Prepayments | **25** | - |
| **Total other assets from SA Government entities** | **25** | - |
| Other assets from non-SA Government entities: | | |
| Prepayments | **150** | 209 |
| **Total other assets from non-SA Government entities** | **150** | 209 |
| **Total other assets** | **175** | 209 |

## 21. Property, plant and equipment

| | | |
|---|---|---|
| Plant and equipment: | | |
| Plant and equipment at cost (deemed fair value) | **1 052** | 1 076 |
| Accumulated depreciation | **(762)** | (687) |
| **Total plant and equipment** | **290** | 389 |
| Leasehold improvements: | | |
| Building improvements at fair value | **461** | 346 |
| Accumulated depreciation | **(272)** | (186) |
| **Total leasehold improvements** | **189** | 160 |
| Intangibles/software | | |
| Computer software | **177** | 177 |
| Accumulated amortisation | **(38)** | (3) |
| **Total intangible assets** | **139** | 174 |
| Capital work in progress: | | |
| Work in progress at cost | **4** | - |
| **Total capital work in progress** | **4** | - |
| **Total property plant and equipment** | **622** | 723 |

***Impairment***

There were no indications of impairment of property, plant and equipment at 30 June 2009.

***Reconciliation of non-current assets***

The following table shows the movement of non-current assets during 2008-09.

| **2009** | **Plant and equipment $'000** | **Leasehold improvements $'000** | **Intangibles/ software $'000** | **Work in progress $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Carrying amount at 1 July | **389** | **160** | **174** | **-** | **723** |
| Additions | **46** | **115** | **-** | **4** | **165** |
| Disposals/transfers | **-** | **-** | **-** | **-** | **-** |
| Revaluation increment | **-** | **-** | **-** | **-** | **-** |
| Depreciation and amortisation | **(145)** | **(86)** | **(35)** | **-** | **(266)** |
| Disposal through administrative restructuring | **-** | **-** | **-** | **-** | **-** |
| Other changes | **-** | **-** | **-** | **-** | **-** |
| **Carrying amount at 30 June** | **290** | **189** | **139** | **4** | **622** |

| 22. **Financial assets** | **2009** | 2008 |
|---|---|---|
| | **$'000** | $'000 |
| Investment in private equity fund | **2 789** | - |
| Impairment loss on investment | **(2 789)** | - |
| **Total financial assets** | **-** | - |
| Movement schedule for the financial assets: | | |
| Opening balance | **-** | - |
| Transfer in | **1 985** | - |
| Investments purchased at cost | **804** | - |
| Impairment loss on investment | **(2 789)** | - |
| **Total financial assets** | **-** | - |

**22. Financial assets (continued)**

Note 2(d) discloses the transfer of the Office of the Venture Capital Board under the brand Venture Capital SA to the Department, effective 1 July 2008. This includes the investment (capital contribution and valuation premium) in Paragon Private Equity Fund 1.

The Paragon Private Equity Fund 1 has prepared audited financial accounts for 30 June 2009 which include a revaluation of the investment portfolio. The revaluation has impacted on the carrying value of the Office's investment in the Paragon Private Equity Fund 1.

Following a revaluation of the Paragon Private Equity Fund 1 investments, the Paragon Private Equity Fund 1 accounts as at 30 June 2009 show total equity as less than the total capital contribution of investors.

Given the documented priority distribution arrangements, this shortfall is attributed to the Government's investment, resulting in a write-down from $2.789 million investment to a carrying value of $nil.

In 2007-08 there was an increase in the carrying amount above the level of contributions of $561 000 recorded as a gain on the investment in the financial statements of the Office of the Venture Capital Board. This resulted in the same amount recognised as income.

This situation, where the net financial assets of Paragon Private Equity Fund 1 are less than the capital contribution of investors is not unusual for a private equity fund in the early stage of its ten year life cycle, as in this instance.

**23. Payables**

| | 2009 | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Creditors and accrued expenses | **2 984** | 1 367 |
| Employee on-costs | **365** | 292 |
| **Total current payables** | **3 349** | 1 659 |
| Non-current: | | |
| Employee on-costs | **282** | 218 |
| **Total non-current payables** | **282** | 218 |
| **Total payables** | **3 631** | 1 877 |

***Government/non-Government payables***

| | 2009 | 2008 |
|---|---|---|
| Payables to SA Government entities: | | |
| Creditors and accrued expenses | **522** | 334 |
| Employee on-costs | **647** | 510 |
| **Total payables to other SA Government entities** | **1 169** | 844 |
| Payables to non-SA Government entities: | | |
| Creditors and accrued expenses | **2 462** | 1 033 |
| **Total payables to non-SA Government entities** | **2 462** | 1 033 |
| **Total payables** | **3 631** | 1 877 |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate 35 percent to 45 percent and the average factor for the calculation of employer superannuation on-cost has changed from the 2008 rate 11 percent to 10.5 percent. These rates are used in the employment oncost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefit expense of $30 000. The estimated impact on 2010 and 2011 is not expected to vary from the impact reported for 2009.

***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 to Note 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 33.

**24. Employee benefits**

| | 2009 | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Accrued salaries and wages | **408** | 300 |
| Annual leave | **1 508** | 1 218 |
| Short-term long service leave | **554** | 434 |
| **Total current employee benefits** | **2 470** | 1 952 |
| Non-current: | | |
| Long service leave | **2 908** | 2 408 |
| **Total non-current employee benefits** | **2 908** | 2 408 |
| **Total employee benefits** | **5 378** | 4 360 |

**24. Employee benefits (continued)**

The total current and non-current employees expense (ie aggregate employee benefit plus related on costs) for 2009 is $2.9 million and $3.2 million respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of long service leave liability has remained at 6.5 years.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate of 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of $7000 and employee benefit expense of $1000. The estimated impact on 2010 and 2011 is not expected to vary from the impact reported for 2009.

**25. Provisions**

| | 2009 | 2008 |
|---|---|---|
| Current: | **$'000** | $'000 |
| Provision for workers compensation | **36** | 43 |
| **Total current provisions** | **36** | 43 |
| Non-current: | | |
| Provision for workers compensation | **106** | 111 |
| **Total non-current provisions** | **106** | 111 |
| **Total provisions** | **142** | 154 |
| Carrying amount at 1 July | **154** | 128 |
| Additional provisions recognised | **120** | 104 |
| Payments | **(132)** | (78) |
| **Carrying amount at 30 June** | **142** | 154 |

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 the Department of the Premier and Cabinet.

**26. Unrecognised contractual commitments**

| | 2009 | 2008 |
|---|---|---|
| ***Capital commitments*** | **$'000** | $'000 |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows: | | |
| Within one year | **5 065** | - |
| **Total capital commitments** | **5 065** | - |

Capital commitments at 30 June 2009 relate to office accommodation fitout costs associated with the Department's relocation to new premises.

| | | |
|---|---|---|
| ***Investment commitment*** | | |
| Remaining capital commitment | **4 152** | - |
| **Total investment commitment** | **4 152** | - |

The South Australian 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 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 raise up until the closing date of April 2007. The final capital commitment of the South Australian Government is $7.7 million.

| | 2009 | 2008 |
|---|---|---|
| ***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: | **$'000** | $'000 |
| Within one year | **5 501** | 4 718 |
| Later than one year but not longer than five years | **6 869** | 5 673 |
| **Total remuneration commitments** | **12 370** | 10 391 |

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 reporting date but not recognised as liabilities are payable as follows: | | |
| Within one year | **12 844** | 10 061 |
| Later than one year but not longer than five years | **16 713** | 27 748 |
| **Total other commitments** | **29 557** | 37 809 |

| ***Operating lease commitments*** | **2009** | 2008 |
|---|---|---|
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows: | **$'000** | $'000 |
| Within one year | **1 886** | 1 505 |
| Later than one year but not longer than five years | **9 245** | 804 |
| Later than five years | **8 115** | - |
| **Total operating lease commitments** | **19 246** | 2 309 |
| Representing: | | |
| Cancellable operating leases | **173** | 238 |
| Non-cancellable operating leases | **19 073** | 2 071 |
| | **19 246** | 2 309 |

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 ten years with some leases having the right of renewal. Motor vehicles are leased from the Department of Treasury and Finance - Fleet SA with lease periods of up to three years. These are cancellable without notice.

**27. Contingent assets and liabilities**

***Contingent assets***

Where specific conditions relating to a financial assistance grant are not met, the Department may request the amount granted be repaid by the grantee.

There are no known contingent assets arising from these present obligations as at 30 June 2009.

***Contingent liabilities***

*Guarantees and indemnities*

The Department has provided indemnities relating to various industry packages some of which can be reliably measured. As at 30 June 2009 the indemnities that can be reliably measured total $3.8 million ($8.5 million).

At this stage, the Department does not expect that these contingencies will be called upon.

**28. Transferred functions**

***Transferred in***

The Public Sector Management (Abolition of Office of the Venture Capital Board and Transfer of Employees) Proclamation 2008 (dated 5 June 2008) declared that the Office of the Venture Capital Board is abolished with the functions and employees transferred to DTED under the brand Venture Capital SA, effective 1 July 2008. This included five employees and budget funding of $1.2 million.

The aim of Venture Capital SA is to develop a strong private equity industry in South Australia that will positively influence innovation and development in the local business sector.

On transfer of the Office of the Venture Capital Board, the Department recognised the following assets and liabilities.

| | OVCB | **2009** |
|---|---|---|
| Net assets transferred: | $'000 | **$'000** |
| Cash | 2 993 | **2 993** |
| Receivables | 3 | **3** |
| Other current assets | 4 | **4** |
| Investments | 1 985 | **1 985** |
| **Total assets** | 4 985 | **4 985** |
| Payables | 27 | **27** |
| Employee benefits | 164 | **164** |
| **Total liabilities** | 191 | **191** |
| **Total net assets** | 4 794 | **4 794** |

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

***Summary of income and expenses***

Transactions have only been recorded in the financial statements for the period that the Department had control over the transactions.

| | OVCB | **2009** |
|---|---|---|
| | $'000 | **$'000** |
| Other income | 43 | **43** |
| Appropriation(1) | 2 831 | **2 831** |
| **Total income** | 2 874 | **2 874** |

***Summary of income and expenses (continued)***

| | OVCB | **2009** |
|---|---|---|
| | $'000 | **$'000** |
| Employee benefit expenses | 560 | **560** |
| Supplies and services | 403 | **403** |
| Grants and subsidies | 85 | **85** |
| **Total expenses** | 1 048 | **1 048** |
| **Net result** | 1 826 | **1 826** |

(1) Appropriation includes funding for investment in Paragon Private Equity Fund 1.

**29. Remuneration of Board and Committee members**

Board and sitting fees are paid to some members of the following boards and committees:

- Economic Development Board
- Manufacturing Consultative Council
- Business Development Council
- Regional Communities Consultative Council

Board fees are not paid to members of the following Board:

- Business and Parliamentary Trust

In accordance with Department of the Premier and Cabinet 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. These members are indicated by an asterisk next to their name.

Members of the Economic Development Board during the financial year were:

Bruce Carter (Chair)
Kevin Osborn (Deputy Chair)
Grant Belchamber
Monsignor David Cappo
Bob Hawke (1)
Michael Hickinbotham
Michael Keating
Justin Milne (1)
Mike Moore
Helen Nugent
Leanna Read
Rob Chapman (appointed August 2008)
Ian Gould (appointed August 2008)
John Bastian (resigned December 2008)
Cheryl Bart (resigned August 2008)

(1) Members have elected not to receive Board fees.

Members of the Manufacturing Consultative Council during the financial year were:

Kevin Foley* (Chair)
Ann Angel
John Camillo
Annette Cinnamond
Andrew Downs
Chris Field
Brian Freeborn
Wayne Hanson
Stephen Myatt
Victor Previn
Chris Stathy
Nick Thredgold
Grant Tinney
Caroline McMillen (appointed December 2008)
Karlene Maywald* (Deputy Chair) (resigned July 2008)

Members of the Business Development Council during the financial year were:

Philip Sims (Chair)
Linda Eldredge
Debra Ferguson
Chris Herrmann
Malcolm Johnson
Rosemary Kemp
Susan Lee
Conor McKenna
Tegan Webb
Kym Webber
Paulette Kolarz (appointed May 2009)
Jo-ann Lokan (appointed September 2008)
Bevan Roberts (appointed September 2008)
Carmel Zollo (appointed May 2009)*
Liz Davies (resigned March 2009)
Robert Ferguson (resigned September 2008)
Michael O'Brien (resigned March 2009)*
Beverley Turner (resigned September 2008)

Members of the Regional Communities Consultative Council during the financial year were:

Peter Blacker (Chairman)
Deborah Agnew
Bill Boehm
Mark Braes
Jeff Burgess
Mary-Lou Corcoran
Barbara-Ann Cowey
Anita Crisp
Ann Ferguson
William Hender
Monica Klein
Jane Lowe
Kym McHugh
Bill McIntosh
Ian O'Loan
Jim Pollock
Ruth Schubert*
Craig Wickham
Jeanette Wormald
Samantha Yates
Phil Tyler* (resigned April 2009)

Members of the Regional Communities Consultative Council are voluntary. Only the Chair of the Board is remunerated.

**29. Remuneration of Board and Committee members (continued)**

Members of the Business and Parliamentary Trust during the financial year were:

| | |
|---|---|
| Jack Snelling (Joint Chair)* | Mike Terlet (Joint Chair) |
| Melissa Cadzow | Vicki Chapman* |
| Michelle Lensink* | Christine Locher |
| Peter Vaughan | |

| The number of members whose remuneration received or receivable falls within the following bands: | **2009 Number** | 2008 Number |
|---|---|---|
| $0 - $ 9 999 | **15** | 16 |
| $10 000 - $19 999 | **1** | 2 |
| $20 000 - $29 999 | **-** | 3 |
| $30 000 - $39 999 | **-** | 1 |
| $40 000 - $49 999 | **9** | 9 |
| $60 000 - $69 999 | **1** | - |
| $80 000 - $89 999 | **1** | 1 |
| **Total number of members** | **27** | 32 |

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 $619 874 ($689 129).

Amounts paid to a superannuation plan for Board/Committee members was $47 120 ($48 643).

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.

**30. Cash flow reconciliation**

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day-to-day basis.

| | **2009** | 2008 |
|---|---|---|
| Reconciliation of cash - cash at 30 June as per Statement of Financial Position: | **$'000** | $'000 |
| Deposits at call - Westpac | **18 802** | 5 192 |
| Deposits with the Treasurer | **8 029** | 7 675 |
| Deposits at call - Overseas offices | **578** | 1 889 |
| Other | **6** | 6 |
| **Statement of Cash Flows** | **27 415** | 14 762 |

| | | |
|---|---|---|
| Reconciliation of net cash provided by (used in) operating activities to net result: | | |
| Net cash provided by (used in) operating activities | **13 623** | (2 844) |
| Gain (Loss) from disposal of non-current assets | **20** | (5) |
| *Add (less):* Non-cash items: | | |
| Depreciation and amortisation expense of non-current assets | **(266)** | (286) |
| Asset write-downs and transfers | **(2 993)** | (612) |
| Impairment loss on investment | **(2 789)** | - |
| Doubtful debts expense | **(443)** | (35) |
| Conversion of loan to grant | **(502)** | (199) |
| Prior period adjustments | **(51)** | (4 884) |
| Movement in assets/liabilities: | | |
| (Decrease) Increase in receivables | **(8 358)** | 7 453 |
| (Decrease) Increase in other assets | **(37)** | 102 |
| (Increase) Decrease in payables | **(1 714)** | 1 372 |
| Increase (Decrease) in provisions | **16** | (26) |
| Increase in employee benefits | **(840)** | (711) |
| **Net result** | **(4 334)** | (675) |

**31. Events after the end of the reporting period**

The Public Corporations (South Australia Trade and Investment Corporation) (Dissolution and Revocation) Regulations 2009 (dated 25 June 2009) declared that the South Australia Trade and Investment Corporation is to be abolished and the role of the Corporation is to be incorporated into the Department, effective from 1 July 2009.

The Government approved the transfer of the right, title and interest in the Paragon Private Equity Fund 1 to the South Australian Government Financing Authority.

From 1 July 2009, the activities formerly undertaken by the Centre for Innovation (central node) and Venture Capital SA will be undertaken by the South Australian Centre for Innovation Incorporated (SACFII) under a three year resources agreement. Whilst funding will be provided to SACFII to undertake these activities for the three years, no assets will be transferred to the entity from SA Government.

**32. Error correction**

Comparatives have been restated as result of some income and receivables from the Land Management Corporation being incorrectly recognised before land had been sold. Refer to Notes 2(l) and 18.

**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.

| | | **2009** | | 2008 | |
|---|---|---|---|---|---|
| **Financial assets** | Note | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| Cash: | | | | | |
| Cash | 17,30 | **27 415** | **27 415** | 14 762 | 14 762 |
| Loans and receivables: | | | | | |
| Receivables[(1)] | 18 | **590** | **590** | 9 856 | 9 856 |
| **Total financial assets at cost** | | **28 005** | **28 005** | 24 618 | 24 618 |
| **Financial liabilities** | | | | | |
| Financial liabilities - at cost: | | | | | |
| Payables[(1)] | 23 | **2 781** | **2 781** | 1 130 | 1 130 |
| **Total financial liabilities at cost** | | **2 781** | **2 781** | 1 130 | 1 130 |

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

***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 is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 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.

***33.2 Ageing analysis of financial assets***

| | **Past due by** | | | |
|---|---|---|---|---|
| **2009** | **Overdue for less than 30 days $'000** | **Overdue for 30-60 days $'000** | **Overdue for more than 60 days $'000** | **Total $'000** |
| Not Impaired: | | | | |
| Receivables | **395** | **7** | **6** | **408** |
| **2008** | | | | |
| Not Impaired: | | | | |
| Receivables | 20 | - | 238 | 258 |

Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. 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 | | |
|---|---|---|---|---|
| **2009** | **Carrying amount $'000** | **Less than 1 year $'000** | **1-5 years $'000** | **More than 5 years $'000** |
| Financial assets: | | | | |
| Cash | **27 415** | **27 415** | **-** | **-** |
| Receivables | **100** | **-** | **81** | **19** |
| **Total financial assets** | **27 515** | **27 415** | **81** | **19** |
| Financial liabilities: | | | | |
| Payables | **2 781** | **2 781** | **-** | **-** |
| **Total financial liabilities** | **2 781** | **2 781** | **-** | **-** |
| **2008** | | | | |
| Financial assets: | | | | |
| Cash | 14 762 | 14 762 | - | - |
| Receivables | 9 856 | 9 856 | - | - |
| **Total financial assets** | 24 618 | 24 618 | - | - |
| Financial liabilities: | | | | |
| Payables | 1 130 | 1 130 | - | - |
| **Total financial liabilities** | 1 130 | 1 130 | - | - |

***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 the Department of Treasury and Finance 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 represents the Department's maximum exposure to financial liabilities.

***Market risk***
Market risk through interest rate or price fluctuations is immaterial.

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

# GLOSSARY OF TERMS

## AUSTRALIAN ACCOUNTING STANDARDS - AASB

| Reference | Title |
|---|---|
| AASB 1 | First-time Adoption of Australian Equivalents to International Financial Reporting 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 (Sept 2007) |
| 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 114 | Segment Reporting |
| 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 and Application 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 |

**AUSTRALIAN ACCOUNTING STANDARDS – AASB** – *continued*

| Reference | Title |
|---|---|
| AASB 2007-8 | Amendments to Australian Accounting Standards arising from AASB 101 |
| AASB 2007-10 | Further Amendments to Australian Accounting Standards arising from AASB 101 |
| AASB 2008-12 | Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition |

**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 |

**TREASURER'S INSTRUCTIONS – TIs** – *continued*

| Reference | Title |
|---|---|
| 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* |
| PSM Act | *Public Sector Management Act 1995* |
| WRCA | *Workers Rehabilitation and Compensation Act 1986* |

**ACRONYMS**

| Reference | Title |
|---|---|
| AASs | Australian Accounting Standards[1] |
| AIFRS | Australian equivalents to International Financial Reporting Standards |
| 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 |
| FBT | Fringe Benefits Tax |
| GST | Goods and Services Tax |
| ICT | Information and Communications Technology |
| 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.

# General Index to Part B

of the

# Report

of the

# Auditor-General

for the

Year ended 30 June 2009

### A


Adelaide Convention Centre Corporation, 3
Adelaide Desalination Project
  South Australian Water Corporation, 1355, 1357
Adelaide Entertainments Corporation, 18
Adelaide Festival Centre Trust, 37
  Financial restructure, 40
  ICT management and control, 39
  Implementation of the revised TIs 2 and 28, 38
  Internal controls, 38
Adelaide Festival Corporation, 60
  Adelaide Festival of Arts, 61
Adelaide's Living Beaches Project
  Environment and Heritage, Department for, 361
Art Gallery Board, 71
  Implementation of the revised TIs 2 and 28, 72
Attorney-General's Department, 91
  Crown Solicitor's Office, 93
    Debtrack, 93
    LawMaster, 93
  Gaming Machine Administration, 101
  Implementation of the revised TIs 2 and 28, 94
  Independent Gaming Corporation Limited, 101
  Office for Recreation and Sport, 92
    Authorisations, 92
    Grant acquittals, 92
    Service level determinations, 92
  Policies and procedures, 95
  Recoveries from offenders, 102
  Residential Tenancies Fund, 94, 102
    Bank reconciliations, 94
    Bond lodgement and refund audits, 94
    Issuing of expiation notices, 94
  Risk management and fraud policies, 94
  Shared Services, 95
  Taxation, 101
  Victims of Crime Fund, 101
Auditor-General's Department, 173


### C


Clipsal 500 Adelaide
  South Australian Motor Sport Board, 1236
Common Public Sector Interest Rate
  South Australian Government Financing Authority, 1141
Correctional Services, Department for, 189
  Expenditure, 190
  Implementation of the revised TIs 2 and 28, 190
  Payroll, 190
  Public private partnership - new prisons and secure facilities project, 193
  Service contracts, 193
    Home detention monitoring, 193
    Management of the Mount Gambier Prison, 193
    Prisoner movement and in-court management, 193
Courts Administration Authority, 218
  Cash at bank, 219
  Fines and court fees, 223
  Fines policy, 219
  Fines, fees and levies, 224
  Fixed asset reconciliations, 220
  Implementation of the revised TIs 2 and 28, 220
  Public private partnership, 224
  Registrar's Certificate, 219
  Victims of Crime levy, 223
Crown Solicitor's Office
  Attorney-General's Department, 93


### D


Defence SA, 256
  Contracts register, 257
  Documented policies and procedures, 257
  Northern Lefevre Peninsula Master Plan, 260
  Osborne North Industrial Precinct, 260
  Port Adelaide Maritime Corporation, 256
  Secure Electronic Common User Facility, 260
  Techport Australia, 259
    Air Warfare Destroyer Commercial Campus, 260
    Commercial and Education Precinct and Supplier Precinct, 260
    Common User Facility, 259
    Maritime Skills Centre, 260
Department for Correctional Services see Correctional Services, Department for
Department for Environment and Heritage see Environment and Heritage, Department for
Department for Families and Communities see Families and Communities, Department for
Department for Transport, Energy and Infrastructure see Transport, Energy and Infrastructure, Department for
Department of Education and Children's Services see Education and Children's Services, Department of
Department of Further Education, Employment, Science and Technology see Further Education, Employment, Science and Technology, Department of
Department of Health see Health, Department of
Department of Planning and Local Government see Planning and Local Government, Department of
Department of Primary Industries and Resources see Primary Industries and Resources, Department of
Department of the Premier and Cabinet see Premier and Cabinet, Department of the
Department of Trade and Economic Development see Trade and Economic Development, Department of
Department of Treasury and Finance see Treasury and Finance, Department of
Department of Water, Land and Biodiversity Conservation see Water, Land and Biodiversity Conservation, Department of


### E


Education and Children's Services, Department of, 283
  Accounts payable, 287
  Authentication of payment approval and use of specimen signatures, 287
  Building the Education Revolution, 293
    National school pride, 294
    Primary schools, 293
    Science and language centres, 293
  Certification of school maintenance changes, 288
  General ledger processing, 289
  Implementation of the revised TIs 2 and 28, 284
  Payroll, 285

Authenticating input forms, 285
Bona fide reports, 285, 286
Outstanding monthly leave returns and flexi sheets, 286
Processing changes to Valeo, 285
Public private partnership - New Schools, 294
Revised Commonwealth funding arrangements, 292
School maintenance, 288
Student enrolments, 292
Variation to service expectations, 287
Electoral Commission of South Australia, 338
Environment and Heritage, Department for, 355
Accounting for Crown land, 356
Adelaide's Living Beaches Project, 361
Cash, 358
Fixed assets, 358
Grants and subsidies, 360
Implementation of the revised TIs 2 and 28, 357
Marine Parks Project, 361
Payroll, 357
Qualified Auditor's Opinion, 356
Environment Protection Authority, 401
Implementation of the revised TIs 2 and 28, 402
Matters raised by Audit, 402
Expiation fees
South Australia Police, 1006

**F**

Families and Communities, Department for, 429
Administration of concession payments, 434
Brokerage payments, 432
Financial accounting, 433
Implementation of the revised TIs 2 and 28, 430
Management of grant payments – internal audit review, 431
Payroll, 433
Shared Services SA, 434
Fleet SA
Treasury and Finance, Department of, 1547
Flinders University of South Australia, 481
Expenditure, 482
Financial accounting, 483
ICT review, 483
Payroll, 482
Research grants, 482
Further Education, Employment, Science and Technology, Department of, 529
Budgetary control, 531
Expenditure, 530
Grant expenditure, 530
Implementation of the revised TIs 2 and 28, 532
Payroll, 531
Policies and procedures, 531
Risk management, 531
Student information system, 534
Student revenue, 530

**H**

Health, Department of, 565
Accounts payable, 569
Accounts receivable, 570
Capital funding to health services, 567
Commonwealth Government grants, 569
Ernst & Young efficiency review, 572
Funding to non-government organisations, 568
*Health Care Act 2008*, 570
Health sector staffing statistics, 607
Health unit special purpose funds, 571
Hospital activity statistics, 607
Average length of overnight hospital stay, 608
Inpatient activity, 608
Outpatient activity, 608
Implementation of the revised TIs 2 and 28, 567, 571
Payroll, 569
Procurement and supply chain consolidation, 572
Public private partnership – new Royal Adelaide Hospital project, 572
Recurrent funding to health services, 567
Risk management, 566
Whole of health finance, supply and asset management system, 572
HomeStart Finance, 609
Bad and impaired loans expense, 612
Breakthrough loan, 613
Customer loans repaid, 618
Distributions to government, 617
Expenses other than interest, 612
Fair value and comprehensive result, 616
Financial risks, 614
General reserve for credit losses, 615
Implementation of the revised TIs 2 and 28, 610
Investments, 615
Loan quality, 615
Loans and advances, 613
Net interest income, 611
Provisions for impairment, 614

**I**

Implementation of the revised TIs 2 and 28
Adelaide Festival Centre Trust, 38
Art Gallery Board, 72
Attorney-General's Department, 94
Correctional Services, Department for, 190
Courts Administration Authority, 220
Defence SA, 257
Education and Children's Services, Department of, 284
Environment and Heritage, Department for, 357
Environment Protection Authority, 402
Families and Communities, Department for, 430
Further Education, Employment, Science and Technology, Department of, 532
Health, Department of, 567
HomeStart Finance, 610
Land Management Corporation, 662
Legal Services Commission, 696
Libraries Board of South Australia, 714
Local Government Finance Authority of South Australia, 736
Lotteries Commission of South Australia, 754
Motor Accident Commission, 781
Museum Board, 808
Parliamentary Superannuation Scheme, 828
Planning and Local Government, Department of, 842
Police Superannuation Scheme, 878
Premier and Cabinet, Department of the, 895
Primary Industries and Resources, Department of, 937
Public Trustee, 150
South Australia Police, 1003

South Australian Fire and Emergency Services Commission, 1078
South Australian Forestry Corporation, 1112
South Australian Government Financing Authority, 1137
South Australian Housing Trust, 1169
South Australian Motor Sport Board, 1233
South Australian Superannuation Board, 1270
South Australian Tourism Commission, 1327
South Australian Water Corporation, 1350
Superannuation Funds Management Corporation of South Australia, 1389
Trade and Economic Development, Department of, 1422
TransAdelaide, 1451
Transport, Energy and Infrastructure, Department for, 1483
Treasury and Finance, Department of, 1549
Water, Land and Biodiversity Conservation, Department of, 1692
WorkCover Corporation of South Australia, 1743
Independent Gaming Corporation Limited
Attorney-General's Department, 101

**J**

Judges' Pensions Scheme, 650
Contributions by employers, 652
Pensioners, 652
Superannuation Funds Management Corporation of South Australia, 1388
Transfer from the Consolidated Account, 651

**L**

Land Management Corporation, 661
Asset valuations, 665
Assets, 665
Bowden Urban Village, 667
Expenditure processing, 662
Implementation of the revised TIs 2 and 28, 662
Joint venture land sales, 664
Mawson Lakes Government Infrastructure Project, 666
Other land sales, 664
Payroll, 662
Playford North, 666
Port Adelaide Waterfront Redevelopment, 666
Legal Services Commission, 695
Commonwealth Government grants, 697
Implementation of the revised TIs 2 and 28, 696
*Legal Practitioners Act* revenue, 698
Referrals to private and in-house practitioners, 697
State Government funding, 698
Legislature, The, 712
Status of the financial statements, 712
Libraries Board of South Australia, 713
Implementation of the revised TIs 2 and 28, 714
Local Government Finance Authority of South Australia, 735
Asset quality, 739
Borrowing and investment programmes, 736
Guarantee by the Treasurer, 735
Implementation of the revised TIs 2 and 28, 736
Liabilities of the authority, 739
Net profit and distributions, 738
Qualified Auditor's Opinion, 736
Tax equivalent payments, 738
Lotteries Commission of South Australia, 753
Distributions to government, 756
Implementation of the revised TIs 2 and 28, 754

**M**

Motor Accident Commission, 780
Commission on premiums collected, 781
Implementation of the revised TIs 2 and 28, 781
Investment result, 783
Investments, 785
Liability for outstanding claims, 781
Outstanding claims, 785
Solvency level, 786
Third party insurance premium, 787
Total comprehensive result, 784
Underwriting result, 782
Murray-Darling Basin Authority
Water, Land and Biodiversity Conservation, Department of, 1698
Museum Board, 807
Implementation of the revised TIs 2 and 28, 808

**N**

National Partnership Agreement
Homelessness, 1180
Nation building and jobs plan, 1180
Remote indigenous housing, 1180
Social housing, 1180
Natural Resources Management Boards
Water, Land and Biodiversity Conservation, Department of, 1698

**P**

Parliamentary Superannuation Scheme, 827
Contributions by members, 829
Implementation of the revised TIs 2 and 28, 828
Pensioners, 829
Superannuation Funds Management Corporation of South Australia, 827, 1388
Transfer from the Consolidated Account, 829
Planning and Local Government, Department of, 840
Implementation of the revised TIs 2 and 28, 842
Payroll, 841
Primary Industries and Resources, Department of, 933
Revenue, 841
Police Superannuation Scheme, 877
Contributions by members, 882
Implementation of the revised TIs 2 and 28, 878
Liability for accrued benefits, 881
Net assets available to pay benefits, 881
Pensioners, 882
South Australian Superannuation Board, 877
Southern State Superannuation Scheme, 877
Superannuation Funds Management Corporation of South Australia, 877, 1388
Port Adelaide Maritime Corporation
Defence SA, 256
Port Adelaide Waterfront Redevelopment
Land Management Corporation, 666
Premier and Cabinet, Department of the, 894
Implementation of the revised TIs 2 and 28, 895
Transferred functions, 894
Primary Industries and Resources, Department of, 933
Cash, 936

Expenditure, 934
Fisheries licensing revenue, 936
Fixed assets, 935
Implementation of the revised TIs 2 and 28, 937
Jervois to Langhorne Creek and Currency Creek pipeline, 941
Masterpiece accounts receivable and Reculver, 936
Payroll, 935
Planning and Local Government, Department of, 933
Tenement Management System follow-up review, 937
Public Trustee, 148
Common Fund financial statements, 153
Australian Shares, 153
Cash, 153
Listed Property Securities, 153
Long-term Fixed Interest, 153
Overseas Fixed Interest, 153
Overseas Shares, 153
Short-term Fixed Interest, 153
Common fund operations, 149
Corporate operations, 149
Implementation of the revised TIs 2 and 28, 150
Information and communications technology management and control, 150
Trust operations, 149

**Q**

Qualified Auditor's Opinion
Environment and Heritage, Department for, 356
Local Government Finance Authority of South Australia, 736
South Australian Motor Sport Board, 1232
Transport, Energy and Infrastructure, Department for, 1479
University of South Australia, 1650

**R**

Residential Tenancies Fund
Attorney-General's Department, 94, 102
RevenueSA
Treasury and Finance, Department of, 1546
Royal Adelaide Hospital project
Health, Department of, 572

**S**

Save the River Murray Fund
Water, Land and Biodiversity Conservation, Department of, 1699
Shared Services SA
Treasury and Finance, Department of, 1543, 1548
South Australia Police, 1001
Accounts payable, 1003
Employee benefits and workers compensation, 1005
Expiation fees, 1006
Financial accounting, 1002
Implementation of the revised TIs 2 and 28, 1003
Mainframe computer processing environment, 1002
Payroll, 1003
Workers compensation, 1002
South Australian Ambulance Service, 1278
Liability for accrued benefits, 1279
Members, 1279
Superannuation Funds Management Corporation of South Australia, 1278
South Australian Ambulance Service Superannuation Scheme
South Australian Superannuation Board, 1269
Superannuation Funds Management Corporation of South Australia, 1388
South Australian Asset Management Corporation, 1037
South Australian Country Fire Service, 1051
Fund contributions and income, 1053
South Australian Fire and Emergency Services Commission, 1051
South Australian Fire and Emergency Services Commission, 1075
Bona fides, 1077
Community Emergency Services Fund, 1075
Corporate governance and risk management, 1076
Expenditure, 1077
Implementation of the revised TIs 2 and 28, 1078
Purchase cards, 1077
Shared services, 1075, 1079
South Australian Country Fire Service, 1051
South Australian Metropolitan Fire Service, 1210
South Australian State Emergency Service, 1249
South Australian Forestry Corporation, 1111
Audit committee, 1111
Distributions to government, 1115
Implementation of the revised TIs 2 and 28, 1112
Land, 1115
Standing timber, 1113, 1116
South Australian Government Financing Authority, 1136
Audit committee, 1138
Capital and distributions, 1141
Catastrophe reinsurance program, 1143
Common Public Sector Interest Rate, 1141
Control and authority frameworks, 1137
Documentation, 1138
Implementation of the revised TIs 2 and 28, 1137
Independent review, 1138
Insurance activities, 1141
Insurance premium revenue, 1139
Market risk, 1142
Operational risk management, 1142
Policies and procedures, 1138
Risk and fraud management, 1137
Risk management activity across the public sector, 1143
SAFA Advisory Board, 1136
South Australian Housing Trust, 1168
Accounts payable, 1170
Affordable Housing Innovation Fund, 1171
Business service fees, 1171
Changed Commonwealth funding arrangements, 1179
Community housing operations, 1173
Council and water rates, 1173
Fixed assets, 1172
Grant funded programs, 1177
ICT management and control, 1173

Implementation of the revised TIs 2
and 28, 1169
Implementation plans, 1180
Maintenance expenditure, 1170
Management of grant payments, 1174
National Partnership Agreement
Homelessness, 1180
Nation building and jobs plan, 1180
Remote indigenous housing, 1180
Social housing, 1180
Rent, 1169
Rental operations, 1176
South Australian Metropolitan Fire Service, 1210
Fund contributions and income, 1212
South Australian Fire and Emergency Services
Commission, 1210
South Australian Motor Sport Board, 1231
Clipsal 500 Adelaide, 1236
Compliance with procurement processes
mandated by the *State Procurement Act 2004*, 1233
Implementation of the revised TIs 2
and 28, 1233
Qualified Auditor's Opinion, 1232
South Australian State Emergency Service, 1249
South Australian Fire and Emergency Services
Commission, 1249
South Australian Superannuation Board, 1269
Implementation of the revised TIs 2
and 28, 1270
Police Superannuation Scheme, 877
Service provision arrangements, 1269
South Australian Ambulance Service
Superannuation Scheme, 1269
South Australian Superannuation
Scheme, 1269, 1289
Southern State Superannuation Scheme, 1269
Superannuation Funds Management Corporation
of South Australia, 1388
South Australian Superannuation Scheme, 1289
Benefits paid, 1292
Contributions by members, 1293
Funding of benefit payments, 1292
Pensioners, 1293
South Australian Superannuation
Board, 1269, 1289
Superannuation Funds Management Corporation
of South Australia, 1289, 1388
South Australian Tourism Commission, 1326
Commission, 1327
Implementation of the revised TIs 2
and 28, 1327
Shared Services SA, 1327
South Australian Water Corporation, 1348
Accounts payable, 1349
Adelaide Desalination Project, 1355, 1357
Governance arrangements, 1358
Major components, 1357
Major events, 1357
Project expenditure, 1358
Bank reconciliation, 1349
Contributions to the State Government, 1356
Implementation of the revised TIs 2
and 28, 1350
Payroll, 1349
Performance statement, 1355
Revenue, 1349
South Australian Water Corporation and United
Water charging dispute, 1358
Tendering and contract management, 1349
Virginia pipeline agreement, 1350
Southern State Superannuation Scheme, 1308
Benefits paid, 1311
Contribution revenue, 1310
Police Superannuation Scheme, 877
South Australian Superannuation Board, 1269
Superannuation Funds Management Corporation
of South Australia, 1308, 1388
Status of the Financial Statements
Legislature, The, 712
Superannuation Funds Management Corporation of
South Australia, 1269, 1388
Asset allocation, 1391
Funds under management, 1388, 1390
Governors' Pensions Scheme, 1388
Implementation of the revised TIs 2
and 28, 1389
Income from investments, 1392
Judges' Pensions Scheme, 1388
Net income earned from investment
activities, 1392
Parliamentary Superannuation
Scheme, 827, 1388
Police Superannuation Board, 1388
Police Superannuation Scheme, 877, 1388
Restrictions on operations, 1388
South Australian Ambulance Service
Superannuation Scheme, 1388
South Australian Metropolitan Fire Service
Superannuation Scheme, 1388
South Australian Parliamentary Superannuation
Board, 1388
South Australian Superannuation Board, 1388
South Australian Superannuation
Scheme, 1289, 1388
Southern State Superannuation
Scheme, 1308, 1388

**T**

Techport Australia
Defence SA, 259
Air Warfare Destroyer Commercial
Campus, 260
Commercial and Education Precinct and
Supplier Precinct, 260
Common User Facility, 259
Maritime Skills Centre, 260
Trade and Economic Development, Department
of, 1420
Financial assistance grants, 1421
Implementation of the revised TIs 2
and 28, 1422
Leave recording, 1422
Review of bona fide reports, 1421
TransAdelaide, 1449
Capital works, 1450
Contract income - DTEI contract, 1453
Contract income - financial dependence, 1453
Expenditure, 1450
Implementation of the revised TIs 2
and 28, 1451
Information technology review - centralised
traffic control system, 1451
Joint venture relationship, 1455

Net asset transfer in 2008, 1454
Payroll, 1450
Policies and procedures, 1450
Workers compensation, 1450
Transport, Energy and Infrastructure, Department for, 1477
Accounting for Commonwealth grants, 1479
Accounts payable, 1485
Bus and rail contract expenditure, 1486
Capital works in progress, 1490
Cash at bank - TRUMPS, 1479
Collections bank account reconciliation, 1483
Government information, communication and technology services, 1486
Implementation of the revised TIs 2 and 28 1483
Information communication technology management and control - TRUMPS, 1486
Metroticket revenue, 1486
Network assets, 1490
Network assets and capital work in progress, 1481
Other fixed assets, 1484
Payroll, 1484
Qualified Auditor's Opinion, 1479
Revenue and accounts receivable, 1485
TRUMPS - financial control, 1480
Treasury and Finance, Department of, 1543
Corporate systems, 1545
Fleet SA, 1547
Government Accounting and Reporting Branch, 1547
Implementation of the revised TIs 2 and 28, 1549
RevenueSA, 1546
Shared Services SA, 1543, 1548
CHRIS HRMS, 1548
Service delivery revenue, 1548
Transitioned business processes, 1548

**U**

University of Adelaide, 1600
Corporate governance, 1601
Documented policies and procedures, 1601
Information communication and technology review, 1602
Payroll, 1601
University of South Australia, 1649
Expenditure
Financial delegations, 1651
Independent contractor vs employee, 1651
Segregation of duties, 1651
Foreign exchange, 1652
Government grant funding, 1650
Information communications technology review, 1652
Intellectual property, 1652
Payroll
Leave recording, 1651
Validity of casual employment payments, 1651
Qualified Auditor's Opinion, 1650
Treasury risk management, 1652

**V**

Victims of Crime Fund
Attorney-General's Department, 101
Victims of Crime levy
Courts Administration Authority, 223

**W**

Water, Land and Biodiversity Conservation, Department of, 1691
Corporate governance, 1692
Budgetary control, 1692
Grant management framework, 1692
Critical Water Allocation Scheme – permanent plantings, 1694
Management of process for allocating critical water to irrigators, 1694
Service level agreement, 1694
Expenditure, 1693
Fixed assets – control and recognition, 1701
Constructed River Murray structures, 1701
Constructed Upper South East drainage assets, 1701
Implementation of the revised TIs 2 and 28, 1692
Murray futures, 1700
Murray-Darling Basin Authority, 1698
Natural Resources Management Boards, 1698
Payroll, 1693
The Living Murray initiative, 1700
Water Information Licensing Management Application System, 1693
WorkCover Corporation of South Australia, 1739
Auditor's report on the financial statements
Inherent uncertainty – outstanding claims liability and funding ratio, 1740
General operating expenses, 1743
ICT infrastructure and systems, 1744
Implementation of the revised TIs 2 and 28, 1743
Investments, 1750
Legislative changes, 1739
Levies, 1742
Outstanding claims, 1749
Underwriting result, 1747
Workers compensation payments, 1741