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

Report

of the

Auditor-General

for the

Year ended 30 June 2004

Tabled in the House of Assembly and ordered to be published, 11 October 2004

Fourth Session, Fiftieth Parliament

PART B

Volume IV

By Authority: J. D. Ferguson, Government Printer, South Australia

2004

Report of the Auditor-General 2003-04

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES

MINISTER FOR MINERAL RESOURCES DEVELOPMENT; MINISTER FOR ENERGY; MINISTER FOR AGRICULTURE, FOOD AND FISHERIES; MINISTER FOR FORESTS

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely the:

- Minister for Mineral Resources and Development
- Minister for Energy
- Minister for Agriculture, Food and Fisheries
- Minister for Forests

The agencies included herein relating to the portfolio of Primary Industries and Resources are:

- Primary Industries and Resources – Department of
- South Australian Forestry Corporation

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

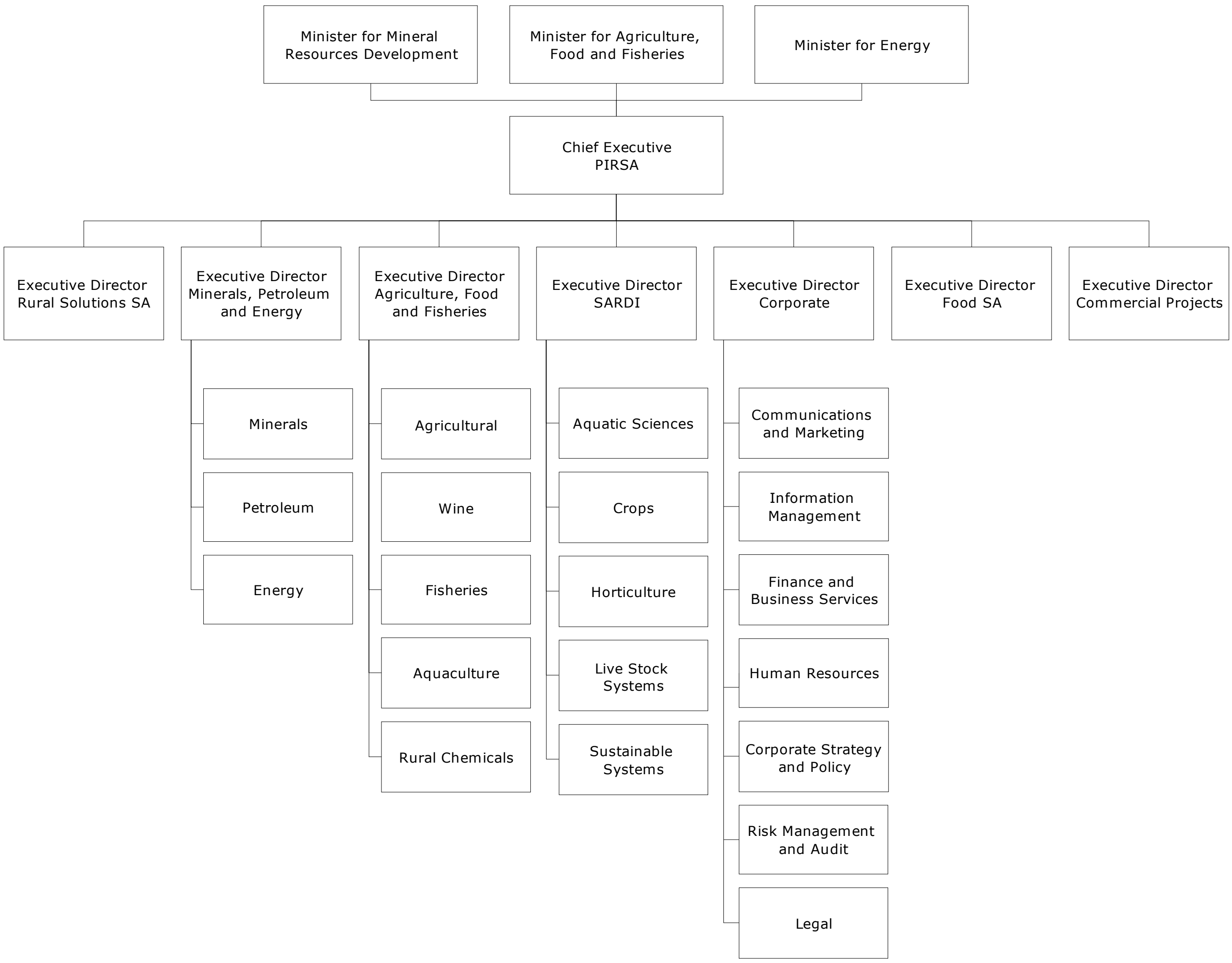
The Department of Primary Industries and Resources (PIRSA) is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The function of the Department of Primary Industries and Resources is to deliver services that increase the prosperity of South Australians and ensure the sustainable economic development of the State's resource base for future generations.

Structure

The structure of the Department of Primary Industries and Resources at 30 June 2004 is illustrated in the following organisation chart.



Changes to Functions and Structure

Specific functions and employees of the Department for Business Manufacturing and Trade transferred to the Department effective 1 January 2004.

The functions of the South Australian Independent Pricing and Access Regulator and other gas industry related functions were transferred from the Minerals and Energy Division to the Essential Services Commission of South Australia with effect from 1 July 2003.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Primary Industries and Resources for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

During 2003-04 specific areas of audit attention included:

- expenditure
- payroll and related payments
- accounts receivable and regional invoicing
- Masterpiece and Reculvar accounts receivable
- mining and petroleum revenue
- rural finance and development grants and loans
- fish licensing
- administered items
- industry funds
- fixed assets
- financial accounting
- information technology control issues.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003-04 Independent Audit Report, which details the qualification to the Department's financial report.

> **Qualification**
>
> ***Cash at Bank***
>
> *The Department of Primary Industries and Resources has not reconciled the general ledger bank account balance to the Westpac bank account as at 30 June 2004. Cash at Bank as reported in the Financial Statements for both controlled, administered and monies held in trust totals $100.912 million compared with Cash at Bank as reported on the Westpac bank statement, after considering unpresented cheques which totals $95.718 million, a difference of $5.194 million. In addition, the Department's general ledger Cash at Bank reflects $98.012 million. As a result, Audit was unable to obtain assurance that all the transactions processed by the Department during the year are accurately reflected in the financial statements.*

Complete and Accurate General Ledger

The Department of Primary Industries and Resources has not maintained a complete and accurate general ledger reflecting both controlled and administered transactions on an accrual basis resulting in the preparation of the annual financial statements outside of a sound control environment.

A limitation exists as Audit has been unable to obtain supporting documentation relating to the balance of accumulated surplus as reported in the general ledger or financial statement as at 30 June 2004. Opening accumulated surplus as reported in the financial statements is $121.725 million compared with opening accumulated surplus as reflected in the general ledger of $116.301 million, a difference of $5.424 million.

Qualified Audit Opinion

In my opinion, because of the existence of the limitation on the scope of work as described in the qualification paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, I am unable to and do not express an opinion as to whether the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987*, applicable Accounting Standards, other mandatory professional reporting requirements in Australia, the financial position of The Department of Primary Industries and Resources as at 30 June 2004, its financial performance and its cash flows for the year then ended.*

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Primary Industries and Resources in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Cash At Bank Reconciliation Methodology, Completeness of the General Ledger, Performance of Key Reconciliations and Compliance with Legislation - *Aquaculture Act 2001,* as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Primary Industries and Resources have been conducted properly and in accordance with law.

Audit Communications to Management

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

Cash At Bank Reconciliation Methodology

The lack of an adequate bank reconciliation is of significant Audit concern.

In 2002-03 Audit reported to the Department that the net monthly movement bank reconciliation methodology used by the Department to reconcile cash at bank was not appropriate.

The Department responded to Audit's finding indicating that the bank reconciliation methodology would be amended to provide for the reconciliation of the general ledger closing balance to the Westpac bank closing balance. The Department has also advised that to establish a reconcilable bank balance its officers met and subsequently followed up with the Department of Treasury and Finance to resolve issues involving royalty payments and opening cash balances dating from the formation of a single Departmental bank account in 1999.

Work undertaken by Audit in March 2004 identified that the Department continued to reconcile using an inadequate methodology. Audit wrote to the Chief Executive in May 2004 noting the need to effectively reconcile cash at bank prior to 30 June 2004.

The Department responded with a commitment to resolve the issues raised prior to 30 June 2004. The Department advised that following the provision, in June 2004, of a reconstructed bank account balance for the Department's Westpac bank account by the Department of Treasury and Finance it has implemented a process for reconciling cash to the Westpac bank account. It advised that implementation of the reconciliation process has highlighted further unresolved reconciling items which it has been unable to resolve in time for the preparation of the 2003-04 financial statements.

The audit of the Department's financial statements as at 30 June 2004 has confirmed that the Department had not satisfactorily reconciled its bank account balance and this finding is reflected in the qualified Independent Audit Report. The Department has responded with a commitment to resolve the cash reconciliation issues by 28 February 2005 and has established a project team specifically for this purpose.

Completeness of the General Ledger

Audit reported concerns to the Department of Primary Industries and Resources in 2003-04 with respect to the completeness and accuracy of the Department's general ledger and annual financial statements.

Review of the Department's General Ledger as part of the 2003-04 audit identified concerns that it did not reconcile to opening balances reflected in the financial statements. This matter was reported to the Department in August 2004.

The Department has sought unsuccessfully to resolve this matter which is reflected in the qualified Independent Audit Report reflected above. The Department advised it has established a dedicated project team to resolve this issue by 28 February 2005.

Performance of Key Reconciliations

Audit review of financial activities in 2002-03 identified that key reconciliations between subsidiary financial systems and the general ledger were not performed by the Department. The Department responded outlining proposed action with respect to the regular preparation of reconciliations for all key financial activities.

Performance of reconciliations provides assurance that transactions have been processed completely and information recorded is reliable for reporting and decision making purposes.

Follow up by Audit in 2003-04 identified a number of financial activities where adequate reconciliations supporting the Department's internal controls had not been performed.

Specific areas in which the audit identified weaknesses in reconciliations included:

- systems which support accounting for and control of rural finance development grants and loans, mining and petroleum revenue and fish licensing fees
- payroll
- fixed assets.

In response the Department advised of proposed action to address these matters in the 2004-05 financial year.

Payment of Royalty Monies into the Treasury Bank Account

Royalties are an Administered Item

Audit reported in 2002-03 that royalty monies collected by the Department on behalf of the State Government for levies on minerals and petroleum production had not been cleared from the Departmental bank account to the Treasury bank account since March 1999.

The Department responded to Audit's findings in August 2003 indicating that a payment would be affected in September 2003 to transfer royalty monies to the Department of Treasury and Finance.

Follow up in March 2004 identified that royalty monies had not been transferred from the Department's bank to the Department of Treasury and Finance bank account as confirmation of amounts to be transferred had not been received from the Department of Treasury and Finance.

In response, the Department indicated it has now confirmed all reconciling items with the Department of Treasury and Finance, including monies owed to the Department since February 1999 amounting to $98.078 million. The Department transferred $340.5 million, being the royalty monies net of the reconciling items, to the Department of Treasury and Finance bank account on the 28 June 2004.

Payroll

The audit of the Department's payroll processing identified the following internal control weaknesses:

- CHRIS system reports provided inaccurate year to date balances;
- Overpayments of allowances;
- Revised 'Guidelines for Managing Time' for Time of in Lieu (TOIL) were developed to address issues raised in 2002-03 however they had not been approved and promulgated to staff; and
- Leave recording and management processes did not provide assurance that all leave was recorded in CHRIS.

The Department responded outlining proposed measures to be implemented to improve the control environment for the 2004-05 financial year.

Contracts Register

Audit reviewed the Department's contract register to evaluate compliance with Treasurer's Instruction 27 'Disclosure of Government Contracts' and identified that the Department's contracts register is incomplete.

The Department responded to Audit's findings by indicating the Procurement Advisory Unit will implement a number of steps to ensure compliance with the Treasurer's Instruction.

Administered Items - Management Plans for Livestock Industry Funds

Audit review of requirements of the *Primary Industry Funding Schemes Act 1998* identified the requirement for livestock industry funds to have management plans prepared and approved by the Minister. The audit established that the Department had not prepared management plans as required by the Act for the following industry funds:

- Sheep Industry Fund
- Cattle Industry Fund
- Pig Industry Fund
- Apiary Industry Fund
- Deer Industry Fund.

The Department responded indicating a process will commence to develop the five year management plans for the livestock industry funds.

Compliance with Legislation - Aquaculture Act 2001

The *Aquaculture Act 2001* requires the Minister to authorise the transfer of monies from the Aquaculture Resource Management Fund. Audit noted the Department had transferred monies from the fund without the Minister's written approval.

The Department responded indicating that the Department have sought relevant Ministerial delegation.

Information Systems Business Continuity

Previous reports to Parliament noted that the Department did not have a department wide business continuity plan. In 2003-04, Audit followed up this issue among other matters.

The Department advised that a process has commenced to establish a Business Continuity Plan for divisions within the Department.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The following interpretation and analysis has been prepared using the reported information and should be read in conjunction with the qualification.

Highlights of Financial Statements

	2004	2003	Percentage
	$'million	$'million	Change
OPERATING REVENUE			
Appropriations from Government	**107.9**	111.3	(3)
User charges and fees	**35.6**	29.7	20
Advances and grants	**30.5**	30.1	1
Other	**13.2**	16.9	(22)
Total Operating Revenue	**187.2**	188.0	(1)
OPERATING EXPENDITURE			
Employee expenses	**88.7**	82.5	8
Supplies and services	**64.0**	63.2	1
Grants and subsidies	**22.5**	19.3	17
Other	**10.9**	14.8	(25)
Total Expenses	**186.1**	179.8	4
Surplus (Deficit)	**1.1**	8.2	(87)
Administrative restructure expense	**5.1**	8.5	(40)
Net Deficit	**(4.0)**	(0.3)	

	2004 **$'million**	2003 $'million	Percentage Change
ASSETS			
Current assets	**77.1**	75.7	2
Non-current assets	**120.9**	125.9	(4)
Total Assets	**198.0**	201.6	(2)
LIABILITIES			
Current liabilities	**16.3**	14.9	9
Non-current liabilities	**30.5**	31.5	(3)
Total Liabilities	**46.8**	46.4	1
EQUITY	**151.2**	155.2	(3)

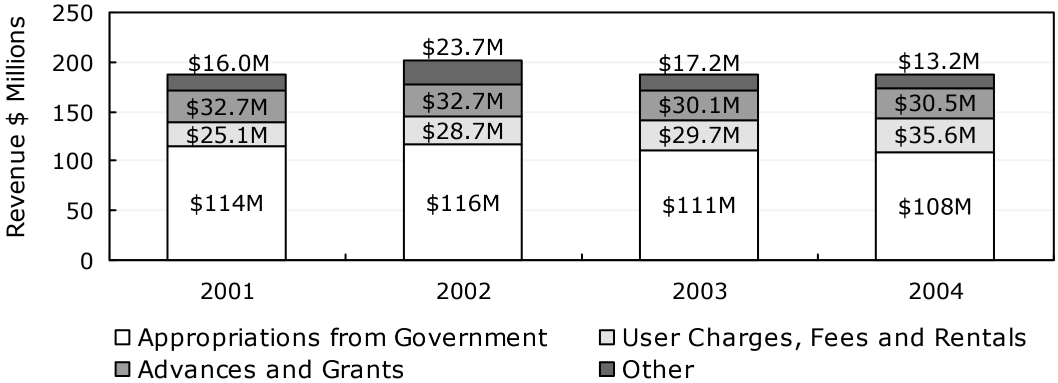
Statement of Financial Performance

A structural analysis of operating revenues and expenses for the Department for the four years to 2004 is presented in the following charts.

Operating Revenues

The chart below shows that total revenues have decreased by $1.1 million. Factors contributing to this outcome were:

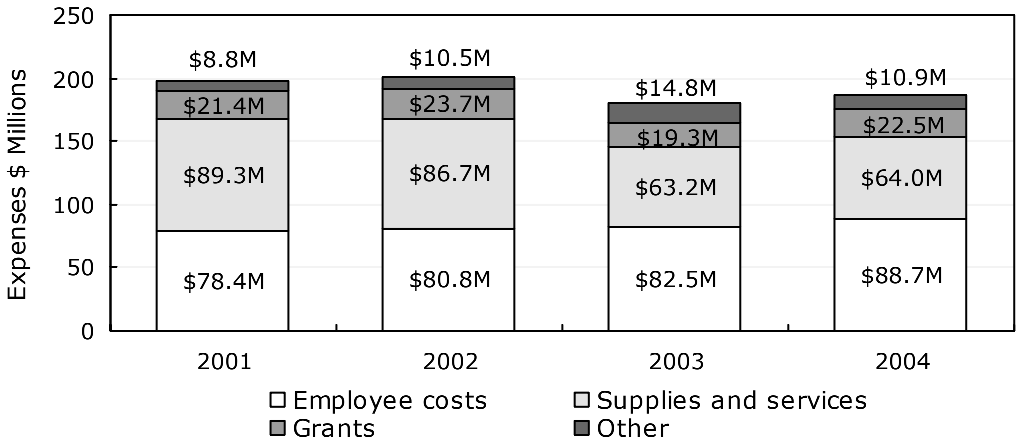
- an increase in consulting services provided by the Rural Solutions group of $5.6 million;
- a reduction in other revenue of $3.5 million;
- a reduction in appropriated funds of $3.4 million.



Operating Expenses

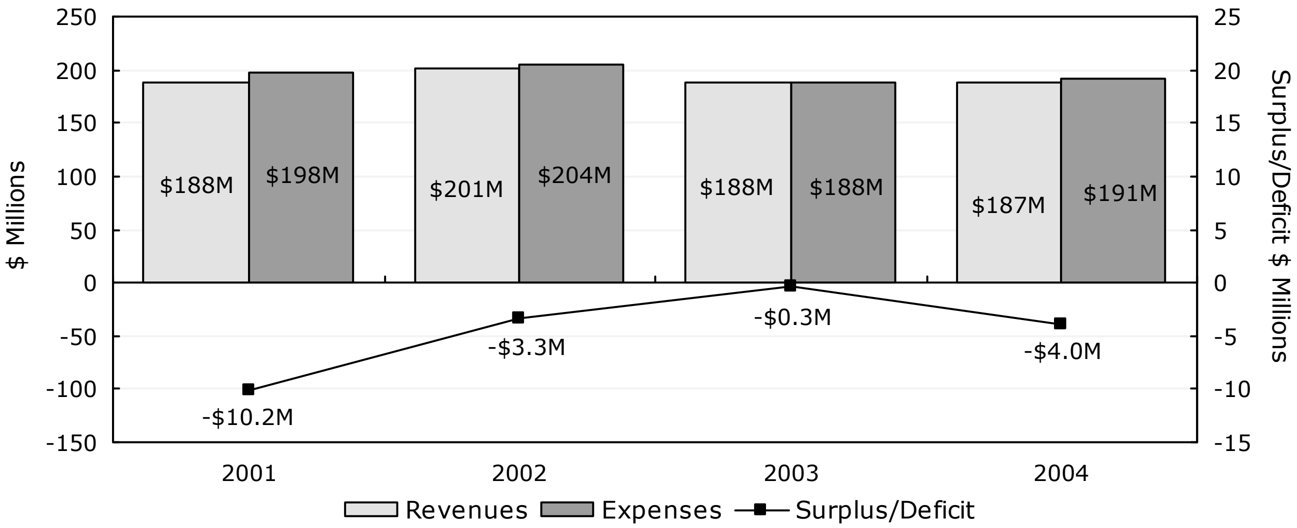
The chart below shows that total expenses have increased by $6.3 million. Factors contributing to this increase were:

- an increase in employee costs of $6.2 million;
- an increase in grants of $3.2 million, $2.8 million of which was provided by Rural Finance and Development;
- a reduction in other expenses of $3.9 million.



Operating Result

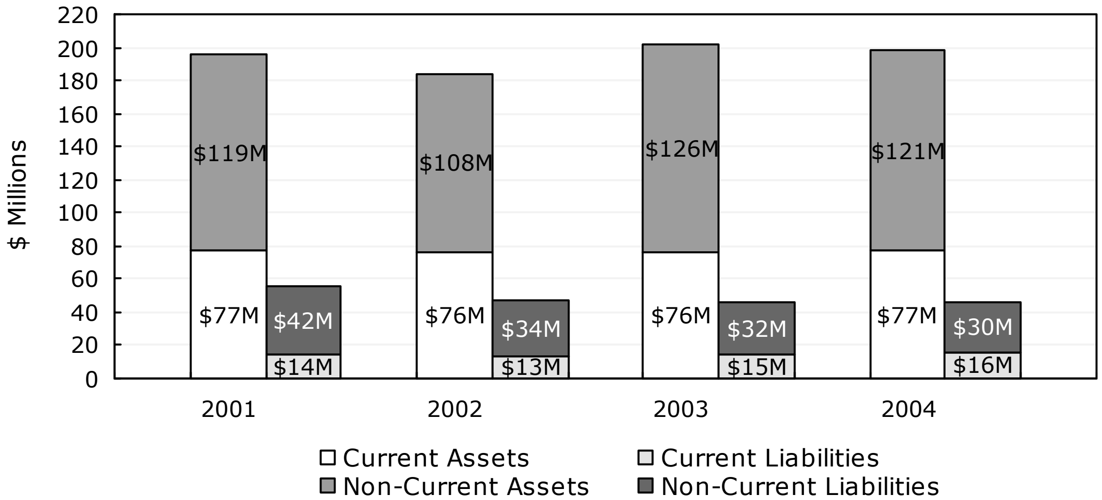
The following chart shows the operating revenues, operating expenses and deficits for the four years to 2004.



Statement of Financial Position

The Department controlled assets and liabilities have not changed significantly over the past four years. The reduction in assets in 2003-04 is largely attributable to a reduction in loan receivables.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**6.6**	22.6	(12.6)	(4.0)
Investing	**(0.4)**	(2.7)	2.3	1.8
Financing	**(2.8)**	(3.8)	(5.0)	(3.9)
Change in Cash	**3.4**	16.1	(15.3)	(6.1)
Cash at 30 June	**67.9**	64.5	48.4	63.7

The analysis of cash flows shows that the Department has reversed a trend of declining cash holdings for the preceding three years to report an increase in 2004.

Administered Items

	2004 $'million	2003 $'million	Percentage Change
REVENUE			
Natural Gas Revenue	**191.2**	237.3	(19)
Fisheries Licences	**12.3**	12.3	-
Royalties	**75.2**	81.6	(8)
SA Water Corporation Appropriation	**91.8**	81.5	13
Other	**14.0**	11.1	26
Total Revenue	**384.5**	423.8	(9)
EXPENDITURE			
Payment to Cooper Basin Producers	**191.2**	237.3	(19)
Fisheries Licenses	**12.1**	10.8	12
SA Water Corporation Subsidy	**89.5**	81.3	10
Royalties Transferred to Consolidated Account	**75.2**	81.5	(8)
Other	**11.4**	10.3	10
Total Expenses	**379.4**	421.2	(10)
Operating surplus	**5.1**	2.6	-
ASSETS			
Current Assets	**30.9**	12.5	147
Non-Current Assets	**-**	-	
Total Assets	**30.9**	12.5	147
LIABILITIES			
Current Liabilities	**14.9**	0.88	-
Non-Current Liabilities	**1.2**	1.9	(37)
Total Liabilities	**16.1**	2.8	-
NET ASSETS	**14.8**	9.7	52

Commentary on the more material administered items is included under 'Further Commentary on Operations'.

FURTHER COMMENTARY ON OPERATIONS

Moomba Gas Crisis

In January 2004, a gas leak and fire at the Moomba Gas Plant caused significant disruption to the State's gas supply. The incident left the State with approximately one day of useable gas in the Moomba to Adelaide gas pipeline.

The Minister for Energy, based on advice from the Office of the Technical Regulator, restricted the supply of gas to the State's businesses while Domestic, essential services and light industrial customers were unaffected. There are still restrictions on the quality of gas supplied from the Moomba gas pipeline as the operator, SANTOS, seeks to restore the Moomba Gas Plant facilities to full production.

Workplace Services, a business unit within the Department for Administrative Information Services, have been engaged as lead investigators by the Government to review the Moomba incident with the assistance of the Department of Primary Industries and Resources, SA Police, and the Metropolitan Fire Service under the authority of the *Petroleum Act 2000, Occupational Health, Safety and Welfare Act 1986* and *Dangerous Substances Act 1979*.

The Department of Primary Industry and Resources have administrative responsibility for the *Petroleum Act 2000*. Section 87 of the Act requires the licensee to ensure activities are carried out with due care and in accordance with good industry practices, this includes the:

- health and safety of persons who may be affected by the activity;
- environment; and
- need to ensure where interruption of natural gas supply could cause significant social disruption contingency measures are established so as to ensure a reliable and adequate supply of natural gas is maintained.

The *Petroleum Act 2000* provides for Workplace Services to conduct authorised investigations with respect to compliance with the Act, suspected offences, personal injury or loss of property related to authorised activities, environmental impact of authorised activities and other information relevant to the administration or enforcement of the Act.

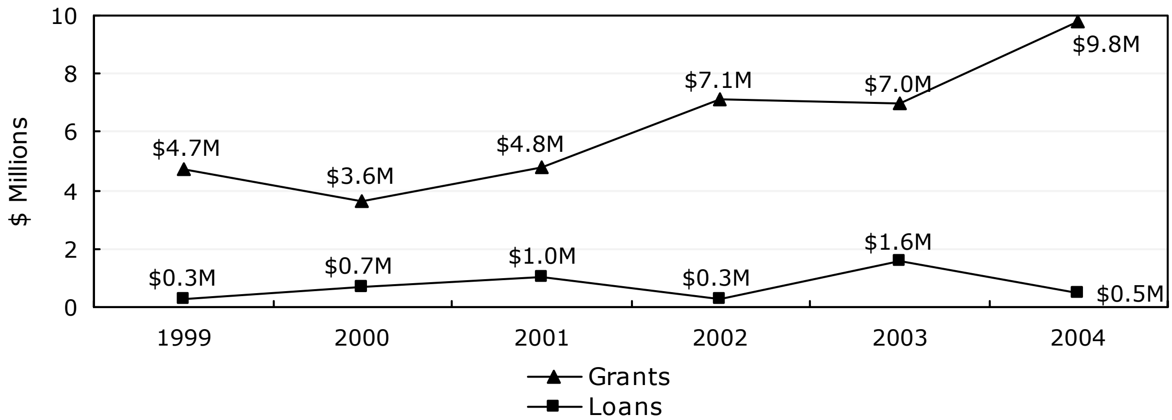
The Minister for Mineral Resources Development may publish a report setting out the results of the investigation conducted in accordance with section 123 of the *Petroleum Act 2000*. After completion of the investigation, the Minister must prepare a report on the results of the investigation and provide the report to both Houses of Parliament.

Workplace Services are yet to finalise the investigation and provide a report on the outcomes of the review with respect to the Act. It is anticipated that the report will be provided to the Department of Primary Industries and Resources within 12 months.

Rural Finance and Development

Assistance to Primary Producers

The following chart presents the level of assistance provided to the rural sector over the last five years.



For the last two years assistance to the rural sector was $10.3 million ($8.6 million) comprising:

	2004	2003
	$'000	$'000
Grants[(1)]	**9 843**	7 024
Loans[(2)]	**486**	1 609
	10 329	8 633

(1) Rural Finance and Development Grants include the:

- *FarmBis Programs $2.2 million ($3.5 million)*
  The Programs, which are part of the Commonwealth Government's Agriculture - Advancing Australia package, are a $38.5 million initiative which includes grants and support costs for farmers to improve their business management skills;
- *Riverland Rural Partnership Program $626 000 ($820 000)*
  The Program develops and implements a range of targeted support measures for the sustainable economic development of the region. Producers will have opportunities to improve management practices, improve productivity and resource efficiency, improve quality of products and enhance current export opportunities;
- *The Central North East Farm Assistance Program $1.5 million ($648 000)*
  The Program is an alternative to Exceptional Circumstances funding to enhance the viability of farm business enterprises within the Central North East area of South Australia;
- *River Fishery Structural Adjustment Program $2.4 million ($789 000)*
  The program is an adjustment package providing ex-gratia financial support to individual licence holders to enable the restructure of the commercial river fishery;
- *Drought Relief Assistance Scheme $1.1 million ($468 000)*
  The program, which is part of the Premier's Drought Relief Assistance Package announced in 2002, includes grants for business support and community activities, targeted principally towards the pastoral and Mallee regions of the State.

Refer to Note 8 to the financial statements.

(2) Loans Outstanding by the Rural Sector

As at 30 June 2004 the rural sector had balances of loans outstanding totalling $12.4 million ($16 million).

These loans have been made under various schemes and conditions.

The reduction in the loan portfolio can be attributed to the decision to cease providing new loans under the Commercial Rural Loans and the Rural Assistance schemes. The existing loans are being managed to completion. New loans continued to be provided under the loans to Co-operative Scheme and the Rural Industry Adjustment and Development Fund (RIADF).

Total advances for the year amounted to $486 000 ($1.6 million) and $5.3 million ($7.2 million) was repaid.

Administered Funds

Included in the Schedule of Administered Financial Statements for the 2003-04 financial year are the following:

Natural Gas Authority of South Australia

On 1 September 1995, the Natural Gas Authority of South Australia (NGASA) became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principal activities of NGASA are:

- the purchase, sale and delivery of gas;
- administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- the administration of downstream gas sale contracts for Terra Gas trader Pty Ltd and Origin Energy;
- gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- gas billing, gas quality and measurement.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from Terra Gas trader Pty Ltd and Origin Energy for gas purchased and the subsequent forwarding of those monies to the gas producers.

The transactions pertaining to this activity are processed through a Special Deposit Account. During 2003-04 receipts from the major customers were $191.2 million ($237.3 million) and payments to gas producers totalled $191.2 million ($237.3 million).

South Australian Water Corporation

Appropriation received in respect of subsidies to the South Australian Water Corporation for the Corporation's supply of water to country and rural areas increased by $9.3 million to $90.8 million during 2003-04.

Royalties

Royalties received from mineral and petroleum production and gas licences decreased by $6.3 million to $75.2 million during 2003-04. The decline of royalty receipts is due mainly to a:

- reduction in mineral production due to maintenance works of the Olympic Dam Mine;
- reduction in the production estimates provided by the operator of the Olympic Dam Mine;
- decline in the Australian dollar copper price;
- decline in gas production due to the incident of the Moomba Gas plant.

Statement of Financial Performance for the year ended 30 June 2004

	Note	2004 $'000	2003 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	**88 714**	82 518
Supplies and services	6	**64 024**	63 186
Depreciation and amortisation	7	**6 703**	5 977
Grants and subsidies	8	**22 547**	19 336
Borrowing costs		**617**	870
Net loss from disposal of assets	9	**454**	522
Other	10	**3 007**	7 394
Total Expenses from Ordinary Activities		**186 066**	179 803
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	12	**35 643**	29 702
Advances and grants	13	**30 453**	30 124
Interest	14	**4 162**	4 086
Sale of goods	15	**4 037**	4 001
Other	16	**4 967**	8 809
Total Revenues from Ordinary Activities		**79 262**	76 722
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**106 804**	103 081
REVENUES FROM SA GOVERNMENT:			
Revenues Pursuant to *Appropriation Act 2003*	17	**107 877**	111 299
NET RESULT BEFORE RESTRUCTURING		**1 073**	8 218
Decrease in net assets due to administrative restructuring	33	**(5 147)**	(8 505)
NET RESULT AFTER RESTRUCTURING		**(4 074)**	(287)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase in the asset revaluation reserve		**-**	18 533
TOTAL CHANGES IN EQUITY INCLUDING THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(4 074)**	18 246

Statement of Financial Position
as at 30 June 2004

	Note	2004	2003
CURRENT ASSETS:		**$'000**	$'000
Cash	18	**67 910**	64 484
Receivables	19	**5 404**	7 514
Inventories	20	**3 234**	3 532
Other	24	**508**	140
Total Current Assets		**77 056**	75 670
NON-CURRENT ASSETS:			
Receivables	19	**10 863**	13 893
Investments	21	**2 657**	1 625
Property, plant and equipment	22	**106 320**	109 985
Intangibles	23	**746**	390
Capital works in progress		**231**	-
Other	24	**53**	55
Total Non-Current Assets		**120 870**	125 948
Total Assets		**197 926**	201 618
CURRENT LIABILITIES:			
Payables	25	**6 231**	6 483
Employee benefits	26	**6 854**	5 552
Borrowings	27	**443**	602
Provisions	28	**316**	383
Other	29	**2 444**	1 841
Total Current Liabilities		**16 288**	14 861
NON-CURRENT LIABILITIES:			
Payables	25	**1 962**	1 726
Employee benefits	26	**17 084**	15 029
Borrowings	27	**9 094**	11 742
Provisions	28	**732**	1 023
Other	29	**1 622**	2 019
Total Non-Current Liabilities		**30 494**	31 539
Total Liabilities		**46 782**	46 400
NET ASSETS		**151 144**	155 218
EQUITY:			
Accumulated surplus		**122 897**	121 725
Asset revaluation reserve		**20 286**	20 286
Committed grants reserve		**5 961**	11 207
General reserve		**2 000**	2 000
Total Equity	30	**151 144**	155 218
Commitments	32		
Contingent Assets and Liabilities	34		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	2004 Inflows (Outflows) $'000	2003 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		**(85 201)**	(79 231)
Supplies and services		**(66 251)**	(62 629)
Grants and subsidies		**(22 039)**	(19 336)
Restructuring payments		**(4 724)**	(8 772)
Borrowing costs		**(688)**	(971)
GST payments on purchases		**(27 541)**	(9 841)
Other		**(3 557)**	(7 429)
Total Outflows from Operating Activities		**(210 001)**	(188 209)
CASH INFLOWS:			
Receipts from Government		**107 877**	111 299
Receipts from customers		**37 942**	37 193
Sales		**4 037**	4 001
Advances and grants		**30 453**	30 124
Interest received		**4 295**	4 083
GST receipts on receivables		**24 683**	6 048
GST input tax credits		**3 528**	12 363
Other		**3 815**	5 717
Total Inflows from Operating Activities		**216 630**	210 828
Net Cash Inflows from Operating Activities	36	**6 629**	22 619
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(3 072)**	(5 758)
Loans advanced to the rural sector and industry		**(886)**	(1 609)
Investments		**(952)**	(610)
Payment of lease liability		**(397)**	(397)
Total Outflows from Investing Activities		**(5 307)**	(8 374)
CASH INFLOWS:			
Loans repaid by the rural sector and industry		**4 260**	5 633
Proceeds from sale of property, plant and equipment		**651**	63
Total Inflows from Investing Activities		**4 911**	5 696
Net Cash Outflows from Investing Activities		**(396)**	(2 678)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Principal repaid to Treasury/SAFA		**(3 007)**	(4 606)
Total Outflows from Financing Activities		**(3 007)**	(4 606)
CASH INFLOWS:			
Borrowings from Treasury		**200**	800
Total Inflows from Financing Activities		**200**	800
Net Cash Outflows from Financing Activities		**(2 807)**	(3 806)
NET INCREASE IN CASH HELD		**3 426**	16 135
CASH AT 1 JULY		**64 484**	48 349
CASH AT 30 JUNE	18	**67 910**	64 484

Program Schedule of Departmental Expenses and Revenues for the year ended 30 June 2004

	2004				
(refer Note 4)	Program 1	Program 2	Program 3	Program 4	Program 5
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000	$'000
Employee expenses	5 853	3 758	784	802	260
Supplies and services	2 622	1 226	142	864	108
Depreciation and amortisation	105	68	14	14	5
Grants and subsidies	271	79	51	599	223
Borrowing costs	-	-	-	-	-
Net loss from disposal of assets	-	-	-	-	-
Other	183	4	5	-	12
Total Expenses from Ordinary Activities	9 034	5 135	996	2 279	608
REVENUES FROM ORDINARY ACTIVITIES:					
User charges and fees	55	5 228	-	-	-
Advances and grants	60	-	61	-	-
Interest	-	-	-	-	-
Sale of goods	88	3	-	-	-
Other	78	25	-	34	-
Total Revenues from Ordinary Activities	281	5 256	61	34	-
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2004	8 753	(121)	935	2 245	608
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2003	8 173	(574)	684	2 400	788

	2004				
(refer Note 4)	Program 6	Program 7	Program 8	Program 9	Program 10
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000	$'000
Employee expenses	1 931	238	1 213	43 208	14 910
Supplies and services	1 040	42	3 484	27 408	17 088
Depreciation and amortisation	36	4	22	3 774	1 295
Grants and subsidies	-	-	5 862	3 204	1 230
Borrowing costs	-	-	-	-	-
Net loss from disposal of assets	-	-	-	454	-
Other	-	(1)	3	(926)	3 082
Total Expenses from Ordinary Activities	3 007	283	10 584	77 122	37 605
REVENUES FROM ORDINARY ACTIVITIES:					
User charges and fees	1 543	-	1 211	13 027	5 736
Advances and grants	1 266	152	151	20 788	2 547
Interest	-	-	18	1	5
Sale of goods	-	-	11	3 891	28
Other	3	-	87	1 999	1 115
Total Revenues from Ordinary Activities	2 812	152	1 478	39 706	9 431
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2004	195	131	9 106	37 416	28 174
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2003	449	698	8 477	33 932	25 596

Program Schedule of Departmental Expenses and Revenues for the year ended 30 June 2004 (continued)

(refer Note 4)	2004 Program 11	Program 12	Total
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	**$'000**
Employee expenses	5 081	10 676	**88 714**
Supplies and services	2 346	7 654	**64 024**
Depreciation and amortisation	439	927	**6 703**
Grants and subsidies	22	11 006	**22 547**
Borrowing costs	-	617	**617**
Net loss from disposal of assets	-	-	**454**
Other	149	496	**3 007**
Total Expenses	8 037	31 376	**186 066**
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	155	8 688	**35 643**
Advances and grants	8	5 420	**30 453**
Interest	-	4 138	**4 162**
Sale of goods	-	16	**4 037**
Other	833	793	**4 967**
Total Revenues from Ordinary Activities	996	19 055	**79 262**
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2004	7 041	12 321	**106 804**
NET COST OF SERVICES FROM ORDINARY ACTIVITIES 30 JUNE 2003	7 362	15 096	**103 081**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Department Purpose and Funding

The Department of Primary Industries and Resources (the Department) is a key government agency focused on sustainable economic development.

The Department delivers specialist services and advice with the potential to increase the prosperity of South Australians, to improve their quality of life and to ensure the sustainable development of the State's resource base for future generations. The Department delivers these services through locations across South Australia.

The Department's business is to optimise the return on South Australia's natural assets by:

- fostering the sustainable development of new and existing industries;
- facilitating global competitiveness and innovative solutions;
- building partnerships between industry, the community and government;
- providing information and knowledge to help people make the right decisions for themselves;
- regulating to preserve resources for future generations.

The principal sources of funds for the Department's programs consists of monies appropriated by Parliament, research grants from Industry Research Corporations, licence receipts, Commonwealth grants and trading operations.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial statements represent the operations of the Department for the year 1 July 2003 to 30 June 2004.

This financial report is a general purpose financial report.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

2.1 Basis of Accounting (continued)

The accounts have been prepared on the accrual basis of accounting, and have been prepared in accordance with the historical cost convention, except for certain assets which are measured and reported at fair value.

The audit of the Department has identified problems with the general ledger operations which the Department is addressing but had not resolved at the time of finalising the financial statements. The problems relate to the accounting treatment of certain items in the general ledger in previous financial years, impacting on closing balances as at 30 June 2004.

2.2 The Reporting Entity

The Department produces both Departmental and Administered financial statements. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department. The administered financial statements (included as a schedule to the Department's financial statements) include the revenues, expenses, assets and liabilities which the Department administers on behalf of the State Government, the Commonwealth Government, Private Sector Organisations and other State Government Departments.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

The Department is an Administrative Unit created on 23 October 1997 under the *Public Sector Management Act 1995*.

Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 35. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

2.3 Transferred Functions

Several functions of the former Department of Business Manufacturing and Trade (now the Department of Trade and Economic Development) were transferred to the Department on 1 January 2004. These functions were the Reinvest SA function of the administrative unit relating to primary production, the Food Team in the Centre for Innovation, Business and Manufacturing, the support function for the Wine Industry Council and the Energy function of the State Infrastructure Division.

The gas related economic function of the Business and Financial Services Group, Minerals and Energy Division and the functions of the South Australian Independent Pricing and Access Regulator (SAIPAR) were transferred to the Essential Services Commission of South Australia (ESCOSA) on 1 July 2003.

In addition, cash held by the Department relating to functions transferred to the Department of Water, Land and Biodiversity Conservation (DWLBC) on 1 May 2002, was transferred on 18 June 2004.

The amounts of assets, liabilities, revenues and expenditures relating to all transferred functions are set out in Note 33.

2.4 Comparative Figures

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

2.5 Rounding

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

2.6 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

2.7 Revenues and Expenses

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

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

2.7 Revenues and Expenses (continued)

Revenue from fees and charges is derived from the provision of goods and services to other South Australian government agencies and to the public. This revenue is driven by consumer demand.

Advances and grants have been recognised as revenue when received.

The sale of goods is reported as gross sales revenue. The cost of sales is not separately disclosed due to the nature of these operations (sales are mainly for information purposes or occur as a result of by-products of research farms), the immaterial amounts involved and the expenditure allocations are not readily available (eg water consumption expenditure is shared between research activity and sale of goods activity).

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

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants are amounts provided by the Department, to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.8 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Where money has been appropriated in the form of a borrowing, the Department has recorded a liability to the Treasurer (borrowings) and an asset-loan receivable (loans to the rural sector).

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the Department and therefore are not recognised as revenues, but are reported as revenues in the Administered Financial Statements Schedule. Similarly, the amounts transferred, are not recognised as expenses, but are reported as administered expenses in the Administered Financial Statements Schedule.

2.9 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department has an operating cycle of twelve months, therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash

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

2.11 Receivables

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

Trade debtors greater than 120 days in arrears at balance date are assessed each year and provision is made for any doubtful accounts.

In addition, a general doubtful debt provision amounting to five percent of the balance of the outstanding loan portfolio is provided for each year. This level was determined in 1997-98 by the Rural Finance and Development Steering Committee and it is reviewed each year. Reviews of individual loan balances are also undertaken and specific provisions are created where appropriate.

2.12 Inventories

Inventories (other than self generating assets such as livestock and produce) are measured at the lower of cost and net realisable value on an item by item basis, as illustrated in Note 20.

The Department controls several types of assets at the reporting date that meet the definition of self-generating and regenerating assets as defined by AASB 1035 'Self-Generating and Regenerating Assets'. Livestock has been brought to account at net market value in the Statement of Financial Position. Crops, orchards and vineyards are grown primarily for research purposes but also have a commercial element and have been valued at net market value.

2.13 Non-Current Asset Acquisition and Recognition

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

The Department capitalises all non-current physical assets with a value of $2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'. Amounts less than $2 000 are expensed in the period incurred.

2.14 Valuation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Revaluation of Non-Current Assets', revaluation of non-current assets only applies to assets, or group of assets, when it's fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

The Department obtains independent valuations every three years. The next valuation process is due to occur during 2005-06, however, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place.

(i) *Land and Buildings*

Land and buildings were independently valued by Valcorp Australia Pty Ltd as at 30 June 2003, on the basis of fair value as defined in AASB 1041 'Revaluation of Non-Current Assets'. Buildings include 'infrastructure' which represents roads, fencing, signage etc.

Land and buildings that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

(ii) *Leasehold Improvements*

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) *Core Trays*

Core Trays were independently valued by Valcorp Australia Pty Ltd at 30 June 2003.

(iv) *Plant and Equipment*

In accordance with Accounting Policy Statement 3 'Revaluation of Non-Current Assets' all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

Plant and equipment that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.15 Lease Incentives under Non-Cancellable Operating Leases

On 1 August 1998, the Department, through the Department for Administrative and Information Services, entered into a 10 year non-cancellable operating lease over part of a property located at 101 Grenfell Street, Adelaide.

The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. The asset is amortised over the period of the lease and the liability is reduced through lease payments over the term of the lease.

2.16 Works in Progress

Works in progress relate to costs associated with the construction of a new acid water treatment plant at the Brukunga Mines.

2.17 Intangible Assets

The Department has developed software internally. The software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amounts of expenditure are greater than $2 000.

2.18 Depreciation and Amortisation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment. The estimated useful lives of buildings and items of plant and equipment valued in excess of $1 million are reassessed every three years by an independent valuer as part of the valuation process described in Note 2.14 above.

Leasehold improvements are amortised on a straightline basis over the period of the lease (10 years).

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

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

Class of Asset	*Depreciation Method*	Years
Buildings and Infrastructure	Straight Line	20-70
Plant and equipment	Straight Line	3-20
Intangibles	Straight Line	1-4
Leasehold improvements	Straight Line	10

2.19 Payables

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

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

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

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

Payables include expenses consequential to employment but which are not employee benefits, such as superannuation contributions and payroll tax, with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The Department records a liability for any outstanding employer superannuation contributions payable to the SA Superannuation Board.

During the year the Department paid $7.9 million ($8 million) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

2.20 Employee Benefits

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

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2004 and is measured at the nominal amount.

A liability for long service leave is recognised, and is measured as the current value of payments to be made in respect of employees with seven or more years service up to the reporting date. This base provides a reasonable approximation of the present value of the estimated future cash outflows to be made for these entitlements and is consistent with Accounting Policy Statement 9 'Employee Benefits'.

2.21 Provisions

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

2.22 Reserves

The General Reserve for Rural Finance and Development was established to cover unforeseen losses which may arise from the Rural Industry Adjustment and Development Fund (RIADF) loan portfolio. The amount in the reserve is reviewed annually by The Rural Finance and Development Steering Committee.

The Committed Grants Reserve for Rural Finance and Development was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

3. Changes in Accounting Policies

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Department's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the exposure drafts issued by the Australian Accounting Standards Board (AASB) and has identified a number of potential issues that may need to be addressed. The Department is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

The Department is using the Model Financial Report for SA Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

3.2 Expected differences in accounting policies

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Acquisition and Recognition

The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than $1 million and estimated useful life is greater than three years) will continue to apply.

Intangible Assets

In accordance with the revaluation thresholds in APS 3 'Revaluation of Non-Current Assets', internally developed software are recognised at cost, which are deemed to have been revalued to their fair values immediately following recognition at cost. The new AASB 138 requires recognition at original cost where this can be reliably reconstructed or, at fair value where the software is traded in an active market. As the Department's internally generated software is not traded in an active market, it will be recognised at original cost.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

Self Generating and Regenerating Assets

The new accounting standard AASB 141 requires biological assets to be measured at fair value less estimated point of sale costs from initial recognition of the biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. The Department currently measures self generating and re-generating assets at market value.

The proposed standard contains increased disclosure requirements such as presentation of information relating to the changes in the carrying amount of livestock between the start and end of the financial reporting period. There are also specific requirements for accounting for government grants related to biological assets. These will be required to be measured at fair value less estimated point-of-sale costs.

These requirements will increase the Department's disclosure requirements and record-keeping to ensure all information is captured. The Department will be implementing new processes and procedures to ensure the relevant information is captured.

4. Programs of the Department

The Program Schedule provides details of expenses and revenues applicable to the programs of the Department. Information about the Department's programs is set out below and in the Program Schedule. The major change from the 2002-03 program presentation is the separation of Agriculture, Food and Fisheries and is consistent with Ministerial responsibilities and the portfolio structure.

Program 1 - Information Services (Mineral Resources Development)

The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology for the Minerals and Petroleum division of the Department.

Program 2 - State Resource Regulation Services (Mineral Resources Development)

The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department through either legislative responsibilities or Cabinet policy for the Minerals and Petroleum division of the Department.

Program 3 - Coordination and Advice (Mineral Resources Development)
The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for the Minerals and Petroleum division of the Department.

Program 4 - Facilitation Services (Mineral Resources Development)
This program class includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities for the Minerals and Petroleum division of the Department.

Program 5 - Information Services (Energy)
The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology for the Energy division of the Department.

Program 6 - State Resource Regulation Services (Energy)
The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department through either legislative responsibilities or Cabinet policy for the Energy division of the Department.

Program 7 - Coordination and Advice (Energy)
The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for the Energy division of the Department.

Program 8 - Facilitation Services (Energy)
This program class includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities for the Energy division of the Department.

Program 9 - Information Services (Agriculture, Food and Fisheries)
The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology for the Agriculture, Food and Fisheries division of the Department.

Program 10 - State Resource Regulation Services (Agriculture, Food and Fisheries)
The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department through either legislative responsibilities or Cabinet policy for the Agriculture, Food and Fisheries division of the Department.

Program 11 - Coordination and Advice (Agriculture, Food and Fisheries)
The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for the Agriculture, Food and Fisheries division of the Department.

Program 12 - Facilitation Services (Agriculture, Food and Fisheries)
This program class includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities for the Agriculture, Food and Fisheries division of the Department.

5. Employee Expenses

	2004	2003
	$'000	$'000
Salaries and wages	**70 361**	66 668
TVSP (refer below) (1)	**1 452**	-
Annual leave	**998**	1 185
Long service leave	**2 524**	2 327
Employment on-costs	**13 085**	12 072
Board fees	**294**	266
	88 714	82 518

(1) TVSP expenses for 2002-03 were not separately brought to account in employee costs therefore for comparative purposes, this amount is not included. The cost for 2002-03 was $819 000.

Targeted Voluntary Separation Packages	**2004**	2003
	$'000	$'000
TVSPs paid to employees during the reporting period	**1 452**	819
Recovery from the Department of the Premier and Cabinet	**1 083**	728
Annual leave and long service leave accrued over the period	**539**	408
Number of employees that were paid TVSPs during the reporting period	**18**	11

Employee Remuneration Packages The number of employees whose total remuneration package was $100 000 or more in relation to the reporting period was as follows:	**2004 Number of Employees**	2003 Number of Employees
$100 000 - $109 999	**11**	10
$110 000 - $119 999	**5**	5
$120 000 - $129 999	**7**	4
$130 000 - $139 999	**2**	4
$140 000 - $149 999	**3**	1
$150 000 - $159 999	**2**	-
$160 000 - $169 999	**1**	2
$170 000 - $179 999	**3**	1
$180 000 - $189 999	**1**	3
$250 000 - $259 999	**-**	1
$260 000 - $269 999	**1**	-
	36	31

During the year, two employees who transferred to the Department as a result of government administrative arrangements, had remuneration exceeding $100 000. In relation to these employees, the full year total remuneration amounting to $0.26 million was included in the calculation of this remuneration note. This remuneration included $0.128 million paid by this Department and $0.132 million paid by the transferor department.

Total remuneration received by the above employees was $4.763 million ($4.1 million).

Average number of employees during the reporting period: On average, the Department employed 1271.12 (1256.20) full time equivalents (FTEs) throughout the reporting period.

6. Supplies and Services

	2004 $'000	2003 $'000
Professional services(1)	**13 006**	13 135
Operational and administrative costs(2)	**19 061**	16 728
Utility and property costs	**6 459**	6 964
Computing costs	**5 184**	4 735
Travel	**3 978**	3 372
Vehicle and equipment operating costs	**2 500**	2 231
Adverse events(3)	**1 414**	4 767
Telephone calls and rental	**2 001**	2 224
Staff training and development	**1 806**	1 764
Operating lease costs	**7 818**	7 905
Workers compensation expense	**73**	(808)
Other	**724**	169
	64 024	63 186

(1) Includes consultancies costs which are further broken down below.
(2) Includes Audit fees paid/payable to the Auditor-General (refer note 11).
(3) Expenditure on ad-hoc emergencies that affect the agricultural and fisheries sectors (eg fruit fly and State Ovine Johne's disease). Employee costs associated with adverse events are not disclosed separately but are included in Note 5.

The number and dollar amount of Consultancies paid/payable.	**2004 Number**	**2004 $'000**	2003 $'000
Below $10 000	**16**	**36**	80
Between $10 000 and $50 000	**15**	**348**	237
Above $50 000	**1**	**60**	323
		444	640

7. Depreciation and Amortisation

Depreciation:		
Buildings and infrastructure	**2 006**	2 008
Plant and equipment	**3 456**	3 205
Core trays	**633**	59
	6 095	5 272
Amortisation:		
Leasehold improvements	**397**	397
Software	**195**	292
Amdel loan	**16**	16
	608	705
	6 703	5 977

8. Grants and Subsidies

	2004 $'000	2003 $'000
Rural Finance and Development	**9 843**	7 024
Other State and Local Government agencies	**845**	852
Private sector	**11 859**	11 460
	22 547	19 336
The major Grant Programs paid during the year were:		
FarmBis	**2 227**	3 516
Riverland Rural Partnership Program	**626**	820
River Fishery Structural Adjustment	**2 349**	789
Central North East Farm Assistance Program	**1 471**	648
Drought Relief Assistance Scheme	**1 078**	468
Exceptional Circumstances Drought 2003	**552**	170
Roxby Downs Council	**525**	600
Remote Areas Energy Scheme	**3 978**	3 729
Collaborative programs	**2 193**	2 329
Solar Hot Water System Rebates	**1 783**	1 596
Other	**5 765**	4 671
	22 547	19 336

9. Net Loss from Disposal of Assets

	2004 $'000	2003 $'000
Land and Buildings:		
Proceeds from disposal	**135**	-
Net book value of assets disposed	**521**	23
Net Loss from Disposal of Land and Buildings	**386**	23
Plant and Equipment:		
Proceeds from disposal	**516**	126
Net book value of assets disposed	**584**	625
Net Loss from Disposal of Plant and Equipment	**68**	499
Total Assets:		
Total proceeds from disposal	**651**	126
Total value of assets disposed	**1 105**	648
Total Net Loss from Disposal of Assets	**454**	522

10. Other

	2004 $'000	2003 $'000
Guarantee Fees	**32**	41
Contributions to external bodies	**3 270**	4 070
Other	**(295)**	3 283
	3 007	7 394

11. Auditor's Remuneration

	2004 $'000	2003 $'000
Audit fees paid/payable to the Auditor-General's Department included in Supplies and Services	**228**	194

12. User Charges and Fees

	2004 $'000	2003 $'000
Fishing licences(1)	**10 811**	9 556
Mining and petroleum application fees	**445**	456
Pastoral rents(2)	**-**	674
Gas and electricity licence fees	**1 450**	2 829
Remote Areas Energy Scheme electricity sales	**1 101**	1 002
Mining and petroleum rentals	**5 814**	4 970
Consultancy and service	**13 777**	8 247
Other licences	**832**	362
Seed analysis and certification	**713**	969
Inspection and registration	**540**	458
Other	**160**	179
	35 643	29 702

(1) Represents costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences.

(2) Pastoral rents received in 2002-03 relate to the Sustainable Resources Group which are no longer part of the Department.

13. Advances and Grants

The Department received contributions from various funding sources as detailed below, expressly for the purpose of undertaking specific projects.

	2004 Grants Received $'000	**2004 Expenditure $'000**	**2004 Unexpended Grants $'000**	2003 Grants Received $'000	2003 Expenditure $'000	2003 Unexpended Grants $'000
Commonwealth Grants	**5 561**	**4 487**	**1 074**	4 386	4 372	14
State Grants	**3 654**	**4 332**	**(678)**	3 835	3 514	321
Industry Grants	**21 238**	**20 133**	**1 105**	21 903	19 946	1 957
	30 453	**28 952**	**1 501**	30 124	27 832	2 292

The above contributions are allocated to a large range of projects involving the Commonwealth, other state departments and industry groups. In 2004, the larger projects were as follows:

	2004 Grants Received $'000	**2004 Expenditure $'000**	**2004 Unexpended Grants $'000**	2003 Grants Received $'000	2003 Expenditure $'000	2003 Unexpended Grants $'000
Grains Industry	**5 807**	**5 807**	**-**	6 724	6 213	511
Farmbis II	**3 947**	**2 896**	**1 051**	1 959	1 959	-
Fisheries Industry	**1 945**	**1 909**	**36**	1 522	906	616
Aquafin CRC	**1 500**	**1 500**	**-**	800	800	-
Horticulture Industry	**1 425**	**1 425**	**-**	1 765	1 765	-
Gas Industry Regulation	**1 242**	**1 173**	**69**	-	-	-
International Wool Secretariat	**764**	**739**	**25**	-	-	-
Central Northeast Farm Assistance	**757**	**757**	**-**	-	-	-
Sheep Industry	**664**	**664**	**-**	1 946	1 346	600
Exceptional Circumstances Drought	**516**	**516**	**-**	733	733	-
All other projects	**11 886**	**11 566**	**320**	14 675	14 110	565
	30 453	**28 952**	**1 501**	30 124	27 832	2 292

14. Interest

	2004 $'000	2003 $'000
Loans to the rural sector	**1 047**	1 393
Deposits lodged with the Treasurer	**3 115**	2 693
	4 162	4 086

15. Sale of Goods

Plants	**12**	8
Livestock	**1 255**	784
Publications, books, maps and compact discs	**419**	637
Milk	**856**	933
Fruit and vegetables	**178**	248
Cereals	**606**	625
Wool and skins	**317**	359
Other	**394**	407
	4 037	4 001

16. Other Revenue

Seed royalties	**466**	587
Government Employment Scheme recoups	**63**	198
Recognition of property, plant and equipment previously expensed	**-**	1 660
Reimbursements of salaries and project costs	**3 243**	2 671
Revenue in-kind	**66**	1 183
Reduction in provision for doubtful debts	**154**	244
Other	**975**	2 266
	4 967	8 809

17. Revenue from South Australian Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act 2003*	**107 877**	111 299
	107 877	111 299

18. Cash

Deposits with the Treasurer	**67 984**	64 556
Cash held in imprest account and petty cash	**(74)**	(72)
	67 910	64 484

Deposits with the Treasurer

Includes Accrual Appropriation Account and Surplus Cash Working Account balances. With the implementation of the cash alignment policy, it is anticipated there will be a reduction in the level of cash at 30 June 2005.

As at balance date, the Department was unable to complete the reconciliation between the Westpac bank account cash balance and the general ledger bank account.

Prior to June 2004, it was only possible to reconcile monthly cash movements in the general ledger with the monthly movements in the bank account as the balance in the Westpac bank account excluded the Department's opening cash balance when the Department's bank account was established in 1999 and included monies relating to the Consolidated Account in regard to royalty collections.

In June 2004 the Department of Treasury and Finance effected transactions to establish a reconstructed bank balance based on history that for the first time enabled a year to date account balance reconciliation to be performed. In creating this balance, the closing position in the Westpac bank account did not reconcile to the general ledger. The variance, including controlled, administered and trust fund monies is material and the amount of the variance relating to controlled cash (if any) has not been able to be identified.

Investigations are continuing to identify and correct the imbalance and enhance procedures to ensure that future reconciliations are carried out accurately and on a timely basis.

19. Receivables

	2004	2003
Current:	**$'000**	$'000
Trade accounts receivable	**1 712**	4 011
Less: Provision for Doubtful debts	**352**	500
	1 360	3 511
GST Receivable	**1 063**	1 733
Accrued interest on loans and deposits	**673**	806
Other accrued revenue	**1 182**	-
	2 918	2 539
Loans receivable	**1 126**	1 464
	5 404	7 514
Non-Current:		
Loans receivable	**11 638**	14 690
Less: Provision for doubtful debts	**775**	797
	10 863	13 893

20. Inventories

Current:		
Livestock (at net realisable value)	**2 311**	2 184
Publications and maps (at net realisable value)	**849**	540
Plants and related items (at cost)	**21**	22
Publications and other finished goods (at cost)	**-**	440
Other (at cost)	**53**	346
	3 234	3 532

21. Investments

Investments in Shares	**2 657**	1 625

During the year the Department purchased 842 231 (1 624 680) $1 ordinary shares in Australian Grain Technologies (AGT) Pty Ltd, a joint venture entity involved in researching to assist wheat breeding programs. This Department holds 25 percent of the issued capital of the entity. The purchase consideration for these shares consisted of a mixture of cash, leased facilities, plant and equipment, and intellectual property rights transferred to AGT. The Department holds joint control along with the University of Adelaide and the Grains Research and Development Corporation. The Department's shareholding has been recognised at cost and equity accounts have not been prepared due to the materiality of the balance.

Other investments include the purchase of 189 800 $1 shares in Provisor Pty Ltd, a grape and wine research company. The Department's shareholding in Provisor does not give it controlling interest in the company. This investment is also recorded at cost.

	2004	2003
	$'000	$'000
Carrying amount at 1 July	**1 625**	-
Cash contribution	**952**	458
Leased facilities	**80**	48
Plant and equipment	**-**	544
Intellectual Property	**-**	575
Carrying Amount at 30 June	**2 657**	1 625

22. Property, Plant and Equipment

	2004	2003
	$'000	$'000
Land:		
At fair value	**17 384**	17 481
Buildings and Infrastructure:		
At fair value	**70 520**	69 374
Less: Accumulated depreciation	**6 190**	3 359
	64 330	66 015
Leasehold Improvements:		
At fair value	**3 971**	3 971
Less: Accumulated amortisation	**2 349**	1 952
	1 622	2 019
Core Trays:		
At fair value	**10 778**	10 763
Less: Accumulated depreciation	**633**	-
	10 145	10 763
Plant and Equipment:		
At fair value	**44 249**	44 282
Less: Accumulated depreciation	**31 410**	30 575
	12 839	13 707
	106 320	109 985

Reconciliation of Property, Plant And Equipment	Land	Buildings and Infra-structure	Leasehold Improve-ments	Core Trays	Plant and Equipment	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July 2003	17 481	66 015	2 019	10 763	13 707	**109 985**
Additions	-	203	-	15	2 565	**2 783**
Disposals	(97)	(424)	-	-	(584)	**(1 105)**
Depreciation/amortisation expense	-	(2 006)	(397)	(633)	(3 456)	**(6 492)**
Acquisition (Disposal) through administrative restructuring	-	-	-	-	24	**24**
Other movements	-	542	-	-	583	**1 125**
Carrying Amount at 30 June 2004	17 384	64 330	1 622	10 145	12 839	**106 320**

23. Intangibles

	2004	2003
	$'000	$'000
Software:		
Computer software	**1 801**	1 250
Less: Accumulated amortisation	**1 055**	860
	746	390

Intangibles were included in the Plant and Equipment totals in 2002-03. The carrying amounts of plant and equipment have been adjusted to disclose intangibles separately.

Carrying amount at 1 July	**390**	777
Additions	**551**	-
Amortisation expense	**(195)**	(387)
Carrying Amount at 30 June	**746**	390

24. Other Assets

Current:		
Workers compensation recoveries	**17**	17
Prepayments	**491**	123
	508	140
Non-Current:		
Workers compensation recoveries	**53**	55
	561	195

25. Payables

Current:		
Creditors	**1 071**	1 843
Accrued expenses	**2 685**	2 494
Accrued interest on borrowings	**181**	252
Commonwealth excise funding	**50**	15
Employee on-costs	**2 244**	1 879
	6 231	6 483
Non-Current:		
Employee on-costs	**1 962**	1 726

26. Employee Benefits and Related On-costs

(a) *Employee Benefits*

	2004 $'000	2003 $'000
Current:		
Accrued salaries and wages	**876**	266
Annual leave	**5 451**	4 683
Long service leave	**527**	603
	6 854	5 552
Non-Current:		
Long service leave[(1)]	**17 084**	15 029
	23 938	20 581

(1) The large increase in the Department's long service leave liability compared with 2002-03 is the result of the Department performing an audit on all employee leave balances. This audit, identified that leave balances at 30 June 2003 were incorrect mainly due to the implementation and change over to a new payroll system. The leave balances have been corrected for 30 June 2004.

(b) *Employee Benefits and Related On-costs*

	2004 $'000	2003 $'000
Current:		
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note 25)	**156**	46
Provision for employee benefits - Current (Note 26(a))	**876**	266
	1 032	312
Annual Leave:		
On-costs included in payables - Current (Note 25)	**885**	760
Provision for employee benefits - Current (Note 26(a))	**5 451**	4 683
	6 336	5 443
Long Service Leave:		
On-costs included in payables - Current (Note 25)	**61**	69
Provision for employee benefits - Current (Note 26(a))	**527**	603
	588	672
Non-Current:		
On-costs included in payables - Non-current (Note 25)	**1 962**	1 726
Provision for employee benefits - Non-current (Note 26(a))	**17 084**	15 029
	19 046	16 755
Aggregate Employee Benefits and Related On-costs	**27 002**	23 182

27. Borrowings

(a) Borrowings consists of:

Indebtedness to South Australian Government Financing Authority	**7 487**	10 427
Indebtedness to the Treasurer	**1 996**	1 851
Indebtedness to Department of Trade and Economic Development (formerly Department for Business, Manufacturing and Trade)	**54**	66
	9 537	12 344

(b) Balance of Borrowings Outstanding Classifications:

Current	**443**	602
Non-Current	**9 094**	11 742
	9 537	12 344

28. Provisions

Current:		
Provision for Workers Compensation	**316**	383
Non-Current:		
Provision for Workers Compensation	**732**	1 023
	1 048	1 406
Carrying amount at 1 July 2003	**1 406**	2 214
Decrease in the provision	**358**	808
Carrying amount at 30 June 2004	**1 048**	1 406

29. Other

Current:		
Unearned Revenue	**2 444**	1 841
Non-Current:		
Lease incentive	**1 622**	2 019
	4 066	3 860

30. Equity

	2004 $'000	2003 $'000
Accumulated surplus	**122 897**	121 725
Asset revaluation reserve	**20 286**	20 286
Committed Grants reserve	**5 961**	11 207
General reserve	**2 000**	2 000
	151 144	155 218
Accumulated Surplus:		
Balance at 1 July 2003	**121 725**	120 922
Operating surplus	**1 073**	8 218
Decrease in net assets due to administrative restructure	**(5 147)**	(8 505)
Transfers from reserves	**5 246**	1 090
Balance at 30 June 2004	**122 897**	121 725
Asset Revaluation Reserve:		
Balance at 1 July 2003	**20 286**	1 753
Revaluation increment land	**-**	7 724
Revaluation increment buildings	**-**	2 014
Revaluation increment core trays	**-**	8 795
Balance at 30 June 2004	**20 286**	20 286
Committed Grants Reserve:		
Balance at 1 July 2003	**11 207**	12 297
Transfers to accumulated surplus	**(5 246)**	(1 090)
Balance at 30 June 2004	**5 961**	11 207
General reserve:		
Balance at 1 July 2003	**2 000**	2 000
Balance at 30 June 2004	**2 000**	2 000

31. Financial Instruments

(a) *Terms, Conditions and Accounting Policies*

(i) Financial Assets

Cash is available at call and is recorded at nominal value.
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) *Credit Risk*

The Department's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position.

(c) *Interest Rate Risk*

The Department's exposure to interest rate risk, which is the risk a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Weighted average interest Rate Percent	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	**2004 Total $'000**	2003 Total $'000
Financial Assets:								
Cash	5.10	67 910	-	-	-	-	**67 910**	64 484
Receivables		673	-	-	-	3 605	**4 278**	6 050
Investments	-	-	-	-	-	2 657	**2 657**	1 625
Loans to Rural Sector	7.44	-	5 753	4 959	777	84	**11 573**	15 157
Loans other		-	-	-	-	416	**416**	200
		68 583	5 753	4 959	777	6 762	**86 834**	87 516
Financial Liabilities:								
Borrowings	5.84	-	5 996	3 291	250	-	**9 537**	12 344
Payables		181	-	-	-	8 012	**8 193**	10 050
		181	5 996	3 291	250	8 012	**17 730**	22 394

(d) Net fair value

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

32. Commitments

	2004	2003
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	**$'000**	$'000
Not later than one year	**4 208**	4 273
Later than one year and not later than five years	**9 489**	12 427
Later than five years	**135**	524
	13 832	17 224

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

33. Restructuring of Administrative Arrangements

Net Expenses from Restructuring of Administrative Arrangements

The net revenues (expenses) relating to the restructuring of administrative arrangements recognised in the Statement of Financial Performance are shown below.

	2004	2003
	$'000	$'000
Department of Trade and Economic Development	**2 234**	-
Essential Services Commission of South Australia (ESCOSA)	**(108)**	-
Department of Water, Land and Biodiversity Conservation (DWLBC)	**(7 273)**	(8 650)
Office for Regional Affairs	**-**	65
Energy SA	**-**	80
	(5 147)	(8 505)

During the reporting period, assets and liabilities amounting to $4.7 million and $0.447 million respectively were transferred to (from) the Department as summarised below.

	Transferred to ESCOSA 1 July 2003	Transferred to DWLBC 18 June 2004	Transferred from DTED 1 January 2004	Total
Assets:	$'000	$'000	$'000	**$'000**
Cash	(104)	(7 273)	2 653	**(4 724)**
Plant and equipment	(4)	-	28	**24**
	(108)	(7 273)	2 681	**(4 700)**
Liabilities:				
Employee Entitlements	-	-	447	**447**
	-	-	447	**447**
Net Assets	(108)	(7 273)	2 234	**(5 147)**

Summary of Total Revenues and Expenses from Ordinary Activities for the period 1 July 2003 to 30 June 2004 for the Activities Transferred to the Department:

	DTED 01.07.03 to 31.12.03	PIRSA 01.01.04 to 30.06.04	Total
	$'000	$'000	**$'000**
Revenue	903	2 234	**3 137**
Expenditure	899	1 818	**2 717**
Result	4	416	**420**

34. Contingent Liabilities and Contingent Assets

Contingent Assets

The Department owns intangible assets consisting of intellectual property. These include core samples provided by the mineral and petroleum industries, which are stored by the Department, and research developed in house or in conjunction with industry. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

Contingent Liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and petroleum matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas, specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to Government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

35. Trust Funds

The Trust Funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

This Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	Pleuro Pneumonia Fund	Extractive Areas Rehabilitation Fund	**Total 2004**	Total 2003
Operations:	$'000	$'000	**$'000**	$'000
Receipts	3	1 118	**1 121**	1 054
Less: Expenditure	-	629	**629**	834
Net Receipts	3	489	**492**	220
Funds:				
Balance of funds 1 July	68	4 014	**4 082**	3 862
Add: Net receipts	3	489	**492**	220
Fund Balance 30 June	71	4 503	**4 574**	4 082
Commitments in place at 30 June	-	1 123	**1 123**	1 223

36. Cash Flow Reconciliation

	2004	2003
	$'000	$'000
Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	**67 910**	64 484
Statement of Financial Position	**67 910**	64 484

Reconciliation of Net Cost of Services to Net Cash Inflows from Operating Activities:

	2004	2003
Net Cost of Services from Ordinary Activities	**(106 804)**	(103 081)
Appropriation from government	**107 877**	111 299
Decrease in net assets due to restructuring	**(5 147)**	(8 505)
Non-cash items:		
Depreciation and amortisation	**6 703**	5 977
Loss on disposal of assets	**454**	522
Other movements in property, plant and equipment	**(1 125)**	(1 660)
Doubtful debts expense	**(154)**	(244)
Restructuring expenses	**423**	(267)
Other non-cash items	**(589)**	(1 183)
Changes in Assets/Liabilities (net of restructure transfer):		
Decrease in receivables	**1 920**	16 060
(Increase) Decrease in inventories	**298**	(42)
(Increase) in other assets	**(366)**	(128)
Increase (Decrease) in payables and provisions	**(374)**	2 175
Increase in employee benefits	**2 910**	1 696
Increase in other liabilities	**603**	-
Net Cash Inflows from Operating Activities	**6 629**	22 619

Schedule of Administered Financial Performance for the year ended 30 June 2004

	Note	**2004** **$'000**	2003 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from Government	A5	**91 086**	81 520
User charges and fees	A6	**13 947**	13 113
Advances and grants	A7	**4 307**	5 101
Interest		**323**	304
Levies collection	A8	**1 541**	431
Commonwealth rebates	A9	**4 766**	3 950
Natural Gas revenue		**191 186**	237 324
Royalties		**75 177**	81 565
Other revenues	A10	**2 125**	478
Total Revenues from Ordinary Activities		**384 458**	423 786
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	A11	**294**	244
Supplies and services	A12	**18 186**	14 957
Grants and subsidies	A13	**90 383**	82 010
Commonwealth rebates	A14	**3 238**	3 997
Levies payments	A15	**894**	1 099
Payment to Cooper Basin Gas Producers		**191 186**	237 326
Payment of royalties to Consolidated Account		**75 177**	81 520
Interest payments		**-**	44
Other expenses		**5**	5
Total Expenses from Ordinary Activities		**379 363**	421 202
OPERATING SURPLUS		**5 095**	2 584
TOTAL CHANGES IN EQUITY INCLUDING THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**5 095**	2 584

Schedule of Administered Financial Position
as at 30 June 2004

	Note	**2004**	2003
CURRENT ASSETS:		**$'000**	$'000
Cash	A16	**28 428**	12 036
Receivables	A17	**2 448**	451
Total Current Assets		**30 876**	12 487
Total Assets		**30 876**	12 487
CURRENT LIABILITIES:			
Payables	A18	**14 167**	279
Advances	A19	**600**	600
Other liabilities		**103**	-
Total Current Liabilities		**14 870**	879
NON-CURRENT LIABILITIES:			
Advances	A19	**1 237**	1 837
Borrowings	A20	**-**	97
Total Non-Current Liabilities		**1 237**	1 934
Total Liabilities		**16 107**	2 813
NET ASSETS		**14 769**	9 674
EQUITY:			
Accumulated surplus		**14 769**	9 674
TOTAL EQUITY	A21	**14 769**	9 674

Schedule of Administered Cash Flows for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee expenses		**(291)**	(244)
Supplies and services		**(17 389)**	(14 849)
Grants and subsidies		**(89 083)**	(82 010)
Commonwealth rebates		**(3 238)**	(3 997)
Payment of royalties to Consolidated Account		**(63 286)**	(81 520)
Levies payments		**(894)**	(1 099)
Payment of Cooper Basin Gas Producers		**(191 186)**	(237 326)
Interest		**-**	(44)
Other expenses		**(5)**	(5)
Total Outflows from Operating Activities		**(365 372)**	(421 094)
CASH INFLOWS:			
Revenues from Government		**91 015**	81 520
User charges and fees		**13 947**	13 455
Advances and grants		**4 307**	5 101
Interest		**314**	304
Levies collection		**1 541**	431
Commonwealth rebates		**4 766**	3 950
Natural Gas revenue		**191 186**	237 324
Royalties		**75 177**	81 565
Other revenues		**111**	493
Total Inflows from Operating Activities		**382 364**	424 143
Net Inflows from Operating Activities	A22	**16 992**	3 049
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of advances to PIRSA		**(600)**	(600)
Total Outflows from Financing Activities		**(600)**	(600)
Net Outflows from Financing Activities		**(600)**	(600)
NET INCREASE IN CASH HELD		**16 392**	2 449
CASH AT 1 JULY		**12 036**	9 587
CASH AT 30 JUNE		**28 428**	12 036

Schedule of Administered Revenues and Expenses for the year ended 30 June 2004

(refer Note A4)	Sheep Industry Levy	Grains Industry Levy	Cattle Industry Fund	Gulf St Vincent Prawn Fishery	Pig Industry Fund	Fisheries Research & Dvlpmnt	Langhorne Creek Wine Industry Fund
	2004						
ADMINISTERED REVENUES:							
Appropriation	-	-	-	-	-	-	-
Fisheries licences	-	-	-	-	-	10 895	-
Fees and levies	151	-	8	-	24	376	116
Advances and grants	2 168	-	252	-	158	-	-
Interest	58	11	130	1	71	-	6
Levies collection	-	1 354	-	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-	-
Natural Gas revenue	-	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-
Other revenues	15	-	87	97	-	-	-
Total Revenues	2 392	1 365	477	98	253	11 271	122
ADMINISTERED EXPENSES:							
Employee expenses	21	-	1	-	-	-	-
Supplies and services	1 496	-	921	-	42	-	17
Fisheries licences	-	-	-	-	-	10 942	-
Grants and subsidies	-	-	5	-	-	-	100
Commonwealth rebates	-	-	-	-	-	-	-
Commonwealth levies	-	735	-	-	-	-	-
Payment to Cooper Basin Gas Producers	-	-	-	-	-	-	-
Payment of royalties to Consolidated Account	-	-	-	-	-	-	-
Other expenses	5	-	-	-	-	-	-
Total Expenses	1 522	735	927	-	42	10 942	117
ADMINISTERED SURPLUS (DEFICIT)	870	630	(450)	98	211	329	5

Schedule of Administered Revenues and Expenses for the year ended 30 June 2004 (continued)

	2004						
(refer Note A4)	Riverland Wine Industry Fund	McLaren Vale Wine Industry Fund	Adelaide Hills Wine Industry Fund	Apiary Industry Fund	Marine Scalefish Industry Fund	Renewable Remote Power Generation Program	Photo-voltaic Rebate Program
ADMINISTERED REVENUES:							
Appropriation	-	-	-	-	-	-	-
Fisheries licences	-	-	-	-	-	-	-
Fees and levies	508	222	99	28	39	-	-
Advances and grants	-	-	-	-	-	-	-
Interest	15	2	1	7	2	-	-
Levies collection	-	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	-	2 029	2 737
Natural Gas revenue	-	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
Total Revenues	523	224	100	35	41	2 029	2 737
ADMINISTERED EXPENSES:							
Employee expenses	-	-	-	-	-	-	-
Supplies and services	12	16	11	15	38	-	-
Fisheries licences	-	-	-	-	-	-	-
Grants and subsidies	491	170	70	-	12	-	-
Commonwealth rebates	-	-	-	-	-	1 601	1 637
Commonwealth levies	-	-	-	-	-	-	-
Payment to Cooper Basin Gas Producers	-	-	-	-	-	-	-
Payment of royalties to Consolidated Account	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Total Expenses	503	186	81	15	50	1 601	1 637
ADMINISTERED SURPLUS (DEFICIT)	20	38	19	20	(9)	428	1 100

Schedule of Administered Revenues and Expenses for the year ended 30 June 2004 (continued)

	2004					
(refer Note A4)	Natural Gas Authority	Energy Mgmt Task Force	SA Water Corp	Royalties	Others Subtotal	**Total**
ADMINISTERED REVENUES:	$'000	$'000	$'000	$'000	$'000	**$'000**
Appropriation	-	-	90 819	-	267	**91 086**
Fisheries licences	-	-	-	-	1 431	**12 326**
Fees and levies	-	-	-	-	50	**1 621**
Advances and grants	-	1 691	-	-	38	**4 307**
Interest	-	-	-	-	19	**323**
Levies collection	-	-	-	-	187	**1 541**
Commonwealth rebates	-	-	-	-	-	**4 766**
Natural Gas revenue	191 186	-	-	-	-	**191 186**
Royalties	-	-	-	75 177	-	**75 177**
Other revenues	-	-	-	-	1 926	**2 125**
Total Revenues	191 186	1 691	90 819	75 177	3 918	**384 458**
ADMINISTERED EXPENSES:						
Employee expenses	-	-	-	-	272	**294**
Supplies and services	-	2 021	1 138	-	321	**6 048**
Fisheries licences	-	-	-	-	1 196	**12 138**
Grants and subsidies	-	-	89 535	-	-	**90 383**
Commonwealth rebates	-	-	-	-	-	**3 238**
Commonwealth levies	-	-	-	-	159	**894**
Payment to Cooper Basin Gas Producers	191 186	-	-	-	-	**191 186**
Payment of royalties to Consolidated Account	-	-	-	75 177	-	**75 177**
Other expenses	-	-	-	-	-	**5**
Total Expenses	191 186	2 021	90 673	75 177	1 948	**379 363**
ADMINISTERED SURPLUS (DEFICIT)	-	(330)	146	-	1 970	**5 095**

Schedule of Administered Assets and Liabilities as at 30 June 2004

	2004						
(refer Note A4)	Sheep Industry Levy	Grains Industry Levy	Cattle Industry Fund	Gulf St Vincent Prawn Fishery	Pig Industry Fund	Fisheries Research & Dvlpmnt	Langhorne Creek Wine Industry Fund
ADMINISTERED ASSETS:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets:							
Cash	1 182	875	2 446	21	1 523	3 229	27
Receivables	11	-	21	-	26	42	-
Total Assets	1 193	875	2 467	21	1 549	3 271	27
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Payables and accruals	18	-	5	-	2	11	2
Advances	600	-	-	-	-	-	-
Total	618	-	5	-	2	11	2
Non-Current Liabilities:							
Advances	1 237	-	-	-	-	-	-
Total	1 237	-	-	-	-	-	-
Total Liabilities	1 855	-	5	-	2	11	2
NET ASSETS	(662)	875	2 462	21	1 547	3 260	25

	2004						
(refer Note A4)	Riverland Wine Industry Fund	McLaren Vale Wine Industry Fund	Adelaide Hills Wine Industry Fund	Apiary Industry Fund	Marine Scalefish Industry Fund	Renewable Remote Power Generation Program	Photo-voltaic Rebate Program
ADMINISTERED ASSETS:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets:							
Cash	108	40	21	165	48	452	1 492
Receivables	-	-	-	1	-	-	-
Total Assets	108	40	21	166	48	452	1 492
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Payables and accruals	2	2	2	5	2	-	-
Advances	-	-	-	-	-	-	-
Total	2	2	2	5	2	-	-
Non-Current Liabilities:							
Advances	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Total Liabilities	2	2	2	5	2	-	-
NET ASSETS	106	38	19	161	46	452	1 492

Schedule of Administered Assets and Liabilities as at 30 June 2004 (continued)

	2004					
(refer Note A4)	Natural Gas Authority	Energy Mgmt Task Force	SA Water Corp	Royalties	Other	**Total**
ADMINISTERED ASSETS:	$'000	$'000	$'000	$'000	$'000	**$'000**
Current Assets:						
Cash	402	1 148	2 158	11 891	1 200	**28 428**
Receivables	-	311	-	-	2 036	**2 448**
Total Assets	402	1 459	2 158	11 891	3 236	**30 876**
ADMINISTERED LIABILITIES:						
Current Liabilities:						
Payables and accruals	-	165	2 158	11 891	5	**14 270**
Advances	-	-	-	-	-	**600**
Total	-	165	2 158	11 891	5	**14 870**
Non-Current Liabilities:						
Advances	-	-	-	-	-	**1 237**
Total	-	-	-	-	-	**1 237**
Total Liabilities	-	165	2 158	11 891	5	**16 107**
NET ASSETS	402	1 294	-	-	3 231	**14 769**

NOTES TO FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Department Purpose and Funding

The Department administers, but does not control, certain resources on behalf of the South Australian Government, the Commonwealth Government, private sector organisations and other State Government Departments. These activities are classified as administered items as the Department has no control over these monies and is unable to use the monies to achieve its own objectives.

The principal sources of funds for the Department's administered programs consist of monies appropriated by Parliament, licence receipts, Commonwealth grants and rebates, fees and levies, Royalties and Natural Gas Revenue.

A2. Summary of Significant Accounting Policies

A2.1 The Reporting Entity

The reporting entity is disclosed in Note 2.2 in the Department's Financial Statements.

A2.2 Basis of Accounting

The Administered Items Financial Statements Schedule represents the operations of the Department in respect of Administered Items for the year 1 July 2003 to 30 June 2004. Unless otherwise stated, the policies outlined in Note 2 of the Department's financial statement apply to the Administered Items Financial Statements Schedule.

A3. Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

The impacts disclosed in the Departmental Financial Statements also apply to the Administered Items Schedule.

A4. Administered Funds of the Department

The Administered Schedules provide details of expenses and revenues applicable to Administered Funds of the Department. Information about the Department's programs is set out below.

Fund 1 – SA Sheep Industry Fund

The South Australian Sheep Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998*. The primary purposes of the Fund are to fund the operations of the South Australian Sheep Advisory Group (SASAG), make payments of financial assistance to farmers in line with the Regulations, undertake projects as advised by SASAG and assist in the maintenance of the dog fence.

Fund 2 – Grains Industry Levy Fund

Two voluntary levies are collected from grain producers under the Commonwealth *Wheat Marketing Act 1989*. A 3 cent levy is collected and returned quarterly to the South Australian Farmers Federation. A 13 cent levy is collected and returned quarterly to the South Australian Grains Industry Trust fund.

Fund 3 – SA Cattle Industry Fund

The South Australian Cattle Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry. It also pays outstanding claims for compensation made or pending against the Cattle Compensation Fund under the repealed *Cattle Compensation Act 1939* and pays reasonable expenses of the Cattle Advisory group and expenses of administering the fund.

Fund 4 – Gulf of St Vincent Prawn Fishery Levy

Under the *Gulf of St Vincent Prawn Fishery Rationalisation Act 1987*, one licence-holder was charged with a debt and required to repay the debt together with interest into this Fund. This debt was written off by Department of Treasury and Finance in September 2003.

Fund 5 – SA Pig Industry Fund

The South Australian Pig Industry Fund was established by Regulations under the *Industry Funding Schemes Act 1998* on 1 October 2001. The primary purposes of the fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry. It also pays outstanding claims for compensation made or pending against the Swine Compensation Fund under the repealed *Swine Compensation Act 1936,* pays reasonable expenses of the Pig Industry Advisory group and expenses of administering the fund.

Fund 6 – Fisheries Research & Development Fund

Under the *Fisheries Act 1982*, all commercial licence fees received by the Department must be paid into this fund.

Fund 7 – Langhorne Creek Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and co-operation between participants in the Langhorne Creek wine industry.

Fund 8 – Riverland Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the fund are to fund representation of growers in regional, State or national wine industry forums, fees for the affiliation of the Riverland Wine Grape Growers Associations (RWGGA) with regional, State or national wine industry forums and fund the reasonable operating and management expenses of the RWGGA.

Fund 9 – McLaren Vale Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and co-operation between participants in the McLaren Vale wine industry.

Fund 10 – Adelaide Hills Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and co-operation between participants in the Adelaide Hills wine industry.

Fund 11 – SA Apiary Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001. The primary purposes of the fund are to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry, pay reasonable operating and management expenses of the Apiary Industry Advisory Group (AIAG) and pay expenses of administering the fund.

Fund 12 – Marine Scalefish Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 16 January 2003. The primary purposes of the fund are to make payments to organisations which represent the marine scalefish industry in relation to the promotion, development and environmental management of the industry and make payments for other purposes to benefit the marine scalefish industry.

Fund 13 - Renewable Remote Power Generation Fund

This is a Commonwealth program administered for the State by Energy SA with the aim to encourage greater utilisation of renewable energy in South Australia. The fund provides rebates to replace or augment diesel generators with renewable generation technology.

Fund 14 - Photovoltaic Rebate Fund

This is a Commonwealth program administered for the State by Energy SA with the aim to encourage greater utilisation of renewable energy in South Australia. The fund provides rebates for grid-connected or stand-alone systems on residential and community buildings.

Fund 15 – Natural Gas Authority SA
This fund was established to purchase natural gas from gas producers and sell to Terra Gas trader and Origin Energy. This fund provides an important link in the State's gas supply chain and facilitates dialogue between the producers, retailers and the pipeline contractors.

Fund 16 – Energy Management Task Force
EMTF Central Fund receives contributions from all States and is used to fund projects involving energy efficiency and greenhouse gas reduction measures approved by the national body.

Fund 17 – SA Water CSO Subsidy
The Department receives appropriation to make an annual payment to SA Water representing Community Service Obligations for the provision of country water and wastewater services.

Fund 18 - Royalties
The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account.

Fund 19 - Other Funds
This is the total of all other administered funds including the payment of the Minister's salary and allowances, the ongoing costs of administering Samcor records management and enquiries since sale of the entity to the private sector in 1997 as well as the following funds:

Agricultural Research Services Fund
Commonwealth funds for Natural Heritage Trust (NHT) projects which are then paid out to external bodies or to departmental NHT projects as well as miscellaneous administered funds.

Aquaculture Lease Rehabilitation Fund
Provides funds to clean-up and rehabilitate aquaculture lease sites when obligations under the lease are not complied with by the lessee. Contributions by the lessee to the fund are set by the Minister.

SA Deer Industry Fund
The South Australian Deer Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 September 2002. The primary purposes of the fund are to undertake research, investigations or other programs relating to deer, deer products or any other aspect of the deer industry. It also pays outstanding claims for compensation made or pending against the Deer Compensation Fund under the repealed *Deer Keepers Act 1987* and pays reasonable expenses of the Deer Industry Advisory group and expenses of administering the fund.

Egg Industry Deregulation Fund
Provides compensation to egg producers as a result of the deregulation of the egg industry.

		2004	2003
A5.	**Revenues from Government**	**$'000**	$'000
	Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**90 819**	81 313
	Appropriations under other Acts	**267**	207
		91 086	81 520
A6.	**User Charges and Fees**		
	Fishing licences	**12 326**	12 263
	Fees and levies	**1 621**	850
		13 947	13 113
A7.	**Advances and Grants**		
	Energy Management Task Force	**1 691**	2 061
	Pig Industry	**159**	176
	Cattle Industry	**252**	250
	Sheep Industry	**2 168**	2 612
	Aquaculture Resource Management	**30**	-
	Agricultural Research	**7**	2
		4 307	5 101

As at 30 June 2004, grant programs have been fully expended with the exception of the Sheep Industry and Swine Industry Funds which have unspent grants of $271 000 and $118 000 respectively.

		2004	2003
A8.	**Levies Collection**		
	Commonwealth levy collection	**1 477**	424
	Organisation for Economic Cooperation and Development Report Levy	**64**	7
		1 541	431
A9.	**Commonwealth Rebates**		
	Renewable remote power generation	**2 029**	1 634
	Photovoltaic rebate claims	**2 737**	2 316
		4 766	3 950

A10. Other Revenue

	2004	2003
	$'000	$'000
Reimbursements of salaries and project costs	57	28
Other	2 068	450
	2 125	478

A11. Employee Expenses

	2004	2003
Salaries and wages	271	216
Employment on-costs	2	-
Board fees	21	28
	294	244

A12. Supplies and Services

	2004	2003
Professional services [1]	2 193	1 728
Operational and administrative costs	3 794	2 410
Distribution of licence and lease fees [2]	12 137	10 754
Audit fees	29	24
Travel	27	38
Communication expenses	1	2
Staff training and development	5	1
	18 186	14 957

(1) Includes consultancies costs which are further broken down below.
(2) Represents the distribution of licence and lease fees from the Fisheries Research and Development Fund and Aquacultural Resource Management Fund to the Fishing Industry and the Department.

The number and dollar amount of Consultancies paid/payable that were in the following band:	2004 Number	2004 $'000	2003 $'000
Below $10 000	21	54	78
Between $10 000 and $50 000	20	463	436
Above $50 000	8	1 439	1 080
		1 956	1 594

A13. Grants and Subsidies

	2004	2003
Grants:		
Adelaide Hills Wine Industry Fund	70	-
McLaren Vale Wine Industry Fund	170	-
Cattle Industry Fund	5	-
Langhorne Creek Wine Industry Fund	100	97
Riverland Wine Industry Fund	491	543
Marine Scalefish Industry Fund	12	50
Subsidies:		
SA Water Corporation CSO subsidy	89 535	81 320
	90 383	82 010

A14. Commonwealth Rebates

	2004	2003
Renewable Remote Power Generation Program	1 601	1 832
Photovoltaic rebate claims	1 637	2 165
	3 238	3 997

A15. Levies Payments

	2004	2003
Commonwealth levy payments	832	1 099
Organisation for Economic Cooperation and Development Report Levy	62	-
	894	1 099

A16. Cash

	2004	2003
Deposits with the Treasurer	28 428	12 036
	28 428	12 036

A17. Receivables

	2004	2003
Current:		
Trade accounts receivable	2 348	436
	2 348	436
Accrued interest on loans and deposits	24	15
Other accrued revenue	76	-
	2 448	451

A18. Payables

	2004	2003
Current:		
Creditors	8	255
Accrued expenses [1]	2 268	24
Royalties payable to the Consolidated Account	11 891	-
	14 167	279

(1) Liabilities for employee benefits annual leave, long service leave and related on-costs are taken into account in the Departmental Financial Statements.

A19. Advances

	2004	2003
Current:	**$'000**	$'000
Advances	**600**	600
	600	600
Non-Current:		
Advances	**1 237**	1 837
	1 237	1 837

A20. Borrowings

Indebtedness to Department of Treasury and Finance	**-**	97

The borrowings in 2002-03 were associated with the Gulf St Vincent Prawn Fishery Contribution and were written off by the Department of Treasury and Finance in September 2003.

A21. Equity

Accumulated surplus	**14 769**	9 674
Accumulated surplus:		
Balance at 1 July 2003	**9 674**	7 090
Operating surplus	**5 095**	2 584
Balance at 30 June 2004	**14 769**	9 674

A22. Cash Flow Reconciliation

Reconciliation of Net Cost of Services to Net Cash Inflows from Operating Activities

Operating Surplus	**5 095**	2 584
(Increase) Decrease in receivables	**(1 997)**	357
Increase (Decrease) in payables and provisions	**13 888**	108
Increase (Decrease) in other liabilities	**6**	-
	16 992	3 049

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000* (the Act).

Functions

The object of the Act was to establish a statutory corporation as a business enterprise with the principal responsibility of managing plantation forests for the benefit of the people and economy of the State. More specifically, the Act provides for the Corporation to carry out the following functions:

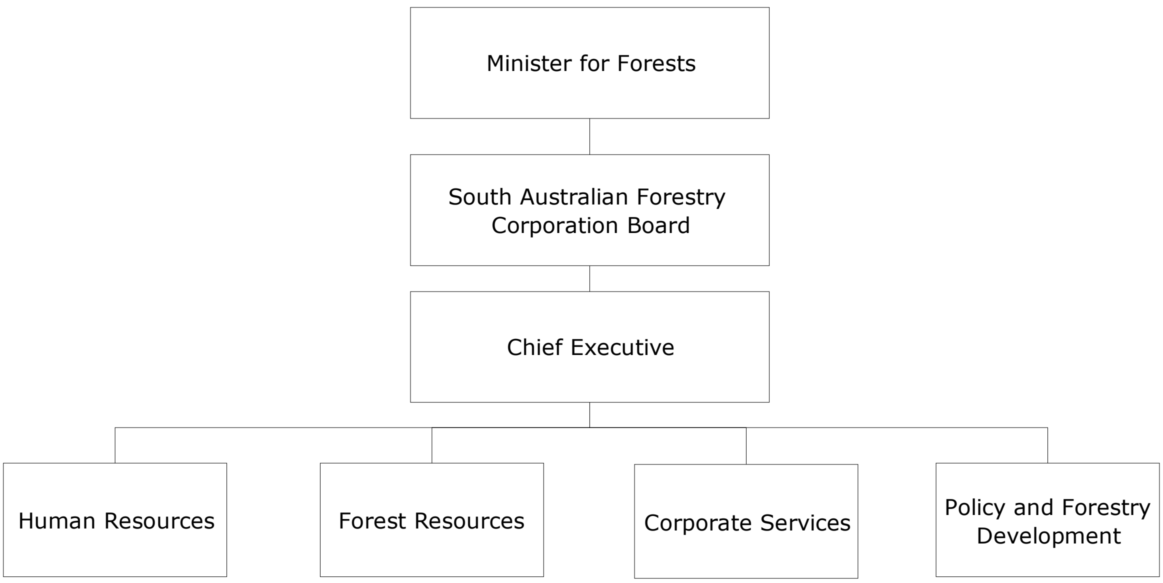
- To manage plantation forests for commercial production.
- To encourage and facilitate regionally based economic activities based on forestry and other industries.
- To conduct research related to the growing of wood for commercial purposes.
- Any other function conferred on the Corporation by an Act or the Minister.

The Act specifies that the Corporation is a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

Under the *Public Corporations Act 1993* 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.

Structure

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



Audit Committee

The Corporation has an Audit Committee comprising members of the Board and is attended by Internal and External Auditors as observers. The Audit Committee meets on a quarterly basis and 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 with officers of the Auditor-General's Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 32(4) of the *Public Corporations Act 1993* 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 *Public Finance and Audit Act 1987*, the audit of the South Australian Forestry 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 those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- accounts payable
- accounts receivable
- general ledger
- payroll
- Forestry Logging System revenue
- Forestry Logging System expenditure
- contract management.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003-04 Independent Audit Report, which details the qualification to the Corporation's financial report.

> ***Qualification***
>
> *The Corporation manages South Australia's plantation forests. The Corporation has adopted a market based method of revaluation for the Non-Current Asset - Growing Timber, consistent with the requirements of Australian Accounting Standard AASB 1037 'Self-Generating and Regenerating Assets'. Under this method, the inventory 'growing timber' is valued at its 'net market value' at the reporting date.*

The Corporation utilises a comprehensive computer based model to estimate the actual volume of timber standing in the forests. That is, the existence of the asset 'growing timber' is estimated via a predictive growth model. Market prices for timber products are then applied to the volume estimates to establish a value for 'growing timber' for financial reporting purposes.

In recognition of the complexity of the estimation model and the need for Audit to attest to the existence of the asset, Audit has, several times over a number of years, engaged an independent consultant with expertise in Forestry to examine the systems and processes used in the estimation of growing timber and to report on their auditability. While these reviews noted that the systems and processes used in the estimation of growing timber were generally of a high technical standard a number of issues required resolution to enable the attestation of the estimates of the volume of standing timber. This precluded the independent verification of these estimates within an acceptable level of audit confidence. Audit review of the status of issues in 2003-04 confirmed that some matters relating to the auditability of the estimation process were still being addressed. Therefore, consistent with prior years, I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Forestry Corporation as at 30 June 2004, its financial performance and its cash flows for the year then ended.*

Assessment of Controls

Audit formed the opinion that 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, except for matters in relation to: Internal Control Framework; Financial Accounting; Expenditure; Accounts Receivable; Payroll; and Forestry Logging System as outlined under 'Audit Communications to Management' are sufficient to provide reasonable assurance that the financial transactions of the Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

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

Due to the aforementioned exceptions under 'Assessment of Controls', an increased level of testing was performed to form an opinion on the financial statements. That testing did not reveal any irregularities that adversely impacted the opinion on the financial statements.

Internal Control Framework

In October 2003 the Corporation assumed various business functions that were previously undertaken by the Department for Administrative and Information Services on a bureau basis. This included implementing a new accounting package (ACCPAC) and undertaking all activities associated with the general ledger, accounts payable, accounts receivable and bank account. The Corporation also commenced processing and maintaining its own payroll information (on the Government mandated CHRIS system) in the previous year.

The above changes were significant and many processes had not been bedded down at the time of the interim audit in April 2004. Overall observations from the audit were that there was a general lack of policies and procedures, segregation of duties and independent checking processes. Specific matters are provided hereafter.

Audit recommended that the internal control framework be reviewed and strengthened and that the Corporation be mindful of the requirements of the Treasurer's Instructions and the guidance established by the Financial Management Framework.

Corporation's Response

The Corporation has indicated that changes will be implemented to address the matters raised.

Financial Accounting

Audit review revealed the bank reconciliation was not being independently reviewed to ensure it was complete, accurate and timely. In addition, the officer performing the bank reconciliation also had access to the various accounting systems and can process payments through the accounts payable system, authorise and process payments (including Electronic Funds Transfer) and process journals to the general ledger. Furthermore, review of the ACCPAC system revealed officers had access levels greater than required for their job responsibilities.

Corporation's Response

An independent verification of the 30 June reconciliation has been satisfactorily completed and other recommendations are being implemented.

Expenditure

The audit of the expenditure cycle revealed a lack of approved documented policies and procedures to support key activities within the expenditure process and control weaknesses over the:

- raising and processing of purchase orders. This included: little or no evidence of quotations being obtained in accordance with the Corporation's policy; purchase orders entered into ACCPAC not being independently checked to ensure they were authorised, complete and accurate; officers performing both the ordering and receipting of goods in the ACCPAC system and also certifying invoices as being correct; the receipt of goods not always being recorded on ACCPAC; invoices often not being matched to purchase orders for price charged; and limited controls to reduce the risk of double payment of invoices;

- input and processing of invoices for payment. This included: invoices not being checked for appropriate authorisation prior to processing for payment; one officer performing all key activities (eg inputting invoices into ACCPAC, disbursing payments, custodian of cheque stationery, updating/changing vendor master file information); and no independent review of transactions input and processed to ensure information was valid and accurate. In addition there was no independent review of additions, deletions and changes to vendor master file information for validity and accuracy.

Corporation's Response

Controls have been implemented and documentation of policies and procedures are being developed.

Accounts Receivable

A review of accounts receivable revealed there was no independent checking of transactions processed by the Accounts Receivable Officer for accuracy, completeness and validity.

Corporation's Response

The recommendations made by the Auditor-General have been implemented.

Payroll

The review of the bona fide report by managers can provide a control to ensure employees are authentic, terminated employees are removed from the payroll, employees are paid at the correct classification and that extended leave is recorded. The audit revealed that the bona fide process was inadequate because: there were inconsistencies in the level of review of bona fide reports; policies and procedures detailing the responsibility for, and extent of, the review of bona fide reports had not been documented; and there was no review, independent of the payroll function, to ensure bona fide report discrepancies identified were appropriately rectified.

In addition, the audit revealed that officers had access levels in the CHRIS payroll system greater than required for their job responsibilities and that there were no policies and procedures which prescribe actions to be taken to ensure that the user access is revoked/modified when employee circumstances change (eg change in job positions, termination of employment, etc).

Corporation's Response

The documented policies and procedures and other recommendations in relation to independent review have been implemented.

Forestry Logging System (FLS)

The audit revealed that there was no independent review of the validity, accuracy and completeness of critical changes to the Forestry Logging System master file data and there was no documented procedure for the reconciliation between the FLS and ACCPAC Accounts Receivable and Accounts Payable.

It was also revealed that there was minimal documentation to support adjustments made to Harvesting and Transport Contractors rates and that the calculations of adjustments to those rates were not independently verified.

Corporation's Response

The recommendations made by the Auditor-General have been adopted.

Valuation of Forest Assets

Note 2.4 to the Corporation's financial statements provides a summary of the valuation methodology utilised by the Corporation in arriving at a value for growing timber. The value, in part, is based on volume estimates of growing timber. This is a matter of technical complexity and involves systems and databases to predict growing timber. That is, the existence of the asset 'growing timber' is estimated via a predictive growth model. Market prices for timber products are then applied to the volume estimates to establish a value for 'growing timber' for financial reporting purposes.

In auditing the value of growing timber a number of assertions require attestation. Two important assertions are existence and valuation.

For valuation, Audit has noted that the Corporation has adopted a market based method consistent with the requirements of Australian Accounting Standard AASB 1037 'Self-Generating and Regenerating Assets'. That is, the Corporation calculates the weighted average return for each log diameter class by sampling market prices over the 12 months preceding the balance date. As part of the financial statement review process Audit has been able to attest to the reasonableness of this calculation.

For the existence assertion, as noted above, a technically complex model is utilised to estimate the existence of growing timber at a point in time. In recognition of this complexity and the need to attest to the existence of the asset, Audit has, several times over a number of years, engaged an independent consultant with expertise in Forestry to examine the systems and processes used in the estimation of growing timber and to report on their auditability.

While these reviews noted that the systems and processes used in the estimation of growing timber were generally of a high technical standard a number of issues required resolution to enable the attestation of the estimates of the volume of standing timber. This precluded the independent verification of these estimates within an acceptable level of audit confidence. For the 2003-04 year some issues are still ongoing and as a result, consistent with prior years, I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

As part of the annual planning and execution process Audit will follow up on the status of issues regarding the estimation of growing timber with the Corporation.

Further comment on the Growing Timber valuation is provided in the section below titled 'Interpretation and Analysis of Financial Statements'.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

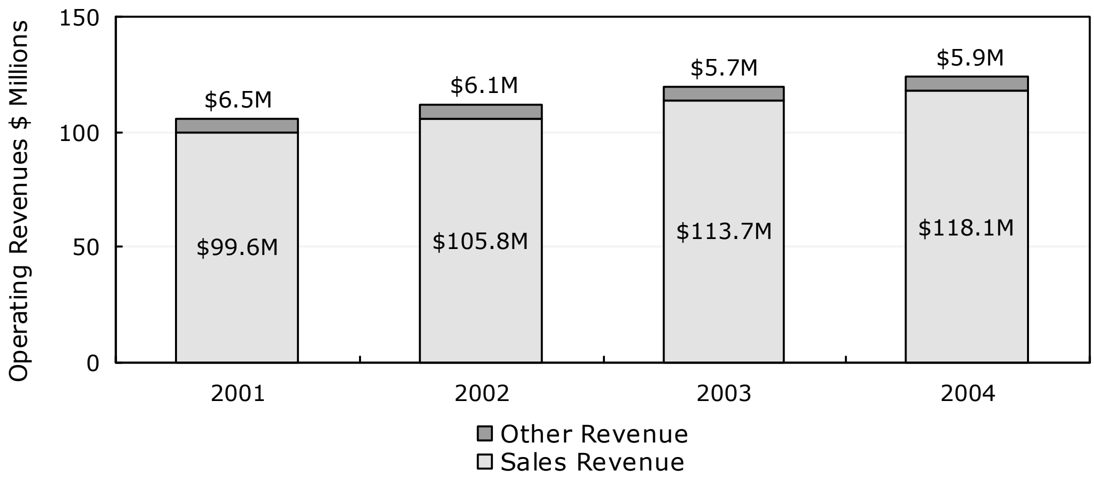
Highlights of Financial Statements

	2004 $'million	2003 $'million	Percentage Change
OPERATING REVENUE			
Sales revenue	**118.1**	113.7	4
Community service obligation funding	**3.6**	3.5	3
Other revenue	**2.3**	2.2	5
Total Operating Revenue	**124.0**	119.4	4
OPERATING EXPENDITURE			
Cost of sales	**53.4**	53.8	(1)
Plantation expenses	**16.8**	16.1	4
Other expenses	**12.5**	11.7	7
Total Operating Expenses	**82.7**	81.6	1
Trading Profit before Revaluation of Growing Timber	**41.3**	37.8	9
Net Cash Flows from Operations	**30.9**	27.7	12
ASSETS			
Current assets	**35.5**	27.8	28
Non-current assets	**909.8**	861.7	6
Total Assets	**945.3**	889.5	6
LIABILITIES			
Current liabilities	**13.9**	10.7	30
Non-current liabilities	**5.6**	5.8	(3)
Total Liabilities	**19.5**	16.5	18
EQUITY	**925.8**	873.0	6

Statement of Financial Performance

Operating Revenues

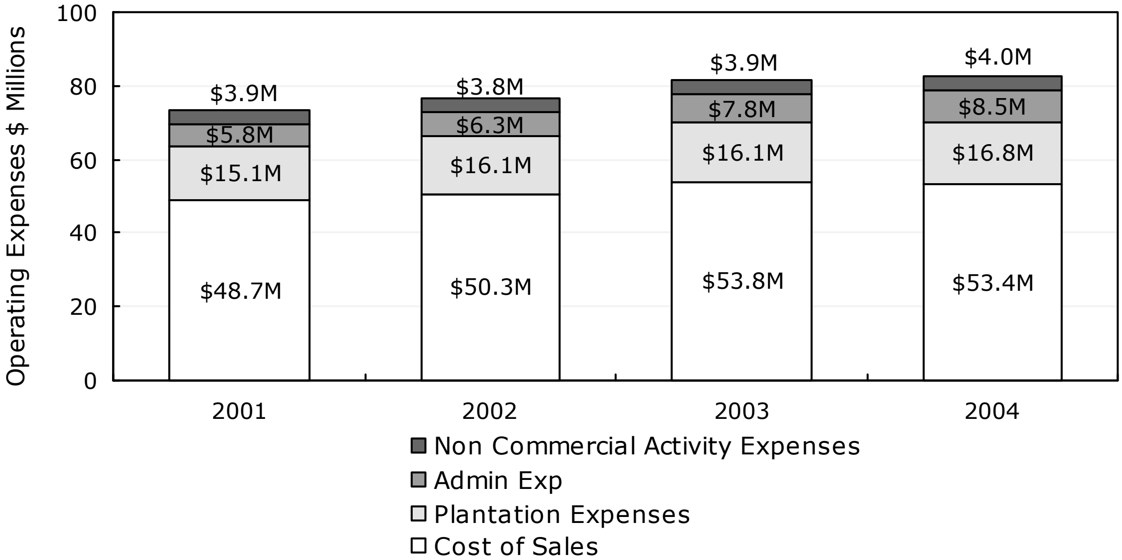
A structural analysis of operating revenues of the Corporation for the four years to 2004 is presented in the following chart.



Sales revenue has gradually increased over the period due to the strong demand for housing construction over the last few years. The trend of the sales revenue over the last four years reflects the stable nature of the Corporations operations, partly reflecting the long term supply sales agreements with the Corporation's customers.

Operating Expenses

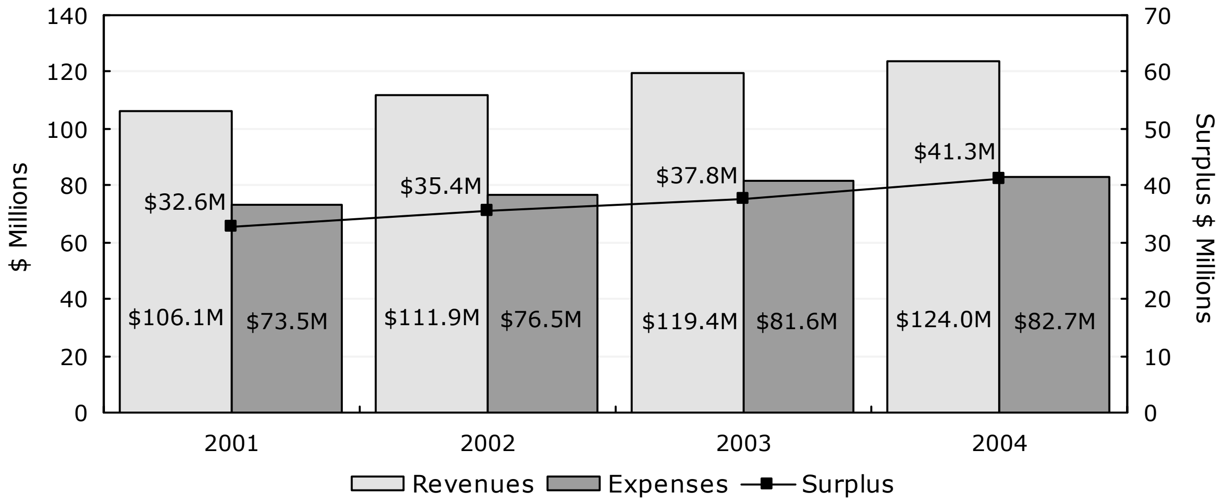
For the four years to 2004, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Cost of sales is the main expenditure item for the Corporation representing approximately 65 percent of expenditure. This expense predominantly includes harvesting and transporting costs. These costs over the last four years have risen in direct proportion to sales revenue as the harvesting and transporting contract costs are directly related to the activity under the sales contracts.

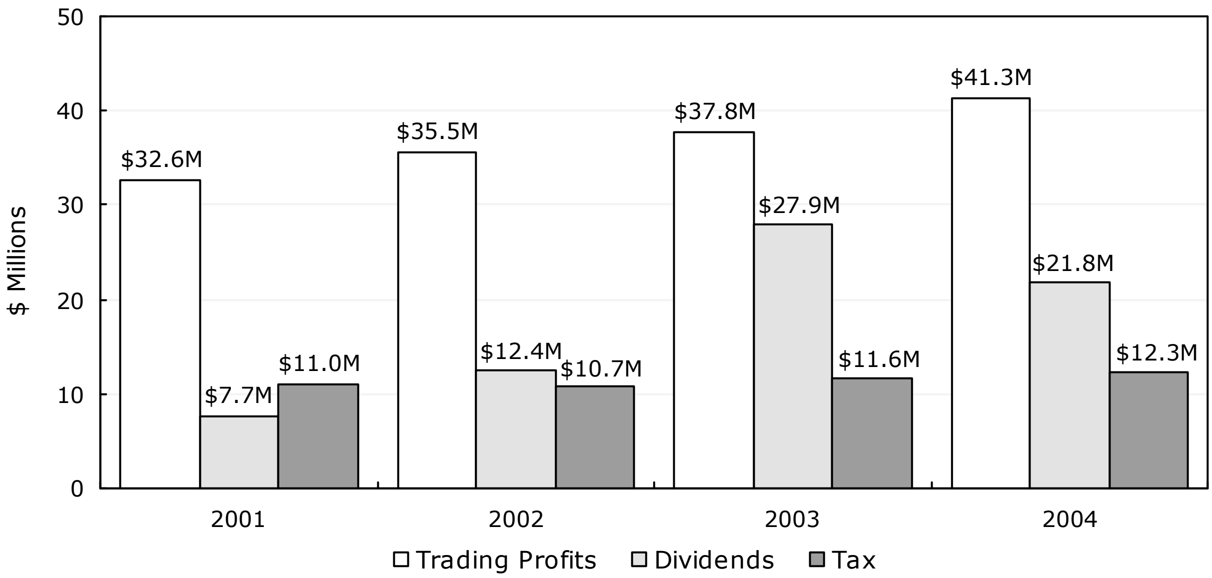
Operating Result

The Corporation's financial performance during the last few years has benefited from the strong demand for housing construction including the flow on effect of the First Home Owners Grant. Trading activity has continued to increase despite the housing industry having had to cope first with the pre-GST building rush in 2000 followed by a severe slump in housing starts in 2001. Notwithstanding this volatility, the Corporation's profit performance indicates a growth trend over the past four years.



Distributions to Government

For the four years to 2004 an analysis of the Corporation's Trading Profits before revaluation of Growing Timber compared to returns to Government is shown on the following chart.



As previously mentioned, trading profits before revaluation of Growing Timber have consistently risen over the last few years. Subsequently, returns to Government through both dividends provided for or paid and tax related to ordinary activities have been substantially covered by the Corporation's trading profits.

Statement of Financial Position

The two dominant items in the Statement of Financial Position are the non current assets 'Growing Timber' and 'Land' representing approximately 95 percent of the total assets of the Corporation. The value of Growing Timber has risen steadily over the last few years as indicated below. The value of Land has risen reflecting both purchases of new land and the increase in the value of property resulting from the strong real estate market experience over the last few years.

Growing Timber

Note 2.4 'Forestry Accounting' to the financial statements explains the basis and main features of the Corporation's valuation methodology applied to the non-current asset growing timber for financial reporting purposes.

The following table summarises valuations of growing timber for the past five years by region and revaluation increments (decrements). The chart also highlights the major influence on the valuation increment.

	2004	2003	2002	2001	2000
	$'million	$' million	$' million	$' million	$' million
Region					
South East Region:					
Young plantations	**26.5**	29.1	27.5	25.9	24.9
Old plantations	**515.9**	496.4	486.1	486.5	478.5
Central and Northern Regions:					
Young plantations	**3.5**	3.9	3.9	3.8	3.4
Old plantations	**87.1**	88.8	79.7	77.2	71.7
	633.0	618.2	597.2	593.4	578.5

	2004 **$'million**	2003 $' million	2002 $' million	2001 $' million	2000 $' million
Revaluations					
Increment (Decrement)	**14.8**	21.0	3.8	14.9	12.4
Net increase in value of unrealised growing timber due to:					
Change in volume	**2.9**	20.0	(1.4)	70.2	N/A
Change in wood prices	**14.8**	(0.6)	3.6	(56.7)	N/A
Change in young plantations valued at replacement cost	**(2.9)**	1.6	1.6	1.4	N/A
	14.8	21.0	3.8	14.9	N/A

The net change in the valuation of growing timber is a combination of the change in the volume of growing timber and the change in price. The change in volume also reflects the changes in the product mix (eg log size) of growing timber. Change in price reflects the movement in the market value rates for timber.

Note 2.12 explains that the Corporation has revised its method of estimating prices for standing timber to more closely reflect the standing timber product mix for sawlog, recovery log and pulp log and that the impact of this change was to reduce the value of growing timber by $19.8 million. Had the change not been made the change in wood prices for 2004 would have been $34.6 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 **$'million**	2003 $'million	2002 $'million	2001 $'million
Net Cash Flows				
Operations	**30.9**	27.7	25.4	18.9
Investing	**(2.6)**	(4.4)	(2.2)	(1.6)
Financing	**(22.0)**	(25.9)	(32.4)	(12.6)
Change in Cash	**6.3**	(2.6)	(9.2)	4.7
Cash at 30 June	**19.7**	13.4	16	25.2

The analysis of cash flows shows that the Corporation's surplus cash generated through operating activities is applied to fund its financing activities, predominantly returns to Government through dividends paid. In 2002 the Corporation also returned capital of $20 million to the Government as part of its financing activities.

Statement of Financial Performance for the year ended 30 June 2004

	Note	**2004**	2003
		$'000	$'000
Sales revenue	6(ii)	**118 138**	113 709
Cost of sales		**(53 378)**	(53 840)
Gross Profit		**64 760**	59 869
Community service obligation funding	6(ii)	**3 600**	3 512
Other revenue	6(ii)	**2 264**	2 163
Plantation expenses		**(16 800)**	(16 110)
Non-commercial activity expenses		**(4 012)**	(3 871)
Administration expenses		**(8 552)**	(7 761)
Trading Profit before Revaluation of Growing Timber		**41 260**	37 802
Net change in value of growing timber	5	**14 756**	21 020
Profit from Ordinary Activities before Related Income Tax Expense		**56 016**	58 822
Income tax related to ordinary activities	2.5, 7	**(12 251)**	(11 593)
Profit from Ordinary Activities after Related Income Tax Expense		**43 765**	47 229
Net credit to an asset revaluation reserve on revaluation of non-current assets	24	**30 854**	26 193
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**74 619**	73 422

Statement of Financial Position
as at 30 June 2004

	Note	**2004**	2003
CURRENT ASSETS:		**$'000**	$'000
Cash		**19 704**	13 428
Receivables	10	**13 605**	11 961
Inventories	11	**1 463**	1 909
Other	12	**731**	461
Total Current Assets		**35 503**	27 759
NON-CURRENT ASSETS:			
Growing timber	11	**633 026**	618 270
Property, plant and equipment	13	**276 682**	243 389
Tax assets	14	**78**	61
Total Non-Current Assets		**909 786**	861 720
Total Assets		**945 289**	889 479
CURRENT LIABILITIES:			
Creditors and accruals	15	**8 882**	6 236
Employee benefits	16	**873**	1 241
Interest bearing loan	17	**189**	165
Tax liabilities	18	**3 921**	3 011
Other	19	**41**	63
Total Current Liabilities		**13 906**	10 716
NON-CURRENT LIABILITIES:			
Creditors and accruals	15	**272**	269
Employee benefits	16	**2 549**	2 614
Interest bearing loan	17	**1 677**	1 866
Tax liabilities	18	**1 062**	1 017
Total Non-Current Liabilities		**5 560**	5 766
Total Liabilities		**19 466**	16 482
NET ASSETS		**925 823**	872 997
EQUITY:			
Contributed equity	21	**4 983**	4 983
Reserves	24	**847 258**	801 648
Retained profits	22	**73 582**	66 366
TOTAL EQUITY		**925 823**	872 997
Commitments and Contingent Liabilities	25(a),(b),(c)		

Statement of Cash Flows
for the year ended 30 June 2004

		2004 Inflows (Outflows)	2003 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers		**117 561**	113 996
Payments to suppliers and employees		**(80 145)**	(79 519)
Interest received		**1 178**	972
Borrowing costs		**(104)**	(36)
Community service obligation funding		**3 600**	3 512
GST receipts on sales		**11 939**	11 510
GST payments on purchases		**(6 950)**	(6 825)
GST payments to taxation authority		**(4 919)**	(4 745)
Income tax paid		**(11 313)**	(11 178)
Net Cash provided by Operating Activities	26(ii)	**30 847**	27 687
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		**(2 514)**	(2 272)
Purchase of land		**(246)**	(2 176)
Proceeds from sale of fixed assets		**114**	66
Proceeds from sale of land		**33**	-
Net Cash used in Investing Activities		**(2 613)**	(4 382)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**-**	2 085
Repayment of borrowings		**(165)**	(54)
Dividend paid		**(21 793)**	(27 901)
Net Cash used in Financing Activities		**(21 958)**	(25 870)
NET INCREASE (DECREASE) IN CASH HELD		**6 276**	(2 565)
CASH AT 1 JULY		**13 428**	15 993
CASH AT 30 JUNE	26(i)	**19 704**	13 428

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role and Function of the South Australian Forestry Corporation

The South Australian Forestry Corporation (SAFC), trading under the name of ForestrySA, was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. The SAFC is subject to the provisions of the *Public Corporations Act 1993*. SAFC has the key responsibilities of:

- managing State–owned plantation forests including harvesting and delivery of forest products to customers
- supporting and facilitating forestry industry development
- providing recreational access to forest reserves
- managing native forests for conservation purposes
- providing policy support and advice to Government, the industry and the community.

In addition to its business operations, SAFC is funded for the provision of certain community service obligations (CSOs). These are:

- forest industry development
- forestry policy and legislative support
- community use of forests
- native forest management; and
- community protection (including fire protection).

2. Summary of Significant Accounting Policies.

2.1 Basis of Accounting

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

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

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

The accounting policies have been consistently applied unless otherwise stated.

2.2 Comparative Figures

Where necessary, comparative figures are adjusted to conform with changes in presentation and classification in the current period. No material changes in presentation are included in these financial statements.

2.3 Rounding

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

2.4 Forestry Accounting

Due to the special nature of growing timber, which includes a long production cycle combined with physical change, historical cost accounting does not provide a meaningful measure of the economic performance or asset value of forestry activities. In order to provide more relevant, reliable and understandable information, a market value based method has been applied to growing timber.

The inventory value of growing timber (Note 2.12) is calculated for financial reporting purposes only, as a measure of forest management performance over the reporting period.

The main features of this method are:

- At the reporting date the inventory of growing timber is valued at its net market value. For the purpose of this financial statement net market value is defined 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 after deducting the direct costs incurred in realising the proceeds of such a disposal. This is in accordance with the requirements of Accounting Standard AASB 1037 'Self-Generating and Regenerating Assets.' All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.
- The difference between the net market value of the inventory of growing timber held at the reporting date and the net market value at the previous reporting date is recognised as revenue in the Statement of Financial Performance, where it is described as 'Net change in value of growing timber'.
- The market value of growing timber realised during the period is reported under Sales Revenue.
- All non-capital forest expenditure is recognised as plantation expenses in the year the expenditure takes place.

Current policy provides that revenue resulting from the net increment in the value of growing timber is unrealised revenue and is therefore not available for distribution. This amount is transferred from retained profits to the growing timber revaluation reserve (Note 24) of the Statement of Financial Position.

The volume of growing 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 are continuously being collected from sample inventory plots with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every three to five years and on these occasions the model simulations are repeated. For South Eastern forests the master database was last updated in 2001, for Central forests in 2002 and Northern forests in 1999.

The method used to determine the volume of timber contained in the 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 practice. This ensures that the net market value is based upon realisable volumes.

2.5 Taxation

Income Tax (Payment in Lieu of Income Tax)

SAFC is required to make taxation payments in accordance with the National Taxation Equivalents Regime in accordance with the *Income Tax Assessment Act 1997*. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax, equivalent to the tax applicable to public companies under Commonwealth income tax law, is paid to the South Australian Government Consolidated Account.

Income Tax (Payment in Lieu of Income Tax) (continued)
The liability method of tax-effect accounting has been adopted, whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax expense, adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax expense and taxable income are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit. These items are recorded at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

- The amount of GST incurred by SAFC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- Receivables and payables are stated with the amount of GST included.

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

Other
SAFC is liable for payroll tax, fringe benefits tax, emergency services levy, land tax equivalents and local government rates.

2.6 Revenue and Expenses

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

Sales revenue is derived from the provision of goods and services to customers. This revenue is driven by customer demand.

Grants and funding for CSOs received from SA government are recognised as revenues when SAFC obtains control over the assets. Control over the revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

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

2.7 Current and Non-Current Classifications

In the Statement of Financial Position, assets and liabilities expected to be realised as cash within 12 months are classified as current. Assets and liabilities expected to be realised as cash in a period greater than twelve months are classified as non-current.

2.8 Cash

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

2.9 Receivables

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

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.

2.10 Property, Plant and Equipment

Cost and Valuation

The majority of property, plant and equipment are measured at fair value in accordance with AASB 1041 'Revaluation of Non-Current Assets'. 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.

The gain or loss on disposal of all fixed 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.

SAFC capitalises all non-current physical assets with a value of $2 000 or greater.

SAFC undertakes an annual revaluation of land to fair value at the end of June. The basis of the revaluation is the current market value of the unimproved land. In accordance with this policy, land was revalued in 2004 using valuations provided by the Valuer-General. Where a valuation has not been provided by the Valuer-General the land is valued at cost.

The revaluations of freehold land have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Buildings, plant and equipment have continued to be brought to account at written down cost. The Corporation will progressively revalue each asset class and plans to complete the revaluation during the next two financial reporting periods in accordance with transitional provisions of the accounting standard.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land and there has been no change in major depreciation periods.

Major depreciation periods are:	Years
Freehold buildings	25
Leasehold improvements	Lease term
Plant and equipment	3-10
Computer software	3-10
Log storage sites	25

2.11 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 Financial Performance on a basis, which is representative of the pattern of benefits derived from the leased assets.

2.12 Inventories

Harvested Log Stocks

Harvest log stocks at 30 June represent timber harvested for sale and are valued at net market value in accordance with AASB 1037 'Self-Generating and Regenerating Assets'. Harvested log stocks are disclosed as a current asset.

Growing Timber

Growing timber of a marketable size is valued at its net market value and disclosed as a non-current asset. SAFC has determined the net market value by sampling market conditions over the twelve 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 1037 'Self-Generating and Regenerating Assets'.

Growing timber below a marketable size is valued by a reasonable proxy by annually compounding the current replacement cost, from the date of preparation of the site for planting, at the minimum desired rate of return of 6 percent per annum in absence of verifiable market prices; this is considered to be a reasonable approximation, particularly as young timber accounts for approximately 5 percent of the total value.

SAFC has revised the method of estimating prices for standing timber to more closely reflect the standing timber product mix for sawlog, recovery log and pulpwood. The change resulted in a reduction to the value of growing timber of $19.8 million. The impact on the financial statements was to reduce the net change in value of growing timber recorded in the Statement of Financial Performance and Growing Timber recorded in the Statement of Financial Position by $19.8 million. The change has a resultant impact of decreasing the Profit from ordinary activities and Equity by $19.8 million.

2.13 Payables

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

Creditors represent the amounts owing for goods and services received prior but remain 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 in accordance with Treasurer's Instruction 8 Expenditure for Supply Operations and Other Goods and Services or contractual obligations.

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 relate to any contributions due but not yet paid.

2.14 Employee Benefits

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

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2004 and is measured at the nominal amount.

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

During the year ended 30 June 2004 SAFC paid $1.175 million ($1.110 million) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees. The contributions were made to:

- The State Pension Scheme
- The State Lump Sum Scheme
- Triple S Scheme

2.15 Provisions

SAFC as a self-insurer is responsible to fund its workers compensation obligations. The workers compensation liability was based on an actuarial assessment provided by the Department for Administrative and Information Services and provides for the estimated unsettled workers compensation claims

2.16 Equity contributed by the SA Government

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.

2.17 Insurance

SAFC has arranged, through SA Government Captive Insurance Corporation (SAICORP) to insure all major risk of the corporation. The excess payable under this arrangement varies depending on each class of insurance held.

2.18 Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the spot rate of exchange at the date of the transaction.

Forward foreign currency exchange contracts are translated at the exchange rate applying when entering the contract, on 30 June 2004 or at settlement date. Where the hedge is considered effective in hedging the foreign currency denominated price of goods or services, forward contract premiums and gains or losses resulting from translation will be deferred and included in the hedged cost of the foreign goods or services purchased. Other premiums and gains or losses resulting from translation will be recognised in the Statement of Financial Performance.

SAFC entered into specific foreign hedging transactions with the South Australian Financing Authority during June 2003. The hedge was settled on 30 June 2004 (Note 30).

3. Changes in Accounting Policies

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Chief Executive of SAFC is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). SAFC has commenced analysing the exposure drafts issued by the AASB and has identified potential issues that may need to be addressed. SAFC will develop an implementation and adoption plan that will be reported to the Board Audit Subcommittee to manage the transition to the new standards. The plan requires the identification of:

- Major areas of accounting and reporting differences resulting from adoption of the new standards.
- Potential changes required to financial systems
- Key dates for monitoring and reviewing progress

SAFC will use the Model Financial Report for SA Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under the IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Standing Timber Valuation

Both the Australian Equivalent and IAS 41 'Agriculture' require standing timber to be valued at Net Market Value. SAFC is not anticipating a change will be required from it's Current Market Valuation method applied to its estimated standing timber volumes.

Non-Current Asset Acquisition and Recognition

The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than $1 million and estimated life is greater than three years) will continue to apply.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

Income Tax

The Australian equivalent to IAS 12 'Taxation' is proposing a comprehensive method/balance sheet approach to account for income tax. It is anticipated that a Treasurer's Instruction or APS will continue to mandate the profit and loss approach currently adopted. Therefore it is not anticipated that there will be a change in income tax accounting policy for SAFC.

4. Funding

SAFC is funded by its trading operations. Prices charged for its products are determined by existing market forces. This financial report encompasses the SAFC Operating Account with the Department of Treasury and Finance through which all funds controlled by SAFC are recorded.

Proceeds from the sale of all goods and services are controlled by SAFC and can be deployed for the achievement of its objectives. Returns to the South Australian Government are by way of payments in lieu of income tax and dividends in accordance with SAFC's Dividend policy.

5. Change in Net Market Value of Growing Timber

	Note	**2004**	2003
Change in net market value due to:		**$'000**	$'000
Normal growth and price changes		**80 866**	81 117
Reported in the Statement of Financial Performance as:			
Sales revenue (market value of growing timber realised)	6(ii)	**66 110**	60 097
Net change in value of unrealised growing timber due to:			
Change in volume	2.4	**2 894**	20 071
Change in wood prices	2.12	**14 810**	(613)
Young plantations valued at replacement cost	2.12	**(2 948)**	1 562
		14 756	21 020
Net Change in Market Value		**80 866**	81 117

		Note	2004 $'000	2003 $'000
6.	**Profit**			
	Profit from Ordinary Activities before income tax has been determined after:			
	(i) Charging as Expenses			
	Interest paid or payable	17	**104**	36
	Depreciation of non-current assets	13(b)	**1 612**	1 461
	Bad and doubtful debts	8	**-**	(2)
	Rental expense on operating leases:			
	Property		**127**	107
	Plant and equipment		**1 044**	1 152
	(ii) Crediting as Revenue			
	Sales Revenue:			
	Revenue realised from the sale of timber products	5	**66 110**	60 097
	Other sales revenue (including recoup of harvesting and transport costs)		**52 028**	53 612
			118 138	113 709
	Community service obligation funding received	1	**3 600**	3 512
	Other operating revenue:			
	Interest received or receivable		**1 177**	1 185
	Proceeds on disposal of non-current assets		**147**	66
	Government grants received		**472**	340
	Other revenue		**468**	572
			2 264	2 163
	(iii) During the year $22 000 was paid to consultants		**22**	31
	One consultancy for $10 000 was paid to JP Management Consulting (Asia Pacific) Pty Ltd			
7.	**Income Tax**			
	(i) The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:			
	Prima facie tax at 30 percent on profit from ordinary activities		**16 805**	17 647
	Tax effect of permanent differences			
	Forest revaluation		**(4 427)**	(6 306)
	Other permanent differences		**(127)**	252
			(4 554)	(6 054)
	Income tax attributable to operating profit before income tax		**12 251**	11 593
	Income Tax Expense		**12 251**	11 593
	(ii) The income tax expense comprises amounts set aside as:			
	Provision for income tax attributable to current year:			
	Income tax payable on operating profit		**12 223**	11 450
	Provision for income tax attributable to future years:			
	Provision for deferred income tax		**45**	186
	Future income tax benefit		**(17)**	(43)
	Income Tax Expense		**12 251**	11 593
8.	**Bad and Doubtful Debts**			
	Transfer to (from) doubtful debts		**-**	(2)
9.	**Auditors' Remuneration**			
	Amount received, or due and receivable, by the auditors for:			
	Auditing the accounts		**88**	85
			88	85
10.	**Receivables**			
	Current:			
	Trade debtors		**13 318**	11 606
	Other debtors		**287**	355
			13 605	11 961
11.	**Inventories**			
	Current:			
	Harvested log stocks		**871**	1 159
	Chip stocks		**367**	556
	Materials and stores		**225**	194
			1 463	1 909
	Non-Current:			
	Growing timber		**633 026**	618 270

12. Other Current Assets

	2004 $'000	2003 $'000
Prepayments	**731**	461

13. (a) *Property, Plant and Equipment*

	2004 $'000	2003 $'000
Land:		
At independent valuation	**257 265**	226 443
At cost	**3 766**	3 552
	261 031	229 995
Buildings:		
At cost	**9 527**	8 809
Less: Accumulated depreciation	**4 175**	3 787
	5 352	5 022
Plant and Equipment:		
At cost	**19 770**	16 961
Less: Accumulated depreciation	**9 713**	8 860
	10 057	8 101
Computer Software:		
At cost	**866**	759
Less: Accumulated depreciation	**624**	488
	242	271
Total Property, Plant and Equipment	**276 682**	243 389

(b) *Property, Plant and Equipment - Movement Schedule*

	Land $'000	Buildings and Structures $'000	Plant and Equipment $'000	Computer Software $'000	**2004 Total $'000**	2003 Total $'000
Balance at 1 July 2003	229 995	5 022	8 101	271	**243 389**	214 312
Additions	287	511	3 444	107	**4 349**	4 448
Disposals	(105)	-	(193)	-	**(298)**	(103)
Net revaluation increments	30 854	-	-	-	**30 854**	26 193
Reclassification	-	207	(207)	-	**-**	-
Depreciation expense	-	(388)	(1 088)	(136)	**(1 612)**	(1 461)
Balance at 30 June 2004	261 031	5 352	10 057	242	**276 682**	243 389

14. Tax Assets

	2004 $'000	2003 $'000
Future income tax benefit	**78**	61
	78	61

The future income tax benefit is made up of timing differences.

15. Creditors and Accruals

	2004 $'000	2003 $'000
Current:		
Trade creditors	**8 088**	5 125
Accrued expenses	**694**	1 022
Other creditors	**100**	89
	8 882	6 236
Non-Current:		
Other creditors	**272**	269
	272	269

16. Employee Benefits

	2004 $'000	2003 $'000
Current:		
Accrued salaries and wages	**103**	505
Workers compensation	**78**	103
Long service leave	**178**	205
Annual leave	**488**	403
Other	**26**	25
	873	1 241
Employee benefit on-costs*	**100**	89
	973	1 330
Non-Current:		
Workers compensation	**179**	274
Long service leave	**2 370**	2 340
	2 549	2 614
Employee benefit on-costs*	**272**	269
	2 821	2 883
Aggregate Employee Benefits and On-costs	**3 794**	4 213

* Employee benefit related on-costs are disclosed as creditors and accruals.

17. Interest Bearing Loan

	2004	2003
Current:	**$'000**	$'000
Unsecured	**189**	165
	189	165
Non-Current:		
Unsecured	**1 677**	1 866
	1 677	1 866

(a) Terms and Conditions Relating to the above Financial Instrument

SAFC entered into an unsecured 10 year loan with SAFA to purchase land. Repayments are due monthly with the final payment due on 26 February 2013 and the interest rate is fixed at 5.3 percent for the term of the loan.

18. Tax Liabilities

	2004	2003
Current:	**$'000**	$'000
Income tax payable	**3 921**	3 011
	3 921	3 011
Non-Current:		
Provision for deferred income tax	**1 062**	1 017
	1 062	1 017

19. Other Liabilities

Current:		
Revenue received in advance	**41**	63
	41	63

20. Equity

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

21. Contributed Equity

Contributed equity represents advances from the South Australian Government in the nature of contributions as owner.

	Note	2004 $'000	2003 $'000
Contributed equity at 1 July		**4 983**	4 983
Contributed Equity as at 30 June		**4 983**	4 983

22. Retained Profits

	Note	2004	2003
Retained profits at 1 July		**66 366**	68 058
Profit from ordinary activities after related income tax expense:		**43 765**	47 229
Transfer to growing timber revaluation reserve	24	**(14 756)**	(21 020)
Total available for appropriation		**95 375**	94 267
Dividends provided for or paid	23	**(21 793)**	(27 901)
Retained Profits at 30 June		**73 582**	66 366

Dividends are paid to the South Australian Government using a free cash model. The balance of retained profits is reinvested in capital and transfers to/from reserves.

23. Dividends Paid and Proposed

During the reporting period the SAFC made dividend payments to the Treasurer of $21 793 000 ($27 901 000).

Dividend payments totalling $20 873 000 were met from 2003-04 trading operations whilst the remaining $920 000 was a special dividend resulting from 2002-03 trading operations.

24. Reserves

	Note	2004 $'000	2003 $'000
Asset revaluation reserve		**244 957**	214 103
Growing timber revaluation reserve		**602 301**	587 545
		847 258	801 648

(a) Asset Revaluation Reserve

	Note	2004	2003
Movements in reserve:			
Balance at beginning of year		**214 103**	187 910
Revaluation increment on land	13(b)	**30 854**	26 193
Balance at End of Year		**244 957**	214 103

(b) Growing Timber Revaluation

	Note	2004	2003
Movements in reserve			
Balance at beginning of year		**587 545**	566 525
Net increase in value for period transferred from retained profits	5	**14 756**	21 020
Balance at End of Year		**602 301**	587 545

25. Expenditure Commitments

(a) Operating Leases

	2004 $'000	2003 $'000
Non cancellable operating leases contracted for but not capitalised in the Accounts:		
Due not later than one year	**838**	873
Later than one year but not later than five years	**814**	697
Later than five years	**131**	270
Total Operating Lease Commitments	**1 783**	1 840

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

The property lease is non cancellable, with rental payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments to be increased by 3 percent per annum. An option exists for the property to be leased for a further period of 5+5 years at the end of the rental agreement.

Plant and equipment leases are non cancellable, with rental payable monthly in arrears. Rental provisions within the lease agreements apply fixed rates for the full term of each lease.

No options exist to renew the leases at the end of the term of the leases.

(b) Capital Expenditure Commitments

During 2002-03 SAFC entered into a contract for the supply of replacement fire trucks at an estimated total program cost of $9.3 million and is anticipated to be completed by October 2005. The remaining liability of $6.9 million has not been provided for in the Statement of Financial Position as the contract is equally proportionally unperformed as at 30 June 2004.

(c) Contingent Liabilities

The Corporation has no contingent liabilities.

26. Statement of 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:

	2004 $'000	2003 $'000
Cash	**19 704**	13 428
	19 704	13 428

(ii) Reconciliation of Net Cash provided by Operating Activities to Operating Profit After Tax

	2004	2003
Net cash provided by operating activities	**30 847**	27 687
Other reconciliation movements:		
Net change in value of growing timber	**14 756**	21 020
Depreciation and amortisation	**(1 612)**	(1 461)
Doubtful debts	**-**	2
(Increase) Decrease in employee benefits:		
Long service leave	**(3)**	(135)
Annual leave	**(85)**	(132)
Workers compensation	**120**	141
Accrued salaries and wages	**402**	(70)
Other employee benefits	**(1)**	142
Movement in income taxes payable and future income tax benefit	**(938)**	(421)
(Loss) on sale of property, plant and equipment	**(110)**	(37)
Changes in Assets and Liabilities:		
Increase in receivables	**1 644**	978
(Decrease) in inventories	**(446)**	(809)
Increase (Decrease) in prepayments	**270**	(8)
Decrease (Increase) in creditors and accruals	**(1 101)**	283
Decrease in unearned revenue	**22**	49
Profit from Ordinary Activities after Related Income Tax Expense	**43 765**	47 229

27. Schedule of Administered Items

IPS Fund

SAFC administers a fund on behalf of a collective group interested in the effective control of the IPS beetle. The fund is for the publication of research findings. The only asset of the fund is cash and there were no liabilities at 30 June.

	2004 IPS Fund $'000	2003 IPS Fund $'000
Summary of cash held on deposit:		
Cash at beginning of year	**10**	10
Interest received	**1**	-
Cash at End of Year	**11**	10

28. Remuneration of Directors and Employees

(i) Directors' Remuneration

	2004	2003
	$'000	$'000
Income paid or due and payable to or on behalf of directors	**172**	181

The number of directors whose income was within the following bands:	Number of Directors	Number of Directors
$10 000 - $19 999	**4**	-
$20 000 - $29 999	**-**	1
$30 000 - $39 999	**2**	3
$40 000 - $49 999	**1**	-
$50 000 - $59 999	**-**	1

(ii) Employees' Remuneration

	2004	2003
	$'000	$'000
Income paid or due and payable to or on behalf of employees whose income was $100 000 or more.	**701**	383

	2004	2003
The number of executive officers whose income was within the following bands:	**Number of Executives**	Number of Executives
$100 000 - $109 999	**1**	1
$110 000 - $119 999	**1**	1
$120 000 - $129 999	**1**	-
$140 000 - $149 999	**1**	-
$160 000 - $169 999	**-**	1
$210 000 - $219 999	**1**	-

29. Related Party Disclosures

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

S Blencowe (Chairperson)
D Lloyd
J Ross
S Duncan
J Meeking
D McLeod
W Wilson

D McLeod and W Wilson Director appointments expired on 31 December 2003. They were replaced by D Lloyd and J Ross effective 1 January 2004.

Transactions between SAFC and its directors are made at arms length.

30. 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.

(ii) Interest Rate Risk Exposures

The economic entities 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.

	Floating Rate	Non-Interest Bearing	Fixed Interest Maturing: 1 year or less	Fixed Interest Maturing: Over 1 to 5 years	Fixed Interest Maturing: Over 5 years	2004 Total	2003 Total
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
Cash	19 704	-	-	-	-	**19 704**	13 428
Receivables	-	13 605	-	-	-	**13 605**	11 961
	19 704	13 605	-	-	-	**33 309**	25 389
Weighted average interest rate percent	4.87	-	-	-	-		
Financial Liabilities:							
Interest bearing loan	-	-	189	1 009	668	**1 866**	2 031
Payables	-	8 088	-	-	-	**8 088**	5 125
	-	8 088	189	1 009	668	**9 954**	7 156
Weighted average interest rate percent	-	-	5.35	5.35	5.35		-
Net Financial Assets (Liabilities)	19 704	5 517	(189)	(1 009)	(668)	**23 355**	18 233

(ii) Interest Rate Risk Exposures (continued)

Reconciliation of Net Financial Assets to Net Assets	**2004 $'000**	2003 $'000
Net financial assets as above	**23 355**	18 233
Non-financial Assets and (Liabilities):		
Current inventories	**1 463**	1 909
Other current assets	**731**	461
Non-current inventories	**633 026**	618 270
Property, plant and equipment	**276 682**	243 389
Other non-current assets	**78**	61
Other creditors and accruals	**(1 066)**	(1 380)
Employee benefits	**(3 422)**	(3 855)
Current provisions	**(3 921)**	(3 011)
Other current liabilities	**(41)**	(63)
Non-current provisions	**(1 062)**	(1 017)
Net Assets per Statement of Financial Position	**925 823**	872 997

(iii) Net Fair Value of Financial Assets and Liabilities

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

The resultant net fair values represents the best estimate of replacement cost. The cost of realising fair values is considered immaterial.

Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

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

	2004 $'000	2003 $'000
Financial Assets:		
Cash	**19 704**	13 428
Trade debtors	**13 605**	11 961
	33 309	25 389
Financial Liabilities:		
Trade creditors	**8 088**	5 125
Interest bearing loan	**1 866**	2 031
	9 954	7 156

(iv) Terms and Conditions

Financial Assets

- *Cash on Hand and Deposits*

  Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account and the interest rate average overnight cash deposit rate less 0.05 percent which averaged 4.87 percent for the year ended 30 June 2004.

- Receivables

  Receivables are recorded at amounts due to SAFC less a provision for doubtful debts. They are recorded as the debts fall due. Receivables are due within 30 days.

Financial Liabilities

- *Creditors*

  Creditors 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.

  Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(v) Hedging Instruments

Hedges of Specific Instruments

SAFC closed exchange contracts during June 2004 that were entered as a hedge of anticipated costs to purchase components relating to the fire truck replacement program (Note 25(b)). Under the contract, SAFC sold $US821 219 and EURO 133 177 on 30 June 2004. As the hedge transaction was treated as specific, in accordance with UIG 33, the realised exchange loss of $112 444 at 30 June, was recognised as part of the cost to purchase the components.

PORTFOLIO – TOURISM

MINISTER FOR TOURISM

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Minister, namely the:

- Minister for Tourism

The agencies included herein relating to the portfolio of Tourism are:

- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation
- South Australian Tourism Commission

ADELAIDE CONVENTION CENTRE CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Convention Centre Corporation, a subsidiary to the Minister for Tourism, was established pursuant to regulations under the *Public Corporations Act 1993*.

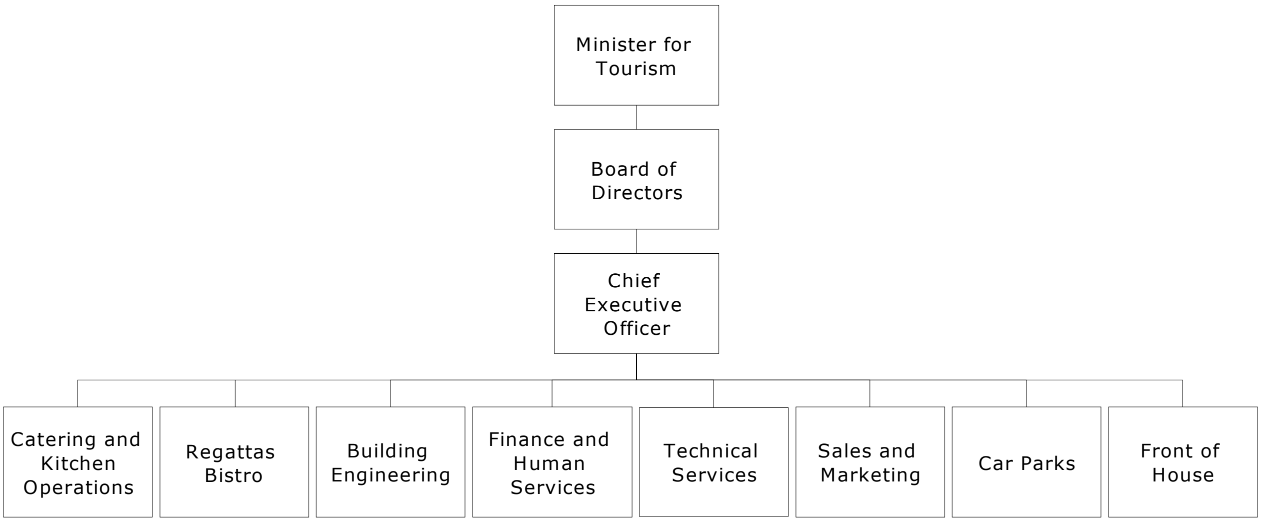
Functions

The functions of the Adelaide Convention Centre Corporation are as follows:

- Manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Adelaide Convention Centre.
- Manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere.
- Foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Adelaide Convention Centre.
- Carry out other functions conferred on the subsidiary by the Minister.

Structure

The structure of the Corporation at 30 June 2004 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Schedule to the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of Controls

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- revenue
- expenditure
- payroll
- inventory
- property, plant and equipment
- general ledger.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Convention Centre Corporation as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Adelaide Convention Centre Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Convention Centre Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

The outcome of the audit was satisfactory and as a result, no management letter was forwarded to the Chief Executive Officer.

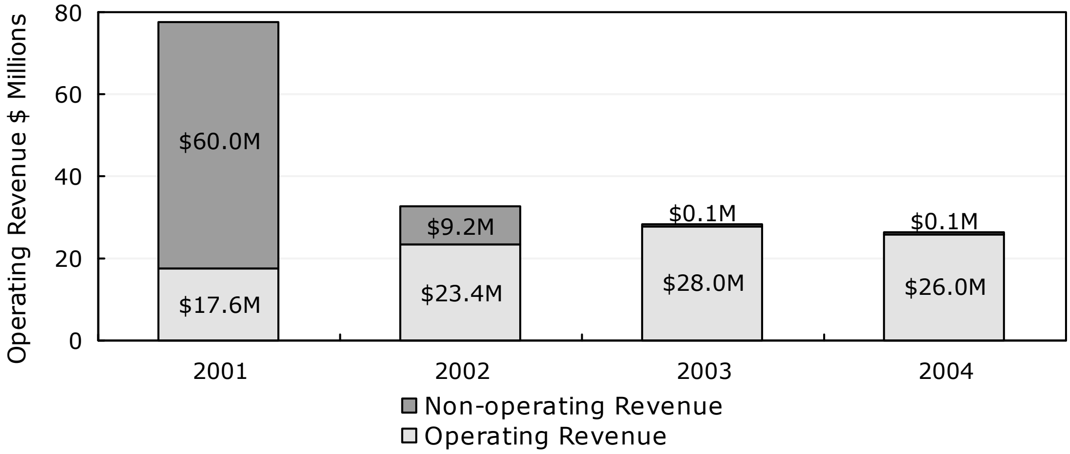
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenue

The Corporation's revenue for the year decreased by $2 million to $26.1 million. The reduction is the net result of a decrease in contribution from the South Australian Government of $2.3 million and an increase in interest of $257 000. Revenue from trading operations remained static at $19.9 million.

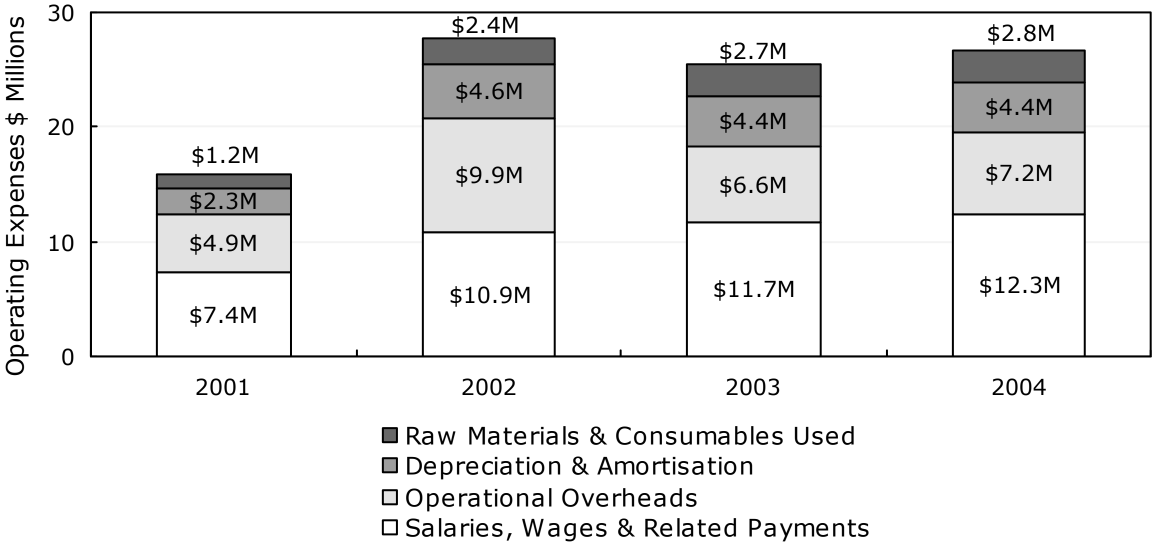
For the fours years to 2004 a structural analysis of main revenue items for the Corporation is presented in the following chart. The non-operating revenue for 2001 and 2002 includes $60 million and $9 million respectively, being contributions from the South Australian Government towards the upgrade of the Adelaide Convention Centre.



Expenses

The Corporation's expenses for 2004 have increased by $1.3 million to $26.7 million mainly as a result of increases in salaries, wages and related expenses of $589 000 and operational overheads of $646 000.

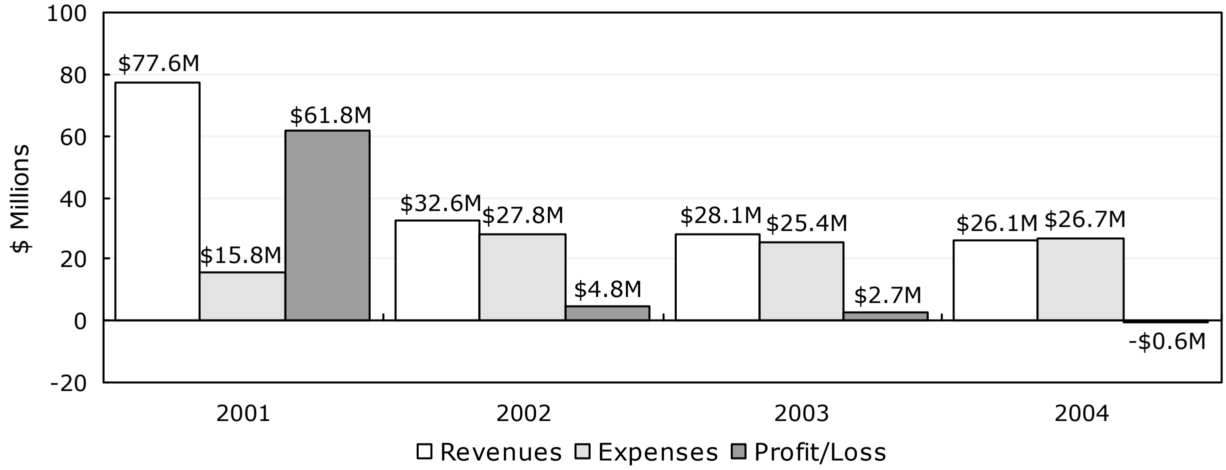
For the four years to 2004, a structural analysis of the main operating expense items for the Corporation is shown in the following chart. The increase in operating expenses since 2001 reflects the expansion of the Centre. Operational overheads for 2002 include $2.8 million being loss on revaluation on non-current assets.



Operating Result

The Corporation incurred a loss of $661 000 for the year compared to a profit of $2.7 million in 2003. The major items contributing to this change are the reduction of $2.3 million in contribution from the South Australian Government and an increase in expenses of $1.3 million.

The following chart shows the revenues, expenses and profits/loss for the four years to 2004. The significant increase in the non-operating component of revenue for 2001 and 2002 was previously explained under 'Statement of Financial Performance'.



Statement of Financial Position

There was no material change in the net assets of the Corporation. The net assets of $159.1 million include $145 million for buildings, plant and equipment.

Statement of Cash Flows

Cash held by the Corporation was $16.2 million ($16.2 million) and includes $9.1 million in cash on deposit, cash at bank and cash on hand; and $7.1 million in specific purpose deposits - refer Note 22(a).

Statement of Financial Performance
for the year ended 30 June 2004

	Note	**2004**	2003
REVENUES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Revenues from operating activities	4	**25 973**	28 049
Revenues from non-operating activities	5	**113**	88
Total Revenues from Ordinary Activities		**26 086**	28 137
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related expenses	13(a)	**12 284**	11 695
Raw materials and consumables used		**2 784**	2 748
Operational overheads	6	**7 243**	6 597
Depreciation and amortisation	7	**4 436**	4 360
Total Expenses from Ordinary Activities		**26 747**	25 400
OPERATING (LOSS) PROFIT		**(661)**	2 737
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER		**(661)**	2 737

Statement of Financial Position as at 30 June 2004

	Note	**2004 $'000**	2003 $'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	22(a)	**9 132**	7 843
Receivables	8	**788**	786
Inventories		**218**	217
Other current assets	9	**665**	534
		10 803	9 380
NON-CURRENT ASSETS:			
Specific purpose deposits	10, 22(a)	**7 105**	8 364
Buildings, plant and equipment	11	**144 956**	145 749
		152 061	154 113
Total Assets		**162 864**	163 493
CURRENT LIABILITIES:			
Payables	12	**459**	542
Employee benefits and related costs	13(b)	**627**	690
Taxation liabilities		**-**	36
Provision for dividend	14	**-**	355
Security deposits held	22(a)	**1 978**	1 517
		3 064	3 140
NON-CURRENT LIABILITIES:			
Employee benefits and related costs	13(b)	**677**	569
		677	569
Total Liabilities		**3 741**	3 709
NET ASSETS		**159 123**	159 784
EQUITY:			
South Australian Government equity		**77 804**	77 804
Retained profits	15	**78 773**	79 434
Asset revaluation reserve		**2 546**	2 546
TOTAL EQUITY		**159 123**	159 784
Commitments and Contingent Liabilities	16		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Facility charges		**20 345**	19 794
GST on facility charges		**1 999**	2 069
Interest income		**1 026**	751
Other revenue		**11**	20
Operating contribution from SA Government		**5 018**	7 316
		28 399	29 950
Payments to suppliers and employees		**(22 348)**	(20 691)
Payment of GST on purchases		**(1 046)**	(1 069)
GST payments to Taxation Authority		**(989)**	(1 023)
		(24 383)	(22 783)
Net Cash provided by Operating Activities	22(b)	**4 016**	7 167
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets		**113**	88
Payment for assets		**(3 744)**	(4 370)
Net Cash used in Investing Activities		**(3 631)**	(4 282)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividend		**(355)**	-
Net Cash used in Financing Activities		**(355)**	-
NET INCREASE IN CASH HELD		**30**	2 885
CASH AT 1 JULY		**16 207**	13 322
CASH AT 30 JUNE	22(a)	**16 237**	16 207

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions

(a) Establishment

The Adelaide Convention Centre Corporation was established as a subsidiary to the Minister for Tourism by Regulations issued under the *Public Corporations Act 1993.*

(b) Functions

The functions of the Corporation are to:

- Manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Adelaide Convention Centre;
- Manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere;
- Attract economic benefits to the state of South Australia; and
- Foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Adelaide Convention Centre.

2. Funding

(a) Contributions from SA Government

The South Australian Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas and the Riverbank Precinct, Exhibition Hall land rent and the depreciation of buildings. For the 2003-04 financial year, the funding for the depreciation of buildings was reduced by $1.5 million, from $2.9 million to $1.4 million. The $1.5 million reduction in funding was the Corporation's contribution to the required Tourism portfolio savings.

The funding for the depreciation of buildings is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

All other financial activities of the Corporation are conducted through an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Operating Account'.

3. Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Corporation in the preparation of the accounts.

(a) Basis of Accounting

The general purpose Financial Statements have been presented in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987* and Urgent Issues Group Consensus Views.

The going concern and the accrual accounting basis have been used for the preparation of the Financial Statements. With accrual accounting, items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The Financial Statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or current valuations with the exception of the revaluation of non-current assets.

(b) Tax Equivalent Regime

The Corporation is required to pay income tax equivalents using the Accounting Profits Model and other tax equivalents to the State Government in accordance with Treasurer's Instruction 22 'Tax and Tax Equivalents Applicable to Government Businesses'.

No income tax equivalent is payable for 2003-04 due to the Corporation having an operating loss of $661 000.

(c) Dividend Policy

The Department of Treasury and Finance have determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents. This distribution is reduced by the income tax equivalent expense plus the other Tax Equivalent Regime expenditure resulting in a dividend which is paid to the Department of Treasury and Finance. The deduction of income tax equivalent and other Tax Equivalent Regime expenditure from the gross 75 percent distribution ensures consistency with Competitive Neutrality and Department of Treasury and Finance policies concerning budget neutrality.

No dividend has been provided for 2003-04 due to the Corporation having an operating loss of $661 000.

(d) Revenue Recognition

Revenue from Operating Activities is recorded in the Statement of Financial Performance at the time it is earned or at the time control passes to the Corporation. This is generally at the conclusion of an event or after a service has been provided. Interest revenues are recognised as they accrue.

(e) Provision for Doubtful Debts

The Corporation's Board of Directors has deemed that the provision for doubtful debts should be calculated at 0.25 percent of annual turnover. Any trade debtors that are considered doubtful as at 30 June 2004 are added to this figure.

(f) Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Useful Life Years
Motor vehicles	5
Plant and equipment	3-20
Furniture, fixtures and fittings	3-10
Crockery, cutlery and glassware	3-10
Buildings	50

Leasehold improvements are amortised over the period of the lease.

Minor items with an individual value of less than $1 000 and a useful life deemed to be less than three years have been expensed in the year of acquisition.

(g) Valuation of Non-Current Assets

All classes of non-current assets with the exception of motor vehicles were revalued as at 28 February 2002 by Edward Rushton (Australia) Pty Ltd with the fair value methodology being adopted as the valuation basis. It is the Corporation's policy to revalue these assets every three years.

Notwithstanding the above, all non-current assets are reviewed annually to ensure there are no material differences from their carrying amounts .

(h) Work in Progress

The Corporation capitalises costs associated with projects to work in progress. On completion of a project the capitalised costs are transferred to the relevant non-current asset account. The balance of work in progress reflects costs for projects which are at various stages of completion as at 30 June 2004.

(i) Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of functions that will have a net realisable value that exceeds cost. Cost is assigned on a current cost basis.

(j) Leases

The Corporation has no finance leases.

The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. The leases are reviewed each year for adjustments in the consumer price index.

Operating lease payments are expensed over the accounting periods covered by the lease term (refer Note 16).

(k) Employee Benefits

Employee Numbers

The Corporation had 278 (264) full time equivalent employees as at 30 June 2004, of which 143 (112) were permanent and 135 (152) were casual. The number of casual employees actually working is dependent on the level of activity in the Centre. The Corporation has a casual labour base workforce of 317 (379) employees.

Workers Compensation

The Corporation is deemed to be an exempt employer by virtue of the *Workers Rehabilitation and Compensation Act 1986*, and as such is registered with the WorkCover Corporation as an exempt employer. Being an exempt employer, the Corporation's liability is limited to medical, income and other day to day type expenses associated with a claim . The Corporation is not liable for any lump sum, redemption or permanent disability type payments as these are funded through a central government fund.

Employer Superannuation

The Corporation made contributions of $993 000 ($928 000) in respect of its employees for the financial year to several superannuation schemes operated by the South Australian Government.

Accrued Salaries and Wages

Liability for salaries and wages is measured as the portion of unpaid service as at 30 June 2004 at current pay rates.

Annual Leave

Provision has been made for the unused component of annual leave as at 30 June 2004. The liability is calculated at nominal amounts based on the 2004-05 pay rates and is expected to be paid over the next twelve months of the 2004-05 financial year. On-costs (payroll tax and superannuation) have been included in the liability and calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Sick Leave

No provision has been made for sick leave as it is a non-vesting employee entitlement. Sick leave, when taken, is considered to be taken from the current year's accrual and therefore no liability is to be recognised.

Long Service Leave

A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with seven or more years service. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been included in the provision and calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (55 percent of the liability at June 2004). This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent). A weighted average superannuation contribution rate covering employees of various schemes of 10 percent was used as advised by the Department of Treasury and Finance.

The current component of long service leave is determined on what was taken during the current financial year and based on estimates of long service leave due to be taken during the 12 months ending 30 June 2005.

(l) Security Deposits Held

The Corporation will hold all security deposits on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

(m) Financial Instruments

The Corporation's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2004, are as follows:

Financial Assets

Cash on deposit and at bank comprises deposits at call with the Westpac Banking Corporation and BankSA and are recorded at cost. Interest revenues are recognised as they accrue. For the deposit with the Westpac Banking Corporation, the interest rate ranged from 4.6 percent to 5.1 percent. For the account with BankSA, the interest rate was nil.

Specific Purpose Deposits comprise the Future Asset Replacement Deposit Account with the Department of Treasury and Finance and the Adelaide Railway Station Area Service Facilities maintenance monies at SAFA. Both Deposits are recorded at cost and interest revenues are recognised as they accrue. The interest rate on the Deposit Account with the Department of Treasury and Finance ranged from 4.60 percent to 5.10 percent and the average interest rate on the monies at SAFA ranged from 4.78 percent to 5.51 percent.

Total Receivables (Note 8) are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors (Note 12) are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade creditor.

Security deposits held are recorded at cost.

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

(n) Comparative Figures

Where appropriate, the comparative figures have been adjusted where additional note disclosures have been shown in the current financial year.

(o) Impact of Adopting Australian Equivalents of International Financial Reporting Standards

The Corporation has allocated internal resources to undertake an impact assessment to identify key areas that will be impacted by the transition from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. At this stage the Corporation has graded the impact as being low with no material impact on the financial report. Any change in accounting policy as a result of the transition to IFRS will be approved by the Corporation's Audit Committee.

4. Revenues from Operating Activities	**2004**	2003
	$'000	$'000
Catering	**10 058**	10 399
Room Hire	**2 891**	2 640
Technical services	**3 112**	3 299
Car parking	**3 856**	3 605
Contribution from SA Government	**5 018**	7 316
Interest received or earned	**1 027**	770
Sundry income	**11**	20
Total Revenues from Operating Activities	**25 973**	28 049

5. Revenues from Non-Operating Activities		
Gross proceeds from the sale of non-current assets	**113**	88
Total Revenues from Non-Operating Activities	**113**	88

6. Operational Overheads		
Maintenance	**798**	724
Marketing and promotions	**875**	739
Building service costs	**3 016**	2 667
Administration expenses and sundries	**2 453**	2 365
Carrying amount of non-current assets disposed[(a)]	**101**	102
Total Operational Overheads	**7 243**	6 597

(a) Net profit (loss) on disposal of non-current assets is $12 000 ($14 000).

		2004	2003
7.	**Depreciation and Amortisation**	**2004**	2003
	Depreciation expense for the reporting period was charged in respect of:	**$'000**	$'000
	Buildings	**2 903**	2 879
	Plant, equipment, furniture, fixtures, fittings, motor vehicles, crockery, cutlery and glassware	**1 503**	1 451
		4 406	4 330
	Amortisation expense for the reporting period was charged in respect of:		
	Leasehold improvements	**30**	30
	Total Depreciation and Amortisation	**4 436**	4 360
8.	**Receivables**		
	Trade receivables	**838**	925
	Provision for doubtful debts	**(50)**	(139)
	Total Receivables	**788**	786
9.	**Other Current Assets**		
	Prepayments	**519**	420
	Accrued income	**146**	114
	Total Other Current Assets	**665**	534
10.	**Specific Purpose Deposits**		
	Future Asset Replacement Deposit Account	**5 539**	6 883
	Adelaide Railway Station Area Services Facilities maintenance investment in SAFA	**1 566**	1 481
	Total Specific Purpose Deposits	**7 105**	8 364
11.	**Buildings, Plant and Equipment**		
	Buildings		
	Opening balance	**143 662**	141 460
	Additions	**308**	2 051
	Transfers from work in progress	**1 289**	151
	Closing Balance	**145 259**	143 662
	Accumulated depreciation:		
	Opening balance	**(4 955)**	(2 076)
	Depreciation expense	**(2 903)**	(2 879)
	Closing Balance	**(7 858)**	(4 955)
	Net Carrying Amount	**137 401**	138 707
	Leasehold Improvements		
	Opening balance	**297**	295
	Additions	**2**	2
	Closing Balance	**299**	297
	Accumulated amortisation:		
	Opening balance	**(71)**	(41)
	Amortisation expense	**(30)**	(30)
	Closing Balance	**(101)**	(71)
	Net Carrying Amount	**198**	226
	Plant and Equipment		
	Opening balance	**6 508**	5 349
	Additions	**409**	911
	Transfers from work in progress	**715**	332
	Disposals	**(74)**	(84)
	Closing Balance	**7 558**	6 508
	Accumulated depreciation:		
	Opening balance	**(1 688)**	(482)
	Depreciation expense	**(1 270)**	(1 227)
	Disposals	**50**	21
	Closing Balance	**(2 908)**	(1 688)
	Net Carrying Amount	**4 650**	4 820
	Furniture, Fixtures and Fittings		
	Opening balance	**1 111**	1 101
	Additions	**15**	19
	Transfers from work in progress	**46**	7
	Disposals	**(5)**	(16)
	Closing Balance	**1 167**	1 111
	Accumulated depreciation:		
	Opening balance	**(194)**	(50)
	Depreciation expense	**(146)**	(148)
	Disposals	**4**	4
	Closing Balance	**(336)**	(194)
	Net Carrying Amount	**831**	917

11.	**Buildings, Plant and Equipment (continued)**	**2004**	2003
	Motor Vehicles	**$'000**	$'000
	Opening balance	**233**	205
	Additions	**129**	76
	Disposals	**(119)**	(48)
	Closing Balance	**243**	233
	Accumulated depreciation:		
	Opening balance	**(58)**	(40)
	Depreciation expense	**(48)**	(41)
	Disposals	**43**	23
	Closing Balance	**(63)**	(58)
	Net Carrying Amount	**180**	175
	Crockery, Cutlery and Glassware		
	Opening balance	**378**	154
	Additions	**30**	258
	Transfers from work in progress	**37**	-
	Disposals	**-**	(34)
	Closing Balance	**445**	378
	Accumulated depreciation:		
	Opening balance	**(62)**	(59)
	Depreciation expense	**(39)**	(35)
	Disposals	**-**	32
	Closing Balance	**(101)**	(62)
	Net Carrying Amount	**344**	316
	Work in Progress		
	Opening balance	**588**	25
	Additions	**2 851**	1 053
	Transfers to buildings, plant and equipment, furniture, fixtures and fittings and crockery, cutlery and glassware	**(2 087)**	(490)
	Closing Balance	**1 352**	588
	Net Carrying Amount Buildings, Plant and Equipment	**144 956**	145 749

Edward Rushton (Australia) Pty Ltd independently valued all of the non-current assets with the exception of the motor vehicle class as at 28 February 2002. The valuation was performed on the basis of fair value (refer Note 3(g)).

12.	**Payables**	**2004**	2003
		$'000	$'000
	Trade creditors	**284**	416
	Accruals	**175**	126
	Total Payables	**459**	542

13.	**Employee Benefits and Related Expenses**		
	(a) Salaries, Wages and Related Expenses		
	Salaries and wages	**9 902**	9 596
	Superannuation and payroll tax expenses	**1 630**	1 539
	Annual and long service leave expenditure	**752**	560
	Total Salaries, Wages and Related Expenses	**12 284**	11 695
	(b) Employee Benefits and Related Costs		
	Current:		
	Accrued salaries and wages	**80**	133
	Annual leave	**377**	390
	Long service leave	**103**	93
	Employee on-costs	**67**	74
	Total Current	**627**	690
	Non-Current:		
	Long service leave	**621**	523
	Employee on-costs	**56**	46
	Total Non-Current	**677**	569

14.	**Provision for Dividend**		
	Provision for dividend at 1 July	**355**	273
	Dividends provided for or paid	**(355)**	82
	Provision for Dividend at 30 June	**-**	355

15. Retained Profits

	2004	2003
	$'000	$'000
Retained profits at 1 July	**79 434**	76 779
Dividends provided for or paid	**-**	(82)
Operating (loss) profit	**(661)**	2 737
Retained Profits at 30 June	**78 773**	79 434

16. (a) *Commitments*

	2004	2003
Not later than one year	**430**	406
Later than one year and not later than five years	**1 721**	1 622
Later than five years	**22 666**	22 745
Total Commitments	**24 817**	24 773

Commitments relate to operating lease obligations (refer to Note 3(j)).

(b) Contingent Liabilities

The Corporation has no contingent liabilities.

17. Consultants

The Corporation engaged no consultants for the 2003-04 period. For 2002-03 the Corporation engaged one consultant with expenditure totalling $14 000.

18. Remuneration of Executives greater than $100 000

The number of employees who received, or were due to receive, remuneration (including superannuation, motor vehicle and fringe benefits tax payable on benefits) in connection with the management affairs of the Corporation were:	**2004 Number of Executives**	2003 Number of Executives
$100 000 - $109 999	**3**	4
$140 000 - $149 999	**-**	1
$150 000 - $159 999	**1**	-
$240 000 - $249 999	**-**	1
$250 000 - $259 999	**1**	-

The aggregate remuneration of the executives referred to in the above bands was $734 000 ($817 000) .

19. Related Party Information

The names of each person holding the position as Board member of the Corporation during the financial year was:

Ms J Jeffreys	–	Chairman
Mr J Ellison		
Mr R Dundon		
Ms S Saville		
Ms D Von Wald	–	Appointed 1 October 2003
Mr C Dunsford	–	Term expired 30 September 2003, former Chairman
Ms J Turbill	–	Term expired 30 September 2003
Mr M Keelan	–	Term expired 30 September 2003

The members of the Board may use the services and facilities of the Centre under terms & conditions no more favourable than members of the public.

20. Remuneration of Board Members

The number of Board members who received, or were due to receive, remuneration from the Corporation were:	**2004 Number of Members**	2003 Number of Members
$0 (South Australian Government employee)	**1**	-
$0 - $9 999	**6**	8
$10 000 - $19 999	**1**	1

The aggregate remuneration of the Board members referred to in the above bands was $50 000 ($72 000).

21. Remuneration to Auditors

The total received, or due and receivable by the Auditor-General's Department in respect of:	**2004 $'000**	2003 $'000
Auditing the accounts	**36**	36

22. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

	2004	2003
Current:	$'000	$'000
Cash on deposit and at bank[(a)]	**9 075**	7 794
Cash on Hand	**57**	49
	9 132	7 843
Non-Current:		
Specific purpose deposits[(b)]	**7 105**	8 364
Total cash on deposit, at bank and on hand	**16 237**	16 207

(a) Includes security deposits held of $2 million ($1.5 million) which have restrictions on when used as operational cash (refer Note 3(l)).

(b) Specific purpose deposits (refer Note 10) cannot be used as operational cash.

(b) Reconciliation of Operating (Loss) Profit to Net Cash Provided by Operating Activities

	2004	2003
	$'000	$'000
Operating (loss) profit	**(661)**	2 737
Depreciation and amortisation	**4 436**	4 360
(Profit) Loss on disposal of non-current assets	**(12)**	14
Change in assets and liabilities:		
Increase in receivables	**(2)**	(392)
Increase in inventories	**(1)**	(8)
Increase in other current assets	**(131)**	(63)
(Increase) Decrease in payables	**(83)**	118
Decrease in taxation liabilities	**(36)**	(23)
Increase in security deposits held	**461**	321
Increase in employee benefits and related costs	**45**	103
Net Cash provided by Operating Activities	**4 016**	7 167

ADELAIDE ENTERTAINMENTS CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Entertainments Corporation, a subsidiary to the Minister for Tourism, was established on 4 February 1999 pursuant to regulations under the *Public Corporations Act 1993.*

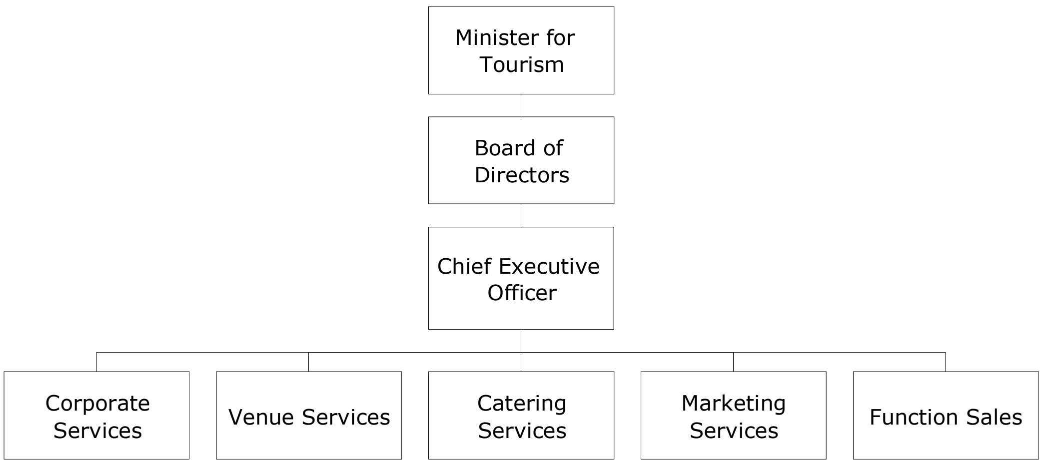
Functions

The functions of the Adelaide Entertainments Corporation are to:

- manage and operate the Adelaide Entertainment Centre (the Centre) site;
- manage, promote and sponsor events at the Centre site or elsewhere;
- foster and assist the commercial development of the Centre site in order to complement and enhance the commercial potential of the Centre;
- carry out other functions conferred on the subsidiary by the Minister.

Structure

The structure of the Adelaide Entertainments Corporation at 30 June 2004 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Schedule to the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Adelaide Entertainments Corporation for each financial year.

Assessment of Controls

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- Corporate Governance
- Revenue
- Payroll
- Expenditure
- Inventory
- Fixed Assets.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Entertainments Corporation as at 30 June 2004 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

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

Audit Communications to Management

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

Corporate Governance

Audit reviewed the corporate governance framework of the Corporation in relation to planning and risk management. Audit found that the Corporation has developed and implemented an annual 'Strategic Planning for AEC Business' process and 'Risk Register'. It was considered that the corporate governance framework could be further strengthened by providing a longer term strategic direction for the Corporation and developing policies for strategic planning and the review of the 'Risk Register' on an ongoing basis.

The Corporation responded that it will prepare a new Strategic Plan and Policy framework for consideration by the Board. It has also undertaken to review the Audit recommendation with respect to the review of the Risk Register with the Corporation's Audit Committee.

Internal Audit

Section 18(1) of the Public Corporations (Adelaide Entertainments Corporation) Regulations 1999 requires the Corporation to establish and maintain effective internal auditing of its operations.

Audit assessed the Corporation's compliance with this requirement and found that the Audit Committee had considered the matter but it was not supported with an appropriately documented risk assessment for its business activities.

The Corporation responded that it considers the existing risk assessment process had substantially addressed areas relevant to internal audit and had not identified areas of material concern. It has agreed to revisit the risk assessment in 2004-05.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

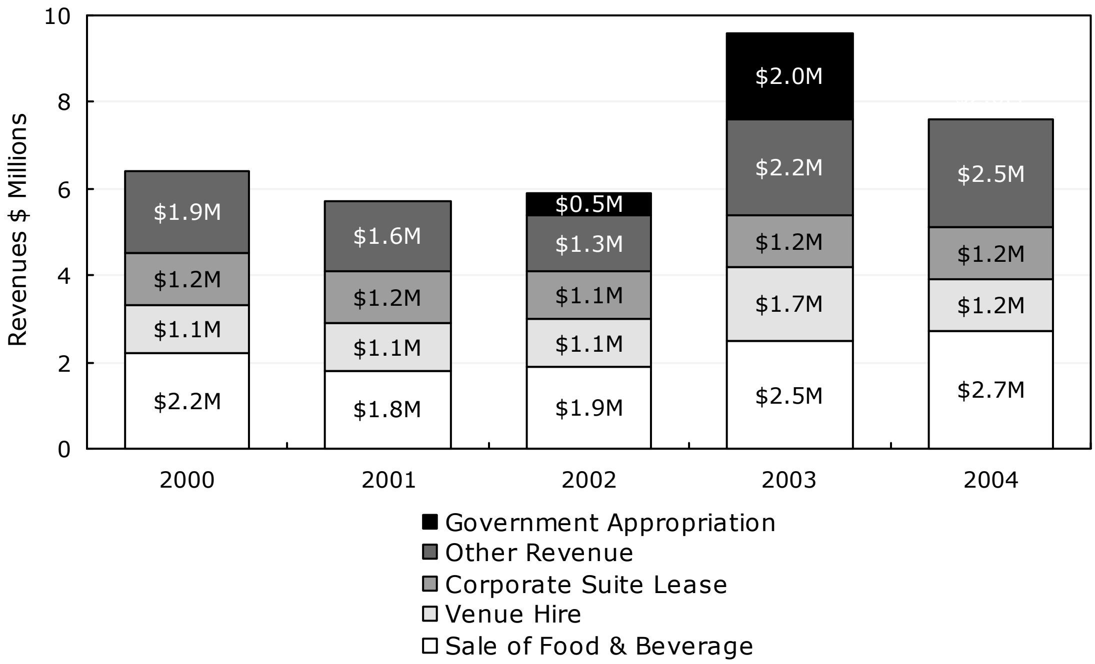
	2004 $'million	2003 $'million	Percentage Change
REVENUE			
Revenue from venue operations	**5.1**	5.4	(6)
Government appropriation	**-**	2.0	(100)
Other revenue	**2.5**	2.2	14
Total Revenue	**7.6**	9.6	(21)
EXPENDITURE			
Salaries, wages and related payments	**3.7**	3.4	9
Depreciation and amortisation	**1.6**	1.9	(16)
Other expenses	**3.8**	3.9	(3)
Total Operating Expenses	**9.1**	9.2	(1)
Surplus (Deficit)	**(1.5)**	0.4	(475)
ASSETS			
Current assets	**3.0**	4.4	(32)
Non-current assets	**56.1**	46.8	20
Total Assets	**59.1**	51.2	15
LIABILITIES			
Current liabilities	**1.0**	1.3	(23)
Non-current liabilities	**0.1**	0.1	-
Total Liabilities	**1.1**	1.4	(21)
EQUITY	**58.0**	49.8	16

Statement of Financial Performance

Revenues

The Corporation's revenue of $7.6 million in 2004 reflects the continued high trading activity during 2004.

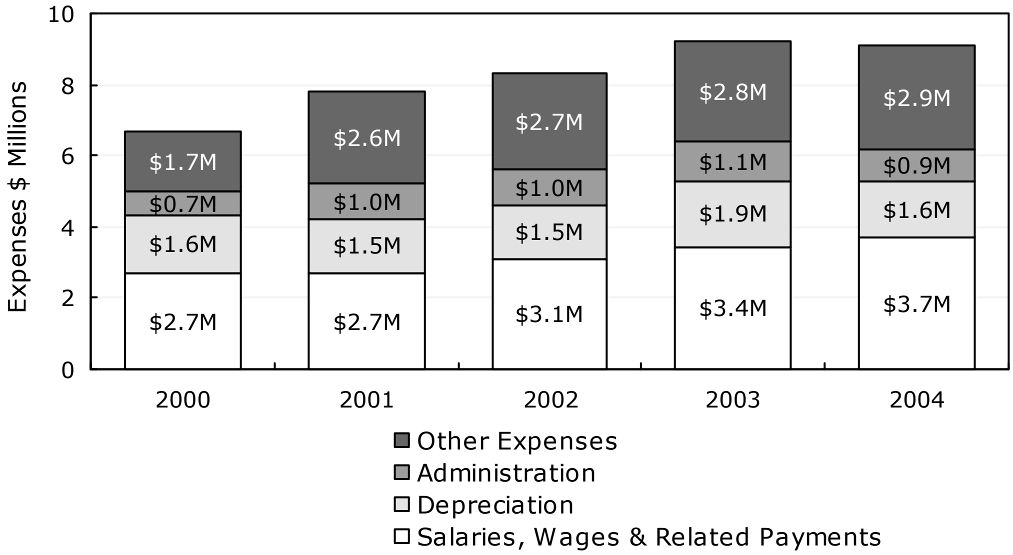
A structural analysis of operating revenues for the Corporation in the five years to 2004 is presented in the following chart.



Expenses

The Corporation's expenses of $9.1 million in 2004 reflect the continued high trading activity during 2004, as well as the increased cost of salaries, wages and related payments.

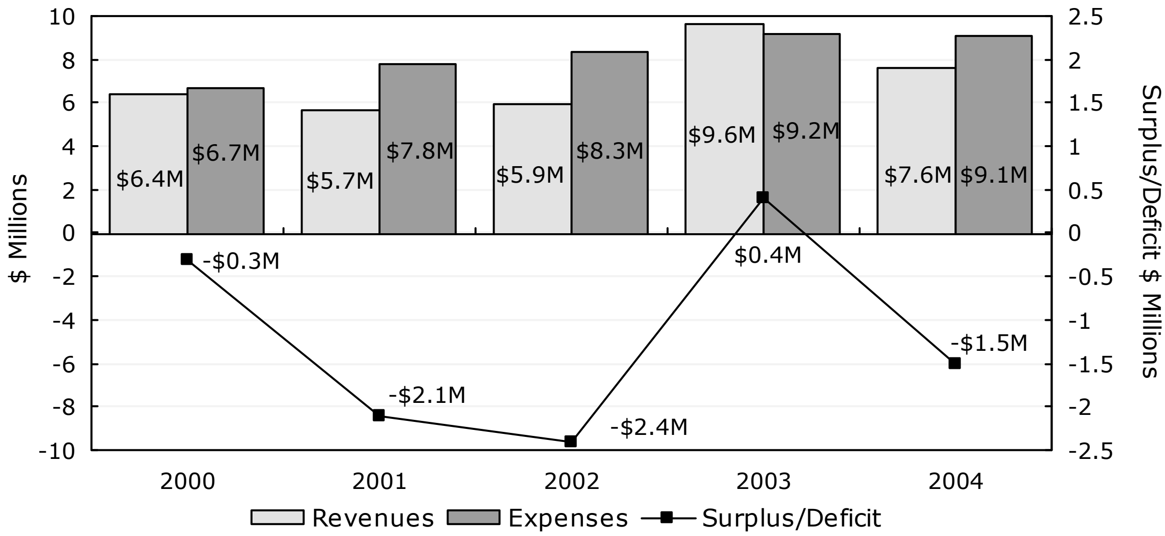
For the five years to 2004, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Operating Result

The Corporation recorded a deficit of $1.54 million for the year ended 30 June 2004 after a surplus of $416 000 for the year ended 30 June 2003. The surplus in 2002-03 was determined after recognising grant funding from the South Australian Government of $2 million. The Corporation's reported operating deficit for each of the past five years, excluding 2002-03, reflects the impact of depreciation expense associated with the Entertainment Centre building. These results are consistent with the Corporation's trading activities not fully recovering the capital cost of constructing the Centre.

The following chart shows the revenues, expenses and surpluses/deficits for the five years to 2004.

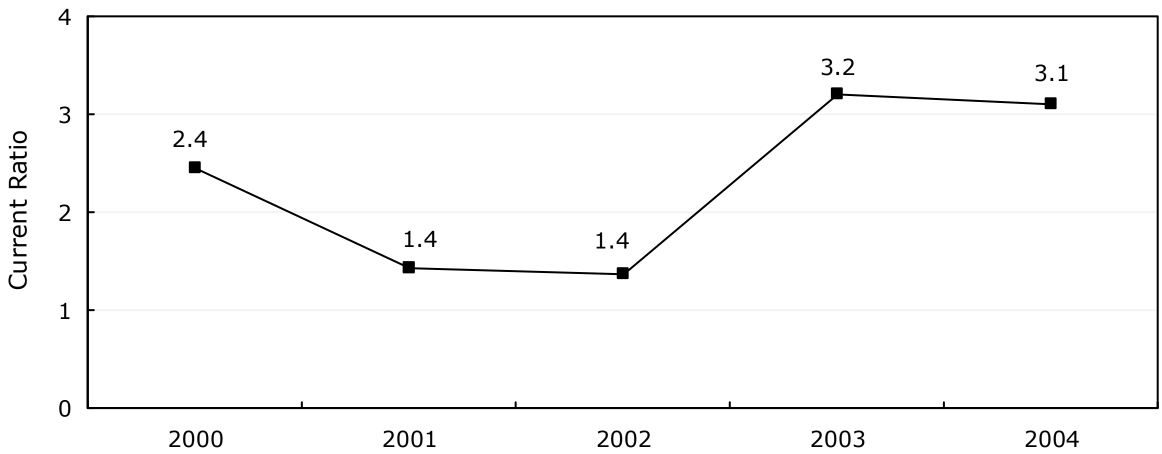


Statement of Financial Position

The Corporation's current ratio (current assets divided by current liabilities) continues to be greater than 1 reflecting the Corporation's ability to continue operating as a going concern.

The Corporation is an asset intensive public sector entity with net assets of $58 million recorded in 2004. The increase of $8.2 million from $49.8 million in 2003 mainly reflects a revaluation of land and buildings as at 30 June 2004.

For the five years to 2004, the movement in the current ratio is presented in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**(0.4)**	2.8	(0.3)	0.2
Investing	**(1.1)**	(0.1)	(0.6)	(0.4)
Change in Cash	**(1.5)**	2.7	(0.9)	(0.2)
Cash at 30 June	**2.6**	4.1	1.4	2.3

The analysis of cash flows shows that the Adelaide Entertainments Corporation's cash holdings have decreased from $4.1 million in 2003 to $2.6 million in 2004. The decrease of $1.5 million (37 percent) is due to:

- operating outflows exceeding operating inflows by $0.4 million;
- the purchase of property, plant and equipment of $1.1 million;
- no operating revenue being received from the Government in 2004 ($2 million was received last year).

Statement of Financial Performance for the year ended 30 June 2004

	Note	**2004**	2003
REVENUE FROM TRADING ACTIVITIES:		**$'000**	$'000
Sale of food and beverage	4	**2 684**	2 534
Corporate suite lease		**1 155**	1 190
Venue hire		**1 245**	1 692
Recovery of production costs		**1 142**	1 169
Interest revenue		**182**	160
Merchandise revenue		**199**	214
Equipment hire		**163**	78
Other revenue	5	**662**	555
Total Revenues		**7 432**	7 592
EXPENSES FROM TRADING ACTIVITIES:			
Salaries, wages and related payments		**3 560**	3 219
Depreciation	6	**186**	242
Administration		**836**	889
Production costs		**1 103**	807
Food and beverage purchases		**801**	784
Repairs and maintenance		**42**	75
Utilities		**95**	104
Other expenses	9	**239**	250
Total Expenses		**6 862**	6 370
SURPLUS FROM TRADING ACTIVITIES		**570**	1 222
REVENUES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Grant		**50**	-
Other revenue	5	**101**	25
Total Revenues		**151**	25
EXPENSES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Salaries, wages and related payments		**156**	180
Depreciation	6	**1 381**	1 348
Administration		**89**	162
Repairs and maintenance		**322**	436
Utilities		**254**	401
Other expenses	9	**43**	17
Total Expenses		**2 245**	2 544
DEFICIT FROM PROPERTY MANAGEMENT ACTIVITIES:		**(2 094)**	(2 519)
Asset write-off	7	**(15)**	–
Adjustment of depreciation expense	8	**-**	(278)
Appropriation from Government		**-**	1 991
OPERATING (DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		**(1 539)**	416
Net increase in asset revaluation reserve	18	**9 781**	–
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**8 242**	416

Statement of Financial Position
as at 30 June 2004

	Note	**2004** $'000	2003 $'000
CURRENT ASSETS:			
Cash assets	10	**2 605**	4 062
Inventories	11	**92**	71
Receivables	12	**320**	248
Total Current Assets		**3 017**	4 381
NON-CURRENT ASSETS:			
Land and buildings	13	**55 555**	46 124
Plant and equipment	14	**545**	714
Total Non-Current Assets		**56 100**	46 838
Total Assets		**59 117**	51 219
CURRENT LIABILITIES:			
Payables	15	**822**	1 229
Employee benefits	16	**159**	132
Total Current Liabilities		**981**	1 361
NON-CURRENT LIABILITIES:			
Payables	15	**15**	8
Employee benefits	16	**87**	58
Total Non-Current Liabilities		**102**	66
Total Liabilities		**1 083**	1 427
NET ASSETS		**58 034**	49 792
EQUITY:			
Capital provided by South Australian Government	17	**55 536**	55 536
Asset revaluation reserve	18	**17 497**	7 716
Accumulated deficit	19	**(14 999)**	(13 460)
TOTAL EQUITY		**58 034**	49 792
Commitments	28		
Contingent Liabilities	29		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers		**7 191**	7 689
Appropriation from Government		**-**	1 991
Grant received		**50**	-
GST received from customers		**701**	715
Interest received		**182**	160
Payments to suppliers and employees		**(7 820)**	(7 022)
Payment to Australian Taxation Office of GST		**(262)**	(415)
GST paid to suppliers		**(435)**	(320)
Net Cash (used in) provided by Operating Activities	27(a)	**(393)**	2 798
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property, plant and equipment		**(1 064)**	(132)
Net Cash used in Investing Activities		**(1 064)**	(132)
NET (DECREASE) INCREASE IN CASH HELD		**(1 457)**	2 666
CASH AT 1 JULY		**4 062**	1 396
CASH AT 30 JUNE	27(b)	**2 605**	4 062

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions of the Adelaide Entertainments Corporation

The Adelaide Entertainments Corporation (AEC), trading as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the *Public Corporations Act 1993*.

The functions of the AEC are to:

- manage and operate the Adelaide Entertainment Centre site;
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre;
- carry out any other functions conferred on the subsidiary by the Minister.

The AEC is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the *Public Corporations Act 1993*. The Act and the charter require the preparation of a general purpose financial report which reflects the performance and position of the AEC for each financial year ended 30 June.

2. Statement of Accounting Policies

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and Urgent Issues Group Consensus Views.

The financial statements have been prepared on the basis of historical costs and are not adjusted to take into account changing money values or, except where stated, current valuations of major non-current assets.

(b) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when it is earned.

(c) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all depreciable assets. The major asset categories and their expected useful lives are as follows:

(c) Depreciation of Non-Current Assets (continued)

	Years
Buildings	40
Site plant and equipment	5-10
Kitchens and concessions	3-10
Office and administrations	3-10
Production equipment	3-10
Furniture and fittings	3-10
Audiovisual equipment	3-10

(d) Inventories

Inventories are carried at cost, as they are expected to be consumed in the holding of events and functions that will have a net realisable value that exceeds cost.

(e) Non-Current Assets

Assets are initially recorded at cost plus any incidental cost involved with the acquisition.

In accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement 3 'Valuation of Non-Current Assets', all non-current assets with a value at the time of acquisition greater than $1 million are required to be revalued every three years. Licensed valuers Edward Rushton Australia Pty Ltd carried out an independent valuation for land and buildings as at 30 June 2004, valuing Land and Buildings at fair value. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

(f) Employee Benefits

Provision has been made in the financial statements for the AEC's liability for employee entitlements arising from services rendered by employees to 30 June.

(i) Superannuation

The AEC contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur. The AEC is not liable for payments to beneficiaries as this is the responsibility of the superannuation funds.

(ii) Wages and Salaries

Liabilities for wages and salaries are recognised as the amount unpaid at 30 June and are measured at current pay rates in respect of employees' services to that date.

(iii) Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on estimated future wages and salary rates.

(iv) Long Service Leave

Provision has been made for employee entitlements to long service leave. The provision has been calculated at nominal amounts based on estimated future wages and salary rates, using a benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits', and as directed by Accounting Policy Statement 9 'Employee Benefits'.

(v) Sick Leave

No provision has been made in respect of accumulated sick leave. Sick leave, when taken, is considered to be taken from the current year's accrual, therefore no liability is recognised.

(g) Financial Instruments

Financial Assets

Cash comprises cash on hand and deposits at call with the South Australian Government Financing Authority (SAFA) and Westpac Banking Corporation. Cash and deposits are recorded at cost. Interest revenues are recognised as they accrue.

Receivables are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors are recognised for goods and services that have been supplied but have not been paid for as at 30 June 2004. Trade creditors are recorded at cost and are normally settled within 30 days.

Revenue received in advance mainly comprises corporate suite license and advertising fees and event/function deposits received in advance. Revenue received in advance is recognised at the time the event/function is held or service provided.

(h) Comparative Figures

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

(i) Rounding

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

3. Changes in Accounting Policies

(a) Administered Items

The AEC has included a schedule of administered items as a note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the AEC's overall financial performance and position.

The AEC receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where a show does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the AEC and other service providers.

In previous reporting periods, the AEC included Event Funds in Cash at bank and on hand, and recognised an equivalent amount in Current Liabilities as event payables.

The AEC has determined that it does not control Event Funds, and therefore has reclassified these funds as Administered Items, with prior period figures restated to reflect this change.

(b) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

The AEC is developing a plan to manage the transition to the new standards, which requires identification of:

- Major areas of accounting and reporting differences resulting from adoption of the new standards;
- Potential changes required to financial systems;
- Key dates for monitoring and reviewing progress.

The AEC is keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

Expected Differences in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

- *Non-Current Asset Acquisition and Recognition*
  The Australian equivalent of IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than $1 million and estimated useful life is greater than 3 years) will continue to apply.

- *Employee Benefits*
  Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

4. Sale of Food and Beverage

	2004 $'000	2003 $'000
Food	**1 797**	1 646
Beverage	**887**	888
	2 684	2 534
Cost of sales	**1 173**	1 000

5. Other Revenue

	2004 Trading $'000	2004 Property $'000	2004 Total $'000	2003 Trading $'000	2003 Property $'000	2003 Total $'000
Car park	**189**	**-**	**189**	140	–	140
Sundry	**473**	**101**	**574**	415	25	440
	662	**101**	**763**	555	25	580

6. Depreciation

	2004 $'000	2003 $'000
Buildings (refer Note 8 and 13)	**1 381**	1 348
Plant and equipment (refer Note 14)	**186**	242
	1 567	1 590

7. Asset Write-Off

A review of the Fixed Asset Register was conducted during the 2003-04 financial year, and as result a total of $421 000 in gross carrying amount was written off (refer Note 14). The impact on the Statement of Financial Performance was $15 000, being the net book value of assets written off.

8. Adjustment of Depreciation Expense

In the 2002-03 financial year a depreciation adjustment was made, as in 2001-02, depreciation was charged on the written down value of buildings rather than on the gross carrying amount, resulting in an understatement of depreciation at 30 June 2002 of $278 000.

9. Other Expenses

	2004 Trading $'000	**2004 Property $'000**	**2004 Total $'000**	2003 Trading $'000	2003 Property $'000	2003 Total $'000
Sales and marketing	**231**	**-**	**231**	236	–	236
Bad debt expense	**-**	**-**	**-**	3	–	3
Other	**8**	**43**	**51**	11	17	28
	239	**43**	**282**	250	17	267

10. Cash Assets

	2004 $'000	2003 $'000
Cash at bank and on hand	**1 442**	2 956
SAFA investment	**1 163**	1 106
	2 605	4 062

11. Inventories

	2004 $'000	2003 $'000
Beverages	**81**	61
Food	**11**	10
	92	71

12. Receivables

	2004 $'000	2003 $'000
Trade Debtors	**243**	177
Less: Provision for doubtful debts	**9**	15
	234	162
Accrued income and sundry debtors	**2**	16
Prepaid expenses	**84**	70
	320	248

13. Land and Buildings

	Land $'000	Buildings $'000	**Total $'000**
Gross Carrying Amount:			
Balance at 1 July	7 460	55 090	**62 550**
Additions	-	729	**729**
Transfer from plant and equipment	-	484	**484**
Increment on valuation	8 590	11 112	**19 702**
Balance at 30 June	16 050	67 415	**83 465**
Accumulated Depreciation:			
Balance at 1 July	–	16 426	**16 426**
Depreciation expense	–	1 381	**1 381**
Transfer from plant and equipment	–	182	**182**
Increment on valuation	–	9 921	**9 921**
Balance at 30 June	–	27 910	**27 910**
Net Book Value:			
As at 30 June 2004	**16 050**	**39 505**	**55 555**
As at 30 June 2003	7 460	38 664	46 124

14. Plant and Equipment

	Site Plant & Equipment $'000	Kitchens & Concessions $'000	Office & Admin $'000	Production Equipment $'000	Furniture & Fittings $'000	Audio Visual Equipment $'000	**Total $'000**
Gross Carrying Amount:							
Balance at 1 July	440	508	467	852	516	378	**3 161**
Asset write-off	(32)	(60)	(170)	(43)	(50)	(66)	**(421)**
Additions	-	51	66	11	150	57	**335**
Transfer to buildings[(a)]	(338)	-	-	(37)	(109)	-	**(484)**
Balance at 30 June	70	499	363	783	507	369	**2 591**
Accumulated Depreciation:							
Balance at 1 July	122	426	441	665	469	324	**2 447**
Asset write-off	(20)	(58)	(170)	(43)	(50)	(64)	**(405)**
Depreciation expense	10	23	30	58	25	40	**186**
Transfer to buildings[(a)]	(65)	-	-	(8)	(109)	-	**(182)**
Balance at 30 June	47	391	301	672	335	300	**2 046**
Net Book Value:							
As at 30 June 2004	**23**	**108**	**62**	**111**	**172**	**69**	**545**
As at 30 June 2003	318	82	26	187	47	54	714

(a) As a result of a review of the Fixed Asset Register during the 2003-04 financial year, assets previously recorded as plant and equipment were transferred to land and buildings.

		2004	2003
15.	**Payables**	**2004**	2003
	Current:	**$'000**	$'000
	Trade creditors and accruals	**566**	872
	Income received in advance	**232**	334
	Employee on-costs	**24**	23
		822	1 229
	Non-Current:		
	Employee on-costs	**15**	8
		15	8
16.	***(a) Employee Benefits***		
	Current:		
	Accrued salaries and wages	**19**	14
	Annual leave	**123**	104
	Long service leave	**17**	14
		159	132
	Non-Current:		
	Long service leave	**87**	58
		87	58
	(b) Employee Benefits and Related On-Cost Liabilities		
	Accrued Salaries and Wages:		
	Provision for employee benefits - Current (Note 16)	**19**	14
		19	14
	Annual Leave:		
	On costs included in payables - Current (Note 15)	**21**	21
	Provision for employee benefits - Current (Note 16)	**123**	104
		144	125
	Long Service Leave:		
	On costs included in payables - Current (Note 15)	**3**	2
	Provision for employee benefits - Current (Note 16)	**17**	14
		20	16
	On costs included in payables - Non-current (Note 15)	**15**	8
	Provision for employee benefits - Non-current (Note 16)	**87**	58
		102	66
	(c) The number of employees of the AEC as at 30 June:	**2004 Number of Employees**	2003 Number of Employees
	Permanent	**29**	33
	Casual	**371**	343
17.	**Capital Provided by the South Australian Government**	**2004**	2003
		$'000	$'000
	Land	**7 189**	7 189
	Buildings	**44 534**	44 534
	Site plant and equipment	**2 975**	2 975
	Working capital	**838**	838
		55 536	55 536
18.	**Asset Revaluation Reserve**		
	Land:		
	Balance at 1 July	**271**	271
	Increment on revaluation	**8 590**	–
	Balance at 30 June	**8 861**	271
	Buildings:		
	Balance at 1 July	**7 445**	7 445
	Increment on revaluation	**1 191**	–
	Balance at 30 June	**8 636**	7 445
		17 497	7 716
19.	**Accumulated Deficit**		
	Balance at 1 July	**(13 460)**	(13 876)
	Operating (deficit) surplus	**(1 539)**	416
	Balance at 30 June	**(14 999)**	(13 460)

20. Financial Instruments

(a) Credit Risk

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

(b) Interest Rate Risk

The AEC's exposure to interest rate risk and the effective weighted interest rate is set out in the following table. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.

		2004		
	Weighted Average Effective Interest Rate	**Variable Interest Rate**	**Non-Interest Bearing**	**Total**
Financial Assets:	**Percent**	**$'000**	**$'000**	**$'000**
Cash at bank	**4.77**	**1 442**	**-**	**1 442**
SAFA investment account	**5.07**	**1163**	**-**	**1 163**
Trade debtors	**-**	**-**	**234**	**234**
Other receivables	**-**	**-**	**86**	**86**
		2 605	**320**	**2 925**
Financial Liabilities:				
Trade creditors and accruals	**4.77**	**153**	**452**	**605**
Income received in advance	**-**	**-**	**232**	**232**
		153	**684**	**837**

		2003		
	Weighted Average Effective Interest Rate	Variable Interest Rate	Non-Interest Bearing	Total
Financial Assets:	Percent	$'000	$'000	$'000
Cash at bank	4.19	2 956	–	2 956
SAFA investment account	4.65	1 106	–	1 106
Trade debtors	–	–	162	162
Other receivables	–	–	86	86
		4 062	248	4 310
Financial Liabilities:				
Trade creditors and accruals	4.32	139	734	872
Income received in advance	–	–	334	334
		139	1 068	1 206

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximate their net fair value.

21. Remuneration of Employees

The number of executive officers who have received, or were due to receive, directly or indirectly from the AEC a total remuneration (including superannuation) in connection with the management of the affairs of the AEC, whether as Executive Officer or otherwise, as shown in the following bands, was:

	2004 Number of Executives	2003 Number of Executives
$160 001 - $170 000	**1**	1

22. Superannuation

Pursuant to the Commonwealth Government's Superannuation Guarantee legislation, the AEC is required to contribute 9 percent of each AEC employee's eligible earnings to externally managed superannuation funds. Payments made to externally managed superannuation funds during the year totalled $262 000 ($195 000).

23. Board of Directors

The following Directors served on the Board of the AEC during the year:

R Foord (Chairman)
M Burgess
J Bell
W Spurr*
G Wallace
G Kelly
G Pitt

* W Spurr is a Government employee.

23. Board of Directors (continued)

Members of the Board received Director's fees as shown in the following table:

	2004 Number of Members	2003 Number of Members
$0 - $10 000	**-**	7
$10 001 - $20 000	**6**	3

The aggregate amount of remuneration received, or due and receivable, by AEC Directors in connection with the management of the AEC was $71 000 ($71 000).

24. Related Party Transactions

The Directors of the Board may use the services of the AEC in accordance with terms and conditions determined under Board policy.

Directors of the Board used the services of the AEC during the year under normal commercial arrangements.

25. Remuneration of Auditors

Amounts received or due and receivable by the Auditor General's Department for auditing the AEC Financial Statements were $26 000 ($28 000).

26. Payments to Consultants

Payments to consultants totalled $54 000 ($97 000) and fell within the following bands:	**2004 Number of Consultants**	2003 Number of Consultants
$0 - $10 000	**10**	7
$10 001 - $50 000	**2**	5

Range	**Consultant**	**Description**
$10 001 - $50 000	Rann Communication	PR Consultancy
	Gutteridge Hasken and Davey	Building Services Management

27. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Cash (used in) provided by Operating Activities to Operating (Deficit) Surplus from Ordinary Activities

	2004 $'000	2003 $'000
Operating (deficit) surplus from ordinary activities	**(1 539)**	416
Non-Cash Items:		
Depreciation	**1 567**	1 590
Adjustment of depreciation expense	**-**	278
Asset write-off	**15**	–
Bad debt expense	**-**	3
Change in assets and liabilities:		
(Increase) Decrease in receivables	**(72)**	332
(Increase) Decrease in inventory	**(21)**	13
(Decrease) Increase in payables	**(399)**	171
Increase (Decrease) in employee benefits and related payments	**56**	(5)
Net Cash (used in) provided by Operating Activities	**(393)**	2 798

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in banks and investments in money market instruments. Refer Note 10.

28. Commitments

At 30 June the AEC had obligations under cancellable agreements for the service and maintenance of AEC equipment, grounds, security, etc. These obligations have not been recognised as liabilities in the Financial Statements.

In addition, the AEC had commitments associated with the AEC's ongoing program of repairs and maintenance and capital purchases reflected by purchase orders issued but not filled at 30 June.

	2004 $'000	2003 $'000
Not later than one year:		
Cancellable agreements	**19**	23
Purchase orders - Operating expenditure	**23**	503
Purchase orders - Capital expenditure	**199**	669
	241	1 195
Later than one year but not later than five years:		
Cancellable agreements	**-**	9
Total Commitments	**241**	1 204

29. Contingent Liabilities

The AEC has no known contingent liabilities.

30. Administered Items

Administered items comprise:

Schedule of Administered Revenues and Expenses	**2004**	2003
Administered Revenues:	**$'000**	$'000
Gross box office receipts	**10 284**	11 304
Interest earned on event funds	**86**	87
Total Administered Revenues	**10 370**	11 391
Administered Expenses:		
Settlements paid	**10 311**	11 834
Bank charges	**-**	1
Total Administered Expenses	**10 311**	11 835

Schedule of Administered Assets and Liabilities		
Administered Assets:		
Cash at bank	**810**	751
Total Administered Assets	**810**	751
Administered Liabilities:		
Payables	**810**	751
Total Administered Liabilities	**810**	751

SOUTH AUSTRALIAN TOURISM COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Commission, a body corporate, is established pursuant to the *South Australian Tourism Commission Act 1993*.

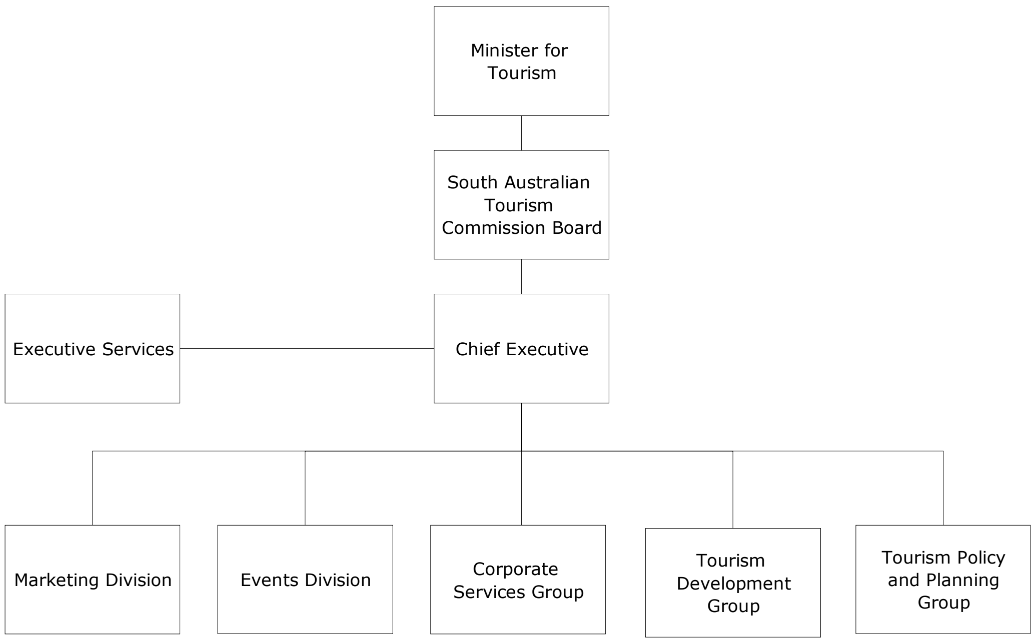
Functions

The functions of the SA Tourism Commission are as follows:

- Increase visitor numbers to and within the State by creating awareness of South Australia and its tourism assets in key target markets.
- Facilitate the development of a competitive and profitable tourism industry.
- Contribute to the preparation and implementation of economic development relating to the tourism industry of the State.
- Build strong networks and partnerships with relevant stakeholders for mutual benefit.
- Assist regional bodies engaged in tourism promotion.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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 *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the SA Tourism Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2003-04, specific areas of audit attention included:

- participation fees and other revenue
- industry assistance and other expenditure
- accounts payable
- payroll
- general ledger.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987,* applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the SA Tourism Commission as at 30 June 2004 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the 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.

Audit Communications to Management

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

The issues raised by Audit related mainly to the opportunity to improve controls in relation to aspects of their payroll function.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

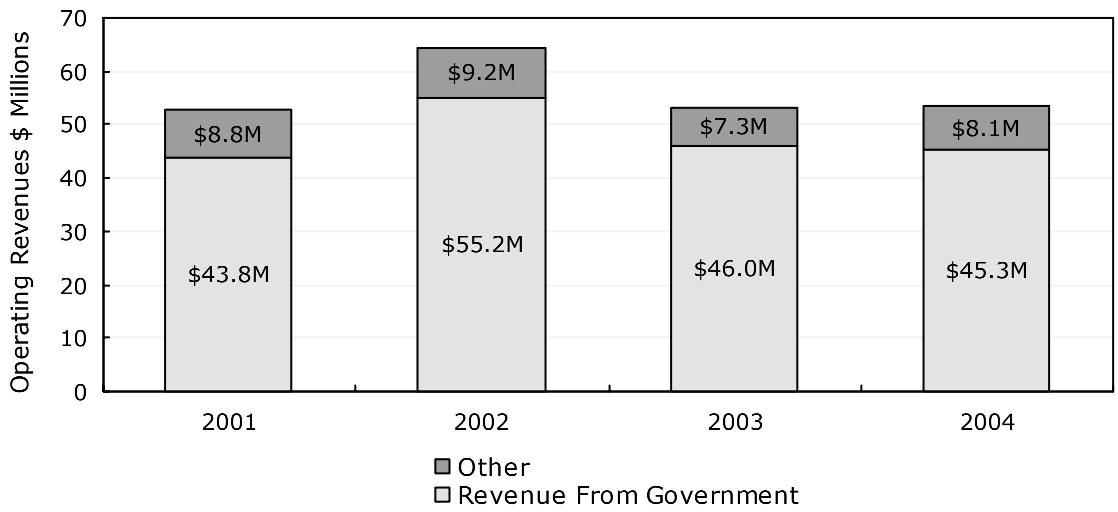
Highlights of Financial Statements

	2004 $'million	2003 $'million	Percentage Change
OPERATING REVENUE			
Revenue from Government	**45.3**	46.0	(2)
Other	**8.1**	7.3	11
Total Operating Revenue	**53.4**	53.3	-
OPERATING EXPENDITURE			
Employee benefits	**10.5**	10.6	(1)
Advertising and promotion	**16.6**	16.2	2
Industry assistance	**15.4**	12.9	19
Other	**13.9**	13.5	3
Total Operating Expenses	**56.4**	53.2	6
Surplus (Deficit)	**(3.0)**	0.1	
Net Cash Flows from Operations	**(2.3)**	0.7	
ASSETS			
Current assets	**5.3**	7.4	(28)
Non-current assets	**4.1**	4.5	(9)
Total Assets	**9.4**	11.9	(21)
LIABILITIES			
Current liabilities	**4.5**	4.1	10
Non-current liabilities	**1.6**	1.5	7
Total Liabilities	**6.1**	5.6	9
EQUITY	**3.3**	6.3	(48)

Statement of Financial Performance

Operating Revenues

A structural analysis of operating revenues for the Commission in the four years to 2004 is presented in the following chart.



Operating Revenues for the year totalled $53.4 million ($53.3 million). This includes revenue appropriated from Government for operating purposes which totalled $45.3 million ($46 million) and represents 85 percent (86 percent) of Total Revenues. This supports the view that the Commission is dependent on the ongoing financial support of the State Government as expressed in Note 1 to the Financial Statements.

Other revenue predominantly consists of Participation and Event Entry fees.

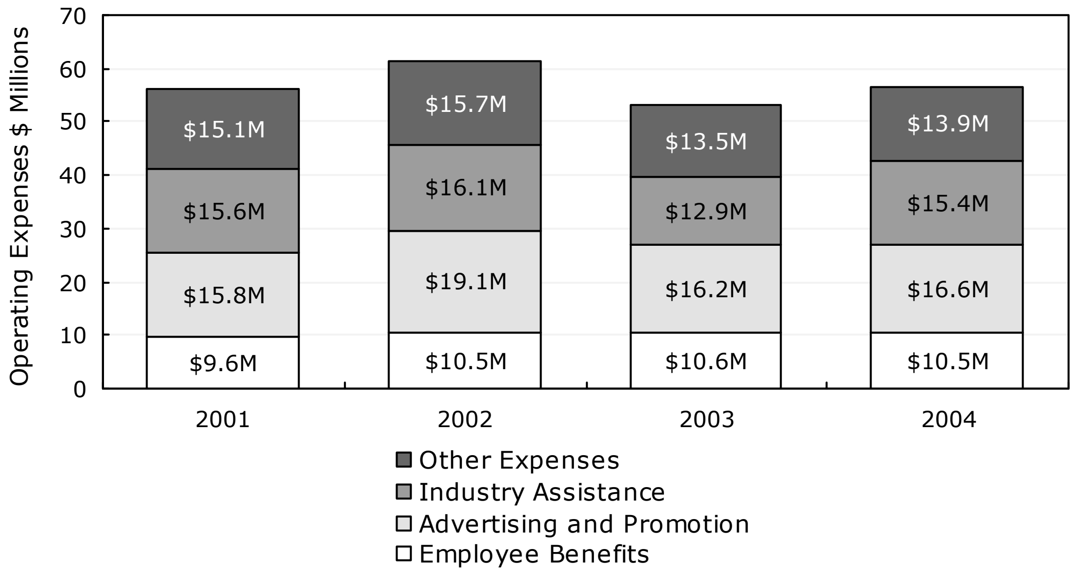
The increase in Other Revenue is due mainly to an increase in Sponsorship Contributions for Biennial Events which were staged during the year.

Operating Expenses

Operating expenses increased by $3.2 million to $56.4 million mainly as a result of an increase in expenditure for Industry Assistance of $2.5 million.

The increase in Industry Assistance expense is due principally to an increase in Tourism Development programs in relation to Outback Project Funding.

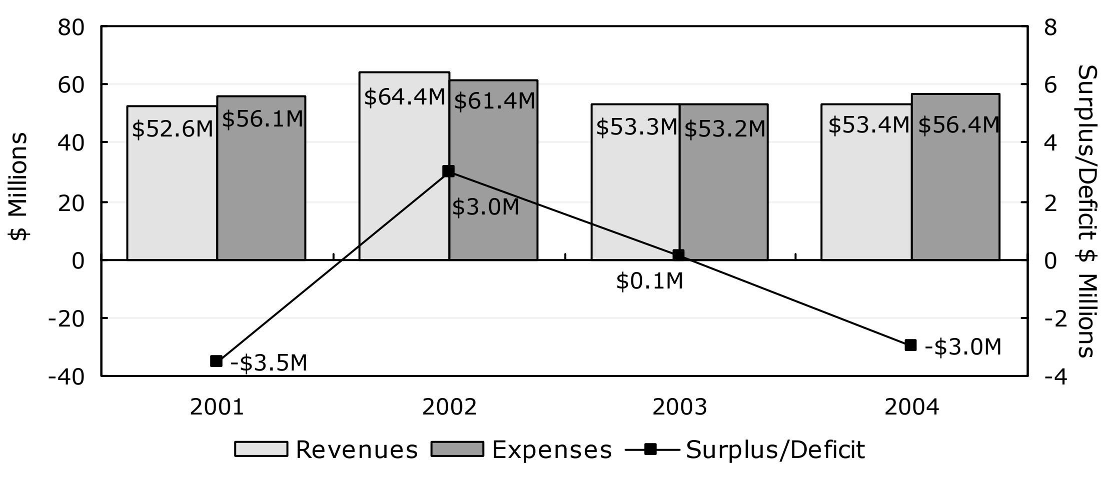
For the four years to 2004, a structural analysis of the main operating expense items for the Commission is shown in the following chart.



Operating Result

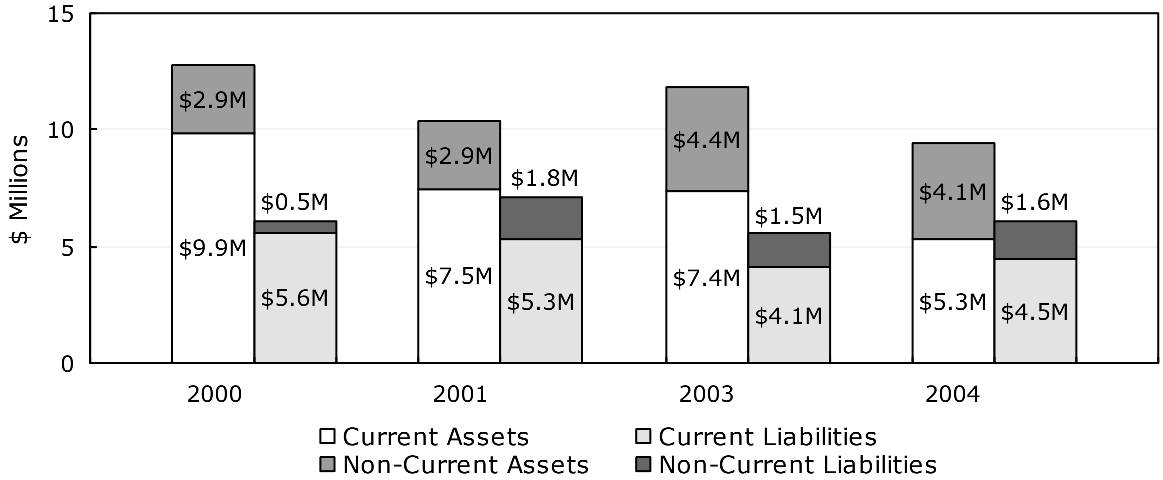
The operating deficit was $3.0 million which compares to a surplus of $108 000 in 2002-03. The increase in expenditure for Industry Assistance programs was the main reason for the operating deficit.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The decrease in current assets is due primarily to a reduction in cash holdings directly due to the increase in expenditure in relation to Industry Assistance programs during the year.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 **$'million**	2003 $'million	2002 $'million	2001 $'million
Net Cash Flows				
Operations	**(2.3)**	0.7	2.4	(4.1)
Investing	**(0.2)**	(0.5)	(0.5)	(2.1)
Financing	**(0.1)**	(0.1)	(0.1)	1.4
Change in Cash	**(2.6)**	0.1	1.8	(4.8)
Cash at 30 June	**3.6**	6.2	6.1	4.3

Administered Items

***2007 World Police and Fire Game*s**

The 2007 World Police and Fire Games Corporation was established on 1 October 2003 pursuant to Regulations under the *Public Corporations Act 1993.*

The Corporation's functions are to plan, organise, promote, host and stage the 2007 World Police and Fire Games.

The Commission managed the finances of the Corporation until 30 June 2004.

The revenues and expenses of the Corporation since its inception are detailed in Note 31 to the Commission's financial statements.

Statement of Financial Performance
for the year ended 30 June 2004

	Note	2004 $'000	2003 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits		**10 539**	10 553
Advertising and promotion		**16 597**	16 239
Industry assistance	8	**15 391**	12 926
Administrative costs		**5 957**	5 717
Event operations		**5 389**	5 096
Accommodation and services costs		**1 867**	1 820
Depreciation and amortisation	9	**543**	569
Interest on borrowings		**75**	83
Bad and doubtful debts expense		**2**	6
Carrying value of non-current assets disposed/written off		**26**	223
Total Expenses		**56 386**	53 232
REVENUE FROM ORDINARY ACTIVITIES:			
Participation fees	6	**4 882**	3 906
Interest		**324**	665
Commission on sales		**557**	542
Other revenue	7	**2 332**	2 146
Proceeds from disposal of non-current assets		**1**	23
Total Revenue		**8 096**	7 282
NET COST OF SERVICES		**48 290**	45 950
REVENUE FROM GOVERNMENT			
Revenue from Government	5	**45 303**	46 058
Total Revenue from Government		**45 303**	46 058
NET RESULT FROM ORDINARY ACTIVITIES		**(2 987)**	108
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	19, 20	**(2 987)**	108

Statement of Financial Position
as at 30 June 2004

	Note	2004 $'000	2003 $'000
ASSETS:			
CURRENT ASSETS:			
Cash	23(b)	**3 564**	6 205
Receivables	10	**1 680**	1 171
Prepayments	11	**45**	48
Total Current Assets		**5 289**	7 424
NON-CURRENT ASSETS:			
Receivables	10	**1 870**	1 870
Plant and equipment	12	**1 705**	2 034
Intangibles	13	**118**	128
Investment in Australian Tourism Data Warehouse Ltd	14	**400**	400
Total Non-Current Assets		**4 093**	4 432
Total Assets		**9 382**	11 856
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15	**3 472**	2 987
Other liabilities	16	**168**	179
Employee benefits	17	**736**	786
Borrowings	18	**138**	129
Total Current Liabilities		**4 514**	4 081
NON-CURRENT LIABILITIES:			
Payables	15	**72**	50
Employee benefits	17	**628**	432
Borrowings	18	**898**	1 036
Total Non-Current Liabilities		**1 598**	1 518
Total Liabilities		**6 112**	5 599
NET ASSETS		**3 270**	6 257
EQUITY:			
Tourism infrastructure reserve	19	**2 291**	4 791
Accumulated surplus	20	**979**	1 466
TOTAL EQUITY		**3 270**	6 257
Commitments	21		
Contingent Obligations	22		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	2004 Inflows (Outflows) $'000	2003 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		**(10 333)**	(10 650)
Goods and services		**(44 644)**	(42 146)
Borrowing costs		**(75)**	(83)
GST paid to suppliers		**(4 010)**	(3 371)
CASH INFLOWS:			
Recurrent appropriation		**45 303**	46 058
Participation fees		**4 905**	3 906
Commission earned		**557**	542
Interest received		**239**	650
GST recovered from Australian Taxation Office		**2 775**	2 671
GST received from customers		**699**	955
Other		**2 301**	2 148
Net Cash (Outflows) Inflows from Operating Activities	23(a)	**(2 283)**	680
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of plant and equipment		**(230)**	(480)
Proceeds from disposal of plant and equipment		**1**	12
Net Cash Outflows from Investing Activities		**(229)**	(468)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of Borrowings		**(129)**	(122)
Net Cash Outflows from Financing Activities		**(129)**	(122)
NET (DECREASE) INCREASE IN CASH HELD		**(2 641)**	90
CASH AT 1 JULY		**6 205**	6 115
CASH AT 30 JUNE	23(b)	**3 564**	6 205

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The purpose of the South Australian Tourism Commission 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 *Public Finance and Audit Act 1987*.

Administered Funds

The Commission is responsible for the administration of the funds described below. These funds are not recorded in the Commission's Statement of Financial Performance or 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 are detailed separately within these statements in the Schedules following the Notes to the Financial Statements. Administered items comprise:

(i) *SA Motor Sport Board*

The Commission administered the appropriation transfers from the Department of Treasury and Finance to the SA Motor Sport Board until 30 June 2002.

(ii) *2007 World Police and Fire Games*

The 2007 World Police and Fire Game Corporation was established on 1 October 2003. The Commission managed the finances of the Corporation until 30 June 2004.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been drawn up in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and applicable Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The accrual basis has been used in the preparation of the financial statements.

(b) Recognition of Revenues

Commission

Commission earned on sales of travel through the SA Travel and Visitor Centre is recognised at the date of ticketing.

Interest

Interest earned on deposit accounts at the Department of Treasury and Finance is recognised as revenue as it accrues.

Participation Fees

The Commission earns revenue from participants in the Tourism Industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees. This revenue is recognised as it accrues.

Revenues from Government

Appropriation from Government and contributions from other Government agencies are recognised as revenue in the period in which the monies are received and the Commission obtains control of the asset.

(c) Depreciation and Amortisation

Items of plant and equipment are depreciated on a straight line basis over their expected useful lives. The estimated useful lives of each asset class are as follows:

	Years
General plant and equipment	3-5
Christmas Pageant assets	5-15

Fitouts are amortised over the length of the lease of the property using the straight line method.

(d) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered material.

(e) Plant and Equipment

Items of plant and equipment and Pageant assets controlled by the Commission with an individual value greater than $2 000 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 and Pageant assets with an individual value less than $2 000 are expensed in the Statement of Financial Performance at the time of acquisition.

(f) Intangible Assets

Goodwill and intellectual property arising from acquisition of the Christmas Pageant is accounted for at cost and is amortised on a straight line basis over 20 years, the period in which the benefits are expected to arise.

(g) Investment in Australian Tourism Data Warehouse Ltd

The Commission holds a total of 400 000 $1 shares in the Australian Tourism Data Warehouse (ATDW) Ltd, making the total holding $400 000. The Commission's shareholding does not give the Commission controlling interest in ATDW Ltd. The Commission's interest in ATDW Ltd is brought to account at cost.

(h) Employee Benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to 30 June. Related on-costs consequential to the employment of employees have been included in Payables (Note 15).

Salaries and Wages

Salaries and wages reflect remuneration received or due and receivable by employees as at the balance date.

Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated on current pay rates, plus an allowance of four percent.

Long Service Leave

Provision has been made for employee entitlements to long service leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates using a benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Sick Leave

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

Superannuation

During 2003-04 a total of $819 000 ($757 000) was paid, or due and payable, to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Commission's employees. In addition, $92 000 ($83 000) was paid to other externally managed superannuation schemes. Superannuation contributions are charged as an expense in the period in which they occur. The Commission is not liable for payments to beneficiaries as this is the responsibility of the superannuation schemes.

(i) 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 balance date. Associated currency gains and losses are not material.

(j) Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2004, 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 Treasury 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 are net 14 days.

Shares in Australian Tourism Data Warehouse Ltd are recognised at cost.

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 employee on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Borrowings are recognised at their principal amounts. Interest is expensed as it accrues. The term of the loan is 10 years commencing in 2000-01. The borrowings were for working capital purposes.

(k) Comparative Figures

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

(l) Taxation

The Commission is exempt from income tax.

3. Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Commission's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Commission has analysed the exposure drafts issued by the AASB and has identified potential issues that may need to be addressed.

The Commission is using the Model Financial Report for South Australian Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending group meetings and information forums organised by DTF and professional accounting bodies.

Expected Differences in Accounting Policies

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Employee Benefits

Employee Benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

4. Program Class Schedule of Expenses and Revenues for the year ended 30 June 2004

The Commission has identified four broad program classes that reflect the nature of the services delivered to the South Australian community. These are:

Program Class 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.

Program Class 2: ***Tourism Development***
To provide advice and assistance to tourism operators and develop sustainable tourism product and infrastructure to raise the standard of tourism services and facilities across the State.

Program Class 3: ***Tourism Events***
To bid for and stage major events in South Australia.

Program Class 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.

Revenues and expenses by Program Class for the year are as follows:

	Strategic Advice	Tourism Devlpmt	Tourism Events	Tourism Marketing	**2004 Total**	2003 Total
EXPENSES:	$'000	$'000	$'000	$'000	**$'000**	$'000
Employee benefits	815	1 066	2 331	6 327	**10 539**	10 553
Advertising and promotion	729	161	1 144	14 563	**16 597**	16 239
Industry assistance	284	6 959	2 886	5 262	**15 391**	12 926
Administration costs	296	523	1 893	3 245	**5 957**	5 717
Event operations	-	-	5 347	42	**5 389**	5 096
Accommodation and services costs	114	114	524	1 115	**1 867**	1 820
Depreciation and amortisation	39	40	178	286	**543**	569
Interest on borrowings	6	6	17	46	**75**	83
Bad and doubtful debts expense	-	-	-	2	**2**	6
Carrying value on non-current assets disposed/written off	1	2	12	11	**26**	223
Total Expenses	2 284	8 871	14 332	30 899	**56 386**	53 232

4. Program Class Schedule of Expenses and Revenues for the year ended 30 June 2004 (continued)

	Strategic Advice	Tourism Devlpmt	Tourism Events	Tourism Marketing	**2004 Total**	2003 Total
REVENUES:	$'000	$'000	$'000	$'000	**$'000**	$'000
Participation fees	-	16	3 251	1 615	**4 882**	3 906
Interest	27	27	72	198	**324**	665
Commission on sales	-	-	-	557	**557**	542
Other revenue	24	120	1 387	801	**2 332**	2 146
Proceeds from the disposal of non-current assets	-	-	-	1	**1**	23
Total Revenues	51	163	4 710	3 172	**8 096**	7 282
Total Net Cost of Services	2 233	8 708	9 622	27 727	**48 290**	45 950
GOVERNMENT:						
Revenues from Government	2 169	6 169	9 444	27 521	**45 303**	46 058
Total Revenues from Government	2 169	6 169	9 444	27 521	**45 303**	46 058
NET RESULT FROM ORDINARY ACTIVITIES	(64)	(2 539)	(178)	(206)	**(2 987)**	108

5. Revenue from Government

	2004	2003
	$'000	$'000
Recurrent appropriation from South Australian Government	**45 303**	46 058
	45 303	46 058

6. Participation Fees

Cooperative marketing/advertising	**1 153**	1 202
Sponsorship revenue	**2 646**	2 159
Subscriptions for tourism publications	**-**	7
Workshops/Training	**27**	45
Trade/consumer show participation	**346**	208
Contra transactions	**710**	285
	4 882	3 906

7. Other Revenue

Event entry fees	**981**	309
Refunds/recoups of expenses	**360**	903
Service fees	**11**	32
Salary recoups	**73**	72
Familiarisation expenditure recouped	**114**	118
Sales of merchandise	**86**	64
Sundry revenue	**707**	648
	2 332	2 146

8. Industry Assistance

Sponsorship of events	**3 979**	4 126
Tourism infrastructure grants	**6 361**	5 650
Tourism marketing boards/information centre grants	**1 815**	2 044
Marketing support	**3 141**	977
Membership of tourism industry bodies	**43**	42
Trade show subsidies	**52**	87
	15 391	12 926

9. Depreciation and Amortisation

The aggregate amount of depreciation and amortisation expensed during the year for each class of depreciable asset was as follows:

Plant and Equipment:		
General plant and equipment	**226**	231
Fitouts	**244**	246
Pageant assets	**63**	82
	533	559
Intangibles:		
Christmas Pageant goodwill	**10**	10
	10	10
	543	569

10. Receivables

	2004	2003
Current:	**$'000**	$'000
Debtors	**399**	406
Less: Provision for doubtful debts	**16**	20
	383	386
GST receivable	**1 157**	730
Sundry	**140**	55
	1 680	1 171
Non-Current Debtors	**1 870**	1 870

11. Prepayments

Other	**45**	48

12. Plant and Equipment

	2004			
	General Plant & Equipment	Fitouts	Pageant Assets	**Total**
Gross Carrying Amount:	$'000	$'000	$'000	**$'000**
Balance at 1 July	1 080	2 036	731	**3 847**
Purchases	139	-	91	**230**
Disposals	(137)	-	(50)	**(187)**
Balance at 30 June	1 082	2 036	772	**3 890**
Accumulated Depreciation:				
Balance at 1 July	682	747	384	**1 813**
Depreciation expense	226	244	63	**533**
Disposals	(120)	-	(41)	**(161)**
Balance at 30 June	788	991	406	**2 185**
Net Book Value:				
As at 30 June 2004	**294**	**1 045**	**366**	**1 705**
As at 30 June 2003	398	1 289	347	2 034

13. Intangibles

	2004 Christmas Pageant Goodwill
Gross Carrying Amount:	**$'000**
Balance at 1 July	**200**
Balance at 30 June	**200**
Accumulated Amortisation:	
Balance at 1 July	**72**
Amortisation expense	**10**
Balance at 30 June	**82**
Net Book Value:	
As at 30 June 2004	**118**
As at 30 June 2003	128

14. 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 Australian Tourism Commission (ATC) to present and market Australian tourism product to the world through the ATC's website. Operators listed on the ATDW will then have their details uploaded onto the new consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in the Company does not give the Commission controlling interest in the Company.

15. Payables

	2004	2003
Current:	**$'000**	$'000
Trade creditors	**2 539**	2 275
Accrued expenses	**603**	311
Employee on-costs	**220**	182
GST payable	**110**	219
	3 472	2 987
Non-Current:		
Employee on-costs	**72**	50

16. Other Liabilities

	2004	2003
Current:	**$'000**	$'000
Unclaimed monies	**122**	52
Unearned revenue	**46**	127
	168	179

17. Employee Benefits

Current:		
Provision for annual leave	**616**	510
Provision for long service leave	**120**	276
	736	786
Non-Current:		
Provision for long service leave	**628**	432

Employee Benefits and Related On-costs:		
Current:		
Provisions	**736**	786
On-costs	**220**	182
	956	968
Non-Current:		
Provisions	**628**	432
On-costs	**72**	50
	700	482
Aggregate Employee Benefits and Related On-cost Liabilities	**1 656**	1 450

18. Borrowings

Balance 1 July	**1 165**	1 287
Less: Repayments	**129**	122
Balance 30 June	**1 036**	1 165

Represented by:		
Current borrowings	**138**	129
Non-current borrowings	**898**	1 036
	1 036	1 165

19. Tourism Infrastructure Reserve

The Commission receives appropriation from Parliament for specific tourism infrastructure projects. Funds not expended during the year are transferred to the Tourism Infrastructure Reserve. The movement in the Reserve for the year was:

	2004	2003
	$'000	$'000
Balance 1 July	**4 791**	4 858
Transfer to accumulated surplus	**(2 500)**	(67)
Balance 30 June	**2 291**	4 791

20. Accumulated (Deficit) Surplus

Balance 1 July	**1 466**	1 291
Operating (deficit) surplus	**(2 987)**	108
Transfer from Tourism infrastructure reserve	**2 500**	67
Balance 30 June	**979**	1 466

21. Commitments

(a) Operating Lease Commitments

At the reporting date, the Commission had the following obligations under non-cancellable leases in relation to accommodation, the sum of which is not recognised as a liability:

Not later than one year	**1 018**	909
Later than one year but not later than five years	**2 455**	1 213
Later than five years	**1 130**	395
	4 603	2 517

These commitments have been calculated at current rates as lease terms are reviewed at regular intervals.

(b) Other Commitments

The Commission has entered into agreements in the nature of liabilities which, as at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as giving rise to a future rather than a present obligation for payment. These commitments are summarised as follows:

	2004 $'000	2003 $'000
Tourism market boards	**1 633**	1 630
International marketing representation fees	**1 023**	969
Tourism development projects	**70**	230
Events/sponsorship	**4 566**	3 624
Co-operative marketing	**885**	740
Service contracts	**1 981**	370

22. Contingent Obligations

Contingent obligations are items in the nature of liabilities which, as 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 Commission to make payments in respect of them will arise.

The Commission is currently contesting a claim concerning the staging of the LeMans event in Adelaide. It is not possible to estimate the amount, if any, of eventual payments that may be required in relation to this claim.

23. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Cash (Outflows) Inflows from Operating Activities to Net Cost of Services

	2004 $'000	2003 $'000
Net cash (outflows) inflows from operating activities	**(2 283)**	680
Less: Revenues from Government	**(45 303)**	(46 058)
Proceeds from disposal of non-current assets	**1**	12
Depreciation and amortisation	**(543)**	(569)
Carrying value on non-current assets disposed/written off	**(26)**	(223)
Change in assets and liabilities:		
(Decrease) Increase in prepayments	**(3)**	1
Increase (Decrease) in receivables	**509**	(93)
(Increase) Decrease in employee benefits	**(146)**	75
(Increase) Decrease in other liabilities	**(49)**	14
(Increase) Decrease in payables	**(447)**	211
Net Cost of Services	**(48 290)**	(45 950)

(b) Reconciliation of Cash

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

	2004 $'000	2003 $'000
Cash at 30 June comprised:		
Cash on hand and at Treasury (unexpended balance)	**2 282**	4 988
Deposits at call (accrual appropriation funds)	**1 282**	1 217
	3 564	6 205

24. Financial Instruments

(a) Interest Rate Risk

The following table details the Commission's exposure to interest rate risk.

2004

			Fixed Interest Rate Maturity				
Financial Assets:	Average Interest Rate Percent	Variable Interest Rate $'000	Less than 1 Year $'000	1 to 5 Years $'000	Greater than 5 Years $'000	Non-Interest Bearing $'000	**Total $'000**
Cash - Operating account	4.82	2 282	-	-	-	-	**2 282**
Cash - Accrual appropriation funds	5.39	1 282	-	-	-	-	**1 282**
Receivables	-	-	-	-	-	3 550	**3 550**
Shares	-	-	-	-	-	400	**400**
		3 564	-	-	-	3 950	**7 514**
Financial Liabilities:							
Payables	-	-	-	-	-	3 252	**3 252**
Borrowings	6.72	-	138	655	243	-	**1 036**
		-	138	655	243	3 252	**4 288**

(a) Interest Rate Risk (continued)

	2003						
			Fixed Interest Rate Maturity				
	Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 5 Years	Greater than 5 Years	Non-Interest Bearing	**Total**
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash - Operating account	4.60	4 988	-	-	-	-	**4 988**
Cash - Accrual appropriation funds	4.87	1 217	-	-	-	-	**1 217**
Receivables	-	-	-	-	-	3 041	**3 041**
Shares	-	-	-	-	-	400	**400**
		6 205	-	-	-	3 441	**9 646**
Financial Liabilities:							
Payables	-	-	-	-	-	2 805	**2 805**
Borrowings	6.72	-	129	612	424	-	**1 165**
		-	129	612	424	2 805	**3 970**

(b) Credit Risk

The Commission does not have any significant credit risk exposure to any single creditor.

The carrying amount of financial assets recorded in the Statement of Financial Position, net of provisions for doubtful debts, represents the Commission's maximum exposure to credit risk.

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Statement of Financial Position represents their respective net fair values.

25. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector work force, 1 (4) employees of the Commission were paid a TVSP during 2003-04. Payments totalling $46 000 ($257 000) were met by the Commission and was recovered from the Department of the Premier and Cabinet.

In addition, accrued annual leave and long service leave entitlements amounting to $16 000 ($58 000) was paid to that employee who received a TVSP.

26. Related Party Information

(a) Directors

The following persons held office as a Director of the Board of the South Australian Tourism Commission during the year:

P Hoffman (Chair)
A Skipper (Deputy Chair)
D Minear
F Connor
J James
C Wickham (from October 2003)
M Butler (from October 2003)
P Collins (from October 2003)
D Gautier (from October 2003)
L Bowes (until September 2003)
R Davis (until September 2003)
P Hurley (until September 2003)
J Jeffreys (until September 2003)

(b) Transactions

There have been transactions with Board members which have been carried out under terms and conditions no more favourable than those which would have applied if the transactions were at arm's length.

27. Remuneration of Directors of the Board

	2004 Number of Employees	2003 Number of Employees
The number of Directors whose total remuneration received or due and receivable fell within the following bands was:		
$0 - $10 000	**8**	5
$10 001 - $20 000	**4**	5
$20 001 - $30 000	**1**	1

The total remuneration received, or due and receivable, by Directors was $133 000 ($130 000). The total remuneration includes board sitting fees, superannuation, non-monetary benefits including associated fringe benefits tax and sitting fees for representing the South Australian Tourism Commission on committees other than the South Australian Tourism Commission Board.

28. Remuneration of Employees

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

	2004 Number of Employees	2003 Number of Employees
$100 001 - $110 000	**2**	2
$110 001 - $120 000	**2**	2
$120 001 - $130 000	**1**	-
$140 001 - $150 000	**1**	2
$150 001 - $160 000	**2**	-
$160 001 - $170 000	**1**	2
$220 001 - $230 000	**-**	1
$240 001 - $250 000	**1**	-

The total remuneration received or due and receivable by employees whose remuneration exceeded $100 000 was $1 415 000 ($1 287 000). The remuneration includes salary, employer's superannuation costs, non-monetary benefits, and associated fringe benefits tax.

29. Auditors' Remuneration

	2004 $'000	2003 $'000
Amounts received, or due and receivable by the Auditor-General's Department for auditing of the accounts	**65**	55

30. Consultants and Personal Service Contractors

(a) Consultants

Total Expenditure on 1 (2) consultancies in 2003-04 amounted to $14 000 ($37 000).

During the year Economic and Market Development Advisers Pty Ltd examined the viability of increased commercialisation of the Credit Union Christmas Pageant.

(b) Personal Service Contractors

Total expenditure on 19 personal service-contractors in 2003-04 amounted to $110 000.

	2004 Number	2004 $'000
Less than $10 000	**16**	**45**
$10 000 - $50 000	**3**	**65**

31. Schedule of Administered Items

(a) Schedule of Administered Revenues and Expenses for the year ended 30 June 2004

	2007 World Police and Fire Games		SA Motor Sport Board		Total	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
ADMINISTERED REVENUES:						
State Government						
Grants	**573**	-	**-**	-	**573**	-
Operating revenue	**18**	-	**-**	-	**18**	-
Total Administered Revenues	**591**	-	**-**	-	**591**	-
ADMINISTERED EXPENSES:						
Employee benefits	**193**	-	**-**	-	**193**	-
Advertising and promotion	**19**	-	**-**	-	**19**	-
Administrative costs	**57**	-	**-**	-	**57**	-
Event operations	**178**	-	**-**	-	**178**	-
Accommodation and service costs	**1**	-	**-**	-	**1**	-
Total Administered Expenses	**448**	-	**-**	-	**448**	-

(b) Schedule of Administered Assets and Liabilities for the year ended 30 June 2004

	2007 World Police and Fire Games		SA Motor Sport Board		Total	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
ADMINISTERED ASSETS:						
Cash	**158**	-	**476**	476	**634**	476
Receivables	**-**	-	**-**	-	**-**	-
Plant and equipment	**-**	-	**-**	-	**-**	-
Land and buildings	**-**	-	**-**	-	**-**	-
Total Administered Assets	**158**	-	**476**	476	**634**	476
ADMINISTERED LIABILITIES:						
Payables	**8**	-	**-**	-	**8**	-
Employee benefits	**7**	-	**-**	-	**7**	-
Total Administered Liabilities	**15**	-	**-**	-	**15**	-

PORTFOLIO – TRADE AND ECONOMIC DEVELOPMENT

MINISTER FOR ECONOMIC DEVELOPMENT; MINISTER ASSISTING THE PREMIER IN ECONOMIC DEVELOPMENT; MINISTER FOR INDUSTRY AND TRADE; MINISTER FOR REGIONAL DEVELOPMENT; MINISTER FOR SMALL BUSINESS; MINISTER FOR STATE/LOCAL GOVERNMENT RELATIONS

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely the:

- Minister for Economic Development
- Minister Assisting the Premier in Economic Development
- Minister for Industry and Trade;
- Minister for Regional Development
- Minister for Small Business
- Minister for State/Local Government Relations

The agencies included herein relating to the portfolio of Trade and Economic Development are:

- Economic Development Board and the Office of Economic Development
- Local Government Finance Authority of South Australia
- Trade and Economic Development – Department of

ECONOMIC DEVELOPMENT BOARD
AND THE OFFICE OF ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Economic Development Advisory Board was established on 11 April 2002 pursuant to section 68 of the *Constitution Act 1934*.

Pursuant to a proclamation in the South Australian Government Gazette on 5 December 2002 the:

- Economic Development Advisory Board was abolished;
- Economic Development Board was established, pursuant to the *Economic Development Act 1993*;
- Chairman and 11 Members of the Economic Development Advisory Board were appointed to the Economic Development Board; and
- Chief Executive of the Economic Development Board was also appointed and declared to have the powers and functions of Chief Executive to the Office of Economic Development.

Pursuant to a proclamation in the South Australian Government Gazette on 12 December 2002, and effective from 1 January 2003, the Office of Economic Development was established as an Administrative Unit under the *Public Sector Management Act 1995*.

Functions

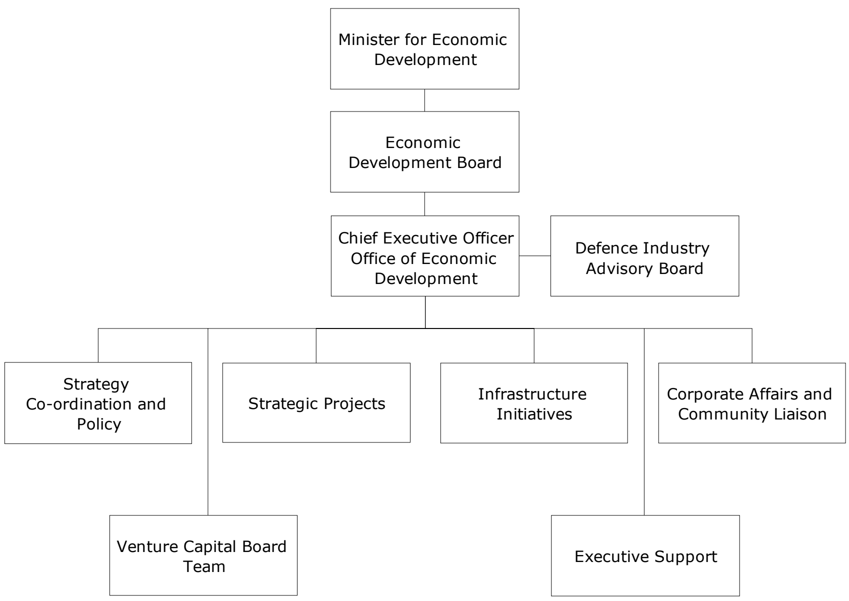
The function of the Economic Development Board was to develop and implement economic plans for the State that contributed to the achievement of the South Australian Government's economic development strategy.

The function of the Office of Economic Development was to support the Economic Development Board.

Structure

On 17 June 2003 the Treasurer approved the treatment of the Economic Development Board and the Office of Economic Development as one entity for the purposes of Treasurer's Instruction 19 'Financial Reporting'.

The following organisation chart illustrates the structure of the Economic Development Board and the Office of Economic Development.



Changes to Functions and Structure

Abolishment of the Office and the Board

On the 28 November 2003 the Economic Development Board Chairman and Members resigned from the Board and were reappointed to the Economic Development Advisory Board on 1 December 2003.

Pursuant to a proclamation in the South Australian Government Gazette on 4 December 2003 and effective from 1 December 2003 the:

- Office of Economic Development was abolished as an Administrative Unit under the *Public Sector Management Act 1995*; and

- employees, functions and duties, together with the assets and liabilities of the Office of Economic Development, were transferred to the Department for Business, Manufacturing and Trade.

In the absence of board members and a Chief Executive appointed pursuant to the Act, it is understood by Audit that the Economic Development Board has fulfilled the role of an Advisory Board and not the role provided for under the Act.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Economic Development Board and the Office of Economic Development for each financial year.

Subsection 21(3) of the *Economic Development Act 199*3 provides for the Auditor-General to audit the accounts of the Economic Development Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2003-04, specific areas of audit attention included:

- revenue;
- expenditure;
- payroll;
- plant and equipment;
- financial accounting;
- industry and other financial assistance;
- consultants and contractors.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Economic Development Board and the Office of Economic Development as at 30 November 2003, its financial performance and its cash flows for the period then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Economic Development Board and the Office of Economic Development in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities were sufficient to provide reasonable assurance that the financial transactions of the Economic Development Board and the Office of Economic Development were conducted properly and in accordance with law.

Audit Communications to Management

There were no matters raised with the Chief Executive during the period.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

As explained under 'Functional Responsibility and Structure' the Economic Development Board and Office of Economic Development was established in December 2002 and abolished in November 2003. Therefore, a comparison of the five month period July 2003 to November 2004 with the comparative seven month period of December 2002 to June 2003 would not be meaningful.

However, some comment on the financial operations is provided below under 'Statement of Financial Performance' and 'Statement of Financial Position'.

Statement of Financial Performance

The surplus from ordinary activities of $1.77 million reflects total revenue of $5.1 million offset by $3.3 million in total expenditure.

Statement of Financial Position

Cash holdings as at 30 November 2003 of $4.5 million principally reflect unspent appropriations received from the South Australian Government.

Statement of Financial Performance
for the period ended 30 November 2003

	Note	**Period to Nov 2003 $'000**	2003 $'000
REVENUE FROM ORDINARY ACTIVITIES:			
Appropriations from Government		**4 922**	6 235
Sponsorship	4	**-**	1 016
Interest		**74**	42
Fees, charges and recoveries		**30**	14
Assets transferred from the Department for Business, Manufacturing and Trade	11	**4**	3
Other revenue		**48**	47
Total Revenues		**5 078**	7 357
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments	5	**1 253**	1 678
Industry and other financial assistance	6	**106**	942
Support services	7	**505**	733
Consultants	8	**178**	536
Contractors		**218**	485
Promotional and special events		**259**	443
Audio visual productions		**7**	325
Board fees	18	**237**	325
General office and administration expenses		**171**	243
Economic Development Framework funding		**220**	-
Travel and accommodation		**120**	224
Information technology		**3**	33
Depreciation	11	**27**	37
Assets written down to nil value	11	**-**	29
Decrement on revaluation of furniture and equipment	11	**-**	18
Assets transferred to the Department for Business, Manufacturing and Trade	11	**2**	5
Total Expenses	3	**3 306**	6 056
SURPLUS FROM ORDINARY ACTIVITIES		**1 772**	1 301
Net revenue from restructuring	9	**-**	237
INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING		**1 772**	1 538
Increase in asset revaluation reserve	11, 15	**-**	17
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**1 772**	1 555

Statement of Financial Position
as at 30 November 2003

	Note	**Period to Nov 2003**	2003
CURRENT ASSETS:		**$'000**	$'000
Cash	16.2	**4 537**	1 936
Receivables	10	**242**	236
Total Current Assets		**4 779**	2 172
NON-CURRENT ASSETS:			
Plant and equipment	11	**94**	112
Total Non-Current Assets		**94**	112
Total Assets		**4 873**	2 284
CURRENT LIABILITIES:			
Payables	12	**1 019**	216
Employee benefits and related costs	13	**236**	216
Total Current Liabilities		**1 255**	432
NON-CURRENT LIABILITIES:			
Payables	12	**21**	22
Employee benefits and related costs	13	**270**	275
Total Non-Current Liabilities		**291**	297
Total Liabilities		**1 546**	729
NET ASSETS		**3 327**	1 555
EQUITY:			
Accumulated surplus	14	**3 310**	1 538
Asset revaluation reserve	15	**17**	17
TOTAL EQUITY		**3 327**	1 555
Contingent Liabilities	21		

Statement of Cash Flows
for the period ended 30 November 2003

	Note	Period to Nov 2003 Inflows (Outflows) $'000	2003 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Appropriations from SA Government		**4 922**	6 235
Sponsorship		**-**	399
Cash transferred from Department for Business, Manufacturing and Trade		**-**	386
Interest received		**29**	35
Fees for service		**30**	4
Other receipts		**75**	6
GST charged on sales		**17**	41
GST recovered from Australian Taxation Office		**354**	333
Suppliers and employees		**(2 463)**	(4 014)
Financial assistance		**(106)**	(942)
GST remitted to Australian Taxation Office		**(6)**	(499)
GST payments on purchases		**(244)**	(41)
Net cash provided by Operating Activities	16.3	**2 608**	1 943
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of plant and equipment		**(7)**	(7)
Net cash used in Investing Activities		**(7)**	(7)
NET INCREASE IN CASH HELD		**2 601**	1 936
CASH AT BEGINNING OF REPORTING PERIOD		**1 936**	-
CASH AT END OF REPORTING PERIOD	16.2	**4 537**	1 936

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Creation of the Economic Development Board and the Office of Economic Development, Objectives and Funding

1.1 Creation of the Board

Pursuant to the proclamation in the South Australian Government Gazette on 12 December 2002, and effective from 5 December 2002, the Economic Development Board (EDB) was established pursuant to the *Economic Development Act 1993*.

The Chief Executive of the Economic Development Board was also appointed on 5 December 2002, and declared to have the powers and functions of Chief Executive of the Office of Economic Development (OED).

The EDB Chief Executive was the only gazetted employee of the EDB (until his resignation in June 2003). The Deputy Chief Executive was appointed Acting Chief Executive from July 2003.

Abolishment of the Board

All Board members resigned on 28 November 2003 and subsequently have been appointed to an advisory board by Cabinet.

1.2 Abolishment of the Office

Pursuant to the proclamation in the South Australian Government Gazette on 4 December 2003, and effective from 1 December 2003, the Office of Economic Development was abolished as an administrative unit under the *Public Sector Management Act 1995*. The functions and duties, together with the assets and liabilities of the abolished Office, were transferred to the Department for Business, Manufacturing and Trade (DBMT).

1.3 Objectives and Funding

Prior to the abolishment, the objectives and responsibilities of the Office were to facilitate and support the Economic Development Board in its development and implementation of economic plans for the State that contribute to the achievement of the South Australian Government's economic development strategy.

The activities of the OED and the EDB are funded primarily from Parliamentary appropriations.

The Financial Statements encompass all activities transacted through an interest bearing Special Deposit Account titled 'Office of Economic Development Operating Account'.

2. Significant Accounting Policies

The significant Accounting Policies, which have been adopted in the preparation of these financial statements, are:

2.1 The Economic Development Board and Office of Economic Development Reporting Entity

On 17 June 2003 the Treasurer approved the treatment of the EDB and the OED as one entity for the purposes of Treasurer's Instruction 19 'Financial Reporting'. Reference to the Entity in the Financial Statements therefore relates to operations and activities of the EDB and the OED.

2.2 Basis of Preparation of Financial Statements

The Financial Statements of the Entity are prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The Financial Statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

2.3 Revenue Recognition

Revenues from ordinary activities are recorded in the Statement of Financial Performance at the time they are earned or at the time control passes to the Entity. Interest revenues are recognised as they accrue.

Revenue from the disposal of plant and equipment is recognised when control of the asset was passed to the buyer.

2.4 Appropriations and Other Contributions

Appropriations and other contributions are recognised as revenue in the period in which the monies are received and the Entity obtains control of the asset.

2.5 Depreciation of Plant and Equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable asset over its expected useful life, taking into consideration any anticipated salvage value.

Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Furniture and equipment	1-10
Computer equipment	1-4

2.6 Receivables

Fees and Charges

Fees and charges receivable are recognised at their recoverable amount and at the end of the reporting period the balances are reviewed and a provision is made where recoverability of amounts is considered doubtful.

Recoveries

Amounts recovered that have been written off or previously provided for have been included as revenue, under fees, charges and recoveries.

2.7 Plant and Equipment

All plant and equipment controlled by the Entity is 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 Entity. 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 and revenues 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.

Minor items of equipment with an individual value of less than $2 000 are expensed at the time of acquisition.

Works of art controlled by the Entity have been recognised at 'nil' value and consequently are not depreciated.

2.8 Revaluation of Plant and equipment

The Entity engaged the services of Paul C Tilley (FAPI, AREI, CREI (Val)), from Fudali Waterhouse PRP, 33 Angas Street, Adelaide SA 5000 to revalue furniture and equipment and computer equipment assets at 30 June 2003.

These assets were revalued in accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' to reflect their fair value.

As a result of the revaluation some assets were valued at an amount lower than the $2 000 asset recognition threshold. These assets have been written down to nil value.

In addition, Works of Art which were previously recognised in the Statement of Financial Position were written down to nil value as at 30 June 2003 as a reliable fair value of these items could not be determined.

2.9 Employee Benefits

The EDB Chief Executive was the only gazetted employee of the EDB (until his resignation in June 2003). The Deputy Chief Executive was appointed Acting Chief Executive from July 2003.

Officers of the Department for Business, Manufacturing and Trade (DBMT) have been assigned as at 1 January 2003 to OED pursuant to an agreement between the Chief Executive, DBMT and the Chief Executive, OED. Amounts paid and payable to these employees have been recognised in the financial statements as obligations met by the Entity.

Salaries and Wages
Liability for unpaid salaries and wages at the reporting date is based on current pay rates. Liability for employment on costs such as superannuation contributions and payroll tax is calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Annual Leave
Liability for unpaid annual leave at the reporting date is based on nominal amounts based on estimated future pay rates and employees' services to that date. Liability for employment on costs such as superannuation contributions and payroll tax is calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Long Service Leave
Long service leave is recognised at nominal amounts based on estimated future pay rates on a pro-rata basis in respect of services provided by employees up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of seven years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 1028. This advice has been adopted and the long service leave liability has been calculated on that basis. Liability for employment on costs such as superannuation contributions and payroll tax is calculated in accordance with AASB 1028.

Sick Leave
No liability for sick leave was recognised in the Financial Statements as sick leave taken by employees is considered to be taken from the current year's accrual.

2.10 Leases

The Entity is not committed to any premises leases directly, but is charged for accommodation pursuant to a service level agreement with DBMT. The commitment remains DBMT's obligation. The Entity records payments for premises under support services.

2.11 Financial Instruments

Financial Assets
Cash comprises cash on hand and deposits at call with Westpac Banking Corporation. The deposits are recorded at cost. Interest revenues are recognised as they accrue. Receivables are recognised at the time the debt is incurred.

Financial Liabilities
Trade Payables are recognised as they are incurred. Accrued Expenses are recognised for goods and services supplied that have not been paid for. Trade Payables are normally settled on 30 day terms.

2.12 Goods and Services Tax

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

- the amount of GST incurred by the Entity as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

2.12 Goods and Services Tax (continued)

The GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

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

2.13 Reporting Period and Comparative Figures

The reporting entity was established in December 2002 and abolished in December 2003. The balances reported in the Financial Statements for 2002-03 cover the period December 2002 to June 2003, and those reported for 2003-04 cover the period July 2003 to November 2003.

3. Expenses by Program

The Entity has identified only one program 'Economic Development': to develop and implement an economic development strategy for the State. However, two sub-programs have been identified that reflect the nature of the services delivered to the South Australian community. These are:

Sub-program 1: ***Economic Strategy***
To provide strategy development and research support to the EDB.
Support the identification and development of strategic options to build on the Economic Development Framework.

Sub-program 2: ***Major Project Facilitation and Implementation***
Facilitate major investment and infrastructure projects that contribute to the strategic development and expansion of industry in the State.
Implement the EDB's strategic initiatives.

Expenses by sub-program for the reporting period are as follows:	Sub-Program 1 $'000	2 $'000	**Period to Nov 2003 $'000**
Salaries, wages and related payments	391	862	**1 253**
Industry and other financial assistance	1	105	**106**
Support services	343	162	**505**
Consultants	22	156	**178**
Contractors	22	196	**218**
Promotional and special events	118	141	**259**
Audio visual productions	7	-	**7**
Board fees	185	52	**237**
General office and administration expenses	80	91	**171**
Economic Development Framework funding	220	-	**220**
Travel and accommodation	26	94	**120**
Information technology	1	2	**3**
Depreciation	18	9	**27**
Assets transferred to DBMT	2	-	**2**
Total Expenses	1 436	1 870	**3 306**
Salaries, wages and related payments	674	1 004	**1 678**
Industry and other financial assistance	70	872	**942**
Support services	389	344	**733**
Consultants	62	474	**536**
Contractors	46	439	**485**
Promotional and special events	307	136	**443**
Audio visual productions	19	306	**325**
Board fees	304	21	**325**
General office and administration expenses	80	163	**243**
Travel and accommodation	78	146	**224**
Information technology	14	19	**33**
Depreciation	20	17	**37**
Assets written down to nil value	15	14	**29**
Decrement on revaluation of furniture and equipment	10	8	**18**
Assets transferred to DBMT	3	2	**5**
Total Expenses	2 091	3 965	**6 056**

4. Sponsorship

The EDB held South Australia's Economic Growth Summit in April of 2003. Private sector contributions to the cost of the Summit were made by way of sponsorship of the event. These contributions were in the form of cash and 'in-kind' funding.

'In-kind' contributions were recognised as sponsorship and expensed under supplies and services at fair value.

4. Sponsorship (continued)

Total sponsorship amounted to:

	Period to Nov 2003 $'000	2003 $'000
Cash	**-**	399
In-kind	**-**	617
	-	1 016

5. Salaries, Wages and Related Payments

5.1 Composition of Salaries, Wages and Related Payments

Salaries, wages, annual and sick leave	**1 013**	1 303
Long service leave [(1)]	**8**	53
Superannuation	**131**	146
Other employee on-costs	**101**	176
Total	**1 253**	1 678

(1) Reduction in long service leave expenditure arises from a reduction in accruals based on employees transferred to other agencies and the liability accrued from 1 July 2003 being less than the leave liability transferred.

5.2 Executive Remuneration

The EDB Chief Executive was the only gazetted employee of the EDB (until his resignation in June 2003). The Deputy Chief Executive was appointed Acting Chief Executive from July 2003.

For the period to 30 November 2003, 9 employees (7 employees) had remuneration contracts in excess of $100 000 per annum. The bands below are based on these contracted amounts for the period to 30 November 2003.

The aggregate remuneration receivable by the Entity employees for the period to 30 November 2003 was $589 000, and for the 12 month period ending 30 June 2003 was $1 032 000.

The following table sets out the number of employees with total annual remuneration in excess of $100 000 within the following bands:	Period to Nov 2003 Number of Employees	2003 Number of Employees
$100 000 - $110 000	**2**	3
$110 001 - $120 000	**2**	-
$120 001 - $130 000	**-**	1
$130 001 - $140 000	**1**	1
$150 001 - $160 000	**1**	-
$170 001 - $180 000	**1**	-
$190 001 - $200 000	**-**	1
$200 001 - $210 000	**2**	-
$250 001 - $260 000	**-**	1

5.3 Superannuation

For the period ended 30 November 2003, a total of $131 000 ($146 000) was paid, or due and payable to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Entity's employees.

Superannuation contributions are charged as an expense in the period in which they occur. The Entity is not liable for payments to beneficiaries as this is the responsibility of the superannuation schemes.

6. Industry and Other Financial Assistance

Financial Assistance is provided to the private sector by OED. Proposals and applications for funding are subject to specific guidelines and procedures issued by the Entity. There are several approval delegations dependent upon the level and nature of assistance provided.

Class of Assistance	Period to Nov 2003 Total Grants $'000	2003 Total Grants $'000
Defence	**97**	288
Film	**-**	200
Industry Development	**-**	200
Enterprise Development	**-**	180
Other	**9**	74
	106	942

7. Support Services

The Entity is provided with support services by DBMT, under a Service Level Agreement. Such services include finance, administration, information technology and accommodation.

8. Payments to Consultants

Total payment to consultants amounted to $178 000 ($536 000).

The consultancies used by the Entity, and payments made have been grouped under the following ranges:	**Period to Nov 2003 Number of Consultancies**	2003 Number of Consultancies
Less than $10 001	**2**	2
$10 001 - $20 000	**2**	4
$20 001 - $30 000	**1**	-
$30 001 - $40 000	**1**	1
$40 001 - $50 000	**-**	1
$80 001 - $90 000	**1**	-
$110 001 - $120 000	**-**	1
$250 001 - $260 000	**-**	1

$10 001 - $20 000	**Consultancy Title**
Paul Dibb & Associates	Provide advice with regard to Defence matters.
Hudson Howells	Provide analysis of the Defence Market and Defence Expenditure.
$20 001 - $30 000	
The Strategy Shop	(Film) Studio Infrastructure Feasibility Study.
$30 001 - $40 000	
Grant Belchamber	Review of Department for Business, Manufacturing and Trade.
$80 001 - $90 000	
Shackleton Management	Provide high level advice to the Premier and Chairman EDB on Defence and Defence Industry matters. Lead the State effort to secure a rationalized naval shipbuilding and repair industry. Lead the development of a State Defence Industry strategy. Promote the South Australian defence sector and opportunities at a senior industry and government level both within Australia and overseas.

9. Net Revenue from Restructure

OED was created as a result of a restructure from DBMT. There were no restructures as at 30 November 2003 which would require disclosure. OED was abolished effective 1 December 2003.

	2003	
Assets transferred from DBMT:	$'000	$'000
Cash		386
Works of art		21
Furniture and equipment	151	
Less: Accumulated depreciation	54	
		97
Computer equipment	172	
Less: Accumulated depreciation	116	
		56
Total Assets transferred		560
Liabilities assumed from DBMT:		
Employee benefits and related costs:		
Annual leave	71	
Long service leave	221	
Associated on-costs	31	
Total liabilities assumed		323
Net Result		237

10. Receivables

	Period to Nov 2003 $'000	2003 $'000
GST receivable	**56**	166
Trade debtors	**18**	49
Prepayments	**111**	12
Accrued interest on deposits and bank accounts	**52**	7
Other receivables	**5**	2
	242	236

11. Plant and Equipment

	Furniture and Equipment	Computer Equipment	Works of Art	**Period to Nov 2003 Total**
Gross Carrying Amount:	$'000	$'000	$'000	**$'000**
Balance at 30 June 2003	62	50	-	**112**
Additions	3	4	-	**7**
Transfers in from DBMT	-	5	-	**5**
Disposals	-	-	-	**-**
Transfers out to DBMT	-	(3)	-	**(3)**
Assets written down to nil value	-	-	-	**-**
Assets at 30 November 2003	65	56	-	**121**
Accumulated Depreciation:				
Balance at 30 June 2003	-	-	-	**-**
Transfers in from DBMT	-	1	-	**1**
Depreciation expense	9	18	-	**27**
Disposals	-	-	-	**-**
Transfers out to DBMT	-	(1)	-	**(1)**
Assets written down to nil value	-	-	-	**-**
Assets at 30 November 2003	9	18	-	**27**
Net Book Value:				
Assets at 30 November 2003	**56**	**38**	**-**	**94**
Assets at 30 June 2003	62	50	-	112

	Furniture and Equipment	Computer Equipment	Works of Art	2003 Total
Gross Carrying Amount:	$'000	$'000	$'000	$'000
Assets transferred at restructure	151	172	21	344
Additions	2	5	-	7
Transfers in from DBMT	-	24	-	24
Disposals	-	(1)	-	(1)
Transfers out to DBMT	-	(23)	-	(23)
Assets written down to nil value	(20)	-	(21)	(41)
Add back accumulated depreciation at revaluation	(53)	(144)	-	(197)
Net revaluation increments (decrements)	(18)	17	-	(1)
Balance at 30 June 2003	62	50	-	112
Accumulated Depreciation:				
Assets transferred at restructure	54	116	-	170
Transfers in from DBMT	-	21	-	21
Depreciation expense	11	26	-	37
Disposals	-	(1)	-	(1)
Transfers out to DBMT	-	(18)	-	(18)
Assets written down to nil value	(12)	-	-	(12)
Add back accumulated depreciation at revaluation	(53)	(144)	-	(197)
Balance at 30 June 2003	-	-	-	-
Net Book Value:				
As at 30 June 2003	**62**	**50**	**-**	**112**
Assets transferred at restructure	97	56	21	174

12. Payables

	Period to Nov 2003	2003
Current Liabilities:	**$'000**	$'000
Trade creditors and accruals	**877**	187
GST Payable	**11**	-
Employee on-costs	**131**	29
	1 019	216
Non-Current Liabilities:		
Employee on-costs	**21**	22

13. Employee Benefits and Related Costs

Current Liabilities:		
Salaries and wages	**-**	14
Annual leave	**198**	164
Long service leave	**27**	27
Workers compensation [(1)]	**11**	11
Total Current	**236**	216

13. Employee Benefits and Related Costs (continued)

	2004	2003
Non-Current Liabilities:	**$'000**	$'000
Long service leave	**240**	245
Workers compensation (1)	**30**	30
Total Non-Current	**270**	275

(1) These amounts reflect an actuarial assessment of the Entities workers compensation liabilities at 30 June 2003 contained in a report prepared by Taylor Fry Consulting Actuaries and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet. The amounts reflect the Entity's experience of claim numbers and payments over the period 1 January to 30 June 2003. A separate valuation of the liabilities may result in a different assessed liability.

It is not anticipated that there was a material variance in the actuarial value of Workers compensation liabilities from 30 June 2003 to 30 November 2003, therefore no change has been made for this liability.

The actuarial report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

14. Accumulated Surplus

	Period to Nov 2003	2003
	$'000	$'000
Balance at beginning of the period	**1 538**	-
Surplus from operating activities	**1 772**	1 538
Balance at the end of the period	**3 310**	1 538

15 Asset Revaluation Reserve

	Period to Nov 2003	2003
	$'000	$'000
Balance at beginning of the period	**17**	-
Revaluation increment arising from revaluation of computing equipment	**-**	17
Balance at the end of the period	**17**	17

16. Notes to the Statement of Cash Flows

16.1 Definition of Cash

For the purposes of the Statement of Cash Flows, cash includes deposits which are used in the cash management function on a day to day basis.

16.2 Reconciliation of Cash

	Period to Nov 2003	2003
Closing cash balance as shown in the Statement of Cash Flows is represented by the following balances:	**$'000**	$'000
The Office of Economic Development operating account and other funds	**4 537**	1 936

16.3 Reconciliation of Net Cash provided by Operating Activities to Surplus from Ordinary Activities

Surplus from Ordinary activities	**1 772**	1301
Cash transferred from DBMT	**-**	386
Non-cash items:		
In-kind revenue	**-**	(617)
Assets transferred from DBMT	**(4)**	(3)
In-kind expense	**-**	617
Depreciation	**27**	37
Assets written down to nil value	**-**	29
Decrement on revaluation of furniture and equipment	**-**	18
Assets transferred to DBMT	**2**	5
Change in assets and liabilities (net of transfers in on restructure):		
(Increase) in receivables	**(6)**	(236)
Increase in payables	**802**	207
Increase in employee benefits and related costs	**15**	199
Net Cash provided by Operating Activities	**2 608**	1 943

17. Related Party Information

17.1 Members of the Economic Development Board

The following Members served on the Economic Development Board during the reporting period:

Robert Champion de Crespigny (Chairman)
Cheryl Bart
John Bastian
Grant Belchamber
David Cappo (appointed 7 August 2003)
Maurice Crotti
Andrew Fletcher
Bob Hawke
Caroline Hewson
Mike Moore
Fiona Roche
David Simmons

17.2 Related Party Transactions

The Economic Development Board recommended a review of DBMT in the 'Framework for Economic Development for South Australia'. A review panel was commissioned by the Hon Rory McEwen MP in August 2003, which comprised 2 board members, John Bastian and Grant Belchamber and one independent member, Michael Dwyer. The review was completed on 30 September 2003. John Bastian waived his rights to receive remuneration and Grant Belchamber received payment as disclosed in Note 8 'Payments to Consultants'.

18. Remuneration of Board Members

18.1 Economic Development Board

The Members of the Economic Development Board were entitled to receive remuneration of $45 000 per annum, during the reporting period. Mr de Crespigny and Msgr Cappo waived any rights to receive board fees.

The number of Members of the Economic Development Board whose annual remuneration received or receivable falls within the following bands were:	**Period to Nov 2003 Number of Members**	2003 Number of Members
$nil	**2**	2
$10 000 - $19 999	**10**	-
$20 000 - $29 999	**-**	11

The aggregate remuneration received by Members of the Economic Development Board during the reporting period was $186 000 ($308 000).

18.2 Defence Industry Advisory Board

The Defence Industry Advisory Board was established on 20 January 2003 to underpin the continued growth of the defence industry in South Australia.

The number of Members of the Defence Industry Advisory Board whose annual remuneration received or receivable falls within the following bands were:	**Period to Nov 2003 Number of Members**	2003 Number of Members
$nil	**6**	8
$1 - $9 999	**1**	1
$10 000 - $19 999	**3**	1

The aggregate remuneration received by Members of the Defence Industry Advisory Board during the reporting period was $51 000 ($17 000).

19. Auditors' Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Entity for the reporting period totalled $19 000 ($17 000).

20. Financial Instruments

20.1 Credit Risk

The Entity's maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Entity has no significant exposure to any concentrations of credit risk.

20.2 Interest Rate Risk

The Entity's exposure to interest rate risk and the effective weighted interest rate is set out in the following table. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.

			As at 30 November 2003	
	Weighted Average Effective Interest Rate	Variable Interest	Non-Interest Bearing	**Total**
Financial Assets:	Percent	$'000	$'000	**$'000**
Cash on hand and on deposit	4.62	4 537	-	**4 537**
Receivables	-	-	242	**242**
		4 537	242	**4 779**
Financial Liabilities:				
Payables	-	-	1 040	**1 040**

			As at 30 June 2003	
	Weighted Average Effective Interest Rate	Variable Interest	Non-Interest Bearing	Total
Financial Assets:	Percent	$'000	$'000	$'000
Cash on hand and on deposit	4.60	1 936	-	1 936
Receivables	-	-	236	236
		1 936	236	2 172
Financial Liabilities:				
Payables	-	-	238	238

20.3 Net Fair Value

The carrying amount of the financial assets and financial liabilities recorded in the financial statements approximate their net fair value.

21. Contingent Liabilities

21.1 Financial Assistance

As at 30 November 2003 the entity had financial obligations under agreements with various bodies. The payment of funds in future years is subject to certain performance criteria being met by these bodies.

	Period to Nov 2003 $'000
Not later than one year	**1 000**
Later than one year but not later than five years	**500**
	1 500

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Authority, a body corporate, was established under the *Local Government Finance Authority Act 1983* (the Act). It is managed and administered by a Board of Trustees.

Functions

The functions of the Authority, as specified in subsection 21(1) of the Act, are to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies; and to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interest of local government.

In addition, subsection 21(2a) of the Act provides that the Authority must not make a loan, other than one to a Council or prescribed local government body; make an investment; or enter into a partnership or joint venture or form a company, except with the approval of the Treasurer.

Structure

The Authority operates with a staff of six including a Chief Executive Officer, a Manager Lending, and a Manager Money Market with other staff providing accounting and administrative support.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the Act are guaranteed by the Treasurer pursuant to subsection 24(1) of the Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 33(2) of the *Local Government Finance Authority Act 1983* specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of Controls

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

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- Board of Trustee minutes
- Budgetary control and management reporting
- Investments and investment income
- Debenture loans, cash advance debentures and interest income
- Short term borrowings, deposits, borrowings and interest expense
- Derivatives transactions
- Operating expenses and salaries and wages
- Computer information systems environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Local Government Finance Authority of South Australia as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Local Government Finance Authority of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Local Government Finance Authority of South Australia have been conducted properly and in accordance with law.

Audit Communications to Management

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

LGCS — E Commerce Venture

A follow-up review was conducted of audit matters raised in 2002-03 in relation to the loan provided by the Authority to the Ecouncils e-commerce venture, which commenced operations during 2000-01. It was noted that Board approval was given for the Authority to participate in this venture. Approval was also obtained from the Minister for Local Government and the Treasurer, as involvement in the e-commerce proposal constituted an investment of a nature which required approval under the *Local Government Finance Authority Act 1983*.

In monetary terms, the Authority has provided the LGCS Unit Trust (LGCS), the organisation trading as Ecouncils, a convertible cash advance debenture facility of $700 000 of which $683 000 has been drawn down. As LGCS has no major tangible assets, this cash advance debenture is effectively unsecured (unlike council loans which are secured over general revenue of the council). As there is no effective security for the loan, this would indicate a risk as to the recovery of the loan which is dependent upon the success of the venture. As the loan made is due for repayment in January 2006, Audit reviewed the financial performance of the Trust to assess likely recoverability of the loan.

The follow-up review conducted of LGCS Unit Trust included; an examination of the Trusts' latest available audited financial statements for the year ended 30 June 2003 and review of the recoverability of the loan. That review revealed that LGCS accumulated losses (as at 30 June 2003) were $662 000 and its net assets deficiency $562 000 (liabilities exceeded assets).

The above would indicate that the recovery of the loan in January 2006 is doubtful unless the operating performance of LGCS is significantly improved in the foreseeable future. The matter was raised in a management letter to the Chief Executive Officer and the recommendation made for the Board to consider a provision for doubtful debts.

In response to the matter raised, the Chief Executive Officer advised that a restructure of LGCS during the year and a reduction in overheads has increased the prospect of a profit in the future. Therefore a provision for doubtful debts is not warranted at this stage.

Audit will continue to monitor developments as to the financial performance of the Unit Trust and the recovery of the loan made.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

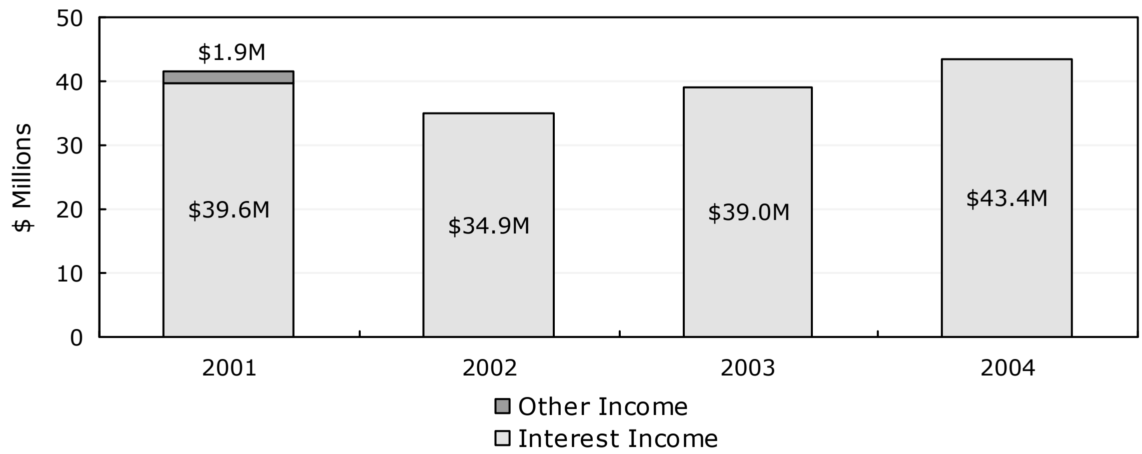
Highlights of Financial Statements

	2004 $'million	2003 $'million	Percentage Change
OPERATING REVENUE			
Interest income	**43.4**	39.0	11
Total Operating Revenue	**43.4**	39.0	11
OPERATING EXPENDITURE			
Interest expense	**38.1**	34.2	11
Guarantee fee, administration and other expenses	**2.0**	2.0	-
Total Operating Expenses	**40.1**	36.2	11
Surplus before tax	**3.3**	2.8	18
Income tax expense	**1.0**	0.8	25
Net Profit	**2.3**	2.0	15
Net Cash Flows from Operations	**2.6**	2.5	4
ASSETS			
Investments, loans and advances	**393.5**	374.0	5
Other assets	**15.0**	13.6	10
Total Assets	**408.5**	387.6	5
LIABILITIES			
Deposits and borrowings	**350.5**	331.5	6
Other liabilities	**10.4**	9.3	12
Total Liabilities	**360.9**	340.8	6
EQUITY	**47.6**	46.8	2

Statement of Financial Performance

Operating Revenues

As the Authority is a financial institution servicing Local Government, its main operating revenue is interest income with other income being insignificant. For the four years to 2004 a structural analysis of operating revenues for the Authority is presented in the following chart.

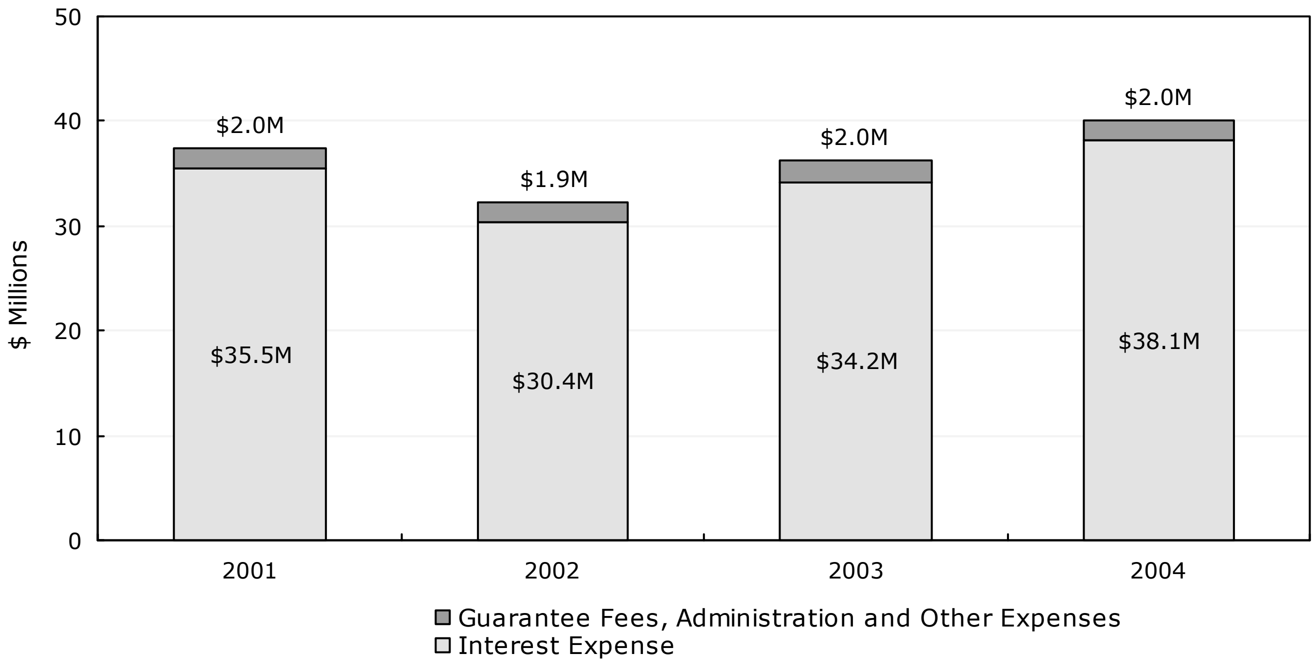


The increase in interest income in 2004 reflects increases in the average balance of loans and advances and the hedge receipts notional balance. Details of interest income, interest rates and balances are provided in Note 23 to the accounts.

Operating Expenses

As the Authority is a financial institution servicing Local Government, its main operating expense is interest expense with guarantee fee, administration and other expenses being less significant.

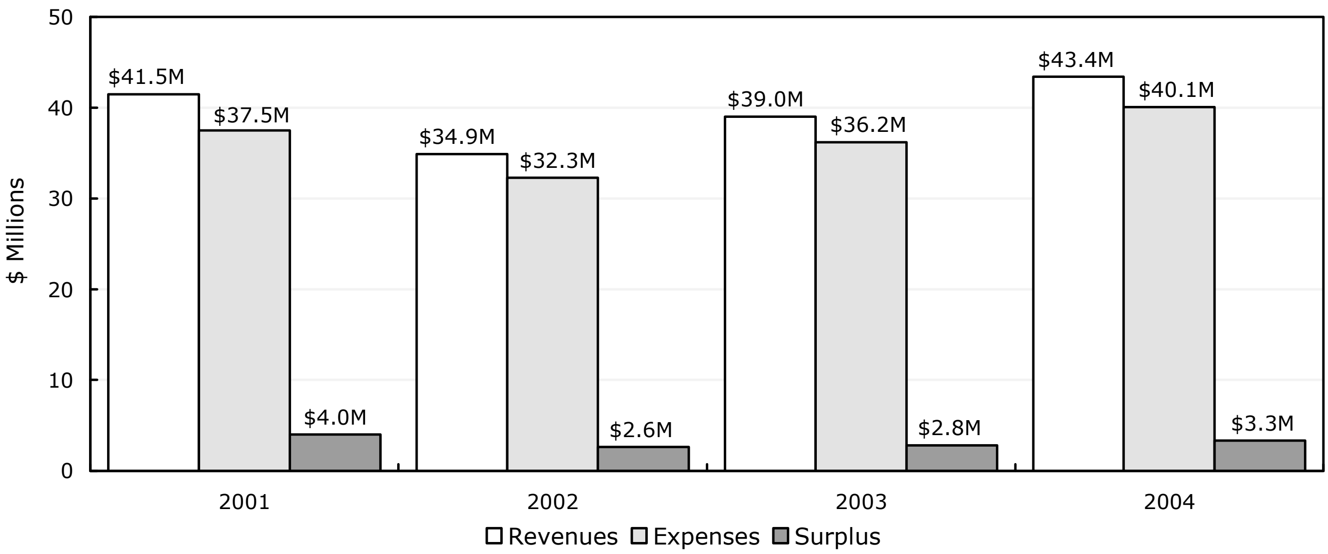
For the four years to 2004 a structural analysis of the main operating expense items for the Authority is shown in the following chart.



The increase in interest expense in 2004 reflects increases in the average balance of deposits and the hedge payments average notional balance. Details of interest expense, interest rates and balances are provided in Note 23 to the accounts.

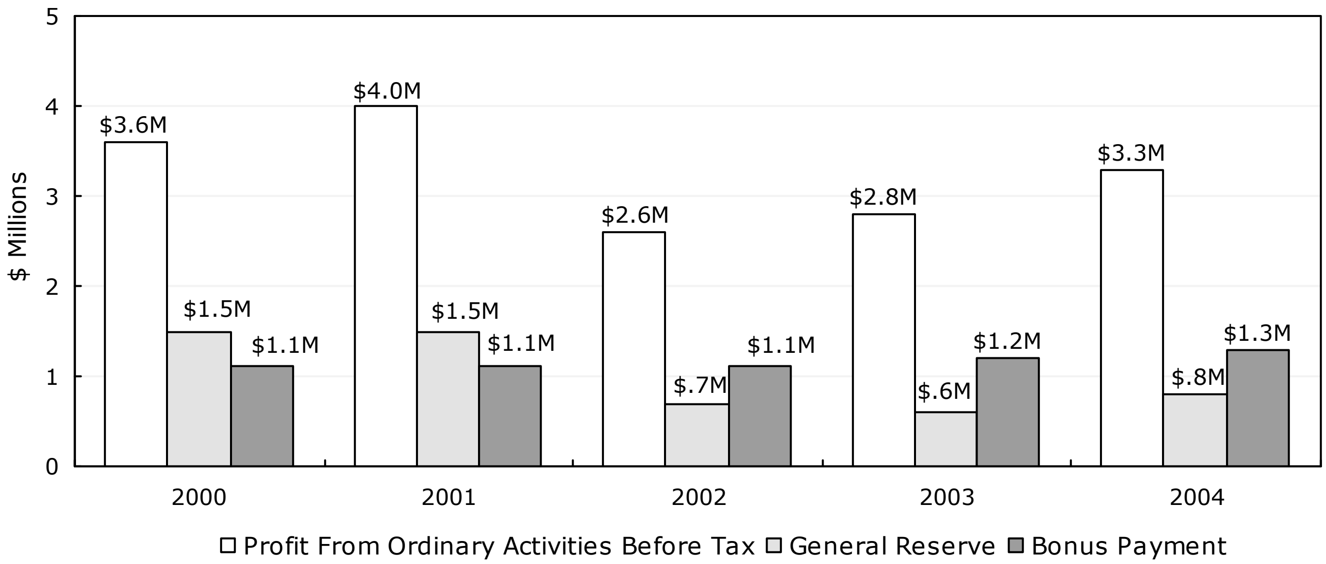
Operating Result

The following graph shows the operating revenues, operating expenses and surpluses for the four years to 2004.



Profit and Distributions

In 2003-04 the Authority achieved a profit from ordinary activities before tax of $3.3 million ($2.8 million) and a net profit of $2.3 million ($2 million) which was available for appropriation. The profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following chart.

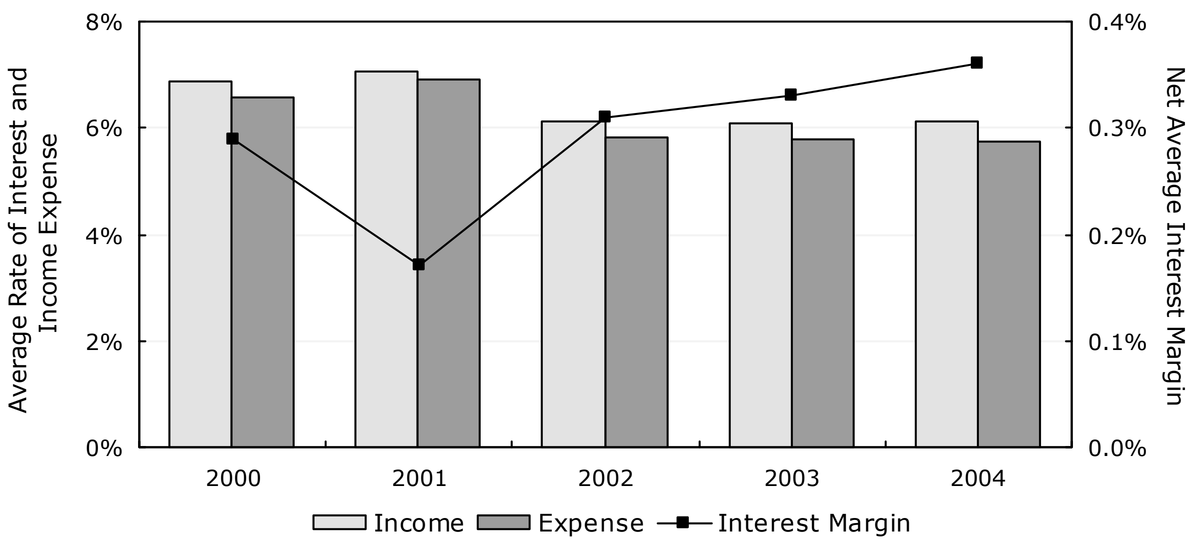


The profit from ordinary activity before tax results for the years 2000 to 2001 were higher than those for the 2002 to 2004 years. That decrease reflects other income (commission) generated from a structured finance deal which finally matured in 2001. A previous chart on operating revenues shows the quantum of other income earned in the earlier years.

The profit from ordinary activities before tax result for 2004 represents an increase of $500 000 (17.9 percent) from the previous year and reflects that interest income increased by $4.4 million while interest expense increased by only $3.9 million. That reflects minimal changes in interest rates but some increases in the average balances of investments and loans, deposits and borrowings (Note 23 refers).

Net Average Interest Margin

The following chart highlights that in terms of financial performance, the Authority has re-established a net average interest margin in the order of what was achieved prior to 2001.



The decrease in the net average interest margin in 2001 reflects slightly lower increases in interest rates on loans and advances and hedge receipts than the slightly higher increase in interest rates on borrowings and deposits, thus lowering the margin in that year. Details of interest margins are provided in Note 23 to the accounts.

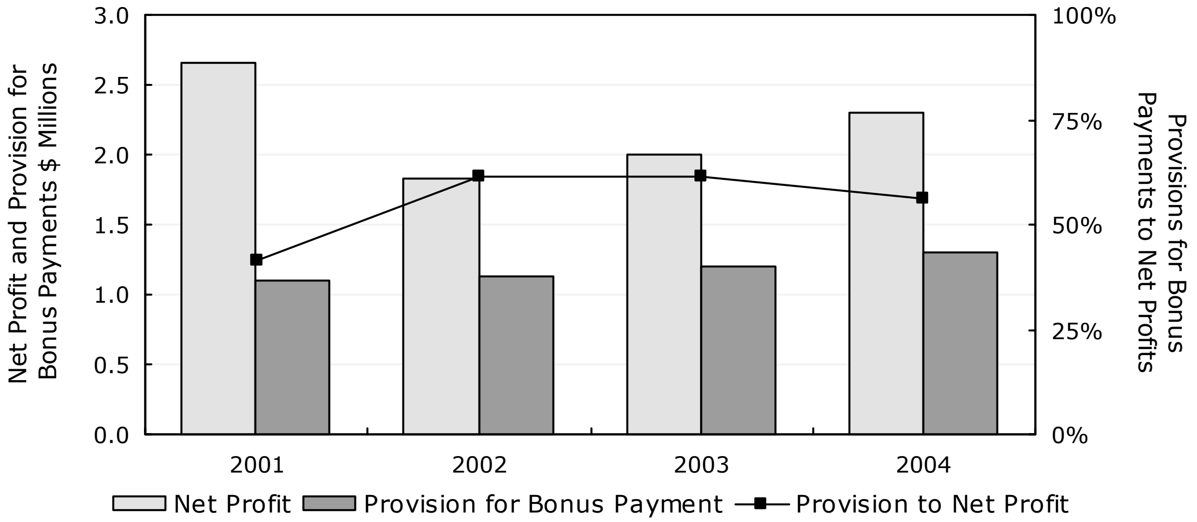
Tax Equivalent Payments

As from 1 June 1996, the Authority came under a Taxation Equivalent Payments System and is required to make payments equivalent to Company Income Tax. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund' and the funds are then available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for Local Government in accordance with section 31A of the *Local Government Finance Authority Act 1983*. For this financial year, the amount payable for income tax equivalent was $1.0 million.

Provision for Bonus Payments

Under subsection 22(2) of the *Local Government Finance Authority Act 1983*, the Authority has discretion to make distributions from the surplus for the year to Councils and local government bodies. These distributions are recorded as bonus payments in the financial statements. In 2003-04, a provision for a bonus payment of $1.3 million was made which was consistent with amounts provided in the previous year.

The following chart shows net profit, the provision for bonus payments and the ratio of the provision for bonus payments to net profit for the past four years.

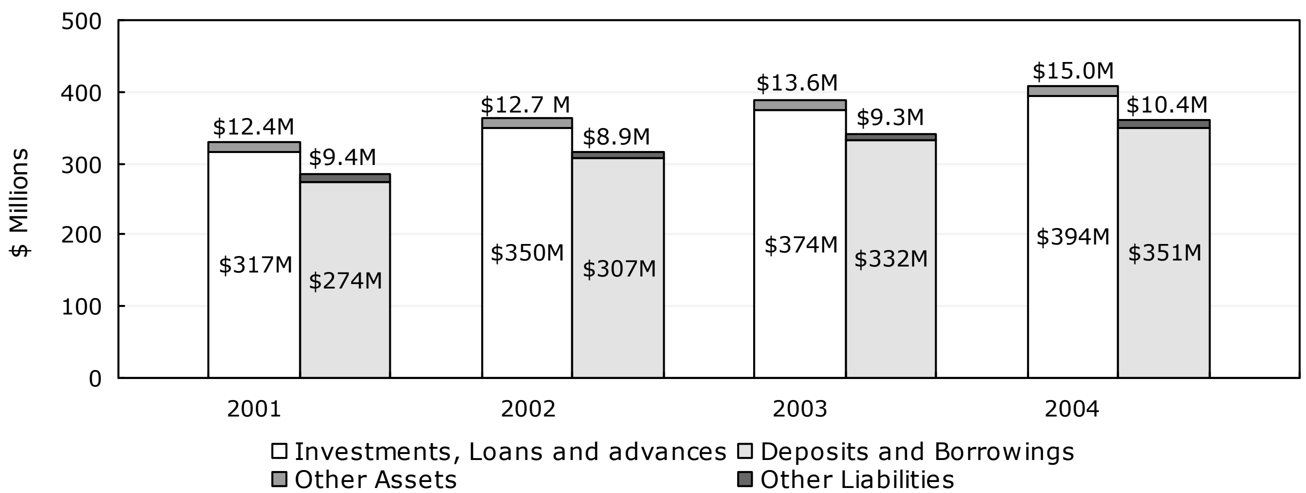


This chart highlights the consistency of the amount of the provision for bonus payments, (average of $1.2 million per year) for the 2002 to 2004 years.

Statement of Financial Position

Assets and Liabilities

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The Statement of Financial Position shows assets of $409 million and liabilities of $361 million at 30 June 2004 compared with corresponding amounts of $388 million and $341 million at 30 June 2003.

The increase in assets and liabilities was due mainly to:

- an increase in the Asset — Loans and Advances made to Councils and Local Government Bodies of $19.6 million (5.3 percent);
- an increase in the Liability — Deposits from Councils and Local Government bodies of $11.8 million (5.2 percent) and an increase in borrowings of $7.2 million (6.7 percent).

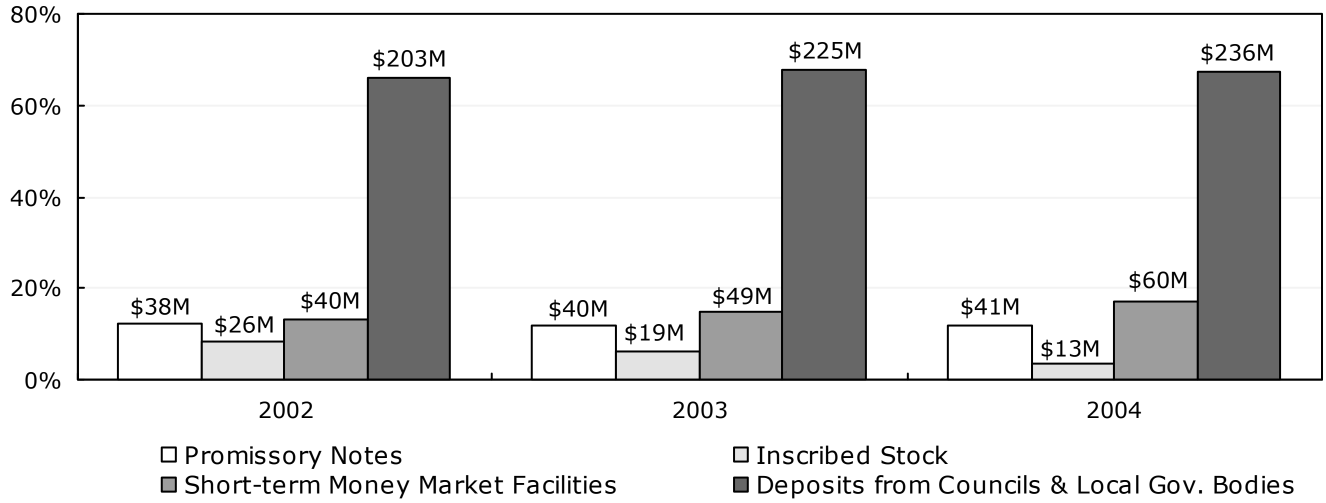
Asset Quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the Council's general revenue. Note 1(g) and Note 10 to the accounts explain the details.

The Authority has not experienced defaults or losses associated with those loans and as a consequence has no provision for doubtful debts against the assets.

Liabilities of the Authority

The following chart displays the variations in the composition of major liabilities over the period 2001-02 to 2003-04. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.



The chart highlights the trend in the composition of the Authority's liabilities. In recent years reliance is being placed on deposits from Councils and Local Government Bodies and short term money market borrowings to fund the Authority's lending activities.

During recent years, the Authority has moved towards placing more reliance on the funding of loans to Councils via deposits lodged by Councils. Put simply, the Authority borrows short term to take advantage of low interest rates and lends long term. Interest rate exposures are hedged through the use of interest rate swap agreements and futures contracts. The fixed side of the 'swap' is organised so that the Authority achieves a small interest profit margin on each loan. On the variable side of the 'swap', the Authority receives from its derivative financial institution, the 90 day bank bill swap rate which covers the interest paid to Councils for deposits at the at call rate. Therefore, any movements in interest rates are hedged allowing the Authority to achieve a small interest rate margin. Note 22(a) to the Financial Statements refers to interest rate risk management.

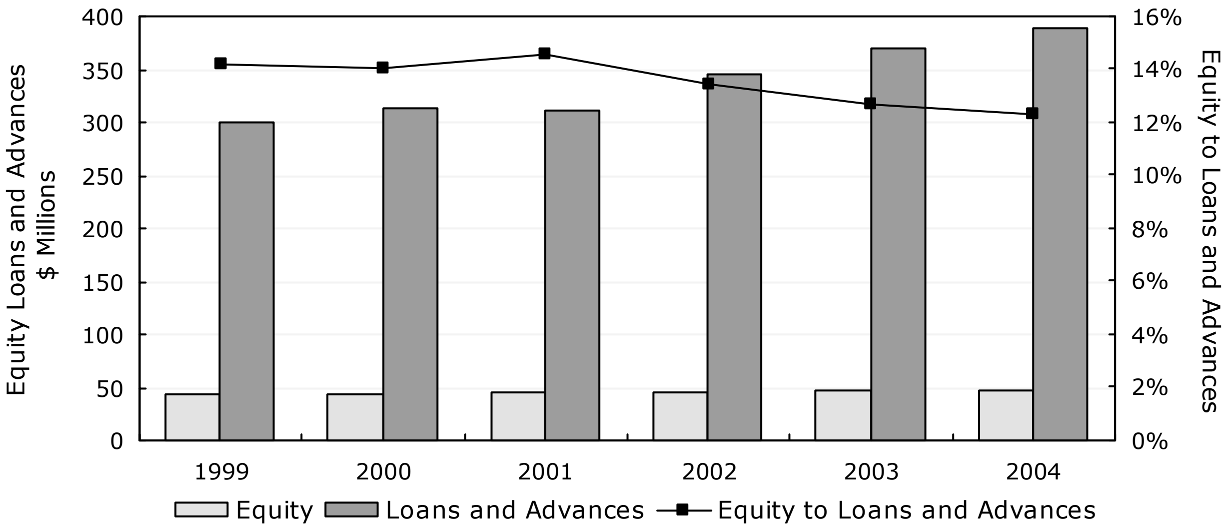
General Reserve and Equity

The Authority appropriated $0.8 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2004 of $47.1 million.

Total equity of the Authority amounted to $47.6 million as compared to total assets of $408.5 million. The equity comprises the General Reserve of $47.1 million, and Retained Profit of $0.5 million. In relation to the General Reserve, the earlier produced table titled Profit and Distributions demonstrates the policy of regularly appropriating a significant portion of the profit to that reserve ($5.1 million over the five years to 30 June 2004).

The total equity is invested in financial securities and in loans and advances. Equity has no corresponding cost of capital and generates investment returns. These returns provide a buffer for the Authority against unforeseen unfavourable impacts on revenues and expenses.

The following chart shows the trend of equity to loans and advances over the past six years.



The chart highlights that notwithstanding the increase in equity through retained profits and transfers to reserves, the ratio has fallen in 2002 through to 2004 with the increase in loans and advances (5.3 percent in 2004). As indicated previously, the majority of these loans are secured by debentures.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**2.6**	2.5	1.4	3.4
Investing	**(19.6)**	(24.5)	(32.8)	35.9
Financing	**17.0**	22.1	31.3	(39.6)
Change in Cash	**0.0**	0.1	(0.1)	(0.3)
Cash at 30 June	**0.1**	0.1	0.0	0.1

The Statement of Cash Flows shows that the main inflow was financing activities of $17 million. The main source of this inflow was funds received from deposits from Councils and Local Government Bodies of $11.8 million and short term money market facilities of $11.7 million offset by repayment of inscribed stock of $5.7 million. These inflows were used to fund investing activities, which mainly represented loans to Councils and Local Government Bodies of $19.6 million.

Statement of Financial Performance
for the year ended 30 June 2004

	Note	**2004**	2003
REVENUES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Interest on investments	23	**1 632**	2 077
Interest on loans and advances	23	**41 792**	36 980
Other income	3	**12**	18
Total Revenues		**43 436**	39 075
EXPENSES FROM ORDINARY ACTIVITIES:			
Interest on deposits from councils and local government bodies	23	**13 483**	11 599
Interest on borrowings	23	**24 658**	22 655
Fees for the guarantee of the Treasurer of SA on liabilities		**772**	722
Administration expenses	4	**1 245**	1 206
Share of net loss of associate accounted for using the equity method	5	**-**	50
Total Expenses		**40 158**	36 232
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**3 278**	2 843
Income tax expense relating to ordinary activities	1(e)	**983**	853
NET PROFIT	17	**2 295**	1 990
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNERS AS OWNER		**2 295**	1 990

Statement of Financial Position
as at 30 June 2004

	Note	**2004**	2003
ASSETS:		**$'000**	$'000
Cash and liquid assets	6	**68**	101
Accrued interest receivable	7	**7 514**	6 625
Other assets	8	**7 043**	6 535
Investment securities	9	**5 100**	5 100
Loans and advances	10	**388 451**	368 895
Property, plant and equipment	11	**343**	357
Total Assets		**408 519**	387 613
LIABILITIES:			
Deposits from councils and local government bodies	12	**236 445**	224 681
Accrued interest payable	13	**8 002**	7 026
Provisions	14	**2 072**	1 886
Other liabilities	15	**322**	383
Borrowings	16	**114 009**	106 813
Total Liabilities		**360 850**	340 789
NET ASSETS		**47 669**	46 824
EQUITY:			
Reserves	17	**47 100**	46 300
Retained profits	17	**569**	524
TOTAL EQUITY		**47 669**	46 824
Commitments	10		
Contingent Liabilities	22		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	**2004 Inflows (Outflows) $'000**	2003 Inflows (Outflows) $'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
Interest and bill discounts received		**42 548**	38 776
Interest paid		**(37 179)**	(33 666)
Fees paid re guarantee provided by the Treasurer of SA		**(769)**	(714)
Cash payments to suppliers and employees		**(1 112)**	(1 078)
Fees received		**13**	14
Income tax paid		**(888)**	(792)
Net Cash provided by Ordinary Activities	19	**2 613**	2 540
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		**(19 618)**	(24 517)
Payments for property, plant and equipment		**(271)**	(115)
Proceeds from sale of property, plant and equipment		**165**	49
South Australian Government Financing Authority		**63**	74
Net Cash used in Investing Activities		**(19 661)**	(24 509)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		**(5 683)**	(7 402)
Promissory notes		**1 200**	1 800
Deposits from councils and local government bodies		**11 764**	21 834
Short-term money market facilities		**11 680**	8 120
Bonus payment to councils and local government bodies		**(1 225)**	(1 125)
Grant to Local Government Association of South Australia		**(150)**	-
Grant to LGCS Pty Ltd		**-**	(150)
Other payments		**(571)**	(1 013)
Net Cash provided by Financing Activities		**17 015**	22 064
NET INCREASE (DECREASE) IN CASH HELD		**(33)**	95
CASH AT 1 JULY		**101**	6
CASH AT 30 JUNE	19	**68**	101

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) Basis of Accounting

The financial report has been prepared as a general purpose financial report in accordance with applicable Statements of Accounting Concepts, applicable Accounting Standards, and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the *Public Finance and Audit Act 1987*.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated.

(b) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

(b) Property, Plant and Equipment (continued)

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	6.7

(c) Employee Benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service. No provision is made in the accounts for sick leave entitlements.

(d) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 22(a) - Derivative Financial Instruments refer).

(i) Interest Rate Swaps are recorded in the accounts on the basis of historical cost.

(ii) Futures Contracts are recorded at market value with the resultant change in value recorded in the Statement of Financial Performance.

(e) Income Tax

The LGFA is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

(f) Investment Securities

The Authority invests in fixed interest securities with a view to holding them until maturity. Subsequently all such investments are recorded in the accounts on the basis of historical cost.

(g) Loans and Advances

Loans and advances are recorded in the accounts on the basis of historical cost. The majority of loan agreements are secured by debentures, providing a charge over Council general revenue.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(h) Concentration of Deposits

The Local Government Finance Authority of South Australia is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from Councils and Local Government bodies operating in South Australia.

2. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 Financial Reporting, the Local Government Finance Authority of South Australia's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Authority is analysing the relevant exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. The Authority is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

The Authority has allocated internal resources to this process and is receiving expert advice from the Auditor General's Department and the Financial Management Team of the Department of Treasury and Finance.

Expected Differences in Accounting Policies

Financial Instruments

Financial instruments are currently measured using amortised cost, with interest rate swap derivative instruments not recognised on the Statement of Financial Position. The Australian equivalent to IAS 39 'Financial Instruments: Recognition and Measurement' is proposing that derivative financial instruments and certain other financial instruments be recognised at fair value in the accounts. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

The Authority recognised some time ago the need for an up to date Treasury Management System to account for financial instruments and therefore is well positioned to implement this change in accounting policy.

Income Tax
The Australian equivalent to IAS 12 is proposing a comprehensive method/balance sheet approach to account for income tax. It is anticipated that the Treasurer's Instructions will continue to mandate the Accounting Profits Model currently used. Therefore it is not anticipated that there will be a change in income tax accounting policy for the Authority.

3.	**Other Income**	**2004**	2003
		$'000	$'000
	Fee income	**12**	15
	Gain on sale of fixed assets	**-**	3
		12	18
4.	**Administration Expenses Comprises**		
	Salaries and on-costs	**665**	637
	Depreciation	**113**	108
	Auditor's fees	**52**	47
	Consultancy fees	**14**	22
	Other expenses	**401**	392
		1 245	1 206
	The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with auditing the accounts	**52**	47
5.	**Share of Net Loss of Associate accounted for using the equity method**		
	LGCS Unit Trust No 1	**-**	50
6.	**Cash and Liquid Assets**		
	Cash at Bank	**68**	101
7.	**Accrued Interest Receivable**		
	Interest receivable - Loans to councils and local government bodies	**7 466**	6582
	Interest receivable - Investments	**48**	43
		7 514	6625
8.	**Other Assets**		
	Swap principal receivable	**6 828**	6 370
	Sundry debtors and prepayments	**215**	165
		7 043	6 535
9.	**Investment Securities**		
	Deposits and securities issued by banks	**5 100**	5 100
	Maturity analysis - Investment securities:		
	At call	**-**	-
	Not longer than 3 months	**-**	-
	Longer than 3 months and not longer than 12 months	**-**	-
	Longer than 1 year and not longer than 5 years	**-**	-
	Longer than 5 years	**5 100**	5 100
		5 100	5 100

The above maturity analysis shows the maximum credit risk exposure for investment securities without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

The risk is considered minimal as investments are undertaken in accordance with an investment policy which stipulates the credit ratings of the various financial institutions. Since the inception of the Authority in 1984 no default by an investment institution has occurred.

10.	**Loans and Advances**	**2004**	2003
		$'000	$'000
	Advances	**15 002**	15 595
	Term loans	**373 449**	353 300
		388 451	368 895
	Maturity analysis - Loans and advances:		
	At call	**15 002**	15 595
	Not longer than 3 months	**11 326**	25 429
	Longer than 3 months and not longer than 12 months	**40 828**	40 122
	Longer than 1 year and not longer than 5 years	**145 000**	139 630
	Longer than 5 years	**176 295**	148 119
		388 451	368 895

10. Loans and Advances (continued)

The above maturity analysis shows the maximum credit risk exposure for loans and without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

As explained in Notes 1(g) and (h) the risk is considered minimal and in addition, a concentration of credit risk also occurs as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to Councils and Local Government Bodies. The majority of loan agreements are secured by debentures providing a charge over the Council's general revenue and the Authority has not incurred any bad debts since its inception in 1984.

	2004	2003
Commitments not later than one year - Loans and advances:	**$'000**	$'000
Unused cash advance facilities	**174 195**	133 565
Term loans approved not advanced	**280**	7 387
	174 475	140 952

11. Property, Plant and Equipment

Plant, equipment and motor vehicles:		
At cost	**848**	794
Less: Accumulated depreciation	**505**	437
Total Property, Plant and Equipment	**343**	357

12. Deposits from Councils and Local Government Bodies

Deposits from councils and local government bodies	**236 445**	224 681
Maturity analysis - Deposits from Councils and Local Government bodies:		
At call	**161 096**	161 497
Not longer than 3 months	**65 141**	52 618
Longer than 3 months and not longer than 12 months	**5 240**	6 578
Longer than 1 year and not longer than 5 years	**4 788**	3 635
Longer than 5 years	**180**	353
	236 445	224 681

13. Accrued Interest Payable

Interest payable on:		
Deposits from councils and local government bodies	**3 182**	2 613
Borrowings	**4 820**	4 413
	8 002	7 026

14. Provisions

Employee benefits	**206**	191
Fringe benefits tax	**9**	9
Bonus payment to councils and local government bodies	**1 300**	1 225
Provision for income tax	**557**	461
	2 072	1 886

Movements of major provisions during the year

(i) Bonus payment to Councils and Local Government Bodies		
Opening balance 1 July 2003	**1 225**	1 125
Increase in provision	**1 300**	1 225
Amounts paid	**(1 225)**	(1 125)
Closing Balance 30 June 2004	**1 300**	1 225
(ii) Provision for Income Tax		
Opening balance 1 July 2003	**461**	400
Increase in provision	**983**	853
Amounts paid	**(887)**	(792)
Closing Balance 30 June 2004	**557**	461

15. Other Liabilities

Sundry Creditors	**167**	154
Payments due to South Australian Government Financing Authority	**155**	229
	322	383

16. Borrowings

Short-term money market facilities	**60 190**	48 510
Promissory notes	**41 000**	39 800
Inscribed stock	**12 819**	18 503
	114 009	106 813

16. Borrowings (continued)

Maturity analysis - Borrowings:	**2004 $'000**	2003 $'000
At call	**60 190**	48 510
Not longer than 3 months	**42 066**	41 259
Longer than 3 months and not longer than 12 months	**4 085**	4 361
Longer than 1 year and not longer than 5 years	**7 400**	11 601
Longer than 5 years	**268**	1 082
	114 009	106 813

The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies) are guaranteed by the Treasurer of South Australia pursuant to section 24 of the *Local Government Finance Authority Act 1983*.

17. Retained Profits and Reserves

(a) Retained Profits

	2004 $'000	2003 $'000
Net profit	**2 295**	1 990
Retained profits at 1 July	**524**	509
Total Available for Appropriation	**2 819**	2 499
Transfer to general reserve	**800**	600
Transfer to bonus payment provision	**1 300**	1 225
* Grant to Local Government Association of South Australia	**150**	-
* Grant to LGCS Pty Ltd	**-**	150
	569	524

* The Grant paid to the Local Government Association of South Australia and LGCS Pty Ltd were appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act 1983* section 22(2)(c).

(b) Reserves

(i) Composition

	2004 $'000	2003 $'000
General reserve	**47 100**	46 300

(ii) Movements during the year

General reserve:		
Opening balance	**46 300**	45 700
Transfer from retained profits	**800**	600
	47 100	46 300

18. Superannuation Commitments

The LGFA contributes to the Local Government Superannuation Fund, Local Super, in accordance with the rules of that Fund. The Fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

19. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	**2004 $'000**	2003 $'000
Cash at Bank	6	**68**	101

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) Client deposits and withdrawals;
(ii) Sales and purchases of money market securities;
(iii) Draw down and repayment of loans and investments;
(iv) Fees paid and received.

(c) Reconciliation of Net Cash provided by Ordinary Activities to Net Profit

Net Profit	**2 295**	1 990
Increase in interest payable	**976**	623
Increase in interest receivable	**(890)**	(314)
Increase in sundry creditors	**13**	3
Increase in provisions	**111**	79
Decrease in sundry debtors	**(11)**	4
Depreciation	**113**	108
Less on disposal of fixed assets	**6**	(3)
Share of Net Loss of Associate	**-**	50
Net Cash provided by Ordinary Activities	**2 613**	2 540

20. Related Party Information

The Local Government Finance Authority of South Australia operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of Board member during the year is as follows:

Mr John Keough
Councillor Bert Taylor, AM
Ms Ione Brown
Mr Paul Cohen
Mr John Comrie
Ms Wendy Campana
Councillor Anthony Pederick
Ms Vivienne Pring
Councillor John Sanderson
Mr Peter Fairlie-Jones
Mr David Posaner

During the year Ms Wendy Campana became a Board Member following her appointment as Executive Director of the Local Government Association of South Australia, replacing Mr John Comrie who is currently on secondment to the Office of Local Government. Ms Vivienne Pring resigned from the Board and was replaced by Mr David Posaner as the State Treasurer's representative.

Remuneration, Retirement Benefits and Loans

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with Section 13 of the *Local Government Finance Authority Act 1983*. The Appointee of the Treasurer presently does not seek fees and the Appointee of the Minister receives fees at the same rare as a Representative Member of the Board. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid to Board Members for the financial year ended 30 June 2004 was $36 000, which includes salary sacrificed items and associated fringe benefits tax.

Board Member Related Entities

The Authority had various financial dealings with the following Board member related entities in the normal course of business proceedings:

Board Member	*Entity*
Councillor Bert Taylor, AM	Corporation of the City of Adelaide
Ms Wendy Campana	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme LGCS Pty Ltd
Mr John Comrie	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme LGCS Pty Ltd
Mr Peter Fairlie-Jones	City of Salisbury LCGS Pty Ltd
Councillor Anthony Pederick	Corporation of the Town of Walkerville LCGS Pty Ltd
Mr David Posaner	Department of Treasury and Finance
Ms Vivienne Pring	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham

All transactions were conducted on a commercial basis and were at arm's length. During Board meetings the relevant interests were declared when necessary.

21. Remuneration of Executives

Remuneration received, or due and receivable by executive officers, whose remuneration is $100 000 or more.	**2004 Number of Executives**	2003 Number of Executives
The number of executive officers whose remuneration was within the bands:		
$100 000 - $110 000	**-**	1
$110 000 - $120 000	**2**	1
$230 000 - $240 000	**-**	1
$240 000 - $250 000	**1**	-

21. Remuneration of Executives (continued)

The aggregate remuneration received by the executive officers was $473 000 ($457 000).

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated fringe benefits tax, car parking and associated fringe benefits tax and travel expenditure and associated fringe benefits tax.

22. Contingent Liabilities

The LGFA incurs contingent liabilities as part of its normal operations in providing borrowing and investment services to Local Government in South Australia as are contemplated by its enabling legislation.

(a) Derivative Financial Instruments

All derivatives entered into by the Authority specifically match and hedge actual financial transactions. The Authority clearly recognises risks relating to the contractual obligations of derivative counterparties and extremely high importance is placed on the credit standing of such counterparties. There has been no default by any counterparty in derivative transactions undertaken by the Authority.

If a favourable (or unfavourable) financial outcome resulted from derivatives used as hedges it would be accounted for on the same basis as a gain or loss on the underlying physical exposures being hedged.

(i) Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract amount of these derivatives. The notional amounts stated do not represent amounts exchanged by the parties and hence are not a measure of credit exposure and therefore represent off-balance sheet transactions that are not recognised in the financial statements. The actual amounts to be exchanged will be calculated with reference to the Notional Amounts and other terms of the derivatives, which relate to interest rates. The credit exposure amounts represent the estimated credit-related risk that the Authority is subject to on these amounts to be exchanged under the derivative instruments.

Whilst the Authority has exposure in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2004		2003	
	Notional Amount (Face Value) $'000	**Credit Exposure $'000**	Notional Amount (Face Value) $'000	Credit Exposure $'000
Interest Rate Swaps	**332 469**	**41 529**	294 616	22 254
Interest Rate Futures Contracts	**6 000**	**191**	-	150

(ii) Interest Rate Risk Management

The Treasurer issued a revised consent dated 18 November 2001, for the Authority to enter into a range of financial arrangements as part of its normal operations of providing borrowing and investments services to Local Government in South Australia.

During the year the Authority used interest rate swaps and interest rate futures contracts to hedge actual financial transactions. All futures contracts are traded on the Sydney Futures Exchange and are closed out on or before maturity without physical delivery of the underlying instrument taking place.

(iii) Liquidity Risk

Liquidity risk can arise if timing differences occur between the receipt of scheduled cash flows and the payment of the Authority's obligation when using derivatives.

Because all cash flows are normally very closely matched and the interest rate risk hedged, it is considered that the Authority has minimal liquidity risk.

(iv) Risk Management Policies

All internal control and hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting.

(b) Financial Guarantee

The LGFA has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Workers Rehabilitation and Compensation Corporation of South Australia (WorkCover). The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2004 the amount guaranteed was $10.842 million.

23. Interest Income and Interest Expense Analysis

Interest income and interest expense are accounted for on an accrual basis.

The following tables provides the average balance and average rate for the major categories of interest bearing assets and liabilities, both on and off-Balance Sheet. All averages calculated are daily averages.

	2004				2003			
	Average Notional Balance	**Average Balance**	**Interest**	**Average Rate Percent**	Average Notional Balance	Average Balance	Interest	Average Rate Percent
Interest Income:	**$'000**	**$'000**	**$'000**		$'000	$'000	$'000	
Investments	**-**	**27 934**	**1 475**	**5.28**	-	38 382	1 918	5.0
Loans and advances	**-**	**370 871**	**25 506**	**6.88**	-	335 789	24 056	7.16
Hedge receipts	**312 365**	**-**	**16 443**	**5.26**	266 151	-	13 083	4.92
Total Interest Income	**312 365**	**398 805**	**43 424**	**6.11**	266 151	374 171	39 057	6.1
Interest Expense:								
Borrowings	**-**	**79 096**	**4 774**	**6.04**	-	78 080	4 944	6.33
Deposits	**-**	**277 044**	**13 483**	**4.87**	-	253 477	11 599	4.58
Hedge payments	**307 638**	**-**	**19 884**	**6.46**	262 008	-	17 711	6.76
Total Interest Expense	**307 638**	**356 140**	**38 141**	**5.75**	262 008	331 557	34 254	5.77

24. Net Fair Value of Financial Instruments

The net fair value of financial assets and financial liabilities which are payable on demand as at balance date approximate their carrying values with accrued interest.

The net fair value of all other financial assets and financial liabilities is based upon either of the following methods:

(i) Market prices as at the respective balance date.
(ii) Discounting cash flows using a zero coupon curve.

	2004		2003	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and liquid assets	**68**	**68**	101	101
Other assets	**7 043**	**7 043**	6 535	6 535
Investment securities	**5 100**	**4 936**	5 100	4 614
Loans and advances	**388 451**	**402 567**	368 895	397 226
Financial Liabilities:				
Deposits from councils and prescribed bodies	**236 445**	**238 332**	224 681	226 342
Provisions	**2 072**	**2 072**	1 886	1 886
Other liabilities	**322**	**332**	383	406
Borrowings	**114 009**	**115 236**	106 813	108 669
Derivative Instruments:				
Assets:				
Interest rate swaps	**-**	**334 557**	-	296 174
Futures contracts	**-**	**3**	-	-
Liabilities:				
Interest rate swaps	**-**	**338 393**	-	314 287

Where financial assets are carried at an amount above net fair value, the Trustees have not caused those assets to be written down as it is intended to retain those assets to maturity.

It should be noted that most of the abovementioned financial instruments are not readily traded on Financial Markets and therefore the fair market value assigned to them are based on a number of assumptions and estimates. Therefore the fair market values provided should in no way be interpreted as the realisable value of the Local Government Finance Authority of South Australia as at 30 June 2004.

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

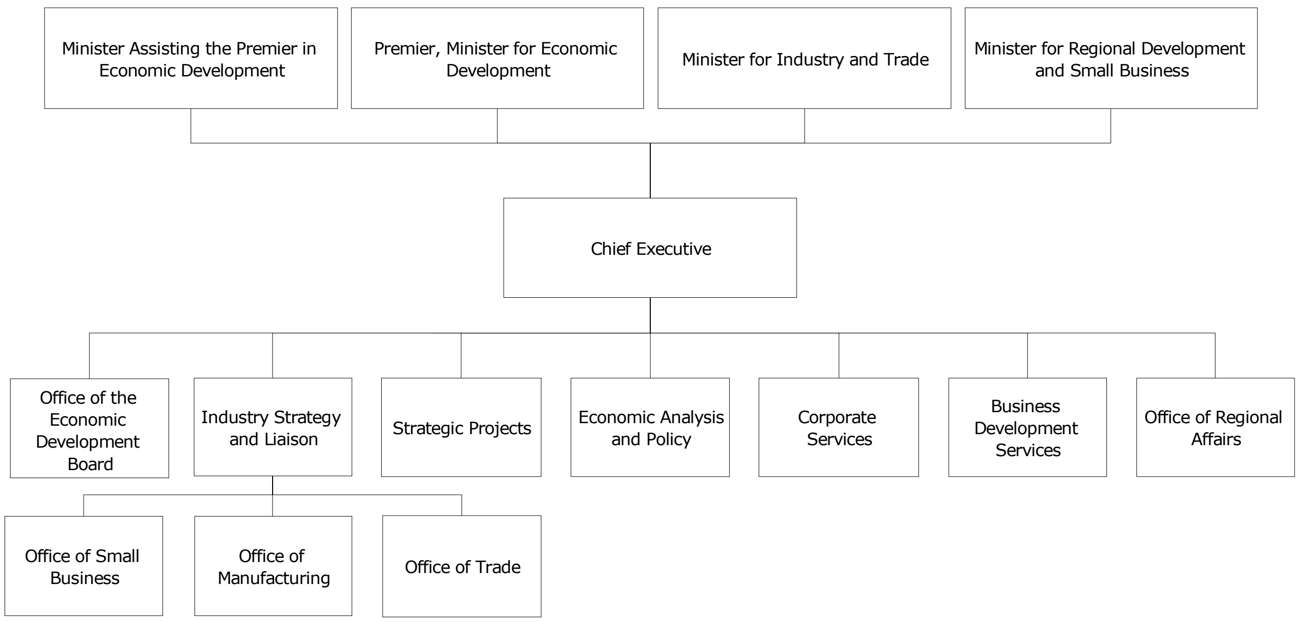
The Department of Trade and Economic Development is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The function of the Department of Trade and Economic Development is to facilitate long term sustainable economic development in South Australia by working in partnership with industry and other stakeholders in line with the State Strategic Plan.

Structure

The structure of the Department of Trade and Economic Development at 30 June 2004 is illustrated in the following organisation chart.



Changes to Functions and Structure

In August 2003, the Minister for Industry, Trade and Regional Development commissioned a review to consider the future directions, functions, structure and operations of the Department as a result of recommendation 67 of the 'Framework for Economic Development'. The outcome of the review included the identification of the core functions to remain with the Department.

The title 'Department for Business Manufacturing and Trade' was changed by proclamation to the Department of Trade and Economic Development on 8 April 2004.

Pursuant to a proclamation in the South Australian Government Gazette on 4 December 2003 and effective from 1 December 2003 the employees, functions and duties, together with the assets and liabilities of the Office of Economic Development, were transferred to the Department for Business, Manufacturing and Trade.

In addition, pursuant to a proclamation in the South Australian Government Gazette on 4 December 2003 and effective from 1 January 2004, employees of the Department for Business, Manufacturing and Trade were transferred to the following Administrative Units:

- Employees in the Business and Skilled Migration Unit were transferred to the Department of the Premier and Cabinet.
- Employees engaged in the Reinvest function of the administrative unit relating to primary production, the Food Team in the Centre for Innovation, Business Manufacturing and the Wine Industry Council were transferred to the Department of Primary Industries and Resources.
- Employees in the State Infrastructure Division, other than employees engaged in work related to telecommunications or energy issues were transferred to the Department for Administrative and Information Services.

Pursuant to a proclamation in the South Australian Government Gazette on 18 December 2003 and effective from 1 January 2004 specific employees of the Department for Business, Manufacturing and Trade were transferred to the Office of the Venture Capital Board.

Cabinet approval was obtained to transfer the function and employees engaged to work on the State's broadband telecommunications strategy to the Department of Further Education, Employment, Science and Technology effective 1 January 2004.

The Thebarton Biosciences Precinct was transferred to BioInnovations SA on 1 March 2004.

Additional commentary on the review of the Department for Business Manufacturing and Trade has been provided under the heading 'Further Commentary on Operations'.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Trade and Economic Development for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department of 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.

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- revenue collection
- accounts payable
- personnel/payroll function
- financial assistance
- non-current assets (property, plant and equipment)
- general ledger.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provision of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Trade and Economic Development as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Trade and Economic Development in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Department of Trade and Economic Development have been conducted properly and in accordance with law.

Audit Communications to Management

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 satisfactory. Major matters raised with the Department and the related responses are considered herein.

Risk Management

The 2003-04 audit included a review of the corporate governance structures in place at the Department of Trade and Economic Development which included examination of the Department's risk management processes and practices. The review focused on the requirements of the Financial Management Framework with particular emphasis on assessing whether the Department had an effective control framework for risk management.

The review identified scope for improvement with respect to certain aspects of the Department's practices. Specifically, the review found that there was a need to:

- document the established communication processes for reporting risks;
- define the role and responsibility of all Departmental officers participating in risk management including the Chief Executive;
- improve the level of documentation of risk management practices including evaluation criteria, risk identification, evaluation processes and the basis for excluding risks from the treatment plan;
- update the risk register to reflect current operations and practices of the Department.

In response, the Department acknowledged that there was scope to improve risk management practices and advised that it has engaged a contractor to develop a risk management framework for the Department addressing the matters raised by Audit.

Bona Fide Certificates

Audit review of the Department's Bona Fide reporting identified that bona fide certificates are to be certified as correct by the divisional unit Director and returned to the Human Resources Branch to enable amendments to be processed in the next pay period. Audit testing established that bona fide certificates for the Office of Economic Development and the Economic Development Board were not being certified as correct by the appropriate officer in accordance with the policy.

The Department responded advising that all divisional managers were notified of their administrative responsibilities.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As explained under 'Functional Responsibility and Structure' the Department was established on 1 October 2002. Therefore a comparison of the 12 month period from July 2003 to June 2004 with the comparative figures for the 9 month period from October 2002 to June 2003 has been performed.

Highlights of Financial Statements

	2004 $'million	2003 $'million	Percentage Change
OPERATING REVENUE			
Fees and charges	**5 711**	4 575	25
Revenues from Government	**112 823**	92 162	22
Other	**5 976**	3 001	99
Total Operating Revenue	**124 510**	99 738	25
OPERATING EXPENDITURE			
Employment expenses	**16 640**	17 266	(4)
Supplies and services	**21 272**	15 647	36
Grants and subsidies	**35 765**	47 585	(25)
Other expenses	**13 276**	5 425	-
Total Operating Expenses	**86 953**	85 923	1
Surplus (Deficit)	**37 557**	13 815	-
Net (Expense) Revenue from administrative restructure	**(7 643)**	183 108	-
Net Surplus (Deficit)	**29 914**	196 923	(85)
Net Cash Flows from Operations	**42 090**	67 493	(38)
ASSETS			
Current assets	**121 603**	62 726	94
Non-current assets	**109 416**	144 994	(25)
Total Assets	**231 019**	207 720	11
LIABILITIES			
Current liabilities	**2 563**	3 595	(29)
Non-current liabilities	**1 514**	7 097	(79)
Total Liabilities	**4 077**	10 692	(62)
EQUITY	**226 942**	197 028	15

Statement of Financial Performance

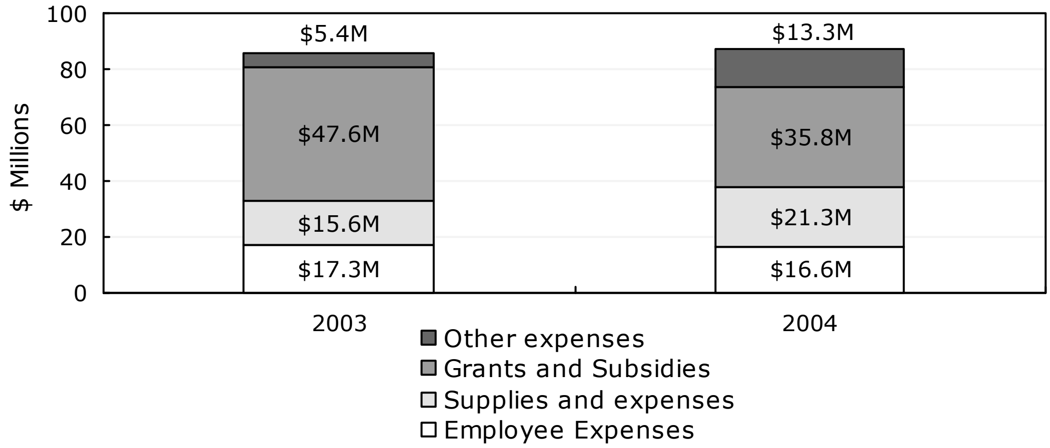
The Department's revenue from government has increased by $20.7 million to $112.8 million from. In addition:

- fees and charges have increased by $1.1 million to $5.7 million with the increase being attributable to an increase in financial assistance grants recovered;

- other revenue has increased by $3.0 million to $6.0 million with the increase being due mainly to the correction of a prior period error of $0.86 million, the increase in interest earned of $1.3 million and the increase in Commonwealth revenue of $0.9 million.

Operating Expenses

For the two years to 2004, a structural analysis of the main operating expenses for the Department are shown in the following chart.



The chart highlights that the net expenses of the Department have increased by $1.1 million to $86.9 million. The net increase was due mainly to the following:

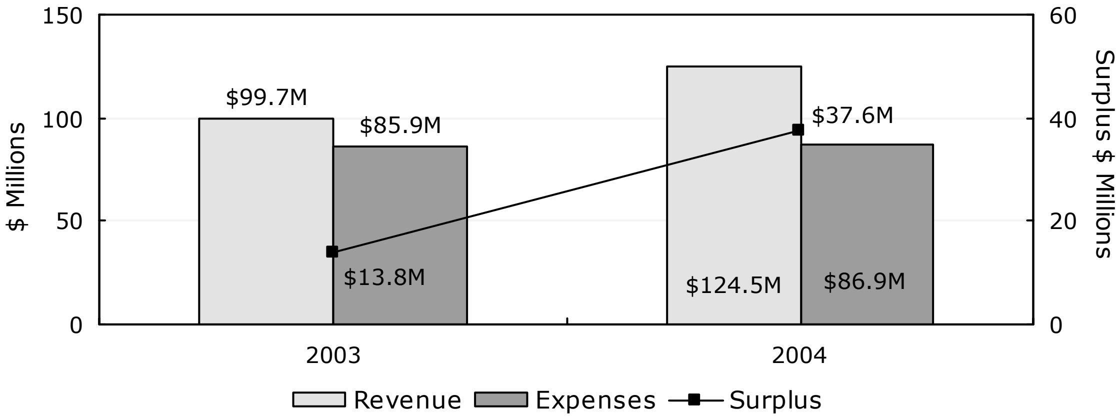
- Supplies and services increased by $5.6 million due mainly to a $2.0 million increase in costs associated with capital works in progress expensed in 2003-04. In addition payments to contractors increased by $2.2 million along with an increase in accommodation costs of $1.1 million.

- Grants and subsidies decreased by $11.8 million due mainly to the $11.0 million reflecting the effect of money provided for the construction of the Adelaide to Darwin Railway in the previous year.

Operating Result

The surplus for 2003-04 was $37.6 million compared to $13.8 million in 2002-03.

The following chart shows the operating revenues, operating expenses and surpluses for the two years to 2004.



Statement of Financial Position

The $226.9 million in net assets reported by the Department at 30 June 2004 is dominated by financial advances by way of loans of $115.2 million ($117.4 million) and cash of $92.4 million ($55.6 million).

Cash Holdings

The Department’s cash holding has increased from $55.6 million to $92.4 million. The increase is due mainly to the reduction of cash outlaid for industry assistance of $15.9 million, the purchase of plant and equipment of $10.2 million and grants and subsidies of $10.0 million.

In line with the Government's Cash Alignment Policy the Department will return $86.76 million in surplus cash to the Consolidated Account during the first quarter of 2004-05.

Inventories

The Department recognised $19.3 million of inventory in 2003-04 for the first time in relation to ownership of the Edinburgh Parks precinct. The inventory was written down by $7.2 million to reflect the net realisable value in accordance with AASB 1019 'Inventories'.

As at 1 July 2004 the Department transferred the ownership of Edinburgh Parks to the Land Management Corporation. The Department has recognised the transfer as a sale and in accordance with the agreed terms recovered the cost of the land from the Corporation (refer to Note 21).

Financial Assistance Debtors

The total of $115.1 million reported as financial assistance debtors in the Statement of Financial Position at 30 June 2004 comprises the face value of assistance debtors advanced by way of loan ($119.7 million) less an allowance for doubtful recovery ($6.5 million).

The net present value of the financial assistance advanced by way of loan using discount rates advised by the South Australian Government Financing Authority (SAFA), is $40.1 million. Refer Note 28(b).

In line with the IIAF Review as outlined under the heading 'Further Commentary on Operations' the Department reduced significantly the level of financial assistance under the fund in accordance with the recommendations.

Property, Plant and Equipment

The net book value of property, plant and equipment has reduced by $31.5 million to $1.0 million from $32.5 million. The reduction is due mainly to the:

- transfer of $26.5 million to inventory representing $4.5 million of land and $22.0 million of work in progress;

- transfer of $3.4 million with respect of the Thebarton Biosciences Precinct which was transferred to BioInnovations SA as part of the administrative restructure.

Statement of Cash Flows

The following table summarises the net cash flows for the two years to 2004.

	2004	2003
	$'million	$'million
Net Cash Flows		
Operations	**42.1**	67.5
Investing	**(0.1)**	(9.6)
Financing	**(5.2)**	(2.3)
Change in Cash	**36.8**	55.6
Cash at 30 June	**92.4**	55.6

The analysis of cash flows shows that the Department of Trade and Economic Development's cash reserves have increased. This increase is attributable to the reduction in financial assistance provided as grants and the purchase of plant and equipment in 2003-04.

FURTHER COMMENTARY ON OPERATIONS

Review of the Department for Business Manufacturing and Trade

On 17 July 2003 Cabinet approved the implementation of 70 of the 71 recommendations of the Economic Development Board's, 'A Framework for the Economic Development of South Australia'.

One of the approved Framework recommendations was that the Government examine the functions of the Department with the intention of achieving substantial restructuring and downsizing to increase efficiency and effectiveness.

In line with this recommendation, in August 2003 the Minister for Industry and Trade requested a wide-ranging review to consider the future direction and structure of the Department. The review examined and made recommendations to the Minister in relation to the Department's strategic role, functional responsibilities and structure, following acceptance by the South Australian Government of the Economic Development Board recommendations impacting directly on the Department, and its interaction and relationships with the South Australian business sector.

The review was undertaken by a Review Committee comprising two Economic Development Board members and an independent expert appointed by the Minister in consultation with the Premier and the Chairman of the Economic Development Board.

On 30 September 2003 the Review Committee presented the Minister with the recommendations of the review.

On 13 October 2003, Cabinet approved the implementation of a number of recommendations of the Review Committee's review of the Department for Business Manufacturing and Trade. Recommendations approved by Cabinet included:

- the creation of a new economic development organisation through combining the functions of the Office of Economic Development and the Department to provided a more strategically focussed agency;
- the renaming of the Department to the Department of Trade and Economic Development;
- a substantial reduction in staffing through the downsizing, transferring or discontinuing of certain functions.

The core functions of the new Department are to provide an interface for Government with industry, facilitate strategic and major projects, and provide business extension services, economic analysis, policy and advice. As at 30 June 2004, the Department's new structure is reflected under the earlier heading of 'Structure'.

Review of Industry and Investment Attraction Fund

A review of the provision of assistance to the private sector by the Department was requested in February 2003 by the Treasurer and the Minister for Trade and Regional Development. The review initially focused on the Industry and Investment Attraction Fund (IIAF).

The review was to provide an assessment of the administration of the provision of assistance to the private sector against the established IIAF guidelines and with reference to principles of equity, transparency and accountability. The review was also required to consider whether any changes are required to policy or administrative arrangements.

The review was undertaken by officers of the Department of Treasury and Finance with assistance from the Prudential Management Group. The review conducted was based on the Governments acceptance of the Economic Development Board's 'A Framework for the Economic Development of South Australia' recommendation that, 'the existing Industry Investment Attraction Fund Scheme should be wound up and the run-off of existing commitments managed by Treasury'.

As part of its assessment of the administration of the IIAF, the review team examined a sample of projects that have received financial assistance from the IIAF.

The review which was finalised in February 2004, identified a number of deficiencies with respect to the administration of the IIAF, key findings include:

- a lack of clear Government policy resulting in inconsistent application of guidelines and procedures;
- inadequacies in the time and quality of reporting on the performance of the IIAF;
- lack of monitoring of compliance with industry assistance contracts;
- limited processes in place to identify risks, deficiencies and potential problems;
- limited disclosure of industry assistance contracts.

The review team made general recommendations to improve the administration of industry assistance to be implemented by the agency assigned responsibility for financial assistance programs. Such recommendations included:

- significant focus and attention should be given to developing an appropriate organisational culture;
- establishing an internal audit unit that periodically reviews the administrative processes;
- document a clear policy framework for assistance programs and obtain approval of the Minister or Cabinet;
- implement a reporting regime providing relevant, timely and accurate information to the Minister;
- monitoring of performance should be independent from policy and project development roles.

Effective 1 July 2004, the IIAF was wound up with the administration of the existing IIAF contracts transferred to the Department of Treasury and Finance. Notwithstanding that the IIAF has been wound up the Department of Trade and Economic Development still provide other industry assistance.

As at the time of this Report, Audit understands the Department is in the process of identifying appropriate action with respect to implementing the suggested recommendations.

Adelaide to Darwin Railway Project

Total Project Payments

Since 1 July 1999 payments totalling $133.4 million have been made by the Department of Trade and Economic Development (DTED) and its predecessor, the Department of Industry and Trade (DIT), to the AustralAsia Railway Corporation (AARC) in relation to the project. Payment details are provided below:

	DIT	DIT	DIT	DTED	DTED	
	1.07.00 to	1.07.01 to	1.07.01 to	1.10.02 to	1.07.03	
	30.06.01	30.06.02	30.09.02	30.06.03	30.06.04	**Total**
Towards construction of the railway:	$'000	$'000	$'000	$'000	$'000	**$'000**
Grants	25 000	25 000	25 000	18 000	7 000	**100 000**
Interest bearing loan	25 000	-	-	-	-	**25 000**
	50 000	25 000	25 000	18 000	7 000	**125 000**
Towards AARC operating costs	4 407	1 335	-	980	600	**7 322**
	54 407	26 335	25 000	18 980	7 600	**132 322**

Achieved Milestones

The first freight train departed Adelaide for Darwin on 15 January 2004, while the first Ghan passenger train departed for Darwin on 1 February 2004.

Statement of Financial Performance
for the year ended 30 June 2004

	Note	**2004**	2003
		$'000	$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	**16 640**	17 266
Supplies and services	6,12	**21 272**	15 647
Depreciation	7	**411**	669
Grants and subsidies	9	**35 765**	47 585
Loss from disposal of assets	8	**7**	2 398
Borrowing costs		**470**	463
Write down of inventory	10	**7 152**	-
Other	11	**5 236**	1 895
Total Expenses from Ordinary Activities		**86 953**	85 923
REVENUE FROM ORDINARY ACTIVITIES:			
Fees and charges	13	**5 711**	4 575
Commonwealth revenue		**964**	50
Interest	14	**3 418**	2 132
Net revenue resulting from correction of an error	15	**863**	-
Other	16	**731**	819
Total Revenue from Ordinary Activities		**11 687**	7 576
Net Cost of Services from Ordinary Activities		**75 266**	78 347
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government		**112 823**	92 162
Net Result from Ordinary Activities (Before Restructure)		**37 557**	13 815
Increase (Decrease) in net assets due to administrative restructure	30	**(7 643)**	183 108
Net Result after Restructuring		**29 914**	196 923
Increase in the asset revaluation reserve	27	**-**	105
TOTAL CHANGES IN EQUITY INCLUDING THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**29 914**	197 028

Statement of Financial Position
as at 30 June 2004

	Note	**2004** **$'000**	2003 $'000
CURRENT ASSETS:			
Cash	18	**92 373**	55 623
Receivables	19	**3 142**	2 120
Financial assistance debtors	20, 28	**6 715**	4 854
Inventories	21	**19 321**	-
Other		**52**	129
Total Current Assets		**121 603**	62 726
NON-CURRENT ASSETS:			
Financial assistance debtors	20, 28	**108 403**	112 521
Property, plant and equipment	22	**1 013**	32 473
Total Non-Current Assets		**109 416**	144 994
Total Assets		**231 019**	207 720
CURRENT LIABILITIES:			
Payables	23	**1 488**	1 405
Employee benefits	24	**1 051**	1 425
Provisions	25	**24**	19
Interest bearing liabilities	26	**-**	746
Total Current Liabilities		**2 563**	3 595
NON-CURRENT LIABILITIES:			
Payables	23	**120**	211
Employee benefits	24	**1 339**	2 357
Provisions	25	**55**	52
Interest bearing liabilities	26	**-**	4 477
Total Non-Current Liabilities		**1 514**	7 097
Total Liabilities		**4 077**	10 692
NET ASSETS		**226 942**	197 028
EQUITY:			
Accumulated surplus	27	**226 856**	196 923
Asset revaluation reserve	27	**86**	105
TOTAL EQUITY		**226 942**	197 028
Commitments for Expenditure	29		
Contingent Liabilities and Assets	31		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000
Employee expenses		**17 539**	14 565
Supplies and services		**20 850**	20 458
Grants and subsidies		**35 765**	45 690
Borrowing costs		**470**	450
GST payments on purchases		**4 241**	5 203
GST remitted to ATO		**988**	685
Financial assistance granted		**2 211**	18 097
Payments for restructure activities		**3 947**	-
Other		**2 802**	-
Total Outflows from Operating Activities		**88 813**	105 148
CASH INFLOWS:			
Revenues from SA Government		**112 823**	92 162
Fees and charges		**5 492**	4 354
Commonwealth revenue		**964**	-
Interest		**3 237**	2 167
GST receipts on receivables		**739**	844
GST recovered from ATO		**4 045**	4 456
Repayment of financial assistance		**2 872**	1 216
Net cash received from restructures		**-**	66 097
Other		**731**	1 345
Total Inflows from Operating Activities		**130 903**	172 641
Net Cash Inflows from Operating Activities	32	**42 090**	67 493
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment	22	**317**	10 516
Total Outflows from Investing Activities		**317**	10 516
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment	8	**200**	955
Total Inflows from Investing Activities		**200**	955
Net Cash Outflows from Investing Activities		**(117)**	(9 561)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayments of borrowings	26	**5 223**	2 309
Net Cash Outflows from Financing Activities		**(5 223)**	(2 309)
NET INCREASE IN CASH HELD		**36 750**	55 623
CASH AT 1 JULY	18, 32	**55 623**	-
CASH AT 30 JUNE	18, 32	**92 373**	55 623

Program Schedule of Revenues and Expenses for the year ended 30 June 2004

(refer Note 4)	Program 1	2	3	4	5
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	$'000	$'000
Employee expenses	612	4 040	1 260	1 904	1 468
Supplies and services	265	3 419	1 033	5 525	396
Depreciation	-	-	-	-	-
Loss from disposal of assets	-	-	-	-	-
Grants and subsidies	11	1 176	1 001	1 310	8 244
Borrowing costs	-	-	-	-	-
Write down of inventory	-	-	-	-	-
Other	-	-	-	100	-
Total Expenses from Ordinary Activities	888	8 635	3 294	8 839	10 108
REVENUE FROM ORDINARY ACTIVITIES:					
Fees and charges	2	1 111	200	322	198
Commonwealth revenue	-	10	-	-	-
Interest	-	-	-	-	-
Net revenue from a correction of an error	-	-	-	-	-
Other	-	-	-	172	-
Total Revenue from Ordinary Activities	2	1 121	200	494	198
Net Cost of Services from Ordinary Activities	886	7 514	3 094	8 345	9 910
REVENUE FROM/PAYMENTS TO SA GOVERNMENT:					
Revenues from Government	-	-	-	-	-
Net Result from Ordinary Activities	(886)	(7 514)	(3 094)	(8 345)	(9 910)

(refer Note 4)	Programs 6	7	General Not Attributable	**2004 Program Total**
EXPENSES FROM ORDINARY ACTIVITIES:	$'000	$'000	$'000	**$'000**
Employee expenses	3 530	261	3 565	**16 640**
Supplies and services	3 765	666	6 203	**21 272**
Depreciation	-	-	411	**411**
Loss from disposal of assets	-	-	7	**7**
Grants and subsidies	23 819	163	41	**35 765**
Borrowing costs	469	-	1	**470**
Write down of inventory	7 152	-	-	**7 152**
Other	2 585	-	2 551	**5 236**
Total Expenses from Ordinary Activities	41 320	1 090	12 779	**86 953**
REVENUE FROM ORDINARY ACTIVITIES:				
Fees and charges	1 868	16	1 994	**5 711**
Commonwealth revenue	954	-	-	**964**
Interest	-	-	3 418	**3 418**
Net revenue from a correction of an error	-	-	863	**863**
Other	535	-	24	**731**
Total Revenue from Ordinary Activities	3 357	16	6 299	**11 687**
Net Cost of Services from Ordinary Activities	37 963	1 074	6 480	**75 266**
REVENUE FROM/PAYMENTS TO SA GOVERNMENT:				
Revenues from Government	78 935	-	33 888	**112 823**
Net Result from Ordinary Activities	40 972	(1 074)	27 408	**37 557**

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 facilitates the long-term sustainable economic development of South Australia by working in partnership with industry and other stakeholders and provide leadership across government on economic development.

The agency has six key economic objectives.

1. Develop in conjunction with industry a clear strategic direction for the economic development of the State and for key industry sectors consistent with the State Strategic Plan.
2. Ensure the State's business environment is competitive and supports development.
3. Facilitate the development of major projects of strategic importance to the State's development.
4. Promote and grow investment in South Australia and trade.
5. Provide targeted and effective business development services.
6. Work with government and local communities to improve the well-being of regional communities.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

The Department's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were reported and measured at fair value.

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs.

2.2 Reporting Entity

Effective 8 April 2004 the Department for Business, Manufacturing and Trade changed its name to become the Department of Trade and Economic Development (DTED) pursuant to the *Public Sector Management Act 1995*.

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

South Australian Trade and Investment Corporation

The financial activities of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices have been included in the Financial Statements.

2.3 Transferred Function

On 1 December 2003 the Office of Economic Development was abolished and the employees, functions and duties together with the assets and liabilities were transferred to the Department for Business, Manufacturing and Trade (DBMT) pursuant to the *Public Sector Management Act 1995*.

Effective 8 April 2004 the employees of the Department of Transport and Urban Planning who work in the Office of Local Government were transferred to the Department of Trade and Economic Development pursuant to the *Public Sector Management Act 1995*. Effective as at 30 June 2004, the employees of the Office of Local Government were transferred to the Department of Transport and Urban Planning.

Due to the timing of the transfer in and out of the Office of Local Government, the financial statements do not include any transactions relating to the transfer. The full financial year transactions for the Office of Local Government have been reported by the Department of Transport and Urban Planning.

Effective from 1 January 2004 employees of the Department for Business, Manufacturing and Trade were transferred to the following administrative unit:

- employees in the Business Skilled Migration Unit were transferred to the Department of the Premier and Cabinet;
- employees engaged in the Reinvest function of the administrative unit relating to primary production, the Food Team in the Centre for Innovation, Business and Manufacturing and the Wine Industry Council were transferred to the Department of Primary Industries and Resources; and
- employees in the State Infrastructure Division, other than employees engaged in work related to telecommunications or energy issues were transferred to the Department for Administrative and Information Services.

2.3 Transferred Function (continued)

Effective from 1 January 2004 specific employees of the Department for Business, Manufacturing and Trade were transferred to the Office of the Venture Capital Board.

Cabinet approval was obtained to transfer the function and employees engaged to work of the State's broadband telecommunications strategy to the Department of Further Education, Employment, Science and Technology (DFEEST) effective from 1 January 2004.

Thebarton Biosciences Precinct was transferred to BioInnovations SA on 1 March 2004.

Full details of the financial transactions relating to these transfers can be found in Note 29.

2.4 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required. The comparatives are for the period 1 October 2002 to 30 June 2003.

Due to Department restructure, no comparatives have been supplied for the Program Schedule of Revenues and Expenses.

2.5 Rounding

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

2.6 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax and emergency services levy.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

2.7 Revenue and Expenses

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

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

Revenue from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is driven by consumer demand.

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

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants and subsidies are amounts provided by the Department to entities for general assistance or for a specific purpose. Grants and subsidies may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants or subsidies given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.8 Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

2.9 Current and Non-Current Items

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

2.10 Cash

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

Foreign Currency — Cash holdings that are in a foreign currency have been recognised at the 'spot' exchange rate applying as at 30 June 2004. Income, expenses, assets and liabilities arising from transactions in a foreign currency are recognised at the 'spot' exchange rate that applied on the day they occurred. Unrealised losses resulting from currency transactions have been recognised in the Statement of Financial Performance.

2.11 Receivables

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

Department of Trade and Economic Development determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

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 or forgiven.

With respect to 99 year interest free loans, these are recognised as assets for the first seven years, or for material individual loans until the purpose of the loan has been fulfilled, after which they are no longer recognised as assets in the Statement of Financial Position. They do, however, continue to be administered as debts due to the Department.

2.12 Inventories

Inventories are stated at the lower of cost or their net realisable value. Inventory is measured at cost, with cost being allocated in accordance with the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

2.13 Work In Progress

Under the investment attraction program the Department engages in projects that include land acquisition, development and ultimate disposal through sale and various leasing arrangements.

The Department accounts for the projects with various stages of completion as work in progress. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed.

2.14 Non-Current Asset Acquisition and Recognition

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

The Department capitalises all non-current physical assets with a value of $2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

2.15 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets', revaluation of non-current assets only applies to assets or groups of assets when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

The Department revalues its land every three years. However, if at any time management considers that the carrying amount materially differs from its fair value then the land will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation.

The Department engaged the services of Paul C Tilley (FAPI, AREI, CREI (Val)), from Fudali Waterhouse PRP, 33 Angas Street, Adelaide SA 5000 to revalue Furniture and Equipment and Computer Equipment assets at 30 June 2003.

2.16 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. Depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by Department of Trade and Economic Development are reassessed on an annual basis.

Depreciation of plant and equipment is on a straight line basis, with useful lives between three and 10 years.

2.17 Payables

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

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

2.17 Payables (continued)

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

All amounts are measured at their nominal amount and are normally settled within 30 days of receiving an invoice in accordance with TI 8 'Expenditure for Supply Operations and Other Goods and Services'.

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

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

2.18 Employee Benefits

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

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2004 and is measured at the nominal amount.

Long service leave is recognised at nominal amounts based on estimated future pay rates on a pro rata basis in respect of services provided by employees up to the reporting date. In accordance with APS 9, a benchmark of seven years has been applied to estimate long service leave liability.

2.19 Provisions

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

2.20 Leases

The Department leases premises for its administrative and operating activities. Lease payments are included as expenditure in equal instalments over the terms of the leases.

3. Changes in Accounting Policies

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with Treasurer's Instruction 19 'Financial Reporting', Department of Trade and Economic Development's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. The Department is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

The Department is using the Model Financial Report for SA Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

Expected Differences in Accounting Policies
Changes in Accounting Policy
A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Recognition and Acquisition
The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than $1 million and estimated useful life is greater than three years) will continue to apply.

Employee Benefits
Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

3.2 Write off of Aggregate Assets
At 30 June 2004, the Department changed its policy on the capitalisation and valuation of aggregate assets and now recognises assets as individual items. All assets previously treated as aggregate assets with an individual value of less than $2 000 were written off as at 30 June 2004.

4. Programs of the Department
The Department has identified seven broad programs that reflect the nature of the services delivered to the South Australian community. These programs and their objectives are:

Program 1: Economic Strategy and Policy
Formulate policies and strategies to promote sustainable economic growth, consistent with the State Strategic Plan, with strong input from the Economic Development Advisory Board, other advisory bodies and other State agencies. Facilitate and monitor implementation of strategies to address emerging issues and opportunities.

Program 2: Business and Manufacturing Capability
Promote economic growth through innovation with a focus on accelerating the uptake of new leading technologies, skills, business and management practices applicable to South Australian industry and building export capabilities in the manufacturing and trade services sectors.

Program 3: Small Business
Formulate policies and strategies to promote the growth of the small business sector and provide advice on small business impacts of policy developments. In collaboration with local government, support and coordinate the delivery of information, training and advisory services to small businesses through a decentralised network of service providers, including Business Enterprise Centres and Regional Development Boards.

Program 4: Trade Development
Facilitate the development and implementation of strategies to increase the value and diversify the composition of South Australia's exports. Support industry to develop key export markets through the provision of market intelligence on export opportunities, promotion of SA industry capabilities and removal of barriers to export. Promote the importance and benefits of export development to industry and the community.

Program 5: Regional Development
In partnership with regional stakeholders, including Regional Development Boards, actively promote the sustainable development of regional communities in South Australia through building community and business capacity, improving coordination of government activities impacting on regions and providing strategic and timely advice to government on regional issues.

Program 6: Major Project Facilitation and Implementation
Facilitate the development of key strategic private sector projects that strengthen industry capabilities and international competitiveness and promote business investment and export led growth.

Program 7: Defence Industry
Build upon existing strengths to grow future defence business in South Australia by enhancing infrastructure, improving workforce skills and developing R&D credentials, as well as securing a greater share of Defence Procurement Projects.

General/Not Attributable:
Certain items of the Department are not allocated to programs.

5. Employee Expenses

	2004	2003
	$'000	$'000
Salaries and wages	**12 841**	13 415
TVSP (refer below)	**1 341**	1 217
Board fees (refer below)	**398**	148
Long service leave	**(558)**	230
Superannuation	**1 366**	1 277
Employee on-costs	**1 252**	979
Total Employee Expenses	**16 640**	17 266

Board Fees

Board Fees are paid to members of the following Boards and Committees:

Economic Development Advisory Board
Small Business Development Council
Manufacturing Consultative Council
Defence Advisory Board

Targeted Voluntary Separation Packages	**2004**	2003
	$'000	$'000
TVSPs paid to employees during the reporting period	**1 341**	1 217
Recovery from the Department of the Premier and Cabinet	**1 341**	1 217

	2004 Number of Employees	2003 Number of Employees
Number of employees that were paid TVSPs during the reporting period	**11**	17

Annual leave and long service leave paid to employees receiving TVSPs amounted to $738 000.

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:		
$100 000 - $109 999	**10**	7
$110 000 - $119 999	**3**	4
$120 000 - $129 999	**2**	3
$130 000 - $139 999	**2**	3
$140 000 - $149 999	**1**	2
$150 000 - $159 999	**-**	3
$170 000 - $179 999	**2**	-
$180 000 - $189 999	**1**	-
$190 000 - $199 999	**-**	1
$200 000 - $209 999	**1**	-
$230 000 - $239 999 *	**1**	-
$240 000 - $249 999 *	**1**	-
$290 000 - $299 999 *	**2**	-
$380 000 - $389 999 *	**-**	1
Total Number of Employees	**26**	24

The table includes all employees who received remuneration of $100 000 or more during the year. The total remuneration received by these employees for the year was $3.873 million ($3.308 million).

* Included in bands are employees whose normal remuneration exceeds $100 000 and received a TVSP during the reporting period.

Average Number of Employees during the Reporting Period

On average, the Department employed 190 people throughout the reporting period.

6. Supplies and Services	**2004**	2003
	$'000	$'000
Accommodation and service costs	**3 722**	2 581
Accounting and audit fees	**206**	141
Capital works (refer below)	**2 381**	341
Communications expense	**619**	399
Information technology expense	**1 799**	1 428
Legal fees	**27**	40
Marketing	**2 324**	1 468
Payment to contractors	**3 493**	1 328
Payments to consultants (refer below)	**795**	583
Printing and stationery	**353**	368
Staff related expenses	**730**	800
Travel and related expenses	**1 109**	891
Other office administration expenses	**3 714**	5 279
Total Supplies and Services	**21 272**	15 647

Included in capital works expense is $1.239 million of work in progress written off during the year (see Note 22) and a balance of $1.142 million of other expenditure of capital nature.

The number and dollar amount of consultancies paid/payable that fell within the following bands:	**2004 Number of Consultancies**	**2004 $'000**	2003 $'000
Below $10 000	**26**	**94**	74
Between $10 000 and $50 000	**21**	**466**	354
Above $50 000	**2**	**235**	155
Total Paid/Payable to the Consultants Engaged	**49**	**795**	583

7. Depreciation

	2004 $'000	2003 $'000
Plant and equipment	**411**	669
Total Depreciation	**411**	669

8. Loss on Disposal of Assets

Net Loss on Disposal of Assets:		
Total proceeds from disposal	**(200)**	(955)
Total value assets disposed	**207**	3 353
Net Loss from Disposal of Assets	**7**	2 398

9. Grants and Subsidies

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

			2004			2003	
Class of Assistance	**Interest Free $'000**	**Interest Bearing $'000**	**Total Loans $'000**	**Total Grants $'000**	**Total Assistance $'000**	Total Loans $'000	Total Grants $'000
Automotive Program	**-**	**-**	**-**	**-**	**-**	15 000	-
Adelaide to Darwin Railway construction	**-**	**-**	**-**	**7 000**	**7 000**	-	18 000
AustralAsia Railway Corporation operating cost	**-**	**-**	**-**	**600**	**600**	-	980
Enterprise development	**273**	**-**	**273**	**6 416**	**6 689**	32	8 549
Industry development	**1 063**	**-**	**1 063**	**8 247**	**9 310**	691	12 702
Payroll tax reimbursement	**-**	**-**	**-**	**4 488**	**4 488**	-	1 168
Rail Reform Transition Program	**-**	**-**	**-**	**-**	**-**	-	620
Regional Development Boards	**-**	**-**	**-**	**4 829**	**4 829**	-	2 200
Regional Industry Development	**-**	**-**	**-**	**950**	**950**	90	230
Regional Infrastructure	**802**	**73**	**875**	**1 695**	**2 570**	48	1 577
Other	**-**	**-**	**-**	**1 540**	**1 540**	-	1 559
	2 138	**73**	**2 211**	**35 765**	**37 976**	15 861	47 585

In relation to assistance to Industry, under the provisions of the *Industries Development Act 1941*, the Minister may refer any matter to the Industries Development Committee for review and recommendation by the Committee. No assistance was referred to the Committee in 2003-04.

10. Write Down of Inventory

	2004 $'000	2003 $'000
Write down of Inventory - Edinburgh Parks	**7 152**	-
Total Write Down of Inventory	**7 152**	-

During the year, $26.473 million was transferred from Land and Work in Progress to Inventories. A write down of inventory for $7.152 million occurred to recognise the balance of Inventory at 30 June 2004 (as disclosed at Note 21). The written down value reflects the amount to be paid by the Land Management Corporation to the Department on the transfer of the land. See Note 31.

11. Other Expenses

	2004 $'000	2003 $'000
Bad debts and doubtful debts	**1 852**	1 117
Write down of financial assistance debtors	**689**	421
Funds transferred - Edinburgh Park (refer Note 21)	**2 167**	-
Other funds transferred	**528**	357
Total Other Expenses	**5 236**	1 895

12. Auditor's Remuneration

Audit fees - Auditor-General's Department - DTED	**93**	107

Other Services

The Auditor-General's Department supplied no other services during the year.

		2004	2003
13.	**Fees and Charges**	**$'000**	$'000
	Recoveries - Financial assistance grants	**1 761**	300
	Recoveries - Other	**2 418**	2 353
	TVSP recoveries from the Office for the Commissioner for Public Employment	**1 341**	1 217
	Other fees and charges	**191**	705
		5 711	4 575
14.	**Interest**		
	Interest from Department of Treasury and Finance	**3 228**	2 105
	Other - Financial assistance debtors	**186**	27
	Other - Overseas offices	**4**	-
	Total Interest Received	**3 418**	2 132
15.	**Net Revenue Resulting from an Error Correction**		
	Adjustment on reconciliation of financial assistance debtors:		
	99 year loans	**1 050**	-
	Other loans	**(187)**	-
	Total Net Revenue Resulting in an Error Correction	**863**	-
16.	**Other Revenue**		
	Proceeds from sale of attractive assets	**21**	-
	Facility hire	**640**	760
	Other	**70**	59
	Total Other Revenue	**731**	819

17. Overseas Representative Offices

The following table provides a summary of the financial transactions for the reporting period. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

	SATIC $'000	Hong Kong $'000	Bandung $'000	Singapore $'000	Kuala Lumpur $'000	Dubai $'000	New York $'000	**2004 Total $'000**	2003 Total $'000
Operating expenses	704	717	23	703	90	587	725	**3 549**	3 802
Operating revenues	2	15	-	-	2	17	26	**62**	48
Funds advanced to overseas office towards operating expenses	916	866	16	728	100	632	522	**3 780**	2 326

The Bandung office was closed on 31 July 2003 and the New York office was closed on 30 January 2004.

		2004	2003
18.	**Cash**	**$'000**	$'000
	Deposits at call - Westpac	**90 697**	54 463
	Deposits at call - Overseas offices	**1 666**	1 144
	Other	**10**	16
	Total Cash	**92 373**	55 623
19.	**Receivables**		
	Current:		
	Receivables	**1 318**	708
	Provision for doubtful debts	**(19)**	(3)
	Accrued revenues	**438**	206
	GST receivable	**1 405**	1 209
	Total Current Receivables	**3 142**	2 120
20.	**Financial Assistance Debtors**		
	Current:		
	Financial assistance debtors	**8 126**	6 548
	Provision for doubtful debts	**(1 411)**	(1 694)
	Total Current	**6 715**	4 854
	Non-Current:		
	Financial assistance debtors	**113 483**	116 079
	Provision for doubtful debts	**(5 080)**	(3 558)
	Total Non-Current	**108 403**	112 521
	Total Financial Assistance Debtors	**115 118**	117 375
21.	**Inventories**		
	Current:		
	Inventory - Edinburgh Parks	**19 321**	-
	Total Current Inventories	**19 321**	-

Edinburgh Parks

The Department recognised for the first time in 2003-04 the value of inventory held for resale. Previously the Department's financial statements did not reflect the ownership of the land. The land has been brought to account by recognising a portion of capital costs from Work in Progress and the balance recorded as an expense.

22. Property, Plant and Equipment

	2004	2003
Land and Buildings and Work in Progress:	**$'000**	$'000
Land at fair value	**335**	8 489
Work in progress at fair value	**-**	22 884
Total Land and Buildings	**335**	31 373
Plant and Equipment:		
Plant and equipment at fair value	**596**	1 344
Accumulated depreciation	**(163)**	(244)
Plant and equipment at cost	**632**	-
Accumulated depreciation	**(387)**	-
Total Plant and Equipment	**678**	1 100
Total Property Plant and Equipment	**1 013**	32 473

Reconciliation of Property, Plant and Equipment	Land	Work in Progress	Plant and Equipment	**2004 Total**	2003 Total
Gross Carrying Amount:	$'000	$'000	$'000	**$'000**	$'000
Opening balance at 1 July 2003	8 489	22 884	1 344	**32 717**	29 653
Additions	-	111	206	**317**	10 516
Transfers from OED	-	-	94	**94**	23
Transfer to OED	-	-	(2)	**(2)**	(368)
Transfer (to) from other Departments	(3 347)	(90)	(116)	**(3 553)**	83
Disposals - Physically disposed	-	-	(102)	**(102)**	(2 564)
Other asset write-offs/disposals	-	-	(196)	**(196)**	(3 104)
Transfer to inventories (Note 10, 21)	(4 500)	(21 973)	-	**(26 473)**	-
Capital works write-off (Note 6)	(307)	(932)	-	**(1 239)**	-
Revaluation decrements	-	-	-	**-**	(1 522)
Balance at 30 June 2004	335	-	1 228	**1 563**	32 717
Accumulated Depreciation:					
Opening balance at 1 July 2003	-	-	244	**244**	3 645
Depreciation expense	-	-	411	**411**	669
Transfers from OED	-	-	-	**-**	18
Transfer to OED	-	-	(1)	**(1)**	(191)
Transfer (to) from other Departments	-	-	(17)	**(17)**	45
Disposals - Physically disposed	-	-	(33)	**(33)**	(129)
Other asset write-offs/disposals	-	-	(54)	**(54)**	(2 186)
Revaluation decrements	-	-	-	**-**	(1 627)
Balance at 30 June 2004	-	-	550	**550**	244
Net Book Value at 1 July 2003	8 489	22 884	1 100	**32 473**	26 008
Net Book Value at 30 June 2004	335	-	678	**1 013**	32 473

23. Payables

	2004	2003
Current:	**$'000**	$'000
Trade creditors and accrued expenses	**1 128**	649
GST payable	**35**	254
Employee on-costs	**325**	502
Total Current Payables	**1 488**	1 405
Non-Current:		
Employee on-costs	**120**	211
Total Non-Current Payables	**120**	211
Total Payables	**1 608**	1 616

24. *(a) Employee Benefits*

	2004	2003
Current:	**$'000**	$'000
Annual leave	**644**	1 100
Long service leave	**149**	262
Accrued salaries and wages	**258**	63
Total Current Employee Benefits	**1 051**	1 425
Non-Current:		
Long service leave	**1 339**	2 357
Total Non-Current Employee Benefits	**1 339**	2 357
Total Employee Benefits	**2 390**	3 782

		2004	2003
(b)	***Employee Benefits and Related On-Costs***		
	Accrued Salaries:	**$'000**	$'000
	On-costs included in payables - Current (Note 23)	**206**	307
	Employee benefits - Current (Note 24(a))	**258**	63
		464	370
	Annual Leave:		
	On-costs included in payables - Current (Note 23)	**104**	168
	Employee benefits - Current (Note 24(a))	**644**	1 100
		748	1 268
	Long Service Leave:		
	On-costs included in payables - Current and non-current (Note 23)	**135**	238
	Employee benefits - Current and non-current (Note 24(a))	**1 488**	2 619
		1 623	2 587
	Aggregate Employee Benefit and Related On-Costs	**2 835**	4 225

25. Provisions

	2004	2003
Current:		
Provision for workers compensation	**24**	19
Total Current Provisions	**24**	19
Non-Current:		
Provision for workers compensation	**55**	52
Total Non-Current Provisions	**55**	52
Total Provisions	**79**	71
Carrying amount at beginning of the period	**71**	-
Increase in the provision	**8**	71
Carrying Amount at the End of the Period	**79**	71

26. Interest Bearing Liabilities

	2004	2003
Current:		
Loan - SAFA (repaid in 2003-04)	**-**	746
Total Current Interest Bearing Liabilities	**-**	746
Non-Current:		
Loan - SAFA (repaid in 2003-04)	**-**	4 477
Total Non-Current Interest Bearing Liabilities	**-**	4 477
Total Interest Bearing Liabilities	**-**	5 233

27. Equity

	2004	2003
Accumulated surplus	**226 857**	196 923
Asset revaluation reserve	**86**	105
Total Equity	**226 943**	197 028
Accumulated Surplus:		
Balance at 1 July 2003	**196 923**	-
Operating surplus	**37 557**	13 815
Increase (decrease) in net assets due to administrative restructure	**(7 643)**	183 108
Transfer from asset revaluation reserves	**19**	-
Balance at 30 June 2004	**226 856**	196 923
Asset Revaluation Reserve:		
Balance at 1 July 2003	**105**	-
Revaluation increment	**-**	105
Transfer to accumulated surplus	**(19)**	-
Balance at 30 June 2004	**86**	105

28. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost.
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days.

(ii) Financial Liabilities

The loan to SAFA for $5.233 million was repaid in 2003-2004.
Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) *Interest Rate Risk*

Financial Instrument	Floating Interest $'000	1 year or Less $'000	1 to 5 Years $'000	More than 5 years $'000	Non-Interest Bearing $'000	2004 Face Value Total $'000	Fair Value Total $'000	Weighted Average Effective Interest Rate Percent
Financial Assets:								
Cash	92 373	-	-	-	-	92 373	92 373	5.10
Receivables	3 161	-	-	-	1 950	5 111	5 111	
Interest bearing loans	-	758	1 010	141	-	1 909	1 705	5.80
99 year loans	-	-	-	-	40 280	40 280	3 063	
Interest free loans	-	-	-	-	77 470	77 470	35 300	
	95 534	758	1 010	141	119 700	217 143	137 552	
Financial Liabilities:								
Payables	1 608	-	-	-	-	1 608	1 608	
Borrowings	-	-	-	-	-	-	-	
	1 608	-	-	-	-	1 608	1 608	

	Face Value Total $'000	2003 Fair Value Total $'000	Weighted Average Effective Interest Rate Percent
Financial Assets:			
Cash	55 623	55 623	
Receivables	2 252	2 252	4.60
Interest bearing loans	1 611	572	5.60
99 year loans	40 408	2 214	
Interest free loans	80 608	39 670	
	180 502	100 331	
Financial Liabilities:			
Payables	1 616	1 616	
Borrowings	5 223	5 031	10.65
	6 839	6 647	

The Department's exposure to interest rate risk and the effective weighted average interest rate is set out in the table above. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.

29. Commitments for Expenditure

Operating Lease Commitments	**2004 $'000**	2003 $'000
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**551**	2 283
Later than one year but not later than five years	**2 229**	5 857
Later than five years	**-**	315
Total Operating Lease Commitments	**2 780**	8 455

The department has various non–cancellable operating lease agreements for the use of property that generally provides for lease payments in advance. Rental provisions provide for rental adjustments by negotiation or in accordance with movements in the CPI. Generally options exist to renew the leases at the expiration of the term of the leases. These obligations have not been recognised as liabilities in the Financial Statements.

In July 2004, the Property Lease on Levels 9, 10 & 11 at Terrace Towers expired. Future accommodation options are being reviewed. The estimated lease commitment (based on historical data) of $985 000 per annum has not been included in the above commitment schedule.

30. Transferred Functions

A list of assets and liabilities transferred and assumed from other Departments in 2003-04 is detailed herein:

	OED $'000	VCB $'000	PIRSA $'000	DAIS $'000	DPC $'000	DFEEST $'000	BioInnov-ation SA $'000	**Total $'000**
Assets assumed (transferred):								
Cash	4 537	(860)	(2 653)	(1 273)	(445)	(1 551)	(1 702)	**(3 947)**
Receivables	242	-	-	-	-	-	-	**242**
Property, plant and equipment	94	-	(28)	(2)	(14)	(57)	(3 438)	**(3 445)**
Total Assets	4 873	(860)	(2 681)	(1 275)	(459)	(1 608)	(5 140)	**(7 150)**
Liabilities assumed (transferred):								
Payables	(1 040)	-	-	-	-	-	-	**(1 040)**
Employee benefits and on-costs	(506)	108	447	307	114	77	-	**547**
Total Liabilities	(1 546)	108	447	307	114	77	-	**(493)**
Net Assets	3 327	(752)	(2 234)	(968)	(345)	(1 531)	(5 140)	**(7 643)**

30. Transferred Functions (continued)

The following amounts were transferred between DTED and other Departments during 2002-03.

	DIT $'000	PIRSA $'000	OED $'000	**Total $'000**
Assets (assumed) transferred:				
Cash	66 361	122	(386)	**66 097**
Receivables	1 696	-	-	**1 696**
Financial assistance debtors	104 797	-	-	**104 797**
Property, plant and equipment (Net of depreciation)	26 008	38	(174)	**25 872**
	198 862	160	(560)	**198 462**
Liabilities assumed (transferred):				
Borrowings	(7 532)	-	-	**(7 532)**
Payables	(3 423)	(25)	-	**(3 448)**
Employee benefits and on-costs	(4 497)	(200)	323	**(4 374)**
	(15 452)	(225)	323	**(15 354)**
Net Assets	183 410	(65)	(237)	**183 108**

31. 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.

Contingent assets that may arise from these present obligations are unquantifiable at 30 June 2004.

Transfer of Cast Metal Precinct

In previous years, the Department of Trade and Economic Development has provided funds for the development of land and buildings in the Cast Metal Precinct Stage 2.

During the year, the Cast Metal Precinct Stage 2 land was transferred from the Department of Environment and Heritage to the Land Management Corporation. The terms of the transfer provides for a receivable from Land Management Corporation to the Department of Trade and Economic Development of up to and no more than $990 000 upon sale of the land by the Corporation.

Transfer of Edinburgh Parks

On 10 May 2004 Cabinet approved the transfer of assets in Edinburgh Parks stage 0, 1 and 3 from the Department of Trade and Economic Development to the Land Management Corporation. As the transfer was affected on 1 July 2004, there is no reflection of the transfer in these financial statements.

At balance date proposed commitments for the purchase by the Land Management Corporation are summarised as:

	2004-05 $'000	2005-06 $'000	2006-07 $'000	**Total $'000**
Stage 0 land and buildings	5 000	3 854	-	**8 854**
Stage 1, 3 land	2 895	6 647	924	**10 466**
Assets to be transferred sub-total	7 895	10 501	924	**19 320**
Stage 3 costs reimbursement	-	3 145	-	**3 145**
Project Total	7 895	13 646	924	**22 465**

The $5 million payable for Stage 0 in 2004-05 is a guaranteed minimum but could increase to a maximum of $6 million, subject to lease negotiations with an occupant. At balance date lease negotiations had not been finalised.

A further amount estimated to be in the order of $1 million may be receivable from the Land Management Corporation, representing 25 percent of the net operating surplus arising from the completion of the development and sale of Stage 0.

Payment for assets transferred in Stages 1 and 3 will be received on a deferred payment basis. On receipt, net sale proceeds will be remitted by the Land Management Corporation and at balance date were estimated to be $10.466 million.

A subsequent sales forecast has increased the net sale proceeds to $10.989 million with up to $9 million to be received in the 2004-05 financial year, however this is offset by stamp duty on the transfer increasing to $0.927 million from the estimated $0.450 million.

Previously expended Stage 3 costs of $3.145 million will be reimbursed by the Land Management Corporation on completion and sale of stage 3. It is forecast that this amount will be received in the 2005-06 financial year.

Contingent Liabilities

Financial Assistance

As at 30 June 2004 the Department has financial obligations under agreements with various bodies. The payment of funds in future years is subject to certain performance criteria being met by these bodies.

	2003-04	2002-03
	$'million	$'million
Not later than one year	**34.4**	42.6
Later than one year but not later than three years	**16.5**	27.6
Later than three years but not later than eight years	**21.1**	16.6
	72.0	86.8

Guarantees and Indemnities

Guarantees granted in respect of borrowing arrangements that were effected through the Industry Incentives and Assistance Fund (IIAF) are provided on the approval of the Treasurer pursuant to the terms of the *Industries Development Act 1941*. That approval provides, inter alia, that no such guarantees should be executed except on the recommendation of the Industries Development Committee.

In addition, certain guarantees and indemnities have been provided by the Minister for Industry and Trade as part of various Industry Assistance packages.

Non-Quantifiable Contingent Liabilities

In prior years the Department for Business Manufacturing and Trade reported a contingent liability relating to the construction of the Alice Springs to Darwin Railway. Responsibility for this project transferred to the Department of the Premier and Cabinet in 2003-04, and therefore the contingent liability no longer lies with the Department of Trade and Economic Development.

32. Cash Flow Reconciliation

Definition of Cash

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.

	2004	2003
Reconciliation of Cash - Cash at 30 June 2004:	**$'000**	$'000
Deposits at call - Westpac	**90 697**	54 463
Deposits at call - overseas offices	**1 666**	1 144
Other	**10**	16
Statement of Financial Position	**92 373**	55 623
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services:		
Surplus from ordinary activities	**37 557**	13 815
Net cash received from (paid to) restructure	**(3 947)**	66 097
Proceeds from disposals of assets	**(200)**	(955)
Add (Less): Non-Cash Items:		
Depreciation of property, plant and equipment	**411**	669
Asset write downs and transfer (refer Note 21)	**(211)**	3 351
Inventory write down	**7 152**	-
Write off capital work in progress	**1 239**	-
Changes in Assets/Liabilities:		
(Increase) Decrease in receivables	**(891)**	(553)
(Increase) Decrease in other assets	**2 372**	(12 578)
Increase (Decrease) in payables and provisions	**(1 392)**	(2 353)
Net Cash provided by Operating Activities	**(42 090)**	67 493

33. Events After Balance Date

Cash Alignment Policy

In line with the Government's Cash Alignment policy surplus funds of $86.76 million will be returned to Consolidated Account during the first quarter of 2004-05.

Management of the Industry Investment Attraction Fund (IIAF)

From 1 July 2004 the current IIAF Fund was wound up and the function of contract management for existing agreements will be transferred to the Department of Treasury and Finance. Savings in relation to uncommitted monies within the IIAF were returned to the budget as part of the 2004-05 budget savings strategy approved by Cabinet. These actions are consistent with the Economic Development Board's recommendation 66 from the 'Framework for Economic Development in South Australia' (on industry assistance):

> *The Government only provide industry assistance for key investments that fit within the framework of this Economic Development Framework and that will make a significant difference to the viability and competitiveness of strategic sectors.*

Disclosure of Administered Items
as at 30 June 2004

	2004	2003
	$'000	$'000
ADMINISTERED REVENUES:		
Revenues from SA Government	**3 791**	664
Total Administered Revenues	**3 791**	664
ADMINISTERED EXPENSES:		
Employees expenses	**205**	159
Grants and subsidies	**3 586**	505
Total Administered Expenses	**3 791**	664
Net Operating Surplus (Deficit)	**-**	-
ADMINISTERED CURRENT ASSETS:		
Total Current Assets	**-**	-
ADMINISTERED NON-CURRENT ASSETS:		
Total Non-Current Assets	**-**	-
Total Administered Assets	**-**	-
ADMINISTERED CURRENT LIABILITIES:		
Total Current Liabilities	**-**	-
ADMINISTERED NON-CURRENT LIABILITIES:		
Total Non-Current Liabilities	**-**	-
Total Administered Liabilities	**-**	-
NET ASSETS	**-**	-
ADMINISTERED EQUITY		
Accumulated surplus	**-**	-
Asset revaluation reserve	**-**	-
TOTAL ADMINISTERED EQUITY	**-**	-

NOTES TO AND FORMING THE DISCLOSURE OF ADMINISTERED ITEMS

Administered Items of the Department
Administered items include the SA Motor Sport Board and the Ministers Salary.

The SA Motor Sport Board has since been transferred out to the Department of Treasury and Finance and will not be an Administered item in 2004-05.

PORTFOLIO – TRANSPORT AND URBAN PLANNING

MINISTER FOR TRANSPORT;
MINISTER FOR URBAN DEVELOPMENT AND PLANNING;
MINISTER FOR THE SOUTHERN SUBURBS

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely the:

- Minister for Transport
- Minister for Urban Development and Planning
- Minister for the Southern Suburbs

The agencies included herein relating to the portfolio of Transport and Urban Planning are:

- Passenger Transport Board
- TransAdelaide
- Transport and Urban Planning – Department of

PASSENGER TRANSPORT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Changes to Functions and Structure

The *Passenger Transport (Dissolution of Passenger Transport Board) Amendment Act 2003* which was proclaimed on 18 December 2003, dissolved the Passenger Transport Board with effect as from 1 January 2004.

In conjunction with this Act, the Government established an Office of Public Transport within the Department of Transport and Urban Planning to assist the Minister in performing the functions previously carried out by the Passenger Transport Board.

The financial operations of the Office of Public Transport, from 1 January 2004 onwards, are reported in the Department of Transport and Urban Planning's financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Passenger Transport Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

For the period 1 July 2003 to 31 December 2003, specific areas of audit attention included:

- Contract Management
- Expenditure
- Grants and Subsidies (including the new Access Cab contract)
- Payroll
- Fixed Assets
- Revenue
- Research and Development Fund.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Passenger Transport Board as at 31 December 2003 and the results of its financial performance and cash flows for the six months then ended.

Assessment of Controls

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

Audit Communications to Management

Matters arising during the course of the audit were detailed in writing to the Chief Executive. Responses to the management letters were considered to be satisfactory.

The issues raised by Audit related mainly to the opportunity to improve controls over the recording of ticket revenue and to strengthen controls in relation to a number of the subsidy schemes provided by the Board.

Audit also commented on the need for the Board to establish clearly defined procedures with respect to the requirements for regular reporting on the progress with implementing procedures to reduce risks identified through the Risk Management system.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As explained under 'Changes to Functions and Structure' above, the Board was abolished on 31 December 2003. As a result a comparison of the operations and financial position of the Board for the six month period to 31 December 2003 against the 2002-03 financial year would not be meaningful.

However, comment and analysis on the financial operations for the period 1 July 2003 to 31 December 2003 is provided below.

Significant Features

- The surplus from Ordinary Activities was $9.7 million.
- Expenses from Ordinary Activities for the year were $126.3 million, of which $108.1 million (86 percent) relates to Payment to Service Contractors (Refer Note 4).
- Revenues from Ordinary Activities for the year were $49 million, of which $26.6 million (54 percent) relates to Metroticket sales and $16.3 million (33 percent) relates to reimbursements from the State Government for concessional fares provided to pensioners, the unemployed and students.
- Net Assets of the Board totalled $32.8 million and includes a cash balance of $13.5 million.

Administered Items

Deposit Account - Passenger Transport Research and Development Fund

Note 28(a) to the Financial Statements details the purpose and administration of the Fund. The balance of the Fund at 31 December 2003 was $809 000 ($929 000).

Statement of Financial Performance for the six months ended 31 December 2003

	Note	**Dec 2003 $'000**	June 2003 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Payments to service contractors	4	**108 086**	218 685
Grants and subsidies	5	**6 536**	13 598
Infrastructure, administration and service costs	6	**4 314**	13 401
Employee costs	7	**5 019**	8 769
Depreciation	8	**1 340**	2 254
Accommodation costs		**786**	1 591
Borrowing costs		**108**	318
Other expenses		**119**	343
Total Expenses		**126 308**	258 959
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and fines	9	**27 257**	53 630
Contributions from other agencies	10	**16 420**	30 776
Investment income		**328**	708
Other revenues	11	**4 972**	3 610
Total Revenues		**48 977**	88 724
NET COST OF SERVICES		**77 331**	170 235
REVENUES FROM GOVERNMENT:			
Appropriations	2(d)	**87 008**	163 314
Total Revenues from Government		**87 008**	163 314
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		**9 677**	(6 921)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets	2(f)	**-**	3 022
Total Valuation Adjustment recognised in Equity		**-**	3 022
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**9 677**	(3 899)

Statement of Financial Position
as at 31 December 2003

	Note	**Dec 2003 $'000**	June 2003 $'000
CURRENT ASSETS:			
Cash	12	**13 495**	9 816
Receivables	13	**5 873**	3 625
Prepaid expenses		**4 374**	-
Inventories		**208**	213
Total Current Assets		**23 950**	13 654
NON-CURRENT ASSETS:			
Property, plant and equipment	14	**17 652**	17 498
Loan receivable		**40**	40
Total Non-Current Assets		**17 692**	17 538
Total Assets		**41 642**	31 192
CURRENT LIABILITIES:			
Payables	7(c), 15	**3 515**	2 880
Borrowings	16	**1 100**	1 100
Provision for employee entitlements	7(b)	**562**	462
Total Current Liabilities		**5 177**	4 442
NON-CURRENT LIABILITIES:			
Payables	7(c), 15	**177**	172
Borrowings	16	**2 068**	2 068
Provision for employee entitlements	7(b)	**1 383**	1 350
Total Non-Current Liabilities		**3 628**	3 590
Total Liabilities		**8 805**	8 032
NET ASSETS		**32 837**	23 160
EQUITY:			
Accumulated surplus	17(a)	**12 362**	2 685
Equity contribution	17(b)	**16 800**	16 800
Asset revaluation reserve	17(c)	**3 675**	3 675
TOTAL EQUITY		**32 837**	23 160
Commitments	26, 27		

Statement of Cash Flows
for the six months ended 31 December 2003

		Dec 2003 Inflows (Outflows) $'000	June 2003 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:	Note		
Metropolitan service contractors		**(112 544)**	(218 264)
Supplies and services		**(5 350)**	(16 282)
Grants and subsidies		**(6 824)**	(13 432)
Employee costs		**(4 852)**	(8 076)
Interest and other finance charges		**(91)**	(321)
GST payments on purchases		**(10 386)**	(21 703)
RECEIPTS:			
User charges, fees and fines		**27 398**	53 726
Contributions from other agencies		**14 790**	30 287
Interest		**272**	756
Other		**4 504**	3 719
GST collected		**3 071**	5 559
GST refunds from the Australian Taxation Office		**7 795**	16 565
CASH FLOWS FROM GOVERNMENT:			
Appropriation		**87 008**	165 610
Net Cash provided by (used in) Operating Activities	18	**4 791**	(1 856)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of assets		**-**	5
Payments for property, plant and equipment		**(1 112)**	(5 304)
Net Cash used in Investing Activities		**(1 112)**	(5 299)
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH FLOWS FROM GOVERNMENT:			
Equity contribution		**-**	7 000
Repayment of debt		**-**	(900)
Net Cash provided by Financing Activities		**-**	6 100
NET INCREASE (DECREASE) IN CASH HELD		**3 679**	(1 055)
CASH AT 1 JULY		**9 816**	10 871
CASH AT 30 JUNE	12	**13 495**	9 816

Program Schedule - Expenses and Revenues for the six months ended 31 December 2003

			2003		**Dec 2003**	June 2003
Programs (Refer Note 3)	1	2	3	4	**Total**	Total
	$'000	$'000	$'000	$'000	**$'000**	$'000
EXPENSES FROM ORDINARY ACTIVITIES:						
Payments to metropolitan service Contractors	-	-	108 086	-	**108 086**	218 685
Grants and subsidies	-	-	6 536	-	**6 536**	13 598
Administration and service costs	20	297	2 947	1 050	**4 314**	13 401
Employee costs	92	887	2 482	1 558	**5 019**	8 769
Depreciation	3	69	1 242	26	**1 340**	2 254
Accommodation costs	8	189	518	71	**786**	1 591
Interest and other finance charges	-	4	103	1	**108**	318
Other expenses	2	25	74	18	**119**	343
Total Expenses	125	1471	121 988	2 724	**126 308**	258 959
REVENUES FROM ORDINARY ACTIVITIES:						
User charges, fees and fines	-	538	26 719	-	**27 257**	53 630
Contributions from other agencies	-	-	16 420	-	**16 420**	30 776
Interest	-	-	328	-	**328**	708
Other revenues	3	68	4 872	29	**4 972**	3 610
Receipts from Government	122	865	83 326	2 695	**87 008**	163 314
Total Revenues	125	1 471	131 665	2 724	**135 985**	252 038
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	-	-	9 677	-	**9 677**	(6 921)
ADMINISTERED REVENUES AND EXPENSES						
Administered expenses	7	12	55	67	**141**	513
Administered revenues	-	-	21	-	**21**	59
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	(7)	(12)	(34)	(67)	**(120)**	(454)
ADMINISTERED ASSETS - CASH	46	81	229	453	**809**	929

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The Passenger Transport Board (the Board) was established under the *Passenger Transport Act 1994* with the overall responsibility for the planning, management and regulation of public passenger transport services within the State of South Australia. The objectives of the Board were to promote innovation in the delivery of passenger transport services and reduce the cost of operating Adelaide's public transport system.

The Board was predominantly funded by Parliamentary appropriations, and also received significant revenue from Metroticket sales.

The financial reports are for the six-month period ended on 31 December 2003 and are the final accounts for the Passenger Transport Board, which was dissolved as a Statutory Authority from 1 January 2004.

Since the amendment to the Passenger Transport Act, the Minister of Public Transport and Urban Planning controls the assets that were formerly controlled by the Passenger Transport Board and is responsible for the discharge of liabilities properly incurred by the Passenger Transport Board up until the time of its dissolution. This has resulted in the establishment of the Office of Public Transport with the Executive Director reporting to the Chief Executive Officer of the Department of Transport and Urban Planning.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Policy Statements issued by the Department of Treasury and Finance, Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other mandatory reporting requirements.

The accounts have been prepared on the accrual basis and in accordance with conventional historical cost principles except where detailed in the Notes to the Financial Statements.

(b) The Passenger Transport Board Reporting Entity

Controlled Resources

The financial report encompasses an interest bearing Special Deposit Account. The Board's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Board administers but does not control certain resources on behalf of the Minister for Transport, and the Attorney-General. It is accountable for the transactions involving these administered resources, but does not have the discretion to deploy these resources for the achievement of the Board's objectives.

Transactions and balances relating to these administered resources are not recognised as Board revenues, expenses, assets, or liabilities, but are disclosed in the Notes to the Financial Statements (refer Note 28).

(c) Recognition of Revenues

All revenues are measured at the fair value of the consideration received or receivable.

(i) User Charges and Fees

User charges and fees are recognised when the Board has passed control of the goods or services to the buyer.

(ii) Fines

Revenue from Expiation Notices is recognised when the cash is received, due to the nature of this item.

(iii) Contributions from Other Agencies

Contributions from other agencies are recognised when the Board has passed control of the goods or services to the buyer.

(iv) Interest

Interest revenue earned is recognised when the Board controls a right relating to the income from its investments.

(v) Other Revenues

Other revenues are recognised when the Board has passed control of the goods or services to the buyer.

(d) Appropriations

Appropriations from the Consolidated Account are recognised as revenue when the Board obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

During the year ended on 30 June 2003 an accrual appropriation of $464 000 was recognised in the Financial Statements for the first time.

Appropriations to the Board designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

(e) Non-Current Assets

The cost method of accounting is used for the initial recording of all acquisitions controlled by the Board. Cost is determined as the fair value of the assets that is represented by the purchase consideration plus costs incidental to the 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.

Assets acquired at no cost, or for nominal consideration are initially recognised at their fair value at the date of acquisition.

Capital work in progress represents costs accumulated during the construction or development of an asset and is valued at cost.

(f) Revaluation of Non-Current Assets

In accordance with the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the fair value methodology has been applied as the basis of revaluing assets as from July 2002.

Assets valued at fair value are revalued every three years if the fair value at the time of acquisition is greater than $1 million in accordance with the Department of Treasury and Finance Accounting Policy Statement 3 'Revaluation of Non-Current Assets'.

The Crouzet Ticketing System was last revalued 30 June 2003 by Mr Simon B O'Leary (AAPI, MSAA) of the Australian Valuation Office. This was done on a Fair Value basis.

The Valuer-General of South Australia revalued Land owned by the Board at 30 June 2003.

(g) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets with annual reassessments for major items.

Asset Class	Useful Lives
Public Transport Infrastructure:	Years
Crouzet Ticketing Equipment	20
SA Government Radio Network	15
New Ticket Technology	13
Real Time Passenger Information System	10
Bus stop information panels	5-7
Security equipment	7
Modbury Interchange	7
Other Interchanges	15
Plant and Equipment:	
Computer equipment	3
Other plant and equipment	5
Furniture and fittings	7
Public Transport Information Centre fit-out	10
Accessible Taxi Infrastructure	8

(h) Leases

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

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

(i) Employee Entitlements

(i) Salaries and Annual Leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date in respect of employees' service to that date. Salaries are reported at current pay rates. An inflation factor of 4 percent has been applied to the annual leave liability.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of seven years can be used as a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service leave liability has been calculated on that basis.

(iii) Sick Leave

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

(iv) *Superannuation*
Contributions are made by the Board 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 contributions due but not yet paid to the superannuation schemes.

(j) Provision for Doubtful Debts
A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date.

(k) Cash
For purposes of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Administered cash is reported separately.

(l) Inventories
Inventories consist of tickets held for sale or distribution. Inventories are valued at cost.

(m) Comparative Figures
The Board has adopted the presentation and disclosure requirements of Accounting Standard AASB 1018 'Statement of Financial Performance', Accounting Standard AASB 1040 'Statement of Financial Position' and AASB 1034 'Financial Report Presentation and Disclosures'. In accordance with the requirements of these Standards, comparative amounts have been reclassified to comply with the changes to the presentation format.

The Financial Statements report revenues, expenses and cash flows for the six month period to 31 December 2003. The prior period comparative figures are for the 12 months ended on 30 June 2003. Refer Note 1.

(n) Accounting for Goods and Services Tax (GST)
In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST. Receivables and Payables are stated with the amount of GST included.

The net GST receivable from the Australian Taxation Office (ATO) has been recognised as a receivable in the Statement of Financial Position.

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

3. Programs of the Passenger Transport Board
The identity and purpose of each major program undertaken by the Board during the year is summarised as follows:

Program 1: Policy Coordination, Development and Investment Strategy
Development and provision of strategic transport plans for and on behalf of the Government.

Program 2: Regulatory Services
Provision of compliance and other regulatory services under legislation committed to the Minister. Regulatory services provided include:

- accreditation of passenger service drivers and operators
- establishing and enforcing regulations for taxis and passenger carrying vehicles
- inspection and enforcement of stipulated driver, operator and passenger conduct.

Program 3: Operations
The efficient and effective maintenance and operation of public transport assets. Operations include:

- provision of services to efficiently and effectively manage public transport infrastructure

- development and management of contracted passenger transport services, to ensure the provision of user friendly and affordable regular passenger transport services in the Adelaide metropolitan area

- regulation and partially funding passenger transport services within the country and regional areas, and fostering rural transport initiatives

- provision of targeted transport assistance to groups with special needs by subsidising taxi travel (South Australian Transport Subsidy Scheme), provision of fully-accessible passenger transport and the contract management of Access Cabs

Program 4: ***Information Services***
The provision of information to the public and industry in respect of all transport services, including the provision to customers of a comprehensive, centralised passenger transport information service that operates across a multi-modal and multi-operator metropolitan passenger transport system.

4. Payments for Service Contractors

Represents payments to Service Contractors to provide bus and rail passenger transport services in the metropolitan area. For the financial year, these payments were made to TransAdelaide, Serco, Torrens Transit, Australian Transit Enterprises, and TransitPlus. Payments to the Department for Transport and Urban Planning (DTUP) for the provision of buses and depots to Contractors are included in this item. Payments for country bus operators are disclosed in Note 5.

The competitive tendering of the bus services in April 2000 resulted in substantial savings made to the cost of providing public transport. The savings achieved have been reinvested by the Board in public transport through the introduction of increased services and improved infrastructure.

Payments for Service Contractors comprise:	**Dec 2003 $'000**	June 2003 $'000
Bus contract payments	**48 319**	97 134
Rail contract payments	**42 481**	83 811
Bus and depot leases	**17 286**	37 740
	108 086	218 685

5. Grants and Subsidies

Grants and subsidies comprise:		
Concessions for people with mobility difficulties (Transport Subsidy Scheme)	**3 907**	7 241
Subsidies provided for concessional travel in country Route Services and Regional Cities	**1 674**	3 740
Regional Cities Bus Operating Subsidies	**479**	1 063
Disabilities Discrimination Act 1992 initiatives	**-**	590
Country Bus Operating Subsidy	**439**	212
Community Passenger Networks	**37**	752
	6 536	13 598

6. Infrastructure, Administration and Service Costs

Infrastructure, administration and service costs include amounts provided to various parties for the provision of public transport infrastructure. These projects include land, Park and Ride facilities, car parks, pedestrian access crossing, various bus shelters, marketing initiatives and general administration and service costs.

Infrastructure, administration and service costs comprise:	**Dec 2003 $'000**	June 2003 $'000
Infrastructure costs	**880**	2 008
Ticket network and timetable costs	**1 511**	3 158
Administration and service costs	**1 923**	8 235
	4 314	13 401

7. Employee Entitlements

(a) Employee Costs

Salaries	**3 616**	6 463
Superannuation and payroll tax expense	**710**	1 275
Annual leave expense	**306**	563
Long service leave expense	**33**	408
TVSP	**324**	-
Other employee related expenses	**30**	60
	5 019	8 769

(b) Provision for Employee Entitlements

Current Liabilities:		
Annual leave	**549**	435
Long service leave	**13**	27
	562	462
Non-Current Liabilities:		
Long service leave	**1 383**	1 350

(c) Employee Benefits and Related On-cost Liability

Annual Leave:		
Included in payables - Current (Note 15)	**102**	81
Provision for employee entitlements - Current (Note 7(b))	**549**	435
	651	516

(c) ***Employee Benefits and related on-cost liability (continued)***	**Dec 2003 $'000**	June 2003 $'000
Long Service Leave:		
Included in payables - Current (Note 15)	**1**	3
Provision for employee entitlements - Current (Note 7(b))	**13**	27
Included in payables - Non-current (Note 15)	**177**	172
Provision for employee entitlements - Non-Current (Note 7(b))	**1 383**	1 350
	1 574	1 552
Aggregate Employee Benefits and Related On-cost Liabilities	**2 225**	2 068

8. Depreciation

Depreciation was charge in respect of:		
Public transport infrastructure	**1 029**	1 634
Plant and equipment	**287**	612
Accessible taxi infrastructure	**24**	8
	1 340	2 254

9. User Charges, Fees and Fines

User charges, fees and fines comprise:		
MetroTicket sales	**26 643**	52 230
Accreditation of drivers and operators of passenger transport services	**455**	1 081
Sale of blank tickets to operators	**76**	177
Expiation notices	**83**	142
	27 257	53 630

10. Contributions from Other Agencies

Contributions from other agencies comprise:		
State Government reimbursements(1)	**16 258**	30 460
Home and Community Care	**162**	316
	16 420	30 776

(1) This item represents fare concession receipts from various State Government agencies to fund concessional travel provided to pensioners, the unemployed, and students on passenger transport in metropolitan and regional areas.

11. Other Revenue

Other Revenue comprises revenue derived from advertising on buses, recovery of targeted voluntary separation payments, sponsorship revenue, funding for the SA Government Radio Network and other minor receipts.

12. Cash

	Dec 2003 $'000	June 2003 $'000
Cash comprises:		
PTB Operating Account held at Westpac	**13 003**	9 329
Accrual appropriations (Note 2(d))	**464**	464
Cash on hand	**23**	18
Imprest Account held at BankSA	**5**	5
	13 495	9 816

13. Receivables

Receivables consists of:		
Debtors	**5 855**	3 625
Less: Provision of doubtful debts	**38**	38
	5 817	3 587
Accrued interest	**56**	38
	5 873	3 625

14. ***(a) Property, Plant and Equipment***

	Cost/ Valuation		Accumulated Depreciation		Written Down Value	
	Dec 2003	June 2003	**Dec 2003**	June 2003	**Dec 2003**	June 2003
Asset Class:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Public Transport Infrastructure assets:						
At valuation	**2 848**	2 848	**475**	-	**2 373**	2 848
At cost	**11 535**	8 761	**2 205**	1 650	**9 330**	7 111
Plant and equipment at cost	**2 294**	2 297	**1 165**	881	**1 129**	1 416
Accessible taxi infrastructure:						
At cost	**388**	388	**67**	43	**321**	345
Land at valuation	**3 601**	3 601	**-**	-	**3 601**	3 601
Work in progress at cost(1)	**898**	2 177	**-**	-	**898**	2 177
Total	**21 564**	20 072	**3 912**	2 574	**17 652**	17 498

(1) Work in progress comprises costs in respect of public transport infrastructure assets.

(b) Property, Plant and Equipment Movement Schedule

	Land $'000	Public Transport Infrastructure Assets $'000	Plant & Equipment $'000	Accessible Vehicles $'000	Work in Progress $'000	**Dec 2003 Total $'000**
Gross Carrying amount 1 July	3 601	11 609	2 297	388	2 177	**20 072**
Additions	-	2 774	-	-	670	**3 444**
Transferred to Assets	-	-	-	-	(1 869)	**(1 869)**
Write offs	-	-	(3)	-	(80)	**(83)**
Balance as at 31 December	3 601	14 383	2 294	388	898	**21 564**
Accumulated depreciation 1 July	-	1 650	881	43	-	**2 574**
Accumulated depreciation of assets written off	-	-	(2)	-	-	**(2)**
Depreciation expense	-	1 030	286	24	-	**1 340**
Balance as at 31 December	-	2 680	1 165	67	-	**3 912**
Carrying Amount of Assets	3 601	11 703	1 129	321	898	**17 652**

15. Payables

	Dec 2003 $'000	June 2003 $'000
Payables comprise creditors and accruals:		
Service contractors	**87**	228
Grants and subsidies	**1 132**	1 327
Infrastructure, administration and service costs	**1 328**	1 194
Employee on-costs	**280**	256
Other employee costs	**133**	41
Asset purchase	**387**	6
Revenue received in advance	**345**	-
	3 692	3 052
Current Liabilities	**3 515**	2 880
Non-Current Liabilities	**177**	172
	3 692	3 052

16. Borrowings

The Board is responsible to the Department of Treasury and Finance for the payment of interest and the repayment of principal in respect of all loans. Borrowings relate to the transfer of Crouzet ticketing equipment and bus radios from TransAdelaide. The movement in Borrowings is:

	Dec 2003 $'000	June 2003 $'000
Balance 1 July	**3 168**	4 068
Borrowings	**-**	-
Repayments	**-**	(900)
Balance 31 December	**3 168**	3 168
Current liabilities	**1 100**	1 100
Non-current liabilities	**2 068**	2 068
Balance 31 December	**3 168**	3 168

17. Changes in Equity

(a) Accumulated Surplus

The movement in accumulated surplus is:

Balance 1 July	**2 685**	9 606
Surplus (Deficit) from ordinary activities	**9 677**	(6 921)
Ending Balance	**12 362**	2 685

(b) Equity Contribution

The movement in equity contribution is:

Balance 1 July	**16 800**	9 800
Appropriation	**-**	7 000
Ending Balance	**16 800**	16 800

(c) Asset Revaluation Reserve

	Land		Public Transport Infrastructure		Total	
	Dec	June	**Dec**	June	**Dec**	June
The movement in asset	**2003**	2003	**2003**	2003	**2003**	2003
revaluation is:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance 1 July	**872**	440	**2 803**	213	**3 675**	653
Movement in reserve	**-**	432	**-**	2 590	**-**	3 022
Ending Balance	**872**	872	**2 803**	2 803	**3 675**	3 675

18. Reconciliation of Net Cost of Services to Net Cash provided by (used in) Operating Activities

	Dec 2003	June 2003
Payables comprise creditors and accruals:	**$'000**	$'000
Net cost of service	**(77 331)**	(170 235)
Cash flows from government	**87 008**	163 314
Items not involving cash:		
Depreciation	**1 340**	2 254
(Loss) Profit on sale of assets	**-**	(5)
Changes in operating assets and liabilities:		
Receivables	**(2 248)**	2 269
Inventories	**5**	(30)
Prepayments	**4 374**	2 718
Creditors and accruals	**258**	(2 654)
Provision for employee entitlements	**133**	513
Net Cash provided by (used in) Operating Activities	**4 791**	(1 856)

19. Disposal of Non-Current Assets

Proceeds from the disposal of non-current assets	**1**	5
Less: Written down value of non-current assets	**1**	-
Net Profit	**-**	5

20. Operating Leases

Operating lease expenses comprise:		
Bus and depots	**17 286**	37 740
Property	**786**	1 591
Motor vehicles	**135**	292
	18 207	39 623

21. Remuneration Benefits

(a) Board Members' Remuneration

	Dec 2003 Number of Members	June 2003 Number of Members
The number of Members of the Board whose remuneration received or receivable falls within the following bands were:		
$0 - $9 999	**5**	1
$10 000 - $19 999	**1**	4
$20 000 - $29 999	**-**	1

The aggregate remuneration received by Members for the six month period ended 31 December 2003 was $52 000 (2002-03 $103 000).

(b) Executive Remuneration

	Dec 2003 Number of Employees	June 2003 Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands were:		
$110 000 - $119 999	**-**	2
$140 000 - $149 999	**-**	1
$180 000 - $189 999	**-**	1

No employees received more than $100 000 during the six months to 31 December 2003. In 2002-03, total remuneration received by employees earning more than $100 000 was $555 000.

22. Targeted Voluntary Separation Package (TVSP) Scheme

	Dec 2003 Number of Employees	June 2003 Number of Employees
Number of employees paid TVSPs	**4**	-

22.	**Targeted Voluntary Separation Package (TVSP) Scheme (continued)**	**Dec 2003 $'000**	June 2003 $'000
	Amounts paid to these employees:		
	TVSP	**324**	-
	Accrued annual leave and long service leave	**94**	-
		418	-
	Amount recovered from the Department of the Premier and Cabinet	**-**	-

23. Remuneration of Auditors

The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the six months to 31 December 2003 was $27 000 ($54 000). The auditors received no other benefits.

24. Related Party Transactions

The names of the persons who were Board Members of the Passenger Transport Board during the six months to 31 December 2003 are as follows:

D Egen	R J Payze
N J Buddle	G J Crafter
H M I'Anson	J Bell

N J Buddle has declared an interest through her employment by Austereo Pty Ltd, a major sponsor of Skyshow. The Board funds and promotes the use of public transport services to this event. No other Member or employee has declared any interests in contracts involving the Board during the six months ending on 31 December 2003.

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

25. Consultancies

During the year the Board did not engage consultants to assist in its operations (4 in 2002-03). The cost of these consultancies was $nil ($49 000).

	Dec 2003 Number of Consultancies	June 2003 Number of Consultancies
The number of consultancies whose payments fell within the following bands were:		
$0 - $10 000	**-**	2
$10 001 - $50 000	**-**	2

26. Commitments

Operating Leases Payable	**Dec 2003 $'000**	June 2003 $'000
Not later than one year	**33 522**	31 861
Later than one year but not later than five years	**14 566**	29 444
Later than five years	**17 352**	17 698
	65 440	79 003

The Board leases depots and buses, property for office accommodation and motor vehicles.

Since the commencement of the seven new metropolitan bus contracts, the Board has had the responsibility for payment to DTUP for the leases of buses and depots. The Board receives as part of its Parliamentary appropriation an equivalent amount of funding to cover these commitments.

Terms for property leases vary up to 40 years with rents payable monthly in advance. Rental provisions within the lease agreements require lease payments be reviewed and amended in line with movements in market rental values or CPI. An option exists to renew some of the leases at the end of the lease term.

Motor vehicles are leased for two or three year terms with lease payments reviewed annually.

27. Agreements Equally and Proportionately Unperformed

The Board has entered into a number of contracts with service providers of metropolitan transport services. The contract areas, service providers and contract expiry dates are as follows:

Contract Area	**Service Provider**	**Contract Expiry Date**
Aldinga Region	Australian Transit Enterprises (ATE)	23 April 2005
Outer South	ATE	23 April 2005
North South	Serco	23 April 2005
Outer North	Serco	23 April 2005
Outer North East	Serco	23 April 2005
East West	Torrens Transit	23 April 2005
City Free	Torrens Transit	23 April 2005
Adelaide Hills	Transit Plus	23 April 2005

27. Agreements Equally and Proportionately Unperformed (continued)

Contract Area	Service Provider	Contract Expiry Date
Mt Barker Region	Transit Plus	23 April 2005
Wandering Star Bus Service	Serco	30 June 2004
Rail Services	TransAdelaide	1 July 2005
Mt Pleasant to Tea Tree Gully	Affordable Hills Chauffeured	1 February 2007
Murray Mallee 'Medical'	Coorong Coaches	1 September 2005
Coorong Council Services	Coorong Coaches	1 January 2008

	Dec 2003 $'000	June 2003 $'000
Agreements equally and proportionately unperformed (AEPUs) as at 31 December 2003 are as follows:		
Not later than one year	**180 921**	180 144
Later than one year but not later than five years	**71 946**	161 972
	252 867	342 116

The AEPUs have been calculated by extrapolating contract payments for each contract area during the six months to 31 December 2003 to the contract expiry date. Contract payments are based on the contract funding formula that includes a fixed component plus an incentive component to reward increased patronage.

These AEPUs are not recognised in the financial report.

28. Administered Items

(a) Passenger Transport Research and Development Fund

Pursuant to Section 62 of the *Passenger Transport Act 1994*, the Board administers on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing Deposit Account at the Department of Treasury and Finance).

The Fund may be applied by the Minister in consultation with the Board:

(i) for the purpose of carrying out research into the taxi-cab industry; or
(ii) for the purpose of promoting the taxi-cab industry; or
(iii) for any other purpose considered by the Minister and the Board to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	Dec 2003 $'000	June 2003 $'000
Balance at 1 July	**929**	1 383
Add: Receipts during the year	**21**	55
Less: Payments during the year	**141**	509
Ending Balance	**809**	929

(b) Criminal Injuries Compensation Levy

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Board collects criminal injuries compensation levies. In the six months to 31 December 2003, the amount collected and paid to the Attorney-General's Criminal Injuries Compensation Fund was $nil ($4 000 in 2002-03).

29. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including Recognition Criteria and Measurement Basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets			
Cash	12	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Board invests surplus funds with the Department of Treasury and Finance in a Special Deposit Account. Interest is paid quarterly on the average daily balance of the account at an interest rate determined by the Treasurer for the balance up to the PTB level of borrowings and at the average 90 day bank bill rate for the balance over the level of borrowings. For the quarter ended 30 November 2003 the interest rate earned was 6.25 percent (the Common Public Sector Interest Rate) and the overnight cash deposit rate was 4.67 percent.
Receivables	13	These receivables are recognised at the nominal amounts due less any provision for doubtful debts. Collectability of debts is reviewed at balance date. Amounts are recognised when services are provided.	Standard credit terms are net 30 days.
Loan Receivable		This loan is recognised at its nominal value.	This working capital loan is repayable on demand and is free of interest.

(a) Terms, Conditions and Accounting Policies (continued)

Financial Instrument	Note	Accounting Policies and Methods (including Recognition Criteria and Measurement Basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Liabilities			
Payables	15	Creditors and accruals are recognised at their nominal amounts. Liabilities are recognised to the extent that goods and services have been received.	Creditors are paid within 30 days.
Borrowings	16	Borrowings are recognised at their nominal amounts.	Borrowings relate to borrowings from the Department of Treasury and Finance. Interest is paid quarterly at a rate determined by the Treasurer. For the quarter ended 30 November 2003 the interest rate was 6.2 percent (the Common Public Sector Interest Rate). A guarantee fee charge is also paid to the Department of Treasury and Finance on these borrowings at the annual rate of 0.75 percent. No maturity date exists for these borrowings.

(b) Interest Rate Risk

31 December 2004

Financial Instrument		**Floating Interest Rate**	**Non-Interest Bearing**	**Total**	**Weighted Average Effective Interest Rate**
Financial Assets (Controlled):	Note	**$'000**	**$'000**	**$'000**	**Percent**
Cash	12	**13 472**	**23**	**13 495**	**5.0**
Receivables	13	**-**	**5 873**	**5 873**	**-**
Loan receivable		**-**	**40**	**40**	**-**
Total Financial Assets		**13 472**	**5 936**	**19 408**	
Total Assets				**41 642**	
Financial Assets (Administered):					
Cash	28	**809**	**-**	**809**	**4.7**
Financial Liabilities (Controlled):					
Payables	15	**-**	**3 692**	**3 692**	**-**
Borrowings	16	**3 168**	**-**	**3 168**	**6.2**
Total Financial Liabilities		**3 168**	**3 692**	**6 860**	
Total Liabilities				**8 805**	

30 June 2003

Financial Instrument		Floating Interest Rate	Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
Financial Assets (Controlled):	Note	$'000	$'000	$'000	Percent
Cash	12	9 798	18	9 816	5.2
Receivables	13	-	3 625	3 625	-
Loan receivable		-	40	40	-
Total Financial Assets		9 798	3 683	13 481	
Total Assets				31 192	
Financial Assets (Administered):					
Cash	28	929	-	929	4.6
Financial Liabilities (Controlled):					
Payables	15	-	3 052	3 052	-
Borrowings	16	3 168	-	3 168	6.5
Total Financial Liabilities		3 168	3 052	6 220	
Total Liabilities				8 032	

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in these accounts approximate their carrying values.

(d) Credit Risk Exposure

The Board's maximum credit risk exposure at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the Act) was proclaimed. The Act provides for the continuation of TransAdelaide as a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

The Act establishes a Board of Directors as the governing body of TransAdelaide.

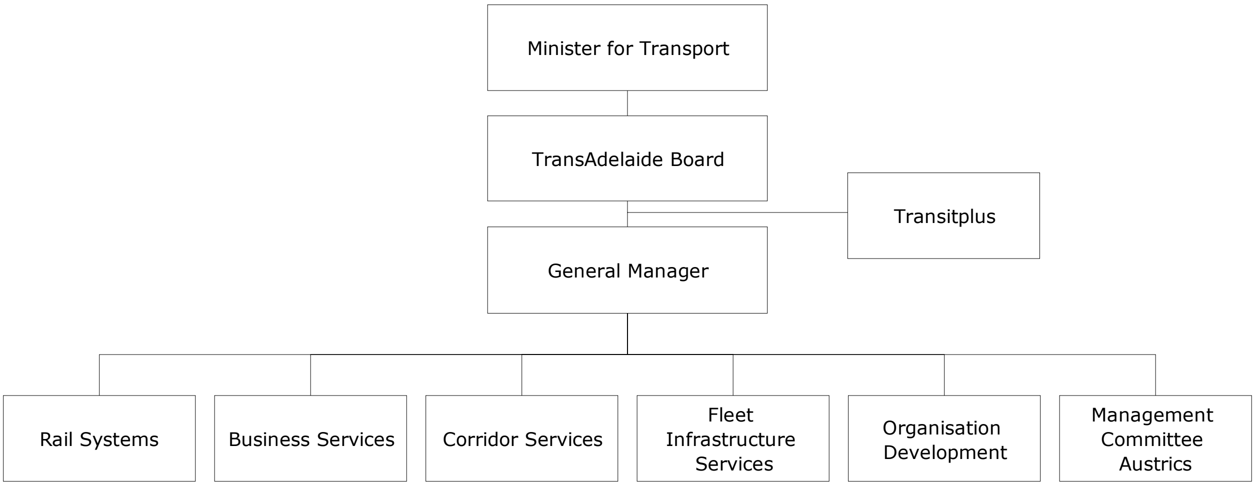
Functions

TransAdelaide's primary functions are to provide rail passenger transport services under a rail contract; and to act as the custodian of the State's rail passenger transport infrastructure. In carrying out these functions, TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers;
- undertake activities which build customer support and use of the rail passenger transport system;
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

Structure

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



Controlled Entity

TransAdelaide was the ultimate controlling Parent Entity of Austrics, which was established pursuant to Regulations under the *Public Corporations Act 1993*. In accordance with the Public Corporations (Austrics) (Dissolution and Revocation) (No 2) Regulations 2003, effective from 18 December 2003, Austrics was dissolved and ceased to be a subsidiary of TransAdelaide. Commentary on Austrics' principal business activities and financial results is provided later under the heading 'Further Commentary on Operations'.

Joint Venture

On 28 May 2000 a Joint Venture Agreement was established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the former Passenger Transport Board. The joint venture is known as the TransAdelaide/ATE joint venture. Further commentary on the joint venture relationship is included later under the heading 'Further Commentary on Operations'.

Contract to provide Passenger Transport Services

In 2000, TransAdelaide re-negotiated an agreement with the Passenger Transport Board for the provision of rail (ie train and tram) passenger transport services. The term of the agreement is five years with a right of renewal for a further five years. The agreement with the Office of Public Transport (formerly known as Passenger Transport Board) has recently been renewed for a further five years from April 2005.

On 23 April 2000 TransAdelaide ceased providing bus transport services in its own right. Notwithstanding this, TransAdelaide retains an interest in one contract with the Office of Public Transport for the provision of bus passenger transport services through its involvement with the TransAdelaide/ATE joint venture.

Further commentary on passenger transport contracts is detailed later under the heading 'Interpretation and Analysis of Financial Statements'.

Audit Committee

Section 31 of the *Public Corporations Act 1993*, requires a public corporation to establish an Audit Committee and that the composition of the committee include members of the corporation Board.

In accordance with the above requirements TransAdelaide has established an Audit Committee whose membership comprises TransAdelaide Board members.

The primary function of the Audit Committee as outlined in the Audit Committee Charter 'is to assist the Board in effectively fulfilling responsibilities for financial reporting, risk management, internal control and achieving good corporate governance'.

The General Manager attends the Audit Committee meetings in an ex-officio capacity. Audit representatives attend Audit Committee meetings as observers.

Changes to Functions and Structure

Effective from 18 December 2003, Austrics ceased to be a subsidiary of TransAdelaide. From that date, the assets and liabilities and operations of the former Austrics were transferred to TransAdelaide.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of TransAdelaide in respect of each financial year. The authority for the Auditor-General to audit the subsidiary of TransAdelaide is provided by subclause 13(3) of the Schedule to the *Public Corporations Act 1993*.

Assessment of Controls

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

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- salaries and wages
- accounts payable, including review of Corporate Credit Cards usage
- revenue - earned under the Office of Public Transport Contract
- other revenue

- receipting and banking
- accounts receivable
- non-current assets
- inventory.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of TransAdelaide and of the economic entity as at 30 June 2004, their financial performance and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by TransAdelaide 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: Rail Car Spare Parts Inventory; Salaries and Wages; and Non-Current Assets as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the General Manager. Responses to the management letters were generally considered to be satisfactory. Matters raised with the Corporation and the related responses are considered herein.

Rail Car Spare Parts Inventory

Audit's review revealed areas where TransAdelaide could improve controls in place over inventory held by its contractor to ensure that it is adequately safeguarded and correctly accounted for. In particular:

- TransAdelaide does not undertake an independent review function for the stocktake process;

- there is currently no mechanism in place to ensure that all inventory issued from the contractors warehouse is captured on a material request form for update to the inventory system;

- TransAdelaide and the contractors stock are not physically separated;

- there has been no review of obsolete or slow moving stock to ensure that inventory is carried at a reasonable value.

Salaries and Wages

There is a risk of incorrect payment being made to staff as:

- the completeness and accuracy of data entry is only subject to a test check and not a detailed check;

- lack of policies and procedures for award changes to master-files and changes to contract salary rates and no independent checking of changes.

Non-Current Assets

Audit review revealed that; the current arrangements do not provide for sufficient independent and higher level review to ensure that: fixed assets are reconciled from the asset register to the general ledger; fixed asset data input is checked for completeness and accuracy; and adjustments processed are valid. In addition, the depreciation rates on fixed assets were only subject to an ad-hoc review and no formal documentation had been prepared to support the review conducted.

Accounts Payable

The audit of accounts payable revealed:

- instances where segregations of duties were not effective as the officer who authorised the purchase also approved the payment;
- instances where purchase orders were actioned without any evidence of authorisation;
- whilst changes to the vendor master-file are subject to an independent review, risks could be further mitigated by enhancing the review to include a check back to source documentation.

Credit Cards

Review of corporate credit cards management processes revealed that the cancellation and destruction of credit cards from officers who ceased employment with TransAdelaide is not occurring on a timely basis. While custody of the credit card is removed from the employee there is potential for credit card details to be used to make unauthorised purchases if the credit card is not cancelled on a timely basis.

TransAdelaide Response

TransAdelaide responded positively and in detail to audit issues raised. The response indicated either acceptance of issues raised or consideration of the matter in the context of its assessment of risk and resource availability.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

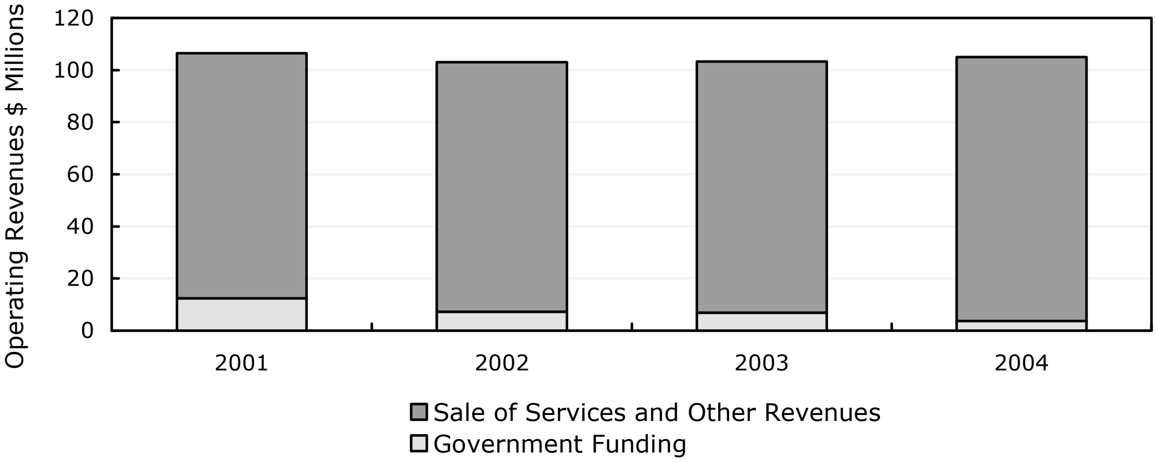
Highlights of Consolidated Financial Statements

	2004	2003	Percentage
	$'million	$'million	Change
OPERATING REVENUE			
Government Funding	**3.7**	6.9	(46)
Sale of services and other revenue	**101.3**	96.4	5
Total Operating Revenue	**105.0**	103.3	2
OPERATING EXPENDITURE			
Employment expenses	**40.2**	41.4	(3)
Depreciation and amortisation	**20.8**	20.9	-
Other expenses	**43.7**	43	2
Total Operating Expenses	**104.7**	105.3	(1)
Share of Profits from Associates	**0.9**	0.8	13
Profit/(Loss) before Tax	**1.2**	(1.2)	200
Income Tax Benefit	**0.6**	1.1	(45)
Net Profit (Loss)	**1.8**	(0.1)	-
Net Cash Flows from Operations	**17.0**	21.4	(21)
ASSETS			
Current assets	**19.7**	18.1	9
Non-current assets	**601.0**	623.8	(4)
Total Assets	**620.7**	641.9	(3)
LIABILITIES			
Current liabilities	**25.8**	28.6	(10)
Non-current liabilities	**113.9**	117.7	(3)
Total Liabilities	**139.7**	146.3	(5)
EQUITY	**481.0**	495.6	(3)

Consolidated Statement of Financial Performance

Operating Revenues

As TransAdelaide's primary functions are to provide rail passenger transport services under rail contracts, it's main operating revenue is Sale of Services with Government funding being less significant. For the four years to 2004, a structural analysis of Sale of Services Revenues and Government funding is presented in the following chart.



The above chart shows a consistency of operating revenues due to the minimal increases allowable under the passenger transport contracts.

Contract Income - Passenger Transport Contracts

The passenger transport contracts require TransAdelaide to provide passenger services in the specified service area in return for contract payments. The contract payments are based on a fixed component plus an incentive component based on patronage. There are also penalties for late running. All ticket revenue collected by TransAdelaide is remitted to the Office of Public Transport.

In addition, under the contracts TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

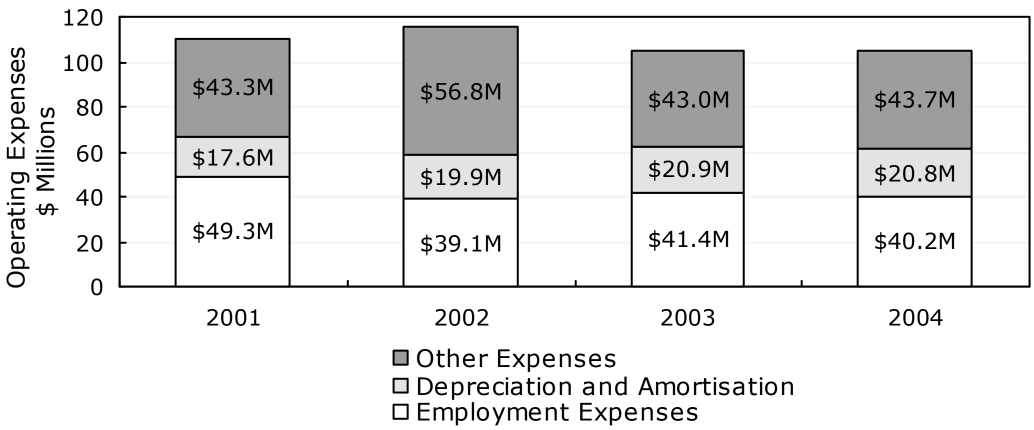
Contract Income - Financial Dependence

Income of $85.6 million ($84.6 million) from the Office of Public Transport for the provision of passenger services represented 82 percent (82 percent) of TransAdelaide's consolidated revenue from ordinary activities and is included in sale of services and other revenues in the previous chart. The reliance on contract payments creates a high degree of financial dependency on the Office of Public Transport. This dependency has been recognised in Note 1 to the Financial Statements.

Operating Expenses

As TransAdelaide's primary functions are to provide rail passenger transport services under rail contracts, the significant expenses are employment expenses and depreciation and amortisation.

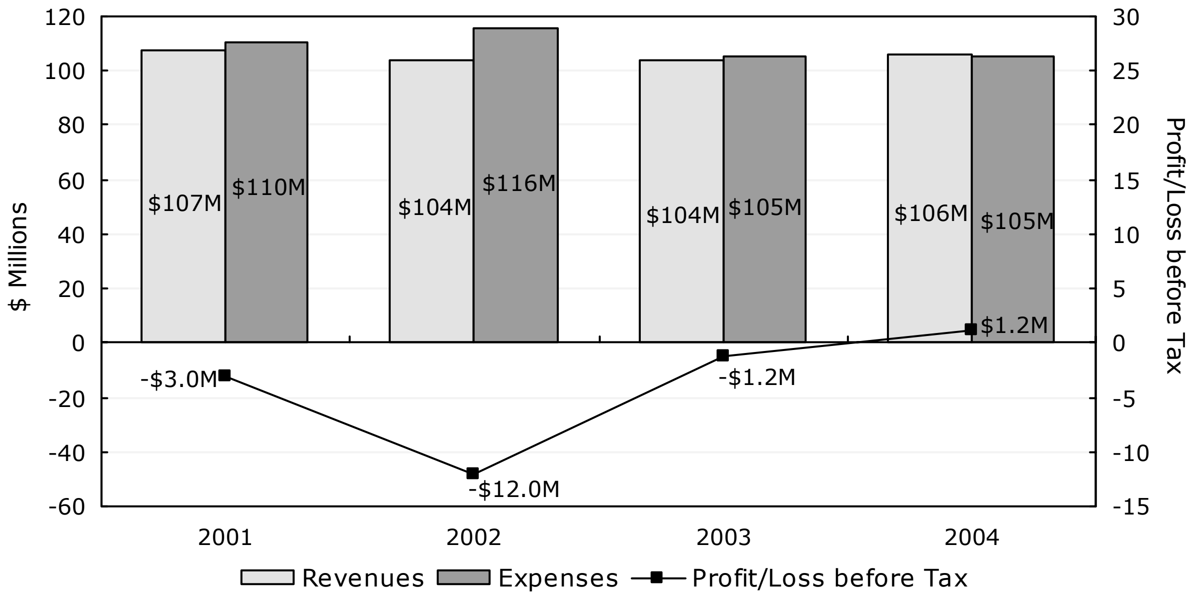
For the four years to 2004, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



The above chart indicates a trend towards a slight reduction in operating expenditure due mainly to a reduction in employment expenses associated with a reduction in staff numbers.

Operating Result

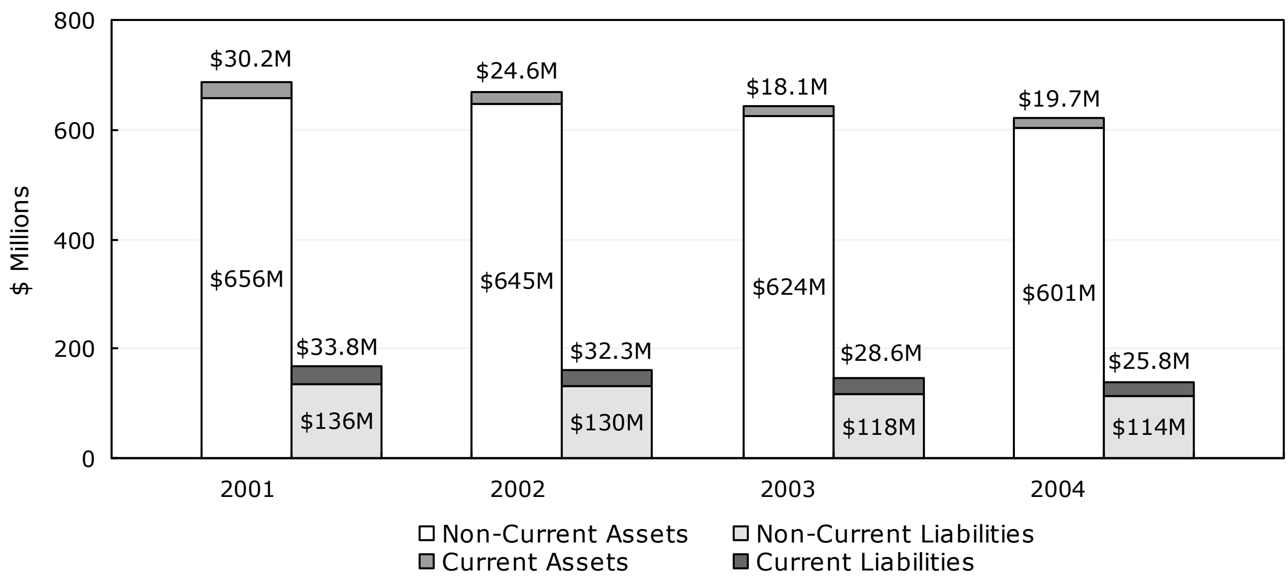
The following chart shows the operating revenues, operating expenses and profit/loss before tax for the four years to 2004.



The economic entity achieved a $1.2 million profit result before tax and that reflects an improvement from the previous year's loss of $1.2 million. Revenues have increased slightly while expenses have remained the same as the previous year.

Consolidated Statement of Financial Position

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Assets

Total rollingstock, property, plant and equipment and work in progress non-current assets decreased by $24.5 million which mainly reflects additions of $11.5 million, offset by the depreciation and amortisation charge of $20.8 million and revaluation decrements of $14.1 million.

Liabilities

Interest bearing liabilities (mainly non-current liabilities) decreased by $7.3 million reflecting the repayment of borrowings from the State Treasurer of $5.4 million and a decrease in lease liability of $1.9 million.

Consolidated Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**17.0**	21.4	18.3	28.8
Investing	**(9.7)**	(7.4)	(17.2)	(10.2)
Financing	**(7.7)**	(18.0)	(7.1)	(16.5)
Change in Cash	**(0.4)**	(4.0)	(6.0)	2.1
Cash at 30 June	**11.4**	11.8	15.8	21.8

The analysis of cash flows shows that the inflow from operating activity of $17 million was reasonably consistent with the previous year and reflects the fact that the small profit result is converted to a significant cash inflow from operating activities as a result of the add-back of the main non-cash item being depreciation and amortisation of $20.8 million. Cash flow from operating activities of $17 million was used to finance the following:

- Investing activities with the main item being the acquisition of non-current assets of $10.6 million.
- Financing activities being special dividend payments of $2.3 million and loan repayments of $5.4 million.

FURTHER COMMENTARY ON OPERATIONS

Controlled Entity Operations Austrics

Austrics was a wholly-owned subsidiary of TransAdelaide established by Regulations under the *Public Corporations Act 1993*. As mentioned previously, Austrics was dissolved by regulation, and ceased to be a subsidiary of TransAdelaide from 18 December, 2003. From then on the assets, liabilities and operation of the former Austrics were transferred to TransAdelaide.

Principal Business Activities

The functions of the former subsidiary were to carry out research and to develop computer software and associated products within TransAdelaide's area of expertise, to market and to promote these products domestically and internationally, to provide consultancy and other services, and any other function conferred by TransAdelaide.

Audit Observations and Comments

The financial statements of Austrics have been audited and the results were satisfactory.

Financial Results

For the period of operation as a separate entity from 1 July 2003 to 17 December 2003, Austrics recorded a loss from ordinary activities after income tax of $252 000 ($695 000 loss).

A summary of Austrics financial performance for the period 1 July to 17 December 2003 and financial position as at 17 December 2003 (date of operation, prior to dissolution on 18 December 2003) is detailed below:

	2004	2003
	$'000	$'000
Financial Performance:		
Revenues from ordinary activities	**1 176**	2 459
Expenses from ordinary activities	**963**	3 499
Profit (Loss) from ordinary activities before income tax	**213**	(1 040)
Write back of future tax benefits unable to be realised	**(465)**	-
Income tax benefit (expense) relating to ordinary activities	**-**	345
NET (LOSS) PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	**(252)**	(695)
Financial Position:		
Total Assets	**706**	1 103
Total Liabilities*	**1 690**	1 835
NET ASSETS (DEFICIENCY)	**(984)**	(732)
TOTAL EQUITY (DEFICIENCY)	**(984)**	(732)

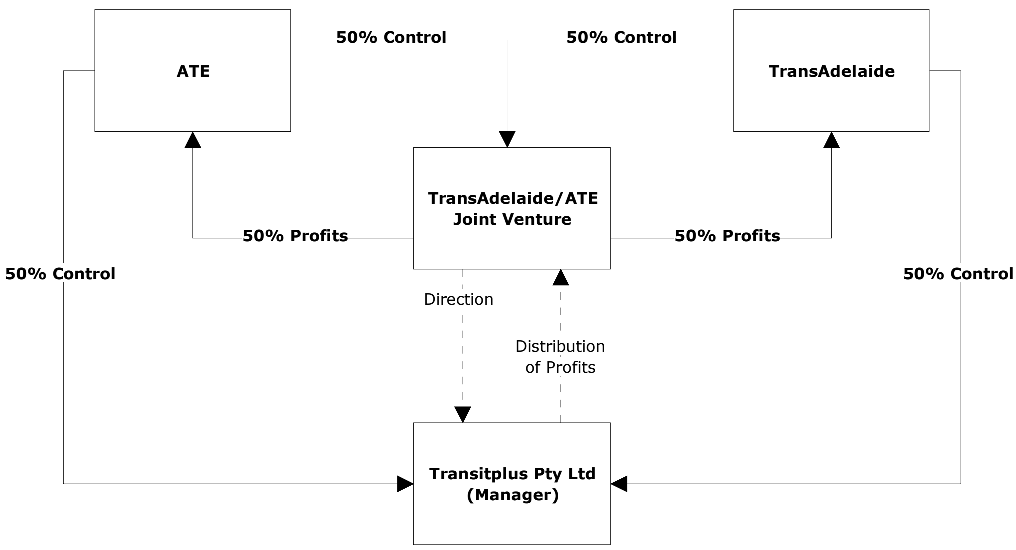
* Includes borrowings of $840 000 ($840 000) owed to TransAdelaide. The borrowings of $840 000 were eliminated, upon transfer of the assets and liabilities to TransAdelaide.

Joint Venture Relationship

In 1999-2000 TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide Hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the Hills metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

The following diagram illustrates the joint venture relationship:



The Economic Entity has brought to account $875 000 ($839 000) for its share of net profit from the joint venture.

Statement of Financial Performance
for the year ended 30 June 2004

		Economic Entity		Parent Entity	
		2004	2003	**2004**	2003
	Note	**$'000**	$'000	**$'000**	$'000
REVENUE FROM ORDINARY ACTIVITIES	4	**105 042**	103 240	**104 031**	100 863
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits expense		**33 709**	37 099	**33 093**	35 297
Supplies and services expense	5	**30 759**	28 684	**30 632**	28 182
Separation package payments		**2 513**	301	**2 513**	301
Bad and doubtful debts		**(16)**	130	**(16)**	(19)
Depreciation and amortisation expense	6	**20 792**	20 867	**20 777**	20 826
Loss on sale/disposal of assets	7	**518**	1 357	**518**	592
Movement in employee benefits provisions	8	**4 028**	4 004	**3 985**	3 868
Other expenses from ordinary activities		**5 874**	5 532	**5 877**	5 509
Borrowing costs expense	9	**6 505**	7 330	**6 505**	7 330
Total Expenses		**104 682**	105 304	**103 884**	101 886
Net expense from restructuring	3(a)	**-**	-	**(1 234)**	-
Revaluation of subsidiary	3	**-**	-	**-**	(2 829)
Share of net profits from associates and joint ventures accounted for using the equity method		**875**	839	**875**	843
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**1 235**	(1 225)	**(212)**	(3 009)
INCOME TAX BENEFIT (EXPENSE) RELATING TO ORDINARY ACTIVITIES	10	**558**	1 152	**173**	1 656
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	12	**1 793**	(73)	**(39)**	(1 353)
Increase (Decrease) in the asset revaluation reserve	11	**(14 113)**	(7 383)	**(14 113)**	(7 383)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(12 320)**	(7 456)	**(14 152)**	(8 736)

Statement of Financial Position
as at 30 June 2004

		Economic Entity		Parent Entity	
ASSETS:		**2004**	2003	**2004**	2003
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash assets	15	**11 405**	11 786	**11 405**	11 474
Receivables	13	**4 694**	3 012	**4 694**	2 875
Stores inventories	20	**3 296**	2 900	**3 296**	2 900
Work in progress		**21**	94	**21**	94
Dividend receivable		**307**	277	**307**	277
Investment in related entities	3	**-**	-	**-**	340
Total Current Assets		**19 723**	18 069	**19 723**	17 960
NON-CURRENT ASSETS:					
Rollingstock	14	**194 322**	200 682	**194 322**	200 682
Property, plant and equipment	14	**374 277**	398 422	**374 277**	398 394
Work in progress	14	**10 608**	4 678	**10 608**	4 678
Investment in related entities	3	**200**	200	**200**	950
Future income tax benefit		**21 646**	19 852	**21 646**	20 153
Total Non-Current Assets		**601 053**	623 834	**601 053**	624 857
Total Assets		**620 776**	641 903	**620 776**	642 817
LIABILITIES:					
CURRENT LIABILITIES:					
Interest bearing liabilities	16	**5 381**	7 263	**5 381**	7 263
Payables		**12 376**	12 625	**12 376**	11 957
Provisions	19	**8 075**	8 708	**8 075**	8 633
Total Current Liabilities		**25 832**	28 596	**25 832**	27 853
NON-CURRENT LIABILITIES:					
Interest bearing liabilities	16	**81 371**	86 752	**81 371**	86 752
Payables		**1 078**	1 008	**1 078**	992
Provisions	19	**20 008**	19 680	**20 008**	19 521
Provisions for deferred income tax		**11 455**	10 219	**11 455**	10 219
Total Non-Current Liabilities		**113 912**	117 659	**113 912**	117 484
Total Liabilities		**139 744**	146 255	**139 744**	145 337
NET ASSETS		**481 032**	495 648	**481 032**	497 480
EQUITY:					
Reserves	11	**369 727**	383 770	**369 727**	383 770
Retained profits	12	**111 305**	111 878	**111 305**	113 710
TOTAL EQUITY		**481 032**	495 648	**481 032**	497 480
Commitments	17, 18, 21				
Contingent Liabilities	29				

Statement of Cash Flows
for the year ended 30 June 2004

		Economic Entity		Parent Entity	
		2004	2003	**2004**	2003
		Inflows	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$’000**	$’000	**$’000**	$’000
RECEIPTS:					
Sales of goods and services		**96 153**	97 693	**95 262**	95 634
Government funding		**3 906**	6 534	**3 906**	6 534
Separation packages		**2 084**	-	**2 084**	-
Investment revenues		**824**	962	**824**	962
GST received from customers		**9 415**	9 457	**9 347**	9 301
Other revenues		**188**	67	**-**	-
Total Receipts		**112 570**	114 713	**111 423**	112 431
PAYMENTS:					
Wages and salaries		**(38 852)**	(39 760)	**(38 104)**	(37 810)
Separation packages		**(2 513)**	(301)	**(2 513)**	(301)
Goods and services		**(36 417)**	(36 425)	**(36 148)**	(35 849)
Interest on borrowings/leases		**(8 375)**	(7 385)	**(8 375)**	(7 385)
GST paid to suppliers		**(4 419)**	(4 562)	**(4 403)**	(4 521)
GST paid to Australian Taxation Office		**(4 994)**	(4 894)	**(4 943)**	(4 780)
Total Payments		**(95 570)**	(93 327)	**(94 486)**	(90 646)
Net Cash provided by Operating Activities	15(a)	**17 000**	21 386	**16 937**	21 785
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Dividend receipts		**844**	790	**844**	790
Contributed capital		**-**	61	**-**	61
Proceeds from asset sales		**43**	202	**43**	202
Cash transferred at dissolution		**-**	-	**357**	-
Total Receipts		**887**	1 053	**1 244**	1 053
PAYMENTS					
Purchase on non-current assets		**(10 591)**	(8 474)	**(10 573)**	(8 299)
Investment in related entities		**-**	-	**-**	(340)
Total Payments		**(10 591)**	(8 474)	**(10 573)**	(8 639)
Net Cash used in Investing Activities		**(9 704)**	(7 421)	**(9 329)**	(7 586)
CASH FLOWS FROM FINANCING ACTIVITIES:					
PAYMENTS:					
Dividend payments		**(2 296)**	(4 592)	**(2 296)**	(4 592)
Repayment of borrowings		**(5 381)**	(13 381)	**(5 381)**	(13 381)
Total Payments		**(7 677)**	(17 973)	**(7 677)**	(17 973)
Net Cash used in Financing Activities		**(7 677)**	(17 973)	**(7 677)**	(17 973)
NET DECREASE IN CASH		**(381)**	(4 008)	**(69)**	(3 774)
CASH AT 1 JULY		**11 786**	15 794	**11 474**	15 248
CASH AT 30 JUNE	15	**11 405**	11 786	**11 405**	11 474

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Economic Structure

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. As a result, the TransAdelaide Board have endorsed the preparation of one set of financial statements and statutory accounts for the financial year ended 30 June 2004 for the Economic Entity. On 18 December 2003 the regulation establishing Austrics was dissolved and all liabilities and assets were transferred to TransAdelaide. TransAdelaide also has a 50 percent interest in TransitPlus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

1.1 Economic Dependency and Going Concern

The Economic Entity is dependent on contract payments from the Office of Public Transport relating to the provision of train and tram services in the Adelaide metropolitan area.

2. Statement of Significant Accounting Policies

2.1 General

The financial statements are a General Purpose Financial Report which has been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory reporting requirements (Urgent Issues Group Consensus Views), the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. In the case of a conflict between the abovementioned standards and policies, the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions take precedent.

The Financial Report has been prepared in accordance with the historical cost convention, with the exception of non-current assets. Non-current assets are primarily valued applying the fair value method of valuation, as per the Department of Treasury and Finance Accounting Policy Statement No. 3 and Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'. Where the non-current assets have not been revalued, historical cost has been used.

These accounting policies have been consistently applied by each Entity in the Economic Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

2.2 Principles of Consolidation

The consolidated financial statements of the Economic Entity include the financial statements of the Parent Entity, being TransAdelaide and its controlled entity, AUSTRICS up until its dissolution on 18 December 2003. All inter-entity balances and transactions have been eliminated as at the reporting date in line with Australian Accounting Standard AASB 1024, 'Consolidated Accounts'.

Joint Ventures

In TransAdelaide's financial statements the investment in the joint venture entity is carried at the lower of cost and recoverable amount. The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date joint control commenced.

The Economic Entity's investment in the joint venture entity is based upon the equity method of accounting for investment in associates as per Australian Accounting Standard AASB 1016, 'Accounting for Investments in Associates'.

2.3 Recognition of Revenue

Sales of services represent:

- Contract Income earned from the provision of passenger transport services provided on behalf of the Office of Public Transport.
- Other revenue earned from the provision of products, advertising and property to entities outside the Economic Entity.

All revenue is recognised when the service is provided.

2.4 Taxation Equivalents

The Economic Entity is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Economic Entity has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding of NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

The Economic Entity adopts the liability method of tax-effect accounting for income tax equivalents whereby the income tax expense is based on the net profit/(loss) from operating activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

2.4 Taxation Equivalents (continued)

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the assumption that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by relevant legislation.

Land tax and council rate equivalents have been calculated by the Department of Treasury and Finance, based on valuations supplied by the Valuer General.

2.5 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the 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 a current asset or liability in the Statement of Financial Position.

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

2.6 Financial Instruments Included in Liabilities

All financial instruments included within the liabilities category are recognised when they are incurred.

2.7 Financial Instruments Included in Assets

Receivables are initially recorded at the current value of the sales proceeds.

Provision for doubtful debts is recognised to the extent the recovery of outstanding amounts is less than likely. The provision is based on a review of all outstanding amounts at balance date.

Dividend revenue is recognised when dividends are declared.

2.8 Non-Current Assets

(a) Basis of Valuation

Rollingstock, property, rail and tram infrastructure and plant and equipment are included at fair value. Valuations are provided by either an independent valuer, by the Valuer-General or at a Directors' valuation in accordance with applicable Accounting Policy Statements over a threshold of $1 million based on fair value at the time of acquisition. Assets below the threshold are deemed to be revalued to their fair values immediately following recognition at acquisition cost, as required by the South Australian State Treasurer's Accounting Policy Statement 3.

The cost of property, plant and equipment constructed by the Economic Entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

(b) Revaluations

Under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', each class of non-current assets are required to be measured on either the cost of fair value basis. A Directors valuation was conducted at 30 June 2004 for a previously stored railcar returned to service during the year and timber railway sleepers to reflect their fair value.

(c) Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the Profit (Loss) from Ordinary Activities in the year of disposal.

Where a revalued asset is disposed of, the balance of the Asset Revaluation Reserve which relates to that asset has been transferred from the Asset Revaluation Reserve to Retained Profits.

(d) Depreciation and Amortisation

Rollingstock, property, plant and equipment, buildings and assets under finance lease are depreciated/amortised over their estimated useful lives using the straight-line method.

Assets are depreciated or amortised from the date of acquisition.

An adjustment was made during 2003-04 for timber railway sleeper asset lives to bring all assets of this type to a maximum useful life of 20 years. A director's valuation was subsequently conducted to revise the accumulated depreciation in line with the changed life.

(d) Depreciation and Amortisation (continued)

Estimated useful lives applicable to each class of asset is detailed below:

	Useful Life Range (Years)
Rollingstock:	
Railcars	20 -42
Tramcars	10 -80
Buildings	10 - 100
Permanent way	20 - 240
Machinery, plant and equipment	3 - 100

(e) Leases

Leases of plant and equipment, under which TransAdelaide or its controlled entity assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

(i) Finance Leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised leased assets are amortised on a straight-line basis over the term of the lease and are regularly revalued to reflect their fair value. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. (Refer Note 17).

(ii) Operating Leases

Minimum lease payments for assets subject to operating lease agreements where the risk and rewards incidental to ownership rest with the lessor, are treated as an expense in the Statement of Financial Performance. (Refer Note 18).

2.9 Inventories

Stores inventories are valued on a weighted average cost basis. As they are only held for use in providing services, net realisable value, as specified in Australian Accounting Standard AASB 1019, 'Inventories' is not applicable.

2.10 Work in Progress

Work in progress is valued at cost plus on-charges.

2.11 Receivables

Trade Debtors to be settled in 30 days are carried at amounts due. The collectability is assessed at balance date and specific provision is made for any doubtful amounts.

2.12 Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

2.13 Rounding Off

Amounts included in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

2.14 Employee Benefits

(a) Annual Leave

Liabilities arising in relation to Annual Leave are accrued on the basis of statutory or contractual obligations. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement 9, 'Employee Benefits'.

(b) Long Service Leave

Entitlements to Long Service Leave are based on legislation applicable to Government employees. Provision has been made for those employees who have completed seven or more years service with Government. In addition, provision for employees with less than seven years service at 30 June 2004 has been made. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement 9 'Employee Benefits'.

(c) Retiring and Death Gratuity

Provision is made for the Retiring and Death Gratuity payable under a scheme, which applies to daily paid employees of the former Municipal Tramways Trust. The amount provided covers benefits accrued to all members of the scheme.

(d) Workers Compensation

A provision has been established relating to claims under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971*. The value of TransAdelaide's outstanding claims liability is valued by an independent actuary.

(e) *Superannuation*
During 2003-04 the Economic Entity paid amounts to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

There is no liability for payments to beneficiaries as they have been assumed by the superannuation funds.

(f) *Sick Leave*
No provision has been made for sick leave as entitlements are non-vesting and it is considered leave is taken from the current year's accrual.

2.15 Insurance
TransAdelaide is self-insured for the following risks:

- Workers compensation claims;
- Public liability claims relating to all self owned assets, except for claims covered by Motor Accident Commission insurance;
- Property claims for all self owned assets.

The above self-insurance (excluding workers compensation) is for amounts up to $1 million for the total of each incident. Insurance cover for amounts above $1 million is arranged through the South Australian Government Captive Insurance Corporation (SAICORP). In addition, insurance cover has been arranged with AON Insurance Services in relation to the Adelaide Railway Station building and also the Heath Lambert Group through the ASER Services Corporation for the area above the Adelaide Railway Station Platforms.

2.16 Comparative Figures
TransAdelaide's subsidiary, Austrics, previously recognised within the Economic Entity only was dissolved on 18 December 2003 as per Notes 1 and 3(a) as invoked by the Public Corporations (Austrics) (Dissolution and Revocation) (No 2) Regulations 2003. From 19 December 2003, Austrics was recognised as a division of the Parent Entity.

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

Managing the Process
In accordance with Treasurer's Instruction 19 *Financial Reporting,* TransAdelaide's General Manager is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). TransAdelaide is analysing the relevant exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. TransAdelaide is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

TransAdelaide will allocate internal resources to this process, engage external advisors where necessary and receive expert advice and direction from the Financial Management Team of the Department of Treasury and Finance.

Given that TransAdelaide is in the initial stages of the planning process, the extent of change can not be reliably determined as at balance date.

3. Investment in Related Entities

	Ownership Interest		Investment	
	2004	2003	**2004**	2003
Controlled Entities:	**Percent**	Percent	**$'000**	$'000
AUSTRICS - Refer Note 3(a)	**-**	100	**-**	250
Joint Venture:				
Transitplus Pty Ltd	**50**	50	**200**	200
Loans to Related Entities:				
AUSTRICS			**-**	840
Investment in Related Entities			**200**	1 290

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
Principal Activities:	**$'000**	$'000	**$'000**	$'000
AUSTRICS - Software marketing and development				
Transitplus Pty Ltd - Provision of bus services				
Investment in Transitplus Pty Ltd:				
Carrying amount at 1 July	**200**	204	**200**	200
Share of net profit less dividends received	**-**	(4)	**-**	-
Carrying Amount at 30 June	**200**	200	**200**	200

3. Investment in Related Entities (continued)

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
Investment in AUSTRICS:	**$'000**	$'000	**$'000**	$'000
Carrying amount at 1 July	**-**	-	**250**	3 079
Valuation increment (decrement)[1]	**-**	-	**-**	(2 829)
Less write-off of investment as a result of restructure Refer Note 3(a)	**-**	-	**(250)**	-
Carrying Amount at 30 June	**-**	-	**-**	250

(1) A Director's valuation of AUSTRICS was undertaken in 2002-03 which resulted in a revaluation decrement of $2.829 million.

(a) Net Expenses from Restructuring

TransAdelaide had a subsidiary corporation - Austrics, which was incorporated pursuant to the *Public Corporations Act 1993* to 18 December 2003. Austrics was a software development company involved in the provision of computerised scheduling software, marketed both domestically and internationally. Austrics's main function was to develop, market, promote and sell transport related software products.

On 18 December 2003, it was published in The South Australian Government Gazette that Austrics was dissolved as a subsidiary of TransAdelaide as invoked by the Public Corporations (Austrics) (Dissolution and Revocation) (No. 2) Regulations 2003 with immediate effect.

All of the assets and liabilities of Austrics were transferred to TransAdelaide and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Accounting Policy Statements and Urgent Issues Group Extract 38 Contributions by Owners to Wholly Owned Public Sector Entities.

During the reporting period assets and liabilities amounting to $706 000 and $1.690 million respectively were transferred to TransAdelaide. The $1.690 million liability value transferred includes the inter-entity loan of $840 000 and the inter-entity payables of $27 000.

In respect of the activities taken up, the following assets and liabilities were transferred to TransAdelaide:

	2004	2003
Assets:	**$'000**	$'000
Current Assets	**592**	-
Non-Current Assets	**114**	-
Total Assets	**706**	-
Liabilities:		
Current Liabilities	**1 026**	-
Non-Current Liabilities	**664**	-
Total Liabilities	**1 690**	-
NET ASSETS/(LIABILITIES)	**(984)**	-

The transfer was deemed effective on 18 December 2003. The amounts included within the Statement of Financial Performance, Statement of Cash Flows, and associated notes for the Parent Entity include the operation of Austrics as a profit centre for the period 19 December 2003 to 30 June 2004 inclusive. The Statement of Financial Position and associated notes for the Parent and Economic Entities reflect the position as at 30 June 2004 with the net assets and liabilities of Austrics having been transferred at 18 December 2003 to TransAdelaide.

The Economic Entity's Statement of Financial Performance, Statement of Cash Flows and associated notes include the operations of Austrics as a subsidiary to 18 December 2003 (date of dissolution).

The net expenses relating to the restructuring of Austrics recognised in TransAdelaide's Statement of Financial Performance and associated notes are as follows:

	2004	2003
	$'000	$'000
Transfer of Austrics's Net Assets/(Liabilities) at 18 December 2003	**(984)**	-
Extinguishment of Investment in Austrics	**(250)**	-
Net Expense of Restructure	**(1 234)**	-

Revenue and Expense of Restructured Function (Austrics)	**Transfer Entity (1 July 2003 - 18 Dec 2003)**	**Transferee Entity (19 Dec 2003 - 30 June 2004)**	**Total**
Revenues	1 176	809	**1 985**
Expenses	1 428	809	**2 237**
Result	(252)	-	**(252)**

4. Revenue from Ordinary Activities

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
From Operating Activities:	**$'000**	$'000	**$'000**	$'000
Sale of services	**90 947**	90 292	**90 010**	88 060
Government funding	**3 732**	6 858	**3 732**	6 858
Investment revenue	**845**	935	**862**	960
Other revenue	**91**	170	**-**	-
From outside Operating Activities:				
Sale of services	**2 532**	611	**2 532**	611
Property rental	**4 382**	4 073	**4 382**	4 073
Recoveries for separation packages and incentive payments	**2 513**	301	**2 513**	301
Total Revenue	**105 042**	103 240	**104 031**	100 863

5. Supplies and Services Expense

Supplies and services expense for 2003-04 included $1.089 million for remediation and other costs associated with the diesel oil spillage from the Railcar Maintenance Refuelling Depot into the River Torrens in July 2003.

6. Depreciation and Amortisation Expense

Railcars	**6 535**	6 068	**6 535**	6 068
Tramcars	**821**	994	**821**	994
Permanent way	**8 539**	8 378	**8 539**	8 378
Buildings	**2 905**	2 901	**2 905**	2 901
Machinery, plant and equipment	**1 654**	1 340	**1 639**	1 299
Amortisation of railcars	**338**	1 186	**338**	1 186
	20 792	20 867	**20 777**	20 826

7. Loss on Sale/Disposal of Assets

Gross proceeds from asset sales	**43**	202	**43**	202
Less: Written down value	**561**	1 559	**561**	794
Net Loss on Sale/Disposal	**518**	1 357	**518**	592

8. Movements in Employee Benefits Provisions

Long service leave	**1 054**	1 090	**1 051**	1 073
Annual leave	**2 941**	2 886	**2 901**	2 767
Block Book Off	**16**	29	**16**	29
Retiring and death gratuity	**17**	(1)	**17**	(1)
	4 028	4 004	**3 985**	3 868

9. Borrowing Costs Expense

Ordinary borrowings interest	**5 758**	6 368	**5 758**	6 368
Treasury guarantee fee	**667**	740	**667**	740
Interest on borrowings	**6 425**	7 108	**6 425**	7 108
Interest on leases	**80**	222	**80**	222
	6 505	7 330	**6 505**	7 330

10. Income Tax Benefit (Expense)

Profit (Loss) from ordinary activities before income tax expense	**1 235**	(1 225)	**(212)**	(3 009)
Prima facie tax thereon at 30 percent	**(370)**	367	**63**	903
Prior year adjustments	**861**	768	**12**	736
Tax expense arising from Austrics performance 1/7 - 17/12/03 not assessable - refer FITB provision write off	**64**	-	**-**	-
Write off of FITB - Austrics carry forward losses not able to be realised	**(465)**	-	**-**	-
Tax effect of permanent difference:				
Restructure expense (Austrics)	**-**	-	**(370)**	-
Non-deductible expenses	**-**	(1)	**-**	(1)
Grant funding	**468**	18	**468**	18
Income Tax Benefit (Expense) Relating to Ordinary Activities	**558**	1 152	**173**	1 656
Transferred to parent entity at time of restructure	**-**	-	**83**	-
Total Income Tax (Expense) Benefit	**558**	1 152	**256**	1 656
Total Income Tax Benefit (Expense) comprises movements in:				
Provision for deferred income tax	**(1 237)**	(748)	**(1 237)**	(925)
Future income tax benefit	**1 795**	1 900	**1 493**	2 581
	558	1 152	**256**	1 656

11. Reserve

	Economic Entity 2004 $'000	Economic Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Asset revaluation reserve	**369 727**	383 770	**369 727**	383 770
Movements During the Year				
Asset Revaluation Reserve:				
Balance at 1 July	**383 770**	391 506	**383 770**	391 506
Revaluation increment (decrement) on non-current assets:				
Infrastructure	**(14 909)**	-	**(14 909)**	-
Rollingstock	**796**	(7 383)	**796**	(7 383)
Transferred to retained profits amounts realised on disposal of:				
Land and buildings	**170**	(119)	**170**	(119)
Infrastructure	**(61)**	-	**(61)**	-
Rollingstock	**(39)**	(234)	**(39)**	(234)
	369 727	383 770	**369 727**	383 770

Nature and Purpose of Reserves

Asset Revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041.

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to retained profits.

12. Retained Profits

	Economic Entity 2004 $'000	Economic Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Balance at 1 July	**111 878**	116 190	**113 710**	119 302
Add: Current year profits (losses)	**1 793**	(73)	**(39)**	(1 353)
Dividends provided for or paid	**(2 296)**	(4 592)	**(2 296)**	(4 592)
Transfers from Reserves	**(70)**	353	**(70)**	353
Balance at 30 June	**111 305**	111 878	**111 305**	113 710

13. Receivables

Receivables	**4 854**	3 113	**4 854**	2 860
Less: Provision for doubtful debts	**208**	182	**208**	129
	4 646	2 931	**4 646**	2 731
Add: Prepayments	**48**	81	**48**	144
	4 694	3 012	**4 694**	2 875

14. Non-Current Assets

ROLLINGSTOCK:				
Railcars:				
At cost*	**-**	7 048	-	7 048
Less: Accumulated depreciation	**-**	1 807	-	1 807
Railcars at Cost	**-**	5 241	-	5 241
At fair value*	**7 744**	-	**7 744**	-
At Directors valuation 30 June 2004(3)	**2 882**	-	**2 882**	-
At Directors valuation 30 June 2003(1)	**17 400**	20 300	**17 400**	20 300
At independent valuation 30 June 2001(4)	**275 342**	233 383	**275 342**	233 383
Less: Accumulated depreciation	**113 609**	90 922	**113 609**	90 922
Railcars at Valuation	**189 759**	162 761	**189 759**	162 761
Leased Railcars:				
At cost*	**-**	505	**-**	505
Less: Accumulated amortisation	**-**	36	**-**	36
Leased Railcars at Cost(4)	**-**	469	**-**	469
At independent valuation 30 June 2001	**-**	42 016	**-**	42 016
Less: Accumulated amortisation	**-**	15 085	**-**	15 085
Leased Railcars at Valuation(4)	**-**	26 931	**-**	26 931
Total Railcars	**189 759**	195 402	**189 759**	195 402

14. Non-Current Assets (continued)

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
Tramcars:	**$'000**	$'000	**$'000**	$'000
Spare Parts - At cost*	**-**	55	**-**	55
Spare Parts - At fair value*	**72**	-	**72**	-
Less: Accumulated depreciation	**15**	18	**15**	18
Tramcars Spares	**57**	37	**57**	37
Tramcars - At cost*	**-**	5 009	**-**	5 009
Less: Accumulated depreciation	**-**	749	**-**	749
Tramcars at Cost	**-**	4 260	**-**	4 260
Tramcars - At fair value*	**5 096**	-	**5 096**	-
At independent valuation 30 June 2001	**52 951**	52 951	**52 951**	52 951
Less: Accumulated depreciation	**53 541**	51 968	**53 541**	51 968
Tramcars at Valuation	**4 506**	983	**4 506**	983
Total Tramcars	**4 563**	5 280	**4 563**	5 280
TOTAL ROLLINGSTOCK	**194 322**	200 682	**194 322**	200 682
PROPERTY, PLANT AND EQUIPMENT				
Land and Buildings:				
Freehold Land:				
At independent valuation 30 June 2001	**89 904**	89 944	**89 904**	89 944
Total Land	**89 904**	89 944	**89 904**	89 944
Buildings:				
At cost*	**-**	5 140	**-**	5 140
Less: Accumulated depreciation	**-**	450	**-**	450
Buildings at Cost	**-**	4 690	**-**	4 690
At fair value*	**6 829**	-	**6 829**	-
At independent valuation 30 June 2001	**71 955**	72 118	**71 955**	72 118
At Directors valuation 30 June 2001	**94 214**	94 214	**94 214**	94 214
Less: Accumulated depreciation	**101 168**	97 909	**101 168**	97 909
Buildings at Valuation	**71 830**	68 423	**71 830**	68 423
Total Buildings	**71 830**	73 113	**71 830**	73 113
Total Land and Buildings	**161 734**	163 057	**161 734**	163 057
Permanent Way:				
At cost*	**-**	21 888	**-**	21 888
Less: Accumulated depreciation	**-**	636	**-**	636
Permanent Way at Cost	**-**	21 252	**-**	21 252
At fair value*	**22 959**	-	**22 959**	-
At Directors valuation 31 May 2004(2)	**29 131**	-	**29 131**	-
At independent valuation 30 June 2001	**308 472**	338 412	**308 472**	338 412
Less: Accumulated depreciation	**154 056**	130 398	**154 056**	130 398
Permanent Way at Valuation	**206 506**	208 014	**206 506**	208 014
Total Permanent Way	**206 506**	229 266	**206 506**	229 266
Plant and Equipment:				
At cost*	**-**	18 470	**-**	18 261
Less: Accumulated depreciation	**-**	12 371	**-**	12 190
Plant and Equipment at Cost	**-**	6 099	**-**	6 071
At fair value*	**19 919**	-	**19 919**	-
Less: Accumulated depreciation	**13 882**	-	**13 882**	-
Plant and equipment at valuation	**6 037**	-	**6 037**	-
Total Plant and Equipment	**6 037**	6 099	**6 037**	6 071
TOTAL PROPERTY, PLANT AND EQUIPMENT	**374 277**	398 422	**374 277**	398 394
TOTAL ROLLINGSTOCK, PROPERTY, PLANT AND EQUIPMENT	**568 599**	599 104	568 599	599 076
WORK IN PROGRESS				
Rollingstock:				
Railcars	**480**	352	**480**	352
Tramcars	**81**	50	**81**	50
Corridor infrastructure, machinery and plant	**9 508**	3 784	**9 508**	3 784
Land and buildings	**539**	492	**539**	492
TOTAL WORKS IN PROGRESS	**10 608**	4 678	**10 608**	4 678
NET ASSETS	**579 207**	603 782	**579 207**	603 754

All major non-current assets are usually revalued every three years on an existing use, fair value basis in the financial statements at the revalued amounts. The proposed valuation for 2004 has been deferred to 2005.

14. Non-Current Assets (continued)

(1) During 2002-03 a number of stored railcar assets were deemed to be held in excess of their fair value. A Director's Valuation was conducted to reflect their fair value as at 30 June 2003. The resultant decrement of $7.383 million was debited to the Asset Revaluation Reserve (refer Note 11).

(2) A Directors Valuation was conducted for railway timber sleeper assets at 31 May 2004 in conjunction with a change to the estimated useful life to 20 years. This resulted in a decrement of $14.909 million to the asset revaluation reserve in 2003-04 and increased depreciation expense of $82 000 for June 2004.

(3) A directors valuation was conducted for a previously stored railcar rollingstock asset at 30 June 2004 due to its return to service.

(4) The railcars subject to the DB Export Leasing GBMH finance lease transferred to TransAdelaide ownership when the lease matured in October 2003.

* In accordance with South Australian State Treasurer's Accounting Policy Statement 3, TransAdelaide have made an assessment that assets recorded at cost reflect fair value and have therefore been disclosed under the Fair Value category as at 30 June 2004.

(a) Non-Current Assets

Reconciliation of Carrying Amounts	Economic Entity **2004**	Economic Entity 2003	Parent Entity **2004**	Parent Entity 2003
Railcars:	**$'000**	$'000	**$'000**	$'000
Carrying amount at beginning of year	**168 002**	169 725	**168 002**	169 725
Additions	**1 122**	217	**1 122**	217
Disposals	**(698)**	(78)	**(698)**	(78)
Transfers	**27 072**	11 589	**27 072**	11 589
Revaluation increment/decrement	**796**	(7 383)	**796**	(7 383)
Depreciation	**(6 535)**	(6 068)	**(6 535)**	(6 068)
Carrying Amount at End of Year	**189 759**	168 002	**189 759**	168 002
Leased Railcars:				
Carrying amount at beginning of year	**27 400**	40 127	**27 400**	40 127
Additions	**10**	125	**10**	125
Disposals	**-**	(77)	**-**	(77)
Transfers	**(27 072)**	(11 589)	**(27 072)**	(11 589)
Amortisation	**(338)**	(1 186)	**(338)**	(1 186)
Carrying Amount at End of Year	**-**	27 400	**-**	27 400
Tramcars:				
Carrying amount at beginning of year	**5 280**	6 222	**5 280**	6 222
Additions	**104**	52	**104**	52
Disposals	**-**	-	**-**	-
Depreciation	**(821)**	(994)	**(821)**	(994)
Carrying Amount at End of Year	**4 563**	5 280	**4 563**	5 280
Freehold Land:				
Carrying amount at beginning of year	**89 944**	90 048	**89 944**	90 048
Additions	**-**	-	**-**	-
Disposals	**(40)**	(104)	**(40)**	(104)
Carrying Amount at End of Year	**89 904**	89 944	**89 904**	89 944
Buildings:				
Carrying amount at beginning of year	**73 113**	75 059	**73 113**	75 059
Additions	**1 986**	1 011	**1 986**	1 011
Disposals	**(45)**	(56)	**(45)**	(56)
Transfers	**(319)**	-	**(319)**	-
Depreciation	**(2 905)**	(2 901)	**(2 905)**	(2 901)
Carrying Amount at End of Year	**71 830**	73 113	**71 830**	73 113
Permanent Way:				
Carrying amount at beginning of year	**229 266**	234 319	**229 266**	234 319
Additions	**1 114**	4 066	**1 114**	4 066
Disposals	**(426)**	(741)	**(426)**	(741)
Revaluation decrement	**(14 909)**	-	**(14 909)**	-
Depreciation	**(8 539)**	(8 378)	**(8 539)**	(8 378)
Carrying Amount at End of Year	**206 506**	229 266	**206 506**	229 266
Plant and Equipment:				
Carrying amount at beginning of year	**6 099**	7 449	**6 071**	6 794
Additions	**1 292**	931	**1 274**	753
Disposals	**(17)**	(941)	**(17)**	(177)
Transfers	**317**	-	**348**	-
Depreciation	**(1 654)**	(1 340)	**(1 639)**	(1 299)
Carrying Amount at End of Year	**6 037**	6 099	**6 037**	6 071

	Economic Entity		Parent Entity	
(a) Non-Current Assets (continued)	**2004**	2003	**2004**	2003
Capital Work in Progress:	**$'000**	$'000	**$'000**	$'000
Carrying amount at beginning of year	**4 678**	3 974	**4 678**	3 974
Additions	**11 194**	6 927	**11 194**	6 927
Transfers to property, plant and equipment	**(5 264)**	(6 223)	**(5 264)**	(6 223)
Carrying amount at end of year	**10 608**	4 678	**10 608**	4 678
Total Carrying Amounts	**579 207**	603 782	**579 207**	603 754

15. Reconciliation of Cash

Cash at 30 June	**11 405**	11 786	**11 405**	11 474
(a) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense				
Net profit (loss)	**1 793**	(73)	**(39)**	(1 353)
Depreciation	**20 454**	19 681	**20 439**	19 640
Amortisation	**338**	1 186	**338**	1 186
Loss on sale of assets	**518**	1 357	**518**	592
Revaluation of subsidiary	**-**	-	**-**	2 829
Net result of restructure	**-**	-	**1 234**	-
Dividend receipts	**(875)**	(839)	**(875)**	(843)
Assets received free of charge	**(220)**	-	**(220)**	-
FITB transferred from Austrics to parent entity	**-**	-	**83**	-
Movements in:				
Lease liability	**(1 882)**	218	**(1 882)**	218
Receivables	**(1 603)**	2 242	**(1 583)**	2 096
Interest liability	**12**	(55)	**12**	(55)
Payables	**(269)**	(1 241)	**(99)**	(954)
Provisions	**(312)**	(159)	**(337)**	(136)
Stores inventory	**(396)**	245	**(396)**	245
Work in progress	**-**	(24)	**-**	(24)
Future income tax benefit	**(1 795)**	(1 900)	**(1 493)**	(2 581)
Provision for deferred income tax	**1 237**	748	**1 237**	925
Net Cash provided by Operating Activities After Related Income Tax Expense	**17 000**	21 386	**16 937**	21 785

16. Interest Bearing Liabilities

Current Liability:				
Borrowings	**5 381**	5 381	**5 381**	5 381
Lease liability	**-**	1 882	**-**	1 882
	5 381	7 263	**5 381**	7 263
Non-Current Liability:				
Borrowings	**81 371**	86 752	**81 371**	86 752
Lease liability	**-**	-	**-**	-
	81 371	86 752	**81 371**	86 752
	86 752	94 015	**86 752**	94 015

17. Finance Lease Commitments

The Economic Entity's finance lease commitments at 30 June are due as follows:				
Not later than one year	**-**	1 960	**-**	1 960
Later than one year but not later than five years	**-**	-	**-**	-
Minimum lease payments	**-**	1 960	**-**	1 960
Less: Future financing charges	**-**	78	**-**	78
Lease Liability	**-**	1 882	**-**	1 882
Classified as:				
Current liability	**-**	1 882	-	1 882
Non-current liability	**-**	-	-	-
	-	1 882	-	1 882

The final payment due on the DB Export Leasing GMBH finance lease was made in October 2003 at which time railcar ownership was transferred to the parent entity.

18. Operating Lease Commitment

	Economic Entity		Parent Entity	
The Economic Entity's operating lease commitments at	**2004**	2003	**2004**	2003
30 June are due as follows:	**$'000**	$'000	**$'000**	$'000
Not later than one year	**1 115**	1 185	**1 115**	1 081
Later than one year but not later than five years	**623**	1 069	**623**	1 064
Later than five years	**-**	-	**-**	-
Minimum Lease Payments	**1 738**	2 254	**1 738**	2 145
Operating lease expenses paid	**2 298**	2 198	**2 254**	2 058

The Economic Entity leases property under operating leases expiring from one month to four years. The leases generally provide the Economic Entity with a right of renewal at which time all terms are negotiated. Contingent rental payments are based on either movements in the Consumer Price Index or operating criteria.

19. Provisions

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
Provisions at 30 June 2004 were:	**$'000**	$'000	**$'000**	$'000
Long service leave	**9 878**	9 629	**9 878**	9 482
Annual leave	**4 341**	4 604	**4 341**	4 533
Workers compensation claims	**10 093**	10 809	**10 093**	10 793
Third party accident damage	**2 884**	2 480	**2 884**	2 480
Block book off	**652**	616	**652**	616
Retiring and death gratuity	**180**	167	**180**	167
Site remediation	**55**	83	**55**	83
	28 083	28 388	**28 083**	28 154
Current Liability:				
Long service leave	**1 100**	1 424	**1 100**	1 424
Annual leave	**3 841**	4 243	**3 841**	4 172
Workers compensation claims	**1 510**	1 474	**1 510**	1 470
Third party accident damage	**863**	837	**863**	837
Block book off	**652**	616	**652**	616
Retiring and death gratuity	**54**	31	**54**	31
Site remediation	**55**	83	**55**	83
Total Provisions (Current Liability)	**8 075**	8 708	**8 075**	8 633
Non-Current Liability:				
Long service leave	**8 778**	8 205	**8 778**	8 058
Annual leave	**500**	361	**500**	361
Workers compensation claims	**8 583**	9 335	**8 583**	9 323
Third party accident damage	**2 021**	1 643	**2 021**	1 643
Retiring and death gratuity	**126**	136	**126**	136
Total Provisions (Non-Current Liability)	**20 008**	19 680	**20 008**	19 521

Employee Benefit Provisions including Related On-cost Liabilities included in Payables

Current Liability:				
Long service leave	**1 224**	1 588	**1 224**	1 588
Annual leave	**4 456**	4 928	**4 456**	4 849
Block book off	**757**	716	**757**	716
Retiring and death gratuity	**57**	33	**57**	33
Total Employee Benefit Provisions (Current Liability)	**6 494**	7 265	**6 494**	7 186
Non-Current Liability:				
Long service leave	**9 769**	9 147	**9 769**	8 983
Annual leave	**580**	420	**580**	420
Retiring and death gratuity	**133**	144	**133**	144
Total Employee Benefit Provisions (Non-Current Liability)	**10 482**	9 711	**10 482**	9 547

20. Stores Inventories

Stores inventories	**3 396**	3 170	**3 396**	3 170
Less: Provision for obsolescence	**100**	270	**100**	270
	3 296	2 900	**3 296**	2 900

21. Capital Commitments

Aggregate capital expenditure commitments contracted for:				
Not later than one year	**3 513**	2 893	**3 513**	2 893
Later than one year but not later than two years	**-**	3 269	**-**	3 269
	3 513	6 162	**3 513**	6 162
Net Capital expenditure incurred	**11 223**	6 927	**11 223**	6 927

22. Remuneration of Employees

The number of employees whose remuneration falls within the following remuneration bands were:	Economic Entity **2004** **Number of Employees**	Economic Entity 2003 Number of Employees	Parent Entity **2004** **Number of Employees**	Parent Entity 2003 Number of Employees
$100 000 - $109 999	**3**	-	**3**	-
$110 000 - $119 999	**-**	1	**-**	-
$120 000 - $129 999	**-**	3	**-**	3
$130 000 - $139 999	**3**	1	**3**	1
$140 000 - $149 999	**-**	1	**-**	1
$160 000 - $169 999	**1**	-	**1**	-
$190 000 - $199 999(1)	**-**	1	**-**	-
$220 000 - $229 999	**-**	1	**-**	1
$240 000 - $249 999	**1**	-	**1**	-
	8	8	**8**	6

(1) Includes termination payment.

	Economic Entity **2004** **$'000**	Economic Entity 2003 $'000	Parent Entity **2004** **$'000**	Parent Entity 2003 $'000
Total Remuneration for employees greater than $100 000	**1 130**	1 174	**1 130**	861

23. Remuneration of Auditors

Amounts due and receivable by the Auditors for auditing the accounts of the Economic Entity for the year were $145 000 ($141 000) GST exclusive. The Auditors received no other benefits.

24. Separation Packages

Separation payments totalling $2.513 million ($0.301 million) related to the redeployment of 44 (4) employees during 2003-04. These payments were met by the Parent Entity and will be recovered from the Department of the Premier and Cabinet. Leave entitlements totalling $1.103 million ($0.109 million) were paid to those employees who received a separation payment.

25. Consultants

During the financial year, the Economic Entity engaged consultants for a total cost of $240 000 ($82 000) GST exclusive.

26. Directors' Remuneration

Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties.

	Economic Entity **2004** **$'000**	Economic Entity 2003 $'000	Parent Entity **2004** **$'000**	Parent Entity 2003 $'000
Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties	**78**	90	**78**	70

Number of Parent Entity directors whose income from the Parent Entity and Related Entity was within the following bands:	Economic Entity **2004** **Number of Directors**	Economic Entity 2003 Number of Directors	Parent Entity **2004** **Number of Directors**	Parent Entity 2003 Number of Directors
$0 - $9 999	**4**	-	**4**	-
$10 000 - $19 999	**2**	1	**2**	2
$20 000 - $29 999	**1**	3	**1**	2
	7	4	**7**	4

The names of all directors within the Economic Entity who have held office during the financial year are:

Kevin Benger
Elizabeth Kosmala
Virginia Hickey
Frances Magill
Susan Law (Resigned 21/09/03)
Rex Phillips (Term ceased December 2003)
Roger Jowett

All payments made to directors of the Economic Entity during 2003-04 were made by the parent Entity only.

27. Related Party Disclosures

(a) Director Transactions

Details of Directors' remuneration payments are set out in Note 26. The Economic Entity carried out transactions with Directors during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to members of the general public.

One Director was employed by Transport SA and formed part of that Agency's Rail Unit. He was supplied with a travel pass to assist him to carry out his duties. This Director's term ceased at the end of 2003.

(b)	*Transactions with related Parties in the Economic Entity*	**2004**	2003
	The Parent Entity entered into the following transactions during the year with related parties in the Economic Entity:	**$'000**	$'000
	Purchases of Goods and Services:		
	AUSTRICS	**29**	21
	Total Purchases of Goods and Services	**29**	21
	Sales of goods and services:		
	AUSTRICS	**20**	60
	Total Sales of Goods and Services	**20**	60

The above transactions were entered into prior to the dissolution of Austrics as a separate Public Corporation (to 18 December 2003)

28. Financial Instruments

Interest Rate Risk Exposure

The Economic Entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the Economic Entity, together with effective interest rate as at balance date.

	Cash		Receivables		Payables		Borrowings		Lease Liability (2)	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Floating interest rate (1)	**11 405**	11 786	**-**	-	**-**	-	**86 752**	92 133	**-**	-
One year or less	**-**	-	**-**	-	**-**	-	**-**	-	**-**	1 882
One to five years	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Over five years	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Non-interest bearing	**-**	-	**4 694**	3 012	**13 454**	13 633	**-**	-	**-**	-
Total	**11 405**	11 786	**4 694**	3 012	**13 454**	13 633	**86 752**	92 133	**-**	1 882
Weighted average interest rate (percent)	**6.52**	6.02	**-**	-	**-**	-	**7.25**	7.0	**-**	13.36

(1) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.
(2) The fixed rate on the lease liability represents the rate implicit in the lease agreements.

Credit Risk Exposure

Credit exposure represents the extent of credit related losses the Economic Entity may be subject to in respect of amounts to be received from financial assets. The total credit risk on financial assets is the carrying amounts net of any provision for doubtful debts.

The Economic Entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligation.

In addition, the Economic Entity does not have a significant exposure to any individual counterparty.

Receivables due from major counterparties are not normally secured by collateral, however the credit worthiness of counterparties is monitored. Therefore based on the above, no losses are expected.

The concentration of credit risk on financial assets is indicated in the following table by percentage of the total balance receivable from customers in the specified categories:

Customer/Industry Classification	**2004**	2003
	Percent	Percent
Transport Industry	**18**	9
Federal, State Government and Councils	**74**	85
Private Businesses and Individuals	**9**	6

Net Fair Value of Financial Assets and Liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or a liability settled in a current transaction between willing parties after allowing for transaction costs.

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are as per the previous table.

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

The non-current borrowings are a static amount that changes by the occurrence of specific events, for example, increased borrowings, repayment of borrowings and debt reduction through the transfer of assets to other Government Departments. As such events are not determinable, the carrying amount and the net fair value have been reported as the same.

In relation to the non-current lease liability, the net fair value is estimated by discounting the future cash flow to its present value, based on the interest rate applicable to the lease, and is equivalent to the amount as reported in the table.

29. Contingent Liabilities

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products and provision of annual support of the same. As at balance date this could not be reliably measured.

TransAdelaide currently has a legal claim against its AUSTRICS division by AMT Genoa for breach of contract which is covered by a current insurance policy with SAICORP. The excess payable on this policy is $25 000 given that the claim related to policy conditions when Austrics was a separate legal entity and such conditions prevail.

TransAdelaide has 50 3000/3100 class railcars subject to a Cross Border Lease with expiry dates ranging between 2020 and 2023. Encumbrances exist within this agreement which give rise to financial consequences in the event of loss or destruction of these leased railcar assets. The South Australian Financing Authority and Transport SA monitor the majority of foregoing obligations. To balance date, no event has occurred which would give rise to these encumbrances/consequences.

30. Events Subsequent to Balance Date

Having achieved the contract renewal key performance indicators, TransAdelaide's contract with the Office of Public Transport for the provision of train, tram and railway infrastructure services has been renewed for a further five years from April 2005 (confirmed in September 2004). This achievement provides a secure base for further improvement to the services delivered by TransAdelaide to the public of South Australia.

DEPARTMENT OF TRANSPORT AND URBAN PLANNING

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Transport and Urban Planning is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

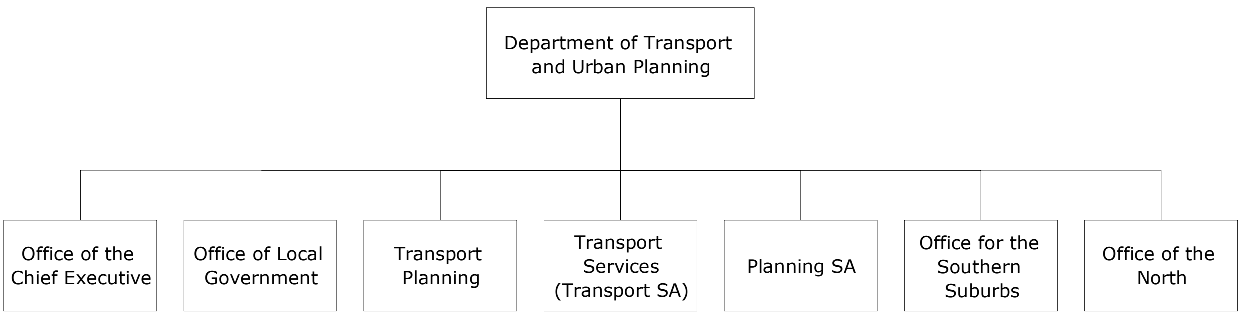
Functions

The functions of the Department of Transport and Urban Planning are to integrate urban and regional development, local government initiatives, transport infrastructure and services. The Department's objectives are to:

- plan effectively to facilitate economic growth and social well-being;
- increase the effectiveness of public transport in terms of both patronage and social inclusion;
- maximise the contribution of transport to the South Australian economy;
- increase the effective working relationship between the State Government and local government;
- encourage environmental sustainability.

Structure

The structure of the Department of Transport and Urban Planning is illustrated in the following organisation chart.



Changes to Functions and Structure

The Department of Transport and Urban Planning was restructured during the year. The changes as a result of the restructure were:

- the Office of Public Transport, which was created to replace the former Passenger Transport Board which was abolished on 31 December 2003, became a division of the Department effective from 1 January 2004;

- the Office of Local Government was transferred to the Department of Trade and Economic Development on 8 April 2004 but was subsequently transferred back to the Department effective from 30 June 2004. The financial transactions for the Office of Local Government for the period July 2003 - June 2004 have been included in the Department of Transport and Urban Planning's financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Transport and Urban Planning for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- revenue (including debtors, cash receipting and banking)
- expenditure (including e-procurement, accounts payable)
- grants and subsidies
- payroll
- fixed assets:
  - network assets
  - land, buildings and facilities
  - plant and equipment
  - work in progress
- general ledger
- project management
- contract management
- job costing
- budgetary control
- Community Road Safety Fund
- registration and licensing
- marine operations
- property services.

Additionally, during the year, Audit undertook a review of key aspects of Transport's DRIVERS system. The review focus was to identify key components of the DRIVERS application system and their respective functionality in the overall operation and control process and undertake an assessment of controls in place.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Department of Transport and Urban Planning internal controls. Specific areas in which reliance was placed on internal audit work included:

- Audit of accounts and records to support Commonwealth certificates issued under the following Acts:
  - *Australian Land Transport Development Act 1988*
  - *Interstate Road Transport Act 1985*
  - *Roads to Recovery Act 2000*

- Registration and Licensing:
  - Customer Service Centre audits

- Re-engineering of the asset capitalisation processes and review of the work in progress adjustments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Transport and Urban Planning as at 30 June 2004 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Transport and Urban Planning 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 network assets, reconciliation of subsidiary systems to the general ledger, revenue, payroll, cash at bank reconciliation and governance and risk management, as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Transport and Urban Planning have been conducted properly and in accordance with law.

Audit Communications to Management

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

Matters Raised with the Department

Network Assets

In 2002-03 Audit raised a number of issues relating to the absence of effective controls over the recognition of acquisitions, disposals, maintenance works and valuation of network assets, particularly road assets. The issues identified by Audit were the symptoms of an inadequate asset capitalisation process.

The key issues raised by Audit related to the following:

- Inadequate project costing details recorded in the Masterpiece Job Cost System resulting in incorrect capitalisations.
- Inadequate review of the Job Cost System to monitor the status of capital projects.
- The Corporate Services Division either not being appropriately informed and/or not being provided with adequate information in relation to asset capitalisations and disposals.
- Inaccurate and/or incomplete asset capitalisation processes which impact on network asset values and hence depreciation expense.
- The inability to perform an effective reconciliation between the Masterpiece Fixed Asset System and the subsidiary Asset Cap System (an inventory of the road network).

While significant work has been undertaken by the Department during 2003-04 to re-engineer existing processes and address the control issues raised by Audit, the new processes had not been fully implemented during the 2003-04 year. It is expected that the new policies and procedures will take effect from 2004-05.

Audit will monitor developments in this area during the 2004-05 audit.

For the purposes of finalising its accounts for 30 June 2004, the Department committed significant resources to reviewing the Work In Progress (WIP) accounts and identifying and adjusting all amounts incorrectly recorded in WIP. As a result, an adjustment of $22.4 million ($105.3 million in 2002-03) was processed at 30 June 2004. Refer to Note 12 of the Department's financial statements.

Reconciliation of Subsidiary Systems to the General Ledger

Audit has over the past few years commented on the need for the Department to ensure that key reconciliations of the various subsidiary systems are undertaken so as to ensure the integrity of data in the general ledger. In addition, Audit has emphasised the need for such reconciliations to be performed completely and accurately in a timely manner and be subject to an independent review.

This year's review has again identified that a number of key reconciliations were still not being undertaken and/or independently reviewed in a timely manner for a number of key financial areas, including:

- land, buildings and facilities, plant and equipment and Bus Asset Management System to the Masterpiece Fixed Asset Register and the general ledger;
- Masterpiece Job Cost System to the general ledger;
- Accounts Payable System to the general ledger;
- Accounts Receivable System to the general ledger;
- Marine Survey and Qualification System to the general ledger;
- Recreational Boating System to the general ledger;

- Payroll System to the general ledger;
- Registration and Licensing Disbursement Account to the general ledger;
- DRIVERS System to the general ledger.

In response, the Department has advised that priority will be given to ensuring that reconciliations are conducted and independently reviewed in a timely manner after each month end.

Revenue

- *Recording of Revenue*

  The audit review identified inadequate control mechanisms in place to identify whether monies received relate to an outstanding invoice recorded in the accounts receivable. The absence of this control creates the potential for revenue to be overstated and accounts receivable to be overstated.

  The Department has advised that work has progressed on resolving this issue including improving communication flows between the receiver of revenue, accounts receivable officer and the relevant business units of the Department.

- *Credit Notes*

  Audit identified a number of issues relating to credit notes including lack of policies and procedures regarding the issuance and approval of credit notes, inadequate authorisation of credit notes, inadequate supporting documentation and incorrect treatment of credit notes relating to prior year invoices.

  The Department has advised that it has taken action to address the issues raised by Audit. Policies and procedures will be determined in 2004-05.

Payroll

As part of the payroll audit, Audit reviewed a report produced by a consultant who had been engaged by the Department to review Transport's CHRIS payroll processes. The external review identified a number of issues, the most significant being the need for the Department to:

- document policies and procedures in relation to payroll processing and ensure adequate processes are in place;
- ensure data entry is subject to independent review and that this review is evidenced;
- establish processes to ensure all leave taken is accurately recorded in CHRIS;
- review system access to both the CHRIS payroll system and Deskbank. The review identified no formal processes in place for the authorisation and granting of access to either CHRIS or Deskbank. In addition, the level of access and the number of staff who had access was considered inappropriate;
- advise the payroll bureau service provider of the system errors that have been identified and ensure corrective action is taken.

Audit also identified a number of further issues including the need for the Department to:

- establish policies and procedures for the in-house developed electronic timesheet/flexi recording system;
- amend procedures to improve the efficiency and effectiveness of the independent review and authorisation of timesheets and leave reports. In addition, Audit suggested that controls need to be established which will ensure that all timesheets are received and in a timely manner;
- ensure that the reconciliation of the Payroll System to Deskbank is completed in a timely manner.

The Department has advised that it will re-evaluate its processes and formulate policies and procedures in 2004-05.

Cash at Bank Reconciliation

In my Report to Parliament last year, I raised concern over the Department's inadequate bank reconciliation processes. In view of the fact that the Department was unable to reconcile the general ledger bank balance to the Westpac bank account balance at 30 June 2003, I had no recourse but to include a qualification in relation to cash at bank in my Independent Audit Report on the Department's financial statements for the year ended 30 June 2003.

During 2003-04, the Department has applied considerable resources, including the engagement of external assistance, to resolve this issue. The Department has reconciled the cash at bank for 30 June 2003 and all subsequent months to 30 June 2004.

It is important that policies and procedures are now established that will ensure effective reconciliation procedures continue and reconciliations are undertaken and independently reviewed in a timely manner after each month end.

Other Issues Raised with the Department

Land, Buildings and Facilities

The audit review identified a number of assets recorded on the Masterpiece Fixed Asset Register as fully depreciated although the assets are still being used by the Department. Audit was advised that this was as a result of the assets being recorded as fully depreciated at the time when the Department transferred its assets to Masterpiece in 1996 (the commencement of accrual accounting).

The Department has taken the appropriate action to rectify the incorrect recording of these assets for 30 June 2004 financial reporting purposes. The correction has resulted in a prior period adjustment to depreciation expense of $2.1 million, an adjustment to accumulated depreciation of $10 million and an adjustment to the Asset Revaluation Reserve of $11.1 million.

Property Services

The Department has outsourced the management and leasing of its residential and commercial properties.

Audit identified that closer monitoring of the contractual arrangements is needed. The Department needs to better manage the performance of the contract and continue to pursue areas of the contract that are not being adequately fulfilled by the contractor.

In its response the Department advised that it has met with the contractor and resolved a number of the issues raised.

Governance and Risk Management

Scope of the Review

A review of the Governance and Risk Management practices of the Department was undertaken as part of a wider review of these practices across government agencies.

The review was directed to those areas that are currently accepted as essential elements of good governance and which provide the basis for a strong control environment with particular emphasis on:

- organisational structure and responsibilities
- policy and planning
- monitoring and reporting
- risk management policy and practices.

Audit Findings

The Department has, over the past 6 to 12 months, made significant progress towards establishing frameworks and structures needed to underpin sound governance and risk management arrangements at the Department level. Audit considers that the approach adopted by the Department to establish foundations, through the formalisation of frameworks, is appropriate and should be advantageous to the development of necessary specific controls. In addition, Audit considers that the establishment of the Audit and Governance Committee has the potential to strengthen the Department's control environment and assist executive management in its stewardship and control responsibilities.

Notwithstanding, Audit found that the governance and risk management arrangements at the Department wide level were at an early stage of transition, with a number of key elements still in development or in a period of implementation.

The key findings of the audit review were:

- There is a need to clarify the responsibilities and accountabilities of some of its key committees. The scope, roles and responsibilities had not been formally documented or approved for a number of key committees.
- There is a requirement to consolidate the ambit of policies and procedures that exist across the Department and ensure that all policies and procedures are up to date and there is no overlap or duplication.
- Key plans such as Corporate/Strategic Plans, Information Technology and Business Continuity/ Disaster Recovery Plans need to be established.
- Audit found that the extent of risk management monitoring and reporting does vary in consistency and rigour across the Department. While the Department has made notable progress in terms of risk management in the past 12 months, this is an area the Department needs to continue to progress as a matter of priority. Further, there is a need to ensure that the risk management processes are integrated with the Department's other key planning processes.
- While developments have been made to strengthen monitoring and reporting within the Department, Audit is of the view that there is a need to improve reporting to and by senior management committees.

Audit identified the need for finalisation, application and monitoring of the recently developed and proposed frameworks in order to ensure a good governance and a strong control environment going forward. Audit suggested that the Department establish an action plan which sets timeframes within which each of the outstanding areas currently being addressed will be finalised and that progress against the action plan be monitored by the Department.

Response

The findings of the review were reported to the Chief Executive on 19 August 2004. At the time of the finalisation of this Report, a response had not been received.

Audit supports the initiatives that the Department has in progress and will monitor developments of these during 2004-05.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004	2003	Percentage
	$'million	$'million	Change
OPERATING REVENUE			
Registration and licensing fees	**230**	245	(6)
Revenues from SA Government	**154**	44	250
Other revenues	**215**	179	20
Total Operating Revenue	**599**	468	28
OPERATING EXPENDITURE			
Employment expenses	**108**	89	21
Supplies and services	**211**	170	24
Bus and rail service contracts	**101**	-	-
Depreciation	**140**	145	(3)
Payments to SA Government	**6**	13	(54)
Other expenses	**63**	123	(49)
Total Operating Expenses	**629**	540	16
Net Result from Ordinary Activities	**(30)**	(72)	(58)
Net Cash Inflows from Operations	**133**	144	(8)
Net Cash Outflows from Investing	**137**	125	10

	2004 $'million	2003 $'million	Percentage Change
ASSETS			
Current assets	**208**	171	22
Non-current assets	**4 844**	5 010	(3)
Total Assets	**5 052**	5 181	(2)
LIABILITIES			
Current liabilities	**78**	62	26
Non-current liabilities	**82**	81	1
Total Liabilities	**160**	143	12
EQUITY	**4 892**	5 038	(3)

Statement of Financial Performance

The interpretation and analysis of the Statement of Financial Performance includes the activity for the:

- Office of Public Transport for the period 1 January 2004 to 30 June 2004;
- Office of Local Government for the period 1 July 2003 to 30 June 2004. (Refer Note 2).

Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled $445.3 million ($423.3 million), an increase of $22 million (5.2 percent). This increase is due mainly to the following:

Increases in Revenue

The increase in revenue is attributable to the Office of Public Transport revenues recognised for the first time. The most significant revenues relating to the Office of Public Transport are:

- 'Metroticket' sales which accounts for $28.4 of the $29 million increase in fees and charges;
- concessional income contributions received from other government agencies totalling $16.2 million

Other significant increases in revenues for the year relate to:

- An increase in TVSP recoups of $7.5 million.

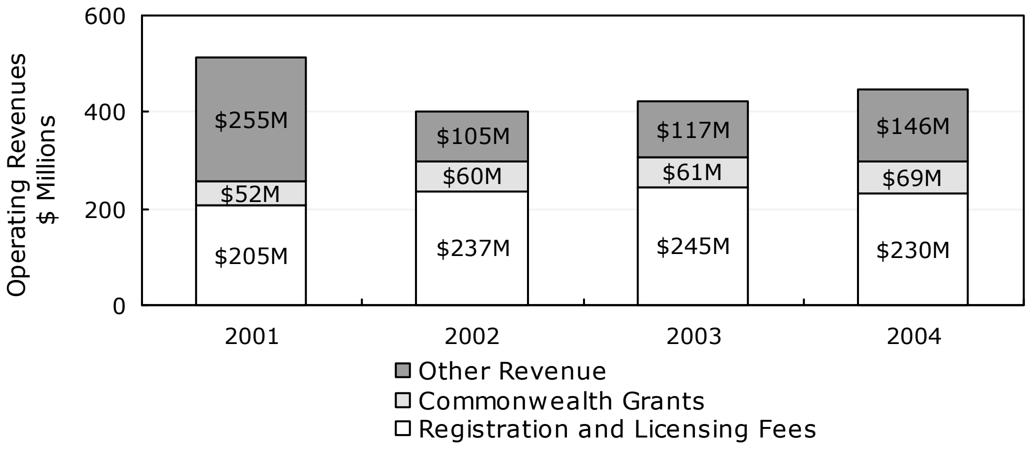
Decreases in Revenue

Registration and licensing fees decreased by $14.6 million to $230.2 million. While registration fees collected for the year increased by $9.8 million, licensing fees decreased by $24.4 million. The decrease reflects the fact that licence holders have taken up the option of 5 and 10 year licence renewals which impacts revenue earned in future years.

The Department received assets free of charge totalling $12.6 million in 2003-04, a decrease of $20.5 million compared to the previous year.

Bus and depot lease revenue has decreased by $14.5 million. This decrease reflects the elimination of bus leases on consolidation of Transport Services and the Office of Public Transport's financial transactions.

For the four years to 2004, a structural analysis of the main operating revenue items for the Department is shown in the following chart.



Registration and licensing fees for 2004 represent 52 percent (5 percent) of total revenues from ordinary activities.

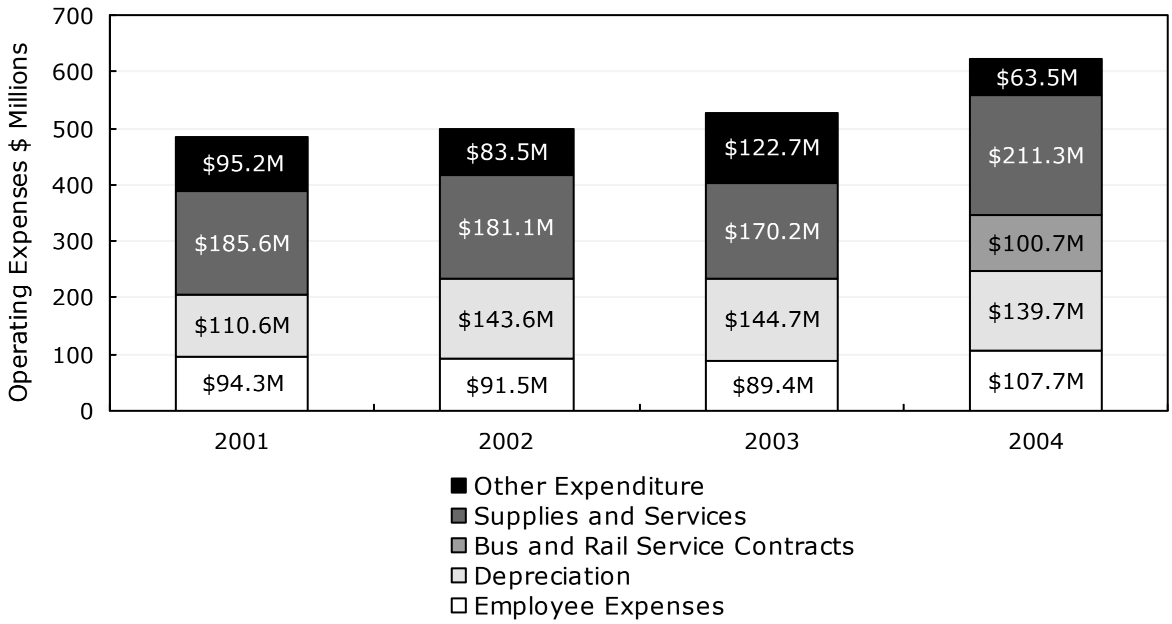
Other Revenue in 2000-01 totalled $254.5 million. This included a non-current asset revaluation increment of $149.5 million which was recorded as revenue in 2000-01.

Expenses from Ordinary Activities

Expenses from Ordinary Activities for the year totalled $623 million ($527 million). This represents an increase of $96 million (18 percent).

The increase is mainly attributable to the inclusion of the Office of Public Transport's expenses for the period 1 January 2004 to 30 June 2004 which totalled $126.3 million and includes $108.1 million payments to service contractors. Refer Note 24(b).

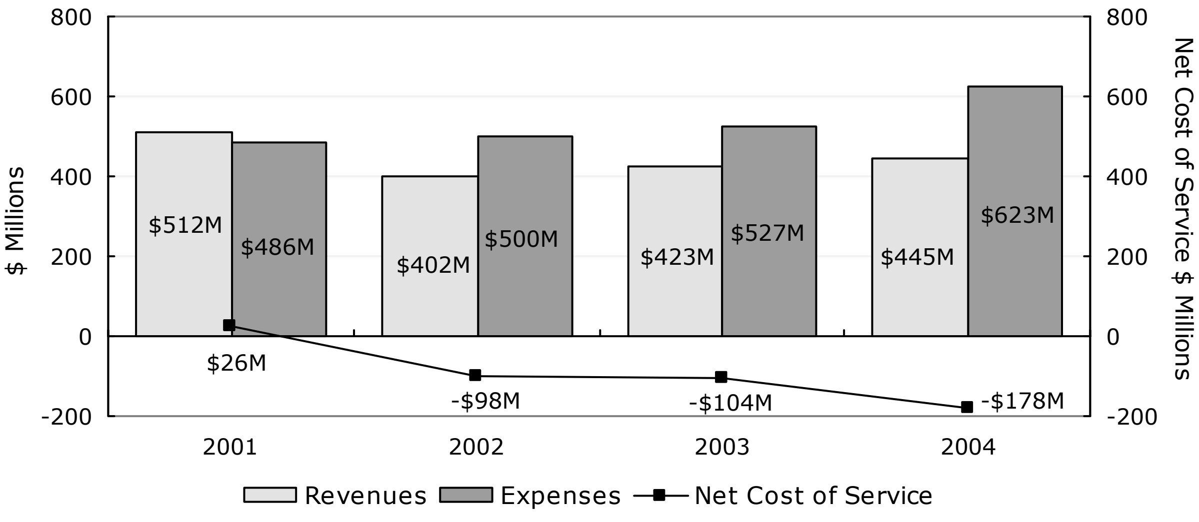
For the four years to 2004 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Net Cost of Services from Ordinary Activities

The Net Cost of Services from Ordinary Activities for the year was a deficit from ordinary activities of $177.7 million as compared to a deficit of $103.7 million the previous year.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Revenues from SA Government

Revenues from SA Government increased by $110 million to $154.4 million. The increase is mainly attributable to the following Appropriations received for the first time in 2003-04:

- $87 million for the Office of Public Transport. Refer Note 24(b).
- $38.7 million for the Community Road Safety Fund. Refer Note 46.

Net Result from Ordinary Activities

The Net Result from Ordinary Activities was a deficit of $29.8 million, an improvement of $42.6 million on the result from 2003. This improvement predominately reflects the increase in revenues received from the State Government.

Statement of Financial Position

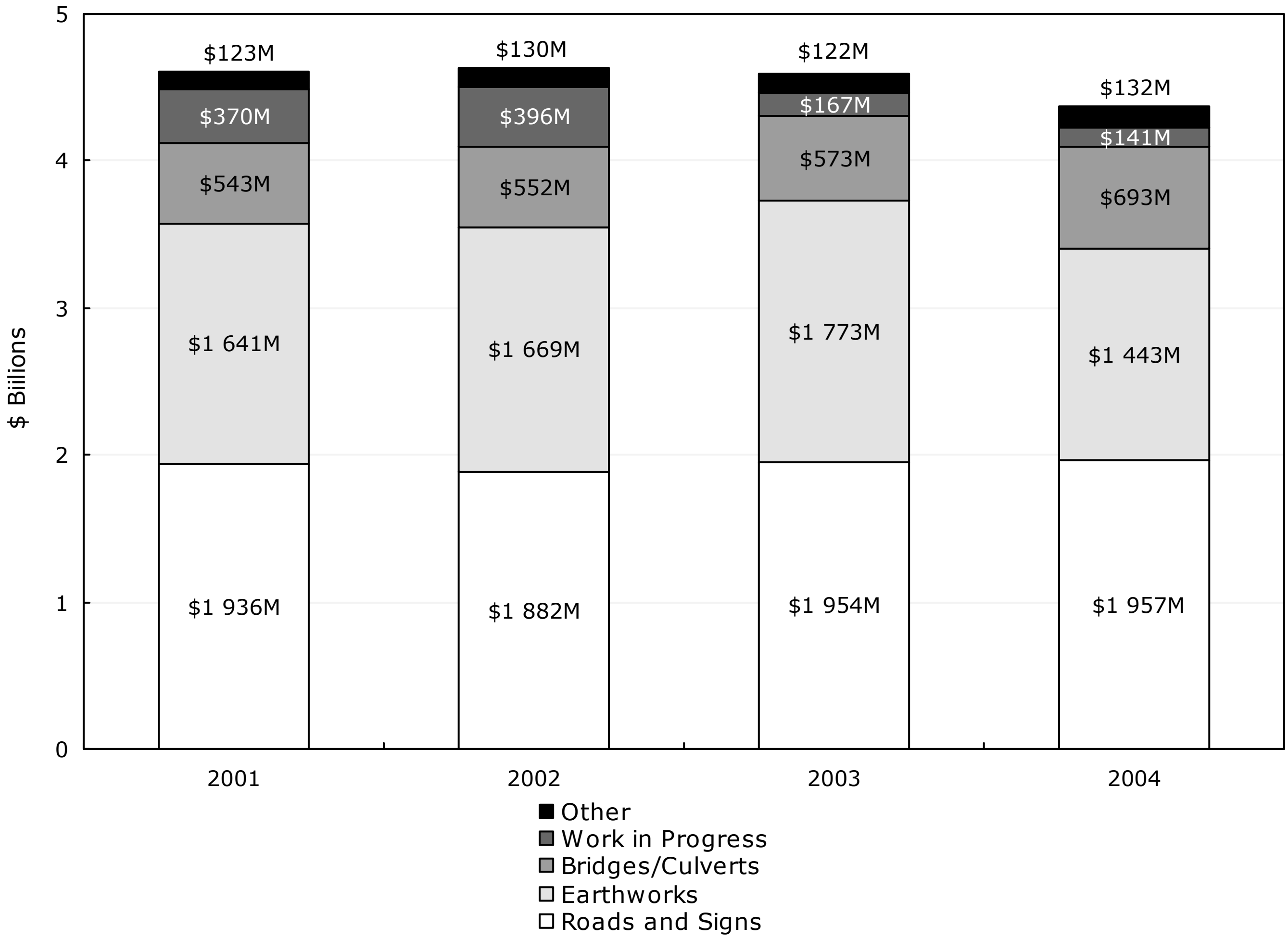
The net assets of the Department as at 30 June 2004 totalled $4.9 billion ($5 billion), of which $4.2 billion ($4.4 billion) represents the written down value of the network assets.

Network assets represent 87 percent (92 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of $2 billion (46 percent) and earthworks with a written down value of $1.4 billion (34 percent).

The Department revalued its network assets (with the exception of traffic signals and road lighting) during the year. The revaluation resulted in a revaluation decrement of $183 million. This decrement is attributable mainly to a revaluation decrement of earthworks of $340 million. Refer Note 31.

It is relevant to note that a value for land under roads has not been recognised in accordance with the transitional provisions of AAS 29A 'Amendments to the Transitional Provisions in AAS 29'.

For the four years to 2004, a structural analysis of the written down value of network asset and work in progress is shown in the following chart.



The decrease in work in progress is as a result a number of adjustments that the Department has processed to this account in the last two years in order for this account to represent an accurate reflection of the balance of work in progress at 30 June 2003 and 2004. The adjustments processed totalled $22.4 million in 2004 and $105 million in 2003. Refer Note 12.

In relation to the dominance of network assets it can be observed that the major sources of funding to maintain and develop the network come from the annual collection of registration and licence fees of $230.2 million ($244.8 million) and grants from the Commonwealth Government of $69.3 million ($61.5 million). This regular source of funding explains the low level of outstanding borrowings $49.8 million ($47.8 million) recorded in the Statement of Financial Position.

Administered Items

The Department collects money through its Registration and Licensing function on behalf of third parties. Such collections include Compulsory Third Party Insurance on motor vehicles on behalf of the Motor Accident Commission and stamp duty on behalf of the Department of Treasury and Finance. In 2003-04 amounts collected on behalf of third parties totalled $647.7 million ($596.4 million) and included $386.5 million ($350.6 million) for Compulsory Third Party Insurance, $138.6 million ($126.5 million) for stamp duty and $35.3 million ($26.3 million) for the Emergency Services.

Registration and licensing receipts represents 99 percent (99 percent) of revenues administered by the Department.

FURTHER COMMENTARY ON OPERATIONS

The Community Road Safety Fund was established in 2002-03 and became effective from 1 July 2003. The Fund receives monies from the Consolidated Account from speeding fine revenue collected by Police and the Courts Administration Authority. The money credited to the Fund is used by the Department to fund road safety related initiatives.

The Fund received $29.5 million from monies collected from speeding fines and an additional appropriation from the Department of Treasury and Finance of $9.2 million. Interest of $60 000 was also credited to the Fund during the year.

During the year the Department spent $57.9 million on road safety related initiatives, of which $38.5 million was met from the Fund and the remaining $19.4 million was funded from the Highways Fund. Refer Note 46.

The balance of the Fund at 30 June 2004 was $276 000.

Statement of Financial Performance
for the year ended 30 June 2004

	Note	2004	2003
EXPENSES FROM ORDINARY ACTIVITIES:		**$'000**	$'000
Employee expenses	6	**107 739**	89 362
Supplies and services	7	**211 330**	170 150
Bus and rail service contracts	8	**100 731**	-
Depreciation and amortisation	9	**139 647**	144 699
Grants and subsidies	10	**20 717**	6 159
Borrowing costs		**6 602**	6 918
Net expense resulting from correction of an error	11	**5 813**	-
Work in progress adjustment	12	**22 435**	105 300
Other	13	**7 938**	4 407
Total Expenses		**622 952**	526 995
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	15	**51 676**	22 626
Commonwealth revenue	16	**69 291**	61 478
Concessional income	17	**16 243**	-
Interest	18	**2 115**	1 315
Registration and licensing fees	19	**230 183**	244 820
Net gain or loss from disposal of assets	20	**2 374**	(1 823)
Bus and depot leases		**16 075**	30 616
Resources received free of charge	21	**12 570**	33 076
Commissions		**6 710**	5 836
Other	22	**38 025**	25 313
Total Revenues		**445 262**	423 257
NET COST OF SERVICES	43	**(177 690)**	(103 738)
REVENUES FROM/PAYMENT TO SA GOVERNMENT:			
Revenues from SA Government	23	**154 361**	44 346
Payments from SA Government	23	**6 507**	13 001
NET RESULT FROM ORDINARY ACTIVITIES		**(29 836)**	(72 393)
INCREASE (DECREASE) IN NET ASSETS DUE TO ADMINISTRATIVE RESTRUCTURE	24	**32 837**	(101)
NET RESULT AFTER RESTRUCTURING AND AFTER INCOME TAX		**3 001**	(72 494)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to recognise previously unidentified assets	39	**-**	4 651
Net credit to recognise prior period adjustments	39	**-**	(488)
Increase (Decrease) in the asset revaluation reserve	39	**(149 396)**	92 819
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		**(149 396)**	97 958
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(146 395)**	25 464

Statement of Financial Position
as at 30 June 2004

	Note	**2004**	2003
CURRENT ASSETS:		**$'000**	$'000
Cash assets	25	**168 219**	140 638
Receivables	26	**33 616**	23 525
Inventories	27	**5 286**	6 579
Other	28	**493**	151
Total Current Assets		**207 614**	170 893
NON-CURRENT ASSETS:			
Receivables	26	**40**	-
Land, buildings and facilities	29	**354 472**	325 642
Plant and equipment	30	**122 654**	94 166
Network assets	31	**4 225 128**	4 422 354
Capital works in progress	32	**141 456**	166 914
Intangibles	33	**820**	1 096
Total Non-Current Assets		**4 844 570**	5 010 172
Total Assets		**5 052 184**	5 181 065
CURRENT LIABILITIES:			
Payables	34	**59 256**	48 503
Interest bearing liabilities	35	**1 100**	-
Employee benefits	36(a)	**10 314**	8 124
Provisions	37	**1 112**	1 431
Other	38	**6 030**	3 806
Total Current Liabilities		**77 812**	61 864
NON-CURRENT LIABILITIES:			
Payables	34	**3 133**	2 969
Interest bearing liabilities	35	**48 728**	47 760
Employee benefits	36(a)	**27 548**	26 121
Provisions	37	**2 595**	3 824
Total Non-Current Liabilities		**82 004**	80 674
Total Liabilities		**159 816**	142 538
NET ASSETS		**4 892 368**	5 038 527
EQUITY:			
Contributed capital	39	**176 993**	159 938
Accumulated surplus	39	**3 581 362**	3 598 855
Asset revaluation reserve	39	**1 134 013**	1279 734
Total Equity		**4 892 368**	5 038 527
Commitments	41		
Contingent Liabilities	42		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	**2004 Inflows (Outflows) $'000**	2003 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
OUTFLOWS:			
Payments to Government		**(796)**	(1 970)
Employee payments		**(107 686)**	(87 929)
Supplies and services		**(206 145)**	(172 837)
Bus and rail service contracts		**(96 412)**	-
Grants and subsidies		**(20 779)**	(5 983)
Borrowing costs		**(6 589)**	(6 984)
GST payments on purchases		**(40 579)**	(25 606)
Other		**(8 404)**	(847)
Total Outflows		**(487 390)**	(302 156)
INFLOWS:			
Receipts from Government		**154 361**	44 346
Fees and charges		**51 488**	22 746
Receipts from Commonwealth		**69 291**	61 478
Concessional income received		**17 730**	-
Interest received		**2 152**	1 085
Registration and licensing frees		**230 183**	244 820
Bus and depot leases		**16 243**	33 747
Commissions		**6 710**	5 836
GST receipts on sales		**28 159**	25 464
GST input tax credits from ATO		**9 017**	-
Other		**35 184**	6 636
Total Inflows		**620 518**	446 158
Net Cash Inflows from Operating Activities	43	**133 128**	144 002
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Purchase of property, plant and equipment		**(36 679)**	(20 756)
Purchase of network assets		**(100 025)**	(104 255)
Total Outflows		**(136 704)**	(125 011)
INFLOWS:			
Proceeds from sale of property, plant and equipment		**21 624**	6 715
Total Inflows		**21 624**	6 715
Net Cash Outflows from Investing Activities		**(115 080)**	(118 296)
CASH FLOWS FROM FINANCING ACTIVITIES:			
OUTFLOWS:			
Distributions to Government		**(3 117)**	(10 555)
Repayment of borrowings		**(1 100)**	-
Total Outflows		**(4 217)**	(10 555)
INFLOWS:			
Capital contributions from Government (not operations)		**255**	39 624
Proceeds from restructuring activities		**13 495**	(287)
Total Inflows		**13 750**	39 337
Net Cash Inflows from Financing Activities		**9 533**	28 782
NET INCREASE IN CASH HELD		**27 581**	54 488
PRIOR PERIOD ADJUSTMENT		**-**	2
CASH AT 1 JULY		**140 638**	86 148
CASH AT 30 JUNE	25	**168 219**	140 638

Program Schedule of Revenues and Expenses
for the year ended 30 June 2004

	2004					
(Program - Refer Note 5)	1	2	3	4	5	6
EXPENSES FROM ORDINARY ACTIVITIES	$'000	$'000	$'000	$'000	$'000	$'000
Employee expenses	16 395	30 659	50 226	4 150	230	354
Supplies and services	9 054	21 195	171 363	7 301	176	176
Bus and rail service contracts	-	-	100 731	-	-	-
Depreciation and amortisation	146	295	138 792	69	-	-
Grants and subsidies	4 213	85	15 708	126	1	1
Borrowing costs	1	3 002	3 595	4	-	-
Net expense resulting from a correction of an error	-	776	4 956	81	-	-
Work in progress adjustment	-	-	22 435	-	-	-
Other	702	5 121	1 930	71	25	6
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	30 511	61 133	509 736	11 802	432	537
REVENUES FROM ORDINARY ACTIVITIES						
Fees and charges	570	3 229	45 686	385	-	-
Commonwealth revenue	-	-	69 291	-	-	-
Concessional income	-	-	16 243	-	-	-
Interest	123	1 643	299	14	-	-
Registration and licensing fees	6 905	29 924	188 751	4 603	-	-
Net Gain (Loss) from disposal of assets	-	-	2 374	-	-	-
Bus and depot leases	-	-	16 075	-	-	-
Resources received free of charge	-	-	12 570	-	-	-
Commissions	-	6 710	-	-	-	-
Other	437	470	35 195	927	33	-
TOTAL REVENUE FROM ORDINARY ACTIVITIES	8 035	41 976	386 484	5 929	33	-
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(22 476)	(19 157)	(123 252)	(5 873)	(399)	(537)
GOVERNMENT						
Revenues from Government	13 350	8 564	120 808	5 399	404	-
Payments to Government	-	-	6 507	-	-	-
NET RESULT FROM ORDINARY ACTIVITIES	(9 126)	(10 593)	(8 951)	(474)	5	(537)

Program Schedule of Revenues and Expenses for the year ended 30 June 2004 (continued)

	2004					
				General Not	**2004**	2003
	7	8	9	Attributable	**Total**	Total
EXPENSES FROM ORDINARY ACTIVITIES	$'000	$'000	$'000	$'000	**$'000**	$'000
Employee expenses	291	2 863	1 874	697	**107 739**	89 362
Supplies and Services	143	1 251	671	-	**211 330**	170 150
Bus and rail Service contracts	-	-	-	-	**100 731**	-
Depreciation and amortisation	-	345	-	-	**139 647**	144 699
Grants and subsidies	-	17	566	-	**20 717**	6 159
Borrowing costs	-	-	-	-	**6 602**	6 918
Net Expense resulting from a correction of an error	-	-	-	-	**5 813**	-
Work in progress adjustment	-	-	-	-	**22 435**	105 300
Other	11	72	-	-	**7 938**	4 407
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	445	4 548	3 111	697	**622 952**	526 995
REVENUES FROM ORDINARY ACTIVITIES						
Fees and charges	-	1 806	-	-	**51 676**	22 626
Commonwealth revenue	-	-	-	-	**69 291**	61 478
Concessional income	-	-	-	-	**16 243**	-
Interest	-	29	7	-	**2 115**	1 315
Registration and licensing fees	-	-	-	-	**230 183**	244 820
Net Gain (Loss) from disposal of assets	-	-	-	-	**2 374**	(1 823)
Bus and depot leases	-	-	-	-	**16 075**	30 616
Resources received free of charge	-	-	-	-	**12 570**	33 076
Commissions	-	-	-	-	**6 710**	5 836
Other	37	3	226	697	**38 025**	25 313
TOTAL REVENUE FROM ORDINARY ACTIVITIES	37	1 838	233	697	**445 262**	423 257
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(408)	(2 710)	(2 878)	-	**(177 690)**	(103 738)
GOVERNMENT						
Revenues from Government	469	2 564	2 803	-	**154 361**	44 346
Payments to Government	-	-	-	-	**6 507**	13 001
NET RESULT FROM ORDINARY ACTIVITIES	61	(146)	(75)	-	**(29 836)**	(72 393)

Programs - Refer Note 5
1. Policy Coordination, Development and Investment Strategy
2. Regulatory Services
3. Operations
4. Information Services
5. Office for the Southern Suburbs
6. Office of the North
7. Regional Ministerial Offices
8. Development Assessment
9. Local Government System

Program Schedule of Assets and Liabilities
as at 30 June 2004

	2004				
(Program - Refer Note 5)	1	2	3	4	5
ASSETS	$'000	$'000	$'000	$'000	$'000
Current assets	2 872	108	16 134	328	363
Non-current assets	316	135	4 491 871	421	956
TOTAL ASSETS	3 188	243	4 508 005	749	1 319
LIABILITIES					
Current liabilities	3 372	178	2 607	728	411
Non-current liabilities	3 288	246	49 299	849	503
TOTAL LIABILITIES	6 660	424	51 906	1 577	914
NET ASSETS	(3 472)	(181)	4 456 099	(828)	405

	2004			
	Local Government System	General Not Attributable	**Total 2004**	Total 2003
ASSETS	$'000	$'000	**$'000**	$'000
Current assets	73	187 736	**207 614**	170 893
Non-current assets	-	350 871	**4 844 570**	5 010 172
TOTAL ASSETS	73	538 607	**5 052 184**	5 181 065
LIABILITIES				
Current liabilities	296	70 220	**77 812**	61 864
Non-current liabilities	312	27 507	**82 004**	80 674
TOTAL LIABILITIES	608	97 727	**159 816**	142 538
NET ASSETS	(535)	440 880	**4 892 368**	5 038 527

Programs - Refer Note 5
1. Policy Coordination, Development and Investment Strategy
2. Regulatory Services
3. Operations
4. Information Services
5. Development Assessment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Transport and Urban Planning

The Department's objectives are:

- Develop and provide policy advice and strategic transport plans including road safety, infrastructure and industry development plans.
- Provide improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility for all to enhance the quality of life of South Australians.
- Achieve a transport system that supports State development and leads to an improved quality of life for all South Australians, by implementing government priorities and in collaboration with other tiers of government, industry groups and the community.
- Develop and manage contracted passenger train and tram services within the metropolitan area.
- Efficiently and effectively maintain and operate rail infrastructure, facilities and equipment within the metropolitan area.
- Guide and administer the South Australian planning and development system that includes land use planning, building, urban design, and development proposals.
- Facilitate a whole of government approach to improve economic development, social and environmental outcomes in the following regions identified as being of high need:
  - the Metropolitan North
  - the Southern Suburbs
  - the Upper Spencer Gulf, Flinders Ranges and Outback
  - the River Murray communities
- Strengthen South Australian communities through close cooperation between the State Government and Local Government.

The Department's principal sources of funds are vehicle registration and driver licence fees, road user charges, State Government appropriations and Commonwealth Government Grants.

2. Departmental Organisation

The structure of the Department of Transport and Urban Planning has been established in a manner that provides clear accountabilities and responsibilities for all business areas and enables an open and steady flow of information between the areas. The business areas are:

- Planning SA
- Office of Local Government
- Transport Services (trading as Transport SA)
- Transport Planning
- Office of Public Transport (from 1 January 2004).
- Office for the Southern Suburbs
- Office of the North
- Regional Ministerial Offices (incorporating Office of the Murray and Office of the Upper Spencer Gulf, Flinders Ranges and Outback).

In the 2002-03 financial year, the Department of Transport and Urban Planning was restructured. The restructure included the introduction of two metropolitan offices (the Office of the North and the Office of the Southern Suburbs) and two regional offices. The two regional offices were transferred from the Attorney-General's Department from 1 January 2003, with financial obligations transferring from 1 July 2003, however no assets or liabilities of any value were transferred. The restructure also resulted in the division of Transport SA into two agencies, Transport Services Agency (trading as Transport SA) and Transport Planning Agency from 1 January 2003.

Restructures also occurred during the 2003-04 financial year. On 1 January 2004, the Passenger Transport Board was abolished and the Agency became the Office for Public Transport. The Office has been incorporated in the Department's consolidated accounts from that date. The Office of Local Government (OLG) transfer to the Department for Trade and Economic Development effective from 1 May 2004, only to be transferred back to this Department from 30 June 2004. For financial reporting purposes, and materiality, OLG's full year financials will be included in the Department's financial statements and notes to the accounts.

The Executive Directors of the agencies within the Department report to the Chief Executive, Department of Transport and Urban Planning.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

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

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

3.1 Basis of Accounting (continued)

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

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

3.2 Reporting Entity

The Department of Transport and Urban Planning produces both Departmental and Administered financial statements. The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. The Administered financial statements includes the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

3.3 Transferred Function

The Government Gazette (dated 18 December 2004) reported that the Passenger Transport Board was abolished to become the Office of Public Transport effective from 1 January 2004. The Office is now consolidated in the financial statements presented herein. The Statement of Financial Performance, Statement of Cash Flows and corresponding Notes to the Accounts include six months of the Office's operations.

The Government Gazette (dated 1 April 2004) reported that the Office of Local Government was transferred from the Department of Transport and Urban Planning (the Department) to the Department of Trade and Economic Development effective from 1 May 2004. The Government Gazette (dated 24 June 2004) reported that the Office of Local Government was transferred back to the Department effective from 30 June 2004. For financial reporting purposes, and materiality, OLG's full year financials have been included in the Department's financial statements and notes to the accounts.

Refer to Note 24.

3.4 Transitional Reporting Arrangements

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', certain assets acquired prior to 1 July 1996 have not been recognised as assets in the Statement of Financial Position because of inherent difficultly in the reliable measurement of these assets. The assets concerned are land under roads and within carriageway reserves.

3.5 Comparative Figures

In 2003-04 the Department of Treasury and Finance issued the first model financial report for South Australian Government Departments to ensure a consistent and uniform presentation for financial reporting in the SA Public Sector. These model accounts, although not mandated through the issue of a Treasurer's Instruction, indicate the preferred form and content of financial statements for Departments.

The Department of Transport and Urban Planning has adopted the model financial report from the 2003-04 financial year. Therefore, comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

In addition, 2002-03 comparative data for the Office of Public Transport is not included in the financial statements, as the Office came into existence from 1 January 2004.

3.6 Rounding

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

3.7 Service Provider Unit Operations

Service Provider units are individual work units within the Transport Services Agency of the Department operating on a fee for service basis. Service Provider units predominantly have as their clients other units of the agency and may also undertake some work for external parties. Some Service Provider units charge actual costs directly to projects, while others retain actual costs within a working account prior to on-charging those costs. The recurrent or capital nature of the cost is therefore not readily apparent. A reliable means of allocating costs between investing and operating has been established based on the history of work performed or an apportionment relevant to the nature of the units' operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Statement of Financial Performance. Revenue arising from intra-agency operations has been eliminated.

3.8 Taxation

In accordance with the National Competition Policy principles (Tax Equivalent Regime), it was agreed that State Government Business Enterprises in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. An equivalent payment is made to the Department of Treasury and Finance. The Business Unit within the Department subject to the taxation equivalent regime is the Passenger Transport Asset Management (PTAM) Business Unit.

3.8 Taxation (continued)

The Department is also liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

3.9 Revenue and Expenses

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

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

Registration and licence fees are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt.

Revenue from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are therefore recognised as revenues upon the delivery of goods and services to customers.

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

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants are amounts provided by Department of Transport and Urban Planning to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Revenues collected but not controlled by the Department are not recognised as Departmental revenues but instead are reported as administered revenues. Such amounts are required to be paid to the Consolidated Account or funds controlled by other Departments.

3.10 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

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

Payments include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees paid directly to the Department of Treasury and Finance consolidated account.

3.11 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department of Transport and Urban Planning 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.

3.12 Cash

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

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. It is not practical to estimate the potential effect this may have on the financial position of the entity. This policy came into effect during the course of 2003-04 and although the Department has not been required to transfer any cash balances this year, it may be required to transfer a portion of its cash balance to the Consolidated Account in future years.

Administered cash is reported separately in the Administered Financial Statements.

3.13 Receivables

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

Other debtors arise outside the normal course of providing goods and services to other agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with debtor, the Department of Transport and Urban Planning is able to charge interest at commercial rates until the whole amount of the debt is paid.

The provision for doubtful debts is calculated at different rates because each agency in the Department have very different business operations. The rates used to calculate the provision for doubtful debts are:

- Transport Services - 2%
- Transport Planning - 2%
- Office for the Sustainable Social, Environmental and Economic Development - 2%
- Office of Public Transport - 1%
- Planning SA - nil
- Office of Local Government - nil

3.14 Inventories

Inventories are stated at the lower of cost or their net realisable value. Inventory is measured at cost, with cost being allocated in accordance with the first-in, first-out method.

Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

Inventories of roadside materials and stores are valued on a weighted average historic cost basis. Departmental work in progress for clients external to the Department is valued at cost.

3.15 Non-Current Asset Acquisition and Recognition

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

Where the payment for an asset is deferred, Department of Transport and Urban Planning measures it at the present vale of the future outflow, discounted using the interest rate of a similar length borrowing.

Department of Transport and Urban Planning capitalises all non-current physical assets with a value of $2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', Transport Services has elected not to recognise land under roads and land within carriageway reserves as assets in the Statement of Financial Position as per Note 3.4 above.

3.16 Intangible Assets

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with existing Departmental policies and where the amount of expenditure is greater than or equal to $10 000, in accordance with Accounting Policy Statement 2 'Asset Recognition', paragraph 23.

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

3.17 Revaluation of Non-Current Assets

In accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-current Assets' and Accounting Policy Statement 3 'Valuation of Non-Current Assets':

- all non-current physical assets are revalued to their estimated fair value; and
- the revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful live is greater than three years.

Every three years, the Department of Transport and Urban Planning revalues its land, buildings and leasehold improvements. Information Technology and Minor Plant assets are not revalued, and therefore are valued at historic cost or written down value. If at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

3.17 Revaluation of Non-Current Assets (continued)

Revaluation increments are credited directly to the Asset Revaluation Reserve. However, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in the Statement of Financial Performance in respect of that same class of assets, it is recognised as revenue in the Statement of Financial Performance, but only to the extent of the previous expense.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for that particular class of asset and any remaining balance is expensed.

The valuation methodology of specific classes of non-current assets is as follows.

Land Under Roads

Land under roads is either held in fee simple in the name of the Commissioner of Highways or designated as Public Road.

Transport Services has elected not to include a value for land that was acquired as or transferred to Public Road before 1 July 1996 in the Statement of Financial Position in accordance with Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29.'

Land under roads that was acquired and owned in fee simple by the Commissioner of Highways between 1 July 1996 and 30 June 2004 is valued based upon the Valuer General's latest valuations.

Land under roads that was acquired in the name of the Commissioner of Highways and transferred to Public Road between 1 July 1996 and 30 June 2004 is valued at nil value or at cost (for land that was acquired as Public Road during that period.)

Land under roads acquired during 2003-04 is valued at cost.

Land

All Land held by the Department, except Land Under Roads, is valued at fair value, based on information received by the Valuer-General of South Australia. It was agreed with the Department of Treasury and Finance that the use of the Valuer-General's valuations for Land constitutes the fair value of those assets.

Former SA Ports Corporation Land and Associated Assets

On 25 June 2002, substantial portions of previous Ports Corporation land assets, navigation aids and various dredged channels were transferred to the Minister for Transport. These assets will be progressively defined and titled, at which time they will be included in the Departments' asset register. To date, all navigation aids have been included in the Department's asset register.

Most of these assets are leased to Flinders Ports under an arrangement whereby no lease rental is payable in consideration of the payment made by Flinders Ports to buy the improvements and operate the seven principal commercial ports.

Former AN Rail Land and Associated Assets

These assets are progressively being defined, valued and recorded in the Department's asset register as the assets are vested in or transferred to the Minister for Transport.

Network Assets

Network assets are valued at written down replacement cost (current replacement cost less accumulated depreciation) and are revalued every three years either by independent valuers, or by suitably qualified officers of Transport Services. As these assets are built and there is no market for these assets, written down replacement costs is considered to be equivalent to fair value. The reasonableness of this valuation approach for roads and earthworks was agreed upon by an independent engineering consultant (L B Dowling & Associates) in 2001-02.

During 2003-04, the Department has amended its methodology for valuing the road networks by recognising the salvage value for the first time ($276 million). The changes were made to better reflect the residual value at the end of their useful lives. The initial recognition of salvage value resulted in a reduction in accumulated depreciation of $1.2 million. This change will also impact on future depreciation expenses, in accordance with the treatment prescribed in Australian Accounting Standard AASB 1021 ' Depreciation'.

Property, Plant and Equipment

Property, Plant and equipment, with exception of the bus fleet and ferries, are valued at historic cost. The bus fleet and ferries are valued at fair value.

Works in Progress

All works in progress is valued at cost.

Works in Progress (continued)

The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

Asset Class	**Last Valued/ Revalued**	**By Whom**
Network		
Roads pavements, including small sings, drainage, pavement marking and median kerbing	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Earthworks	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Bridges/Culverts	30 June 2004	Peter Wilson CPEng (Civil)
Major signs	30 June 2004	Peter Wilson CPEng (Civil)
Traffic Signals	30 June 2002	Brendan McIntosh BEng (Electrical)
Road lighting	30 June 2002	Rick Burt (Cert in electrical Eng)
Busway track and structures	30 June 2004	Peter Wilson CPEng (Civil)
Busway interchanges	30 June 2004	Currie and Brown
Other		
Ferry landings	30 June 2004	Peter Wilson CPEng (Civil)
Navigational aids	30 June 2004	Alex Colligan
Drainage	30 June 2003	Bill Lipp B Tech Civil Eng, Grad Dip Maths
Weighbridges and weigh slabs	30 June 2004	Modern Weighbridge and Scale Service Pty Ltd and various agency officers
Land		
Land under roads (post 1996)	1 July 2002	Valuer-General
Buildings and Facilities		
Agency	30 June 2004	Liquid Pacific Holdings Pty Ltd
Road (Residential)	1 July 2002	Valuer-General
Road (Commercial)	30 June 2003	Adderley & Partners
Marine	30 June 2001	Liquid Pacific Holdings Pty Ltd
Rail	In progress	Various
Bus depots	30 June 2003	Valuation Chambers
Plant and Equipment		
Buses	30 June 2004	Australian Valuation Office
Bus depot plant and equipment	30 June 2003	Evans & Clarke
Information technology	Not applicable	
Minor plant	Not applicable	
Ferries	30 June 2004	Gary Harvey, B Eng (Mechanical Eng)
Towing vessel	30 June 2003	K. Tech Marine

3.18 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, with the exception of land, earthworks and works in progress. Land, earthworks and work in progress are not depreciated.

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 Department of Transport and Urban Planning 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:

Asset Class	**Depreciation Method**	**Estimated Useful Life**
Network Assets		
Roads and signs	Straight line	40-58 years depending on road category
Bridges/Culverts	Straight line	60-100 years based on individual structures
Major signs	Straight line	37-60 years
Traffic signals and road lighting	Straight line	15 years
Busway (including interchanges)	Straight line	4-100 years based on individual structures
Other	Straight line	Useful life depends on individual asset items
Buildings and Facilities		
Bus depots	Straight line	40 years
Other	Straight line	1-100 years, depending on individual asset items

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

Asset Class	Depreciation Method	Estimated Useful Life
Plant and Equipment		
Information technology equipment	Straight line	3 years
Buses	Diminishing value	20 years
Bus depot plant and equipment	Straight line	1-25 years, depending on individual asset items
Other plant and equipment	Straight line	5-99 years, depending on individual asset items
Intangible Assets		
Software	Straight line	5 years

3.19 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department of Transport and Urban Planning receives an invoice.

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

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

3.20 Employee Benefits

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

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2004 and is measured at the nominal amount.

The provision for long service leave has been calculated at nominal amounts based on current wages and salaries rates using the Department of Treasury and Finance benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Payables in the Statement of Financial Position.

3.21 Provisions

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

3.22 Leases

Department of Transport and Urban Planning has entered into finance leases and operating leases.

Finance Leases

The Department of Transport and Urban Planning has entered into finance leases as lessor, in regards to the Government's Recreational Jetties Divestment Program. These finance leases effectively transfer to various local councils substantially the entire risks and benefits incidental to ownership of the leased items.

As a result of the Government's Recreational Jetties Divestment Program, 29 jetties have been leased to Councils throughout the State. The jetties were previously recognised as Transport Services assets and were valued at $19.6 million with $7.3 million accumulated depreciation, to give a written down replacement value of $12.3 million as at 30 June 2002. Under the terms of the leases, they have been assessed as being finance leases due to the passing of risks and benefits to the lessees. While Transport Services retains ownership of these assets, control has passed to councils. As peppercorn rentals of $1 per annum apply over each of the 50 or 99 year lease terms there is no material revenue income to Transport Services. These assets are no longer recorded on Transport Services' asset register.

Operating Leases
In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets. The Department has entered into a number of operating lease agreements for plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and computer and office equipment.

3.23 Transactions by the Government as Owner
Appropriations to the Department designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

4. Changes in Accounting Policies

4.1 Administered Items
In accordance with the Department of Treasury and Finance's model financial report the Department of Transport and Urban Planning has prepared separate Administered Financial Statements and Notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

4.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards
Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department of Transport and Urban Planning will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

Managing the Process
In accordance with Treasurer's Instruction 19 'Financial Reporting', Department of Transport and Urban Planning's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. The Department is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

The Department intends to assign or commit specific project resources towards the process of transition and integrating changes proposed under the new standards. The Department is also using the Model Financial Report for SA Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

Expected Differences in Accounting Policies
Changes in Accounting Policy
A major change is the treatment of accounting policy changes under AIFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Recognition and Revaluation
AASB 116 'Property, Plant and Equipment' requires that where a non-current asset is revalued on an individual basis, the entire class to which the asset belongs must also be revalued. It is anticipated that APS 2 'Valuation of Non-Current Assets', as issued by the Department of Treasury and Finance, will continue to require the application of thresholds to the revaluation of assets on a class basis (ie only those assets or groups of assets greater than $1 million and estimated useful life is greater than three years are required to be revalued).

Non-Current Assets Held for Sale
AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations' requires the presentation and disclosure of additional information on the financial effects of the disposal of non-current assets. The pending standard prescribes the value of surplus assets to be separately disclosed either on the face or in the notes to the financial statements.

Although AASB 5 requires that such assets held for sale are to be measured at the lower of carrying amount and fair value less costs to sell, the Department has assumed that the value of any surplus assets, including any disposal gains or losses, will continue to be measured in accordance with principles prescribed under other applicable pending accounting standards eg AASB 116 'Property, Plant and Equipment'. The Department notes that the approach to be applied in valuing an asset on disposal under these standards differs from that prescribed under AASB 5.

Impairment of Non-Current Assets
AASB 136 'Impairment of Assets' requires the specific recognition and disclosure of 'impairment losses' associated with assets. However, for any non-current assets revalued in accordance with the revaluation model prescribed under AASB 116 'Property, Plant and Equipment', such losses are to be treated not as 'impairments' but as revaluation decreases (see paragraph 60 of AASB 136).

Although AASB 136 requires the test of 'impairment' to be applied annually to assets, including those that have been valued using a fair value approach, the Department believes that its asset base is currently revalued at a frequency sufficient to ensure that changes in values will not vary materially from one reporting period to the next. The Department therefore anticipates the risk of 'impairment losses' as at each reporting date under AASB 136 to be minimal.

Land Remediation or Restoration
Environmental costs associated with some assets acquired and/or held by the Department have included the remediation of contaminated soil. Existing accounting standards provide no specific guidance on the manner in which these costs should be treated, except that the remediation of land itself would not normally qualify as an asset under SAC4 if the land is being returned to its original state. The Department therefore expenses all costs for soil remediation in the period in which they are incurred.

On the other hand, AASB 116 'Property Plant and Equipment' requires the costs of site dismantlement, removal and restoration to be included in the value of an asset when acquired to the extent that an obligation or provision of those costs has been recognised under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. This may require the Department to recognise assets or liabilities for amounts relating to land remediation in future. It is anticipated that an Accounting Policy Statement will be issued by the Department of Treasury and Finance providing more specific guidance on the actual treatment of soil (land) remediation under the new standards.

Land under Roads
Consistent with the requirements proposed under ED 125 'Financial Reporting by Local Governments', the Department anticipates that the revised AAS 29 'Reporting by Government Departments' will allow reporting entities to elect not to recognise land under roads. However, the new standard, when released, is also expected to require reporting entities to adopt and apply a policy on recognition of land under roads that is consistent with that to be applied at the time of transition to the new standard.

The Department's current policy is to recognise land under roads acquired on or after 30 June 1996. Under the new standard, and from the 1st July 2007, the Department will be expected to recognise all land under roads that it can reliably measure, irrespective of the date of acquisition for that land.

Intangible Assets
Intangible assets, such as software, have been recognised where they can be reliably measured in accordance with existing Departmental policies. In accordance with pending standard AASB 138 'Intangible Asset', the Department proposes to review its policy on the recognition of intangible assets. Subject to meeting the recognition criteria of 'intangibles' under AASB 138, the Department proposed to capitalise and amortise the costs of acquiring or internally developing major software applications.

Inventories
AASB 102 'Inventories' provides additional guidance on the recognition and measurement of inventories for not-for-profit entities. The definition of inventories under the pending standard includes 'inventories held for distribution' in recognition that many not-for-profit entities may hold items for purposes other than those traditionally referred to under the existing standard (ie items held for sale). AASB 102 also requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost or replacement cost.

The Department proposes to review its policy on inventory recognition and measurement but does not expect that application of the new standard will alter the manner in which it currently values or assigns costs to inventories for roadside materials, stores and supplies that are charged to capital or recurrent works.

Government Grants
Grants from the Australian Commonwealth Government for the funding of road construction or maintenance are recognised by the Department as revenue at the time of receipt. However, the Department anticipates that the revised AAS 29 'Financial Reporting by Government Departments' will propose principles for the accounting treatment of grants similar to those specified under ED 125 'Financial Reporting' by Local Government. This treatment is different to the current treatment for the recognition of grant revenue.

Under the revised AAS 29, the Department will be expected to recognise grant revenue only when control for goods have passed or services to be provided under these transfer arrangements have been fulfilled. Correspondingly, the Department may be required to recognise at reporting date, assets (receivables) or liabilities (revenue received in advance) where payments for the delivery of specific outputs or activities are to be made by the grantor in arrears or in advance.

Borrowing Costs
Currently the Department expenses all borrowing costs. The pending standard AASB 123 'Borrowing Costs' requires these costs to be capitalised where the borrowings are attributable to the acquisition, construction or production of qualifying assets. It is anticipated that an Accounting Policy Statement will require all borrowing costs to be expensed to assist with the convergence between Government Finance Statistics (GFS) and GAAP.

Tax Equivalents
AAS 112 'Income Taxes' proposes a comprehensive method/balance sheet approach to account for income tax and includes within the scope of 'income taxes', income tax equivalents that some government business undertakings and other public sector entities may be subject to under an enabling legislation or other authority. It is anticipated that a Treasurer's Instruction or an Accounting Policy Statement will continue to mandate the profit and loss approach for government Tax Equivalent Regimes. Therefore it is not anticipated that AAS 112 will change the general treatment of tax equivalents or any income tax accounting policy for this Department.

5. Programs of the Department

In achieving its objectives, the Department provides a range of services classified into the following programs:

Program 1 Policy Coordination, Development and Investment Strategy
Development and provision of policy advice, strategic transport and road safety plans for and on behalf of the Government. Provision of an effective policy framework, advice and strategic planning services surrounding legislation committed to the Minister.

Program 2 Regulatory Services
Provision of registration, licensing, compliance and other regulatory services under legislations committed to the Minister.

Program 3 Operations
The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities including public transport services and assets.

Program 4 Information Services
Provision of transport (incorporating safety) information, advertising (including timetables), promotional, educational and behavioural change material. Provision of planning, socio-economic and environmental information.

Program 5 Office for the Southern Suburbs
To facilitate a whole of Government approach to the Southern Suburbs and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 6 Office of the North
To facilitate a whole of Government approach to the North and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 7 Regional Ministerial Offices
The two Regional Ministerial Offices, being the Office of the Upper Spencer Gulf, Flinders Ranges and Outback in Port Augusta and the Office of the Murray in Murray Bridge, aim to facilitate a whole of Government approach to the regions they serve, and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 8 Development Assessment
Processing of development assessments to provide consistency, certainty and efficiency in the development assessment process for proponents and the community.

Program 9 Local Government System and Local Government Relations
Maintenance and development of the Local Government System and State Local Government Relations.

General/Not Attributable
Certain items of the Department are not allocated to Programs.

6. Employee Expenses

	2004	2003
	$'000	$'000
Wages and salaries	**74 367**	69 419
TVSP (refer below)	**8 141**	647
Long service leave	**2 930**	2 131
Annual leave	**7 597**	6 518
Employment on-costs(1)	**14 359**	12 026
Workers compensation and other expenses	**2 109**	2 252
Workers compensation actuarial adjustment	**(2 017)**	(3 638)
Other	**73**	7
	107 739	89 362

(1) Employment On-costs is made up of Superannuation of $9.2 million ($7.9 million) and Payroll Tax of $5.3 million ($4.1 million).

Targeted Voluntary Separation Packages (TVSPs)	**2004**	2003
	$'000	$'000
TVSPs paid to employees during the reporting period	**8 141**	647
Recovery from the Department of the Premier and Cabinet	**1 775**	471
Annual leave and long service leave accrued over the period	**2 945**	393

	2004 Number of Employees	2003 Number of Employees
Number of employees that were paid TVSPs during the reporting period	**98**	5

An amount of $6.4 million ($0.2 million) is owed to the Department as at 30 June 2004, and is included in the item Receivables. Payments are recorded under the item 'Employee Expenses'.

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$100 000 - $109 999	**12**	16
$110 000 - $119 999	**9**	9
$120 000 - $129 999	**9**	6
$130 000 - $139 999	**3**	2
$140 000 - $149 999	**1**	2
$150 000 - $159 999	**2**	-
$160 000 - $169 999	**1**	1
$170 000 - $179 999	**1**	-
$240 000 - $249 999	**1**	1
$400 000 - $409 999	**1***	-
	40	37

The table includes all employees who received remuneration of $100 000 or more during the year. The total remuneration received by the 40 employees (37 employees) was $5.1 million ($4.4 million), which included salary and related payments, superannuation benefits, motor vehicle benefits and separation payments. The total number of employees includes 5 OPT employees recognised for the first time on restructure, totalling $616 000.

* Includes separation payment of $280 000.

Average Number of Employees During the Reporting Period

On average, during 2003-04 the Department employed 2 072 (1 847) people throughout the reporting period. This figure has increased mainly as a result of the Office for Public Transport now included in the Department's accounts from 1 January 2004 (179 employees), and also due to the efforts of Transport Services to reduce it's contractor numbers in PSM Act positions, resulting in an increase in PSM Act employees (50 employees).

7. Supplies and Services

	2004	2003
Supplies and services provided by entities within the SA Government:	**$'000**	$'000
Rental	**9 149**	8 835
Legal	**554**	1 289
Insurance	**1 234**	41
Computing and communication	**8 599**	9 996
Repairs and maintenance	**2 498**	1 797
SAPOL	**29 599**	14 700
Other	**5 919**	3 365
Total SA Government Entities	**57 522**	40 023
Supplies and services provided by entities external to the SA Government:		
Rental	**12 345**	13 670
Legal	**21**	-
Insurance	**5**	-
Computing and communication	**13 999**	11 871
Repairs and maintenance	**73 157**	69 222
External consultancy	**412**	273
Other	**53 839**	35 091
Total Non-SA Government Entities	**153 778**	130 127
Total Supplies and Services	**211 330**	170 150

Consultancies

	2004		2003	
The number and dollar amount of consultancies paid/payable that fell within the following bands:	**Number**	**$'000**	Number	$'000
Below $10 000	**4**	**20**	12	62
Between $10 000 and $50 000	**10**	**171**	5	101
Above $50 000	**3**	**221**	1	110
Total paid/payable to the consultants engaged	**17**	**412**	18	273

8. Bus and Rail Service Contracts

	2004	2003
	$'000	$'000
Bus contract payments [(1)]	**51 958**	-
Rail contract payments [(2)]	**42 588**	-
Bus and depot leases	**6 185**	-
	100 731	-

(1) Represents payments made to Serco, Torrens Transit, Australian Transit Enterprises and TransitPlus for the provision of bus passenger transport services in the metropolitan area.
(2) Represents payments made to TransAdelaide for the provision of rail passenger transport services in the metropolitan area.

There is no comparative data for this note because these contracts are paid by the Office of Public Transport, who transferred to the Department on 1 January 2004.

9. Depreciation and Amortisation

	2004	2003
Depreciation:	**$'000**	$'000
Buildings and facilities	**7 333**	7 001
Plant and equipment	**16 360**	14 683
Network assets	**115 678**	122 828
Total Depreciation	**139 371**	144 512
Amortisation:		
Intangible assets	**276**	187
Total Amortisation	**276**	187
Total Depreciation and Amortisation	**139 647**	144 699

10. Grants and Subsidies

	2004	2003
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	**25**	835
Total Grants and Subsidies - SA Government Entities	**25**	835
Grants and subsidies paid/payable to entities external to the SA Government:		
Recurrent Grant:		
Grants to Local Government Associations	**358**	137
Grants to Local Councils	**2 668**	1 231
Transport Subsidy Scheme	**4 149**	-
Subsidies For Concessional Travel in Regional Areas	**1 783**	-
Regional Cities Bus Operating Subsidies	**607**	-
Country Bus Operating Subsidy	**466**	-
Other	**3 056**	264
Capital Grant:		
Grants to Local Councils	**7 381**	3 692
Other	**224**	-
Total Grants and Subsidies - Non-SA Government Entities	**20 692**	5 324
Total Grants and Subsidies	**20 717**	6 159

11. Net Expenses Resulting from the Correction of Errors

	2004	2003
Inventories write-off	**1 160**	-
Prior period depreciation expense	**3 381**	-
Asset recognition adjustments	**1 199**	-
Other	**73**	-
Total Net Expenses Resulting from the Correction of Error	**5 813**	-

A project has been undertaken during 2003-04 to review the assets of the Department and make appropriate adjustments as necessary. As a result, it was discovered that some items were incorrectly recognised as inventories, some assets were not capitalised at the time of completion, and the revaluation of some assets wasn't processed completely, resulting in adjustments to prior periods depreciation expense.

12. Work in Progress Adjustment

During 2003-04, various projects that had been included as capital work in progress as at 30 June 2003 were subsequently completed. It was determined that the Department was unable to capitalise all of the expenditure from these completed projects and as a result $22.4 million has been brought to account by means of an adjustment to the Statement of Financial Performance.

During 2002-03, Transport Services identified a $105.3 million build-up of Work in Progress that had not been correctly accounted for in previous financial years. This matter was brought to account by means of an adjustment to the Statement of Financial Performance, and the amount remaining as Work in Progress in the Statement of Financial Position represents an accurate assessment of the amount of remaining Work in Progress as at 30 June 2003.

13. Other Expenses

	2004	2003
Other expenses paid/payable to entities within the SA Government:	**$'000**	$'000
Commissions - Transaction Processing	**2 118**	1 627
Other	**5**	4
Total Other Expenses - SA Government Entities	**2 123**	1 631
Other expenses paid/payable to entities external to the SA Government:		
Bad and doubtful debts expense	**9**	188
Staff related expenditure (travel and training)	**2 786**	-
Commissions - Transaction processing	**2 099**	1 608
Other	**921**	980
Total Other Expenses - Non-SA Government Entities	**5 815**	2 776
Total Other Expenses	**7 938**	4 407

14. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**254**	216

Other Services

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

15. Fees and Charges

Fees and charges received/receivable from entities within the SA Government:		
Planning related fees	**807**	694
Total Fees and Charges - SA Government Entities	**807**	694
Fees and charges received/receivable from entities external to the SA Government:		
Road and marine related charges	**15 647**	15 601
Road and marine fees	**3 330**	5 728
Planning related fees	**999**	603
Metroticket sales	**28 374**	-
Other	**2 519**	-
Total Fees and Charges - Non- SA Government Entities	**50 869**	21 932
Total Fees and Charges	**51 676**	22 626

16. Commonwealth Revenue

Commonwealth revenue comprised:		
Australian Land Transport Development Act 1988	**63 322**	56 128
Interstate Road Transport Act 1985	**4 968**	4 350
Roads to Recovery Act 2000	**1 001**	1 000
	69 291	61 478

17. Concessional Income

Concessional income is made up of:		
Contributions from SA Government Agencies (1)	**16 080**	-
Contributions from Home and Community Care (HACC)	**163**	-
	16 243	-

(1) Contributions from SA Government Agencies represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

There is no comparative data for this note because these contracts are paid by the Office of Public Transport, who transferred to the Department on 1 January 2004.

18. Interest

	2004	2003
	$'000	$'000
Interest from entities within the SA Government	**2 105**	1 315
Other	**10**	-
	2 115	1 315

19. Registration and Licensing Fees

Received/receivable from entities within the SA Government:		
Motor registration fees	**2 574**	2 447
Total Registration and Licensing Fees - SA Government Entities	**2 574**	2 447
Received/receivable from entities external to the SA Government:		
Motor registration fees	**206 475**	196 777
Drivers' licence fees	**21 134**	45 596
Total Registration and Licensing Fees - Non- SA Government Entities	**227 609**	242 373
Total Registration and Licensing Fees	**230 183**	244 820

19. Registration and Licensing Fees (continued)

Road Safety

In accordance with the *Highways Act 1926*, $3.5 million ($7.6 million), being 1/6th of drivers' licence collections, was used to fund expenditure on Transport Safety initiatives. Expenditure on these initiatives is reflected in the Regulatory Services and Operations of the Transport System programs.

20. Net Gain or Loss on Disposal of Assets

	2004	2003
Land, buildings and facilities:	$'000	$'000
Proceeds from disposal	21 071	6 301
Net book value of assets disposed	14 101	6 155
Net Gain (Loss) from Disposal of Land, Buildings and Facilities	**6 970**	146
Plant and Equipment:		
Proceeds from disposal	553	410
Net book value of assets disposed	354	786
Net Gain (Loss) from Disposal of Plant and Equipment	**199**	(376)
Network Assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	4 795	1 593
Net Gain (Loss) from Disposal of Network Assets	**(4 795)**	(1 593)
Total Assets:		
Proceeds from disposal	21 624	6 711
Net book value of assets disposed	19 250	8 534
Net Gain (Loss) from Disposal of Assets	**2 374**	(1 823)

21. Resources Received Free of Charge

	2004	2003
Network assets	1 792	-
Land, buildings and facilities	10 778	33 076
	12 570	33 076

This represents land and other associated assets brought to account by Transport Services from the former Ports Corporation, AN Rail and Monarto Access Road, which were received for no consideration.

22. Other Revenue

	2004	2003
Property rentals	5 401	4 342
Reimbursement works and external project contributions	6 319	3 421
Registration and insurance contributions	4 702	4 987
TVSP recoup	8 125	647
Public transport asset management	797	1 655
Metropolitan street lighting/Traffic signal contributions	2 287	2 281
Government radio network contributions	1 872	-
National environmental protection measure diesel funding	1 767	-
Motor Accident Commission funding	1 463	1 282
Sundry revenue	5 292	6 698
	38 025	25 313

23. Revenues from/Payments to SA Government

	2004	2003
Revenues from SA Government		
Appropriations from consolidated account pursuant to the *Appropriation Act*	154 309	44 346
Appropriations under other Acts	52	-
Total Revenues from SA Government	**154 361**	44 346
Payments to SA Government		
Income tax equivalent payments (Refer Note 3.8)	3 546	2 446
Dividend distribution to Government (Refer Note 44)	2 961	10 555
Total Payments to SA Government	**6 507**	13 001

Revenues from SA Government

The restructure of the Office of Public Transport has resulted in an increase in the overall revenue received from SA Government. There is no comparative data because the Office is included from 1 January 2004 only.

24. Transferred Functions

(a) Net Assets

With effect from 1 January 2004, DTUP now assumes responsibility for the Assets and Liabilities for the Office of Public Transport (formerly Passenger Transport Board). This is summarised as follows:

	OPT
Current Assets:	**$'000**
Cash	**13 495**
Receivables	**5 873**
Prepaid expenses	**4 374**
Inventories	**208**
	23 950
Non-Current Assets:	
Property, plant and equipment	**17 652**
Loan receivable	**40**
	17 692
Total Assets	**41 642**
Current Liabilities:	
Payables	**3 515**
Borrowings	**1 100**
Provisions for employee benefits	**562**
	5 177
Non-Current Liabilities:	
Payables	**177**
Borrowings	**2 068**
Provisions for employee benefits	**1 383**
	3 628
Total Liabilities	**8 805**
NET ASSETS	**32 837**

(b) Net Result

Revenues:	
Appropriations from Government	**87 008**
User charges, fees and fines	**27 257**
Contributions from other agencies	**16 420**
Investment income	**328**
Other	**4 972**
	135 985
Expenses:	
Payments to service contractors	**108 086**
Grants and subsidies	**6 536**
Infrastructure, administration and service costs	**4 314**
Employee costs	**5 019**
Depreciation	**1 340**
Accommodation costs	**786**
Borrowing costs	**108**
Other	**119**
	126 308
NET RESULT	**9 677**

25. Cash

	2004	2003
	$'000	$'000
Deposits at call - Westpac	**154 302**	129 607
Deposits with the Treasurer (Accrual Appropriation)	**13 825**	10 953
Other	**92**	78
	168 219	140 638

Deposits at Call and with the Treasurer

With the implementation of the cash alignment policy, the Department has not been required to transfer any cash balances this year, but it may be required to transfer a portion of its cash balance to the Consolidated Account in future years.

Other

Includes petty cash floats, cashier's floats and other cash on hand.

26. Receivables

	2004	2003
Current:	**$'000**	$'000
Receivables	**16 768**	9 791
Less: Provision for doubtful debts	**(660)**	(730)
Accrued revenues	**7 617**	9 502
GST receivable	**9 891**	4 962
	33 616	23 525
Non-Current:		
Receivables	**40**	-
	40	-
Total Receivables	**33 656**	23 525

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**9 435**	4 111
Accrued revenues	**4 353**	8 769
	13 788	12 880
Receivables from Non-SA Government Entities:		
Receivables	**6 713**	4 922
Receivables - ATO (Other than GST)	**-**	28
Accrued revenues	**3 264**	733
GST receivables	**9 891**	4 962
	19 868	10 645
Total Receivables	**33 656**	23 525

27. Inventories

Current:		
Supplies	**590**	996
Roadside materials	**4 696**	4 914
Work in progress	-	669
	5 286	6 579

28. Other Assets

Current:		
Prepayments	**402**	146
Other	**91**	5
	493	151

29. Land, Buildings and Facilities

Land:		
Land at fair value	**193 518**	185 532
	193 518	185 532
Buildings and Facilities:		
Buildings and facilities at cost (deemed fair value)	**276 049**	270 543
Accumulated depreciation	**115 094**	130 433
	160 955	140 110
	354 473	325 642

Valuation of Land, Buildings and Facilities

Refer to Note 3.16 for details of when Land, Buildings and Facilities were last revalued and by whom. Land, Buildings and Facilities are revalued using 'fair value' methodology.

Reconciliation of Land, Buildings and Facilities

The following table shows the movement of Land, Buildings and Facilities during 2003-04:

	Land	Land under Roads	Buildings and Facilities	**2004**
	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July 2003	177 779	7 753	140 110	**325 642**
Additions	2 431	4 830	8 051	**15 312**
Disposals	(12 632)	(56)	(4 654)	**(17 342)**
Revaluation increment (decrement)	9 812	-	13 724	**23 536**
Depreciation and amortisation	-	-	(7 332)	**(7 332)**
Acquisition (Disposal) through administrative restructure	3 601	-	-	**3 601**
Other movements	-	-	11 056	**11 056**
Carrying Amount at 30 June 2004	180 991	12 527	160 955	**354 473**

30. Plant and Equipment

	2004	2003
	$'000	$'000
Plant and equipment at cost (deemed fair value)	**387 253**	331 303
Accumulated depreciation	**264 599**	237 137
	122 654	94 166

Valuation of Plant and Equipment
Refer to Note 3.16 for details of when Plant and Equipment were last revalued and by whom. Plant and Equipment are revalued using 'fair value' methodology.

Reconciliation of Plant and Equipment

The following table shows the movement of Plant and Equipment during 2003-04:	Plant and Equipment $'000	Information Technology $'000	Other $'000	**2004 $'000**
Carrying amount at 1 July 2003	92 497	1 455	214	**94 166**
Additions	30 999	415	113	**31 527**
Disposals	(355)	-	-	**(355)**
Revaluation increment (decrement)	523	-	-	**523**
Depreciation and amortisation	(15 861)	(421)	(78)	**(16 360)**
Acquisition (Disposal) through administrative restructure	12 545	608	-	**13 153**
Carrying Amount at 30 June 2004	120 348	2 057	249	**122 654**

31. Network Assets

	2004 $'000	2003 $'000
Network assets at cost (deemed fair value)	**7 887 161**	7 383 974
Accumulated depreciation	**3 662 033**	3 202 679
Network assets at fair value	**-**	421 098
Accumulated depreciation	**-**	180 039
	4 225 128	4 422 354

Valuation of Network Assets
Refer to Note 3.16 for details of when Network Assets were last revalued and by whom. Network Assets are revalued using 'fair value' methodology.

Reconciliation of Network Assets

The following table shows the movement of Network Assets during 2003-04:	Roads and Signs $'000	Earthworks $'000	Bridges and Culverts $'000	Traffic Signals and Road Lighting $'000	Busway $'000	Other $'000	**2004 $'000**
Carrying amount at 1 July 2003	1 954 155	1 773 029	573 314	70 779	45 205	5 872	**4 422 354**
Additions	82 318	10 533	5 728	9 191	-	580	**108 350**
Disposals	-	-	(4 475)	(254)	(43)	(66)	**(4 838)**
Revaluation increment (decrement)	13 210	(340 162)	133 567	-	8 913	1 422	**(183 050)**
Depreciation and amortisation	(91 133)	-	(15 085)	(8 240)	(954)	(266)	**(115 678)**
Other movements	(1 723)	-	(7)	(279)	-	-	**(2 009)**
Carrying Amount at 30 June 2004	1 956 827	1 443 400	693 042	71 197	53 121	7 542	**4 225 128**

The revaluation decrement for earthworks of $340 million is caused by a reduction in earthworks area ($65 million) and a decrease in the average valuation rate per square metre ($275 million).

32. Capital Work

	2004 $'000	2003 $'000
Capital work in progress at cost (deemed) fair value	**141 456**	166 914

Valuation of Work in Progress
Refer to Note 3.16 for details regarding Work in Progress revaluations.

Reconciliation of Work in Progress
The following table shows the movement of Work in Progress during 2003-04.

	Works in Progress 2004 $'000
Carrying amount at the beginning of the financial year	**166 914**
Additions	**108 662**
Write-off of non-current assets	**(22 435)**
Acquisition (Disposal) through administrative restructuring	**898**
Acquisition (Disposal) through transfers	**(5 303)**
Other movements (transfer to capital)	**(107 280)**
Carrying Amount at the End of the Financial Year	**141 456**

33. Intangible Assets

	2004	2003
Software:	**$'000**	$'000
Computer software (EDALA)	**1 283**	1283
Accumulated amortisation	**463**	187
	820	1 096

Valuation of Intangible Assets
The EDALA Software System was brought to account during the 2002-03 financial year. It is therefore not yet due for valuation.

34. Payables

	2004	2003
Current:	$'000	$'000
Creditors	**35 320**	37 002
Accrued Expenses	**21 611**	9 772
Employment on-costs	**1 514**	1 729
Other	**811**	-
	59 256	48 503
Non-Current:		
Employment on-costs	**3 133**	2 969
	3 133	2 969
	62 389	51 472

Government/Non-Government Payables

	2004	2003
Payables to SA Government Entities:		
Creditors	**2 307**	2 140
Accrued Expenses	**2 438**	872
Employment on-costs	**4 647**	4 698
	9 392	7 710
Payables to Non-SA Government Entities:		
Creditors	**33 013**	34 862
Accrued Expenses	**19 173**	8 900
Other	**811**	-
	52 997	43 762
	62 389	51 472

35. Interest Bearing Liabilities

	2004	2003
Balance as at 1 July	**47 760**	47 760
Increase in debt due to:		
Interest applied to loan	**3 099**	3 048
Administrative restructure	**3 168**	-
Less: Repayments:		
Public Transport assets	**4 107**	3 008
General road and bridge loan	**92**	40
Balance as at 30 June	**49 828**	47 760
Current	**1 100**	-
Non-Current	**48 728**	47 760
Total Interest Bearing Liabilities	**49 828**	47 760

36. *(a) Employee Benefits*

	2004	2003
Current:		
Annual leave	**7 288**	5 770
Long service leave	**1 991**	2 354
Accrued salaries and wages	**1 035**	-
	10 314	8 124
Non-Current:		
Long service leave	**27 548**	26 121
	27 548	26 121
	37 862	34 245

Annual Leave
Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.

Long Service Leave
Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.

Provision for Workers Compensation
In 2002-03, Employee Benefits included the provision for Workers Compensation. This is now included in Provisions. The comparative data for 2002-03 has been restated so it is also reflected in Provisions. Refer Note 37.

(b) *Aggregate Employee Benefits and Related On-cost Liabilities*

	2004	2003
Accrued Salaries and Wages:	**$'000**	$'000
Included in payables - Current (Note 34)	**192**	633
Provision for employee benefits- Current (Note 36(a))	**1 035**	-
Total Accrued Salaries and Wages	**1 227**	633
Annual Leave:		
Included in payables - Current (Note 34)	**1 100**	912
Provision for employee benefits- Current (Note 36(a))	**7 288**	5 770
Total Annual Leave	**8 388**	6 682
Long Service Leave:		
Included in payables - Current (Note 34)	**223**	186
Provision for employee benefits- Current (Note 36(a))	**1 991**	2 354
Included in payables - Non-Current (Note 34)	**3 132**	2 969
Provision for employee benefits - Non-Current (Note 36(a))	**27 548**	26 121
Total Long Service Leave	**32 894**	31 630
Other Benefits:		
Included in payables - Current (Note 34)	**-**	(2)
Total Other Benefits	**-**	(2)
Aggregate Employee Entitlements and Related On-cost Liabilities	**42 509**	38 943

In 2002-03, this note included the provision for Worker's Compensation. This is now included in Provisions. The comparative data for 2002-03 has been restated so it only reflects the categories above.

37. Provisions

	2004	2003
Current:	**$'000**	$'000
Provision for workers compensation	**1 112**	1 431
	1 112	1 431
Non-Current:		
Provision for workers compensation	**2 595**	3 824
	2 595	3 824
	3 707	5 255
Carrying amount at 1 July	**5 257**	8 113
Increase in the provision due to administrative restructure	**44**	-
Decrease in the provision	**1 594**	2 858
Carrying Amount at 30 June	**3 707**	5 255

38. Other Liabilities

Current:		
Unearned revenue	**815**	1 360
Provision for tax equivalent	**5 057**	2 446
Other	**158**	-
	6 030	3 806

39. Equity

Contributed capital	**176 993**	159 938
Accumulated surplus	**3 581 362**	3 598 855
Asset revaluation reserve	**1 134 013**	1 279 734
	4 892 368	5 038 527

Accumulated Surplus

Balance at 1 July	**3 598 855**	3 667 085
Operating Surplus (Deficit) before administrative restructure	**(29 836)**	(72 494)
Increase (Decrease) in accumulated surplus due to administrative restructure	**12 362**	101
Other	**(19)**	4 163
Balance at 30 June	**3 581 362**	3 598 855

Asset Revaluation Reserve

Balance at 1 July	**1 279 734**	1 186 915
Increment (Decrement) in land, buildings and facilities due to revaluation	**34 821**	10 466
Increment (Decrement) in plant and equipment due to revaluation	**524**	(600)
Increment (Decrement) in network assets due to revaluation	**(184 741)**	82 953
Increase (Decrease) in asset revaluation reserve due to administrative restructure	**3 675**	-
Balance at 30 June	**1 134 013**	1 279 734

40. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days. Refer Note 26.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid, when the goods and services have been provided. Sundry creditors are normally settled within 30 days.

Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.75 percent (as at 30 June 2004). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).

(b) Interest Rate Risk

2004

Financial Instrument	**Floating Interest Rate Percent**	**Interest Bearing $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Effective Interest Rate Percent**
Financial Assets:					
Cash	**5.9**	**49 561**	**118 658**	**168 213**	**5.01**
Receivables		**-**	**33 659**	**33 659**	
		49 561	**152 317**	**201 872**	
Financial Liabilities:					
Payables		**-**	**62 390**	**62 390**	
Borrowings	**6.75**	**49 828**	**-**	**49 828**	**4.91**
		49 828	**62 390**	**112 218**	

2003

Financial Instrument	Floating Interest Rate Percent	Interest Bearing $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Effective Interest Rate Percent
Financial Assets:					
Cash	4.6	15 334	125 304	140 634	4.60
Receivables		-	23 525	23 525	
		15 334	148 829	164 163	
Financial Liabilities:					
Payables		-	52 814	52 814	
Borrowings	6.25	47 760	-	47 760	6.25
		47 760	52 814	100 574	

(c) Net Fair Values

Financial Instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand.

The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

41. Commitments for Expenditure

Capital Commitments	**2004 $'000**	2003 $'000
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**68 257**	46 421
Later than one year but not later than five years	**-**	7 727
Later than five years	**-**	-
	68 257	54 148

The Department's Capital Commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks.

Other Commitments	**2004** **$'000**	2003 $'000
Not later than one year	**218 545**	37 883
Later than one year but not later than five years	**151**	-
Later than five years	**198**	-
	218 894	37 883

The Department's Other Commitments are for agreements equally and proportionately unperformed. This has increased significantly from 2002-03 due to the Metropolitan Bus contracts being recognised as part of the restructure of the Office of Public Transport. The Bus Contracts expire on 23 April 2005 and the Rail contracts expire on 1 July 2005.

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	**8 244**	14 224
Later than one year but not later than five years	**14 429**	6 609
Later than five years	**25 394**	-
	48 067	20 833

The Department's Operating Leases include motor vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and computer and office equipment. These commitments are not recognised as liabilities in the financial report.

The property leases are non-cancellable leases with terms ranging from 1 to 10 years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The computer equipment leases are non-cancellable leases with the lease term being 3-4 years. The lease contains three options at the conclusion of the current 3-4 year term being; return equipment, extend the lease at fair market value or purchase the equipment at fair market value.

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

42. Contingent Assets and Liabilities

At year-end, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury. The Department had also received notification of other cases not yet subject to Court action, which may result in subsequent litigation in the future.

The Department also has possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets (in particular rail).

In addition, the Department has possible material exposure resulting from the salvage of the vessel 'The New Endeavour' expected to take place during the first six months of 2004-05.

The Department believes that the extent of these liabilities cannot be reliably measured at balance date.

43. Cash Flow Reconciliation

	2004	2003
Reconciliation of Cash - Cash at year end as per:	**$'000**	$'000
Statement of Cash Flows	**168 219**	140 638
Statement of Financial Position	**168 219**	140 638
Reconciliation of Net Cash inflows from Operating Activities to Net Cost of Services:		
Net cash inflows from operating activities	**133 128**	144 002
Less: Revenues from Government	**154 361**	44 346
Add: Income tax adjustment	**796**	1 970
Net Gain (Loss) from disposal of assets	**2 374**	(1 823)
Add (Less) Non-Cash Items:		
Depreciation of assets	**(139 647)**	(144 699)
Prior period expense write-off	**(28 248)**	(105 300)
Revaluation Increments (Decrements)	**17**	(275)
Fair value of assets received	**12 570**	33 076
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	**4 440**	8 612
Increase (Decrease) in inventories	**280**	1 057
Increase (Decrease) in Other assets	**(3 550)**	105
(Increase) Decrease in payables and provisions	**(5 486)**	3 861
(Increase) Decrease in other liabilities	**(3)**	22
Net Cost of Services from Ordinary Activities	**(177 690)**	(103 738)

44. Indenture Ports

Transport Services manages the indenture and private ports. Funds in regard to cargo services and harbour services charges are collected by Transport Services and applied to the maintenance of indenture ports. Any remaining funds are paid to the Department of Treasury and Finance by way of a dividend. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 2003-04 was $3 million ($3.6 million).

45. Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001.

Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the fund.

Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account up to 20 September 2002.

	2004	2003
Inflows:	**$'000**	$'000
Income into the fund	**6 972**	7 501
Transfer from the Transport Operating Account	**-**	8 732
Total Inflows	**6 972**	16 233
Outflows:		
Expenditure from the fund	**2 821**	10 083
Total Outflows	**2 821**	10 083
Net Surplus	**4 151**	6 150
Fund Balance		
Balance at 1 July	**6 150**	-
Net Surplus	**4 151**	6 150
Balance at 30 June	**10 301**	6 150

46. Community Road Safety Fund

The Community Road Safety Fund is an Administrative Fund operative from 1 July 2003 and is funded by revenue collected by SAPOL and the Courts Administration Authority for speeding fines. The amount is paid into the Consolidated Account and subsequently transferred to the Fund by Treasury and Finance and utilised for the purposes of Road Safety related expenditure. In addition to safety related improvements, payments are also made to SAPOL for safety related policing expenditure.

	2004	2003
Inflows:	**$'000**	$'000
Income into the fund	**38 760**	-
Total Inflows	**38 760**	-
Outflows:		
Expenditure from the fund*	**38 484**	-
Total Outflows	**38 484**	-
Net Surplus (Deficit)	**276**	-
Fund Balance		
Balance at 1 July	**-**	-
Net Surplus (Deficit)	**276**	-
Balance at 30 June	**276**	-

* Road safety related expenditure for 2003-04 totalled $57.9 million. An amount of $19.4 million was met from the Highways Fund, of which $14.7 million was paid to SAPOL.

47. After Balance Date Events

The following occurred/was announced after balance date:

- The Office of the North West was established effective from 1 July 2004.
- Salvage activities relating to The New Endeavour - Refer Note 42.

Statement of Administered Revenue and Expenses for the year ended 30 June 2004

	Note	**2004 $'000**	2003 $'000
ADMINISTERED REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from SA Government	A7	**2 100**	1 700
Fees and charges	A8	**1 551**	1 091
Registration and licensing receipts from third parties	A9	**647 684**	596 450
Grants	A10	**2 948**	1 520
Transfer receipts	A11	**888**	853
Interest		**50**	-
Other		**-**	31
Total Administered Revenue		**655 221**	601 645
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		**177**	191
Supplies and services		**17**	19
Grants and subsidies	A12	**4 703**	2 613
Registration and licensing payments to third parties	A13	**647 684**	596 450
Transfer payments	A14	**3 196**	2 814
Total Administered Expenses		**655 777**	602 087
OPERATING SURPLUS (DEFICIT)	A24	**(556)**	(442)
CHANGES IN EQUITY:			
Increase (Decrease) in net assets due to administrative restructure	A15	**(120)**	-
TOTAL ADMINISTERED REVENUE, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		**(120)**	-
TOTAL ADMINISTERED CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(676)**	(442)

Statement of Administered Assets and Liabilities as at 30 June 2004

	Note	**2004 $'000**	2003 $'000
ADMINISTERED CURRENT ASSETS:			
Cash	A16	**2 092**	944
Receivables	A17	**840**	656
Other	A18	**2**	-
Total Administered Current Assets		**2 934**	1 600
ADMINISTERED NON-CURRENT ASSETS:			
Receivables	A17	**3 031**	3 179
Total Administered Non-Current Assets		**3 031**	3 179
Total Administered Assets		**5 965**	4 779
ADMINISTERED CURRENT LIABILITIES:			
Payables	A19	**1 683**	744
Interest bearing liabilities	A20	**142**	-
Total Administered Current Liabilities		**1 825**	744
ADMINISTERED NON-CURRENT LIABILITIES:			
Interest bearing liabilities	A20	**3 031**	3 179
Total Administered Non-Current Liabilities		**3 031**	3 179
Total Administered Liabilities		**4 856**	3 923
ADMINISTERED NET ASSETS		**1 109**	856
ADMINISTERED EQUITY:			
Contributed capital	A21	**480**	-
Accumulated surplus	A21	**629**	856
TOTAL ADMINISTERED EQUITY		**1 109**	856
Commitments for expenditure	A23		

Administered Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
ADMINISTERED CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH INFLOWS:			
Receipts from Government		**1 931**	1 359
Taxes, fees and charges		**1 691**	1 171
Registration and licensing receipts from third parties		**647 684**	596 450
Grants		**2 948**	1 520
Transfer receipts		**888**	853
Interest		**48**	-
Other		**-**	31
Total Cash Inflows		**655 190**	601 384
CASH OUTFLOWS:			
Employee payments		**(177)**	(191)
Supplies and services		**(2)**	(19)
Grants and subsidies		**(4 373)**	(2 439)
Registration and licensing payments to third parties		**(646 960)**	(596 450)
Transfer payments		**(3 339)**	(2 783)
Total Cash Outflows		**(654 851)**	(601 882)
Net Administered Cash Inflows (Outflows) from Operating Activities	A24	**339**	(498)
ADMINISTERED CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Restructuring activities	A15	**809**	-
Total Cash Inflows		**809**	-
Net Administered Cash Inflows from Financing Activities		**809**	-
NET INCREASE (DECREASE) IN CASH HELD		**1 148**	(498)
CASH AT 1 JULY		**944**	1 442
CASH AT 30 JUNE	A16	**2 092**	944

Program Schedule of Administered Revenues and Expense for the year ended 30 June 2004

ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	2004 Policy Coordinatn. & Invstmt. Strategy $'000	2004 Regulatory Services $'000	2004 Operations $'000	2004 Developmt. Assessment $'000
Revenue from SA Government	**1 411**	**-**	**177**	**-**
Fees and charges	**-**	**-**	**524**	**1 027**
Registration and licensing receipts from third parties	**-**	**647 684**	**-**	**-**
Grants	**-**	**-**	**2 948**	**-**
Transfer receipts	**-**	**-**	**-**	**-**
Interest	**15**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Total Administered Revenues	**1 426**	**647 684**	**3 649**	**1 027**
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:				
Employee expenses	**-**	**-**	**177**	**-**
Supplies and services	**-**	**-**	**17**	**-**
Grants and subsidies	**1 755**	**-**	**2 948**	**-**
Registration and licensing payments to third parties	**-**	**647 684**	**-**	**-**
Transfer payments	**-**	**-**	**509**	**1 025**
Total Administered Expenses	**1 755**	**647 684**	**3 651**	**1 025**
OPERATING SURPLUS (DEFICIT)	**(329)**	**-**	**(2)**	**2**

ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:	2004 Local Government System $'000	2004 Total $'000	2003 Total $'000
Revenue from SA Government	**512**	**2 100**	1 700
Fees and charges	**-**	**1 551**	1 091
Registration and licensing receipts from third parties	**-**	**647 684**	596 450
Grants	**-**	**2 948**	1 520
Transfer receipts	**888**	**888**	853
Interest	**35**	**50**	-
Other	**-**	**-**	31
Total Administered Revenues	**1 435**	**655 221**	601 645
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	**-**	**177**	191
Supplies and services	**-**	**17**	19
Grants and subsidies	**-**	**4 703**	2 613
Registration and licensing payments to third parties	**-**	**647 684**	596 450
Transfer payments	**1 662**	**3 196**	2 814
Total Administered Expenses	**1 662**	**655 777**	602 087
OPERATING SURPLUS (DEFICIT)	**(227)**	**(556)**	(442)

Program Schedule of Assets and Liabilities as at 30 June 2004

	2004			
	Policy Coordin. & Invstmt. Strategy Policy	**Regulatory Services**	**Operations**	**Developmt. Assessment**
ASSETS:	**$'000**	**$'000**	**$'000**	**$'000**
Current assets	**1 008**	**724**	**316**	**257**
Non-current assets	**-**	**-**	**3031**	**-**
Total Assets	**1 008**	**724**	**3347**	**257**
LIABILITIES:				
Current liabilities	**505**	**724**	**316**	**280**
Non-current liabilities	**-**	**-**	**3 031**	**-**
Total Liabilities	**505**	**724**	**3 347**	**280**
NET ASSETS	**503**	**-**	**-**	**(23)**

	2004 Local Government System	**2004 Total**	2003 Total
ASSETS:	**$'000**	**$'000**	$'000
Current assets	**629**	**2 934**	1 600
Non-current assets	**-**	**3 031**	3 179
Total Assets	**629**	**5 965**	4 779
LIABILITIES:			
Current liabilities	**-**	**1 825**	744
Non-current liabilities	**-**	**3 031**	3 179
Total Liabilities	**-**	**4 856**	3 923
NET ASSETS	**629**	**1 109**	856

NOTES TO THE ADMINISTERED ITEMS STATEMENTS

A1. Objectives of the Department of Transport and Urban Planning
All Department of Transport and Urban Planning objectives are included in Note 1 'Objectives of the Department of Transport and Urban Planning' under the controlled items notes. The objectives outlined in Note 1 apply to both the Department and the Administered Financial Statements.

A2. Departmental Organisation
The organisation of the Department of Transport and Urban Planning outlined in Note 2 in the controlled items notes applies to both the Department and the Administered Financial Statements.

A3. Summary of Significant Accounting Policies
All Department of Transport and Urban Planning accounting policies are contained in Note 3 'Summary of Significant Accounting Policies' under the controlled items notes. The policies outlined in Note 3 apply to both the Department and the Administered Financial Statements.

A4. Changes in Accounting Policies
The Changes in Accounting policies outlined in Note 4 in the controlled items notes apply to both the Department and the Administered Financial Statements.

A5. Programs of the Department

The Programs of the Department outlined in Note 5 in the controlled items notes apply to both the Department and the Administered Financial Statements.

A6. Administered Items of the Department

The Administered Items of the Department of Transport and Urban Planning are comprised of the following:

- Catchment Management Subsidy Scheme
- Development Application Fees
- Emergency Services Levy Receipts
- Expiation Receipts including the Victims of Crime Levy
- Firearm Receipts
- Flood Mitigation
- Hospital Fund – Contribution
- Lincoln Cove Marina
- Local Government Taxation Equivalent (TER) Fund
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- State Local Government Reform Fund – Stormwater Subsidies
- Minister's Salary
- Unclaimed Salaries and Wages
- Contractors Deposits
- Motor Accident Commission Receipts
- Passenger Transport Research and Development Fund
- Registration and Licensing Collections and Disbursements
- South-Western Suburbs Drainage Scheme
- Stamp Duties Receipts
- West Beach Trust (trading as Adelaide Shores) – Taxation Equivalent Regime (TER)

	2004	2003
A7. Revenues from SA Government		
Revenues from SA Government:	**$'000**	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**2 100**	1 700
A8. Fees and Charges		
Fees and charges received/receivable from entities external to the SA Government:		
Other fees and charges	**1551**	1091
A9. Registration and Licensing from Third Parties		
Registration and Licensing Receipts on behalf of the SA Government:		
Expiation notices	**10 180**	9 783
Emergency service levy	**35 270**	35 291
Hospital fund	**54 155**	53 526
Stamp duties	**138 562**	126 529
Other	**6 675**	6 810
Total	**244 842**	231 939
Registration and Licensing Receipts on behalf of Entities external to the SA Government:		
Federal registrations	**5 823**	5 374
Third party insurance	**386 477**	350 578
Refunds	**9 825**	8 553
Other	**717**	6
Total	**402 842**	364 511
Total Registration and Licensing Receipts	**647 684**	596 450
A10. Grants		
Grants received/receivable from entities within the SA Government:		
Recurrent grant	**2 948**	1 520
A11. Transfer Receipts		
Receipts from the Local Government Finance Authority (into Local Government Tax Equivalent Regime Fund)	**888**	853
A12. Grants and Subsidies		
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	**1 411**	1 093
Total	**1 411**	1 093
Grants and Subsidies Paid/Payable to Entities External to the SA Government:		
Recurrent grant	**2 948**	1 520
Capital grant	**344**	-
Total	**3 292**	1 520
Total Grants and Subsidies	**4 703**	2 613

A13. Registration and Licensing Payments to Third Parties

	2004	2003
	$'000	$'000
Expiation notices - SAPOL	**9 506**	9 016
Expiation notices - Courts Administration Authority	**674**	767
Emergency Services Levy	**35 270**	35 291
Hospital fund - Treasury and Finance	**54 155**	53 526
Stamp Duties - Treasury and Finance	**138 562**	126 529
Federal registrations	**5 823**	5 374
Third party insurance	**386 477**	350 578
Refunds	**9 825**	8 553
Other	**7 392**	6 816
Total Registration and Licensing Payments	**647 684**	596 450

A14. Transfer Payment

	2004	2003
Planning fees paid to Councils and other bodies	**1 025**	760
Payment to Local Government from the Local Government TER Fund	**1 150**	1 295
Interagency funding for the Local Government Grants Commission	**275**	265
Interagency funding for the Outback Areas Community Development Trust	**237**	151
Woodville Henley and Grange Drainage Scheme	**30**	30
South West Suburbs Drainage Scheme	**196**	204
Contractor deposits	**283**	109
Total Transfer Payments	**3 196**	2 814

A15. Transferred Functions

With effect from 1 January 2004, DTUP now assumes responsibility for the Assets and Liabilities for the Office of Public Transport's (OPT) Passenger Transport Research and Development Fund (Refer Note 26).

This is summarised as follows:

	OPT
	$'000
Current Assets:	
Cash	809
Total	809
Net Assets	809
Revenues:	
Investment Income	21
Total	21
Expenses:	
Grants and Subsidies	141
Total	141
Net Result	(120)

A16. Cash

	2004	2003
	$'000	$'000
Deposits at Call - Westpac	**1 465**	62
Deposits with the Treasurer	**627**	882
	2 092	944

A17. Receivables

	2004	2003
Current:		
Receivables	**312**	323
Accrued revenues	**528**	333
Total	**840**	656
Non-Current:		
Receivables	**3 031**	3 179
Total	**3 031**	3 179
Total Receivables	**3 871**	3 835

Government/Non-Government Receivables

	2004	2003
Receivables from SA Government Entities:		
Receivables	**169**	191
Accrued revenues	**528**	333
Total	**697**	524
Receivables from Non-SA Government Entities:		
Receivables	**3 174**	3 311
Total	**3 174**	3 311
Total Receivables	**3 871**	3 835

A18. Other Assets

	2004 $'000	2003 $'000
Current:		
Other	**2**	-

A19. Payables

	2004 $'000	2003 $'000
Current:		
Creditors	**898**	349
Accrued expenses	**785**	395
	1 683	744
Government/Non-Government Payables		
Payables to SA Government Entities:		
Creditors	**891**	342
Accrued expenses	**505**	174
Total	**1 396**	516
Payables to Non-SA Government Entities:		
Creditors	**7**	7
Accrued expenses	**280**	221
Total	**287**	228
Total Payables	**1 683**	744

A20. Interest Bearing Liabilities

	2004 $'000	2003 $'000
Balance as at 1 July	**3 311**	3 433
Increases in debt due to:		
Interest applied to Loan	**226**	233
Less: Repayments:		
Woodville, Henley and Grange Drainage Scheme	**42**	33
South West Suburbs Drainage Scheme	**322**	322
Balance as at 30 June	**3 173**	3 311
Current	**142**	132
Non-Current	**3 031**	3 179
	3 173	3 311

A21. Equity

	2004 $'000	2003 $'000
Contributed capital	**480**	-
Accumulated surplus	**629**	856
	1 109	856
Accumulated Surplus		
Balance at 1 July	**856**	1 298
Operating Surplus (Deficit)	**(227)**	(442)
Balance at 30 June	**629**	856

A22. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in line with agreements entered into for specific Administered Items.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid, when the goods and services have been provided. Sundry creditors are normally settled within 30 days or in line with agreements entered into for specific Administered Items.

Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.25 percent (as at 30 June 2004). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).

(b) *Interest Rate Risk*

2004

Financial Instrument	**Floating Interest Rate Percent**	**Interest Bearing $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Effective Interest Rate Percent**
Financial Asset:					
Cash	**5.10**	**2 088**	**4**	**2 092**	**4.91**
Receivables		**3 258**	**613**	**3 871**	
		5 346	**617**	**5 963**	
Financial Liabilities:					
Payables		**-**	**1 598**	**1 598**	
Borrowings	**6.25**	**3 258**	**-**	**3 258**	
		3 258	**1 598**	**4 856**	

2003

Financial Instrument	Floating Interest Rate Percent	Interest Bearing $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Effective Interest Rate Percent
Financial Asset:					
Cash	4.17	-	944	944	4.60
Receivables		-	3 835	3 835	
		-	4 779	4 779	
Financial Liabilities:					
Payables		-	744	744	
Borrowings	6.25	-	3 311	3 311	
		-	4 055	4 055	

(c) *Net Fair Values*

Financial Instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand.

The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) *Credit Risk Exposure*

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

A23. Commitments for Expenditure

	2004	2003
Other Commitments:	**$'000**	$'000
Not later than one year	**106**	-
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	106	-

The Department's Other Commitments are for agreements equally and proportionately unperformed.

A24. Cash Flow Reconciliation

Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	**2 092**	944
Statement of Financial Position	**2 092**	944
Reconciliation on Net Cash Inflows from Operating Activities to Operating Surplus (Deficit):		
Net cash inflows (outflows) from operating activities	**339**	(498)
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	**36**	211
Increase (Decrease) in other assets	**2**	-
(Increase) Decrease in payables and provisions	**(933)**	(155)
Operating Surplus (Deficit)	**(556)**	(442)

A25. Criminal Injuries Compensation Fund

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Office of Public Transport collects criminal injuries compensation levies from expiation notices issued.

	2004	2003
	$'000	$'000
Levies collected during the year	**5**	-
Amount paid to Attorney-General's Department during 2003-04	**5**	-
	-	-

A26. Passenger Transport Research and Development Fund

Pursuant to Section 62 of the *Passenger Transport Act 1994*, the Office of Public Transport administers, on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The Fund may be applied by the Minister for Transport for:

- the purpose of carrying out research into the taxi-cab industry;
- the purpose of promoting the taxi-cab industry; and/or
- any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	2004	2003
Inflows:	**$'000**	$'000
Income into the fund	**15**	21
Total	**15**	21
Outflows:		
Expenditure from the fund	**344**	141
Total	**344**	141
Net Deficit	**(329)**	(120)
Fund Balance		
Balance at 1 July	**809**	929
Net Deficit	**(329)**	(120)
Balance at 30 June	**480**	809

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