[P.P.4B

Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2014

Tabled in the House of Assembly and ordered to be published, 14 October 2014

First Session, Fifty-Third Parliament

Part B: Agency audit reports

Volume 5

By Authority: A. Martin, Government Printer, South Australia

2014

General enquiries regarding this report should be directed to:

Auditor-General
Auditor-General's Department
9th floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Copies may be obtained from:
Service SA
Government Legislation Outlet
Ground Floor
EDS Building
108 North Terrace
Adelaide SA 5000

Website: www.audit.sa.gov.au

ISSN 0815-9157

Part B

Table of contents

Volume 1

References to matters of significance

Volume 2

References to matters of significance

Part B

Table of contents

Volume 3

References to matters of significance

Volume 4

References to matters of significance

Volume 5

References to matters of significance

Part B

Table of contents

Volume 5

Volume 6

References to matters of significance

Part B

References to matters of significance

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

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

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

South Australian Fire and Emergency Services Commission

Functional responsibility

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) was established by the *Fire and Emergency Services Act 2005* (the FES Act). SAFECOM is managed and administered by a Board established as the governing body. SAFECOM and its Board are responsible to the Minister for Emergency Services.

The FES Act defines the emergency services sector as consisting of the following emergency services organisations (ESOs):

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service (SASES)
- South Australian Country Fire Service (SACFS)
- South Australian Metropolitan Fire Service (SAMFS).

The FES Act requires that a consolidated financial report be prepared for the emergency services sector.

Functions

SAFECOM is responsible for developing and maintaining a strategic and policy framework as well as sound corporate governance across the emergency services sector. SAFECOM supports and allocates resources within the sector and provides corporate, strategic and compliance services. SAFECOM also has a leadership role in state-wide emergency management.

For more information about SAFECOM's objectives refer to note 1 to the financial statements.

Community Emergency Services Fund (the Fund)

SAFECOM is also responsible for administering the Fund which is established by the *Emergency Services Funding Act 1998* (ESFA).

The Fund is the main source of funding for all emergency services sector agencies.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 21(2) of the FES Act provide for the Auditor-General to audit the accounts of SAFECOM and also the consolidated accounts for the emergency services sector for each financial year.

Assessment of controls

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

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

Scope of audit

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

The audit included access to systems and information maintained by SAFECOM and the ESOs to conduct relevant financial transaction and control compliance tests of those systems and information.

The audit included a review of the overall internal control environment covering compliance with TIs and verification of transactions on a test basis. The scope of the audit included:

- expenditure
- payroll and employee entitlements
- revenue, including grants and contributions
- cash and receivables
- non-current assets including works in progress
- liabilities, including workers compensation
- financial accounting
- governance and risk management
- business continuity planning
- legislative compliance
- financial management compliance programs (FMCPs)
- banking arrangements and reporting
- creditor account payment performance.

The audit included a follow-up of previous audit findings and the operations of the Fund.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Fire and Emergency Services Commission and its controlled entities as at 30 June 2014, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive and chief officers responsible for the governance of SAFECOM and the ESOs. The main matters raised with SAFECOM and the ESOs and the related responses are detailed below.

FMCPs

Past audits have reported that FMCPs prepared for the sector had a number of significant compliance areas for which controls were assessed as 'neither effective nor ineffective' or 'ineffective'. SAFECOM policy requires the completion of actions plans with estimated completion timeframes for controls that are not effective. In 2012-13, Audit recommended that these areas be given focus by management to progress action plans aimed at improving compliance in these areas.

In January 2013 SAFECOM formed an Audit and Risk Working Group and identified priorities for advancement. Review of FMCPs was added to the working group standing agenda in June 2013 but no changes were identified by the group at that time.

Review of FMCPs and action plans during the 2013-14 audit revealed established controls that were still assessed as either 'ineffective' or 'neither effective nor ineffective' that did not have action plans, and/or did not record estimated completion timeframes.

Audit recommended that management request that the Audit and Risk Working Group prioritise this matter and closely monitor the development of action plans and completion timeframes to improve the overall control environment.

In response, the Chief Executive, SAFECOM advised that an action plan has been developed for 2014-15 with due dates. Progress against the plan will be monitored by the Audit and Risk Management Committee.

Business continuity planning

Business continuity planning is an essential element of good governance and involves identifying key business processes, systems and operational requirements to ensure business continues to effectively function following a major disruptive event. Business continuity planning in an emergency services environment is critical.

The Information Security Management Framework is mandated by government and requires agencies to not only develop disaster recovery plans but to ensure that they are effective through regular testing and results reported to management. Previous audits have recommended that a business continuity plan be developed. During 2013-14, SAFECOM established and approved a business continuity plan. Whilst approval and communication of a plan is an important step in addressing business continuity risks, the plan is yet to be tested and results reported to management.

Audit recommended that SAFECOM develop a program to regularly test the established business continuity plan and report results to the Board and senior management.

In response, the Chief Executive, SAFECOM advised that a program to test the approved business continuity plan was recently developed with management and testing will be undertaken by December 2014 and reported to the Board.

Purchasing policy and recordkeeping

Previous audits have commented on deficiencies in recordkeeping and management controls, especially in the areas of fixed assets and capital works.

Audit has previously recommended that SAFECOM undertake a risk assessment of the types of projects and purchases throughout the sector, and revise the purchasing policy to determine appropriate levels of recordkeeping and compliance. Audit also recommended improvements in other non-current asset management controls and procurement compliance in recent years including the operation of the Building Project Control Committee (the Committee).

Follow-up of these issues during the interim audit revealed that management has made progress in this area. The purchasing policy was reviewed in July 2013 and an updated draft prepared for consultation. Information provided to and considered by the Committee during the year also improved. However, the purchasing policy is yet to be approved and used by staff, resulting in management controls and recordkeeping practices being similar to previous years.

Audit continued to experience difficulties in 2013-14 in locating documentation to support management compliance with procurement requirements and to verify a sample of capital work in progress and asset transactions. This included obtaining evidence to support that assets were received in full and within contractual terms before payment, and locating documentation other than an approved invoice to support transactions. After communicating these matters to SAFECOM and the ESOs and providing time to investigate these documentation matters, sufficient information was provided to complete the audit.

It is important to note that the 2010-11 Port Lincoln Building Construction internal audit report first recommended that SAFECOM amend the purchasing policy to specify what constitutes an acceptable form of certification. Audit supported this recommendation and provided further comment on the need to improve specific documentation requirements.

Audit recommended that the July 2013 draft purchasing policy be approved and implemented as a priority and management consider and action the type, format and location of documents to be retained.

In response, the Chief Executive, SAFECOM indicated that the purchasing policy would be approved and implemented as a priority. In addition, management will address the format and location of documentation retention in policies and procedures as these are updated.

TI 11 creditor account payment performance

TI 11 requires agencies to develop relevant policies and procedures relating to the payment of creditors' accounts. During 2013-14, TI 11 was updated for the introduction of the *Late Payment of Government Debts (Interest) Act 2013* from February 2014, which provides for interest to be paid on the late payments of debts due to small business in connection with contracts for the supply of goods and services to State Government.

Audit recommended that the accounts payable policy be updated, approved and implemented as soon as possible for requirements covering account payment performance report preparation and recent TI 11 amendments associated with the charging of interest on late payments.

In response, the Chief Executive, SAFECOM advised that the accounts payable policy and related procedure will be updated and implemented.

Banking arrangements and reporting

Consolidated SAFECOM cash at bank and short term deposit account balances include SACFS brigade and SASES unit balances of $4.7 million as at 30 June 2014. Review of brigade and unit account balances and management controls during the year revealed matters that required attention, notably:

- difficulties in locating bank statements to support recorded amounts
- balances that were not updated based on the latest statements from financial institutions
- audit certificates requiring certification of account balances were not received in accordance with policy and on a timely basis
- an overall list of brigade and unit cash and investment account numbers/details was not maintained by SAFECOM and readily available for review.

In raising these matters, Audit acknowledges the important role of volunteers and the time they already invest in collecting revenues, supporting operations and administering numerous brigade and group accounts. It is important, however, for SAFECOM, SACFS and SASES to work with and assist the brigades and units to improve the overall control environment, including for bank and deposit account management and reporting.

Audit recommended that the ESOs continue to work with brigades and units to implement appropriate policy and practice to improve bank and deposit account management and reporting.

In response, the Chief Executive, SAFECOM advised that management have considered a range of options to improve the management controls and reporting for cash and short-term deposits. Making changes to the management of brigade and unit bank accounts would require consultation with volunteers in accordance with the Volunteer Charter signed by the Premier. The Chief Executive indicated that these options will be explored in 2014-15, including financial management reforms that will consider online banking and other information technology solutions. In the interim a list of all brigade and unit bank account details will be collated and maintained.

Other audit findings

Other findings from the audit include:

- the legislative compliance framework/program should be completed and approved
- an approved version of the SAFECOM charter should be made publicly available as required by the Act
- ensuring that workforce plans are submitted to the Board and approved by June of each year
- policies and procedures need to be updated to reflect current practices and regularly reviewed
- outstanding purchase card transactions were not regularly cleared, certified and substantiated by transactions receipts and other documentation
- annual leave balances for a number of SAFECOM and ESO employees continue to appear excessive and should be reviewed to ensure the requirements of Commissioner's Determination 3.1 continue to be met
- bona fide reports and parade statements were not always certified in accordance with established policy.

In response to these issues, the Chief Executive, SAFECOM advised:

- a schedule of legislative requirements was finalised and will be further considered by management
- the SAFECOM charter will be made publicly available
- that workforce plans should be approved in a timely manner and 2014-15 workforce plans were recently completed
- a program of review of policies and procedures commenced in 2013-14 and will continue in 2014-15
- purchase card transactions should be regularly cleared, certified and substantiated by documentation and a review is being undertaken to achieve these matters
- annual leave balances are managed as far as practicable given workforce reductions and managers monitor balances on a monthly basis
- employees wanting to defer leave into the following year must have annual leave in excess of 20 days approved each year
- reminders will be issued to staff to review bona fide reports and parade statements in a timely manner.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of SAFECOM under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters do not relate to SAFECOM's transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report - consolidated emergency services sector

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	138	127
Depreciation and amortisation	20	20
Supplies and services	74	69
Other expenses	5	5
Total expenses	237	221

	2014 $'million	2013 $'million
Total income	16	14
Net cost of providing services	(221)	(207)
Revenues from SA Government	220	200
Net result	(1)	(7)
Other comprehensive income	(4)	-
Total comprehensive result	(5)	(7)
Net cash provided by (used in) operating activities	22	14
Assets		
Current assets	41	39
Non-current assets	329	333
Total assets	370	372
Liabilities		
Current liabilities	32	33
Non-current liabilities	34	30
Total liabilities	66	63
Total equity	304	309

Statement of Comprehensive Income

The main source of revenue for the consolidated sector is contributions from the Fund of $213 million ($220 million), which accounts for 90% of total income (refer note 16 to the financial statements).

Expenses are dominated by employee benefits expenses of $138 million ($127 million), which represent 58% of total expenses. During 2013-14, employee benefits expenses increased by $11 million or 9% due mainly to:

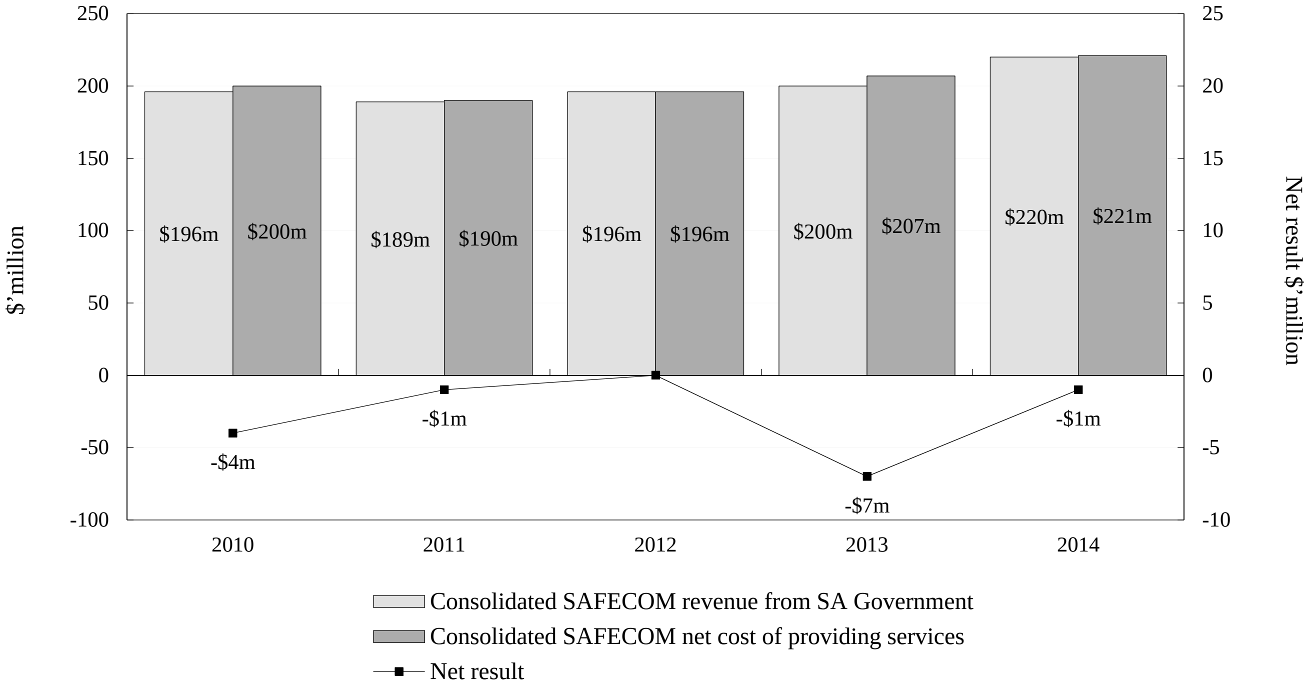
- salaries and wages increasing by $4 million due to increases in overtime, allowances and salaries under the enterprise bargaining agreement for some staff
- LSL expenses increasing by $3.2 million
- workers compensation costs increasing by $2.9 million, due mainly to recent presumptive legislative changes that increase firefighters' compensation for certain cancers associated with their employment.

Refer to 'Further commentary on operations' below for details on workers compensation.

During 2013-14 expenses other than employee benefits expenses increased by $5 million to $99 million. Contributing to the change was:

- an increase in supplies and services of $5 million to $74 million
- a decrease in grants and subsidies expense of $2.8 million to $2.6 million, mainly for expenditure on Commonwealth and State programs
- an increase in other expenses of $2.7 million for asset revaluation decrements taken to the Statement of Comprehensive Income when the asset revaluation reserve was extinguished.

The following table shows the consolidated funding received by SAFECOM from the SA Government (including the Fund), the net cost of providing services and net result for the past five years.

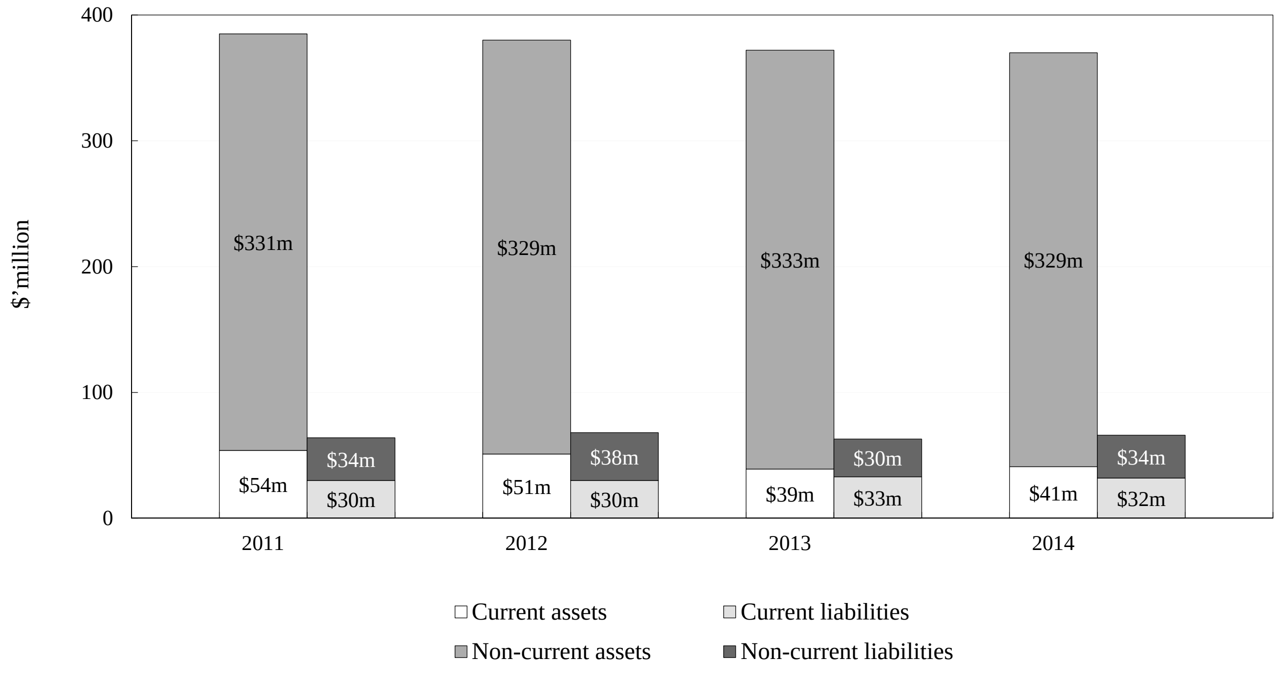


Statement of Financial Position

Property, plant and equipment assets of $326 million represent 88% of total assets. The fair values of the main asset classes held are land ($63 million), buildings ($111 million) and vehicles ($126 million).

Property, plant and equipment decreased by $4 million during the year to $326 million due mainly to capital works in progress acquisitions of $23 million offset by depreciation expense for the year of $20 million (refer note 21 to the financial statements).

For the four years to 2014, a structural analysis of assets and liabilities is shown in the following chart.



Highlights of the financial report - SAFECOM

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	8	8
Supplies and services	5	5
Other expenses	3	6
Total expenses	16	19
Total income	4	4
Net cost of providing services	12	15
Revenues from SA Government	10	12
Net result	(2)	(3)
Other comprehensive income	-	-
Total comprehensive result	(2)	(3)
Net cash provided by (used in) operating activities	(3)	(1)
Assets		
Current assets	11	13
Non-current assets	2	3
Total assets	13	16
Liabilities		
Current liabilities	2	3
Non-current liabilities	2	2
Total liabilities	4	5
Total equity	9	11

Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for SAFECOM is the contributions from the Fund of $10 million which account for 71% of revenues (refer note 16 to the financial statements).

The contributions from the Fund to SAFECOM decreased by 10% to $10 million during 2013-14.

Expenses

Employee benefits expenses are the main expense category of SAFECOM and total $7.6 million ($8.4 million), which represent 47% of total expenses. During 2013-14, employee benefits expenses decreased by $746 000 million or 9%.

Administered items

Highlights of the financial report - Administered items

	2014 $'million	2013 $'million
Expenses		
Contributions to SA Government administrative units	238	223
Grants and subsidies	3	3
Other expenses	8	8
Total expenses	249	234

	2014 $'million	2013 $'million
Income		
Revenues from levy sources	249	232
Other revenues	2	2
Total income	251	234
Net result and total comprehensive result	2	-
Net cash provided by (used in) operating activities	23	2
Assets		
Current assets	29	6
Total assets	29	6
Liabilities		
Current liabilities	25	4
Total liabilities	25	4
Total equity	4	2

Community Emergency Services Fund (the Fund)

Contributions, by way of levies, are made by all owners (including State and Local Government) for fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the ESFA.

The levy on fixed property is collected by RevenueSA and applies to capital values adjusted for location and land use. The levy on mobile property is collected by the Department of Planning, Transport and Infrastructure (DPTI) using the vehicle registration system. Once collected, these levies are paid into the Fund.

In addition, the Government has made direct contributions to the Fund in the form of remissions of levies (both fixed and mobile property) and concession subsidy payments through the Department for Communities and Social Inclusion for eligible persons.

All levy receipts and government contributions are paid into the Fund, from which payments are made to organisations that undertake emergency service activities.

The costs of collecting levies and expenses relating to administration are also met from the Fund.

Statement of Administered Comprehensive Income

Levies and other revenues are collected in accordance with the ESFA to fund the budget of SA Government administrative units, grants and subsidies to various bodies and other payments approved by the Minister. Emergency services levies collected were $249 million, up from $232 million the previous year and comprised:

- fixed property collections $101 million
- mobile collections $33 million
- fixed property remissions $96 million*
- mobile remissions $12 million*
- government concessions $ 7 million.

* Remissions of $108 million are provided by the State Government.

In 2013-14, contributions to SA Government administrative units increased by $15 million to $238 million. The predominant reason for the increase was higher payments to the SAMFS, up $14 million.

Note A5 to the financial statements discloses other expenses. This details that $5.6 million was paid to RevenueSA for collection costs under the ESFA for administering the collection of $101 million in fixed property levies. This approximates a 5.5% collection fee. DPTI collected $33 million in mobile property levies and was paid $793 000 (2.4%) in collection costs.

For the year ended 30 June 2014 the Fund's net result was a surplus of $1.8 million (deficit of $28 000).

The following table shows the Fund's income (mainly levies collected) and expenses over the past four years.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Emergency Services levies collected*	251	234	226	222
Payments to emergency services sector**	249	234	225	223
	2	-	1	(1)

* Includes levies, interest and other income.

** Includes payments to emergency services sector, levy collection and administration costs.

Administered Statement of Financial Position

At 30 June 2014, current assets totalled $29.3 million including an increase in cash and cash equivalents of $22.9 million to $25.4 million. The increase in cash and cash equivalents relates to the uncertainty of proposed funding changes proposed by the Government in the 2014-15 Budget.

In 2013-14, the Government provided $108 million in levy remission funding to the Fund, which reduced the net levies paid by fixed and mobile property owners to $134 million. The timing of remission payments was controlled by the Government and amounts were provided to the Fund when required.

The 2014-15 Budget removed government general remissions for all property owners, except eligible concession recipients, with all other property owners required to pay their full levy from 1 July 2014. As levies are collected progressively throughout a financial year by RevenueSA and DPTI and then transferred to the Fund, the impact of these changed arrangements presents uncertainty in relation to cash flows into and out of the Fund for the 2014-15 year.

Fixed property owners may also request to pay their levies via instalments, and cash inflows into the Fund are dependent on when owners remit payment. Mobile levies are dependent on the timing of motor registrations and renewals.

Fund administrators considered these matters and cash flow uncertainties and decided to retain sufficient cash at 30 June 2014 as a precaution. This resulted in deferring 2013-14 approved budget payments to the following entities within the SA Government:

- South Australian Police $20.3 million
- SA Ambulance Service Inc $ 1.3 million
- Department of Environment, Water and Natural Resources $ 2.6 million
- Attorney-General's Department $ 0.6 million.

At the time of finalising this Report, 2013-14 approved budget payments to the South Australian Police were not paid. Payment is expected to be made in October 2014. Other agency amounts outstanding and held as payables at 30 June 2014 have been paid to the respective agencies.

The increase in current liabilities (current payables) of $21.8 million to $25.7 million ($3.9 million) was mainly due to the above outstanding payments to SA Government administrative units for their 2013-14 approved budgets.

Further commentary on operations

Amendments to the WRCA came into effect during 2013-14 that provide presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible employees and volunteers subject to certain criteria.

The workers compensation provision as at 30 June 2014 is based on a valuation prepared by an actuary that assesses all known claims relating to the revised workers compensation legislation (refer to note 26 to the financial statements).

Whilst further employees may be eligible to make a claim, a reliable estimate of further liabilities cannot be presently made to satisfy the conditions for recognition of liabilities under accounting standards. A contingent liability disclosure has been made at note 30 to the financial statements.

Consequently, there may be a significant increase in the workers compensation provision in future years as further claims are received and assessed.

Statement of Comprehensive Income
for the year ended 30 June 2014

		Consolidated		SAFECOM	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Expenses:					
Employee benefits expenses	5	137 862	126 842	7 607	8 353
Supplies and services	6	73 992	68 945	5 522	5 383
Depreciation and amortisation expense	7	20 401	20 544	775	604
Grants and subsidies	8	2 578	5 411	2 111	4 681
Net loss from disposal of non-current assets	9	165	26	1	13
Other expenses	10	2 652	-	80	-
Total expenses		237 650	221 768	16 096	19 034
Income:					
Revenues from fees and charges	11	6 592	5 589	666	505
Grants and contributions	12	6 245	6 339	3 085	3 385
Interest revenues	13	623	985	251	418
Resources received free of charge	14	1	21	-	-
Other income	15	2 705	1 410	62	80
Total income		16 166	14 344	4 064	4 388
Net cost of providing services		221 484	207 424	12 032	14 646
Revenues from (Payments to) SA Government:					
Revenues from SA Government	16	220 735	200 323	9 964	11 744
Total revenues from (payments to) SA Government		220 735	200 323	9 964	11 744
Net result		(749)	(7 101)	(2 068)	(2 902)
Other comprehensive income:					
Items that will not be reclassified to net result:					
Changes in revaluation surplus	21	(3 945)	-	-	-
Total other comprehensive income		(3 945)	-	-	-
Total comprehensive result		(4 694)	(7 101)	(2 068)	(2 902)

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

Statement of Financial Position
as at 30 June 2014

		Consolidated		SAFECOM	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash and cash equivalents	17	32 185	32 512	9 656	12 657
Receivables	18	5 820	3 084	1 198	953
Other financial assets	19	2 180	2 028	-	-
Non-current assets held for sale	20	1 031	1 246	-	-
Total current assets		41 216	38 870	10 854	13 610
Non-current assets:					
Property, plant and equipment	21	326 494	330 441	375	388
Intangible assets	22	2 010	2 653	2 001	2 638
Total non-current assets		328 504	333 094	2 376	3 026
Total assets		369 720	371 964	13 230	16 636
Current liabilities:					
Payables	24	10 394	13 305	1 229	2 279
Employee benefits	25	18 769	17 879	1 073	1 117
Provisions	26	2 959	1 744	31	25
Total current liabilities		32 122	32 928	2 333	3 421
Non-current liabilities:					
Payables	24	1 925	1 793	129	149
Employee benefits	25	20 558	19 187	1 389	1 602
Provisions	26	10 970	9 217	135	152
Total non-current liabilities		33 453	30 197	1 653	1 903
Total liabilities		65 575	63 125	3 986	5 324
Net assets		304 145	308 839	9 244	11 312
Equity:					
Revaluation surplus	27	64 979	68 924	-	-
Retained earnings	28	239 166	239 915	9 244	11 312
Total equity		304 145	308 839	9 244	11 312

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	29
Contingent assets and liabilities	30

Statement of Changes in Equity
for the year ended 30 June 2014

Consolidated	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		68 924	247 016	315 940
Net result for 2012-13		-	(7 101)	(7 101)
Total comprehensive result for 2012-13		-	(7 101)	(7 101)
Balance at 30 June 2013	27	68 924	239 915	308 839
Net result for 2013-14		-	(749)	(749)
Loss on revaluation of property, plant and equipment during 2013-14	21	(3 945)	-	(3 945)
Total comprehensive result for 2013-14		(3 945)	(749)	(4 694)
Balance at 30 June 2014	27	64 979	239 166	304 145
SAFECOM				
Balance at 30 June 2012		-	14 214	14 214
Net result for 2012-13		-	(2 902)	(2 902)
Total comprehensive result for 2012-13		-	(2 902)	(2 902)
Balance at 30 June 2013	27	-	11 312	11 312
Net result for 2013-14		-	(2 068)	(2 068)
Loss on revaluation of property, plant and equipment during 2013-14		-	-	-
Total comprehensive result for 2013-14		-	(2 068)	(2 068)
Balance at 30 June 2014	27	-	9 244	9 244

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

Statement of Cash Flows
for the year ended 30 June 2014

		Consolidated		SAFECOM	
		2014	2013	2014	2013
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
	Note	$’000	$’000	$’000	$’000
Cash flows from operating activities:					
Cash outflows:					
Employee benefit payments		(132 726)	(126 338)	(7 926)	(8 093)
Supplies and services payments		(87 148)	(80 257)	(8 607)	(6 710)
Grants and subsidies payments		(2 578)	(5 411)	(2 111)	(4 681)
GST paid to the ATO		(130)	(105)	-	-
Payments for Paid Parental Leave Scheme		(24)	(72)	(2)	(31)
Other payments		-	-	-	(1)
Cash used in operations		(222 606)	(212 183)	(18 646)	(19 517)
Cash inflows:					
Fees and charges		7 689	7 025	609	602
Receipts from grants and contributions		4 178	6 339	3 085	3 385
Interest received		627	1 035	261	429
GST recovered from the ATO		9 269	10 068	1 869	2 331
Receipts for Paid Parental Leave Scheme		22	61	-	22
Other receipts		2 221	1 453	63	69
Cash generated from operations		24 006	25 981	5 887	6 838
Cash flows from SA Government:					
Contributions from Community Emergency Services Fund	16	212 968	198 983	9 952	11 003
Other receipts from SA Government	16	7 767	1 340	12	741
Cash generated from SA Government		220 735	200 323	9 964	11 744
Net cash provided by (used in) operating activities	28	22 135	14 121	(2 795)	(935)
Cash flows from investing activities:					
Cash outflows:					
Purchase of property, plant and equipment		(22 816)	(25 690)	(206)	(70)
Purchase of investments		(152)	343	-	-
Cash used in investing activities		(22 968)	(25 347)	(206)	(70)
Cash inflows:					
Proceeds from sale of property, plant and equipment		506	361	-	-
Cash generated from investing activities		506	361	-	-
Net cash provided by (used in) investing activities		(22 462)	(24 986)	(206)	(70)
Net increase (decrease) in cash and cash equivalents		(327)	(10 865)	(3 001)	(1 005)
Cash and cash equivalents at 1 July		32 512	43 377	12 657	13 662
Cash and cash equivalents at 30 June	17	32 185	32 512	9 656	12 657

Notes to and forming part of the financial statements

1. Establishment, objectives and funding arrangements

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) is established under the *Fire and Emergency Services Act 2005* (the Act).

The Act also defines the Emergency Services sector as consisting of the:

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

The Act requires that consolidated statements of accounts be prepared for the emergency services sector.

Objectives

SAFECOM has the following objectives:

- to develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector
- to provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency services sector
- to ensure relevant statutory compliance by the emergency services organisations
- to build a safer community through integrated emergency service delivery
- to undertake a leadership role in the emergency management
- to report regularly to the Minister about relevant issues.

Funding arrangements

The funding of SAFECOM is primarily derived from the Community Emergency Services Fund (the Fund) in accordance with the *Emergency Services Funding Act 1998*.

2. Summary of significant accounting policies

(a) Statement of compliance

SAFECOM has prepared these financial statements in compliance with section 23 of the PFAA.

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

SAFECOM has applied AASs that are applicable to not-for-profit entities as SAFECOM is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFECOM for the reporting period ending 30 June 2014 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SAFECOM's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

(b) Basis of preparation (continued)

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. SAFECOM has elected not to utilise this threshold ie all revenues, expenses, financial assets and liabilities relating to SA Government have been separately disclosed

  (b) expenses incurred as a result of engaging consultants

  (c) employee TVSP information

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by SAFECOM and forming the emergency services sector as at 30 June 2014 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(d) Reporting entity

SAFECOM is an administrative unit of the Crown, established under the Act.

The financial statements and accompanying notes include all the controlled activities of SAFECOM. Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered, the Fund items are significant in relation to SAFECOM’s overall financial performance and position and therefore are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for SAFECOM items.

South Australian State Emergency Service administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of the agency’s own objectives.

Transactions and balances relating to the trust assets are not recognised as the agency’s income, expenses, assets and liabilities, but are disclosed in note 34 as trust funds.

(e) Comparative information

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

(e) Comparative information (continued)

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

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

(f) Rounding

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

(g) Taxation

SAFECOM is not subject to income tax. SAFECOM is liable for payroll tax, FBT and GST.

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

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

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

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

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

GST receivables/payables associated with administered items transactions are included in SAFECOM's statements.

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

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

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to SAFECOM will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund and other receipts from the SA Government are recognised as income when SAFECOM obtains control over the funding. Control over funding is normally obtained upon receipt.

Grants and contributions

Grants and contributions are recognised as an asset and income when SAFECOM obtains control of revenues or obtains the right to receive the revenues and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Commonwealth revenues (continued)
Generally, SAFECOM has obtained control or the right to receive for:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is, income would be recognised for contributions received or receivable under the agreement.

All contributions received by SAFECOM have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge
Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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

Other income
Other income consists of donations received, fundraising revenue and other minor revenues.

(j) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from SAFECOM will occur and can be reliably measured.

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

The following are specific recognition criteria:

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by SAFECOM to the superannuation plan in respect of current services of current SAFECOM staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements for all Government managed funds.

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

Net loss on non-current assets
Expenses from the disposal of non-current assets are recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any loss on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the cost of the asset from the proceeds at that time.

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

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

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

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

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

Class of asset	*Consolidated Useful life (years)*	*SAFECOM Useful life (years)*
Buildings	40-50	40
Vehicles	15-20	15
Communications equipment	10	10
Computer equipment	5	5
Plant and equipment	10	10
Intangibles	5	5

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

All contributions paid by SAFECOM have been contributions with unconditional stipulations attached.

(k) Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, SAFECOM has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

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

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

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that SAFECOM will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets

SAFECOM measures other financial assets at cost. All assets in this category are either short or medium-term cash deposits.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

Impairment

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

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

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. SAFECOM only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

Intangible assets (continued)
All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Subsequent expenditure on intangible assets has not been capitalised. This is because SAFECOM has been unable to attribute this expenditure to the intangible asset rather than to SAFECOM as a whole.

Fair value measurement
AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

SAFECOM classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in active market and are derived from unobservable inputs.

Non-financial assets
In determining fair value, SAFECOM has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

SAFECOM current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As SAFECOM did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

Refer notes 21 and 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets
SAFECOM does not recognise any financial assets at fair value.

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

Payables
Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

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

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.

The Paid Parental Leave Scheme payable represents amounts which SAFECOM has received from the Commonwealth Government to forward onto eligible employees via SAFECOM's standard payroll processes. That is, SAFECOM is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include superannuation contributions, WorkCover levies and payroll tax in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

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

- *Wages, salaries, annual leave, SERL and sick leave*
  The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

  The annual leave liability and SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages, annual leave and SERL liability are payable later than 12 months, the liability will be measured at present value.

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

- *LSL*
  The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

  The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the police and emergency services sector across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. As of 28 November 2013 amendments of the WRCA introduced presumptive recognition of certain cancers for eligible South Australian firefighters. This has resulted in minor impact to employee expenses in the consolidated Statement of Comprehensive Income and provisions in the Statement of Financial Position.

SAFECOM is responsible for the payment of workers compensation claims.

(n) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards and policies

SAFECOM did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14 SAFECOM has:

- reviewed its fair value valuation techniques (both internal estimates and independent appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, SAFECOM has used the cost approach or the market approach to determine fair value. SAFECOM will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 21 and 23.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAFECOM for the period ending 30 June 2014. SAFECOM has assessed the impact of the new and amended standards and interpretations and considers there will be minimal impact on the accounting policies or the financial statements of SAFECOM.

4. Activities of SAFECOM

In achieving its objectives, SAFECOM provides strategic and corporate support services to the South Australian Country Fire Service, South Australian Metropolitan Fire Service and South Australian State Emergency Service. These services are classified under one program titled ‘Fire and Emergency Services Strategic and Business Support’.

5. Employee benefits expenses

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$’000	$’000	$’000	$’000
Salaries and wages	95 614	91 642	5 941	6 270
Annual leave	11 444	11 435	500	593
SERL	657	805	24	40
LSL	3 538	364	106	351
Employment on-costs - superannuation	13 135	12 508	659	707
Payroll tax	6 101	5 695	331	370
TVSPs (refer below)	63	-	-	-
Workers compensation costs	6 483	3 616	3	(20)
Other employment related expenses	827	777	43	42
Total employee benefits expenses	137 862	126 842	7 607	8 353

TVSPs and early terminations

	Consolidated 2014	Consolidated 2013	SAFECOM 2014	SAFECOM 2013
Amounts paid to these employees:				
TVSPs	63	-	-	-
Leave paid to those employees	32	-	-	-
	95	-	-	-
Recovery from DTF	(63)	(601)	-	(601)
Net cost to agency	32	(601)	-	(601)

5. Employee benefits expenses (continued)

	Consolidated 2014 Number	Consolidated 2013 Number	SAFECOM 2014 Number	SAFECOM 2013 Number
Number of employees who received a TVSP or early termination during the reporting period	1	-	-	-

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	Consolidated 2014 Number	Consolidated 2013 Number	SAFECOM 2014 Number	SAFECOM 2013 Number
$138 000 - $141 499*	-	12	-	1
$141 500 - $151 499##	23	21	1	1
$151 500 - $161 499#	17	9	-	-
$161 500 - $171 499	5	5	-	-
$171 500 - $181 499	7	2	-	-
$181 500 - $191 499	2	1	-	1
$191 500 - $201 499	-	1	-	1
$221 500 - $231 499	-	1	-	-
$231 500 - $241 499	2	1	-	-
$251 500 - $261 499	1	2	-	-
$261 500 - $271 499	1	-	1	-
$281 500 - $291 499	-	2	-	1
$291 500 - $301 499	2	1	1	-
$311 500 - $321 499	1	-	-	-
Total	61	58	3	5

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

This band includes one South Australian Metropolitan Fire Service Superannuation Scheme employee under consolidated year 2014.

This band includes one South Australian Metropolitan Fire Service Superannuation Scheme employee under consolidated year 2013.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was SAFECOM $708 000 ($961 000) and Consolidated $10.339 million ($9.58 million).

6. Supplies and services

	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Accommodation	377	398	-	-
Aerial support costs	9 921	8 465	-	-
Auditor's remuneration	194	176	114	97
Communications	2 601	2 383	836	538
Computing costs	3 348	4 137	668	544
Consultancy, contractor and legal fees	5 241	5 495	682	1 405
Consumables	4 103	3 571	58	102
Energy	1 682	1 645	9	18
Government Radio Network	13 944	13 741	-	-
Insurance premiums	716	559	8	7
Minor plant and equipment	2 605	2 460	9	10
Operating lease costs	4 101	4 357	447	541
Operational costs	3 509	2 233	22	18
Repairs and maintenance	8 635	8 202	84	78
SSSA payments	1 560	1 422	1 541	1 420
Travel and training	4 513	3 492	185	239
Uniforms and protective clothing	3 139	2 634	1	-
Other expenses	3 803	3 575	858	366
Total supplies and services	73 992	68 945	5 522	5 383

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	Consolidated 2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	5	14	11	42
Between $10 000 - $50 000	2	25	2	41
Total paid/payable	7	39	13	83

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	SAFECOM 2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	-	-	4	21
Between $10 000 - $50 000	1	14	2	41
Total paid/payable	1	14	6	62

Auditor's remuneration

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Audit fees paid/payable to Auditor-General's Department	$'000	$'000	$'000	$'000
relating to the audit of the financial statements	194	176	114	97
Total audit fees	194	176	114	97

Other services

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

Supplies and services provided by entities within the SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Accommodation	315	339	-	-
Aerial support costs	139	17	-	-
Auditor's remuneration	194	176	114	97
Communications	123	96	47	40
Computing costs	919	426	149	78
Consultancy, contractor and legal fees	759	879	180	76
Consumables	1	218	-	16
Energy	73	60	9	18
Government Radio Network	13 944	13 741	-	-
Insurance premiums	640	499	8	7
Minor plant and equipment	9	56	-	-
Operating lease costs	1 279	2 205	370	481
Operational costs	210	62	-	-
Repairs and maintenance	1 359	739	71	63
SSSA payments	1 548	1 421	1 541	1 420
Travel and training	269	199	4	5
Uniforms and protective clothing	-	13	-	-
Other expenses	536	858	13	210
Total supplies and services provided by entities within the SA Government	22 317	22 004	2 506	2 511

7. Depreciation and amortisation expense

	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Depreciation:				
Buildings	5 451	5 553	2	-
Vehicles	11 884	11 439	-	-
Computers	43	104	18	69
Plant	788	974	40	33
Communications	1 504	1 887	-	-
Total depreciation	19 670	19 957	60	102
Amortisation:				
Software	731	587	715	502
Total amortisation	731	587	715	502
Total depreciation and amortisation expense	20 401	20 544	775	604

8. Grants and subsidies	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Grants and subsidies	2 578	5 411	2 111	4 681
Total grants and subsidies	2 578	5 411	2 111	4 681
Grants and subsidies paid/payable to entities within the SA Government:				
Grants and subsidies	696	1 087	696	1 087
Total grants and subsidies - SA Government entities	696	1 087	696	1 087

9. Net gain (loss) from disposal of non-current assets	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Land and buildings:				
Proceeds from disposal	231	-	-	-
Net book value of assets disposed	(318)	-	-	-
Costs of disposal	(17)	(2)	-	-
Net gain (loss) from disposal of land and buildings	(104)	(2)	-	-
Vehicles:				
Proceeds from disposal	275	361	-	-
Net book value of assets disposed	(334)	(372)	-	-
Net gain (loss) from disposal of vehicles	(59)	(11)	-	-
Computer equipment:				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	-	(13)	-	(13)
Net gain (loss) from disposal of computer equipment	-	(13)	-	(13)
Plant and equipment:				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	(1)	-	-	-
Net gain (loss) from disposal of plant and equipment	(1)	-	-	-
Intangible assets:				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	(1)	-	(1)	-
Net gain (loss) from disposal of intangible assets	(1)	-	(1)	-
Total:				
Total proceeds from disposal	506	361	-	-
Total value of assets disposed	(654)	(385)	(1)	(13)
Total costs of disposal	(17)	(2)	-	-
Total net gain (loss) from disposal of non-current assets	(165)	(26)	(1)	(13)

10. Other expenses	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Asset revaluation decrement	2 652	-	80	-
Total other expenses	2 652	-	80	-

11. Revenues from fees and charges	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Fire alarm attendance fees	2 583	2 223	-	-
Fire safety fees	439	434	-	-
Fire alarm monitoring fees	2 095	2 013	-	-
Incident cost recoveries	600	-	-	-
Training and other recoveries	319	379	-	-
Salary recoveries	544	517	666	505
Other recoveries	12	23	-	-
Total revenues from fees and charges	6 592	5 589	666	505

Fees and charges received/receivable from entities within the SA Government	Consolidated		SAFECOM	
	2014	2013	2014	2013
The following fees and charges (included in the revenues from fees and charges shown above) were received/ receivable from entities within the SA Government:	$'000	$'000	$'000	$'000
Fire alarm attendance fees	551	456	-	-
Fire safety fees	14	12	-	-
Fire alarm monitoring fees	245	233	-	-
Training and other recoveries	118	43	-	-
Salary recoveries	540	508	666	505
Other recoveries	4	-	-	-
Total fees and charges received/receivable from entities within the SA Government	1 472	1 252	666	505

12. Grants and contributions

Commonwealth Government	4 994	6 319	1 979	3 385
Private industry and local government	100	-	-	-
State Government	1 151	20	1 106	-
Total grants and contributions	6 245	6 339	3 085	3 385

Grants and contributions received/receivable from entities within the SA Government

The following grants and contributions (included in the Commonwealth revenues shown above) were received/ receivable from entities within the SA Government:				
Other entities within the SA Government	1 151	20	1 106	-
Total grants and contributions	1 151	20	1 106	-

Commonwealth grant funding for SAFECOM relates mainly to the Natural Disaster Resilience program, and other emergency management grants and include contributions towards aerial fire fighting costs, provision of fire and emergency services to Commonwealth properties and other emergency programs and projects.

Contributions which have conditions of expenditure still to be met as at reporting date were $3.091 million ($6.925 million). These contributions relate to Natural Disaster Resilience program, Natural Disaster Mitigation program and National Emergency Management projects.

Restrictions attached to these contributions include completion of progress reports and final project acquittal.

13. Interest revenues

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Interest on deposit accounts -	$'000	$'000	$'000	$'000
from entities within the SA Government	623	985	251	418
Total interest revenues	623	985	251	418

14. Resources received free of charge

Asset contributions from local government councils and other organisations	1	21	-	-
Total resources received free of charge	1	21	-	-

During 2012-13, two properties have been transitioned into the control of the Minister (valued at fair value of $21 000).

15. Other income

Donations	30	1	-	-
Groups/Brigades fundraising revenue	817	524	-	-
Rent received	1 057	113	-	-
Insurance recoveries	-	34	-	-
Other	801	738	62	80
Total other income	2 705	1 410	62	80

Other income received/receivable from entities within within the SA Government	Consolidated		SAFECOM	
	2014	2013	2014	2013
The following other income (included in the other income revenues shown above) was received/ receivable from entities within the SA Government:	$'000	$'000	$'000	$'000
Rent received	-	27	-	-
Other	134	93	49	65
Total other income received/receivable from entities within the SA Government	134	120	49	65

16. Revenues from (Payments to) SA Government

Revenues from SA Government:				
Contributions from Community Emergency Services Fund	212 968	198 983	9 952	11 003
Other revenues from SA Government	7 767	1 340	12	741
Total revenues from (payments to) SA Government	220 735	200 323	9 964	11 744

Total revenues from the SA Government for SAFECOM consist of $9.964 million ($11.744 million) for operational funding and $0 ($0) for capital projects.

Total revenues from the SA Government for SAFECOM Consolidated consists of $194.047 million ($172.707 million) for operational funding and $26.688 million ($27.616 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 8, 21 and 22.

17. Cash and cash equivalents

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash on hand	18	19	2	2
Deposits with the Treasurer	26 857	27 774	9 654	12 655
Cash at bank (non-SA Government)	552	551	-	-
Cash at bank (non-SA Government) - groups/brigades	3 773	3 313	-	-
Short-term deposits (non-SA Government) - groups/brigades	939	838	-	-
Short-term deposits	46	17	-	-
Total cash and cash equivalents	32 185	32 512	9 656	12 657

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Deposit at call and with the Treasurer earn a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

18. Receivables

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Receivables	3 395	849	30	-
Allowance for doubtful debts	(61)	(168)	-	-
	3 334	681	30	-
Accrued revenues	758	671	598	579
GST input tax recoverable	1 728	1 732	570	374
Total receivables	5 820	3 084	1 198	953

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:				
Current:				
Receivables	128	93	29	-
Accrued revenues	646	634	594	579
Total receivables from entities within the SA Government	774	727	623	579

Movements in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	(168)	(349)	-	(122)
Amounts written off	47	23	-	-
Decrease (Increase) in the allowance recognised in profit or loss	60	158	-	122
Carrying amount at 30 June	(61)	(168)	-	-

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note 33.

19. Other financial assets

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Medium-term deposits - groups/brigades	2 180	2 028	-	-
Total other financial assets	2 180	2 028	-	-

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note 33

20. Non-current assets held for sale

Buildings	4	4	-	-
Land	1 027	1 242	-	-
Total non-current assets held for sale	1 031	1 246	-	-

During 2010-11 the South Australian Metropolitan Fire Service closed operation at Burra and this resulted in the facility becoming surplus.

A tender to sell surplus South Australian Country Fire Service land at Port Lincoln during 2010-11 failed to be realised, and as at 30 June 2014 the property continues to remain on the market for sale.

21. Property, plant and equipment

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Land:	$'000	$'000	$'000	$'000
At valuation	63 077	54 957	-	-
At cost (deemed fair value)	-	746	-	-
Total land	63 077	55 703	-	-
Buildings:				
At valuation	113 421	119 738	-	-
At cost (deemed fair value)	553	7 478	29	32
Accumulated depreciation	(2 655)	(8 343)	(2)	-
Total buildings	111 319	118 873	27	32
Vehicles:				
At valuation	122 590	117 963	-	-
At cost (deemed fair value)	9 749	26 343	-	-
Accumulated depreciation	(5 942)	(16 824)	-	-
Total vehicles	126 397	127 482	-	-

21. Property, plant and equipment

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Communications equipment:				
At valuation	6 847	8 758	-	-
At cost (deemed fair value)	601	3 550	-	-
Accumulated depreciation	(591)	(2 742)	-	-
Total communication equipment	6 857	9 566	-	-
Computer equipment:				
At valuation	49	44	17	26
At cost (deemed fair value)	232	197	149	58
Accumulated depreciation	(13)	(57)	(5)	(18)
Total computer equipment	268	184	161	66
Plant and equipment:				
At valuation	2 950	4 291	209	179
At cost (deemed fair value)	203	1 914	-	140
Accumulated depreciation	(287)	(1 413)	(22)	(50)
Total plant and equipment	2 866	4 792	187	269
Capital works in progress:				
At cost (deemed fair value)	15 710	13 841	-	21
Total capital works in progress	15 710	13 841	-	21
Total property, plant and equipment	326 494	330 441	375	388

Valuation of assets

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific's Mr M Burns MRICS AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

As at 30 June 2014, in accordance with SAFECOM policy, a review of the valuations were undertaken by a suitability qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequently it was determined no revaluation adjustment were required at this time.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2014.

Resources received free of charge

Refer note 14.

Movement reconciliation of property, plant and equipment

2014	Land	Buildings	Vehicles	Communi-cations equipment	Computer equipment	Plant and equipment	Capital works in progress	Total
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	55 703	118 873	127 482	9 566	184	4 792	13 841	330 441
Acquisitions	-	48	63	-	-	13	22 710	22 834
Transfers to (from) capital works in progress	4 045	6 013	9 685	601	229	189	(20 763)	(1)
Transfers to (from) intangibles	-	-	-	-	-	-	(78)	(78)
Depreciation	-	(5 452)	(11 884)	(1 504)	(45)	(787)	-	(19 672)
Net revaluation increment (decrement)	3 345	(8 075)	1 384	1	-	(598)	-	(3 943)
Assets received for nil consideration	1	-	-	-	-	-	-	1
Disposals	(17)	(85)	(333)	-	-	(1)	-	(436)
Net revaluation decrement expensed	-	(3)	-	(1 807)	(100)	(742)	-	(2 652)
Carrying amount at 30 June	63 077	111 319	126 397	6 857	268	2 866	15 710	326 494

Movement reconciliation of property, plant and equipment (continued)

2014	Land	Buildings	Vehicles	Communi-cations equipment	Computer equipment	Plant and equipment	Capital works in progress	Total
SAFECOM	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	-	32	-	-	66	269	21	388
Acquisitions	-	-	-	-	-	-	205	205
Transfers to (from) capital works in progress	-	-	-	-	148	-	(148)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(78)	(78)
Depreciation	-	(2)	-	-	(18)	(40)	-	(60)
Net revaluation decrement expensed	-	(3)	-	-	(35)	(42)	-	(80)
Carrying amount at 30 June	-	27	-	-	161	187	-	375
2013								
Consolidated								
Carrying amount at 1 July	55 017	117 509	120 971	10 913	217	5 214	15 803	325 644
Acquisitions	-	-	-	-	-	-	26 251	26 251
Transfers to (from) capital works in progress	665	6 917	18 322	540	84	552	(27 079)	1
Transfers to (from) intangibles	-	-	-	-	-	-	(1 134)	(1 134)
Depreciation	-	(5 553)	(11 439)	(1 887)	(104)	(974)	-	(19 957)
Assets received for nil consideration	21	-	-	-	-	-	-	21
Disposals	-	-	(372)	-	(13)	-	-	(385)
Carrying amount at 30 June	55 703	118 873	127 482	9 566	184	4 792	13 841	330 441
SAFECOM								
Carrying amount at 1 July	-	-	-	-	90	297	1 180	1 567
Acquisitions	-	-	-	-	-	-	70	70
Transfers to (from) capital works in progress	-	32	-	-	58	5	(95)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(1 134)	(1 134)
Depreciation	-	-	-	-	(69)	(33)	-	(102)
Disposals	-	-	-	-	(13)	-	-	(13)
Carrying amount at 30 June	-	32	-	-	66	269	21	388

22. Intangible assets

	Consolidated 2014	Consolidated 2013	SAFECOM 2014	SAFECOM 2013
	$'000	$'000	$'000	$'000
Computer software	4 134	4 604	3 461	3 612
Accumulated amortisation	(2 124)	(1 951)	(1 460)	(974)
Total intangible assets	2 010	2 653	2 001	2 638

Movement reconciliation of intangible assets

	Consolidated 2014	Consolidated 2013	SAFECOM 2014	SAFECOM 2013
Carrying amount at 1 July	2 653	2 107	2 638	2 006
Amortisation expense	(731)	(587)	(715)	(502)
Transfers from capital works in progress	88	1 134	78	1 134
Carrying amount at 30 June	2 010	2 654	2 001	2 638

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at 30 June 2014.

23 Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. SAFECOM categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014:

SAFECOM had no valuations categorised into level 1.

Fair value measurements at 30 June 2014

Consolidated		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	21	12 951	50 126	63 077
Buildings	21	11 214	100 105	111 319
Vehicles	21	9 626	116 771	126 397
Communications equipment	21	597	6 260	6 857
Computer equipment	21	222	46	268
Plant and equipment	21	192	2 674	2 866
Total recurring fair value measurements		34 802	275 982	310 784
Non-recurring fair value measurements:				
Land held for sale	20	1 027	-	1 027
Buildings held for sale	20	4	-	4
Total non-recurring fair value measurements		1 031	-	1 031
Total fair value measurements		35 833	275 982	311 815

2014 **SAFECOM**				
Recurring fair value measurements:				
Land	21	-	-	-
Buildings	21	-	27	27
Vehicles	21	-	-	-
Communications equipment	21	-	-	-
Computer equipment	21	145	16	161
Plant and equipment	21	-	187	187
Total recurring fair value measurements		145	230	375
Non-recurring fair value measurements:				
Land held for sale	20	-	-	-
Buildings held for sale	20	-	-	-
Total non-recurring fair value measurements		-	-	-
Total fair value measurements		145	230	375

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. SAFECOM's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 21. There were no changes in the valuation techniques during 2014.

Land with restricted use is considered within input level 3.

Buildings specialised are classified as input level 3.

As with all assets in this valuation, the market price has been estimated by the written-down replacement cost of a modern equivalent or reproduced comparable asset, not the replacement cost of existing asset on a like with like material basis.

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

2014
Consolidated

Description	*Fair value*	*Valuation technique*	*Unobservable inputs*	*Range*		
	$'000			*$*	*$/m²*	*Years*
Land	50 126	Sales comparison[(1)]	Sale equivalent per unit of measure	-	1-750	-
Buildings	100 105	Depreciated replacement cost[(2)]	Cost per unit of measure	-	450-10 500	40-50
Other plant and equipment	125 751	Depreciated replacement cost[(3)]	Current market replacement cost	1500- 2 452 407	-	5-20

(1) Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

(2) Due to the highly specialised nature of the assets, fair value was determined using depreciated replacement cost approach. Key assumption were the use of the properties and specialised nature of the improvements either by virtue of the type of improvement, location or scale.

(3) Due to no quoted market price available for this asset class in an active and liquid market, fair value has been estimated by written-down replacement cost.

Quantitative information about fair value measurement using significant unobservable inputs (level 3) (continued)

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

Reconciliation of fair value measurement

2014 **Consolidated**	Land $'000	Buildings $'000	Vehicles $'000	Communi-cation $'000	Computer equipment $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 July	45 471	106 625	127 481	9 565	185	4 793	294 120
Capitalised subsequent expenditure	1 363	4 982	-	-	-	-	6 345
Revaluation increment (decrement)	3 308	(6 493)	1 384	(1 806)	(100)	(1 340)	(5 047)
Depreciation	-	(4 923)	(11 760)	(1 499)	(39)	(778)	(18 999)
Disposals	(16)	(86)	(334)	-	-	(1)	(437)
Closing balance at 30 June	50 126	100 105	116 771	6 260	46	2 674	275 982

2014
SAFECOM

Description	*Fair value $'000*	*Valuation technique*	*Unobservable inputs*	*Range $*	*Range $/m²*	*Range Years*
Other plant and equipment	230	Depreciated replacement cost[(1)]	Current market replacement cost	5290 - 178 732	-	5-10

[(1)] Due to no quoted market price available for this asset class in an active and liquid market, fair value has been estimated by written-down replacement cost.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

Reconciliation of fair value measurement

2014 **SAFECOM**	Land $'000	Buildings $'000	Vehicles $'000	Communi-cation $'000	Computer equipment $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 July	-	32	-	-	66	269	367
Revaluation increment (decrement)	-	(3)	-	-	(35)	(42)	(80)
Depreciation	-	(2)	-	-	(15)	(40)	(57)
Disposals	-	-	-	-	-	-	-
Closing balance at 30 June	-	27	-	-	16	187	230

24. Payables

	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Current:				
Accrued expenses	1 012	1 800	379	566
Creditors	6 373	8 280	694	1 524
FBT payable	206	201	11	12
Paid Parental Leave Scheme payable	-	2	-	2
Employment on-costs	2 803	3 022	145	175
Total current payables	10 394	13 305	1 229	2 279

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

	Consolidated 2014 $'000	Consolidated 2013 $'000	SAFECOM 2014 $'000	SAFECOM 2013 $'000
Accrued expenses	418	678	277	399
Creditors	2 080	3 473	394	542
FBT payable	206	201	11	12
Employment on-costs	1 076	1 436	58	91
Total current payables to entities within the SA Government	3 780	5 788	740	1 044

24. Payables (continued)

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Non-current:	$'000	$'000	$'000	$'000
Creditors	6	-	-	-
Employment on-costs	1 919	1 793	129	149
Total non-current payables	1 925	1 793	129	149

Non-current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:				
Employment on-costs	1 072	1 010	72	84
Total non-current payables to entities within the SA Government	1 072	1 010	72	84

Employment on-costs

The actuarial assessment performed by DTF has resulted in the percentage of the proportion of LSL taken as leave to remain at the 2013 rate of 40%, and the average factor for the calculation of employer superannuation cost on-cost has increased to 10.3% from (10.2%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of SAFECOM $50 000, Consolidated $93 000 and employee benefit expense of SAFECOM $50 000, Consolidated $93 000. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information

Refer note 33.

25. Employee benefits

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Accrued salaries and wages	3 110	2 574	24	30
Annual leave	10 403	10 064	631	675
SERL	1 086	805	40	40
LSL	4 170	4 436	378	372
Total current employee benefits	18 769	17 879	1 073	1 117
Non-current:				
LSL	20 558	19 187	1 389	1 602
Total non-current employee benefits	20 558	19 187	1 389	1 602

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

26. Provisions

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Current:	$'000	$'000	$'000	$'000
Provision for workers compensation	2 959	1 744	31	25
Total current provisions	2 959	1 744	31	25
Non-current:				
Provision for workers compensation	10 970	9 217	135	152
Total non-current provisions	10 970	9 217	135	152
Total provisions	13 929	10 961	166	177
Provision movement:				
Carrying amount at 1 July	10 961	10 475	177	213
Additional provisions recognised (released)	6 504	3 690	4	(23)
Reductions arising from payments	(3 536)	(3 204)	(15)	(13)
Carrying amount at 30 June	13 929	10 961	166	177

Amendments to the WRCA came into effect during 2013-14 that provided presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible firefighters subject to certain criteria.

The workers compensation provision as at 30 June 2014 is based on a valuation prepared by an actuary that assesses all known claims relating to the revised workers compensation legislation. While further firefighters may be eligible to make a claim, a reliable estimate of further liabilities cannot be presently made to satisfy the conditions for recognition of liabilities under accounting standards. A contingent liability disclosure has been made at note 30 to the financial statements.

Consequently, there may be a significant increase in workers compensation provision in future years as further claims are received and assessed.

27. Equity

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Retained earnings	239 166	239 915	9 244	11 312
Revaluation surplus	64 979	68 924	-	-
Total equity	304 145	308 839	9 244	11 312

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

28. Cash flow reconciliation

	Consolidated		SAFECOM	
	2014	2013	2014	2013
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	32 185	32 512	9 656	12 657
Balance as per the Statement of Cash Flows	32 185	32 512	9 656	12 657
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services				
Net cash provided by (used in) operating activities	22 135	14 121	(2 795)	(935)
Revenues from SA Government	(220 735)	(200 323)	(9 964)	(11 744)
Non-cash items:				
Depreciation and amortisation	(20 401)	(20 544)	(775)	(604)
Assets received free of charge	1	21	-	-
Assets revaluation increment (decrement) recognised in Statement of Comprehensive Income	(2 652)	1	(80)	1
Net profit (loss) from disposal of non-current assets	(165)	(26)	(1)	(13)
Movements in assets/liabilities:				
Receivables	2 736	(619)	245	4
Payables	2 826	299	1 070	(1 091)
Employee benefits	(2 261)	132	257	(300)
Provisions	(2 968)	(486)	11	36
Net cost of providing services	(221 484)	(207 424)	(12 032)	(14 646)

29. Unrecognised contractual commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year	2 088	3 343	144	650
Later than one year but not later than five years	2 881	2 195	48	164
Later than five years	1 113	89	-	-
Total operating lease commitments	6 082	5 627	192	814

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

	Consolidated		SAFECOM	
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, payable as follows:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within one year	4 265	10 677	-	-
Total capital commitments	4 265	10 677	-	-

Expenditure commitments - remuneration

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	2 059	1 748	310	76
Later than one year but not later than five years	1 324	3 016	63	-
Total remuneration commitments	3 383	4 764	373	76

Amounts disclosed include commitments arising from executive contracts. SAFECOM does not offer fixed-term remuneration contracts greater than five years.

Expenditure commitments - other

The total value of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

Within one year	7 307	1 626	1 325	68
Later than one year but not later than five years	18 818	2 930	821	278
Later than five years	-	975	-	-
Total other commitments	26 125	5 531	2 146	346

Other commitments relate to a range of general goods and services used in operational areas. These goods and services are contracted for at reporting date but not included as liabilities in the financial report.

30. Contingent assets and liabilities

Contingent assets

SAFECOM entity is not aware of any contingent assets.

In 2009-10 the South Australian Country Fire Service and South Australian State Emergency Service made prepayments for capital works projects of $1 026 520 for works that did not materialise. Recovery of the prepayments has been sought.

Contingent liabilities

SAFECOM entity is not aware of any contingent liabilities.

SAFECOM consolidated

Amendments to the WRCA came into effect in 2013-14 that provided presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible firefighters subject to certain criteria.

SAFECOM consolidated (continued)

The workers compensation provision as at 30 June 2014 recognises a liability for all known claims relating to the provision of the workers compensation legislation based on a valuation prepared by an actuary. Further firefighters may be eligible to make a claim, however, a reliable estimate of the liability relating to those potential claims cannot be presently made.

SAFECOM consolidated has several contingent liabilities for the South Australian Country Fire Service, South Australian Metropolitan Fire Service and South Australian State Emergency Service in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure is limited to a $10 000 excess under insurance arrangements.

31. Remuneration of board and committee members

Members of the board and committees, during the 2014 financial year were:

South Australian Fire and Emergency Services Commission Board

Andrew Lawson*
Barry Luke*
Christopher Beattie*
David Place*
Denise Keenan (appointed 18 July 2013)
Dermot Barry*
Grant Lupton*
Gregory Nettleton*
Helen Chalmers*
Joseph Szakacs
Lynette Berghofer
Michael Smith*
Moira Deslandes (retired 18 July 2013)
Roger Flavell (appointed 18 July 2013)
Susan Caracoussis
Virginia Hickey
Wayne Thorley

South Australian Fire and Emergency Services Commission Audit and Risk Management Committee

Aaron Chia*
Andrew Lawson*
Ann De Piaz*
David Carman*
David Place*
Dermot Barry*
Don Cranwell*
Helen Chalmers*
Joseph Szakacs
Michael Smith*
Virginia Hickey

South Australian Metropolitan Fire Service Disciplinary Committee

Brendan West*
Charles Bailes* (appointed 1 February 2014)
Chris Smith
Graham Dart (retired 16 August 2013)
Michael Vander-Jeugd*

State Bushfire Coordination Committee

Andrew Watson* (retired 18 October 2013)
Ann De Piaz*
Bruce Hull
Bryan Fahy* (appointed 21 February 2014)
Dennis Mutton (retired 21 February 2014)
Donald Gilberston
Donna Ferretti*
Fiona Dunstan*
Franco Crisci*
Glenn Benham*
Graham Gates
Grant Pelton*
Gregory Nettleton*
Gregory Saunder*
James Crocker*
James Rishworth*
Jayne Bates
John Nairn* (appointed 18 October 2013)
Joseph Keynes
Justin Cook*
Katherine Stanley-Murray
Katie Taylor*
Kylie Egan
Maurice Roche (appointed 21 February 2014)
Mark Sutton*
Meredith Jenner* (retired 16 August 2013)
Michael Cornish* (retired 18 October 2013)
Peter White
Scott Thompson*
Stephen Pascale*
Susan Filby
Suzanne Mickan
Timothy Kelly (retired 20 December 2013)
Timothy Milne
Tina Brew*
Wayne Thorley
William McIntosh

31. Remuneration of board and committee members (continued)

	Consolidated		SAFECOM	
The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number	2014 Number	2013 Number
$0	51	49	16	16
$1 - $9 999	5	8	1	1
$20 000 - $29 999	2	2	2	2
$30 000 -$39 999	2	2	2	2
Total	60	61	21	21

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was Consolidated $121 085 ($125 510) and SAFECOM $119 025 ($119 100).

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

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

For the purposes of this table, travel allowances and other expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

32. Events subsequent to reporting date

There were no events after the reporting period affecting the financial statements.

33. Financial instruments/Financial risk management

33.1 Categorisation of financial instruments

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

		2014		2013	
Consolidated	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	17	32 185	32 185	32 512	32 512
Receivables	18	4 116	4 116	1 520	1 520
Other financial assets	19	2 180	2 180	2 028	2 028
Financial liabilities					
Payables	24	7 204	7 204	9 904	9 904
SAFECOM					
Financial assets					
Cash and cash equivalents	17	9 656	9 656	12 657	12 657
Receivables	18	628	628	579	579
Other financial assets	19	-	-	-	-
Financial liabilities					
Payables	24	967	967	1 993	1 993

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

SAFECOM does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

* The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term natures of these (refer notes 2, 18 and 24).

Credit risk

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

The carrying amount of financial assets as detailed in note 33.1 represents SAFECOM's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by SAFECOM.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired (refer note 18).

33.2 Ageing analysis of financial assets

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

		Past due by			
Consolidated	Current not overdue	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2014	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	3 642	112	107	194	4 055
Other financial assets	2 180	-	-	-	2 180
Impaired:					
Receivables	(107)	-	-	168	61
2013					
Not impaired:					
Receivables	959	136	43	214	1 352
Other financial assets	2 028	-	-	-	2 028
Impaired:					
Receivables	-	-	-	168	168
SAFECOM					
2014					
Not impaired:					
Receivables	606	22	-	-	628
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	-	-	-	-	-
2013					
Not impaired:					
Receivables	579	-	-	-	579
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	-	-	-	-	-

33.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities	
Consolidated	Carrying	Less than	
2014	amount	1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	32 185	32 185	-
Receivables	4 116	4 116	-
Other financial assets	2 180	2 180	-
Total financial assets	38 481	38 481	-
Financial liabilities:			
Payables	7 204	7 198	6
Total financial liabilities	7 204	7 198	6
2013			
Financial assets:			
Cash and cash equivalents	32 512	32 512	-
Receivables	1 520	1 520	-
Other financial assets	2 028	2 028	-
Total financial assets	36 060	36 060	-
Financial liabilities:			
Payables	9 904	9 904	-
Total financial liabilities	9 904	9 904	-
SAFECOM			
2014			
Financial assets:			
Cash and cash equivalents	9 656	9 656	-
Receivables	628	628	-
Other financial assets	-	-	-
Total financial assets	10 284	10 284	-
Financial liabilities:			
Payables	967	967	-
Total financial liabilities	967	967	-
2013			
Financial assets:			
Cash and cash equivalents	12 657	12 657	-
Receivables	579	579	-
Other financial assets	-	-	-
Total financial assets	13 236	13 236	-
Financial liabilities:			
Payables	1 993	1 993	-
Total financial liabilities	1 993	1 993	-

Liquidity risk

Liquidity risk arises where SAFECOM is unable to meet its financial obligations as they are due to be settled. SAFECOM is funded principally from contributions from the Community Emergency Services Fund. SAFECOM and SAFECOM Consolidated work with the manager of the Community Emergency Services Fund to determine cash flows associated with its government-approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. SAFECOM's settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in the table above represent SAFECOM maximum exposure to financial liabilities.

Market risk

SAFECOM has non-interest bearing assets (cash on hand and receivables) and liabilities (payables), and interest bearing assets (cash at bank and financial assets). SAFECOM's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of SAFECOM as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

34. Trust funds

	Consolidated		SAFECOM	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank	289	154	-	-
Total trust funds	289	154	-	-

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the State emergency services headquarters in Australia. The South Australian State Emergency Service will administer these funds until they are fully expended. In 2013-14, total income earned by the Council was $126 000 and expenses incurred totalled $15 000.

Statement of Administered Comprehensive Income for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Contributions to SA Government administrative units	A3	237 743	223 175
Grants and subsidies	A4	2 588	3 263
Other expenses	A5	8 413	8 102
Total expenses		248 744	234 540
Income:			
Revenues from levy sources	A6	248 563	232 460
Revenues from fees and charges	A7	409	403
Interest revenues	A8	1 523	1 649
Total income		250 495	234 512
Net result		1 751	(28)
Total comprehensive result		1 751	(28)

Statement of Administered Financial Position as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	A9	25 423	2 551
Receivables	A10	3 877	3 173
Total current assets		29 300	5 724
Current liabilities:			
Payables	A11	25 712	3 887
Total current liabilities		25 712	3 887
Net assets		3 588	1 837
Equity:			
Retained earnings	A12	3 588	1 837
Total equity		3 588	1 837
Unrecognised contractual commitments	A14		
Contingent assets and liabilities	A15		

Statement of Administered Changes in Equity for the year ended 30 June 2014

	Note	Retained earnings $'000	Total $'000
Balance at 30 June 2012		1 865	1 865
Net result for 2012-13		(28)	(28)
Total comprehensive result for 2012-13		(28)	(28)
Balance at 30 June 2013	A12	1 837	1 837
Net result for 2013-14		1 751	1 751
Total comprehensive result for 2013-14		1 751	1 751
Balance at 30 June 2014	A12	3 588	3 588

Statement of Administered Cash Flows for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Payments to SA Government administrative units		(214 149)	(221 066)
Grant payments		(2 757)	(3 706)
Other payments		(10 013)	(8 093)
Cash used in operations		(226 919)	(232 865)
Cash inflows:			
Receipts from levy sources		247 878	232 806
Fees and charges		409	403
Interest received		1 504	1 654
Cash generated from operations		249 791	234 863
Net cash provided by (used in) operating activities	A13	22 872	1 998
Net decrease (increase) in cash and cash equivalents		22 872	1 998
Cash and cash equivalents at 1 July		2 551	553
Cash and cash equivalents at 30 June	A9	25 423	2 551

Notes to and forming part of the administered financial statements

A1. Establishment, objectives and funding arrangements

Establishment

The Community Emergency Service Fund (CESF) is established pursuant to the *Emergency Services Funding Act 1988.*

Objectives

The CESF provides funding to the core emergency services and for the provision of emergency services.

Funding arrangements

Under the *Emergency Services Funding Act 1988*, funds collected through the Emergency Services levy (fixed and mobile property), concessions to pensioners, remissions to property owners, levy payments on government property (fixed and mobile) and interest, are paid into the CESF. The collection of the Emergency Services levy falls within the portfolio responsibilities of the Treasurer.

A2. Summary of significant accounting policies

In general, the CESF adopts the accounting policies of the South Australian Fire and Emergency Services Commission (SAFECOM), as detailed in note 2 of SAFECOM's financial statements. Deviations from these policies are as follows:

Payments to SA Government administrative units

All payments to SA Government units are only recognised upon actual certainty of payment. Recognition of accrual payments, based upon budgeted claims or requested payments are not recognised until approved and payment is certain.

A3. Contributions to SA Government administrative units	2014 $'000	2013 $'000
SAFECOM	9 952	11 003
South Australian State Emergency Service	14 606	14 665
South Australian Country Fire Service	67 617	66 351
South Australian Metropolitan Fire Service	120 793	106 964
South Australia Police	19 572	19 094
South Australia Police - Government Radio Network	687	687
Attorney-General's Department - State Rescue Helicopter Service	622	607
SA Ambulance Service Inc	1 051	1 025
SA Ambulance Service Inc - Government Radio Network	209	209
Department of Environment, Water and Natural Resources	2 634	2 570
Total payments to SA Government administrative units	237 743	223 175

A4. Grants and subsidies		
Surf Life Saving South Australia Inc	1 375	2 077
Volunteer Marine Rescue	864	843
Shark Beach Patrol	349	343
Total grants and subsidies	2 588	3 263

A5. Other expenses		
RevenueSA - collection costs	5 636	5 889
Department of Planning, Transport and Infrastructure - collection costs	793	761
Fixed property refunds	1 409	891
Administration costs	575	561
Total other expenses	8 413	8 102

A6. Revenues from levy sources		
Fixed property collections	100 759	99 506
Fixed property remissions	95 835	82 801
Mobile collections	33 031	31 693
Mobile remissions	11 653	11 148
Government concessions	7 285	7 312
Total revenues from levy sources	248 563	232 460

A7. Revenues from fees and charges		
Certificate sales and other from entities within the SA Government	409	403
Total revenues from fees and charges	409	403

A8. Interest revenues		
Interest on deposit accounts - from entities within the SA Government	1 523	1 649
Total interest revenues	1 523	1 649

A9. Cash and cash equivalents		
Deposits with the Treasurer	25 423	2 551
Total cash and cash equivalents	25 423	2 551

Interest rate risk

Deposits with the Treasurer earns a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

A10. Receivables	2014	2013
Current:	$'000	$'000
Receivables from entities within the SA Government	3 877	3 173
Total current receivables	3 877	3 173

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note A17.

A11. Payables	2014	2013
Current:	$'000	$'000
Accrued expenses	20 997	767
Creditors	4 715	3 120
Total current payables	25 712	3 887

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Accrued expenses	20 897	561
Creditors	4 619	3 120
Total current payables to entities within the SA Government	25 516	3 681

Interest rate and credit risk

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

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note A17.

A12. Equity	2014	2013
	$'000	$'000
Accumulated surplus	3 588	1 837
Total equity	3 588	1 837

A13. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June

Cash and cash equivalents disclosed in the Statement of Administered Financial Position	25 423	2 551
Balance as per the Statement of Administered Cash Flows	25 423	2 551

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

Net cash provided by (used in) operating activities	22 872	1 998
Movements in assets/liabilities:		
Receivables	704	(351)
Payables	(21 825)	(1 675)
Net result	1 751	(28)

A14. Unrecognised contractual commitments

The CESF has no unrecognised contractual commitments at reporting date.

A15. Contingent assets and liabilities

The CESF is not aware of any contingent assets or contingent liabilities.

A16. Events subsequent to reporting date

There were no events after the reporting period affecting the financial statements.

A17. Financial instruments/Financial risk management

A17.1 Categorisation of financial instruments

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

		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	A9	25 423	25 423	2 551	2 551
Receivables	A10	3 877	3 877	3 173	3 173
Financial liabilities					
Payables	A11	25 712	25 712	3 887	3 887

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

Credit risk

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

The carrying amount of financial assets as detailed in note 17.1 represents the CESF's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the CESF.

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

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

A17.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets and the ageing of impaired assets:

		Overdue			
	Current not overdue	Less than 30 days	30-60 days	More than 60 days	Total
2014	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	3 877	-	-	-	3 877
Impaired:					
Receivables	-	-	-	-	-
2013					
Not impaired:					
Receivables	3 173	-	-	-	3 173
Impaired:					
Receivables	-	-	-	-	-

A17.3 Maturity analysis of financial assets and liabilities

The following tables discloses the maturity analysis of financial assets and financial liabilities:

		Contractual maturities	
2014	Carrying amount	Less than 1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	25 423	25 423	-
Receivables	3 877	3 877	-
Total financial assets	29 300	29 300	-
Financial liabilities:			
Payables	25 712	25 712	-
Total financial liabilities	25 712	25 712	-
2013			
Financial assets:			
Cash and cash equivalents	2 551	2 551	-
Receivables	3 173	3 173	-
Total financial assets	5 724	5 724	-
Financial liabilities:			
Payables	3 887	3 887	-
Total financial liabilities	3 887	3 887	-

The financial assets and liabilities of the CESF are all current with maturity within the next 12 months.

Liquidity risk

The CESF is funded principally from contributions from the Emergency Services levy, government concessions, remission and interest. The payments from the CESF are approved by the Economic and Finance Committee, pursuant to the *Emergency Services Funding Act 1988*, and endorsed by the Minister for Emergency Services. The CESF is an administered item and cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flow.

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

The carrying amount of financial liabilities recorded in note A17.1 represents the CESF's maximum exposure to financial liabilities.

Market risk

The CESF has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The CESF's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the CESF as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

A18. Remuneration of board/committee members

The CESF does not have any board or committee members.

South Australian Forestry Corporation

Functional responsibility

Establishment

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

Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State.

The *South Australian Forestry Corporation Act 2000* specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

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

APF II classifies the Corporation for the purpose of AASs as a for-profit entity.

Status of the financial report

At the time of preparation of this Annual Report to Parliament the audit of the financial statements of the Corporation was progressing in a satisfactory manner.

In consideration of certain important matters by the Directors of the Corporation, the Corporation's financial statements for the year ending 30 June 2014 propose a revised approach to the valuation of standing timber and land assets. The revised approach is being reviewed and considered by DTF in accordance with the approval requirements of the TIs and by my officers in the independent statutory audit process. The overall approach being adopted by the Corporation, DTF and Audit involves advice from valuation experts.

The audited financial report of the Corporation for the year ended 30 June 2014 will be included in a Supplementary Report to Parliament.

South Australian Government Financing Authority

Functional responsibility

Establishment

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

Functions

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

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

SAFA also administers the Government's:

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

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

The Treasurer has delegated his responsibilities for SAFA's insurance and fleet operations to the Minister for Finance. The Treasurer retains overall responsibility for these functions.

SAFA Advisory Board

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

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

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

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

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of the audit

During 2013-14, specific areas of audit attention included:

- treasury operations
- financial accounting for the treasury, fleet and insurance functions
- cash and electronic banking
- fleet operations
- catastrophe reinsurance.

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

- quarterly reporting by SAFA's compliance unit
- internal audit half yearly assessment of work performed by SAFA's compliance unit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Government Financing Authority as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the General Manager SAFA. Satisfactory responses were received to the matters raised.

Fleet operations – contract management arrangements

In July 2012 SAFA entered into contract arrangements with private sector service providers for the provision of fleet management and vehicle disposal services respectively.

Last year's Report included brief comment on the results of an audit undertaken of the procurement processes leading to the finalisation of the contracts. The commentary noted opportunities for SAFA to improve its procedures for future procurements, including the need to improve documentation for aspects of the procurement process.

In 2013-14 Audit undertook a review of the contract management processes established for the contractual arrangements with the private sector service providers. The audit focussed on the:

- roles and responsibilities of the contract management team
- governance and reporting arrangements
- contract management practices and documentation, including contract plans and performance processes
- outcome of the transition to the external private sector providers.

The audit noted the implementation of comprehensive contract management plans and established communication protocols with the service providers to address contract and operational matters. In addition, at the time of the audit a performance management system was being finalised for the contracted service arrangements. This system will be reviewed as part of the 2014-15 audit of SAFA.

Compliance with TIs 2 and 28

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

Risk and fraud management

SAFA's policy manual explains and outlines SAFA's strategies for managing specific risks including interest rate risk, liquidity risk, funding risk, credit risk, currency risk, operational risk, legal risk and insurance risk. SAFA's strategies for managing these risks include documenting approved financial instruments and documenting delegation, market exposure and transaction limits. A summary of SAFA's approach to managing these risks is disclosed in note 30 to the financial statements.

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

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

Policies and procedures

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

Detailed procedures also exist and are maintained by individual business units.

Compliance testing and independent review

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

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

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

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

Audit and Risk Management Committee

SAFA's responsibilities for risk management and compliance are supported by an Audit and Risk Management Committee comprising four members appointed by the Advisory Board. The Committee oversees and evaluates key areas such as the risk management framework, operational and accounting controls, the internal audit program and statutory financial reporting.

Interpretation and analysis of the financial report

Highlights of the financial report	2014 $'million	2013 $'million
Interest revenue	1 108	1 253
Interest expense	(1 098)	(1 239)
Net interest revenue	10	14
Net gain (loss) on financial instruments and derivatives	74	68
Leasing and hire revenue	67	73
Insurance premium revenue	44	42
Recoveries	10	24
Other income (including net gain on sale of property, plant and equipment)	9	6
Vehicle operating costs (including depreciation and impairment)	(76)	(73)
Insurance claims	(19)	(17)
Other expenses	(29)	(35)
Profit (Loss) before income tax equivalents	90	102
Income tax equivalent expense	(27)	(30)
Profit (Loss) after income tax equivalents and total comprehensive result	63	72
Assets		
Cash, short-term assets and investments	3 786	4 109
Loans	17 450	15 598
Derivatives receivable	523	336
Property, plant and equipment (including held for sale)	190	201
Other assets	63	61
Total assets	22 012	20 305
Liabilities		
Deposits and short-term borrowings	5 661	6 031
Bonds, notes and debentures	15 382	13 535
Outstanding claims	303	327
Derivatives payable	292	78
Other liabilities	34	24
Total liabilities	21 672	19 995
Total equity	340	310

Statement of Comprehensive Income

Net income and expense

Interest revenue and expense is determined on a market value accounting basis. Interest revenue decreased by $145 million or 12%. This was associated with a corresponding decrease in interest expenses of $141 million or 11%.

Net gain on financial instruments and derivatives

The net gain on financial instruments and derivatives for 2013-14 comprises realised and unrealised gains from SAFA's finance and insurance activities. The net gain on financial instruments and derivatives of $74 million is due mainly to gains on SAFA's insurance investments of $62 million.

The relatively small net gain on SAFA's finance activities of $12 million reflects SAFA's key objective of remaining risk neutral within the finance function in order to protect the financial interests of its clients.

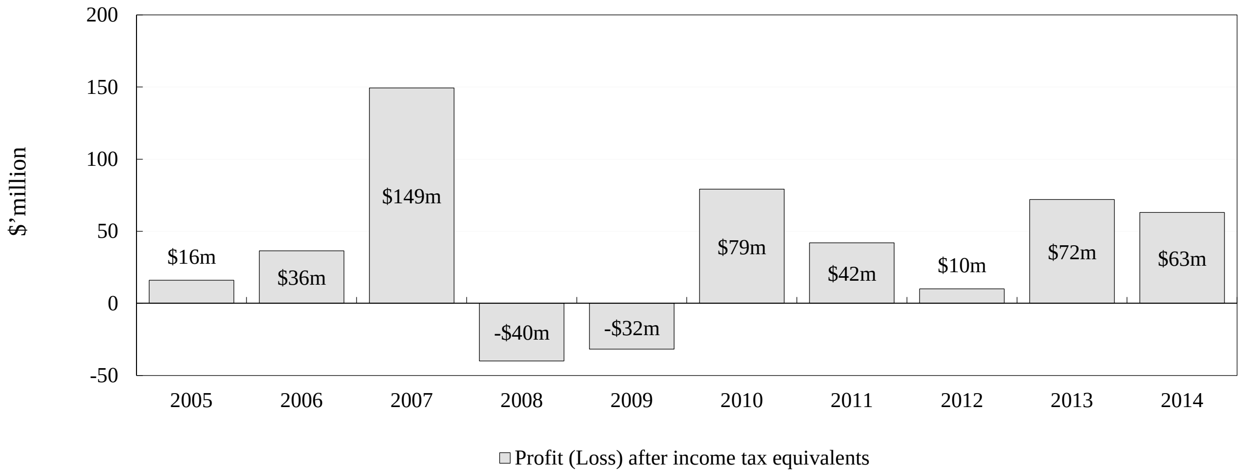
Leasing and hire revenue and recoveries

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

Profit (Loss)

SAFA's profit before income tax equivalent was $90 million. In accordance with TI 22 SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is calculated by applying the Australian company tax rate of 30% to its profit or loss before tax.

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

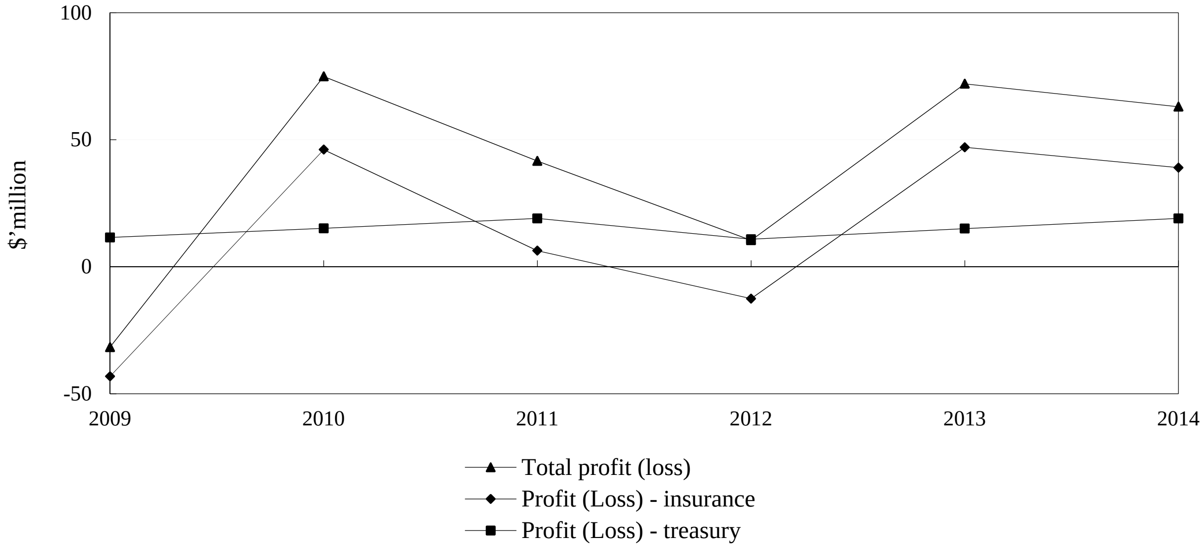


The chart highlights the volatility in SAFA's results. This volatility is impacted by the financial performance of SAFA's insurance activities, which were transferred to SAFA in July 2006.

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

The 2014 profit after income tax equivalents of $63 million includes a profit on SAFA's insurance activities of $39 million.

The impact of SAFA's insurance activities on SAFA's profit or loss is highlighted in the following chart:



SAFA's insurance activities are designated into three funds.

Fund 2 is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the building warranty indemnity reinsurance arrangements up to 30 June 2013, and the former State Government Insurance Commission residual claims and workers compensation claims previously managed by the former South Australian Asset Management Corporation.

Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013.

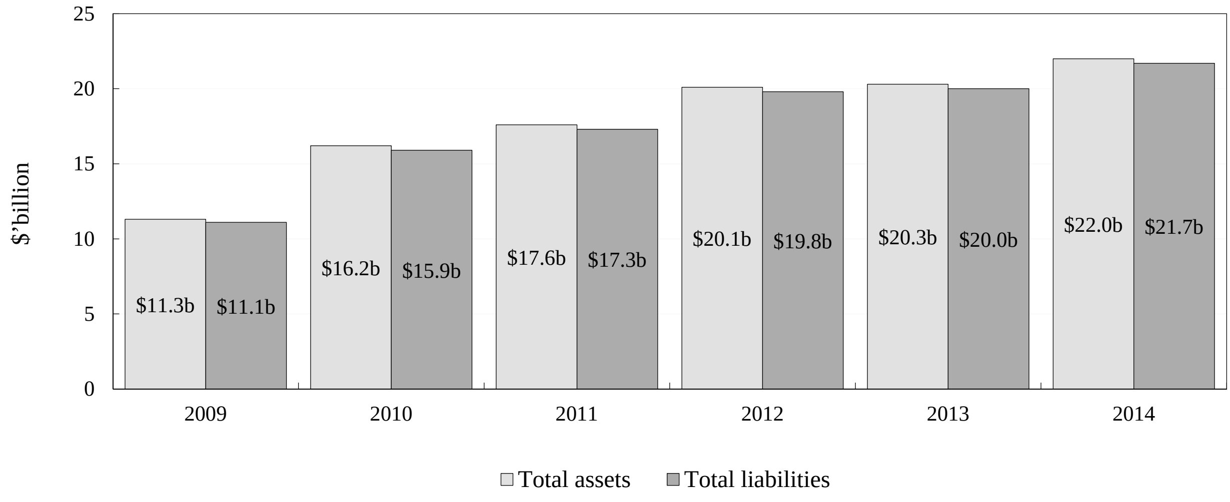
All of SAFA's remaining insurance activities are funded through Fund 1.

SAFA's result after income tax equivalents is, in net terms, only affected by Fund 1 results, as SAFA is indemnified by the Treasurer against any operating profit or loss arising from the activities of Funds 2 and 3.

Statement of Financial Position

Assets and liabilities

A structural analysis of assets and liabilities for the six years to 2014 is shown in the following chart.



The chart demonstrates the increase in SAFA's assets since June 2009. Total assets include SAFA's loans to the Treasurer to fund accumulated Consolidated Account deficits.

Over the same period SAFA's total liabilities have increased by a corresponding amount, reflecting the quantum of SAFA's borrowing activities in financial markets to fund the accumulated deficits.

At 30 June 2014 SAFA's loans to the Treasurer totalled $11 billion, an increase of $1.6 billion since 30 June 2013. The Treasurer also has funds on deposit with SAFA totalling $2.9 billion ($3.1 billion) as at 30 June 2014.

Capital and distributions

At 30 June 2014, SAFA's capital reserves were represented solely by its retained earnings, which stood at $340 million ($310 million). A $33 million ($8 million) distribution was made to the Treasurer from SAFA this financial year.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	100	118	48	102
Investing	(1 448)	(1 007)	(2 547)	(670)
Financing	1 248	1 127	2 469	674
Change in cash	(100)	238	(30)	106
Cash at 30 June	296	396	158	188

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

Further commentary on operations

Business risk management

Operational risk management

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

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

Market risk

SAFA functions as the central borrowing authority for the State and is also responsible for managing the majority of the State's debt.

SAFA lends funds that it raises from financial markets to a number of South Australian public sector clients, including the Treasurer who borrows on behalf of public sector agencies to support their operational requirements.

To assist in the management of SAFA's treasury function and its associated risks, SAFA's activities are separated into distinct portfolios. This portfolio structure includes four Treasurer's portfolios - the managed, passive, zero and loan portfolios.

The managed portfolio is the Treasurer's main portfolio and contains liabilities and assets totalling $7.8 billion at 30 June 2014. An internal deal to the Treasurer's loan portfolio (see below) balances the Treasurer's managed portfolio. Any cash surplus or deficit resulting from the operations of the Treasurer's managed portfolio is cleared to SAFA's liquidity portfolio at the end of each day.

The main task of the managed portfolio is to minimise interest rate risk within the portfolio against a policy benchmark set by the Treasurer. The management of the portfolio involves the use of measurements including:

- basis point sensitivity (PV01) – PV01 is the change in market value through a change in interest rates by one basis point
- duration/modified duration – duration is a weighted average measure of the present value of a series of cash flows. Modified duration is a measure of the sensitivity of a portfolio of interest bearing securities to changes in interest rates
- value at risk (VaR) – VaR is a single number estimate of how much an entity could lose due to the price volatility of the assets and liabilities it holds or is contracted to hold.

The passive portfolio, $437 million, contains transactions such as indexed liabilities and loans, and Commonwealth housing loans. These deals are not included in the managed portfolio due to the nature of transactions and inability to readily manage these to the Treasurer's benchmarks. An internal deal to the Treasurer's loan portfolio (see below) balances the Treasurer's passive portfolio. Any surplus or deficit resulting from the operations of the passive portfolio is cleared to SAFA's liquidity portfolio at the end of each day.

The zero portfolio, $21.2 million, comprises SAFA's zero coupon 2015 liability and associated hedge assets.

The Treasurer's loan portfolio comprises internal liability deals from the Treasurer's managed, passive and zero portfolios and represents the balance of the Treasurer's cost of funds loan. Interest is calculated and charged to the Treasurer each month at the average cost of the sum of the managed, passive and zero portfolios plus a margin of 0.1%. For 2013-14 the average annual cost of funds charged to the Treasurer was 3.62% p.a.

As indicated, any surplus or deficit resulting from the operations of the Treasurer's managed and passive portfolios is cleared to SAFA's liquidity portfolio each day. These funds, together with the Treasurer's deposits not immediately required, represent the Treasurer's cash loan and are matched (less a liquidity margin) against the Treasurer's deposits with SAFA. The Treasurer is charged a cash rate which matches the rate paid on the Treasurer's deposits plus an administrative fee of 0.1%.

Realised gains and losses from the Treasurer's portfolios are reflected in movements in the Treasurer's indebtedness to SAFA and reported in Statement J in the Treasurer's financial statements. The result is that SAFA has no interest rate risk from the Treasurer's portfolios.

In addition to the Treasurer's portfolios, SAFA maintains a number of principal portfolios including:

- funding
- liquidity
- reinvestment
- foreign exchange hedging service
- cash management facility.

These portfolios, holding assets of $12.8 billion at 30 June 2014, are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from these portfolios are recorded in SAFA's Statement of Comprehensive Income.

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

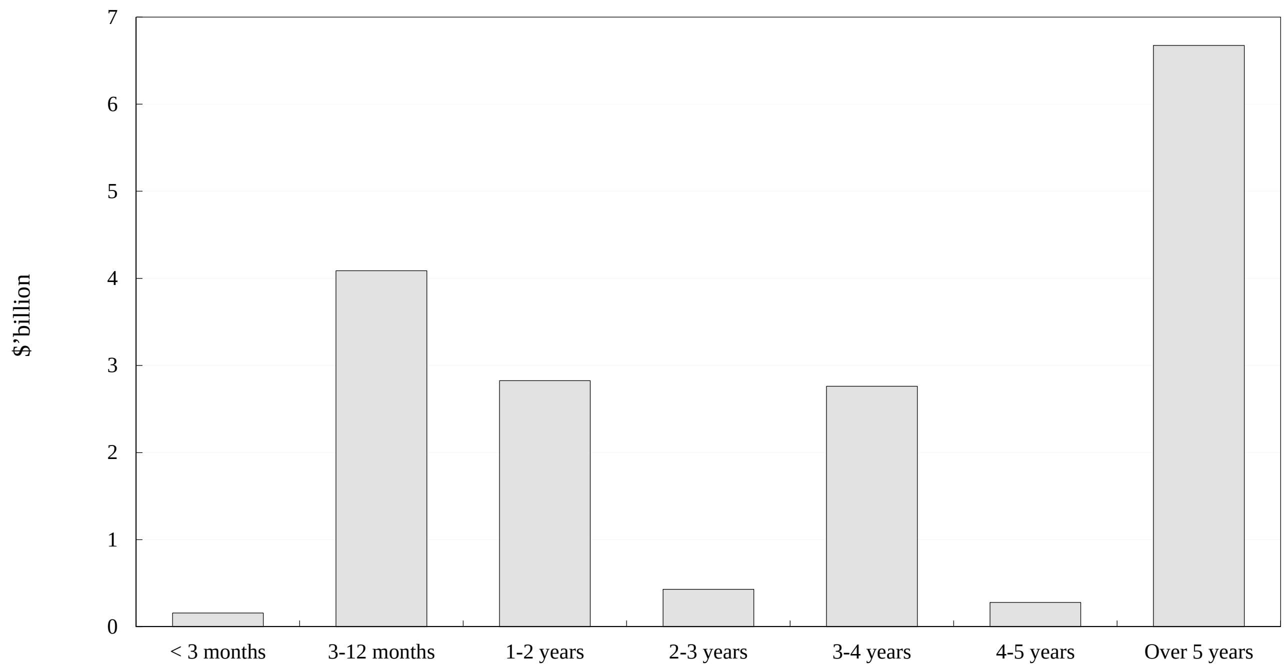
Funding risk

As the Government's central borrowing authority SAFA is responsible for raising funds in financial markets to support the Government's funding requirements.

Funding risk refers to the risk that SAFA is unable to raise funds when required or can only raise them at a substantially higher cost. SAFA's objective with respect to funding risk is to ensure that it is not exposed to a significant refinancing risk in any financial year.

Guidelines with respect to funding risk are set by the Under Treasurer on SAFA's total treasury portfolio function.

A maturity profile of the face value of SAFA's bonds, notes and debentures as at 30 June 2014 is presented in the following chart. Bonds, notes and debentures include SAFA's core funding issue, select lines and floating rate notes.



The chart highlights the largest component of SAFA's debt refinancing requirements and does not include expectations for the Government's future financing requirements. For 2014-15 SAFA has anticipated an additional $600 million in government funding or pre-funding.

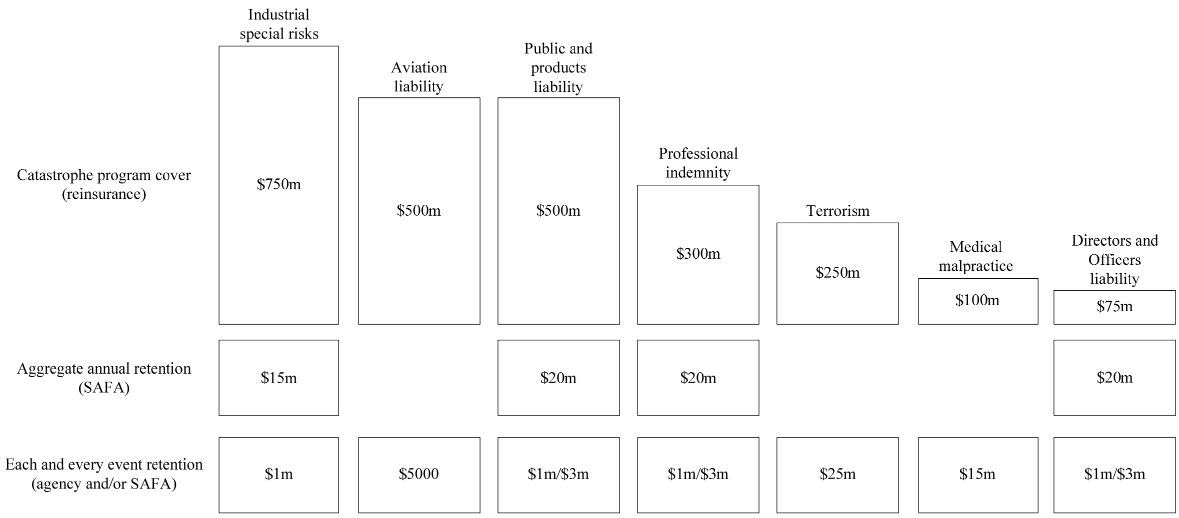
The chart demonstrates that SAFA is required to refinance, on average, $2.5 billion each year for the next three years. From 2018, SAFA is required to refinance a further $9.7 billion of debt.

SAFA has been successful in meeting its funding requirements to date, despite global events that have disrupted the markets over the past five years.

Catastrophe reinsurance program

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

The structure of SAFA's catastrophe reinsurance program for 2013-14 is depicted as follows:



SAFA's reinsurance premium expense for 2013-14 was $9.1 million ($9.2 million).

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

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'million	2013 $'million
Revenue:			
Interest revenue	18	1 108.3	1 253.4
Interest expense	18	(1 098.1)	(1 239.2)
Net interest revenue		10.2	14.2
Insurance premium	18	43.7	42.2
Leasing and hire	18	67.2	73.2
Recoveries	18	10.3	23.6
Other	18	9.2	3.0
Total revenue		140.6	156.2
Gain on transfer of administrative functions	4	-	1.4
Other gains (losses):			
Net gain (loss) on financial instruments and derivatives	19	73.9	68.2
Net gain (loss) on sale of property, plant and equipment	19	(0.9)	1.7
Total other gains (losses)		73.0	69.9
Total income		213.6	227.5
Expenses:			
Depreciation and impairment	20	40.4	43.5
Insurance claims	20	19.0	16.6
Motor vehicle	20	35.8	29.8
Outward reinsurance	20	9.1	9.2
Operating	20	19.8	26.3
Total expenses		124.1	125.4
Profit (Loss) before income tax equivalents		89.5	102.1
Income tax equivalent expense with SA Government		26.9	30.6
Profit (Loss) after income tax equivalents		62.6	71.5
Other comprehensive income		-	-
Total comprehensive result		62.6	71.5

Profit (Loss) after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'million	2013 $'million
Assets:			
Cash and cash equivalents	5	1 839.4	2 033.4
Assets held for sale	6	7.0	5.6
Investments	7	1 946.8	2 075.8
Loans	8	17 450.3	15 598.3
Property, plant and equipment	9	182.3	195.0
Intangible assets	10	1.0	0.8
Derivatives receivable	11	523.1	336.1
Other assets	12	61.8	60.3
Total assets		22 011.7	20 305.3
Liabilities:			
Deposits and short-term borrowings	13	5 660.8	6 031.2
Bonds, notes and debentures	14	15 382.2	13 535.0
Outstanding claims	15	303.0	327.3
Derivatives payable	16	292.2	77.7
Other liabilities	17	33.7	24.1
Total liabilities		21 671.9	19 995.3
Net assets		339.8	310.0
Equity:			
Retained earnings		339.8	310.0
Total equity		339.8	310.0

Total equity is attributable to the SA Government as owner

	Note
Contingent assets and liabilities	22
Unrecognised contractual commitments	28

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Retained earnings $'million
Balance at 30 June 2012		246.7
Profit (Loss) after income tax for 2012-13	2(s)	71.5
Total comprehensive result for 2012-13		71.5
Transactions with SA Government as owner:		
Dividends paid		(8.2)
Balance at 30 June 2013		310.0
Profit (Loss) after income tax for 2013-14	2(s)	62.6
Total comprehensive result for 2013-14		62.6
Transactions with SA Government as owner:		
Dividends paid		(32.8)
Balance at 30 June 2014		339.8

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'million	2013 Inflows (Outflows) $'million
Cash flows from operating activities:			
Proceeds from:			
Interest received		881.2	1 002.0
Dividends received		6.5	-
Derivatives net interest received (paid)		98.5	54.2
Insurance premiums received		53.8	42.9
Leasing and motor vehicle receipts		73.9	115.5
Recoveries		27.2	1.1
Direct insurance placement		9.5	6.4
Stamp duty received from agencies		4.8	4.7
Other receipts		20.4	17.2
Commissions		0.5	1.1
GST recovered from the ATO		12.1	15.4
Indemnity from the Treasurer		-	7.0
Payments for:			
Interest paid		(911.8)	(975.2)
Insurance claims paid		(45.3)	(52.9)
Motor vehicle costs		(38.3)	(35.2)
Outwards reinsurance premium paid		(9.4)	(10.0)
Direct insurance placement		(7.6)	(8.4)
Stamp duty paid to RevenueSA		(5.0)	(4.7)
Operating expenses paid		(19.6)	(20.2)
GST paid to the ATO		(18.9)	(20.8)
Income tax equivalent paid		(30.3)	(21.8)
Net GST relating to investing/financing activities		(2.8)	(0.4)
Net cash provided by (used in) operating activities	23.2	99.4	117.9
Cash flows from investing activities:			
Net proceeds from client loans		(1 683.6)	(1 133.7)
Purchase of investments		(19 790.1)	(24 172.5)
Proceeds from investments		20 055.2	24 341.5
Purchase of property, plant and equipment		(73.9)	(100.6)
Purchase of intangible assets		(0.3)	(0.6)
Proceeds from the sale of property, plant and equipment		44.6	57.8
Cash received from transferred functions		-	1.5
Net cash provided by (used in) investing activities		(1 448.1)	(1 006.6)
Cash flows from financing activities:			
Net proceeds from borrowings		1 281.2	1 135.3
Dividends paid to government		(32.8)	(8.2)
Net cash provided by (used in) financing activities		1 248.4	1 127.1
Net increase (decrease) in cash held		(100.3)	238.4
Cash and cash equivalents at 1 July		396.3	157.5
Net effect of exchange rate changes		0.3	0.4
Cash and cash equivalents at 30 June	23.1	296.3	396.3

Notes to and forming part of the financial statements

1. Objectives

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

SAFA's business objectives are:

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

Under the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012, Playford Centre's assets, rights and liabilities transferred to SAFA on 1 July 2012 (refer note 4).

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in compliance with section 23 of the PFAA.

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

AASs that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2014 are detailed in note 2(v).

(b) Basis of preparation

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

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

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

The financial statements have been prepared in accordance with the historic cost convention, except for financial assets and liabilities which are reported at fair value.

The presentation currency is Australian dollars and all values are rounded to the nearest hundred thousand unless otherwise stated. Zero represents amounts less than $50 000.

(c) Principles of consolidation

The financial statements for SAFA are not consolidated with its controlled entities. The exclusion of these entities does not have a material impact on the financial results presented. Note 34 includes details of the entities.

(d) Significant accounting judgements, estimates and assumptions

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

(i) Measurement of outstanding claims

Outstanding insurance claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer note 33).

(ii) Measurement of fair value

When measuring fair values of financial assets and liabilities, SAFA maximises the use of relevant market-based data. The fair values of financial assets and liabilities that are traded in active markets are determined with reference to quoted market prices or quotations. For financial assets and liabilities where market-based data are not readily available (or transparent) SAFA determines fair values using standard valuation techniques incorporating discounted cash flows on appropriate yield curves of similar traded securities, taking into account their risk characteristics.

(e) Income and expense recognition

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

(i) Interest

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

Net realised gains or losses and unrealised gains or losses are included in the Statement of Comprehensive Income (refer note 19).

(ii) Insurance premium revenue

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

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

The *Building Work Contractors Act 1995* (SA) and Regulations is compulsory in South Australia, requiring builders to hold building indemnity insurance to protect home owners against losses arising from the insolvency, death or disappearance of their builder up to a maximum sum insured of $80 000 per building project. From 1 July 2013 SAFA began offering building indemnity insurance cover to builders in South Australia. The premium for building indemnity insurance provides insurance cover for periods of up to five years, commencing from the date of the insurance contract.

(iii) Leasing and hire revenue

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

(iv) Revenue recoveries

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

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

(v) *Other revenue*
Fee income in respect of services provided is recognised in the period in which the service is provided.

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

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

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

(ix) *Indemnity from (to) the Treasurer*
Insurance activities are segregated into three funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 and Fund 3 (refer note 22(iii)). Under these arrangements any profit/loss on these funds is recognised as payables to/receivables from the Treasurer. Any payables to the Treasurer are carried forward to offset future operating losses.

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

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

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

(h) ***Financial instruments***
Financial assets and liabilities designated at fair value through profit or loss
All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies.

Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer note 19). Financial assets and liabilities are revalued regularly either at their quoted market price or their cash flows are discounted against the relevant yield curve.

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

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

(iii) Deposits and short-term borrowings

Deposits and short-term borrowings include at call accounts, cash management facility and term deposits. SAFA raises short-term funds through the issue of commercial paper both in the domestic and overseas markets (refer note 13).

(iv) Repurchase agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in deposits and short-term borrowings (refer note 13). At 30 June 2014 SAFA had no repurchase agreements.

(v) Bonds, notes and debentures

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis (refer note 14).

(vi) Derivative instruments

SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate arrangements, foreign exchange swaps and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer notes 11 and 16).

(i) Assets backing general insurance liabilities

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

(j) Reinsurance and other recoveries

Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in note 33.

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

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

(i) Depreciation

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, during each financial year. Changes in the residual value or expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

(ii) Impairment

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

(l) Intangible assets

Intangible assets represent purchased software, which is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on software assets is capitalised when it is probable that future economic benefits attributable to the assets will flow to SAFA, and if the cost of the asset can be measured reliably.

(i) Amortisation

Amortisation of intangible assets is calculated on a straight-line basis using rates designated to allocate the cost over the expected useful life of the asset. Software costs are amortised on a straight-line basis for a period of five to 10 years (refer note 10).

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

(ii) Impairment

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

(m) Outstanding claims liability

Insurance activities are segregated into three funds. Liabilities for outstanding claims for Fund 1 are measured as the central estimate of the present value of the expected future payments for claims incurred plus an additional risk margin to allow for inherent uncertainty in the central estimate.

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid
- claims incurred but not reported (IBNR)
- claims incurred but not enough reported (IBNER)
- risk margins
- claims handling costs which includes anticipated direct and indirect costs of settling those claims.

Liabilities for outstanding claims for Fund 3 are determined by applying an earning pattern to the written premium and then combining a loss ratio to the development pattern of emerging claims costs. Details of risk margin rates are disclosed in note 33.

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Details of risk margin rates are disclosed in note 33.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates and other actuarial assumptions are disclosed in note 33.

(n) Other assets and liabilities

Other assets including debtors and fee accruals, other liabilities including interest paid in advance, creditors, expense accruals and provisions are all stated at book value, which is the best estimate of fair value as they are settled within a short period (refer notes 12 and 17).

(o) Deferred acquisition costs

Costs directly attributable to the acquisition of the building indemnity insurance premium revenue (Fund 3) are deferred by recognising these costs as an asset in the Statement of Financial Position when they can be reliably measured. Deferred acquisition costs are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk.

(p) Unearned premium liability

The liability adequacy test is performed on the building indemnity insurance liabilities less deferred acquisition costs to ensure the carrying value of the unearned premium liability is adequate, using current estimates of the present value of future cash flows relating to future claims.

The need for an additional risk margin is assessed taking into account the inherent uncertainty in the central claims estimate. If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the Statement of Comprehensive Income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the Statement of Financial Position as an unexpired risk liability.

(q) Foreign currency translation

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

(r) Employee benefits

SAFA does not employ any direct staff, but is assigned staff resources by DTF through a service level agreement pursuant to section 20 of the *Government Financing Authority Act 1982*. The responsibility to provide for employer contributions to superannuation benefits rests with DTF and for this reason SAFA is not required to establish a provision. DTF meets LSL liabilities as they fall due.

(s) Taxation

Accounting profit tax model

In accordance with TI 22, SAFA is required to pay the Treasurer an income tax equivalent amount. The income tax liability is based on the taxation equivalent regime which applies the accounting profit method. This requires SAFA to apply the corporate income tax rate to the net profit. The current income tax equivalent liability relates to the income tax expense outstanding for the current period.

GST

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

- where the GST is not recoverable, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- for receivables and payables, which are recognised inclusive of GST.

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

Stamp duty

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

(t) Business segments

SAFA is an individual reporting entity which operates in business segments including treasury, insurance and fleet management (refer note 3).

(u) Comparatives

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

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

(v) Changes in accounting policies

SAFA has adopted the following relevant new accounting standards and amendments to standards, applicable to annual periods commencing on or after 1 January 2013:

(i) AASB 12

As a result of AASB 12, SAFA has expanded disclosures in relation to its interests in its subsidiary, Playford Capital Pty Ltd (refer note 34). These additional disclosures include information about the nature of, risks associated with, and financial impacts arising from interests in other entities.

(ii) AASB 13

As per the requirements of AASB 13, SAFA has applied the new definition of fair value, prospectively. The change had no significant impact on the measurement of SAFA's assets and liabilities. New disclosures required by the standard have been added, including those that relate to the fair value hierarchy (refer note 31).

(iii) *AASB 127*
Only minor amendments and some additional disclosures were required to the financial statements of SAFA's subsidiary, Playford Capital Pty Ltd.

(iv) *AASB 2012-2 Disclosures - Offsetting financial assets and financial liabilities (amendments to AASB 7)*
As a result of the amendments to AASB 7, SAFA has expanded disclosures in relation to offsetting financial assets and financial liabilities (refer note 30).

The following accounting standards have been issued but are not yet effective. These accounting standards have not been early adopted by SAFA, but will be relevant upon application:

(i) *AASB 9, AASB 2012-6 Mandatory Effective Date of AASB 9 and Transition Disclosures (Amendments to AASB 9), AASB 2013-9 (Part A) Conceptual Framework (Amendments to AASB 9)*
AASB 9 supersedes AASB 139. The new standard requires material changes to the way financial instruments are classified and disclosed. This includes new categories for financial instrument classification (amortised cost and fair value) as well as additional requirements in relation to hedge accounting.

SAFA is currently assessing the potential effects of this standard, though the full extent of the new requirements have not yet been fully considered. It should be noted, however, that SAFA's financial assets and liabilities are already carried at fair value and that SAFA does not currently engage in hedge accounting.

Mandatory application of AASB 9 is required for annual periods commencing on or after 1 January 2017. SAFA will apply this standard for the first time in its 2017-18 financial statements.

(ii) *AASB 2013-9 Materiality and Financial Instruments (Part C) (Amendments to various accounting standards)*
This amending standard makes changes to a number of standards, including introducing guidance on hedge accounting to AASB 9. SAFA does not currently utilise hedge accounting.

Mandatory application of this amendment is required for annual periods commencing on or after 1 January 2015. SAFA will apply this standard for the first time in its 2015-16 financial statements. SAFA is currently evaluating the potential impacts of this standard.

(iii) *AASB 2012-3 Offsetting financial assets and financial liabilities (Amendments to AASB 132)*
This amending standard clarifies AASB 132, in regard to situations where financial assets and liabilities are able to be offset.

Mandatory application of this amendment is required for annual periods commencing on or after 1 January 2014. SAFA will apply this standard for the first time in its 2014-15 financial statements. SAFA is currently evaluating the potential impacts of this standard.

3. Business segments

SAFA operates in the following segments:

- treasury – provides funds and financial advice to the SA Government
- insurance – underwriting several types of general insurance for SA Government agencies
- fleet – provides comprehensive fleet management services to SA Government agencies for its passenger and light commercial motor vehicle fleet.

The insurance activities are designated into three funds. Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 includes all the activities previously conducted through section 2 of the South Australian Government Insurance and Risk Management Fund. This fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the building warranty indemnity reinsurance arrangement with QBE Insurance (Australia) Limited until 30 June 2013, SGIC residual claims and workers compensation claims previously managed by the South Australian Asset Management Corporation. Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013.

3. Business segments (continued)

2014	Treasury $'million	Insurance $'million	Fleet $'million	Eliminations $'million	Total $'million
Income	37.6	92.2	86.3	(2.5)	213.6
Expenses	10.5	36.3	79.8	(2.5)	124.1
Profit (Loss) before tax	27.1	55.9	6.5	-	89.5
Income tax equivalent expense	8.1	16.8	2.0	-	26.9
Comprehensive result	19.0	39.1	4.5	-	62.6
Segment assets	21 628.6	494.2	232.1	(343.2)	22 011.7
Segment liabilities	(21 498.1)	(325.1)	(191.9)	343.2	(21 671.9)
Net assets	130.5	169.1	40.2	-	339.8
2013					
Income	29.4	102.0	96.2	(0.1)	227.5
Expenses	8.2	34.3	83.0	(0.1)	125.4
Profit (Loss) before tax	21.2	67.7	13.2	-	102.1
Income tax equivalent expense	6.4	20.3	3.9	-	30.6
Comprehensive result	14.8	47.4	9.3	-	71.5
Segment assets	19 954.1	466.0	268.4	(383.2)	20 305.3
Segment liabilities	(19 829.4)	(336.0)	(213.1)	383.2	(19 995.3)
Net assets	124.7	130.0	55.3	-	310.0

4. Transfer of administrative functions

Playford Centre

Under the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012, Playford Centre's assets, rights and liabilities transferred to SAFA on 1 July 2012.

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

	2014 $'million	2013 $'million
Assets:		
Cash and cash equivalents	-	1.6
Other assets	-	-
	-	1.6
Liabilities:		
Other liabilities	-	0.2
	-	0.2
Net assets transferred	-	1.4

5. Cash and cash equivalents

	2014	2013
Cash at bank	5.1	11.0
Deposits with the Treasurer	46.2	45.0
Short-term money market deposits	245.6	340.8
Negotiable certificates of deposit	1 541.0	1 615.6
Working capital facility	1.5	21.0
Total cash and cash equivalents	1 839.4	2 033.4

6. Assets held for sale

	2014	2013
Motor vehicles	7.0	5.6
Total assets held for sale	7.0	5.6

7. Investments

	2014	2013
Semi-government securities	317.9	46.4
Local government securities	4.6	5.6
Bank and corporate securities	1 161.6	1 593.4
Funds SA	462.4	430.4
Paragon Capital Equity Fund No 1	-	-
Listed shares	0.3	-
Equity investments	0.0	-
Subsidiary investment	0.0	0.0
Total investments	1 946.8	2 075.8

8. Loans

	2014 $'million	2013 $'million
Loans to the Treasurer at market rates	21.6	23.9
Loans to the Treasurer at non-market rates	10.0	-
Loans to the Treasurer at cost of funds (COF)	8 222.4	6 653.3
Loans to the Treasurer at cash	2 743.1	2 703.0
Loans to public non-financial corporations	4 470.2	4 242.6
Loans to public financial corporations	1 743.6	1 803.2
Loans to local government	239.4	172.3
Total loans	17 450.3	15 598.3

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

9. Property, plant and equipment

	2014 $'million	2013 $'million
Motor vehicles:		
At cost	243.1	255.2
Accumulated depreciation	(60.8)	(60.0)
Impairment	-	(0.2)
Total property, plant and equipment	182.3	195.0

Reconciliation of property, plant and equipment

Motor vehicles:		
Carrying amount at 1 July	195.0	200.1
Additions	74.4	91.1
Assets classified as held for sale	(7.0)	(5.6)
Disposals	(39.8)	(47.2)
Depreciation expense	(40.3)	(43.4)
Carrying amount at 30 June	182.3	195.0

10. Intangible assets

Information technology:		
At cost	1.2	0.9
Accumulated amortisation	(0.2)	(0.1)
Total intangible assets	1.0	0.8

Reconciliation of information technology

Carrying amount at 1 July	0.8	0.4
Additions	0.3	0.5
Accumulated amortisation	(0.1)	(0.1)
Carrying amount at 30 June	1.0	0.8

11. Derivatives receivable

Foreign currency swaps	244.5	37.8
Interest rate swaps - SA Government	6.3	7.0
Interest rate swaps	272.3	291.3
Total derivatives receivable	523.1	336.1

12. Other assets

Receivables	4.8	1.3
Receivables - SA Government	9.8	11.5
Recoveries	1.3	14.6
Allowance for impairment loss	(0.8)	(0.8)
Receivables from the Treasurer	39.1	26.6
Prepayments - SA Government	1.9	2.0
Prepayments	3.4	3.6
Sundry debtors - SA Government	-	-
Sundry debtors	-	1.5
Deferred acquisition costs	2.3	-
Total other assets	61.8	60.3

Movement in the allowance for impairment loss

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

	2014 $'million	2013 $'million
Carrying amount at 1 July	0.8	0.8
Provision for impairment recognised during the year	-	-
Carrying amount at 30 June	0.8	0.8

13. Deposits and short-term borrowings

	2014 $'million	2013 $'million
At call deposits	71.3	62.4
Deposits from the Treasurer	2 887.8	3 143.6
Deposits from SA Government agencies	387.6	672.7
Commercial paper	2 314.1	2 152.5
Total deposits and short-term borrowings	5 660.8	6 031.2

14. Bonds, notes and debentures

	2014 $'million	2013 $'million
Floating rate notes	4 798.2	3 012.9
Select lines	9 929.2	9 892.3
Retail stock	63.0	41.2
Zero coupon bonds	230.7	224.4
Inflation linked bonds and securities	109.0	118.5
Obligation to the Commonwealth Government	252.1	245.7
Total bonds, notes and debentures	15 382.2	13 535.0

15. Outstanding claims

	2014 $'million	2013 $'million
Outstanding claims - SA Government	8.3	6.5
Outstanding claims	294.7	320.8
Total outstanding claims	303.0	327.3

Reconciliation of movements in outstanding claims

	Property $'million	Liability $'million	Medical malpractice $'million
Balance at 1 July	6.5	84.5	236.3
Paid	(2.0)	(20.0)	(20.6)
Reported claims	3.2	(7.1)	5.3
IBNR/IBNER reserve	0.2	4.4	4.6
Risk margin	0.4	3.1	4.9
Indirect claims settlement reserve	-	-	(0.7)
Balance at 30 June	8.3	64.9	229.8
Outstanding claims balance by:			
Fund 1	6.8	46.4	207.4
Fund 2	1.5	17.7	22.4
Fund 3	-	0.8	-
Total	8.3	64.9	229.8

16. Derivatives payable

	2014 $'million	2013 $'million
Foreign currency swaps	246.4	33.9
Interest rate swaps - SA Government	0.2	0.3
Interest rate swaps	45.6	43.5
Total derivatives payable	292.2	77.7

17. Other liabilities

	2014 $'million	2013 $'million
Sundry creditors - SA Government	-	0.0
Sundry creditors	0.6	1.3
Accrued operating expenses	0.0	2.4
Payables	7.2	1.7
Payables - SA Government	0.2	2.1
Payables - Treasurer	13.2	8.2
Unearned premium	7.5	-
Income tax equivalent liability	5.0	8.4
Total other liabilities	33.7	24.1

18. Revenue

	Note	2014 $'million	2013 $'million
Interest revenue:			
External to SA Government:			
Cash and cash equivalents		52.4	80.8
Investments		51.5	66.6
Loans		4.9	3.9
Other assets		395.6	467.7
Internal to SA Government:			
Cash and cash equivalents		2.2	1.3
Loans		593.0	621.3
Other assets		8.7	11.8
		1 108.3	1 253.4
Interest expense:			
External to SA Government:			
Deposits and short-term borrowings		44.4	42.4
Bonds, notes and debentures		669.6	689.3
Other liabilities		300.3	383.7
Internal to SA Government:			
Deposits and short-term borrowings		78.3	115.8
Other liabilities		5.5	8.0
		1 098.1	1 239.2
Net interest revenue		10.2	14.2
Insurance premium:			
External to SA Government		2.7	3.8
Internal to SA Government		41.0	38.4
	21	43.7	42.2
Leasing and hire:			
Internal to SA Government		67.2	73.2
		67.2	73.2
Recoveries:			
External to SA Government		(10.3)	1.2
Internal to SA Government		20.6	22.4
		10.3	23.6
Other:			
External to SA Government:			
Other revenue		0.3	1.2
Commissions		1.1	-
Internal to SA Government:			
Dividend		6.5	-
Other revenue		-	-
Management fees		1.3	1.8
		9.2	3.0
Total revenue		140.6	156.2

19. Other gains (losses)

	2014 $'million	2013 $'million
Net gain (loss) on financial instruments and derivatives:		
External to SA Government:		
Realised	12.5	357.7
Unrealised	(120.4)	75.8
Internal to SA Government:		
Realised	7.6	(317.8)
Unrealised	174.2	(47.5)
	73.9	68.2
Net gain (loss) on sale of property, plant and equipment:		
External to SA Government	(0.9)	1.7
	(0.9)	1.7
Total other gains (losses)	73.0	69.9

20. Expenses

	Note	2014 $'million	2013 $'million
Insurance claims:			
External to SA Government		18.2	22.0
Internal to SA Government		0.8	(5.4)
	21	19.0	16.6
Motor vehicle:			
External to SA Government		30.7	25.8
Internal to SA Government		5.1	4.0
		35.8	29.8
Reinsurance :			
External to SA Government		9.1	9.2
	21	9.1	9.2
Depreciation and impairment:			
Internal to SA Government		40.4	43.5
		40.4	43.5
Operating:			
External to SA Government:			
Program and debt management fees		1.0	1.2
Direct insurance placement costs		-	0.0
Bad debts written off		-	0.1
Management fees		1.2	0.8
Consultants/Contractors		0.2	0.1
Rent		0.9	0.8
Systems		0.2	-
Other		-	0.1
Internal to SA Government:			
Indemnity to the Treasurer		4.1	9.4
Service level agreement (SLA)		12.2	13.8
		19.8	26.3
Total expenses		124.1	125.4

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

SLA insurance costs $1.348 million ($1.338 million) have been allocated directly to claims expense.

21. Net claims incurred and underwriting result

The following table provides further information in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

2014	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	51 375	(39 556)	11 819
Other recoveries undiscounted	(176)	12 129	11 953
Net claims incurred - undiscounted	51 199	(27 427)	23 772
Discount and discount movement - gross claims incurred	(9 413)	17 158	7 745
Discount and discount movement - other recoveries	43	(1 386)	(1 343)
Net discount movement	(9 370)	15 772	6 402
Net claims incurred	41 829	(11 655)	30 174

21. Net claims incurred and underwriting result (continued)

Net claims incurred during 2013-14 in respect of claims incurred prior to 30 June 2013 were $11.7 million, resulting from:

	2014 $'million
Interest on the 30 June 2013 provision less payments during 2013-14	10.2
Release of administration allowance and risk margin in respect of payments during 2013-14	(13.6)
Changes in actuarial assumptions and experienced deviation from expected	(8.3)
	(11.7)

2013	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	45 003	(20 416)	24 587
Other recoveries undiscounted	(237)	(143)	(380)
Net claims incurred - undiscounted	44 766	(20 559)	24 207
Discount and discount movement - gross claims incurred	(9 426)	608	(8 818)
Discount and discount movement - other recoveries	(21)	(657)	(678)
Net discount movement	(9 447)	(49)	(9 496)
Net claims incurred	35 319	(20 608)	14 711

Net claims incurred during 2012-13 in respect of claims incurred prior to 30 June 2012 were $20.6 million, resulting from:

	2013 $'million
Interest on the 30 June 2012 provision less payments during 2012-13	9.7
Release of administration allowance and risk margin in respect of payments during 2012-13	(18.7)
Changes in actuarial assumptions and experienced deviation from expected	(11.6)
	(20.6)

	2014 $'million	2013 $'million
Net earned premium:		
Premium revenue	43.7	42.2
Outwards reinsurance expense	(9.1)	(9.2)
	34.6	33.0
Net claims incurred:		
Claims expense	(19.0)	(16.6)
Recoveries income	(11.1)	0.9
	(30.1)	(15.7)
Net underwriting result	4.5	17.3

22. Contingent assets and liabilities

Contingent assets

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

Origin Energy Ltd has indemnified SAFA if SAFA's guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd is called upon by Osborne Cogeneration Pty Ltd under arrangements for the generation of electricity at the Osborne generation plant. The exposure of the guarantee is estimated at $150 million to $200 million.

Contingent liabilities

(i) General

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

(i) General (continued)

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

(ii) Guarantees

Under arrangements for the generation of electricity at the Osborne generation plant, SAFA has provided a guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd. The exposure of the guarantee is estimated at $150 million to $200 million.

(iii) Treasurer's indemnity

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 and Fund 3. Given the nature of activities in these funds, the Treasurer has approved that any operating profit before tax will be $0. This is achieved by negating the operating profit or loss with either a payable to, or receivable from, the Treasurer. This policy resulted in a payable to the Treasurer of $12.2 million as at 30 June 2014 (payable to the Treasurer of $8.2 million as at 30 June 2013).

(iv) Unused loan facilities

As at 30 June 2014, SAFA had extended loan facilities that were unutilised totalling $1019.2 million ($1036.2 million).

(v) Security transfer and managing out deed

SAFA has executed a security transfer and managing out deed with the Commonwealth of Australia for the transfer of securities held by Playford Capital Pty Ltd as trustee for the PC IIFF Trust to SAFA for $0 consideration. SAFA will use reasonable endeavours to liquidate the securities by 30 June 2015 with all proceeds from liquidation payable to the Commonwealth of Australia.

23. Cash flow information

23.1 Reconciliation of cash

	Note	2014 $'million	2013 $'million
Cash and cash equivalents per the Statement of Financial Position	5	1 839.4	2 033.4
Negotiable certificates of deposit and working capital		(1 542.5)	(1 636.6)
Fair value component		(0.6)	(0.5)
Balance per Statement of Cash Flows		296.3	396.3

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

	2014 $'million	2013 $'million
Comprehensive result	62.6	71.5
Non-cash items:		
Change in net market value of financial instruments	(43.9)	(52.6)
Amortisation of financial instruments	47.6	87.2
Depreciation, impairment and bad debts	40.4	43.6
Gain on sale of property, plant and equipment	0.9	(1.7)
Gain on transfer of administrative functions	-	(1.4)
Bad debt written off	-	(0.2)
Movements in assets/liabilities, net of effects from transferred functions:		
Accrued interest receivable	(5.9)	1.7
Recoveries receivable	13.7	0.5
Sundry debtors and other assets	(12.5)	0.1
Accrued interest payable	18.8	(10.5)
Outstanding claims	(24.3)	(37.4)
Sundry creditors and other liabilities	2.0	17.1
Foreign currency movement	-	-
Net cash provided by (used in) operating activities	99.4	117.9

23.3 Non-cash financing and investing activities

During 2013-14, $700 000 was adjusted against the Treasurer's debt for book gains arising from debt management activity.

24. Auditor's remuneration

	2014	2013
Audit fees payable to the Auditor-General's Department relating	$'000	$'000
to the audit of the financial statements	242	225
	242	225

No other services were provided by the Auditor-General's Department. Audit fees are paid through SAFA's SLA with DTF.

25. Key management personnel

25.1 Board and committee members

	2014	2013
	Number	Number
Remuneration:		
$0	5	4
$30 001 - $40 000	4	4
$40 001 - $50 000	1	1
Total	10	9

	2014	2013
	$	$
Total remuneration	182 079	183 447

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Amounts paid to a superannuation plan for board/committee members in 2013-14 were $15 416 ($15 147). All amounts paid to members are paid through SAFA's SLA with DTF.

SAFA Advisory Board and committee members during the 2013-14 financial year were:

Advisory Board

Mr B Rowse* (Presiding Member)
Ms J Brown (term expired 08.06.14)
Mr M Day
Mr L Foster
Mr G Goddard* (Deputy Member)
Mr J Hollamby* (Deputy Member) (expired 06.06.14)
Mr C Long (term expired 08.06.14)
Ms Y Sneddon
Ms A Westley* (resigned 06.06.14)
Mr P Mendo* (resigned 06.08.13)

Audit and Risk Management Committee

Ms Y Sneddon
Ms J Brown (term expired 08.06.14)
Mr L Foster
Mr J Hollamby*

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

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

25.2 Other key management personnel

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

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

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

26. Consultants

	2014 Number	2013 Number
Between $1 and $50 000	4	2
Between $50 001 and $100 000	-	1
Between $150 001 and $200 000	1	-
Total consultants	5	3

	2014 $	2013 $
Total consultants expense	197 327	102 790

In addition to the amounts shown in the table above, $140 755 ($187 391) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's financial statements.

27. Fiduciary activities

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

	2014 $'million	2013 $'million
Liabilities under management	3 789.7	3 710.0

SAFA provides a pooled investment portfolio to its clients that meet their investment needs. The Cash Management Facility comprises cash and short-term money market securities. The assets and liabilities of this portfolio are reported within SAFA's Statement of Financial Position.

	2014 $'million	2013 $'million
Total market value of pooled investments	615.5	900.0

28. Unrecognised contractual commitments

(a) Operating lease commitments receivable

SAFA as a lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases are for terms up to three years, with an option, subject to approval, to extend in six monthly intervals to a maximum term of four years for passenger vehicles and a maximum term of five years for light commercial vehicles.

Future minimum rentals receivable (excluding GST) under non-cancellable operating leases are as follows:

	2014 $'million	2013 $'million
Motor vehicle hire:		
Not later than one year	49.0	55.1
Later than one year but not later than five years	30.5	35.5
Total non-cancellable operating lease receivables	79.5	90.6

(b) Other commitments

SAFA's other commitments relate to software licences and maintenance.

Software:		
Not later than one year	2.6	2.8
Later than one year but not later than five years	1.3	1.9
Total software commitments	3.9	4.7

(c) Unrecognised investment commitment

The SA Government announced in August 2005 that it would invest an amount not exceeding $10 million in a private capital equity fund (Paragon Private Equity Fund No 1) established in South Australia and managed by Paragon Advisory Pty Ltd.

(c) ***Unrecognised investment commitment (continued)***

The Government was committed to invest $1 for every $4 of private sector capital that Paragon Advisory Pty Ltd was able to raise up until the closing date of April 2007. The final capital commitment of the SA Government (SAFA) is $900 000.

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

29. Capital management

SAFA's objective is to maintain capital that allows it to continue as a going concern while exposing its stakeholders to an acceptable level of risk. SAFA's capital comprises retained earnings $339.8 million in 2013-14 ($310 million). The capital position is reviewed periodically by management to ensure its adequacy is commensurate with the level of risk.

Among others, management considers the following factors when managing capital requirements:

- the overall risk position of the business
- dividend policy
- the requirements of the *Government Financing Authority Act 1982*
- the guarantee provided to SAFA by the Treasurer on behalf of the State of South Australia (refer note 22).

30. Financial risk management

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

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

(a) Credit risk

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

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

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

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

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

AASB 7 requires the disclosure of the amount of change in fair value that is attributable to the change in SAFA credit risk. The following table shows the amount of change in fair value of liabilities and loans as at the end of the reporting period that is considered to be contributed to SAFA's credit risk for the period and cumulatively.

(a) ***Credit risk (continued)***

	2014		2013	
	Period $'million	Cumulative $'million	Period $'million	Cumulative $'million
Loans change in fair value profit (loss)	(84.0)	(42.8)	(62.4)	31.7
Liabilities change in fair value profit (loss)	98.5	50.2	73.8	(37.5)

The change in fair values attributable to credit risk have been calculated by determining the change in the difference in the spread between SAFA and swap yield curves at the issue date and period end dates. This spread movement is then applied to the delta of each transaction to calculate the considered credit component. Spreads for the period ending 30 June 2014 have contracted by between 10-40 basis points.

(i) *Credit quality*

The following table sets out the credit quality of financial assets. The ratings have been presented based on credit ratings from Standard & Poor's.

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

The majority of SAFA's lending is to agencies and corporations of the SA Government. In respect of the repayment of loans by authorities (which are fully guaranteed by the Treasurer) the ultimate credit risk is to the Treasurer. The principal focus for SAFA is therefore with risk that arises through investment of funds in financial assets and through derivative transactions with market counterparties.

As required under AASB 13 a calculation has been undertaken to evaluate the impact to the fair value of interest rate swaps for a credit impact that may result from a change to SAFA's current valuation methodology. The amount of the adjustment required was less than 1% and therefore SAFA's accounts have not be adjusted to reflect this as it was considered immaterial. All other financial assets and liabilities are considered to include a credit component in the quoted market rate used to value the securities.

Concentration of credit risk by credit rating

	Rating							
2014	AAA	AA+	AA-	A+	A	A-	NR*	Total
Asset class:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/Investments	385.4	247.0	1 180.6	537.5	713.4	220.0	17 473.8	20 757.7
Interest rate swaps	-	-	419.6	51.6	79.2	-	10.0	560.4
Currency swaps	-	-	-	-	-	-	-	-
Foreign exchange	-	-	1.1	-	-	-	-	1.1
Total	385.4	247.0	1 601.3	589.1	792.6	220.0	17 483.8	21 319.2
2013								
Asset class:								
Loans/Investments	501.9	28.0	1 397.8	883.0	612.5	198.0	15 733.0	19 354.2
Interest rate swaps	-	-	414.8	93.3	67.4	-	11.8	587.3
Currency swaps	-	-	-	-	3.9	-	-	3.9
Foreign exchange	-	-	1.8	-	0.2	-	0.5	2.5
Total	501.9	28.0	1 814.4	976.3	684.0	198.0	15 745.3	19 947.9

* NR - not classified under particular ratings. Includes loans to the SA Government of $17 242 million ($15 569 million).

SAFA has a 92% (93%) concentration of credit risk in Australia.

By counterparty the main concentration is 81% (78%) to the SA Government and 16% (20%) to banks.

(ii) *Offsetting financial assets and financial liabilities*

Financial assets and liabilities subject to offsetting and/or master netting agreements

SAFA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Derivative asset and liability positions are accounted for at the transaction level, and are not offset at the counterparty level in the Statement of Financial Position. SAFA does not currently have a legally enforceable right to offset these positions in the usual course of business; the right to offset is enforceable only on the occurrence of future credit events, such as default. Furthermore, SAFA does not intend to settle these transactions on a net basis.

Financial assets and liabilities subject to offsetting and/or master netting agreements (continued)

The analysis presented below sets out the carrying amounts of recognised financial instruments that are subject to the above agreements. SAFA does not hold collateral from, or post any collateral with, any of its counterparties.

	Assets			Liabilities		
2014	Interest rate swaps $'million	Foreign currency swaps $'million	Total $'million	Interest rate swaps $'million	Foreign currency swaps $'million	Total $'million
Gross amounts of financial assets and liabilities	278.6	244.5	523.1	(45.8)	(246.4)	(292.2)
Gross amounts offset in the Statement of Financial Position	-	-	-	-	-	-
Net amounts presented in the Statement of Financial Position	278.6	244.5	523.1	(45.8)	(246.4)	(292.2)
Related amounts not offset:						
Amounts subject to master netting agreements	(63.5)	(244.5)	(308.0)	63.5	244.5	308.0
Financial collateral (including cash collateral)	-	-	-	-	-	-
Net	236.9	-	236.9	(4.1)	(1.9)	(6.0)
2013						
Gross amounts of financial assets and liabilities	298.3	37.8	336.1	(43.8)	(33.9)	(77.7)
Gross amounts offset in the Statement of Financial Position	-	-	-	-	-	-
Net amounts presented in the Statement of Financial Position	298.3	37.8	336.1	(43.8)	(33.9)	(77.7)
Related amounts not offset:						
Amounts subject to master netting agreements	(67.2)	(33.9)	(101.1)	67.2	33.9	101.1
Financial collateral (including cash collateral)	-	-	-	-	-	-
Net	231.1	3.9	235.0	23.4	-	23.4

Reconciliation to the Statement of Financial Position

The net amounts presented in the Statement of Financial Position, as set out above, are reflected in the Statement of Financial Position as such:

- Derivative assets are presented under derivatives receivable in the Statement of Financial Position.
- Derivative liabilities are presented under derivatives payable in the Statement of Financial Position.

(iii) *Ageing analysis*

As at 30 June 2014 the amount of receivables including impaired assets that are past due was $2 268 198.

Past due but not impaired receivables are SA Government debts considered recoverable regardless of their age. Impaired receivables are long outstanding debts with non-SA Government entities where funds are deemed irrecoverable.

2014	Past due by				
Not impaired:	1-30 days $'million	31-60 days $'million	61-90 days $'million	+91 days $'million	Total $'million
Receivables	1.7	0.1	-	0.1	1.9
Impaired:					
Receivables	-	-	-	0.4	0.4
	1.7	0.1	-	0.5	2.3
2013					
Not impaired:					
Receivables	1.2	0.3	0.3	0.3	2.1
Impaired:					
Receivables	-	-	-	0.4	0.4
	1.2	0.3	0.3	0.7	2.5

(b) ***Liquidity risk***

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

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

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

The liquidity analysis below has been presented on a contractual basis, representing the repayment of undiscounted principal and interest amounts for financial assets and liabilities, and the estimated discounted settlement amount for outstanding claims.

2014	Less than 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Cash and cash equivalents	1 073.9	765.0	-	-	-	-	10.0	1 848.9
Investments	907.3	567.3	209.3	56.0	10.6	206.0	53.1	2 009.6
Loans	3 390.7	1 889.7	1 621.1	496.1	1 667.8	400.4	9 923.4	19 389.2
Other assets	14.8	-	-	-	-	-	-	14.8
Total	5 386.7	3 222.0	1 830.4	552.1	1 678.4	606.4	9 986.5	23 262.5
Liabilities:								
Deposits and short-term borrowings	(5 005.4)	(665.3)	-	-	-	(10.0)	-	(5 680.7)
Bonds, notes and debentures	(157.6)	(4 088.2)	(2 825.1)	(431.3)	(2 762.0)	(279.0)	(6 674.9)	(17 218.1)
Outstanding claims	(11.5)	(34.7)	(39.3)	(35.3)	(30.7)	(27.0)	(124.5)	(303.0)
Other liabilities	(21.2)	-	-	-	-	-	-	(21.2)
Total	(5 195.7)	(4 788.2)	(2 864.4)	(466.6)	(2 792.7)	(316.0)	(6 799.4)	(23 223.0)
Net	191.0	(1 566.2)	(1 034.0)	85.5	(1 114.3)	290.4	3 187.1	39.5
Net derivatives	17.1	58.3	52.8	58.5	49.5	30.6	56.9	323.7
2013								
Assets:								
Cash and cash equivalents	1 612.8	430.0	-	-	-	-	-	2 042.8
Investments	948.3	514.9	399.1	261.2	1.9	0.1	-	2 125.5
Loans	3 412.0	1 591.9	1 646.0	800.2	392.7	1 554.8	8 034.1	17 431.7
Other assets	13.5	-	-	-	-	-	-	13.5
Total	5 986.6	2 536.8	2 045.1	1 061.4	394.6	1 554.9	8 034.1	21 613.5
Liabilities:								
Deposits and short-term borrowings	(5 820.5)	(220.0)	-	-	-	-	-	(6 040.5)
Bonds, notes and debentures	(125.4)	(3 008.8)	(3 091.7)	(2 702.9)	(308.6)	(2 386.0)	(3 788.3)	(15 411.7)
Outstanding claims	(12.3)	(36.9)	(45.4)	(47.0)	(30.4)	(26.8)	(128.5)	(327.3)
Other liabilities	(13.3)	-	-	-	-	-	-	(13.3)
Total	(5 971.5)	(3 265.7)	(3 137.1)	(2 749.9)	(339.0)	(2 412.8)	(3 916.8)	(21 792.8)
Net	15.1	(728.9)	(1 092.0)	(1 688.5)	55.6	(857.9)	4 117.3	(179.3)
Net derivatives	12.0	89.7	79.5	49.7	54.3	45.6	74.2	405.0

(c) ***Market risk***

Market risk is the risk that changes in market prices will result in gains or losses to SAFA's financial instruments. SAFA has a range of policies in place to manage market risk, including counterparty exposure limits, risk limits and liquidity and maturity limits. The main tool used to measure and assess market risks within each of SAFA's trading portfolios is value at risk (VaR).

(i) *Price risk*

Treasury operations

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

SAFA calculates VaR using the historical simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95% confidence level.

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

	2014		2013	
	Actual	Working limit	Actual	Working limit
	$'000	$'000	$'000	$'000
Funding portfolio	307.5	750.0	668.6	750.0
Liquidity portfolio	36.4	250.0	104.7	250.0
Reinvestment portfolio	0.6	n/a	0.4	n/a
Cash management facility	13.9	n/a	27.8	n/a

SAFA's treasury portfolios that reflect SAFA's position with the Treasurer of South Australia are not reported above, as all risk in these portfolios are borne directly by the Treasurer.

As SAFA's VaR model relies on historical data and assumes recent historic market conditions, it may not always accurately predict the size of potential losses. SAFA therefore uses other controls such as limits on exposures based on factor sensitivity measurements covering interest rate, yield curve and basis spread movement scenarios and monitors exposures to plausible extreme market movements through stress testing.

Insurance operations

The insurance portfolio is exposed to price risk arising from investments held with Funds SA. SAFA maintains policies outlining the strategies for investment of funds and these policies are reviewed every three years.

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

2014		Profit (post tax)		Equity	
	Investments	-10%	+10%	-10%	+10%
Funds:	$'000	$'000	$'000	$'000	$'000
Fund 1	413 212	(28 925)	28 925	(28 925)	28 925
Fund 2*	46 679	(3 268)	3 268	(3 268)	3 268
Fund 3*	2 468	(173)	173	(173)	173
Total	462 359	(32 366)	32 366	(32 366)	32 366

* Due to the nature of activities undertaken by Fund 2 and Fund 3, the Treasurer has approved that any operating profit or loss before tax will be $0 for each of these funds. Therefore, any movement in the value of investments with Funds SA for Fund 2 or Fund 3 would effectively be offset by the Treasurer's indemnity (refer note 22).

(ii) *Interest rate risk*

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

SAFA uses interest rate derivatives to manage the sensitivity of investment portfolios to interest rate fluctuations to be within strict limits, without requiring transactions in physical securities. SAFA utilises futures contracts, interest rate swaps and forward rate agreements to manage interest rate risk.

(ii) *Interest rate risk (continued)*

The following table shows the computed price value per basis point of SAFA's principal portfolios, reflecting changes in portfolio value relative to interest rate movements:

	2014		2013	
	Actual $'000	Working limit $'000	Actual $'000	Working limit $'000
Funding portfolio	437	+/-10 000	849	+/-10 000
Liquidity portfolio	575	+/-10 000	84	+/-10 000
Reinvestment portfolio	46	n/a	20	n/a
Cash management facility	7 804	n/a	10 598	n/a

SAFA's treasury portfolios that reflect SAFA's position with the Treasurer of South Australia are not reported above, as all risk in these portfolios are borne directly by the Treasurer.

(iii) *Foreign currency risk*

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

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

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

2014	USD	GBP	EUR	NZD	SGD
Less than one year:	A$'000	A$'000	A$'000	A$'000	A$'000
Net foreign currency assets	(244 525.6)	174.0	(6.4)	25.3	(0.1)
Net derivatives	244 550.5	-	-	-	-
Total exposure	24.9	174.0	(6.4)	25.3	(0.1)
Sensitivity:					
Profit impact (in AUD) of +1% change in foreign currency	0.2	1.7	(0.1)	0.3	(0.0)
2013					
Less than one year:					
Net foreign currency assets	(37 758.8)	152.0	(5.5)	22.2	(0.1)
Net derivatives	37 789.3	-	-	-	-
Total exposure	30.5	152.0	(5.5)	22.2	(0.1)
Sensitivity:					
Profit impact (in AUD) of +1% change in foreign currency	0.3	1.5	(0.1)	0.2	(0.0)

SAFA's total exposure to exchange rate risk (on a net basis) is $217 800 for the year ended 30 June 2014 ($199 000). Had the Australian dollar weakened by 10% against the foreign currencies listed above, the direct impact to SAFA would be a gain of approximately $21 800 ($19 900).

(d) ***Insurance risk***

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

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

(i) Claim development

The following tables show the development of incurred cost on net undiscounted outstanding claims (medical malpractice, liability, property and builders indemnity) relative to the ultimate expected estimate over the 10 most recent financial years. Figures provided are net of reinsurance and relate to Fund 1 and Fund 3. This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

Medical malpractice

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Paid to date	Undis-counted liability June 2014	Dis-count to present value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	69 192	93 789	87 312	164 428	98 285	89 714	76 237	88 921	91 706	99 140	63 103	36 037	31 832
2003	17 077	14 533	13 159	13 789	14 108	13 277	12 709	12 009	11 553	11 508	455	11 053	9 447
2004	12 260	9 012	3 355	11 643	7 043	4 336	4 552	2 714	2 109	3 298	206	3 092	2 620
2005	18 826	16 683	12 519	7 752	4 200	3 114	3 963	2 378	1 711	2 448	8	2 440	2 052
2006		21 363	17 896	25 892	16 422	7 694	20 793	13 421	13 580	13 471	1 651	11 820	9 860
2007			21 513	22 589	13 748	7 366	9 966	8 290	6 837	6 386	3	6 383	5 270
2008				22 947	20 345	13 923	11 993	16 582	14 848	13 648	937	12 711	10 359
2009					49 922	36 167	29 248	27 700	31 564	23 205	8	23 197	18 610
2010						24 134	15 725	13 002	11 367	8 198	14	8 184	6 436
2011							17 486	15 471	15 742	14 662	4 197	10 465	8 040
2012								18 749	17 802	13 584	12	13 572	10 148
2013									21 967	17 275	7	17 268	12 520
2014										21 702	19	21 683	15 191
							Total			248 525	70 620	177 905	142 385

Liability

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Paid to date	Undis-counted liability June 2014	Dis-count to present value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	31 542	37 678	28 244	32 966	46 788	48 691	55 062	56 195	56 833	57 702	55 010	2 692	2 562
2003	2 593	2 280	2 237	2 099	2 102	2 239	2 780	3 169	2 780	2 808	2 713	95	90
2004	2 686	3 093	2 733	2 813	2 816	3 814	3 971	4 291	4 832	5 426	5 168	258	243
2005	6 283	5 187	4 407	23 291	24 446	24 943	23 879	23 613	23 144	13 668	12 550	1 118	1 047
2006		7 922	3 488	2 295	1 961	1 848	1 845	1 911	1 828	2 414	989	1 425	1 329
2007			7 366	3 564	2 106	2 182	2 996	2 552	2 325	2 338	1 847	491	456
2008				6 359	3 610	2 137	2 114	1 936	2 907	7 742	1 803	5 939	5 495
2009					5 784	2 766	7 445	5 644	4 907	5 000	3 929	1 071	986
2010						6 705	4 365	3 663	11 386	10 904	8 896	2 008	1 836
2011							7 173	5 982	5 158	5 266	1 004	4 262	3 858
2012								8 038	6 749	5 620	1 030	4 590	4 092
2013									6 683	5 456	79	5 377	4 694
2014										6 478	47	6 431	5 485
							Total			130 822	95 065	35 757	32 173

(i) Claim development (continued)

Property

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June										Paid to date	Undis-counted liability June 2014	Dis-count to present value
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014			
	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000
Prior	11 232	9 143	10 827	10 114	10 468	10 779	10 137	9 581	9 381	9 381	9 381	-	-
2003	586	426	668	447	447	447	456	456	456	456	456	-	-
2004	2 920	2 444	4 430	4 111	3 975	4 634	3 512	2 880	2 880	2 880	2 880	-	-
2005	12 812	4 035	4 027	2 849	2 700	2 718	2 704	2 689	2 689	2 689	2 689	-	-
2006		1 667	2 461	1 927	1 604	1 731	2 581	1 933	1 933	1 933	1 933	-	-
2007			3 269	2 907	2 666	2 256	2 285	2 142	2 180	2 180	2 180	-	-
2008				2 347	2 265	2 390	1 762	1 555	1 543	1 540	1 531	9	8
2009					2 777	2 116	1 599	1 689	1 666	1 672	1 665	7	6
2010						3 255	1 779	1 543	1 479	1 576	1 544	32	31
2011							4 568	3 270	3 060	2 940	2 657	283	271
2012								2 683	2 046	2 314	1 458	856	822
2013									1 996	1 990	607	1 383	1 327
2014										3 224	332	2 892	2 774
							Total			34 775	29 313	5 462	5 239

Building indemnity

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June		Paid to date	Undis-counted liability June 2014	Dis-count to present value
		2014			
		$’000	$’000	$’000	$’000
2014		1 036	353	683	604
	Total	1 036	353	683	604

(ii) Unexpired risk liability

The liability adequacy test (LAT) (note 2(p)) was completed by the independent actuary for building indemnity insurance offered by SAFA. The actuary has compared the unearned premium and the expected cost of claims arising from this premium, including associated expenses and a risk margin. The result of the LAT was a $200 000 premium deficiency which has been written off against deferred acquisition costs.

(iii) Concentration risk

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

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

(iv) Sensitivity analysis

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

(iv) Sensitivity analysis (continued)

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

2014	Present value of outstanding liability			Percentage change from central estimate		
Insurance fund:	Fund 1	Fund 2	Fund 3	Fund 1	Fund 2	Fund 3
1. Discount rate:	$'000	$'000	$'000	%	%	%
(a) Increase by 1%	247 537	40 444	620	(5.1)	(2.9)	(3.2)
(b) Decrease by 1%	275 226	42 894	662	5.6	3.0	3.4
2. Inflation rate:						
(a) Increase by 1%	275 146	42 855	-	5.5	2.9	-
(b) Decrease by 1%	247 358	40 482	-	(5.1)	(2.8)	-
3. Superimposed inflation rate						
(a) Increase by 1%	275 041	42 818	662	5.5	2.9	3.3
(b) Decrease by 1%	247 462	40 518	620	(5.1)	(2.7)	(3.2)
4. Other assumptions						
(a) Faster payment pattern - long tail and MedMal	261 417	41 645	-	0.3	-	-
(b) Longer liability tail	261 022	41 782	-	0.1	0.4	-
(c) Longer MedMal tail	261 167	41 959	-	0.2	0.8	-
(d) Claim deterioration	-	-	769	-	-	20.0

31. Fair value of assets and liabilities

This section explains the judgements and estimates made in determining the fair values of the assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, SAFA has classified its assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

(a) Financial assets and liabilities

(i) Fair value hierarchy

2014	Note	Quoted market price (Level 1)	Market observable inputs (Level 2)	Non-market observable inputs (Level 3)	Total
Financial assets:		$'million	$'million	$'million	$'million
Cash and cash equivalents	5	298.4	1 541.0	-	1 839.4
Investments	7	312.4	1 359.1	275.3	1 946.8
Loans	8	3 019.4	6 198.5	8 232.4	17 450.3
Derivatives receivable	11	-	523.1	-	523.1
Total		3 630.2	9 621.7	8 507.7	21 759.6
Financial liabilities:					
Deposits and short-term borrowings	13	(3 346.7)	(2 314.1)	-	(5 660.8)
Bonds, notes and debentures	14	(14 411.8)	(441.5)	(528.9)	(15 382.2)
Derivatives payable	16	-	(292.2)	-	(292.2)
Total		(17 758.5)	(3 047.8)	(528.9)	(21 335.2)
2013					
Financial assets:					
Cash and cash equivalents	5	421.7	1 611.7	-	2 033.4
Investments	7	38.0	1 762.8	275.0	2 075.8
Loans	8	2 900.4	6 044.6	6 653.3	15 598.3
Derivatives receivable	11	-	336.1	-	336.1
Total		3 360.1	9 755.2	6 928.3	20 043.6
Financial liabilities:					
Deposits and short-term borrowings	13	(3 878.7)	(2 152.5)	-	(6 031.2)
Bonds, notes and debentures	14	(12 854.4)	(159.6)	(521.0)	(13 535.0)
Derivatives payable	16	-	(77.7)	-	(77.7)
Total		(16 733.1)	(2 389.8)	(521.0)	(19 643.9)

(i) *Fair value hierarchy (continued)*

Retail index annuity instruments were transferred from level 2 to level 3 of the fair value hierarchy, reflecting the use of estimation techniques employed to value the instruments. This transfer is disclosed in note 31(iii). Several other instruments were reclassified between level 2 and level 1 of the hierarchy in 2013-14, following a review of the estimation techniques employed to value these instruments. As at 30 June 2014, the value of bonds, notes and debentures transferred was $275.3 million and the value of cash and cash equivalents transferred was $19.6 million.

SAFA recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Financial assets and liabilities are categorised to levels of the fair value hierarchy based on the following:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities that are accessible at the measurement date.

Level 2: inputs other than quoted prices included within level 1, which are observable for assets or liabilities, either directly or indirectly.

Level 3: inputs to asset or liability valuation that are not based on observable market data (unobservable inputs). This category includes instruments that are valued using quoted prices, but where material adjustments are required as a result of relevant unobservable inputs or assumptions.

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the Statement of Financial Position date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2.

All valuation methods remain unchanged compared to the previous reporting period.

(iii) *Level 3 financial instruments reconciliation*

The following table presents the changes in level 3 items for the periods 30 June 2013 and 30 June 2014:

	Assets		Liabilities	
2014	Investments $'million	Loans $'million	Bonds, notes and debentures $'million	Total $'million
Balance at 1 July	275.0	6 653.3	(521.0)	6 407.3
Total gain (loss) included in profit or loss	8.1	338.6	(13.9)	332.8
Purchases	-	1 510.0	-	1 510.0
Sales	(7.8)	(269.5)	-	(277.3)
Issues	-	-	(21.6)	(21.6)
Settlements	-	-	33.0	33.0
Transfers into level 3	-	-	(5.4)	(5.4)
Balance at 30 June	275.3	8 232.4	(528.9)	7 978.8

(iii) Level 3 financial instruments reconciliation (continued)

Total gains or losses in the above table are presented in the Statement of Comprehensive Income as follows:

		Assets		Liabilities	
2014	Note	Investments $'million	Loans $'million	Bonds, notes and debentures $'million	Total $'million
Interest revenue	18	7.8	273.0	(26.6)	254.2
Net gain (loss) on financial instruments and derivatives - unrealised	19	0.3	64.9	13.0	78.2
Net gain (loss) on financial instruments and derivatives - realised	19	-	0.7	(0.3)	0.4
		8.1	338.6	(13.9)	332.8
2013					
Balance at 1 July		273.9	5 922.0	(939.2)	5 256.7
Total gain (loss) included in profit and loss		10.8	(124.3)	357.2	243.7
Purchases		-	1 123.0	-	1 123.0
Sales		(9.7)	(267.4)	-	(277.1)
Issues		-	-	(8.2)	(8.2)
Settlements		-	-	69.2	69.2
Balance at 30 June		275.0	6 653.3	(521.0)	6 407.3

Total gains or losses in the above table are presented in the Statement of Comprehensive Income as follows:

Interest revenue	18	9.4	266.3	(43.8)	231.9
Net gain (loss) on financial instruments and derivatives - unrealised	19	1.4	(68.3)	61.6	(5.3)
Net gain (loss) on financial instruments and derivatives - realised	19	-	(322.3)	339.4	17.1
		10.8	(124.3)	357.2	243.7

(iv) Level 3 financial instruments - unobservable inputs used in measuring fair value

The following table summarises the quantitative information about the significant unobservable inputs used level 3 fair value measurement:

Description	*Fair value at 30.06.14 $'million*	*Valuation technique*	*Significant unobservable inputs*	*Estimate of unobservable input*	*Fair value measurement sensitivity to unobservable inputs*
Bonds, notes and debentures:					
Principal and interest borrowing	(242.1)	Discounted cash flow	Discount rates/market yields	2.47%-3.91% IRR	Discount rate based on internally-constructed yield curve. A one basis point shift in rates results in a $243 153 change in market value.
Borrowing non-market	(10.0)	Borrowing with no applicable interest rate or discount rate	Discount rates/market yields	0% IRR	Instrument value will not change with respect to market/discount rates.
Bonds	(271.0)	Discounted cash flow	Discount rates/market yields	2.59%-3.52% IRR	Discount rate based on internally-constructed yield curve. A one basis point shift in rates results in a $47 434 change in market value.

(iv) Level 3 financial instruments - unobservable inputs used in measuring fair value (continued)

Description	*Fair value at 30.06.14 $'million*	*Valuation technique*	*Significant unobservable inputs*	*Estimate of unobservable input*	*Fair value measurement sensitivity to unobservable inputs*
Retail indexed annuity	(5.8)	Discounted cash flow	Real discount rates (annuity rates)	0.44%-0.83%	Market rates are observed for annuity instruments. A one basis point shift in real rates results in a $1332 change in market value.
Investments:					
Floating rate note	275.3	Discounted cash flow	Discount rates/market yields	2.92% IRR	A one basis point shift in underlying swap rates results in a $5352 change in market value.
Loans:					
Loan to treasurer COF	8 222.4	Reflects the market value of borrowings used to fund the loan	Discount rates/market yields	n/a	Market value change is directly proportional to the market value change of instruments used to fund the loan.
Loan to Treasurer non-market	10.0	Loan with no applicable interest rate or discount rate.	Discount rates/market yields.	0% IRR	Instrument value will not change with respect to market/discount rates.

SAFA considers that its estimates of fair value are appropriate, and whilst alternative assumptions in relation to unobservable inputs could be used when determining fair value, these alternative assumptions would not result in any significant changes to measured fair values.

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

	Note	Quoted market price (Level 1) $'million	Market observable inputs (Level 2) $'million	Non-market observable inputs (Level 3) $'million	Total $'million
2014					
Assets:					
Assets held for sale	5	-	7.0	-	7.0
Property, plant and equipment	9	-	182.3	-	182.3
		-	189.3	-	189.3
2013					
Assets:					
Assets held for sale	5	-	5.6	-	5.6
Property, plant and equipment	9	-	195.0	-	195.0
		-	200.6	-	200.6

Non-financial assets are valued at cost less accumulated depreciation which is deemed to represent approximate fair value.

Valuation techniques used to derive residual value of non-financial assets include:

- the use of quoted market prices or dealer quotes for similar assets
- the use of RedBook and Glass's valuations for similar assets
- the cost less accumulated depreciation over the useful life to a residual value.

SAFA undertook a fair value exercise at the end of the 2013-14 financial year to ensure there were no major differences between the stated residual value and the expected sales value of the fleet for vehicles scheduled to be sold in the 2014-15 year.

All of the resulting fair value estimates are included in level 2.

All valuation methods remain unchanged compared to the previous reporting period.

32. Average statement of financial position and margin analysis

The average balances represent the average month end balances and reflect the face value of SAFA's assets and liabilities.

The average rate is calculated as interest divided by the average balance of interest bearing assets and liabilities.

	2014 Average balance $'million	2014 Interest $'million	2014 Average rate %	2013 Average balance $'million	2013 Interest $'million	2013 Average rate %
Assets:						
Interest earning assets:						
Cash and cash equivalents	2 041.9	54.6	2.67	2 352.9	82.1	3.49
Investments	1 545.6	51.5	3.33	1 259.4	66.6	5.29
Loans	16 737.6	597.9	3.57	14 790.2	625.2	4.23
Other assets	-	404.3	-	-	479.5	-
Total assets	20 325.1	1 108.3	3.46	18 402.5	1 253.4	4.21
Liabilities:						
Interest bearing liabilities:						
Deposits and short-term borrowings	5 011.6	122.7	2.45	5 275.7	158.2	3.00
Bonds, notes and debentures	15 562.7	669.6	4.30	13 597.7	689.3	5.07
Other liabilities	-	305.8	-	-	391.7	-
Total liabilities	20 574.3	1 098.1	3.85	18 873.4	1 239.2	4.49

33. Actuarial assumptions and methods

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

Property (short tail)	*Liability (long tail)*	*Medical malpractice*	*Other liability (long tail)*
Aviation property	Aviation liability	Medical malpractice	Building indemnity
Buildings and contents	General liability		Volunteers
Consequential loss	Marine liability		
Fidelity guarantee	Professional indemnity		
General property	Personal accident		
Machinery breakdown			
Marine property			
Motor vehicle			

Total outstanding claims

2014	Central estimate $'million	Risk margin $'million	Indirect claim settlement margin $'million	Total $'million
Expected future claims payments (inflated/undiscounted)	254.9	94.5	15.2	364.6
Discount to present value	(42.8)	(16.2)	(2.6)	(61.6)
Total outstanding claims	212.1	78.3	12.6	303.0

Assumptions

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

2014	Property	Liability	Medical malpractice	Building indemnity
Average weighted term to settlement:	Years	Years	Years	Years
Fund 1	1.58	3.58	6.88	-
Fund 2	2.46	3.91	2.85	-
Fund 3	-	-	-	3.52
Percentage risk margin adopted:	%	%	%	%
Fund 1	24.0	37.0	37.0	-
Fund 2	19.0	23.0	25.0	-
Fund 3	-	-	-	26.0
Claims handling expense	6.0	6.0	6.0	6.0
Inflation rate (includes superimposed inflation)*	-	3.0	3.0	3.0
Discount rate	2.7	3.1	3.5	3.4

Assumptions (continued)			Medical	Building
2013	Property	Liability	malpractice	indemnity
Average weighted term to settlement:	Years	Years	Years	Years
Fund 1	1.67	3.20	7.13	-
Fund 2	2.84	5.17	2.52	-
Percentage risk margin adopted:	%	%	%	%
Fund 1	21.0	33.0	32.0	-
Fund 2	19.0	23.0	25.0	-
Claims handling expense	6.0	6.0	6.0	-
Inflation rate (includes superimposed inflation)*	-	3.0	3.0	-
Discount rate	2.8	3.1	3.7	-

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

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

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

34. Subsidiaries

Playford Capital Pty Ltd became a wholly-owned subsidiary of SAFA on 1 July 2012. The financial statements do not incorporate the assets, liabilities and results of the subsidiary in accordance with the accounting policy described in note 2(c). The investment in Playford Capital Pty Ltd is carried at cost in SAFA's financial statements.

There are no significant restrictions on SAFA's ability to access, use or settle the remaining assets and liabilities of Playford Capital Pty Ltd.

Separate financial statements for Playford Capital Pty Ltd have been appended to SAFA's financial report.

	Country of	Class of	Equity holding	
Name of entity	incorporation	shares	2014	2013
Playford Capital Pty Ltd	Australia	Ordinary	100%	100%

As at 30 June 2014 Playford Capital Pty Ltd had retained earnings of $500 000.

35. Events after the end of the reporting period

On 14 August 2014 the directors of Playford Capital Pty Ltd declared a final dividend of $500 000. Subsequent to the payment of the dividend on 4 September 2014 members resolved to appoint a liquidator to voluntarily wind up the activities of Playford Capital Pty Ltd, in accordance with regulations to the *Corporations Act 2001*.

South Australian Housing Trust

Functional responsibility

Establishment

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

Functions

The functions of the Trust include the following:

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

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

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

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, specific areas of audit attention included:

- revenue, including raising rent and recoveries
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- fixed assets, including rental properties
- inventory
- general ledger
- financial management compliance program
- multi-trade contractor – procurement and contract management.

An understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

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

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Housing Trust as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Executive Director, Housing SA. The main matters raised with the Trust and the related responses are detailed below.

Rent

Household occupancy declaration (HOD)

The Trust's rent assessment guidelines required that at least once every 12 months, an HOD is sent to tenants where they are in receipt of reduced rent and all household occupants are participating in Income Confirmation Services. This process ensures the income of all people residing at a property is taken into account when determining total tenant rent payable.

Past reports have raised that the HOD process has not occurred since June 2010. The current audit found that the HOD process was not undertaken during 2013-14.

In response the Trust advised that the HOD process has been under review since 2011-12 with the intention to reintroduce the process in July/August 2013. This did not occur, with a decision made to replace the HOD process with an amnesty in August 2013.

The review of the HOD process has now been completed and the rent assessment guidelines have been amended to require a household occupancy survey to be sent once every 12 months to tenants who are paying reduced rent and all occupants of their household are participating in Income Confirmation Services. In August 2014 the household occupancy survey was forwarded to relevant tenants.

Other control matters

The audit also found that the Trust had not established a process to ensure all tenants that fail or refuse to provide proof of income are referred to the benefits review team for investigation as required by the Trust's overclaimed benefits guidelines.

In response the Trust advised that a monthly reversion report will be provided to the benefits review team to enable investigators to review all tenant rents that have been reverted due to failure or refusal to return proof of income review form.

Multi-trade contractor (MTC)– procurement and contract management

During 2012-13 the Trust tendered for and implemented an MTC model whereby MTCs now manage the majority of all job orders issued by the Trust for responsive, vacancy, programmed and capital upgrade maintenance within defined geographical areas.

The 2013-14 audit included a review of the procurement and contract management arrangements.

The review found that overall, management had implemented sound processes and controls over the procurement arrangements. However, there are areas of improvement that should be considered for future procurement processes. Key matters identified were as follows:

Procurement risk management

The review of the procurement strategic risk assessment found there was scope for improved:

- documentation supporting the risk assessments undertaken
- allocation to responsible officer/parties of controls and treatments to address identified risks
- processes to review and update risk assessment throughout the procurement life cycle.

Tender receipt and opening

Review of the tender opening form and tender responses found they had not been signed and dated by all members of the tender opening team to evidence that the tender receipt and opening event was in compliance with the evaluation plan and DCSI's opening tenders procedure.

Probity

- While the externally appointed probity advisor communicated issues to the evaluation team during the procurement the final probity report was not received and reviewed prior to the approval of the purchase recommendation. It is noted that the probity advisor was a signatory to the purchase recommendation.
- Conflict of interest declarations were not completed by a number of external contractors and experts/advisors involved in the procurement.

Contract management

The review of the contract management arrangements found there was scope to improve processes and controls in some key areas, including:

- contract management plans were not finalised prior to execution of contracts as envisaged in the acquisition plan
- the Trust had not ensured all MTC initial business plans were adequately developed, contractually compliant and subject to due diligence assessment as contemplated under the MTC agreement
- the post-implementation review and assessment of the new service delivery arrangements, due to be led by the MTC Steering Committee within six months of implementation, had not been undertaken
- MTC reporting against their industry participation plan has not occurred as required by the MTC agreement.

Trust's response

The Trust's response accepted the majority of audit recommendations and detailed actions both taken and proposed to improve procurement and contract management processes.

In response to the finding for contract management plans, the Trust advised that it sought Crown Solicitor's Office advice and subsequently agreed to dispense with the contract management plan requirements.

Maintenance

The Trust manages the costs associated with ownership of Trust properties, including their maintenance. In 2013-14 $103 million was spent on recurrent maintenance and $15 million spent on capital maintenance. Audit review of the Trust's control environment for processing of maintenance expenditure identified the following:

- the Trust has not established processes to provide assurance that MTCs comply with their obligations to inspect invoices on completion of works
- as pre-disbursement invoice inspections of completed works are now undertaken by MTCs, the Trust no longer directly confirms prior to payment that maintenance work has been completed to the Trust's standards and in accordance with the work order issued
- a compliance framework to provide a structured, consistent and targeted approach to contractual compliance and performance assessment reflecting the multi-trade maintenance service model was still to be developed
- quarterly audits of user financial delegations in the maintenance system had not operated as intended throughout the year.

In response the Trust advised:

- monthly reports will be expanded to include inspection details to enable monitoring of MTC compliance with contractual requirements. It is anticipated these reports will be available from September 2014
- a process has recently been implemented to randomly inspect invoices to ensure the quality and compliance of work undertaken by MTC

- in July 2014, the audit and compliance assessment procedure for multi-trade was approved and released
- action has been taken to ensure audits of user financial delegations in the maintenance system are undertaken quarterly.

Council rates

Council rate expenditure is processed through the council rates system and in 2013-14 expenditure was $44 million.

Past audits have identified weaknesses in controls over processing of council rate transactions. The current audit found the Trust had progressively implemented changes to address some of the concerns raised by Audit last year.

Notwithstanding this improvement in controls, the 2013-14 audit identified areas where controls could be further improved or where the Trust is currently implementing remedial action to address previous audit issues. Areas identified included:

- council rate payments were authorised for payment after disbursement. This is inconsistent with TI 8 which requires payments to be approved prior to disbursement
- scope to improve checking of the processing of manual council rate notices data
- self-audit processes designed to ensure compliance with the Trust's council rate procedures were limited to inquiry only and did not involve review of documentation to confirm the operation of control activities.

In response the Trust advised:

- they are working towards a change in the timing of council rate payment reports to enable checking and authorisation to occur before payment
- work is progressing to simplify data entry processes for manual council rate notices. Independent checking and auditing will commence in September 2014
- the self-audit process will be reviewed to ensure an accurate and meaningful audit is completed for the next council rate payment process.

Water rates

Past audits have identified weaknesses in controls over the processing of water rate transactions. The 2013-14 audit identified areas where controls could be improved including some control issues raised in prior years that have not been adequately addressed.

Water rates expenditure

The Trust is responsible for the payment of water rates. Water rates expenditure is processed through the water rates system and in 2013-14 expenditure was $38 million. Audit review of this area found:

- water rates were authorised for payment after disbursement had occurred. This is inconsistent with TI 8 which requires payments to be authorised prior to disbursement
- policies and procedures supporting water rate expenditure processing were either absent or could be improved.

In response to the findings the Trust advised:

- the authorisation report is required to be further developed to enhance the available weekly reporting to enable payments to be approved prior to payment. It is anticipated the new report will be received and tested in the first quarter of 2014-15

- procedures supporting water rate expenditure processing functions are to be developed/improved in the first quarter of 2014-15.

Recovery of water rates from tenants

Tenants are responsible for the cost of their water consumption, with the Trust recharging tenants for water rates paid on their behalf. Audit review of this area identified:

- controls did not ensure remissions to eligible tenants were processed completely in the water rates system. Two payment periods were identified where remissions to eligible tenants had not been applied to tenant accounts
- controls associated with the monitoring and checking of water allowances provided to tenants did not operate effectively
- there was no independent monitoring control to ensure water usage credits processed in the accounts receivable system were accurately calculated and entered
- policies and procedures supporting water rate recovery processing could be improved.

In response to the findings the Trust advised:

- a manual review is to be performed to ensure complete and accurate upload of remission data
- responsibilities and processes for the review of water allowances will be documented in a procedure to be developed during the first quarter of 2014-15. Staff training will also be incorporated to ensure roles and responsibilities are clarified for the effective review and monitoring of water allowances
- processes have recently been put in place to ensure water usage credits applied are independently checked. This control process will be supported by a procedure to be developed during the first quarter of 2014-15
- a written procedure detailing processes undertaken for water rate recovery activities will be developed during the first quarter of 2014-15.

Payroll

While SSSA is responsible for payroll processing, important payroll controls are performed by the Trust. Specifically, the Trust reviews payroll reports to validate employee payments and leave records.

Review and certification of bona fide reports

The audit considered the effectiveness of manager/supervisor review of bona fide reports as a control to provide assurance that only bona fide employees are paid. The audit found a significant number of bona fide reports had not been certified as reviewed (7%) or were not certified as reviewed within required timeframes (25%).

In response the Trust advised that DCSI undertakes the bona fide reporting and follow-up function. DCSI is currently reviewing the bona fide distribution and follow-up procedures. It is intended that revised follow-up processes will include regular ageing analysis reports from the bona fide system and, where applicable, non-compliance escalated to relevant Directors and if necessary to the Executive Director, Housing SA.

Review of leave reports

The review of the Trust's controls over leave recording indicated that:

- the Trust did not have processes to confirm checking procedures were being performed effectively

- documentation supporting the review of leave reports was not maintained
- there was no process to ensure all exceptions identified from the leave report reviews were followed up and appropriately actioned.

Audit testing identified instances where leave recorded in attendance records was not recorded or was incorrectly recorded in the payroll system.

In response the Trust advised that a process was developed to check the review of leave reports was being performed correctly. Whilst this process raised awareness of requirements, further refinement is required and will be undertaken. Future verification processes are to be conducted six monthly. The Trust also advised that it is developing a process encompassing retention of documentation and exception follow-up for use by line managers.

Financial management compliance program (FMCP)

TI 28 requires agencies to develop, implement, document and maintain a robust and transparent FMCP.

Review of the Trust's FMCP found:

- FMCP assessment of certain control activities reflected in the FMCP documentation was inconsistent with external audit findings
- instances where documented action plans lacked sufficient and clear detail regarding the actions/processes required to effectively redress ineffective control activities.

The Trust's response acknowledged that some responses were inconsistent with the findings of Audit. A reasonableness review of the 2014 FMCP will be undertaken, including reviewing a sample of responses and ensuring consistency of responses across divisions. In addition, the FMCP will be reviewed to ensure both external and internal audit findings are considered in the assessment.

In response to action plan documentation the Trust advised respondents will be notified of the minimum level of information required and this will be reviewed for completeness.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the Trust under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to Trust transaction processing.

Information and communications technology and control

Housing SA services the information technology requirements of the Trust.

In 2011, Housing SA produced a document titled 'The Modernisation of Housing SA's Business and Information Systems'. The document acknowledged that key systems within Housing SA were reaching their end of life and needed to be retired and replaced in order to ensure effective operations into the future. It was also identified that current skills to support these ageing systems were diminishing.

In 2013-14 Audit sought information specific to the modernisation of Housing SA's business and information systems, which has been listed as a potential risk within the Housing SA business technology risk register.

Housing SA advised Audit that in late 2013 a business systems transformation business case had been prepared. This business case concluded that majority of core service delivery functions are supported by systems that are between 11 and 24 years old and that existing core business legacy systems were complex to change. It also highlighted that specialist IT skilled resources were becoming difficult to source, the Housing SA application system platform was outdated, and the mainframe technology tools supporting Housing SA's key systems will not be commercially supported beyond December 2015.

Housing SA also indicated that the business systems transformation program has commenced, with the business case being further amended to outline the proposed stages within the program to resolve these issues. These stages include prioritising the replacement of certain core service delivery systems based on the level of integration and degree of service improvements involved/on offer.

Housing SA is currently implementing a revised change approval process. This revised process aims to stabilise the technical environment and mitigate the risk of service interruption and system failure beyond the vendor's retirement in December 2015.

Housing SA has also confirmed that the last externally engaged security review of Housing SA's business systems occurred in May 2011. Since then the DCSI ICT unit has undertaken a series of reviews, but with limited scope, based on Information Security Management Framework considerations.

More recently a user access report was completed by Housing SA. That review confirmed the creation of a new service delivery model, which was based on specific job functions aligned to job roles and delegations for all Housing SA users. A further review of duties and delegations is expected to occur in late 2014.

Interpretation and analysis of the financial report

Highlights of the financial report

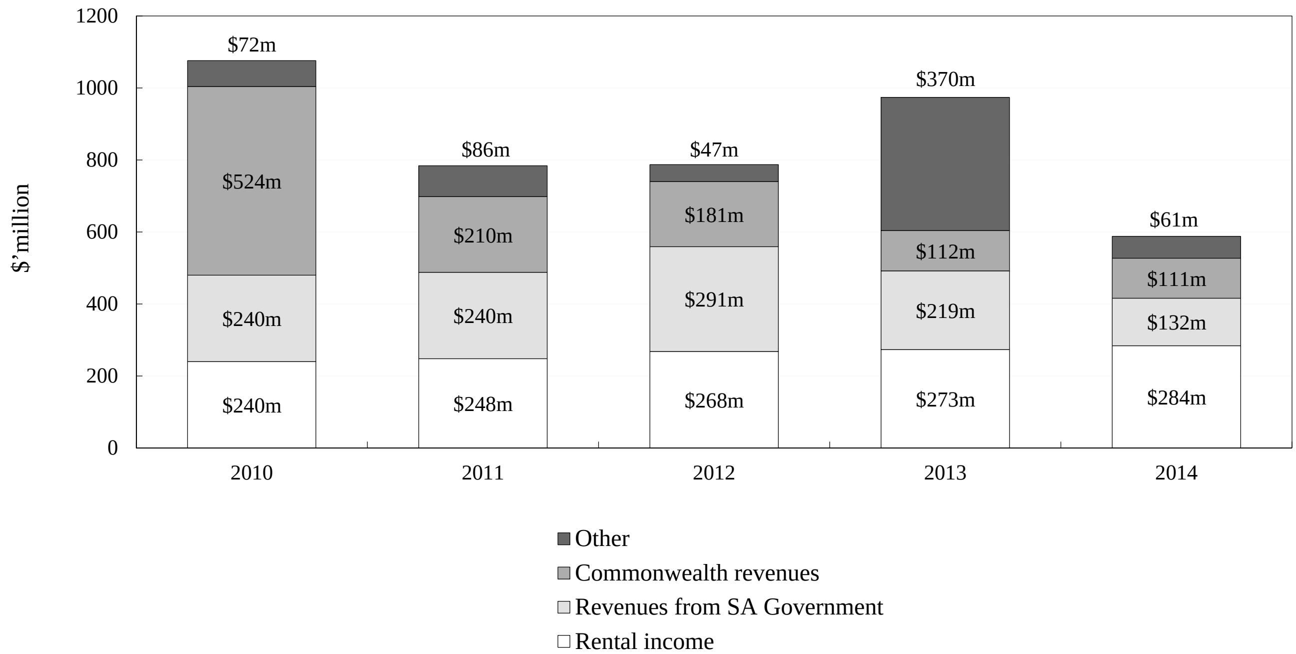
	2014 $'million	2013 $'million
Expenses		
Staffing costs	85	70
Finance costs	7	29
Maintenance	103	115
Council rates and water rates	82	83
Land tax equivalent	178	181
Depreciation and amortisation	86	88
Grants and subsidies	107	84
Other expenses	72	92
Total expenses	720	742

	2014 $'million	2013 $'million
Income		
Rental income	284	273
Commonwealth revenues	111	112
Other	61	370
Total income	456	755
Net cost of (revenue from) providing services	264	(13)
Revenues from SA Government	132	219
Net result	(132)	232
Other comprehensive income	(19)	(411)
Total comprehensive result	(151)	(179)
Net cash provided by (used in) operating activities	28	72
Assets		
Current assets	393	450
Non-current assets	9 669	9 808
Total assets	10 062	10 258
Liabilities		
Current liabilities	96	64
Non-current liabilities	20	130
Total liabilities	116	194
Total equity	9 946	10 064

Statement of Comprehensive Income

Income

For the five years to 2014 a structural analysis of income for the Trust is presented in the following chart.



Total income was $588 million, a decrease of $386 million over the previous year. The movements in the main components of income were as follows:

- SA Government revenues decreased by $87 million to $132 million due to:
  - land tax equivalent reimbursement, down $82 million. Land tax equivalent payments are no longer fully reimbursed by the Government. Effective 30 June 2013, the Commonwealth Government agreed to write off $320 million of South Australian public housing debt. Of the total $365 million benefit from the housing debt relief, $315 million is to be returned to the broader State budget in reduced grant payments to the Trust for land tax equivalent payments
  - general purpose grant, down by $7 million to $19 million.
- Rental income (net of rental rebates) increased by $11 million as a result of increased market rent, up $9 million, other rent, up $3 million, and rent rebates, up $1 million. Rent rebates reduce the rent paid by low income tenants.
- Other revenue decreased by $309 million principally due to the following one-off transactions that occurred in 2012-13:
  - forgiveness of interest bearing liabilities of $320 million. Effective 30 June 2013 the Treasurer forgave $320 million of the Trust's debt
  - assets received free of charge of $3 million. During 2012-13 Renewal SA transferred 11 affordable housing properties in the Woodville West project back to the Trust.

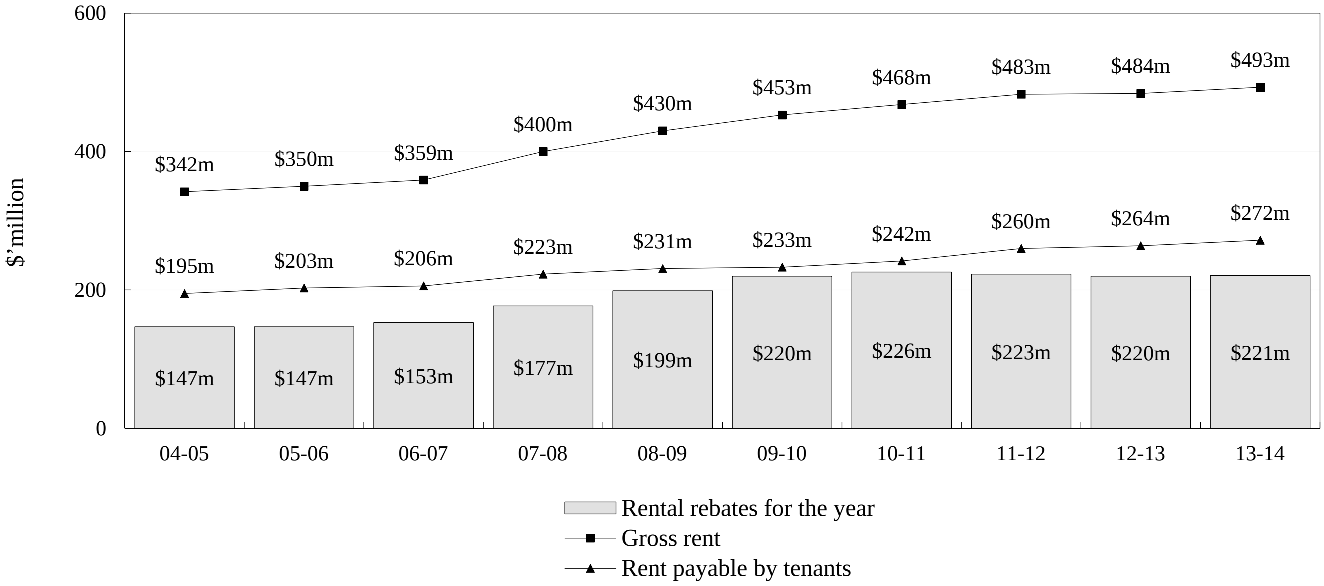
Rental operations

The following table shows the level of housing stock, excluding unlettable properties, as at 30 June for the past five years.

	2014 Number	2013 Number	2012 Number	2011 Number	2010 Number
Properties	42 287	43 548	43 705	44 436	44 706

87% (88%) of tenants pay reduced (rebated) rent due to low income.

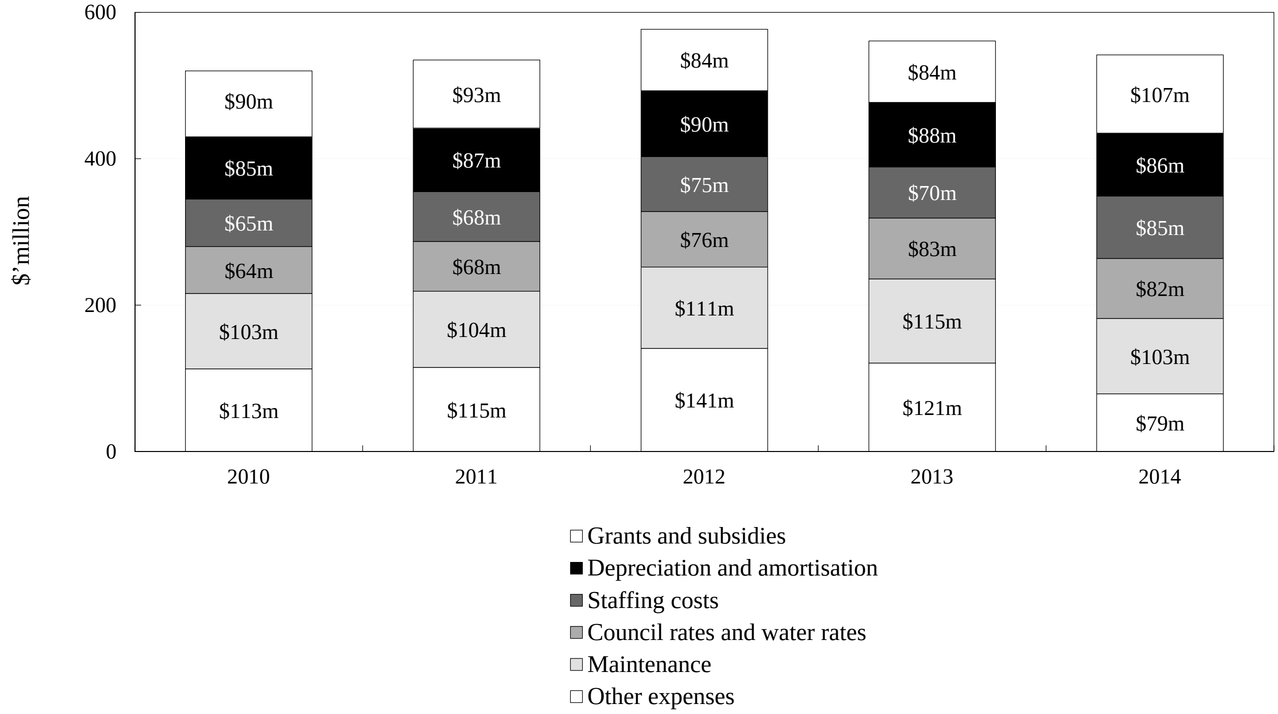
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2004-05 due to increases in market rents. 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2014 gross rent increased by $9 million (2%), rent revenue increased by $8 million (3%) and rent rebates increased by $1 million. The amount of rent rebates is dependent on each tenant's circumstances, with rent payable being capped at 25% of household income or market rent, whichever is the lower.

Expenses

For the five years to 2014, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the period 2010 to 2012 with a decline in expenses in 2013 and 2014.

In 2014 total expenses (excluding tax equivalent expenses) decreased by $19 million (3%). This decrease was due mainly to decreases in:

- finance costs ($22 million) due to lower interest on borrowings ($17 million) and guarantee fee ($5 million) resulting from the write-off of loans with the Treasurer effective 30 June 2013
- impairment expenses ($10 million) due to a decrease in asset write-offs resulting from reduced demolitions in 2013-14
- maintenance expenses ($12 million) due to delays in programmed maintenance work as result of the introduction of the multi-trade contacts from 1 October 2013
- supplies and services ($6 million) due to increased administration expenditure charged to the capital program ($2 million) and reduced contractors ($2 million) and insurance ($1 million).

Offsetting the above decreases were increases in the following expenses:

- staffing costs ($15 million) principally as a result of TVSP payments ($10 million) and increased salaries and wages ($2 million)
- grants and subsidies ($23 million) - refer 'Grant funded programs' below for further discussion.

Gain on disposal of assets

In 2014 the Trust recorded a gain on disposal of assets of $6 million compared with a loss in 2013 of $4 million.

The Trust has agreed a Cabinet approved financial viability strategy that has established an agreed level of debt repayment each year, which is funded primarily through the sale of Trust properties.

For 2013-14 the estimated asset disposal requirement was 590 properties to achieve a budgeted revenue target of $117 million and the debt repayment requirement was $110 million.

621 properties were sold in 2013-14. Total proceeds received from asset disposals for financial viability (sales of property excluding capital work in progress and debentured properties) for 2013-14 were $127 million compared to the net book value of $119 million.

Debt repayments in 2013-14 were $110 million and are discussed below under the heading 'Interest bearing liabilities'.

The balance of the proceeds from asset disposals is applied to fund the capital works program of the Trust.

Grant funded programs

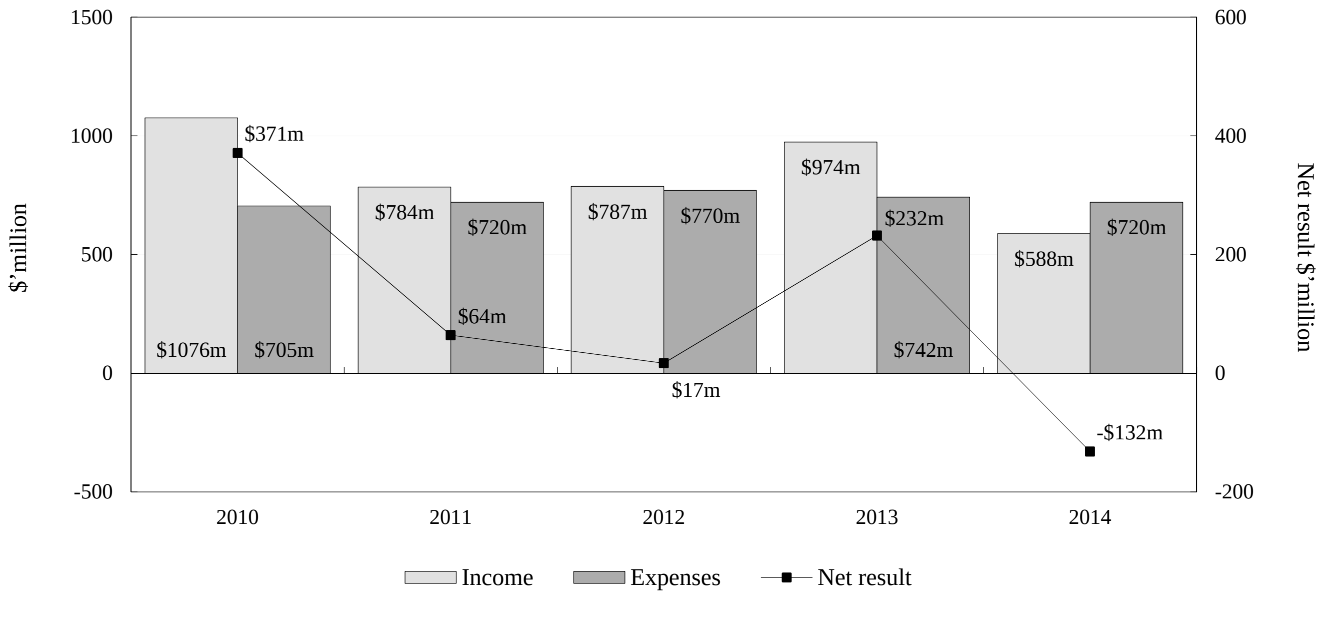
The Trust's recurrent direct expenditure on grant funded programs was $107 million ($84 million). This increase of $23 million is mainly the result of:

- grants made under the National Partnership Agreement for Homelessness increasing by $11 million
- community housing construction stimulus grants increasing $12 million.

Note 11 to the financial statements disclose a detailed list of grant and subsidies by grant program.

Net result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2014.



The net result for 2013-14 was a deficit of $132 million compared to a surplus of $232 million in 2012-13. The decline in the net result is mainly due to:

- revenue recognised in 2012-13 for the Treasurer's forgiveness of $320 million of the Trust's interest bearing liabilities
- the Trust in 2013-14 not being fully reimbursed for land tax equivalent payments ($79 million shortfall).

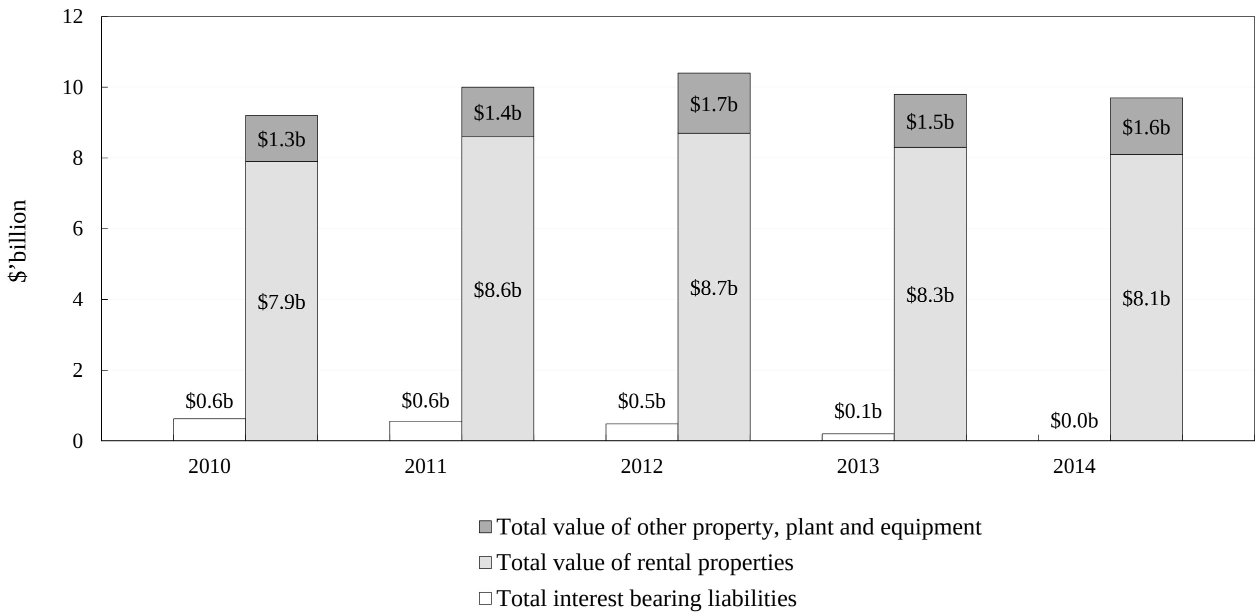
Unexpended grant funding commitments

State and Commonwealth Government funds received for a number of projects are yet to be fully expended. Note 37 to the financial statements details that $5 million of grant funds received in 2012-13 and $16 million received in earlier financial years were unspent as at 30 June 2014. A total of $21 million was unspent at 30 June 2014.

Statement of Financial Position

The Trust's financial position is dominated by non-current property, plant and equipment assets. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets. Notwithstanding, at 30 June 2014 current liabilities amounted to $96 million ($64 million), while current assets were $393 million ($450 million).

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



The decrease in indebtedness in 2014 results from the repayment of all outstanding borrowings with the Treasurer in June 2014.

Property, plant and equipment

In 2014 the value of rental properties decreased by $160 million (2%) to $8.1 billion. The decrease included a downward revaluation of assets of $7 million, disposal of assets of $125 million, transfers out of $44 million and depreciation expense of $69 million. This was offset by additions and transfers in of $85 million (including maintenance upgrades and assets held for sale).

The chart shows a steady increase in the value of both rental properties and other property, plant and equipment for the period 2010 to 2012. In 2013, the value decreased due to lower market values associated with a subdued property market, which resulted in a revaluation decrement. In 2014 the value slightly decreased due to lower market values and depreciation/amortisation.

The 2011 figures increased as a result of asset revaluations and by the addition of assets built using the funding provided by the Commonwealth for the Economic Stimulus - Nation Building and Jobs Plan program. Other property, plant and equipment includes assets under arrangement of $1.2 billion (refer note 2.14(i) to the financial statements).

It is important to note that the Trust revalues all land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the Trust's financial reporting obligations, reported values lag current market values. As reported in note 2.14(ii) to the financial statements, values for 2013-14 were issued by the Valuer-General as at 1 July 2013. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock.

Interest bearing liabilities

The Trust's interest bearing liabilities decreased by $110 million to $2 million. This decrease is due to the repayment of the outstanding balance of the Trust's loans with the Treasurer in June 2014.

Due to the difference between the face value of borrowings and the market value of borrowings at repayment, the Trust received an interest discount of $292 000 being the interest discount on early repayment of loans. This arises from differences between the interest rates at the time of borrowing and repaying borrowings.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows					
Operating	28	72	91	(2)	309
Investing	(2)	(6)	(4)	(3)	(3)
Financing	(73)	(50)	(76)	(65)	(109)
Change in cash	(47)	16	11	(70)	197
Cash at 30 June	249	296	280	269	339

In 2014 the Trust recorded a decrease in cash of $47 million compared to an increase in cash of $16 million the previous year.

The decrease in cash flows from operating activities is principally the result of reduced receipts from the SA Government ($78 million) as a result of the Trust not being fully reimbursed for land tax equivalent payments. Cash outflows from financing activities saw repayment of borrowings of $110 million compared to $50 million the previous year. In addition, the Trust received an equity contribution of $37 million in 2013-14.

Of the $249 million balance of cash on hand at 30 June 2014, $21 million relates to grants received in this and previous years that were unspent at year end. The unspent funds mainly relate to the National Partnership Agreements for Remote Indigenous Housing and Nation Building - Economic Stimulus Plan (refer note 37 to the financial statements).

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Staffing costs	6	84 955	69 831
Supplies and services	7	34 481	40 387
Business service fees	8	18 675	17 725
Rental property expenses	9	365 637	382 552
Depreciation and amortisation	10	85 760	88 377
Grants and subsidies	11	106 915	84 062
Finance costs	12	6 659	28 565
Impairment expenses	13	16 571	26 084
Net loss from disposal of assets	14	-	3 973
Loss on revaluation of non-current assets		790	-
Total expenses		720 443	741 556
Income:			
Rental income	15	283 998	273 369
Interest revenue	16	9 813	10 712
Recoveries	17	39 792	31 087
Recurrent Commonwealth revenues	18	103 527	108 419
Capital Commonwealth revenues	19	7 300	3 897
Other revenue	20	5 646	327 713
Net gain from disposal of assets	14	5 921	-
Total income		455 997	755 197
Net cost of (revenue from) providing services		264 446	(13 641)
Revenues from (Payments to) SA Government:			
Recurrent revenues from SA Government	21	132 242	218 374
Capital revenues from SA Government	22	-	490
Total revenues from (payments to) SA Government		132 242	218 864
Net result before income tax equivalent		(132 204)	232 505
Income tax equivalent		-	-
Net result after income tax equivalent		(132 204)	232 505
Other comprehensive income:			
Items that will not be classified to net result:			
Changes in revaluation surplus		(19 229)	(411 162)
Total comprehensive result		(151 433)	(178 657)

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	23	249 338	295 791
Receivables	24	37 577	21 106
Inventories	25	82 378	104 775
Non-current assets classified as held for sale	26	23 957	28 260
Total current assets		393 250	449 932
Non-current assets:			
Inventories	25	888	1 427
Property, plant and equipment	27	9 660 402	9 799 343
Intangible assets	28	7 059	7 266
Total non-current assets		9 668 349	9 808 036
Total assets		10 061 599	10 257 968
Current liabilities:			
Payables	29	73 684	39 761
Staff entitlements	30	9 027	8 606
Interest bearing liabilities	31	243	2 288
Provisions	32	2 005	2 125
Other liabilities	33	10 546	11 202
Total current liabilities		95 505	63 982
Non-current liabilities:			
Payables	29	1 160	1 270
Staff entitlements	30	12 512	13 762
Interest bearing liabilities	31	1 761	109 953
Provisions	32	3 445	3 444
Other liabilities	33	1 362	1 550
Total non-current liabilities		20 240	129 979
Total liabilities		115 745	193 961
Net assets		9 945 854	10 064 007
Equity:			
Retained earnings		3 304 949	3 305 713
Revaluation surplus		6 603 589	6 758 294
Contributed capital		37 316	-
Total equity		9 945 854	10 064 007

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	34		
Contingent assets and liabilities	35		

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Contributed capital $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		-	7 267 575	2 975 089	10 242 664
Net result after income tax equivalent for 2012-13		-	-	232 505	232 505
Revaluation of property during 2012-13:					
Movement in rental houses due to revaluation:					
Transferred to capital works		-	(1 660)	-	(1 660)
Subject to sales contracts		-	(5 952)	-	(5 952)
Decrement in inventory vacant land due to revaluation		-	(72)	-	(72)
Decrement in freehold land and buildings due to revaluation		-	(403 478)	-	(403 478)
Total comprehensive result for 2012-13		-	(411 162)	232 505	(178 657)
Transfer to retained earnings of increment realised on sale of freehold land and buildings		-	(98 119)	-	(98 119)
Realisation of revaluation surplus on sale of freehold land and buildings		-	-	98 119	98 119
Total transfer between equity components 2012-13		-	(98 119)	98 119	-
Balance at 30 June 2013		-	6 758 294	3 305 713	10 064 007
Net result after income tax equivalent for 2013-14		-	-	(132 204)	(132 204)
Revaluation of property during 2013-14:					
Movement in rental houses due to revaluation:					
Transferred to capital works		-	769	-	769
Subject to sales contracts		-	(5 012)	-	(5 012)
Decrement in freehold land and buildings due to revaluation		-	(14 986)	-	(14 986)
Total comprehensive result for 2013-14		-	(19 229)	(132 204)	(151 433)
Transfer to retained earnings of increment realised on sale of freehold land and buildings		-	(135 476)	-	(135 476)
Realisation of revaluation surplus on sale of freehold land and buildings		-	-	135 476	135 476
Total transfer between equity components 2013-14		-	(135 476)	135 476	-
Equity contribution received		37 316	-	-	37 316
Assets transferred to Renewal SA as part of administrative restructure	36	-	-	(4 036)	(4 036)
Total transfer between SA Government as owner 2013-14		37 316	-	(4 036)	33 280
Balance at 30 June 2014		37 316	6 603 589	3 304 949	9 945 854

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staffing costs		(85 731)	(68 925)
Supplies and services		(16 581)	(45 524)
Business service fees		(3 322)	(17 725)
Rental property expenses		(192 737)	(203 173)
Grants and subsidies		(110 648)	(85 771)
Interest paid		(4 916)	(21 424)
Other finance costs		(1 986)	(7 384)
Land tax equivalents paid		(177 603)	(180 785)
GST paid to DCSI		(1 481)	(2 352)
Payments for Paid Parental Leave Scheme		(81)	(229)
Purchase of rental property		(137 746)	(122 343)
Cash used in operations		(732 832)	(755 635)
Cash inflows:			
Rent received		262 918	263 703
Recoveries received		33 813	31 004
Other receipts		5 056	4 255
Receipts from Commonwealth		110 827	112 316
Interest received		9 813	10 712
Proceeds from sale of rental property		197 478	188 233
GST receipts from DCSI		8 793	6 665
Cash generated from operations		628 698	616 888
Cash flows from SA Government:			
Receipts from SA Government		132 242	210 272
Cash generated from SA Government		132 242	210 272
Net cash provided by (used in) operating activities	38	28 108	71 525
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(566)	(3 749)
Purchase of intangibles		(1 609)	(2 355)
Cash provided by (used in) investing activities		(2 175)	(6 104)
Net cash provided by (used in) investing activities		(2 175)	(6 104)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(109 702)	(49 715)
Cash used in financing activities		(109 702)	(49 715)
Cash inflows:			
Capital contributions from SA Government		37 316	-
Cash generated from financing activities		37 316	-
Net cash provided by (used in) financing activities		(72 386)	(49 715)
Net increase (decrease) in cash and cash equivalents		(46 453)	15 706
Cash and cash equivalents at 1 July		295 791	280 085
Cash and cash equivalents at 30 June	23	249 338	295 791

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2014

(Activities - refer note 5)	1		2		3	
	2014	2013	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	60 667	50 712	9 566	7 650	3 331	1 763
Supplies and services	24 470	30 577	4 884	5 252	2 409	821
Business service fees	13 108	12 319	2 473	2 701	658	375
Rental property expenses	349 296	365 362	16 092	16 900	244	283
Depreciation and amortisation	68 053	71 647	6 590	5 446	11 117	11 284
Grants and subsidies	7 806	12 785	5 359	2 267	12 659	511
Finance costs	6 659	28 565	-	-	-	-
Impairment expenses	10 379	19 720	715	1 101	484	738
Loss on the revaluation of non-current assets	790	-	-	-	-	-
Net loss from disposal of assets	-	3 711	-	(19)	-	281
Total expenses	541 228	595 398	45 679	41 298	30 902	16 056
Income (excluding capital grants):						
Rental income	259 400	251 740	15 007	13 816	9 591	7 813
Interest revenue	9 813	10 712	-	-	-	-
Recoveries	26 830	18 191	3 453	2 478	467	3 049
Recurrent Commonwealth revenues	94 907	95 599	-	4 643	-	-
Other revenue	4 104	326 612	415	375	6	1
Net gain from the disposal of assets	6 640	-	18	-	(737)	-
Recurrent revenues from SA Government	120 654	210 225	167	597	43	56
Total income (excluding capital grants)	522 348	913 079	19 060	21 909	9 370	10 919
Net result before capital grants	(18 880)	317 681	(26 619)	(19 389)	(21 532)	(5 137)
Capital grants:						
Capital revenues from SA Government	-	110	-	380	-	-
Capital Commonwealth revenues	-	-	-	105	-	-
Total capital grants	-	110	-	485	-	-
Net result before income tax equivalent	(18 880)	317 791	(26 619)	(18 904)	(21 532)	(5 137)
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	(18 880)	317 791	(26 619)	(18 904)	(21 532)	(5 137)

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2014 (continued)

(Activities - refer note 5)	4		5		Total	
	2014	2013	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	6 134	4 999	5 257	4 707	84 955	69 831
Supplies and services	1 526	1 843	1 192	1 894	34 481	40 387
Business service fees	1 265	1 211	1 171	1 119	18 675	17 725
Rental property expenses	4	5	1	2	365 637	382 552
Depreciation and amortisation	-	-	-	-	85 760	88 377
Grants and subsidies	18 012	16 624	63 079	51 875	106 915	84 062
Finance costs	-	-	-	-	6 659	28 565
Impairment expenses	4 993	4 525	-	-	16 571	26 084
Loss on revaluation of non-current assets	-	-	-	-	790	-
Net loss from disposal of assets	-	-	-	-	-	3 973
Total expenses	31 934	29 207	70 700	59 597	720 443	741 556
Income (excluding capital grants):						
Rental income	-	-	-	-	283 998	273 369
Interest revenue	-	-	-	-	9 813	10 712
Recoveries	8 354	7 351	688	18	39 792	31 087
Recurrent Commonwealth revenues	-	-	8 620	8 177	103 527	108 419
Other revenue	1 112	724	9	1	5 646	327 713
Net gain from disposal of assets	-	-	-	-	5 921	-
Recurrent revenues from SA Government	87	113	11 291	7 383	132 242	218 374
Total income (excluding capital grants)	9 553	8 188	20 608	15 579	580 939	969 674
Net result before capital grants	(22 381)	(21 019)	(50 092)	(44 018)	(139 504)	228 118
Capital grants:						
Capital revenues from SA Government	-	-	-	-	-	490
Capital Commonwealth revenues	-	-	7 300	3 792	7 300	3 897
Total capital grants	-	-	7 300	3 792	7 300	4 387
Net result before income tax equivalent	(22 381)	(21 019)	(42 792)	(40 226)	(132 204)	232 505
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	(22 381)	(21 019)	(42 792)	(40 226)	(132 204)	232 505

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014

(Activities - refer note 5)	1		2		3	
	2014	2013	2014	2013	2014	2013
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	249 337	295 790	1	1	-	-
Receivables	33 877	17 915	3 700	3 117	-	74
Inventories	83 266	105 659	-	459	-	84
Non-current assets classified as held for sale	23 957	28 260	-	-	-	-
Property, plant and equipment	7 858 868	8 020 878	596 119	570 337	1 205 407	1 208 119
Intangible assets	7 059	7 266	-	-	-	-
Total assets	8 256 364	8 475 768	599 820	573 914	1 205 407	1 208 277
Liabilities:						
Payables	73 973	39 746	871	1 285	-	-
Staff entitlements	15 381	16 242	2 425	2 451	845	565
Provisions	5 413	5 508	14	14	23	47
Interest bearing liabilities	2 004	112 241	-	-	-	-
Other liabilities	11 908	12 752	-	-	-	-
Total liabilities	108 679	186 489	3 310	3 750	868	612

(Activities - refer note 5)	4		5		Total	
	2014	2013	2014	2013	2014	2013
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	249 338	295 791
Receivables	-	-	-	-	37 577	21 106
Inventories	-	-	-	-	83 266	106 202
Non-current assets classified as held for sale	-	-	-	-	23 957	28 260
Property, plant and equipment	-	-	8	9	9 660 402	9 799 343
Intangible assets	-	-	-	-	7 059	7 266
Total assets	-	-	8	9	10 061 599	10 257 968
Liabilities:						
Payables	-	-	-	-	74 844	41 031
Staff entitlements	1 555	1 602	1 333	1 508	21 539	22 368
Provisions	-	-	-	-	5 450	5 569
Interest bearing liabilities	-	-	-	-	2 004	112 241
Other liabilities	-	-	-	-	11 908	12 752
Total liabilities	1 555	1 602	1 333	1 508	115 745	193 961

Notes to and forming part of the financial statements

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

1.1 Objectives

The Trust is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Cooperative and Community Housing Act 1991* (the SACCH Act), the *Community Housing Providers (National Law) (South Australia) Act 2013* and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Social Housing for overseeing the operations of the Trust. This responsibility may be formalised in a Ministerial performance agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

1.1 Objectives (continued)

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

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

2. Summary of significant accounting policies

2.1 Statement of compliance

The Trust has prepared these financial statements in compliance with section 23 of the PFAA and section 27 of the Act.

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

- TIs and the APSs promulgated under the provisions of the PFAA
- relevant AASs.

The Trust has applied AASs that are applicable to not-for-profit entities, as the Trust is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Trust for the reporting period ending 30 June 2014 (refer note 4).

2.2 Basis of preparation

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants

  (c) employee TVSP information

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

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

2.2 Basis of preparation (continued)

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

2.3 Reporting entity

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

2.4 Transferred functions

On 26 April 2012, pursuant to the provisions of section 23 of the Act, a transfer of properties from the Trust to the newly formed Urban Renewal Authority, trading as Renewal SA, was effected by government gazettal. These properties consisted of all the non-tenanted properties of the Woodville West and River Street, Marden urban renewal projects.

Subsequently properties that were tenanted at the time of the original transfer were transferred to Renewal SA by government gazettal on 15 August 2013 (refer note 36). All properties from the Woodville West and River Street, Marden urban renewal projects have now been transferred.

2.5 Comparative figures

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

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

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

2.6 Rounding

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

2.7 Income and expenses

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

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

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

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

Expenses

Staffing costs

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

Superannuation

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

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

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

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

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

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

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Trust and the appropriation is recorded as contributed entity.

Grants received
Grants for program funding are recognised as revenues when the Trust obtains control over the funding. Control over the funding is normally obtained upon receipt.

Disposal of non-current assets
Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount.

Gains on disposal of real property asset sales are recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer (refer note 14).

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

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

2.8 Taxation

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

The income tax liability is based on applying the Treasurer's accounting profit method which requires that the corporate income tax rate be applied to the net operating profit of the Trust, adjusted for any items approved by the Under Treasurer for exclusion from the profit figure. In 2013 the Under Treasurer approved the exclusion of $320 million of revenue associated with the Trust's debt write-off for the determination of the Trust's accounting profit. Land tax is calculated in the same manner as if it were payable under the *Land Tax Act 1936* which uses a site valuation of multiple holdings.

Treasury reimburses the full cost of an income tax expense resulting in a nil effect of these payments on the net result.

Land tax expense is no longer fully reimbursed by the State Government, as part of a budget arrangement to transfer the benefit of housing debt relief from Housing SA to the broader State budget. The shortfall in funding impacting the net result for 2013-14 is $78.951 million.

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

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

2.8 Taxation (continued)

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

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

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

2.9 Current and non-current items

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

2.10 Cash and cash equivalents

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

Cash is measured at nominal value.

2.11 Receivables

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

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

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

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

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2012 (refer note 24). The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 2.6% p.a. based on the risk-free rate as at 30 June 2012, an estimated future debt write-off of 2.6% p.a. and an assumption that 72% of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered. The next actuarial review will be undertaken in 2015.

2.12 Inventories

Inventories include capital work in progress, developed properties and vacant land that are expected to be sold in the ordinary course of business. Inventories are carried at the lower of cost and net realisable value. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

(i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion.

(ii) Developed properties relate to land and building components that have been developed and may be sold in their current condition or transferred to capital work in progress as part of a development project. They are carried at cost.

(iii) Vacant land consists of land that is expected to be sold.

2.13 Non-current assets held for sale

Non-current assets classified as held for sale relate to rental properties and administrative properties that are no longer required for public rental or occupation and are expected to be sold, through the private property market, within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated, pending sale.

2.14 Property, plant and equipment

(i) Acquisition and recognition

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

All other assets are initially brought to account as follows:

Rental properties, administrative properties, commercial properties, leasehold improvements, vacant land and plant and equipment

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

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

Assets under arrangement

Assets under arrangement are tenantable properties which have had their legal title transferred to, a community housing organisation (CHO) in return for which the CHO has issued a debenture at fair value, or to a preferred growth provider (PGP) under a legal arrangement with similar control provisions. Properties transferred to PGP's are those built using Nation Building - Economic Stimulus Plan funding. Recognition is based on the Trust's ability to control the future service potential of the assets and that these are probable and can be reliably measured. Control of these properties resides with the Trust through the SACCH Act and funding agreements which prescribe how the properties are to be used and managed on behalf of the government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHO or PGP.

The SACCH Act provides for members of housing cooperatives and tenants of associations to acquire equity in the properties they occupy, by the cooperative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific cooperative property.

Assets under arrangement are initially recognised at market value.

Anangu Pitjantjatjara Yankunytjatjara (APY) Lands leased properties

The Minister for Social Housing has entered into a 50 year lease arrangement with the APY Board to lease parcels of APY land to allow the construction of new houses and the upgrade of existing houses in remote areas utilising National Partnership Agreement funding. The Trust, as agent for the Minister, will oversee all capital works on the properties and overall management of the agreement. Under the terms of the ground lease, ownership of the new dwellings will pass to the APY Board at the end of the lease term.

The constructed assets are recorded as capital works in progress and once complete are recognised as APY Lands leased properties.

Capital work in progress

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

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

(ii) Valuation

Rental properties, administrative properties, commercial properties, vacant land and assets under arrangement

In compliance with AASB 116 and APF III all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2013 reflecting the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale in accordance with the *Valuation of Land Act 1971* and determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Rental properties, administrative properties, commercial properties, vacant land and assets under arrangement (continued)
Revaluation occurred at 31 October 2013, using the 1 July 2013 values, for all land and buildings acquired or completed before 31 October 2012.

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

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

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

APY properties
APY properties are amortised over the period of the relevant ground lease, 40 or 50 years, respectively. Each property is revalued every three years, using depreciated replacement cost. This cost is derived from information provided by Housing SA construction programs for similarly configured properties being constructed remotely. There is no observable market for these properties, nor consistent Valuer-General's information that could be applied to an alternative valuation method. The first of these revaluations is due to occur at 31 October 2014.

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

Capital work in progress
The carrying value of a constructed asset is compared to its market value upon transfer out of work in progress, either for use or for future sale and an adjustment is affected to ensure that the carrying amount does not exceed fair value.

Plant and equipment
Plant and equipment is brought to account at historical cost (deemed fair value).

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

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

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

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

Class of asset	*Depreciation method*	*Useful life (years)*
Rental properties (dwellings)*	Straight-line	50
Administrative properties	Straight-line	10-30
Commercial properties	Straight-line	20
Assets under arrangement	Straight-line	50
Leased assets APY	Straight-line	40-50
Leasehold improvements	Straight-line	3-10
Plant and equipment	Straight-line	3-10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2% p.a. on the opening revalued amount for each property.

2.15 Intangibles

Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

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

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

2.16 Impairment

Receivables were tested for indications of impairment by way of an actuarial review at 30 June as detailed in note 2.11. The impairment loss has been offset against receivables and has been recognised in the Statement of Comprehensive Income under impairment expenses.

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

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

2.17 Payables

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

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

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

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

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

Paid Parental Leave Scheme

The Commonwealth Paid Parental Leave Scheme payable represents amounts which DCSI has received from the Commonwealth Government to forward on to eligible employees via DCSI's standard payroll processes. That is, DCSI is acting as a conduit through which the payment is made to eligible employees on behalf of the Family Assistance Office.

2.18 Staff entitlements

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

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

Liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Annual leave, SERL and sick leave

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

LSL
The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current/non-current classification of the Trust's LSL liabilities has been calculated based on historical usage patterns.

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

2.19 Provisions

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

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

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

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

Workers compensation
DSCI is an exempt employer under the WRCA.

The workers compensation liability recognised for the staff who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2014 data.

2.20 Borrowings

The Trust measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.21 Leases

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

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

2.22 Unearned revenue

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

2.23 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

2.24 Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Trust classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Director, Corporate Services and the Audit and Finance Committee at each reporting date.

2.25 Non-financial assets

In determining fair value, the Trust has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset’s highest and best use (that is physically possible, legally permissible, financially feasible).

The Trust’s current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Trust did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than $1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

2.26 Financial assets/liabilities

The Trust does not recognise any financial assets or financial liabilities at fair value.

3. Financial risk management

While the Trust has significant financial assets and liabilities, such as cash on hand and on call, receivables and payables, its exposure to market risk and cash flow risk is minimal.

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

The Trust is also exposed to risk arising from property values in the real estate market, due to its reliance on asset sales to fund capital works and debt repayment. The property market is slowly improving relative to last year with improved sales performance, meeting budgeted targets. The Trust manages any risk of not meeting its sales revenue requirements by regular monitoring and reporting of sales performance.

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

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

4. New and revised accounting standards and policies

The Trust did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14, the Trust has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Trust has used the cost approach or the market approach to determine fair value. The Trust will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements

- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

The AASs and interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Trust for the reporting period ending 30 June 2014. The Trust has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Trust.

5. Activities of the Trust

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

Activity 1: Public Housing

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

Activity 2: Indigenous Housing

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

Activity 3: Community Housing

Development, support and promotion of the community housing sector, including administering the SACCH Act and the *Community Housing Providers (National Law) (South Australia) Act 2013*, and assisting in the establishment, regulation and administration of housing cooperatives and housing associations in South Australia.

Activity 4: Private Rental Assistance

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

Activity 5: Homelessness Services and Support

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

6. Staffing costs

	2014	2013
	$'000	$'000
Salaries and wages	55 275	53 048
Superannuation	6 836	6 618
Annual leave	5 967	5 509
Payroll tax	4 119	3 478
Other staff expenses	2 677	2 265
LSL	2 134	1 766
SERL	331	417
Workers compensation	1 254	785
TVSPs	9 687	135
Board fees	226	270
Charged to capital program	(3 551)	(4 460)
Total staffing costs	84 955	69 831

TVSPs

	2014	2013
Amount paid to staff:		
TVSPs	9 687	135
Annual leave, SERL and LSL paid during the reporting period	2 868	30
	12 555	165
Receivable raised to DCSI	9 542	135
Net cost to the Trust	3 013	30

The number of employees who received a TVSP during the reporting period was 79 (1).

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	Executive 2014 Number	Executive 2013 Number	Staff 2014 Number	Staff 2013 Number
$141 500 - $151 499	1	1	2	2
$151 500 - $161 499	3	2	2	-
$161 500 - $171 499	-	1	-	1
$171 500 - $181 499	-	2	-	-
$181 500 - $191 499	3	-	-	-
$191 500 - $201 499	1	-	1	-
$201 500 - $211 499	-	1	-	-
$261 500 - $271 499	-	1	-	-
$271 500 - $281 499	1	-	-	-
$291 500 - $301 499*	-	-	1	-
$301 500 - $311 499*	-	-	2	-
$341 500 - $351 499*	-	-	1	-
$401 500 - $411 499*	-	-	3	-
Total	9	8	12	3

The table includes DCSI executives and staff paid by the Trust under the service level agreement with DCSI who received remuneration equal to or greater than the base Executive Remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $4.904 million ($1.915 million).

* The table includes the TVSP component where the employee meets the $141 500 threshold on normal remuneration. In 2013-14, seven employees included in the table received a TVSP.

Remuneration of board and committee members

Membership for various boards and committees during 2013-14 were:

SAHT Governing Board (appointed by the Governor)

M Patestsos (Chair)
J King
G Crafter
C Holden (appointed January 2014)
C Long (Chair, retired January 2014)
M Hemmerling
R Boorman
A Blair (appointed January 2014)

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

M Patetsos (Chair)	C Long (Chair, retired January 2014)
J King	M Hemmerling
G Crafter	R Boorman
C Holden (appointed January 2014)	A Blair (appointed January 2014)

Audit and Finance Committee (appointed by the Board)

J King (Chair)	M Patestsos (Chair, retired January 2014)
M Hemmerling	N Rantanen

The following additional committee has been disclosed in accordance with APF II, APS 4.12:

Housing Appeal Panel (appointed by the Minister)

K McEvoy	M Castles
U Dahl	K Dahl
A Faulkner	A King
A McLean	

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

Some board members sit on more than one board.

The number of board and committee members whose remuneration from the Trust falls within the following bands:	2014 Number	2013 Number
$0 - $9 999	7	7
$10 000 - $19 999	2	-
$20 000 - $29 999	6	-
$30 000 - $39 999	1	6
$50 000 - $59 999	-	1
Total	16	14

	2014 $'000	2013 $'000
Total remuneration received, or due and receivable, by board and committee members	245	294
Amounts paid to a superannuation plan for board and committee members	19	24

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

7. Supplies and services

	2014 $'000	2013 $'000
Operating lease	6 817	6 981
Insurance	4 903	6 004
Contractors	3 649	5 288
Accommodation expenses	4 048	4 005
Renewal SA recharges	3 960	3 466
Administration expenses	2 396	3 051
Fleet management	2 368	2 934
Computer expenses	2 815	2 923
Printing, stationery and postage	1 594	1 701
Travel and accommodation	931	1 114
Communications	886	851
Tenant relocation	752	605
Debt management	652	714
Agent fees	608	620
Other customer related expenses	482	509
Staff development	346	432
Audit fees - Auditor-General's Department*	463	400
Consultants	394	299
Brokerage	108	104
Charged to capital program	(3 691)	(1 614)
Total supplies and services	34 481	40 387

* Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements. No other services were provided by the Auditor-General's Department.

7. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	4	19	8	33
$10 000 - $50 000	3	67	4	101
Above $50 000	2	308	2	165
Total paid/payable to the consultants engaged	9	394	14	299

8. Business service fees

	2014 $'000	2013 $'000
Computing services and processing charges	7 797	7 607
Motor vehicles hire charges	333	332
Legal and financial services	420	420
GST expense	929	404
Staff development	853	840
Human resources services	1 515	1 476
Records management and mail services	697	701
Administration premises management	812	795
Procurement services	897	875
Geographical information services	264	258
Payroll services	635	588
Internal audit	552	538
Business planning, strategy and quality assurance	263	257
Insurance	254	254
Media and communications services	344	340
SSSA	1 952	1 885
Telecommunications management and charges	158	155
Total business service fees	18 675	17 725

9. Rental property expenses

Land tax equivalent	177 603	180 785
Maintenance	103 439	115 300
Council rates	43 993	42 728
Water rates	38 177	40 367
Construction variances	1 800	2 643
Property expenses	334	267
Emergency Services levy	116	174
Stamp duty and search fees	23	137
Valuations	152	151
Total rental property expenses	365 637	382 552

10. Depreciation and amortisation

Depreciation:		
Rental properties	68 890	72 103
Assets under arrangement	11 195	11 239
Plant and equipment	672	418
Administrative properties	207	187
Commercial properties	62	22
Total depreciation	81 026	83 969
Amortisation:		
Intangible assets	1 816	2 056
Leasehold improvements	411	755
APY buildings	2 507	1 597
Total amortisation	4 734	4 408
Total depreciation and amortisation	85 760	88 377

11. Grants and subsidies

	2014 $'000	2013 $'000
National Affordable Housing Agreement: Specialist Homelessness Services	36 369	35 887
National Partnership Agreements: Homelessness	26 710	15 989
Private rental assistance	16 048	15 041
Community housing construction stimulus	12 445	-
Remote Indigenous Housing	5 262	1 249
National rental affordability scheme subsidies	4 249	2 396
Subsidies to other housing providers	2 373	2 441
Emergency accommodation assistance	1 872	1 583
Affordable housing grants	881	2 217
Upgrade of Disability SA housing	296	-
CHO maintenance liability	157	225
Emergency management grants	98	27
Indigenous community housing programs	96	972
Subsidies to CHOs	58	287
Other recurrent grants	1	45
Housing affordability fund	-	4 403
National Partnership Agreement: Social housing	-	1 300
Total grants and subsidies	106 915	84 062

12. Finance costs

Interest on borrowings	4 916	21 424
Treasurer's guarantee fee	1 743	7 141
Total finance costs	6 659	28 565

13. Impairment expenses

Asset write-offs*	5 965	13 973
Doubtful debts expense	10 606	12 111
Total impairment expenses	16 571	26 084

* Expensing of book value of assets demolished.

14. Net gain (loss) from disposal of assets

Rental properties:		
Proceeds from disposal	127 843	97 347
Net book value of assets disposed*	(132 894)	(105 415)
Net gain (loss) from disposal of rental properties	(5 051)	(8 068)
Inventory - capital work in progress:		
Proceeds from disposal	59 996	75 242
Net book value of assets disposed*	(49 290)	(70 932)
Net gain (loss) from disposal of completed assets	10 706	4 310
Inventory - vacant land:		
Proceeds from disposal	7 190	9 930
Net book value of assets disposed*	(6 909)	(10 145)
Net gain (loss) from disposal of vacant land	281	(215)
Plant and equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	(15)	-
Total net gain (loss) from disposal of assets	(15)	-
Total assets:		
Total proceeds from disposal	195 029	182 519
Total net book value of assets disposed*	(189 108)	(186 492)
Total net gain (loss) from disposal of assets	5 921	(3 973)

* The net book value of assets disposed comprises the carrying amount of the properties, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the valuer includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

		2014	2013
15.	**Rental income**		
	Rent received/receivable from entities external to the SA Government:	$'000	$'000
	Market rent income	493 351	483 854
	Rental rebates	(221 123)	(219 860)
	Other rent	11 770	9 375
	Total rental income	283 998	273 369
16.	**Interest revenue**		
	Interest from entities within the SA Government	9 781	10 661
	Interest from entities external to the SA Government	32	51
	Total interest revenue	9 813	10 712
17.	**Recoveries**		
	TVSP recoveries	9 542	135
	Maintenance	5 484	5 385
	Private rental assistance	7 683	7 330
	Water charges	12 911	13 864
	General service recoveries	885	538
	Grant recoveries	-	2 989
	Insurance	3 082	593
	Other	205	253
	Total recoveries	39 792	31 087
18.	**Recurrent Commonwealth revenues**		
	National Affordable Housing Agreement base funding	94 400	95 100
	National Partnership Agreements:		
	Homelessness	8 620	8 177
	Remote Indigenous Housing	-	4 643
	Sturt Street Accommodation program	507	499
	Total recurrent Commonwealth revenues	103 527	108 419
19.	**Capital Commonwealth revenues**		
	National Partnership Agreements:		
	Remote Indigenous Housing	-	105
	Homelessness	6 750	3 792
	Funding contribution to common ground - Mellor street	550	-
	Total capital Commonwealth revenues	7 300	3 897
20.	**Other revenue**		
	Bad debts recovered	4 638	3 960
	Assets received free of charge	380	2 945
	Forgiveness of interest bearing liability	-	320 000
	Interest discount due to early repayment of loans	292	642
	Shared value mortgages	78	-
	Sundry revenue	258	166
	Total other revenue	5 646	327 713
21.	**Recurrent revenues from SA Government**		
	Tax equivalent reimbursement	98 652	180 785
	General purpose grant	18 530	25 693
	National Partnership Agreement: Homelessness	8 620	6 550
	National Rental Affordability Scheme	2 196	2 089
	Violence Intervention program	533	526
	Enterprise bargaining supplementation funding	1 262	1 492
	Equal Remuneration Order supplementation funding	1 241	633
	Common ground funding	617	-
	Other State grants	591	606
	Total recurrent revenues from SA Government	132 242	218 374
22.	**Capital revenues from SA Government**		
	Other State grants	-	490
	Total capital revenues from SA Government	-	490

23. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash held in SAFA Cash Management Facility	177 419	234 754
Deposits with the Treasurer	70 322	59 475
Cash - development projects	1 560	1 525
Cash on hand	37	37
Total cash and cash equivalents	249 338	295 791

Deposits with the Treasurer

Relates to working cash held in the Commonwealth Bank working account through DTF.

Cash - development projects

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

24. Receivables

	2014 $'000	2013 $'000
Current:		
Receivables	37 596	27 020
Allowance for doubtful debts	(19 944)	(18 958)
Accrued revenues	19 147	12 621
GST receivable from DCSI	686	240
Prepayments	92	183
Total current receivables	37 577	21 106
Total receivables	37 577	21 106

Interest rate and credit risk

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

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

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

Allowance for doubtful debts

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

Movements in the allowance for doubtful debts (impairment loss):	2014 $'000	2013 $'000
Carrying amount at 1 July	18 958	16 156
Increase (Decrease) in the provision	10 606	12 111
Amounts written off	(9 620)	(9 309)
Carrying amount at 30 June	19 944	18 958

Bad and doubtful debts

The Trust has recognised a doubtful debts expense of $10.606 million ($12.111 million) in the Statement of Comprehensive Income.

Provision for doubtful debts policy - refer note 2.11.

Maturity analysis of receivables - refer table 39.3 in note 39.

Categorisation of financial instruments and risk exposure information - refer note 39.

25. Inventories

	2014 $'000	2013 $'000
Current:		
Capital work in progress	68 473	76 787
Developed properties	2 915	14 162
Vacant land	10 990	13 826
Total current inventories	82 378	104 775

	2014	2013
25. Inventories (continued)		
Non-current:	$'000	$'000
Capital work in progress	888	1 427
Total non-current inventories	888	1 427
Total inventories	83 266	106 202

26. Non-current assets classified as held for sale

	2014	2013
Land	14 116	16 751
Buildings	9 841	11 509
Total non-current assets classified as held for sale	23 957	28 260

27. Property, plant and equipment

	2014	2013
Rental properties:		
Land:		
Land at fair value	4 775 948	4 814 847
Buildings:		
Buildings at fair value	3 392 429	3 515 379
Accumulated depreciation	(45 411)	(47 098)
Total buildings	3 347 018	3 468 281
Total rental properties	8 122 966	8 283 128
Administrative properties:		
Land:		
Freehold land	2 031	1 993
Buildings:		
Buildings	3 514	4 617
Accumulated depreciation	(131)	(142)
Total buildings	3 383	4 475
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	7 411	6 758
Accumulated depreciation	(6 619)	(6 208)
Total leasehold improvements	792	550
Total administrative properties	6 206	7 018
Commercial properties:		
Land:		
Commercial properties	306	588
Buildings:		
Buildings	1 165	1 433
Accumulated depreciation	(55)	(22)
Total commercial properties - buildings	1 110	1 411
Total commercial properties	1 416	1 999
Assets under arrangement:		
Land:		
Assets under arrangement	650 304	641 619
Buildings:		
Assets under arrangement	555 659	559 507
Accumulated depreciation	(7 477)	(7 309)
Total assets under arrangement - buildings	548 182	552 198
Total assets under arrangement	1 198 486	1 193 817
Vacant land:		
Land:		
Freehold land	53 566	82 573
Total vacant land	53 566	82 573
APY leased properties:		
APY buildings	126 411	99 587
Accumulated amortisation	(4 585)	(2 154)
Total APY leased properties	121 826	97 433

27. Property, plant and equipment

	2014	2013
Plant and equipment:	$'000	$'000
Plant and equipment at cost (deemed fair value)	7 321	6 851
Accumulated depreciation	(2 199)	(1 788)
Total plant and equipment	5 122	5 063
Capital work in progress:		
Buildings and land	150 814	128 312
Total capital work in progress	150 814	128 312
Total property, plant and equipment	9 660 402	9 799 343
Total property, plant and equipment at fair value	9 561 333	9 722 143
Total property, plant and equipment at cost	165 546	141 921
Total accumulated depreciation	(66 477)	(64 721)
Total property, plant and equipment	9 660 402	9 799 343

Refer note 41 for reconciliation of property, plant and equipment.

28. Intangible assets

Computer software:		
Internally generated computer software	12 532	11 043
Accumulated amortisation	(9 208)	(7 577)
Total computer software	3 324	3 466
Work in progress computer system development	3 735	3 800
Total work in progress computer system development	3 735	3 800
Total intangible assets	7 059	7 266

	Internally generated software		Work in progress computer system development		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3 466	4 344	3 800	2 623	7 266	6 967
Additions	1 674	1 178	1 609	2 355	3 283	3 533
Transfers to internally generated software	-	-	(1 674)	(1 178)	(1 674)	(1 178)
Amortisation	(1 816)	(2 056)	-	-	(1 816)	(2 056)
Balance at 30 June	3 324	3 466	3 735	3 800	7 059	7 266

29. Payables

	2014	2013
Current:	$'000	$'000
Creditors	52 139	28 233
Accrued expenses	20 322	10 372
Staff on-costs	1 223	1 156
Total current payables	73 684	39 761
Non-current:		
Staff on-costs	1 160	1 270
Total non-current payables	1 160	1 270
Total payables	74 844	41 031

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has increased from the 2013 rate of 10.2% to 10.3%.

These rates are used in the employment oncost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefit expense of $13 000. The estimated impact on 2015 and 2016 is considered to be immaterial.

Interest rate and credit risk

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

Maturity analysis of payables - refer note 39.3.

Categorisation of financial instruments and risk exposure information - refer note 39.

30. Staff entitlements

	2014	2013
Current:	$'000	$'000
Annual leave	5 298	5 328
LSL	3 031	2 861
SERL	427	417
Accrued salaries and wages	271	-
Total current staff entitlements	9 027	8 606
Non-current:		
LSL	12 512	13 762
Total non-current staff entitlements	12 512	13 762
Total staff entitlements	21 539	22 368

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the LSL liability. However the actual reported LSL liability decreased due to the 79 TVSPs taken during the year.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $310 000 and employee benefits expense of $345 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

31. Interest bearing liabilities

	2014	2013
Current:	$'000	$'000
Borrowings - Treasurer*	-	2 045
Managed Houses Scheme	243	243
Total current interest bearing liabilities	243	2 288
Non-current:		
Borrowings - Treasurer*	-	107 949
Managed Houses Scheme	1 761	2 004
Total non-current interest bearing liabilities	1 761	109 953
Total interest bearing liabilities - SA Government entities	2 004	112 241

* The Commonwealth Government agreed to provide relief of $320 million of South Australian housing debt effective from 30 June 2013. Of the total $365 million benefit in reduced payments, interest and guarantee fees, $315 million is returned to the State Government over the next four years by reduced grant payments to SAHT and $50 million is to be reinvested in a range of new housing projects. The Trust elected to pay the remainder of borrowings off during the 2013-14 year.

32. Provisions

	2014	2013
Current:	$'000	$'000
Public risk and professional indemnity	830	940
Workers compensation	1 173	1 161
Other warranties	2	24
Total current provisions	2 005	2 125

32. Provisions (continued)

	2014	2013
Non-current:	$'000	$'000
Workers compensation	3 425	3 421
Other warranties	20	23
Total non-current provisions	3 445	3 444
Total provisions	5 450	5 569

An asset of $72 000 ($27 000) for workers compensation recoveries has been recognised for 2013-14 (refer note 24).

	Public risk & professional indemnity $'000	Workers compensation $'000	Other warranties $'000	Total $'000
Carrying amount at 1 July	940	4 582	47	5 569
Additional provisions recognised	190	1 254	-	1 444
Reduction in provisions	(242)	-	(25)	(267)
Payments made	(58)	(1 238)	-	(1 296)
Carrying amount at 30 June	830	4 598	22	5 450

33. Other liabilities

	2014	2013
Current:	$'000	$'000
Rent received in advance	7 805	8 285
Deposits held:		
Tenant deposits held	2 496	2 458
Sale deposits held	57	17
Unearned revenue	188	442
Total current other liabilities	10 546	11 202
Non-current:		
Unearned revenue	1 362	1 550
Total non-current other liabilities	1 362	1 550
Total other liabilities	11 908	12 752

34. Unrecognised contractual commitments

Remuneration commitments

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

	2014	2013
	$'000	$'000
Not later than one year	10 015	7 204
Later than one year but not later than five years	7 463	4 592
Total remuneration commitments	17 478	11 796

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

Capital commitments

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

	2014	2013
	$'000	$'000
Not later than one year	39 691	13 447
Later than one year but not later than five years	4 022	6 226
Total capital commitments	43 713	19 673

Recurrent commitments

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

Not later than one year	72 068	62 988
Later than one year but not later than five years	825	1 203
Total recurrent commitments	72 893	64 191

Management agreement commitments

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

	2014	2013
	$'000	$'000
Not later than one year	321	315
Later than one year but not later than five years	5 472	5 355
Later than five years	6 039	7 482
Total management agreement commitments	11 832	13 152

Operating lease commitments

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

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

	2014	2013
	$'000	$'000
Not later than one year	4 036	4 630
Later than one year but not later than five years	6 050	5 429
Later than five years	102	513
Total operating lease commitments	10 188	10 572

35. Contingent assets and liabilities

Contingent assets

Shared Value Affordable Home Initiative

The Shared Value Affordable Home Initiative, funded by the Commonwealth Government in conjunction with local government, allows eligible buyers the opportunity to purchase a property at a price less than market value. Each purchase is subject to a shared appreciation arrangement and a mortgage is affixed to the property. Under this arrangement when the property is sold or the mortgage discharged, the amount of the original discount, plus a share in any appreciation or depreciation in value, must be paid to the Trust for reinvestment in affordable housing outcomes. There are currently 16 properties under this scheme with a total discount provided of $1.088 million. The current share of depreciation of these properties is approximately $227 000.

Contingent liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. The 22 (24) properties included in the scheme are subject to mortgages with a collective loan balance of $384 000 ($438 000). The Tenant's share of the value of the properties subject to mortgage is estimated to be $2.642 million ($2.89 million), based on the Valuer-General's overall capital value.

Rental purchase and sale under agreement house purchase schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are 13 (17) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $2.562 million ($3.621 million). These properties together with the Trust's rental properties are subject to an agency agreement with SAICORP, a division of SAFA, and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to $1 million.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2014 is $43.984 million ($38.28 million). The value of claims made this financial year is $7.304 million ($7.032 million).

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

Equity shares

The SACCH Act provides for members of housing cooperatives and tenants of associations to acquire equity in the properties they occupy, by the cooperative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific cooperative or association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant cooperatives or associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2014 is $9.683 million ($9.687 million).

36. Transferred functions

The following assets and liabilities were transferred to Renewal SA:

Transferred out	2014	2013
Non-current assets:	$'000	$'000
Property, plant and equipment	4 036	-
Total non-current assets	4 036	-
Total net assets transferred out	4 036	-

Transfer of properties to Renewal SA

On 26 April 2012, pursuant to the provisions of section 23 of the Act, a transfer of properties from the Trust to the newly formed Urban Renewal Authority, trading as Renewal SA, was effected by government gazettal. These properties consisted of all the non-tenanted properties of the Woodville West and River Street, Marden urban renewal projects.

Subsequently in August 2013, a transfer of 13 properties from the Trust to the Urban Renewal Authority, trading as Renewal SA, was effected by government gazettal. These properties consisted of remaining non-tenanted properties of the Woodville West urban renewal project. All properties from the Woodville West and River Street, Marden urban renewal projects have now been transferred.

37. Unexpended funding commitments

Unspent grant commitments

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

	2014	2013
Unspent SA Government revenues:	$'000	$'000
National Partnership Agreement: Homelessness	-	825
Muggy's Youth Accommodation Redevelopment	-	86
Total unspent SA Government commitments	-	911
Unspent Commonwealth revenues:		
National Partnership Agreements:		
Remote Indigenous Housing	-	4 748
Homelessness (A Place to Call Home)	-	14
Sturt Street Supported Tenancy Accommodation	70	32
Total unspent Commonwealth grant commitments	70	4 794
Total unspent grants	70	5 705

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

National Partnership Agreement: Homelessness

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

Muggy's Youth Accommodation Redevelopment

Funding contribution towards the redevelopment of an existing youth accommodation facility in Plympton, operated by the Muggy's accommodation service.

National Partnership Agreement: Nation Building - Economic Stimulus Plan

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

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

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

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

Of the revenue reported as unspent at 30 June 2013, $4.794 million remains unspent at 30 June 2014. This total comprises the following: $32 000 for the National Partnership Agreement: Homelessness (State matching funds); $4.748 million for the National Partnership Agreement: Remote Indigenous Housing; and $14 000 for the National Partnership Agreement: Homelessness (A Place to Call Home). These amounts have been incorporated into approved budgets for future expenditure.

Of the revenue reported as unspent in previous years $15.7 million remains unspent at 30 June 2014. This total comprises $70 000 for the Alice Springs Safe House, $14.338 million for the National Partnership Agreement: Nation Building - Economic Stimulus Plan and $1.292 million for the National Partnership Agreement: Remote Indigenous Housing. These amounts have been incorporated into approved budgets for future expenditure.

38. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Statement of Cash Flows	249 338	295 791
Statement of Financial Position	249 338	295 791
Reconciliation of net cash inflows from operating activities to net cost of (revenue from) providing services:		
Net cash provided by (used in) operating activities	28 108	71 525
Revenues from SA Government	(132 242)	(210 272)
	(104 338)	(138 747)
Non-cash items:		
Forgiveness of liability	-	320 000
Depreciation and amortisation	(85 760)	(88 377)
Loan amortisation	243	243
Assets received free of charge	380	2 945
Allowance for doubtful debts	(986)	(2 802)
Interest discount due to early repayment of loans	292	642
Provision adjustment	(1 177)	724
Net gain (loss) from disposal of assets	5 921	(3 973)
Construction variance, surplus on property	(1 800)	(2 643)
Loss on revaluation of non-current assets	(790)	-
Buildings and other assets written off	(5 965)	(13 973)
	(89 642)	212 786
Movements in assets/liabilities:		
Receivables	17 457	(4 300)
Property, plant and equipment	(57 283)	(60 177)
Payables	(33 813)	4 052
Staff entitlements	829	(805)
Provisions	1 296	(406)
Other liabilities	844	1 238
	(70 670)	(60 398)
Net revenue from (cost of) providing services	(264 446)	13 641

39. Financial instruments/Financial risk management

39.1 Categorisation of financial instruments

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

39.1 ***Categorisation of financial instruments (continued)***		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	23	249 338	249 338	295 791	295 791
Loans and receivables:					
Receivables (at cost)	24	36 799	36 799	20 683	20 683
Financial liabilities					
Payables:					
Payables (at cost)	29	70 991	70 991	37 744	37 744
Borrowings:					
Interest bearing liabilities (at cost)	31	2 004	2 004	112 241	105 687

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

Credit risk

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

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

39.2 ***Ageing analysis of financial assets***

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

	Past due by			
	Overdue for less than 30 days	Overdue for 30-90 days	Overdue for more than 90 days	Total
2014	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	651	121	4 779	5 551
Impaired:				
Receivables	1 674	311	12 288	14 273
2013				
Not impaired:				
Receivables	588	163	4 630	5 381
Impaired:				
Receivables	1 513	418	11 906	13 837

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

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

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

		Contractual maturities		
2014	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	249 338	249 338	-	-
Receivables*	36 799	36 799	-	-
Total financial assets	286 137	286 137	-	-
Financial liabilities:				
Payables	70 991	70 991	-	-
Interest bearing liabilities	2 004	243	972	789
Total financial liabilities	72 995	71 234	972	789

39.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities		
	Carrying	Less than		More than
2013	amount	1 year	1-5 years	5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	295 791	295 791	-	-
Receivables*	20 683	20 683	-	-
Total financial assets	316 474	316 474	-	-
Financial liabilities:				
Payables	37 744	37 744	-	-
Interest bearing liabilities	112 241	2 288	10 130	99 823
Total financial liabilities	149 985	40 032	10 130	99 823

* The total value of receivables, net of the provision for doubtful debts is $17.652 million. Of this amount $10.764 million is SA Government debtors which are considered current. The remaining $6.888 million of non-SA Government debtors is a figure derived based on the application of an actuarial assessment of provisions which makes no judgement regarding age. Therefore any attempt to age this figure is problematical.

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

40. Fair value measurement

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Trust categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

The Trust had no valuations categorised into level 1.

2014		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	27	5 428 589	-	5 428 589
Buildings	27	3 899 693	-	3 899 693
Vacant land	27	53 566	-	53 566
Leasehold improvements	27	-	792	792
Plant and equipment	27	-	5 122	5 122
APY leased properties	27	-	121 826	121 826
Capital works in progress	27	150 814	-	150 814
Total recurring fair value measurements		9 532 662	127 740	9 660 402
Non-recurring fair value measurements:				
Land held for sale*	26	14 116	-	14 116
Buildings held for sale*	26	9 841	-	9 841
Total non-recurring fair value measurements		23 957	-	23 957
Total fair value measurements		9 556 619	127 740	9 684 359
2013				
Recurring fair value measurements:				
Land	27	5 459 047	-	5 459 047
Buildings	27	4 026 365	-	4 026 365
Vacant land	27	82 573	-	82 573
Leasehold improvements	27	-	550	550
Plant and equipment	27	-	5 063	5 063
APY leased properties	27	-	97 433	97 433
Capital works in progress	27	128 312	-	128 312
Total recurring fair value measurements		9 696 297	103 046	9 799 343
Non-recurring fair value measurements:				
Land held for sale*	26	16 751	-	16 751
Buildings held for sale*	26	11 509	-	11 509
Total non-recurring fair value measurements		28 260	-	28 260
Total fair value measurements		9 724 557	103 046	9 827 603

* Land and buildings held for sale were revalued to the fair value less costs to sell when this was less than the carrying amount.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Trust's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 2. There were no changes in valuation techniques during 2014.

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

The key unobservable inputs in the valuations categorised into level 3 is the estimated useful life of the asset. Refer to note 2 for the estimated life of plant and equipment and leasehold improvements.

Reconciliation of fair value measurements - level 3

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

	Plant and equipment	Leasehold imprvmnts	APY leased properties
2014	$'000	$'000	$'000
Opening balance at 1 July	5 063	550	97 443
Acquisitions	64	739	-
Transfer into level 3*	682	-	28 612
Transfer out of level 3*	-	(12)	(1 712)
Disposals	(15)	(74)	-
Total gains (losses) for the period recognised in net result:			
Depreciation and amortisation expenses	(672)	(411)	(2 507)
Closing balance at 30 June	5 122	792	121 826

* Transfers into and out of level 3 relate to transfers from and to other asset classes disclosed in different fair value hierarchy levels.

41. Reconciliation of property, plant and equipment

	Rental properties - land		Rental properties - buildings		Admin properties - land	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	4 814 847	5 050 829	3 468 281	3 698 592	1 993	2 180
Additions	22	1 188	358	76	-	-
Transfer in from other asset category	25 740	36 106	39 553	64 585	230	11
Maintenance upgrades	-	-	15 177	17 410	-	-
Assets classified as held for sale	2 195	(2 888)	1 668	(3 227)	-	-
Disposals	(80 970)	(64 029)	(44 554)	(38 633)	-	-
Transfer out to other asset category	(31 772)	(39 740)	(12 705)	(21 404)	(230)	(28)
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)*	45 886	(166 619)	(52 424)	(177 646)	38	(170)
Depreciation and amortisation expenses	-	-	(68 890)	(72 103)	-	-
Depreciation and amortisation on disposals	-	-	554	631	-	-
Carrying amount at 30 June	4 775 948	4 814 847	3 347 018	3 468 281	2 031	1 993

	Admin properties - buildings		Admin properties - leasehold improvements		Commercial property - land	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	4 475	3 657	550	2 491	588	-
Additions	-	-	739	166	-	-
Transfer in from other asset category	63	1 060	-	-	178	588
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	(74)	(1 771)	-	-
Transfer out to other asset category	(65)	(79)	(12)	-	(177)	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)*	(886)	24	-	-	(283)	-
Depreciation and amortisation expenses	(207)	(187)	(411)	(755)	-	-
Depreciation and amortisation on disposals	3	-	-	419	-	-
Carrying amount at 30 June	3 383	4 475	792	550	306	588

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

	Commercial property - buildings		Assets under arrangement - land		Assets under arrangement - buildings	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	1 411	-	641 619	667 039	552 198	575 014
Additions	-	-	-	-	-	-
Transfer in from other asset category	134	1 433	5 576	8 720	10 951	22 812
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	(304)	(558)	(261)	(385)
Transfer out to other asset category	(164)	-	(3 328)	(7 105)	(1 516)	(3 774)
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)*	(216)	-	6 741	(26 477)	(2 015)	(30 269)
Depreciation and amortisation expenses	(62)	(22)	-	-	(11 195)	(11 239)
Depreciation and amortisation on disposals	7	-	-	-	20	39
Carrying amount at 30 June	1 110	1 411	650 304	641 619	548 182	552 198

	Vacant land - land		APY leased properties*		Plant and equipment	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	82 573	81 978	97 433	42 939	5 063	1 364
Additions	-	-	-	-	64	94
Transfer in from other asset category	27 671	27 111	28 612	57 165	682	4 023
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	(343)	(732)	-	-	(276)	(270)
Transfer out to other asset category	(43 718)	(23 463)	(1 788)	(1 101)	-	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)*	(12 617)	(2 321)	-	-	-	-
Depreciation and amortisation expenses	-	-	(2 507)	(1 597)	(672)	(418)
Depreciation and amortisation on disposals	-	-	76	27	261	270
Carrying amount at 30 June	53 566	82 573	121 826	97 433	5 122	5 063

	Capital work in progress		Total property, plant and equipment	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	128 312	233 807	9 799 343	10 359 890
Additions	110 592	97 554	111 775	99 078
Transfer in from other asset category	59 382	54 693	198 772	278 307
Maintenance upgrades	-	-	15 177	17 410
Assets classified as held for sale	-	-	3 863	(6 115)
Disposals	-	-	(126 782)	(106 378)
Transfer out to other asset category	(143 436)	(257 742)	(238 911)	(354 436)
Assets transferred due to administrative restructure	(4 036)	-	(4 036)	-
Revaluation increment (decrement)*	-	-	(15 776)	(403 478)
Depreciation and amortisation expenses	-	-	(83 944)	(86 321)
Depreciation and amortisation on disposals	-	-	921	1 386
Carrying amount at 30 June	150 814	128 312	9 660 402	9 799 343

* $14.986 million applied as a reduction in revaluation surplus and $790 000 recognised as a loss on revaluation as the previous revaluation surplus for commercial buildings was exhausted.

42. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at 30 June 2014, classified according to their nature:

42. Transactions with SA Government (continued)

	Note	SA Government 2014 $'000	SA Government 2013 $'000	Non-SA Government 2014 $'000	Non-SA Government 2013 $'000	Total 2014 $'000	Total 2013 $'000
Expenses							
Staffing costs	6	4 119	3 478	80 836	66 353	84 955	69 831
Supplies and services:	7						
Accommodation expenses		1 969	1 653	2 079	2 352	4 048	4 005
Administration expenses		397	430	1 999	2 621	2 396	3 051
Agent fees		-	-	608	620	608	620
Audit fees - Auditor-General's Department		463	400	-	-	463	400
Brokerage		-	-	108	104	108	104
Charged to capital program		-	-	(3 691)	(1 614)	(3 691)	(1 614)
Communications		442	394	444	457	886	851
Computer expenses		-	175	2 815	2 748	2 815	2 923
Consultants		-	-	394	299	394	299
Contractors		-	-	3 649	5 288	3 649	5 288
Debt management		395	486	257	228	652	714
Fleet management		2 365	2 934	3	-	2 368	2 934
Insurance		-	2 556	4 903	3 448	4 903	6 004
Operating lease		5 473	5 659	1 344	1 322	6 817	6 981
Other customer related expenses		-	-	482	509	482	509
Printing, stationery and postage		-	-	1 594	1 701	1 594	1 701
Renewal SA recharges		3 960	3 466	-	-	3 960	3 466
Staff development		-	-	346	432	346	432
Tenant relocation		-	-	752	605	752	605
Travel and accommodation		-	-	931	1 114	931	1 114
Business service fees	8	18 675	17 725	-	-	18 675	17 725
Rental property expenses:	9						
Construction variances		-	-	1 800	2 643	1 800	2 643
Council rates		-	-	43 993	42 728	43 993	42 728
Emergency Services levy		116	174	-	-	116	174
Land tax equivalent		177 603	180 785	-	-	177 603	180 785
Maintenance		-	-	103 439	115 300	103 439	115 300
Property expenses		-	-	334	267	334	267
Stamp duty and search fees		-	137	23	-	23	137
Valuations		152	151	-	-	152	151
Water rates		38 177	40 367	-	-	38 177	40 367
Depreciation and amortisation	10	85 760	88 377	-	-	85 760	88 377
Grants and subsidies:	11						
Affordable housing grants		736	765	145	1 452	881	2 217
Community housing construction stimulus		-	-	12 445	-	12 445	-
CHO maintenance liability		-	-	157	225	157	225
Emergency accommodation assistance		-	-	1 872	1 583	1 872	1 583
Emergency management grants		-	-	98	27	98	27
Housing affordability fund		-	4 403	-	-	-	4 403
Indigenous community housing program		-	-	96	972	96	972
National affordable housing agreement:							
Specialist homelessness services		1 489	1 579	34 880	34 308	36 369	35 887
National Partnership Agreements:							
Homelessness		733	1 215	25 977	14 774	26 710	15 989
Remote Indigenous Housing		3 787	592	1 475	657	5 262	1 249
Social Housing		-	-	-	1 300	-	1 300
National rental affordability scheme subsidies		-	-	4 249	2 396	4 249	2 396
Other recurrent grants		-	-	1	45	1	45
Private rental assistance		8 493	8 137	7 555	6 904	16 048	15 041

42. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
	Note	$’000	$’000	$’000	$’000	$’000	$’000
National Partnership agreement: (continued)							
Subsidies to CHOs		-	-	58	287	58	287
Subsidies to other housing providers		-	-	2 373	2 441	2 373	2 441
Upgrade of Disability SA housing		-	-	296	-	296	-
Finance costs	12	6 659	28 565	-	-	6 659	28 565
Impairment expenses:	13						
Asset write-offs		5 965	13 973	-	-	5 965	13 973
Doubtful debts expense		-	-	10 606	12 111	10 606	12 111
Net loss from disposal of assets	14	-	-	-	3 973	-	3 973
Loss on revaluation of non-current assets		790	-	-	-	790	-
Total expenses		368 718	408 576	351 725	332 980	720 443	741 556
Income							
Rental income	15	-	-	283 998	273 369	283 998	273 369
Interest revenue	16	9 781	10 661	32	51	9 813	10 712
Recoveries:	17						
General service recoveries		276	-	609	538	885	538
Grant recoveries		-	-	-	2 989	-	2 989
Insurance		3 016	376	66	217	3 082	593
Maintenance		-	-	5 484	5 385	5 484	5 385
Other		150	158	55	95	205	253
Private rental assistance		-	-	7 683	7 330	7 683	7 330
TVSP recoveries		9 542	135	-	-	9 542	135
Water charges		-	-	12 911	13 864	12 911	13 864
Recurrent Commonwealth revenues	18	-	-	103 527	108 419	103 527	108 419
Capital Commonwealth revenues	19	-	-	7 300	3 897	7 300	3 897
Other revenues:	20						
Assets received free of charge		-	2 945	380	-	380	2 945
Bad debts recovered		-	-	4 638	3 960	4 638	3 960
Forgiveness of interest bearing liability		-	320 000	-	-	-	320 000
Interest discount due to early repayment of loans		292	642	-	-	292	642
Shared value mortgages		-	-	78	-	78	-
Sundry revenue		120	-	138	166	258	166
Recurrent revenues from SA Government	21	132 242	218 374	-	-	132 242	218 374
Capital revenues from SA Government	22	-	490	-	-	-	490
Net gain on disposal of assets	14	-	-	5 921	-	5 921	-
Total income		155 419	553 781	432 820	420 280	588 239	974 061
Financial assets							
Receivables:	24						
Accrued revenue		15 728	10 349	3 419	2 272	19 147	12 621
Receivables		10 764	5 330	6 888	2 732	17 652	8 062
Total financial assets		26 492	15 679	10 307	5 004	36 799	20 683
Financial liabilities							
Payables:	29						
Accrued expenses		5 320	4 790	14 477	5 582	19 797	10 372
Creditors		29 317	12 353	21 877	15 019	51 194	27 372
Interest bearing liabilities:	31						
Borrowings		-	109 994	-	-	-	109 994
Managed house scheme		2 004	2 247	-	-	2 004	2 247
Other financial liabilities:	33						
Deposits held		-	-	2 553	2 475	2 553	2 475
Total financial liabilities		36 641	129 384	38 907	23 076	75 548	152 460

South Australian Metropolitan Fire Service

Functional responsibility

Establishment

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

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

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

SAFECOM is responsible for developing and maintaining a strategic and policy framework as well as sound corporate governance across the emergency services sector.

Functions and funding

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

SAFECOM provides various services in support of the SAMFS's primary functions including corporate, strategic and compliance services. Also, the operations of the SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

For more information about the SAMFS's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 52(2) of the FES Act provide for the Auditor-General to audit the accounts of the SAMFS for each financial year.

Assessment of controls

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

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

Scope of audit

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

The audit included access to systems and information maintained by SAFECOM and the SAMFS to conduct relevant financial transaction and control compliance tests of those systems and information.

The audit included a review of the overall internal control environment covering compliance with TIs and verification of transactions on a test basis. The scope of the audit included:

- expenditure
- payroll and employee entitlements
- revenue, including grants and contributions
- cash and receivables
- non-current assets including works in progress
- liabilities, including workers compensation
- financial accounting
- business continuity planning
- legislative compliance
- financial management compliance program
- banking arrangements and reporting
- creditor account payment performance.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Metropolitan Fire Service as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SAMFS who are responsible for the governance of the SAMFS.

Matters raised with SAFECOM and the SAMFS and the related responses are provided in detail under 'Communication of audit matters' in the section of Part B of this Report titled 'South Australian Fire and Emergency Services Commission'.

Interpretation and analysis of the financial report

Highlights of the financial report	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	111	101
Supplies and services	13	12
Other expenses	7	7
Total expenses	131	120

	2014 $'million	2013 $'million
Total income	7	5
Net cost of providing services	124	115
Revenues from (Payments to) SA Government	121	107
Net result	(3)	(8)
Other comprehensive income	2	-
Total comprehensive result	(1)	(8)
Net cash provided by (used in) operating activities	8	(1)
Assets		
Current assets	12	9
Non-current assets	138	138
Total assets	150	147
Liabilities		
Current liabilities	22	21
Non-current liabilities	25	22
Total liabilities	47	43
Total equity	103	104

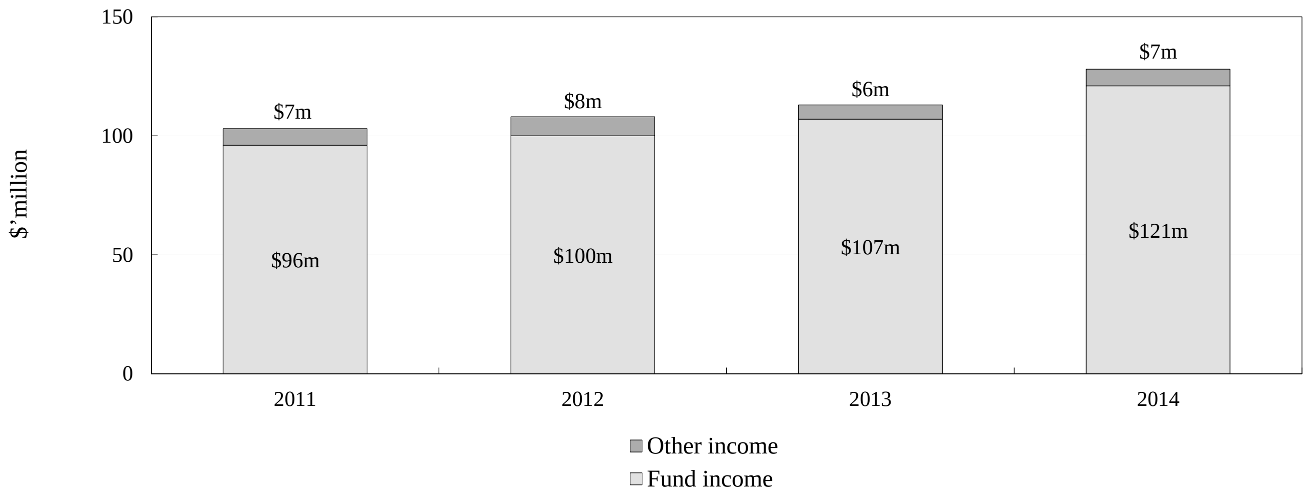
Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for the SAMFS is the contributions from the Fund, which account for 94% of revenues (refer note 15 to the financial statements).

The contributions from the Fund to the SAMFS increased by $14 million (13%) to $121 million during 2013-14. The increase is mainly due to a decision to fund increases in firefighter employment entitlements under enterprise agreements, from the Fund. In recent years, any increase was met from SAMFS cash reserves. Refer to 'Statement of Cash Flows' below for details on the use of cash reserves and cash and cash equivalents held by the SAMFS over the past five years.

A structural analysis of income for the SAMFS for the four years to 2014 is presented in the following chart.



Expenses

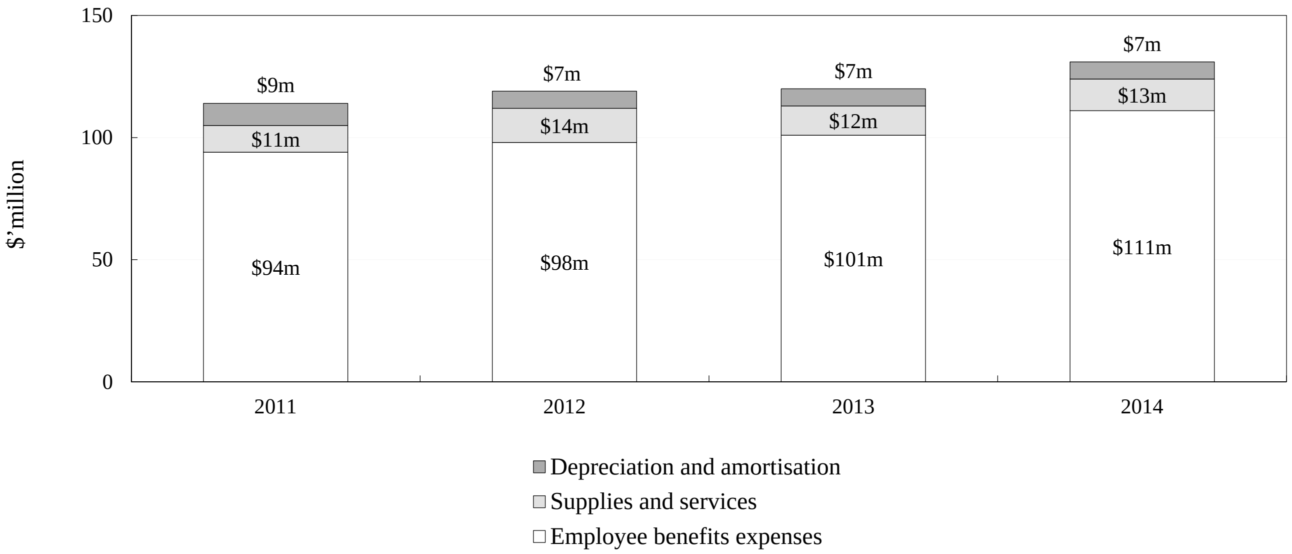
Total expenses increased by $11 million during 2013-14 to $131 million. Employee benefits costs account for 84% of the total expenses of the SAMFS. During 2013-14, employee benefits expenses increased by $10 million (10%) due mainly to:

- LSL expenses increasing by $3.3 million
- salaries and wages increasing by $2.8 million due to increases in overtime, allowances and salaries under the enterprise bargaining agreement for some staff
- workers compensation costs increasing by $3.1 million due mainly to recent presumptive legislative changes that increased firefighters compensation for certain cancers associated with their employment.

Refer to 'Further commentary on operations' below for details of workers compensation.

Supplies and services increased by $760 000 to $13 million. This is due mainly to additional costs related to incidents and deployments, increased agency staff costs and an increase in facilities management fees charged by government.

For the four years to 2014, an analysis of the main operating expense items for the SAMFS is shown in the following chart.



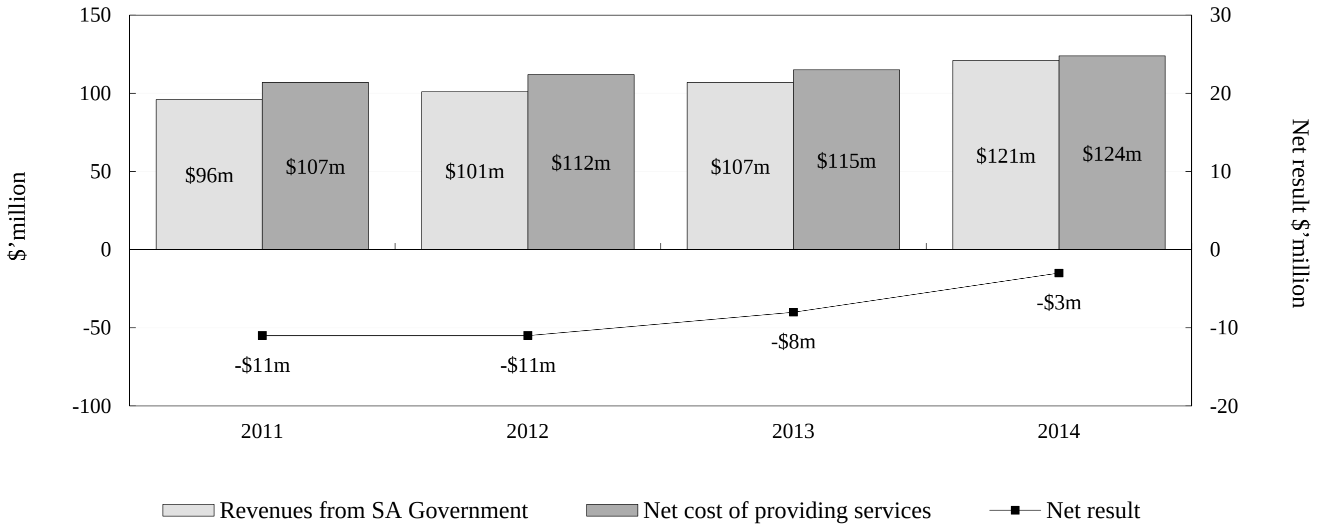
Over the four years to 2014, expenses have increased by $17 million or 15%.

Net result

An increase in total income of $16 million to $128 million compared to an increase in total expenditure of $11 million to $131 million in 2013-14 resulted in a net deficit for the year of $3 million. This is an improvement of $5 million compared to the 2012-13 net deficit of $8 million.

The net result has fluctuated in recent years due to the SAMFS using cash reserves to fund certain operational expenditure. Refer to 'Statement of Cash Flows' below for details on cash and cash equivalents held by the SAMFS over the past five years.

The following chart shows the funding received by the SAMFS from the SA Government (predominantly from the Fund), the net cost of services and net result for the past four years.



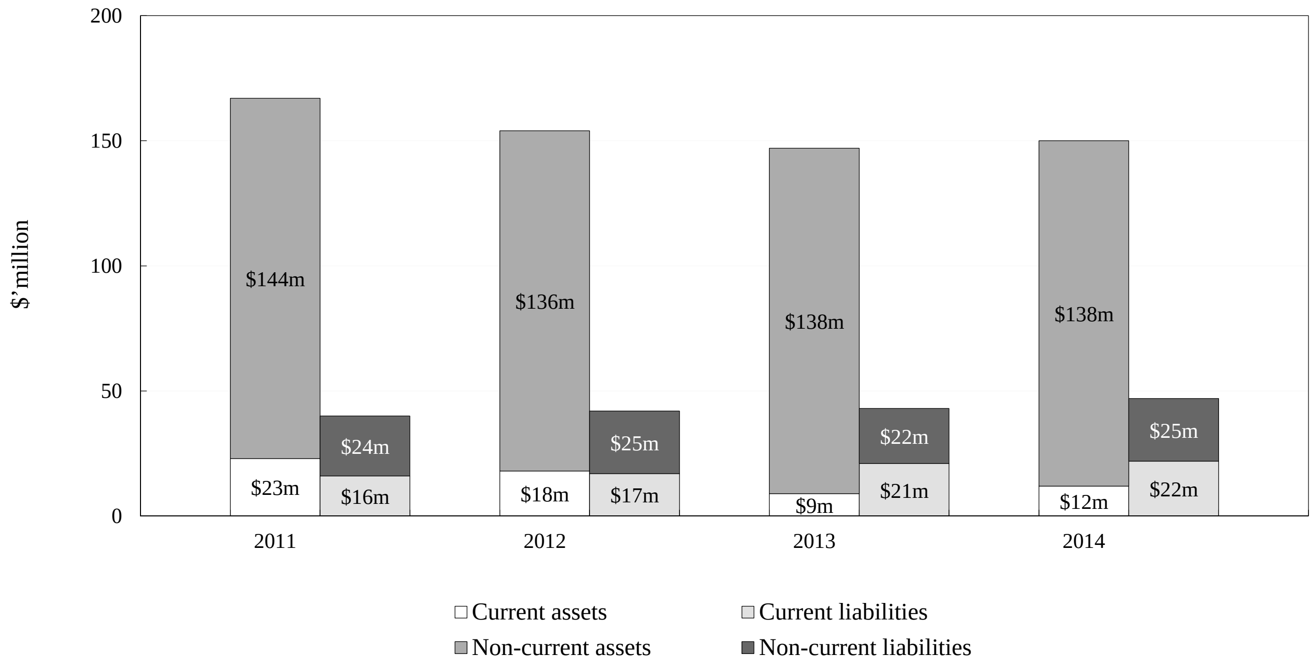
Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset property, plant and equipment which accounts for 92% of total assets. Property, plant and equipment remained stable during the year at $138 million.

During 2013-14 current assets increased by $3 million to $12 million mainly due to an increase in cash and cash equivalents of $3 million. This was the result of net cash provided by operating activities of $8 million exceeding net cash used in investing activities of $5 million by $3 million.

Current liabilities increased by $1 million to $22 million during the year and exceed current assets of $12 million. Cash and cash equivalents of $11 million is still sufficient to meet current payables of $5 million. Total liabilities increased by $4 million to $47 million mainly due to an increase in provisions for workers compensation. Refer to 'Further commentary on operations' below for details.

For the four years to 2014, a structural analysis of assets and liabilities is shown in the following chart.



The fair values of the main asset classes held by the SAMFS were land ($47 million), buildings ($54 million) and vehicles ($32 million). Refer note 19 to the financial statements for more information.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014 and highlights the decrease in cash held over the period 2010-2013.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows					
Operating	8	(1)	(2)	(3)	4
Investing	(5)	(8)	(3)	(3)	(12)
Change in cash	3	(9)	(5)	(6)	(8)
Cash at 30 June	11	8	17	22	28

In 2013-14 cash provided by the Fund for SAMFS operations increased. This resulted in an increase in cash held at 30 June 2014. Net cash provided by operating activities increased to $8 million during 2013-14 mainly due to increased contributions from the Fund, offset by increased employee benefits payments.

SAMFS cash reserves have decreased steadily between 2009-10 and 2012-13. The SAMFS had accrued significant cash reserves under the previous *South Australian Metropolitan Fire Service Act 1936* before the FES Act came into operation. Whilst the FES Act provided for the continued operation of the SAMFS, there was uncertainty regarding the purpose and permitted use of previous cash reserves and whether these could be consolidated with other SAMFS cash accounts.

During 2009-10, it was determined that these reserves could be applied for the functions conferred on the SAMFS under the FES Act, and they have been progressively used for operational purposes.

Further commentary on operations

Amendments to the WRCA came into effect during 2013-14 that provide presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible employees and volunteers subject to certain criteria.

The workers compensation provision as at 30 June 2014 is based on a valuation prepared by an actuary that assesses all known claims relating to the revised workers compensation legislation (refer note 24 to the financial statements).

Whilst further employees may be eligible to make a claim, a reliable estimate of further liabilities cannot be presently made to satisfy the conditions for recognition of liabilities under accounting standards. A contingent liability disclosure has been made at note 28 to the financial statements.

Consequently, there may be a significant increase in workers compensation provision in future years as further claims are received and assessed.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits expenses	5	110 761	100 809
Supplies and services	6	13 217	12 457
Depreciation and amortisation expense	7	7 124	7 027
Other expenses	8	447	-
Net loss from disposal of non-current assets	9	7	(25)
Total expenses		131 556	120 268
Income:			
Revenues from fees and charges	10	4 841	4 092
Grants and contributions	11	926	903
Interest revenues	12	182	352
Resources received free of charge	13	-	10
Other income	14	1 254	373
Total income		7 203	5 730
Net cost of providing services		124 353	114 538
Revenues from (Payments to) SA Government:			
Revenues from SA Government	15	121 016	107 031
Net result		(3 337)	(7 507)
Other comprehensive income:			
Items that will not be reclassified to net result:			
Changes in revaluation surplus	19	1 836	-
Total other comprehensive income		1 836	-
Total comprehensive result		(1 501)	(7 507)

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	16	10 844	8 183
Receivables	17	1 126	879
Non-current assets held for sale	18	40	255
Total current assets		12 010	9 317
Non-current assets:			
Property, plant and equipment	19	138 001	137 897
Intangible assets	20	-	9
Total non-current assets		138 001	137 906
Total assets		150 011	147 223
Current liabilities:			
Payables	22	5 129	5 583
Employee benefits	23	14 920	14 484
Provisions	24	2 078	1 144
Total current liabilities		22 127	21 211
Non-current liabilities:			
Payables	22	1 495	1 366
Employee benefits	23	15 968	14 614
Provisions	24	7 820	5 930
Total non-current liabilities		25 283	21 910
Total liabilities		47 410	43 121
Net assets		102 601	104 102
Equity:			
Revaluation surplus	25	98 445	96 609
Retained earnings	25	4 156	7 493
Total equity		102 601	104 102

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27		
Contingent assets and liabilities	28		

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		96 609	15 000	111 609
Net result for 2012-13		-	(7 507)	(7 507)
Total comprehensive result for 2012-13		-	(7 507)	(7 507)
Balance at 30 June 2013	25	96 609	7 493	104 102
Net result for 2013-14		-	(3 337)	(3 337)
Gain on revaluation of property, plant and equipment during 2013-14	19	1 836	-	1 836
Total comprehensive result for 2013-14		1 836	(3 337)	(1 501)
Balance at 30 June 2014	25	98 445	4 156	102 601

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014 Inflows (Outflows)	2013 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefits payments		(106 266)	(100 997)
Supplies and services payments		(15 301)	(14 859)
GST paid to the ATO		(130)	(105)
Payments for Paid Parental Leave Scheme		(22)	(11)
Cash used in operations		(121 719)	(115 972)
Cash inflows:			
Fees and charges		5 229	4 752
Receipts from grants and contributions		926	903
Interest received		182	380
GST recovered from the ATO		1 218	1 598
Receipts for Paid Parental Leave Scheme		22	11
Other receipts		1 267	427
Cash generated from operations		8 844	8 071
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	15	120 793	106 964
Other receipts from SA Government	15	223	67
Cash generated from SA Government		121 016	107 031
Net cash provided by (used in) operating activities	26	8 141	(870)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(5 711)	(7 721)
Cash used in investing activities		(5 711)	(7 721)
Cash inflows:			
Proceeds from sale of property, plant and equipment		231	37
Cash generated from investing activities		231	37
Net cash provided by (used in) investing activities		(5 480)	(7 684)
Net increase (decrease) in cash and cash equivalents		2 661	(8 554)
Cash and cash equivalents at 1 July		8 183	16 737
Cash and cash equivalents at 30 June	16	10 844	8 183

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian Metropolitan Fire Service (the MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fire and other emergencies occurring in any fire district

Objectives (continued)

- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to the MFS by or under this or any other Act.

Funding arrangements

Funding of the MFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

2. Summary of significant accounting policies

(a) Statement of compliance

The MFS has prepared these financial statements in compliance with section 23 of the PFAA.

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

The MFS has applied AASs that are applicable to not-for-profit entities as the MFS is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the MFS for the reporting period ending 30 June 2014 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

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

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. The MFS has elected not to utilise this threshold, ie all revenues, expenses, financial assets and liabilities relating to SA Government have been separately disclosed

  (b) expenses incurred as a result of engaging consultants

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Reporting entity

The MFS is established under the Act. Under the Act, the MFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the MFS.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

The MFS is not subject to income tax. The MFS is liable for payroll tax, FBT and GST.

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

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

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

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

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

(g) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

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

(h) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the MFS will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund and other receipts from SA Government are recognised as income when the MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Grants and contributions
Grants and contributions are recognised as an asset and income when the MFS obtains control of revenues or obtains the right to receive the revenues and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the MFS has obtained control or the right to receive for:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the MFS have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge
Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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

Other income
Other income consists of donations received, miscellaneous expense recoveries and other minor revenues.

(i) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the MFS will occur and can be reliably measured.

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

The following are specific recognition criteria:

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

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the MFS to the superannuation plan in respect of current services of current MFS staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements for all Government managed funds.

Net loss (gain) on non-current assets
Income or expenses from the disposal of non-current assets are recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any gain/loss on disposal are recognised at the date control of the asset is passed to the buyer and is determined after deducting the cost of the asset from the proceeds at that time.

Payments to SA Government
Payments to the SA Government include the return of surplus cash from the proceeds for the sale of surplus land and buildings and are paid directly to the Consolidated Account.

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

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

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

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

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

Class of asset	*Useful life (years)*
Buildings	50
Vehicles	15
Communications equipment	10
Computer equipment	5
Plant and equipment	10
Intangibles	5

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the MFS has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Assets

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

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

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

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

Receivables (continued)

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the MFS will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets

The MFS measures other financial assets at cost. All assets in this category are either short or medium-term cash deposits.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

Impairment

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

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

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The MFS only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the MFS has been unable to attribute this expenditure to the intangible asset rather than to the MFS as a whole.

Fair value measurement
AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The MFS classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in active market and are derived from unobservable inputs.

Non-financial assets
In determining fair value, the MFS has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The MFS current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the MFS did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

Refer notes 19 and 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets
The MFS does not recognise any financial assets at fair value.

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

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

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

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

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

Employee benefits on-costs include superannuation contributions, workers compensation and payroll tax in with respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

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

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

The annual leave liability and SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages, annual leave and SERL liability are payable later than 12 months, the liability will be measured at present value.

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

LSL
The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salaries and wages levels, experience of employee departure and periods of service. These assumptions are based on employee data over the police and emergency services sector across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through DPC. The provision is for the estimated cost of ongoing payments to MFS personnel as required under current legislation. As of 28 November 2013 amendments to the WRCA introduced presumptive recognition of certain cancers for eligible South Australian firefighters. This has resulted in minor impact to employee expenses in the Statement of Comprehensive Income and provisions in the Statement of Financial Position.

The MFS is responsible for the payment of workers compensation claims.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies

The MFS did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 which became effective for the first time in 2013-14 the MFS has:

- reviewed its fair value valuation techniques (both internal estimates and independent appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the MFS has used the cost approach or the market approach to determine fair value. The MFS will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurement

- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 19 and 21.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the MFS for the period ending 30 June 2014. The MFS has assessed the impact of the new and amended standards and interpretations and considers there will be minimal impact on the accounting policies or the financial statements of the MFS.

4. Activities of the MFS

In achieving its objectives, the MFS provides services within six general areas: leadership, prevention, preparedness, response, recovery and business excellence. These services are classified under one activity titled ‘Metropolitan Fire Service’.

5. Employee benefits expenses

	2014	2013
	$’000	$’000
Salaries and wages	75 542	72 697
Annual leave	9 661	9 676
SERL	575	705
LSL	2 958	(301)
Employment on-costs - superannuation	11 027	10 488
Payroll tax	4 931	4 589
Workers compensation costs	5 714	2 569
Other employment related expenses	353	386
Total employee benefits expenses	110 761	100 809

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$138 000 - $141 499*	n/a	9
$141 500 - $151 499[##]	19	16
$151 500 - $161 499[#]	14	5
$161 500 - $171 499	3	4
$171 500 - $181 499	7	2
$231 500 - $241 499	-	1
$251 500 - $261 499	1	1
$291 500 - $301 499	-	1
$311 500 - $321 499	1	-
Total	45	39

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2012-13.

[#] This band includes one SA Metropolitan Fire Service Superannuation Scheme employee in 2014.

[##] This band includes one SA Metropolitan Fire Service Superannuation Scheme employee in 2013.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $7.245 million ($6.198 million).

6. Supplies and services

	2014	2013
	$'000	$'000
Accommodation	227	242
Auditor's remuneration	26	26
Communications	493	533
Computing costs	887	889
Consultancy, contractor and legal fees	1 026	876
Consumables	1 091	1 097
Energy	688	735
Government Radio Network	1 680	1 655
Insurance premiums	382	243
Minor plant and equipment	756	704
Operating lease costs	652	721
Operational costs	224	30
Repairs and maintenance	2 513	2 312
Travel and training	787	613
Uniforms and protective clothing	991	929
Other expenses	794	852
Total supplies and services	13 217	12 457

Consultancies

	2014	2013
The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	Number	Number
Below $10 000	4	2
Between $10 000 and $50 000	1	-
Total	5	2

	2014	2013
	$'000	$'000
Below $10 000	13	5
Between $10 000 and $50 000	11	-
Total amount paid/payable to the consultants engaged	24	5

Auditor's remuneration

	2014	2013
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	26	26
Total auditor's remuneration	26	26

Other services

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

Supplies and services provided by entities within the SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

	2014	2013
Accommodation	220	237
Auditor's remuneration	26	26
Computing costs	346	190
Consultancy, contractor and legal fees	53	64
Government Radio Network	1 680	1 655
Insurance premiums	381	239
Minor plant and equipment	2	8
Operating lease costs	3	313
Repairs and maintenance	1 154	502
Travel and training	225	65
Other expenses	206	267
Total supplies and services provided by entities within the SA Government	4 296	3 566

		2014	2013
7.	**Depreciation and amortisation expenses**		
	Depreciation:	$'000	$'000
	Buildings	2 364	2 304
	Vehicles	4 260	4 113
	Computers	5	8
	Plant	269	351
	Communications	217	237
	Total depreciation	7 115	7 013
	Amortisation:		
	Software	9	14
	Total amortisation	9	14
	Total depreciation and amortisation expenses	7 124	7 027

8.	**Other expenses**		
	Asset revaluation decrement	447	-
	Total other expenses	447	-

9.	**Net gain (loss) from disposal of non-current assets**		
	Land and buildings:		
	Proceeds from disposal	231	-
	Net book value of assets disposed	(215)	-
	Costs of disposal of land and buildings	(17)	(2)
	Net gain (loss) from disposal of land and buildings	(1)	(2)
	Vehicles:		
	Proceeds from disposal	-	37
	Net book value of assets disposed	(5)	(10)
	Net gain (loss) from disposal of vehicles	(5)	27
	Plant and equipment:		
	Proceeds from disposal	-	-
	Net book value of assets disposed	(1)	-
	Net gain (loss) from disposal of plant and equipment	(1)	-
	Total assets:		
	Total proceeds from disposal	231	37
	Total value of assets disposed	(221)	(10)
	Costs of disposal	(17)	(2)
	Net gain (loss) from disposal of non-current assets	(7)	25

10.	**Revenues from fees and charges**		
	Fire alarm attendance fees	2 197	1 956
	Fire safety fees	308	304
	Fire alarm monitoring fees	1 893	1 820
	Incident cost recoveries	436	-
	Training and other recoveries	3	-
	Salary recoveries	4	12
	Total revenues from fees and charges	4 841	4 092

Fees and charges received/receivable from entities within the SA Government

The following fees and charges (included in the revenues from fees and charges shown above) were received/receivable from entities within the SA Government:

Fire alarm attendance fees	424	368
Fire safety fees	12	7
Fire alarm monitoring fees	195	186
Training and other recoveries	3	-
Salary recoveries	-	3
Total fees and charges received/receivable from entities within the SA Government	634	564

11. Grants and contributions

	2014 $'000	2013 $'000
Commonwealth revenues	926	903
Total Commonwealth revenues	926	903

Commonwealth grant funding for the MFS relates mainly to the cost of providing fire and emergency services to Commonwealth properties and includes contributions towards Australian apprenticeships incentive program and exercise programs.

There is a memorandum of understanding in relation to Commonwealth contribution towards provision for cost of providing fire and emergency services to Commonwealth properties. Conditions to other funding is based on completion of claims request of actual expenditure.

12. Interest revenues

	2014 $'000	2013 $'000
Interest on deposit accounts from entities within the SA Government	182	352
Total interest revenues	182	352

13. Resources received free of charge

Goods received free of charge	-	10
Total resources received free of charge	-	10

Resources received free of charge from entities within the SA Government

Resources received free of charge during 2012-13 related to transfer of a fire appliance from the South Australian Country Fire Service:		
Goods received free of charge	-	10
Total resources received free of charge from entities within the SA Government	-	10

14. Other income

Rent received	981	59
Other	273	314
Total other income	1 254	373

The following other income (included in the other income shown above) was received/receivable from entities within the SA Government:		
Rent received	-	27
Other	35	10
Total other income received/receivable from entities within the SA Government	35	37

15. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Contributions from Community Emergency Services Fund	120 793	106 964
Other revenues from SA Government	223	67
Total revenues from SA Government	121 016	107 031

Total revenues from the SA Government consist of $113.48 million ($96.259 million) for operational funding and $7.536 million ($10.772 million) for capital projects. For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 19 and 20.

16. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash on hand	11	11
Deposits with the Treasurer	10 833	8 172
Total cash and cash equivalents	10 844	8 183

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash approximates fair value.

17. Receivables

	2014	2013
Current:	$'000	$'000
Receivables	770	568
Allowance for doubtful debts	(49)	(163)
	721	405
Accrued revenues	91	74
GST input tax recoverable	314	400
Total current receivables	1 126	879

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

	2014	2013
Receivables	76	61
Accrued revenues	26	41
Total current receivables from entities within the SA Government	102	102

Movements in the allowance for doubtful debts (impairment loss)

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2014	2013
	$'000	$'000
Carrying amount at 1 July	(163)	(224)
Amounts written off	45	17
Decrease (Increase) in the allowance	69	44
Carrying amount at 30 June	(49)	(163)

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note 31.

18. Non-current assets held for sale

	2014	2013
	$'000	$'000
Land held for sale	40	255
Total non-current assets held for sale	40	255

The Burra site is surplus to requirements at balance date.

19. Property, plant and equipment

	2014	2013
Land:		
At valuation	46 879	40 920
Total land	46 879	40 920
Buildings:		
At valuation	55 462	56 244
At cost (deemed fair value)	51	745
Accumulated depreciation	(1 204)	(3 452)
Total buildings	54 309	53 537
Vehicles:		
At valuation	32 076	34 452
At cost (deemed fair value)	1 617	4 308
Accumulated depreciation	(2 147)	(6 081)
Total vehicles	31 546	32 679

19. Property, plant and equipment (continued)

	2014	2013
Communication equipment:	$'000	$'000
At valuation	909	1 140
At cost (deemed fair value)	296	543
Accumulated depreciation	(88)	(345)
Total communication equipment	1 117	1 338
Computer equipment:		
At valuation	4	9
At cost (deemed fair value)	-	13
Accumulated depreciation	(1)	(10)
Total computer equipment	3	12
Plant and equipment:		
At valuation	676	1 642
At cost (deemed fair value)	190	136
Accumulated depreciation	(92)	(531)
Total plant and equipment	774	1 247
Capital works in progress:		
At cost (deemed fair value)	3 373	8 164
Total work in progress	3 373	8 164
Total property, plant and equipment	138 001	137 897

Valuation of assets

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific's Mr M Burns, MRICS AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

As at 30 June 2014 in accordance with South Australian Fire and Emergency Services Commission (SAFECOM) policy, a review of the valuations was undertaken by a suitability qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequentially it was determined no revaluation adjustment were required at this time.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2014.

Movement and reconciliation of property, plant and equipment

	Land	Buildings	Vehicles	Communi-cations equipment	Computer equipment	Plant and equipment	Capital works in progress	Total
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	40 920	53 537	32 679	1 338	12	1 247	8 164	137 897
Acquisitions	-	-	-	-	-	-	5 836	5 836
Transfers to (from) capital works in progress	3 550	4 975	1 616	296	1	189	(10 627)	-
Depreciation expense	-	(2 364)	(4 260)	(217)	(5)	(269)	-	(7 115)
Net revaluation increment (decrement)	2 409	(1 839)	1 516	-	(1)	(249)	-	1 836
Disposals	-	-	(5)	-	-	(1)	-	(6)
Net revaluation decrement expensed	-	-	-	(300)	(4)	(143)	-	(447)
Carrying amount at 30 June	46 879	54 309	31 546	1 117	3	774	3 373	138 001
2013								
Carrying amount at 1 July	40 855	55 521	34 575	1 334	20	1 495	2 290	136 090
Acquisitions	-	-	-	-	-	-	8 820	8 820
Transfers to (from) capital works in progress	65	320	2 217	241	-	103	(2 946)	-
Depreciation expense	-	(2 304)	(4 113)	(237)	(8)	(351)	-	(7 013)
Assets received for nil consideration	-	-	10	-	-	-	-	10
Disposals	-	-	(10)	-	-	-	-	(10)
Carrying amount at 30 June	40 920	53 537	32 679	1 338	12	1 247	8 164	137 897

20. Intangible assets

	2014	2013
	$'000	$'000
Computer software	324	324
Accumulated amortisation	(324)	(315)
Total intangible assets	-	9

Movement reconciliation of intangible assets

	2014	2013
Carrying amount at 1 July	9	23
Amortisation expense	(9)	(14)
Carrying amount at 30 June	-	9

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at 30 June 2014.

21 Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. The MFS categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

The MFS had no valuations categorised into level 1.

2014		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	19	5 310	41 569	46 879
Buildings	19	51	54 258	54 309
Vehicles	19	1 616	29 930	31 546
Communication equipment	19	292	825	1 117
Computer equipment	19	-	3	3
Plant and equipment	19	180	594	774
Total recurring fair value measurements		7 449	127 179	134 628
Non-recurring fair value measurements:				
Land held for sale	18	40	-	40
Buildings held for sale	18	-	-	-
Total non-recurring fair value measurements		40	-	40
Total fair value measurements		7 489	127 179	134 668

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The MFS's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 19. There were no changes in the valuation techniques during 2014.

Land with restricted use is considered within input level 3.

Buildings specialised are classified as input level 3.

As with all assets in this valuation, the market price has been estimated by the written-down replacement cost of a modern equivalent or reproduced comparable asset, not the replacement cost of existing asset on a like with like material basis.

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

Description	*Fair value $'000*	*Valuation technique*	*Unobservable inputs*	*Range $*	*Range $/m²*	*Range Years*
Land	41 569	Market approach[1]	Adjusted market value	-	50-750	-
Buildings	54 258	Depreciated replacement cost[2]	Current market replacement cost	-	450-10 500	50
Other plant and equipment	31 352	Depreciated replacement cost[3]	Current market replacement cost	1252-1 569 765	-	5-15

(1) Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

(2) Due to the highly specialised nature of the assets, fair value was determined using depreciated replacement cost approach. Key assumptions were the use of the properties and specialised nature of the improvements either by virtue of the type of improvement, location or scale.

(3) Due to no quoted market price available for this asset class in an active and liquid market, fair value has been estimated by written down replacement cost.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

Fair value measurement

2014	Land $'000	Buildings $'000	Vehicles $'000	Communi-cation $'000	Computer equipment $'000	Plant and equipment $'000	Total $'000
Opening balance at 1 July	37 899	53 537	32 679	1 338	12	1 247	126 712
Acquisitions	-	-	-	-	-	-	-
Capitalised subsequent expenditure	1 363	4 924	-	-	-	-	6 287
Revaluation increment (decrement)	2 307	(1 839)	1 516	(300)	(4)	(392)	1 288
Depreciation	-	(2 364)	(4 260)	(213)	(5)	(260)	(7 102)
Disposals	-	-	(5)	-	-	(1)	(6)
Closing balance at 30 June	41 569	54 258	29 930	825	3	594	127 179

22. Payables

	2014 $'000	2013 $'000
Current payables:		
Accrued expenses	240	557
Creditors	2 573	2 461
FBT payable	91	96
Employment on-costs	2 225	2 469
Total current payables	5 129	5 583

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

	2014 $'000	2013 $'000
Accrued expenses	61	222
Creditors	1 463	1 834
FBT payable	91	96
Employment on-costs	820	1 233
Total current payables - SA Government entities	2 435	3 385

	2014 $'000	2013 $'000
Non-current payables:		
Creditors	4	-
Employment on-costs	1 491	1 366
Total non-current payables	1 495	1 366

Non-current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

	2014 $'000	2013 $'000
Employment on-costs	833	770
Total non-current payables - SA Government entities	833	770

Employment on-costs

The actuarial assessment performed by DTF, has resulted in the percentage of the proportion of LSL taken as leave to remain at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has increased to 10.3% from 2013 (10.2%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of $119 000 and employee benefits expense of $119 000. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information

Refer note 31.

23. Employee benefits

	2014	2013
Current:	$'000	$'000
Annual leave	7 984	7 818
SERL	938	705
LSL	3 073	3 441
Accrued salaries and wages	2 925	2 520
Total employee benefits - current	14 920	14 484
Non-current:		
LSL	15 968	14 614
Total employee benefits - non-current	15 968	14 614

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

24. Provisions

	2014	2013
Current liabilities:	$'000	$'000
Provision for workers compensation	2 078	1 144
Total current provisions	2 078	1 144
Non-current liabilities:		
Provision for workers compensation	7 820	5 930
Total non-current provisions	7 820	5 930
Total provisions	9 898	7 074

Provision movement

	2014	2013
Carrying amount at 1 July	7 074	6 551
Additional provisions recognised (released)	5 732	2 644
Reductions arising from payments	(2 908)	(2 121)
Carrying amount at 30 June	9 898	7 074

Amendments to the WRCA came into effect during 2013-14 that provided presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible firefighters subject to certain criteria.

The workers compensation provision as at 30 June 2014 is based on a valuation prepared by an actuary that assesses all known claims relating to the revised workers compensation legislation. While further firefighters may be eligible to make a claim, a reliable estimate of further liabilities cannot be presently made to satisfy the conditions for recognition of liabilities under accounting standards. A contingent liability disclosure has been made at note 28 to the financial statements.

24. Provisions (continued)

Consequently, there may be a significant increase in workers compensation provision in future years as further claims are received and assessed.

25. Equity

	2014	2013
	$'000	$'000
Accumulated surplus	4 156	7 493
Revaluation surplus	98 445	96 609
Total equity	102 601	104 102

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

26. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	10 844	8 183
Balance as per the Statement of Cash Flows	10 844	8 183

	2014	2013
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	8 141	(870)
Revenues from SA Government	(121 016)	(107 031)
Non-cash items:		
Depreciation and amortisation	(7 124)	(7 027)
Assets received free of charge	-	10
Asset revaluation decrement recognised in Statement of Comprehensive Income	(447)	-
Revaluation decrements expensed in Income Statement	-	-
Net gain (loss) from disposal of non-current assets	(7)	25
Movements in assets/liabilities:		
Receivables	247	(122)
Payables	467	166
Employee benefits	(1 790)	834
Provisions	(2 824)	(523)
Net cost of providing services	(124 353)	(114 538)

27. Unrecognised contractual commitments

Operating lease commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2014	2013
	$'000	$'000
Within one year	315	392
Later than one year but not later than five years	180	267
Later than five years	-	-
Total operating lease commitments	495	659

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property leases, with rental payable monthly. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2014	2013
	$'000	$'000
Within one year	500	3 445
Later than one year but not later than five years	-	-
Later than five years	-	-
Total capital commitments	500	3 445

These capital commitments are for property and vehicles.

Remuneration commitments

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

	2014	2013
	$'000	$'000
Within one year	555	548
Later than one year but not later than five years	696	1 291
Later than five years	-	-
Total remuneration commitments	1 251	1 839

Amounts disclosed include commitments arising from executive contracts. The MFS does not offer fixed-term remuneration contracts greater than five years.

Other commitments

The total value of other commitments not provided for and payable as at the end of the reporting period is detailed below. These amounts have not been brought to account in the financial statements.

	2014	2013
	$'000	$'000
Within one year	407	181
Later than one year but not longer than five years	553	723
Later than five years	-	-
Total other commitments	960	904

Contractual commitments relate to information technology, system and building maintenance contracts.

28. Contingent assets and liabilities

Contingent assets

The MFS is not aware of any other contingent assets.

Contingent liabilities

Amendments to the WRCA came into effect during 2013-14 that provided presumptive coverage to firefighters for a range of cancers. These changes will provide additional workers compensation coverage for eligible firefighters subject to certain criteria.

The workers compensation provision as at 30 June 2014 recognises a liability for all known claims relating to the revised workers compensation legislation based on a valuation prepared by an actuary. Further firefighters may be eligible to make a claim, however, a reliable estimate of the liability relating to those potential claims cannot be presently made.

MFS has another contingent liability in the form of unresolved litigation, however, the outcome cannot be reliably determined at this stage. In each case the financial exposure to the MFS is limited to a $10 000 excess under insurance arrangements.

29. Remuneration of board and committee members

Members of the board and committees, during the 2014 financial year were:

South Australian Metropolitan Fire Service Disciplinary Committee

Brendan West*
Charles Bailes (appointed 1 February 2014)
Chris Smith*
Graham Dart (retired 16 August 2013)
Michael Vander-Jeugd*

The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$0	5	4
$1 - $9 999	-	1
Total	5	5

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was $0 ($2525).

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

29. Remuneration of board and committee members (continued)

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct expenses incurred by relevant members.

30. Events after the reporting period

There were no events after the reporting period affecting the financial statements.

31. Financial instruments/Financial risk management

31.1 Categorisation of financial instruments

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

		2014		2013	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	16	10 844	10 844	8 183	8 183
Receivables(1)(2)	17	861	861	642	642
Financial liabilities					
Payables(1)	22	2 791	2 791	2 992	2 992

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The MFS does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 17 and 22).

Credit risk

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

The carrying amount of financial assets as detailed in note 31.1 represents the MFS's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the MFS.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired (refer note 17).

31.2 *Ageing analysis of financial assets*

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

		Past due by			
2014	Current (not overdue) $'000	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:					
Receivables	660	74	72	6	812
Impaired:					
Receivables	-	-	-	49	49
2013					
Not impaired:					
Receivables	286	104	21	68	479
Impaired:					
Receivables	-	-	-	163	163

31.3 *Maturity analysis of financial assets and liabilities*

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

		Contractual maturity	
2014	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000
Financial assets:			
Cash and cash equivalents	10 844	10 844	-
Receivables	861	861	-
Total financial assets	11 705	11 705	-
Financial liabilities:			
Payables	2 791	2 787	4
Total financial liabilities	2 791	2 787	4
2013			
Financial assets:			
Cash and cash equivalents	8 183	8 183	-
Receivables	642	642	-
Total financial assets	8 825	8 825	-
Financial liabilities:			
Payables	2 992	2 992	-
Total financial liabilities	2 992	2 992	-

The financial assets and liabilities of the MFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

Liquidity risk arises where the MFS is unable to meet its financial obligations as they are due to be settled. The MFS is funded principally from contributions from the Community Emergency Services Fund. The MFS and SAFECOM work with the manager of the Community Emergency Services Fund to determine cash flows associated with its Government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The MFS settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in the categorisation of financial instruments table above represent the MFS's maximum exposure to financial liabilities.

Market risk

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The MFS's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the MFS as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

South Australian Motor Sport Board

Functional responsibility

Establishment

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

Functions

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

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

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with DPC, the Board was responsible for staging the World Solar Challenge in October 2013.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of audit

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

During 2013-14, specific areas of audit attention included:

- payroll
- expenditure
- procurement
- revenue

- fixed assets
- general ledger
- cash at bank.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2013-14 Independent Auditor's Report, which details the qualification to the Board's financial statements.

> ***Basis for Qualified Opinion***
>
> *State Government grant - capital*
>
> *As detailed in note 2.8 to the financial report, funding received by the South Australian Motor Sport Board for race staging is recognised as a liability and subsequently amortised over five years or the unexpired period of the race staging deed, whichever is the shorter. The current and non-current liabilities recognised for this are described as 'Deferred State Government grant - capital' in the Statement of Financial Position. These liabilities total $2 million as at 30 June 2014.*
>
> *State Government grant - infrastructure*
>
> *During the three years to 30 June 2009, the South Australian Motor Sport Board received grants from the State Government for construction of infrastructure. Of this, $18.7 million was spent on the capital costs of assets. The South Australian Motor Sport Board deferred recognising grant revenue for this amount by recognising current and non-current liabilities described as 'Deferred State Government grant - infrastructure' in the Statement of Financial Position. These liabilities are being amortised to revenue over the estimated useful life of the infrastructure assets. As a result, only $9.3 million of the $18.7 million has been recognised as revenue. The remaining $9.4 million is recognised as current and non-current liabilities as at 30 June 2014.*
>
> *Requirements of Australian Accounting Standards and Treasurer's Instructions*
>
> *In my opinion, both the 'capital' and 'infrastructure' State Government grant funds received represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Accounting Policy Framework APF V 'Income Framework' issued pursuant to the Treasurer's Instructions. The State Government grants were controlled by the South Australian Motor Sport Board, meet the income recognition criteria upon their receipt and consequently these grants should have been recorded as assets and income on receipt.*
>
> *The financial effect of not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:*
>
> - *Total income is overstated by $1.4 million (overstated by $1.1 million for the year ended 30 June 2013).*
> - *Operating deficit and total comprehensive result are understated by $1.4 million (overstated operating surplus by $1.1 million for the year ended 30 June 2013).*

- *Current liabilities are overstated by $1.8 million (overstated by $2.1 million as at 30 June 2013).*
- *Non-current liabilities are overstated by $9.6 million (overstated by $10.7 million as at 30 June 2013).*
- *Total liabilities are overstated by $11.4 million (overstated by $12.8 million as at 30 June 2013).*
- *Total equity is understated by $11.4 million (understated by $12.8 million as at 30 June 2013).*

Qualified opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the South Australian Motor Sport Board as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 *and Australian Accounting Standards.*

Assessment of controls

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

Communication of audit matters

The audit did not identify any notable matters requiring communication in a management letter to the South Australian Motor Sport Board's Chief Executive Officer.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Income		
State Government grants	9	11
User charges	19	20
Amortisation of grants	2	2
Total income	30	33
Expenses		
Supplies and services	29	27
Depreciation and amortisation	2	2
Employee benefit expenses	2	2
Total expenses	33	31
Operating surplus (deficit)	(3)	2

	2014 $'million	2013 $'million
Revaluation surplus	2	-
Total comprehensive result	(1)	2
Assets		
Current assets	4	7
Non-current assets	15	15
Total assets	19	22
Liabilities		
Current liabilities	5	6
Non-current liabilities	9	11
Total liabilities	14	17
Total equity	5	5

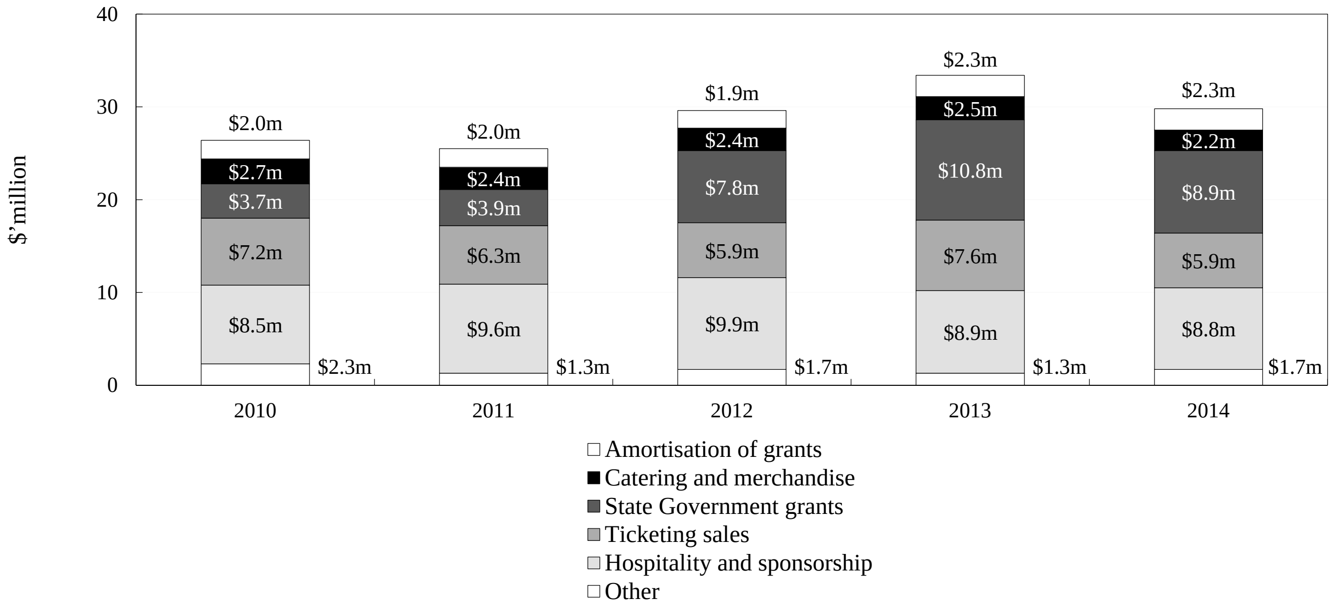
Statement of Comprehensive Income

Income

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

The Board's decision not to apply APF V and AASB 1004 has resulted in an overstatement of income of $1.4 million ($1.1 million overstatement).

A structural analysis of income for the Board for the five years to 2014 is presented in the following chart.



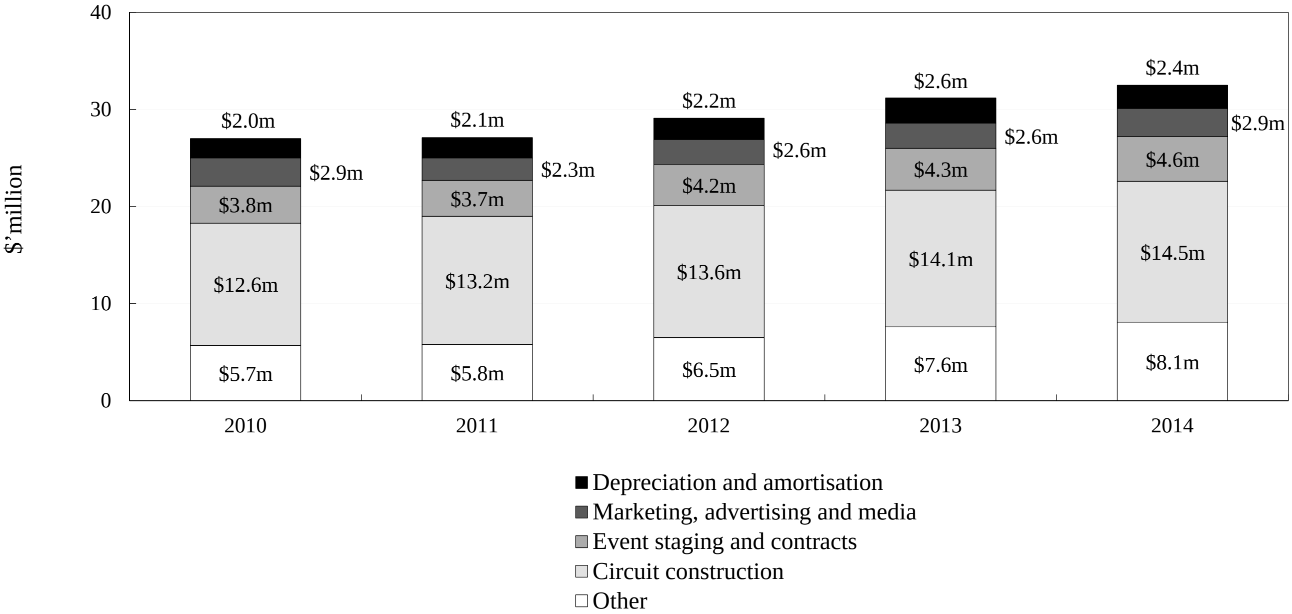
The chart illustrates the decrease in overall income in 2014 which was principally due to a decrease in State Government grants and ticket sales.

It also highlights that the decline in income from ticket sales for the three years to 2012 was reversed in 2013 but in 2014 has returned to levels seen in 2012.

Expenses

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

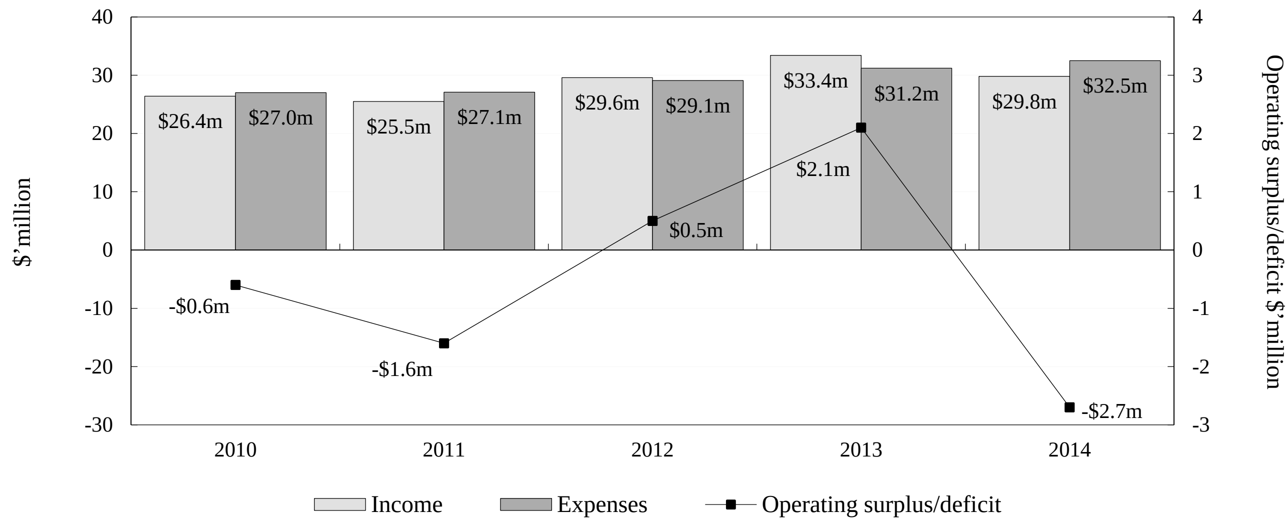
A structural analysis of the main expense items for the Board for the five years to 2014 is shown in the following chart.



The chart illustrates that overall expenditure remained steady between 2010 and 2011 and then increased across most expenditure categories in 2012 to 2014. This increase is principally due to increases in marketing, advertising and media, event staging and contracts and circuit construction.

Net result

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



The Board recorded an operating deficit of $2.7 million ($2.1 million surplus) which is the third operating deficit since 2009-10. The $4.8 million decline in the operating result for 2014 is principally due to a $1.6 million decrease in user charges income and a $1.9 million decrease in government operating grants, in addition to a $1.3 million increase in expenditure previously discussed.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014. The table shows the Board's cash balance at 30 June 2013 was the highest for the four years but has decreased as at 30 June 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	(2.9)	2.5	(0.2)	0.4
Investing	0.3	0.5	(0.6)	-
Change in cash	(2.6)	3.0	(0.8)	0.4
Cash at 30 June	4	6.6	3.6	4.4

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Income:			
State Government operating grants	1	8 936	10 803
Interest	4	325	347
User charges	5	18 326	19 958
Net gain from the disposal of non-current assets		1	-
Amortisation of capital grants	2.8,15	843	732
Amortisation of infrastructure grants	2.8,15	1 429	1 536
Total income		29 860	33 376
Expenses:			
Supplies and services	6	28 529	26 970
Depreciation and amortisation	10	2 415	2 622
Allowance for doubtful debts	9	-	130
Employee benefit expenses	7	1 579	1 504
Total expenses		32 523	31 226
Operating surplus (deficit)		(2 663)	2 150
Other comprehensive income:			
Items that will not be reclassified to operating result:			
Changes in revaluation surplus	10	1 968	-
Total comprehensive result		(695)	2 150

Operating surplus (deficit) and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	8	4 030	6 627
Receivables	9	165	416
Total current assets		4 195	7 043
Non-current assets:			
Concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements	10	14 760	14 700
Total non-current assets		14 760	14 700
Total assets		18 955	21 743
Current liabilities:			
Payables	11	1 874	2 208
Employee benefits	12	178	149
Provisions	13	1	1
Other liabilities	14	853	1 244
Deferred State Government grant - capital	15	762	673
Deferred State Government grant - infrastructure	15	1 045	1 460
Total current liabilities		4 713	5 735
Non-current liabilities:			
Payables	11	8	5
Employee benefits	12	60	39
Provisions	13	2	1
Deferred State Government grant - capital	15	1 275	1 357
Deferred State Government grant - infrastructure	15	8 320	9 334
Total non-current liabilities		9 665	10 736
Total liabilities		14 378	16 471
Net assets		4 577	5 272
Equity:			
Reserve for extreme weather	2.12	1 100	1 100
Retained earnings		906	3 569
Revaluation surplus		2 571	603
Total equity		4 577	5 272

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	16		
Contingent assets and liabilities	17		

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Reserve for extreme weather $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		1 100	603	1 419	3 122
Net result for 2012-13		-	-	2 150	2 150
Total comprehensive result for 2012-13		-	-	2 150	2 150
Balance at 30 June 2013		1 100	603	3 569	5 272
Net result for 2013-14		-	-	(2 663)	(2 663)
Gain on revaluation of plant and equipment during 2013-14	10	-	1 968	-	1 968
Total comprehensive result for 2013-14		-	1 968	(2 663)	(695)
Balance at 30 June 2014		1 100	2 571	906	4 577

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers and sponsors		20 443	22 007
Interest received		325	347
SA Government contributions - operating		8 936	10 803
GST recovered from the ATO		1 367	1 076
Cash generated from operations		31 071	34 233
Cash outflows:			
Payments for supplies and services		(32 141)	(29 833)
Employee benefit payments		(1 537)	(1 479)
GST paid to the ATO		(334)	(462)
Cash used in operations		(34 012)	(31 774)
Net cash provided by (used in) operating activities	18.2	(2 941)	2 459
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of plant and equipment		5	-
SA Government contributions - capital		850	1 210
Cash generated from investing activities		855	1 210
Cash outflows:			
Purchase of racing infrastructure, plant and equipment		(511)	(713)
Cash used in investing activities		(511)	(713)
Net cash provided by (used in) investing activities		344	497
Net increase (decrease) in cash and cash equivalents		(2 597)	2 956
Cash and cash equivalents at 1 July		6 627	3 671
Cash and cash equivalents at 30 June	18.1	4 030	6 627

Notes to and forming part of the financial statements

1. Organisational structure, objectives and funding

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

The principal objectives of the Board are to:

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

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. The Board was responsible for the staging of the 2013 World Solar Challenge.

During the year, the Board received funding of $8.936 million for operating activities and $850 000 for event staging capital from the State Government. The State Government received signage, hospitality and other promotional benefits from the event under the South Australian branding.

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

2. Statement of significant accounting policies

2.1 Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA.

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2014 (refer note 3).

2.2 Basis of accounting

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants (refer note 20)

2.2 Basis of accounting (continued)

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

(d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement (refer note 21.3).

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

2.3 Reporting entity

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

2.4 Comparative information

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

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

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

2.5 Rounding

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

2.6 Taxation

The Board is exempt from income tax.

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

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

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

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

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

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

2.7 *Events after the reporting period*

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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

2.8 *Amortisation of State Government grants*

The State Government has since 1999 provided a total of $14.754 million for race staging capital. A further $23 million was provided for the infrastructure upgrade of which $4.33 million has been spent on non-capital items. The balance of $18.67 million is held as a non-current liability 'deferred State Government grant - infrastructure' and is being amortised over the estimated useful life of the assets acquired. In 2013-14 $1.429 million has been amortised leaving a deferred State Government grant infrastructure liability of $9.365 million.

In accordance with International Accounting Standard 'Accounting for Government Grants and Disclosure of Government Assistance' (IAS 20), capital grants received for event staging capital are being amortised over five years or the remaining number of years the Board is committed to staging the race, whichever is the shorter. The grants have been recognised as a deferred State Government grant capital liability.

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

	2014		2013	
	AASB 1004 APF V	IAS 20	AASB 1004 APF V	IAS 20
Revenue - State Government grant:	$'000	$'000	$'000	$'000
Capital	850	-	1 210	-
Amortisation - State Government grant:				
Capital	-	843	-	732
Infrastructure	-	1 429	-	1 536
Net surplus (deficit)	(4 085)	(2 663)	1 092	2 150
Assets	18 955	18 955	21 743	21 743
Liabilities	2 976	14 378	3 647	16 471
Equity	15 979	4 577	18 096	5 272

Therefore the application of AASB 1004 and APF V would result in a net deficit for the year of $4.085 million. The application of IAS 20 results in an operating deficit of $2.663 million which the Board believes to be a true reflection of the result for the year.

2.9 *Income and expenses*

Income, except as described in note 2.8, and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

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

Income

The following are specific recognition criteria:

Revenues from user charges

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenues from sales
Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

Interest income
Interest income includes interest received on term deposits and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Net gain from disposal of non-current assets
Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued non-current assets are sold, the revaluation surplus is transferred to retained earnings.

Expenses
The following are specific recognition criteria:

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Board to the superannuation plan in respect of current services of current Board employees.

Depreciation and amortisation
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

Class of asset	*Useful life (years)*
Concrete safety barriers and debris fencing	4-20
Overpasses, shade structures and seating	2-20
Pit building structure	4-20
Other racing infrastructure, plant and equipment	2-20
Leasehold improvements	Life of lease

2.10 Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

Assets

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST receivable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

The Board does not own any land or permanent buildings.

- *Acquisition and recognition*

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

  Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

- *Revaluation of non-current assets*

  All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

  Every five years, the Board revalues its concrete safety barriers and debris fencing, overpasses, shade structures and seating and pit building structure. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

- *Impairment*
  All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

  Fair value measurement
  AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

  The Board classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

  Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

  Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

  Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Board at each reporting date.

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

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

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

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

Employee benefit on-costs include payroll tax, WorkCover levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, LSL and annual leave.

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Board has entered into operating leases.

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

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

- *Wages, salaries, annual leave and sick leave*
  The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

- *LSL*
  The liability for LSL represents the present value of the estimated future payments to be made in respect of services provided by Board employees up to the reporting date.

  In determining the liability, consideration is given to future increases in salary and wage rates and the Board's experience of employee retention and leave taken.

Workers compensation provision
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Board is responsible for the payment of workers compensation claims.

Other liabilities
Funds held in trust represent advance ticket sales, exclusive of GST, for the year 2015 event.

2.12 Reserve for extreme weather
The Board believes that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board have considered that it is prudent and commercially sound to create a reserve for extreme weather at future events. This reserve ($1.1 million) has been created by transfers to/from retained earnings and is reviewed annually by the Board.

2.13 Staffing arrangements
The Chief Executive of DTF is the employing authority of all staff of the Board. The Chief Executive of DTF has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board.

The Treasurer has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the SAMS Act.

As a consequence, the Board is no longer able to be registered as a non-exempt employer with WorkCoverSA under section 59(1) of the WRCA. As an exempt (self-insured) employer the Board is required to recognise in the accounts a liability for outstanding workers compensation claims where applicable.

2.14 Unrecognised contractual commitments and contingent assets and liabilities
Operating lease and event staging commitments arising from contractual sources are disclosed at their nominal value.

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

2.15 Insurance
The Board has arranged, through SAICORP, a division of SAFA, to insure major risks of the Board. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies
The Board did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Board has included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements (refer note 10).

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2014. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Interest

	2014 $'000	2013 $'000
Interest from entities within the SA Government	305	339
Interest from entities external to the SA Government	20	8
Total interest	325	347

5. User charges

	2014 $'000	2013 $'000
User charges received/receivable from entities within the SA Government:		
Other income	15	-
Catering and merchandise	-	1
Sponsorship	65	53
Total user charges - SA Government entities	80	54
User charges received/receivable from entities external to the SA Government:		
Hospitality and sponsorship	8 772	8 870
Ticketing sales	5 923	7 560
Catering and merchandise	2 228	2 464
Entry fees	508	183
Hire of assets	16	153
Bad debts recovered	9	1
Other income	790	673
Total user charges - non-SA Government entities	18 246	19 904
Total user charges	18 326	19 958

6. Supplies and services

	2014 $'000	2013 $'000
Supplies and services provided by entities within the SA Government:		
Administration	128	131
Event staging and contracts	59	122
Marketing, advertising and media	94	97
Circuit construction	65	120
Total supplies and services - SA Government entities	346	470
Supplies and services provided by entities external to the SA Government:		
Circuit construction	14 464	14 025
Hospitality, sponsorship and ticketing costs	217	308
Catering and merchandise costs	970	1 180
Event staging and contracts	4 565	4 219
Patron entertainment	2 600	2 164
Security and ground staff	1 423	1 263
Administration	1 106	871
Marketing, advertising and media	2 838	2 470
Total supplies and services - non-SA Government entities	28 183	26 500
Total supplies and services	28 529	26 970

7. Employee benefit expenses

	2014 $'000	2013 $'000
Salaries, wages, annual and sick leave	1 179	1 117
LSL	30	17
Employment on-costs - superannuation	128	116
Employment on-costs - other	70	75
Board and committee fees	172	179
Total employee benefit expenses	1 579	1 504

Remuneration of employees

The number of employees who received or were due to receive remuneration within the following bands were:	2014 Number	2013 Number
$161 500 - $171 499	-	1
$171 500 - $181 499	1	-
$261 500 - $271 499	-	1
$271 500 - $281 499	1	-
Total	2	2

Remuneration of employees (continued)

The table includes all employees who received remuneration equal to or greater than the base executive level remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any other FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $458 000 ($438 000).

8. Cash and cash equivalents

	2014	2013
	$'000	$'000
Short-term deposits with SAFA	3 883	6 586
Cash on hand and at bank	147	41
	4 030	6 627

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. They are lodged with SAFA and earn interest at the respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

9. Receivables

	2014	2013
Current:	$'000	$'000
Trade debtors	22	474
Allowance for doubtful debts	-	(141)
GST receivable	142	83
Prepayments	1	-
Total receivables	165	416
SA Government/Non-SA Government receivables:		
Receivables from SA Government entities:		
Trade debtors	15	-
Total receivables from SA Government entities	15	-
Receivables from non-SA Government entities:		
Trade debtors	7	474
Allowance for doubtful debts	-	(141)
GST receivable	142	83
Prepayments	1	-
Total receivables from non-SA Government entities	150	416
Total receivables	165	416

Receivables amounting to $1.319 million ($296 000) and the corresponding liability relating to advanced ticket sales exclusive of GST for year 2015 event (refer note 11) have not been recognised as they have been treated as agreements equally proportionately unperformed.

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

	2014	2013
	$'000	$'000
Carrying amount at 1 July	141	21
Increase (Decrease) in the allowance	(9)	130
Amounts written-off	(132)	(10)
Carrying amount at 30 June	-	141

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

Interest rate and credit risk (continued)
There is no concentration of credit risk.

Refer note 22 for maturity analysis of receivables, categorisation of financial instruments and risk exposure information.

	2014	2013
10. Non-current assets comprising concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements	$'000	$'000
Concrete safety barriers and debris fencing:		
At valuation	1 447	3 430
Accumulated depreciation	-	(2 127)
	1 447	1 303
Overpasses, shade structures and seating:		
At valuation	4 208	8 149
Accumulated depreciation	-	(4 062)
	4 208	4 087
Pit building structure:		
At valuation	8 038	10 348
Accumulated depreciation	-	(2 433)
	8 038	7 915
Other racing infrastructure, plant and equipment:		
At cost (deemed fair value)	8 545	9 655
Accumulated depreciation	(7 627)	(8 428)
	918	1 227
Leasehold improvements:		
At cost (deemed fair value)	171	171
Accumulated depreciation	(22)	(3)
	149	168
Total concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements	14 760	14 700

Valuation of non-current assets
A valuation of concrete barriers and debris fencing, overpasses, shade structures and seating and the demountable pit building was undertaken by independent valuers and property consultants, Valcorp Australia Pty Ltd. The items were inspected in February 2014. The valuation has been conducted as at 30 June 2014.

The written down current cost approach was used having regard to the use of the items and their specialised construction and use. It is considered that no widely accepted secondary market exists. The depreciated replacement cost considered the need for ongoing specialised use; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

Reconciliation of non-current assets

	Concrete safety barriers and debris fencing	Overpasses, shade structures and seating	Pit building structure	Other racing infrastructure plant and equipment	Leasehold imprvmnts	Total
2014	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	1 303	4 087	7 915	1 227	168	14 700
Additions	-	-	64	447	-	511
Disposals	-	(4)	-	-	-	(4)
Depreciation	(252)	(834)	(563)	(747)	(19)	(2 415)
Revaluation increment	375	1 148	445	-	-	1 968
Transfers between asset classes	21	(189)	177	(9)	-	-
Carrying amount at 30 June	1 447	4 208	8 038	918	149	14 760
2013						
Carrying amount at 1 July	1 393	4 929	8 430	1 840	17	16 609
Additions	91	40	27	385	170	713
Depreciation	(181)	(882)	(542)	(998)	(19)	(2 622)
Carrying amount at 30 June	1 303	4 087	7 915	1 227	168	14 700

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Board categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Board had no valuations categorised into level 1 or 2.

Fair value measurements

2014		Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000
Pit building and fitout	10	8 038	8 038
Concrete barriers and debris fence panels	10	1 447	1 447
Overpasses	10	159	159
Shade structures	10	3 569	3 569
Seating	10	480	480
Total recurring fair value measurements		13 693	13 693

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

Other racing infrastructure, plant and equipment and leasehold improvements totalling $1.067 million are also at level 3 with the only inputs being cost, useful life and assessed condition. These items are not revalued.

Valuation techniques and inputs

Valuation techniques used to derive level 3 fair values are at note 10. The unobservable inputs used in determining fair value were useful lives (refer note 2.9) and others described below. There were no changes in valuation techniques during 2014. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

Description	*Valuation technique*	*Unobservable inputs*	*Range*
Pit building and fitout	Cost approach	Rawlinson's Australian Construction Handbook 2014	$12.672 million
Concrete barriers and debris fence panels	Cost approach	Price per barrier and panel	$1700 - $1925
Overpasses	Cost approach	Original cost adjusted for CPI	$242 000 single $432 000 double
Shade structures	Cost approach	Original cost adjusted for CPI	$346 000 - $1 155 000
Seating	Cost approach	Original cost adjusted for CPI	$100

The only movements in the categories are outlined in the movement schedule above.

11. Payables

	2014	2013
Current:	$'000	$'000
Trade creditors	1 006	1 375
Other creditors and accruals	842	812
Employment on-costs	26	21
Total current payables	1 874	2 208
Non-current:		
Employment on-costs	8	5
Total non-current payables	8	5
Total payables	1 882	2 213

11. Payables (continued)

	2014	2013
SA Government/Non-SA Government payables:	$'000	$'000
Payables to SA Governments entities:		
Trade creditors	3	42
Other creditors and accruals	57	44
Employment on-costs	34	26
Total payables to SA Government entities	94	112
Payables to non-SA Government entities:		
Trade creditors	1 003	1 333
Other creditors and accruals	785	768
Total payables to non-SA Government entities	1 788	2 101
Total payables	1 882	2 213

Interest rate and credit risk

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

Refer note 22 for maturity analysis of payables, categorisation of financial instruments and risk exposure information.

12. Employee benefits

	2014	2013
Current:	$'000	$'000
Annual leave	108	87
LSL	70	62
Total current employee benefits	178	149
Non-current:		
LSL	60	39
Total non-current employee benefits	60	39
Total employee benefits	238	188

13. Provisions

Current:		
Provision for workers compensation	1	1
Total current provisions	1	1
Non-current:		
Provisions for workers compensation	2	1
Total non-current provisions	2	1
Total provisions	3	2
Carrying amount at 1 July	2	2
Provisions recognised	1	-
Carrying amount at 30 June	3	2

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

14. Other liabilities

Current:		
Funds held in trust	853	1 244
Total current other liabilities	853	1 244
SA Government/Non-SA Government other liabilities:		
Other liabilities to non-SA Government entities:		
Funds held in trust	853	1 244
Total other liabilities to non-SA Government entities	853	1 244

Funds held in Trust represent advanced ticket sales exclusive of GST for year 2015 event.

15. Deferred State Government grants

	2014	2013
Capital:	$'000	$'000
Deferred State Government grant - capital	14 754	13 904
Accumulated amortisation	(12 717)	(11 874)
	2 037	2 030
Reconciled to:		
Current	762	673
Non-current	1 275	1 357
	2 037	2 030
Infrastructure grant:		
Deferred State Government grant - infrastructure	19 968	19 968
Transferred to income	(1 298)	(1 298)
Accumulated amortisation	(9 305)	(7 876)
	9 365	10 794
Reconciled to:		
Current	1 045	1 460
Non-current	8 320	9 334
	9 365	10 794

16. Unrecognised contractual commitments

16.1 Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	214	206
Later than one year but not longer than five years	222	436
Total operating lease commitments	436	642

The lease is for office accommodation leased from Tamrae Pty Limited. The lease is non-cancellable with an initial term of three years, with a further six years on the finalising of the Race Staging Sanction Agreement beyond 2015. Rent is payable monthly in advance.

16.2 Event staging commitments

The Board has commitments for the staging of future events.

	2014	2013
Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	16 588	15 033
Later than one year but not longer than five years	1 444	16 188
Total event staging commitments	18 032	31 221

16.3 Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 080	999
Later than one year but not longer than five years	448	712
Total remuneration commitments	1 528	1 711

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

17. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities in relation to the Board's activities.

In addition, the Board has made no guarantees.

18. Cash flow reconciliation

18.1 Reconciliation of cash and cash equivalents at 30 June

	2014	2013
	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	4 030	6 627
Balance as per the Statement of Cash Flows	4 030	6 627

18.2	***Reconciliation of net cash provided by (used in) operating activities to operating surplus***	2014 $'000	2013 $'000
	Operating surplus (deficit)	(2 663)	2 150
	Adjustment for non-cash income and expense items:		
	Depreciation and amortisation	2 415	2 622
	Net gain from the disposal of non-current assets	(1)	-
	Amortisation of State Government grant - capital	(843)	(732)
	Amortisation of State Government grant - infrastructure	(1 429)	(1 536)
	Transfers to provisions:		
	Doubtful debts	-	130
	Changes in assets and liabilities:		
	Decrease in assets:		
	Receivables	252	47
	Increase (Decrease) in liabilities:		
	Employee benefits	50	25
	Payables	(331)	241
	Other liabilities	(391)	(488)
	Net cash provided by (used in) operating activities	(2 941)	2 459

19. Auditor's remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board's financial statements for the reporting period total $34 000 ($32 000). No other services were provided by the Auditor-General's Department.

20. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $8000 ($3000).

21. Key management personnel

21.1 Board members

The SAMS Act requires two members to be nominated by the Corporation of the City of Adelaide and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of governing board member during the reporting period:

A Ford - Chairman
G Boulton AM - Deputy Chairman
S Ciccarello
A Rischbieth
C Smerdon
M Llewellyn-Smith AM
N Malani
T Schenken
N Govan

21.2 Other key management personnel

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

M Warren - Chief Executive
A Muecke - Marketing Manager
N Cayzer - Commercial Manager

21.3	***Remuneration of governing board members***	2014	2013
	The number of governing board members who received or were due to receive remuneration within the following bands were:	Number	Number
	$0 - $9 999	-	1
	$10 000 - $19 999	7	7
	$20 000 - $29 999	2	2
	Total	9	10

The total remuneration received or receivable by the governing Board members was $189 000 ($189 000), which includes superannuation contributions of $16 000 ($16 000).

21.4 Board member transactions

Board members and their related parties conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Board member or related party at arm's length in similar circumstances.

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

T Schenken	CAMS Ltd	$131 295	Licence fees, permit fees and insurance
T Schenken	CAMS Ltd	$7 554	Display site
C Smerdon	Vectra Corporation Ltd	$2 727	Hospitality
C Smerdon	Travellink Pty Ltd	$14 951	Travel wholesaler commission, hospitality and merchandise
N Malani, M Llewellyn-Smith AM	Adelaide City Council	$177 318	Circuit construction and operating costs
N Malani, M Llewellyn-Smith AM	Adelaide City Council	$70 878	Sponsorship and infrastructure recoveries

All corporate facilities purchased by board members or their related parties are at arm's length rates.

There are no loans to board members.

22. Financial instruments/Financial risk management

Categorisation of financial instruments

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

		2014		2013	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	8	4 030	4 030	6 627	6 627
Loans and receivables - at cost:					
Receivables(i)(ii)	9	22	22	333	333
Total		4 052	4 052	6 960	6 960
Financial liabilities					
Financial liabilities - at cost:					
Payables(i)	11	1 848	1 848	2 187	2 187
Other liabilities	14	853	853	1 244	1 244
Total		2 701	2 701	3 431	3 431

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

(ii) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 9 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Board does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 8, 9, 11 and 14).

Credit risk

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

The carrying amount of financial assets as detailed in the categorisation of financial instruments table represents the Board's maximum exposure to credit risk.

Credit risk (continued)

No collateral is held as security and no credit enhancements relate to financial assets held by the Board.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 9 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

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

		Past due by			
2014	Current (not overdue) $'000	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:					
Receivables[i]	20	-	2	-	22
Impaired:					
Receivables[i]	-	-	-	-	-
	20	-	2	-	22
2013					
Not impaired:					
Receivables[i]	145	72	64	193	474
Impaired:					
Receivables[i]	-	-	-	(141)	(141)
	145	72	64	52	333

[i] Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. They are carried at cost.

Maturity analysis of financial assets and financial liabilities

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

		Contractual maturities		
2014	Carrying amount $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets:				
Cash and cash equivalents	4 030	4 030	-	-
Receivables	22	22	-	-
Total	4 052	4 052	-	-
Financial liabilities:				
Payables	1 848	1 848	-	-
Other liabilities	853	853	-	-
Total	2 701	2 701	-	-
2013				
Financial assets:				
Cash and cash equivalents	6 627	6 627	-	-
Receivables	333	333	-	-
Total	6 960	6 960	-	-
Financial liabilities:				
Payables	2 187	2 187	-	-
Other liabilities	1 244	1 244	-	-
Total	3 431	3 431	-	-

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

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

The carrying amount of financial liabilities recorded in the table above represent the Board's maximum exposure to financial liabilities.

Market risk
Market risk for the Board is primarily through interest rate risk. The Board's only exposure to interest rate risk relates to cash at bank and short-term deposits with SAFA. Movement in SAFA interest rates are monitored on a daily basis.

There is no exposure to other price risks.

Sensitivity disclosure analysis
A sensitivity analysis has not been undertaken for the interest rate risk of the Board as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

23. Events after the reporting period
There were no events after the reporting period that have material financial implications on these financial statements.

South Australian State Emergency Service

Functional responsibility

Establishment

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

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

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

SAFECOM is responsible for developing and maintaining a strategic and policy framework as well as sound corporate governance across the emergency services sector.

Functions and funding

The primary function of the SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

SAFECOM provides various services in support of the SASES's primary functions including corporate, strategic and compliance services. Also, the operations of the SASES are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about the SASES's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 120(2) of the FES Act provide for the Auditor-General to audit the accounts of the SASES for each financial year.

Assessment of controls

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

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

Scope of audit

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

The audit included access to systems and information maintained by SAFECOM and the SASES to conduct relevant financial transaction and control compliance tests of those systems and information.

The audit included a review of the overall internal control environment covering compliance with TIs and verification of transactions on a test basis. The scope of the audit included:

- expenditure
- payroll and employee entitlements
- revenue, including grants and contributions
- cash and receivables
- non-current assets including works in progress
- liabilities, including workers compensation
- financial accounting
- business continuity planning
- legislative compliance
- financial management compliance program
- banking arrangements and reporting
- creditor account payment performance.

Audit findings and comments

Auditor’s report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian State Emergency Service as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SASES who are responsible for the governance of the SASES.

Matters raised with SAFECOM and the SASES and the related responses are provided in detail under ‘Communication of audit matters’ in the section of Part B of this Report titled ‘South Australian Fire and Emergency Services Commission’.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	5	4
Supplies and services	7	7
Other expenses	3	2
Total expenses	15	13
Total income	-	-
Net cost of providing services	15	13
Revenues from (Payments to) SA Government	15	15
Net result	-	2
Other comprehensive income	(1)	-
Total comprehensive result	(1)	2
Net cash provided by (used in) operating activities	3	4
Assets		
Current assets	2	3
Non-current assets	34	35
Total assets	36	38
Liabilities		
Current liabilities	2	2
Non-current liabilities	1	1
Total liabilities	3	3
Total equity	33	35

Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for the SASES is the contributions from the Fund which account for 96% of total income (refer note 15 to the financial statements for details).

The contributions from the Fund to the SASES decreased by $59 000 to $14.6 million during 2013-14.

Expenses

Employee benefits expenses of $5 million accounts for only 31% of the total expenses of the SASES due to the extensive use of volunteers.

During 2013-14 total expenditure increased by $2 million to $15 million mainly due to:

- an increase in employee benefits expenses of $1.1 million
- an increase in other expenses relating to an asset revaluation decrement of $478 000.

Statement of Financial Position

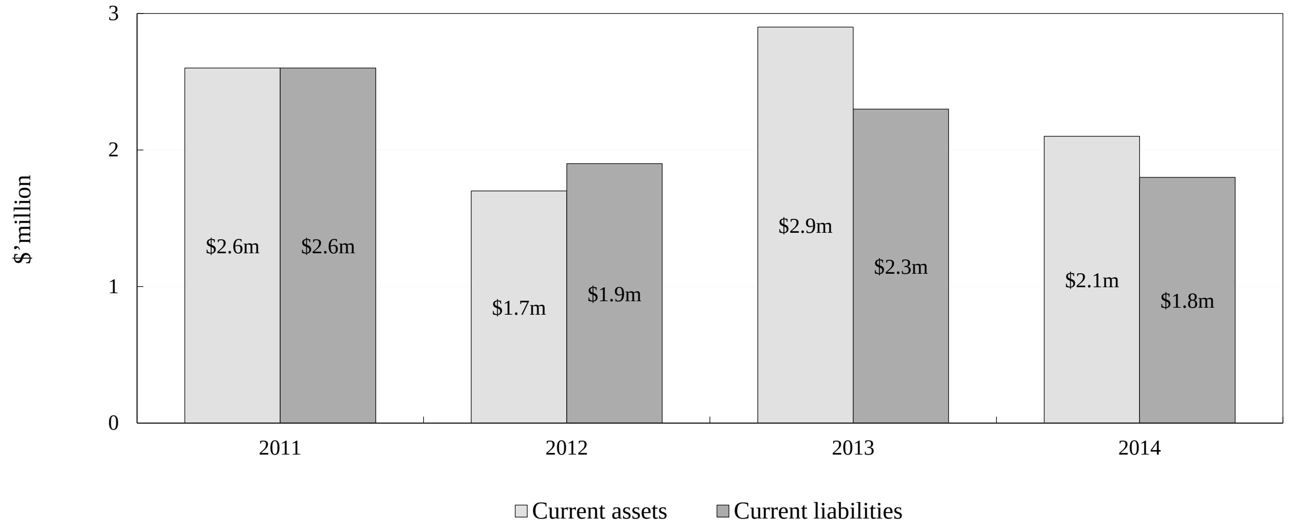
The Statement of Financial Position is dominated by the non-current asset property, plant and equipment, which accounts for 94% of total assets.

Property, plant and equipment decreased by $1 million during the year to $34 million due mainly to depreciation, net revaluation decrements and disposals totalling $4.6 million, offset by acquisitions of $3.5 million (refer note 19 to the financial statements).

The fair values of the main asset classes held by the SASES were land ($3.5 million), buildings ($15.5 million) and vehicles ($9.4 million).

At balance date, current assets of $2 million exceeded current liabilities of $1.8 million. Current assets includes a decrease in cash and cash equivalents of $1 million to $1.4 million as a result of cash used in investing activities of $4.4 million exceeding net cash provided by operating activities of $3.4 million.

The following chart shows the current assets and current liabilities of the SASES for the past four years.



Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits expenses	5	4 691	3 542
Supplies and services	6	7 353	7 028
Grants and subsidies	7	79	79
Depreciation and amortisation expense	8	2 214	2 266
Other expenses	9	478	-
Net loss from disposal of non-current assets	10	99	7
Total expenses		14 914	12 922
Income:			
Revenues from fees and charges	11	-	32
Grants and contributions	12	145	20
Interest revenues	13	39	35
Other income	14	286	222
Total income		470	309
Net cost of providing services		14 444	12 613
Revenues from (Payments to) SA Government:			
Revenues from SA Government	15	14 811	14 949
Net result		367	2 336
Other comprehensive income:			
Items that will not be reclassified to net result:			
Changes in revaluation surplus	19	(1 764)	-
Total other comprehensive income		(1 764)	-
Total comprehensive result		(1 397)	2 336

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	16	1 436	2 481
Receivables	17	306	286
Other financial assets	18	334	112
Total current assets		2 076	2 879
Non-current assets:			
Property, plant and equipment	19	34 042	35 059
Intangible assets	20	-	6
Total non-current assets		34 042	35 065
Total assets		36 118	37 944
Current liabilities:			
Payables	22	943	1 686
Employee benefits	23	694	469
Provisions	24	144	109
Total current liabilities		1 781	2 264
Non-current liabilities:			
Payables	22	45	40
Employee benefits	23	484	422
Provisions	24	558	571
Total non-current liabilities		1 087	1 033
Total liabilities		2 868	3 297
Net assets		33 250	34 647
Equity:			
Revaluation surplus	25	5 152	6 916
Retained earnings	25	28 098	27 731
Total equity		33 250	34 647

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	27
Contingent assets and liabilities	28

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2012		6 916	25 395	32 311
Net result for 2012-13		-	2 336	2 336
Balance at 30 June 2013	25	6 916	27 731	34 647
Net result for 2013-14		-	367	367
Loss on revaluation of property, plant and equipment during 2013-14	19	(1 764)	-	(1 764)
Total comprehensive result for 2013-14	19	(1 764)	367	(1 397)
Balance at 30 June 2014	25	5 152	28 098	33 250

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(4 357)	(3 662)
Supplies and services payments		(8 323)	(8 166)
Grants and subsidies payments		(79)	(79)
Cash used in operations		(12 759)	(11 907)
Cash inflows:			
Fees and charges		-	32
Receipts from grants and contributions		145	20
Interest received		41	33
GST recovered from the ATO		883	962
Other receipts		276	246
Cash generated from operations		1 345	1 293
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	15	14 606	14 665
Other receipts from SA Government	15	205	284
Cash generated from SA Government		14 811	14 949
Net cash provided by (used in) operating activities	26	3 397	4 335
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(4 234)	(3 206)
Sale (Purchase) of investments		(222)	123
Cash used in investing activities		(4 456)	(3 083)
Cash inflows:			
Proceeds from sale of property, plant and equipment		14	17
Cash generated from investing activities		14	17
Net cash provided by (used in) investing activities		(4 442)	(3 066)
Net increase (decrease) in cash and cash equivalents		(1 045)	1 269
Cash and cash equivalents at 1 July		2 481	1 212
Cash and cash equivalents at 30 June	16	1 436	2 481

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian State Emergency Service (the SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency
- to assist the State coordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency

Objectives (continued)

- to deal with any emergency until such time as any body or person that has the lawful authority to assume control of operations for dealing with the emergency has assumed control
- to respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency
- to undertake rescues.

Funding arrangements

Funding of the SES is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998.*

Funds generated by units through fundraising activities are held locally for expenditure in the local community. These funds are recognised as part of the other income within the SES's financial statements.

2. Summary of significant accounting policies

(a) Statement of compliance

The SES has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA. The SES has applied AASs that are applicable to not-for-profit entities as the SES is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SES for the reporting period ending 30 June 2014 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the SES's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. The SES has elected not to utilise this threshold ie all revenues, expenses, financial assets and liabilities relating to SA Government have been separately disclosed
  - (b) expenses incurred as a result of engaging consultants
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Reporting entity

The SES is established under the Act. Under the Act, the SES is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the SES.

(d) Trust funds

The SES administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for the transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of the SES's own objectives.

Transactions and balances relating to the trust assets are not recognised as the SES's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as trust funds.

The accrual basis of accounting and applicable accounting standards have been adopted.

(e) Comparative information

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

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

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

(f) Rounding

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

(g) Taxation

The SES is not subject to income tax. The SES is liable for payroll tax, FBT and GST.

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

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

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

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

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

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

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

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the SES will occur and can be reliably measured.

(i) Income (continued)

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund and other receipts from SA Government are recognised as income when the SES obtains control over the funding. Control over funding is normally obtained upon receipt.

Grants and contributions

Grants and contributions are recognised as an asset and income when the SES obtains control of revenues or obtains the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Fees and charges

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

Other income

Other income consists of donations received, unit fundraising and other minor revenues.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the SES will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Operating leases

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

Net loss on non-current assets

Expenses from the disposal of non-current assets are recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any loss on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the cost of the asset from the proceeds at that time.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment. Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

Land is not depreciated.

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

Class of asset	*Useful lives (years)*
Buildings	40
Vehicles	15
Communications equipment	10
Computer equipment	5
Plant and equipment	10
Intangibles	5

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

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

(k) Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the SES has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

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

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the SES will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets
The SES measures other financial assets at cost. All assets in this category are either short or medium-term cash deposits.

Non-current assets - acquisition and recognition
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

Revaluation of non-current assets
All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

Impairment
All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The SES only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the SES has been unable to attribute this expenditure to the intangible asset rather than to the SES as a whole.

Fair value measurement
AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value measurement (continued)
The SES classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.

Level 3: not traded in active market and are derived from unobservable inputs.

Non-financial assets
In determining fair value, the SES has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The SES current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the SES did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

Refer notes 19 and 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets
The SES does not recognise any financial assets at fair value.

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

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

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

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

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

Employee benefits on-costs include superannuation contributions, WorkCover levies and payroll tax in respect of outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

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

Salaries and wages, annual leave, SERL and sick leave
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages, annual leave and SERL liability are payable later than 12 months, the liability will be measured at present value.

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

LSL
The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salaries and wages levels, experience of employee departure and periods of service. These assumptions are based on employee data over the police and emergency services sector across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The SES is responsible for the payment of workers compensation claims.

(n) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include those operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies
The SES did not voluntarily change any of its accounting policies during 2013-14.

3. New and revised accounting standards and policies (continued)

In accordance with the new AASB 13 which became effective for the first time in 2013-14 the SES has:

- reviewed its fair value valuation techniques (both internal estimates and independent appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the SES has used the cost approach or the market approach to determine fair value. The SES will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 19, 20 and 21.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the SES for the period ending 30 June 2014. The SES has assessed the impact of the new and amended standards and interpretations and considers there will be minimal impact on the accounting policies or the financial statements of the SES.

4. Activities of the SES

In achieving its objectives, the SES provides these services classified under one activity titled ‘State Emergency Service’.

5. Employee benefits expenses

	2014 $’000	2013 $’000
Salaries and wages	3 422	2 778
Annual leave	323	259
SERL	14	9
LSL	146	105
Employment on-costs - superannuation	379	314
Payroll tax	186	149
TVSP (refer below)	63	-
Workers compensation costs	104	(106)
Other employment related expenses	54	34
Total employee benefits expenses	4 691	3 542

TVSPs

Amount paid during the reporting period to separated employees:		
TVSPs	63	-
Leave paid to those employees	32	-
	95	-
Recovery from DTF	(63)	-
Net cost to agency	32	-

The number of employees who received a TVSP during the reporting period was 1 (0).

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$138 000 - $141 499*	n/a	-
$141 500 - $151 499*	1	1
$151 500 - $161 499	1	1
$181 500 - $191 499	1	-
$231 500 - $241 499	1	-
$251 500 - $261 499	-	1
Total	4	3

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $727 000 ($561 000).

6. Supplies and services

	2014 $'000	2013 $'000
Accommodation	27	27
Auditor's remuneration	26	26
Communications	300	255
Computing costs	365	419
Consultancy, contractors and legal fees	470	590
Consumables	431	343
Energy	167	153
Government Radio Network	1 968	1 939
Insurance premiums	98	97
Minor plant and equipment	419	257
Operating lease costs	633	677
Operational costs	244	132
Repairs and maintenance	801	701
SSSA payment	3	-
Travel and training	704	867
Uniforms and protective clothing	416	286
Other expenses	281	259
Total supplies and services	7 353	7 028

Consultancies

	2014 Number	2014 $'000	2013 Number	2013 $'000
The number and dollar amount of consultancies paid/payable (included in consultants expenses shown above) fell within the following bands:				
Below $10 000	-	-	3	11
Total amount paid/payable to consultants engaged	-	-	3	11

Auditor's remuneration

	2014 $'000	2013 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	26	26
Total audit fees	26	26

Other services

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

Supplies and services provided by entities within the SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

	2014	2013
Accommodation	16	16
Auditor's remuneration	26	26
Communications	34	23
Computing costs	97	40
Consultancy, contractors and legal fees	92	139
Consumables	-	21
Energy	50	27
Government Radio Network	1 968	1 939
Insurance premiums	79	80
Minor plant and equipment	7	-
Operating lease costs	451	403
Operational costs	3	1
Repairs and maintenance	60	34
SSSA payments	3	-
Travel and training	24	40
Other expenses	88	87
Total supplies and services provided by entities within the SA Government	2 998	2 876

7. Grants and subsidies

	2014	2013
Grants and subsidies	79	79
Total grants and subsidies expense	79	79

All grants and subsidies are provided to non-SA Government recipients.

		2014	2013
8.	**Depreciation and amortisation expense**		
	Depreciation:	$'000	$'000
	Buildings	708	730
	Vehicles	1 107	1 126
	Computers	4	7
	Plant and equipment	194	211
	Communications	195	186
	Total depreciation	2 208	2 260
	Amortisation:		
	Software	6	6
	Total amortisation	6	6
	Total depreciation and amortisation	2 214	2 266
9.	**Other expenses**		
	Asset revaluation decrement	478	-
	Total other expenses	478	-
10.	**Net gain (loss) from disposal of non-current assets**		
	Land and buildings:		
	Proceeds from disposal	-	-
	Net book value of assets disposed	(101)	-
	Net gain (loss) from disposal of land and buildings	(101)	-
	Vehicles:		
	Proceeds from disposal	14	17
	Net book value of assets disposed	(12)	(24)
	Net gain (loss) from disposal of vehicles	2	(7)
	Total assets:		
	Total proceeds from disposal	14	17
	Total value of assets disposed	(113)	(24)
	Net gain (loss) from disposal of non-current assets	(99)	(7)
11.	**Revenues from fees and charges**		
	Other recoveries	-	32
	Total revenues from fees and charges	-	32
	Fees and charges received/receivable from entities within the SA Government		
	The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
	Other recoveries	-	32
	Total fees and charges received/receivable from entities within the SA Government	-	32
12.	**Grants and contributions**		
	Private industry and local government	100	-
	State Government	45	20
	Total grants and contributions	145	20
	Grants and contributions received/receivable from entities within the SA Government		
	The following grants and contributions (included in the grants and contributions revenues shown above) were received/receivable from entities within the SA:		
	Other entities within the SA Government	45	20
	Total grants and contributions received/receivable from entities within the SA Government	45	20

Private industry and local government grants and contributions consists of a project grant received in 2013-14 for the development of national guidelines and training packages for emergency response teams in remote indigenous communities. State Government grants and contributions consists of a grant received to support the 2013-14 Community Flood Safe program and funding to support the operation of the Water Safety Committee.

13. Interest revenues

	2014 $'000	2013 $'000
Interest on deposit accounts - from entities within the SA Government	39	35
Total interest revenues	39	35

14. Other income

Donations	29	-
Unit fundraising	91	65
Insurance recoveries	-	17
Other	166	140
Total other income	286	222

Other income received/receivable from entities within the SA Government

The following other income (included in other income revenues shown above) was received/receivable from entities within the SA Government:		
Other	7	-
Total other income received/receivable from entities within the SA Government	7	-

15. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Contributions from the Fund	14 606	14 665
Other revenues from SA Government	205	284
Total revenues from SA Government	14 811	14 949

Total revenues from SA Government consist of $10.838 million ($11.599 million) for operational funding, $3.96 million ($3.337 million) for capital projects and $13 000 ($13 000) Volunteer Marine Rescue Council funding. For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 7, 19 and 20.

16. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash on hand	1	2
Deposits with the Treasurer	516	1 459
Cash at bank (non-SA Government)	135	134
Cash at bank (non-SA Government) - units	681	671
Short-term deposits (non-SA Government) - units	57	198
Short-term deposits	46	17
Total cash and cash equivalents	1 436	2 481

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Deposit at call and with the Treasurer earn a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

17. Receivables

	2014 $'000	2013 $'000
Current:		
Receivables	60	19
Accrued revenues	2	4
GST input tax recoverable	244	263
Total current receivables	306	286

Current receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:		
Accrued revenues	2	4
Total current receivables from entities within the SA Government	2	4

Interest rate and credit risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information
Refer note 30.

	2014	2013
18. Other financial assets	$'000	$'000
Medium-term deposits - units	334	112
Total other financial assets	334	112

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information
Refer note 30.

19. Property, plant and equipment

	2014	2013
Land:		
At valuation	3 546	2 807
Total land	3 546	2 807
Buildings:		
At valuation	15 770	15 851
At cost (deemed fair value)	28	2 556
Accumulated depreciation	(325)	(1 087)
Total buildings	15 473	17 320
Vehicles:		
At valuation	9 520	9 491
At cost (deemed fair value)	416	2 532
Accumulated depreciation	(508)	(1 647)
Total vehicles	9 428	10 376
Communications equipment:		
At valuation	1 089	1 344
At cost (deemed fair value)	306	387
Accumulated depreciation	(87)	(275)
Total communications equipment	1 308	1 456
Computer equipment:		
At valuation	2	10
At cost (deemed fair value)	-	27
Accumulated depreciation	-	(8)
Total computer equipment	2	29
Plant and equipment:		
At valuation	899	1 021
At cost (deemed fair value)	13	641
Accumulated depreciation	(72)	(304)
Total plant and equipment	840	1 358
Capital works in progress:		
At cost (deemed fair value)	3 445	1 713
Total work in progress	3 445	1 713
Total property, plant and equipment	34 042	35 059

Valuation of assets
At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific Pty Ltd, Mr M Burns, MRICS AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Valuation of assets (continued)

As at 30 June 2014 in accordance with the South Australian Fire and Emergency Services Commission (SAFECOM) policy, a review of the valuations were undertaken by a suitability qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequently it was determined no revaluation adjustment were required at this time.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2014.

Movement reconciliation of property, plant and equipment

2014	Land $'000	Buildings $'000	Vehicles $'000	Communi-cations equipment $'000	Computer equipment $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	2 807	17 320	10 376	1 456	29	1 358	1 713	35 059
Acquisitions	-	27	25	-	-	13	3 480	3 545
Transfers to (from) capital works in progress	495	561	389	306	(1)	(1)	(1 748)	1
Depreciation expense	-	(708)	(1 107)	(195)	(4)	(194)	-	(2 208)
Net revaluation increment	260	(1 642)	(243)	-	-	(139)	-	(1 764)
Disposals	(16)	(85)	(12)	-	-	-	-	(113)
Net revaluation decrement expensed	-	-	-	(259)	(22)	(197)	-	(478)
Carrying amount at 30 June	3 546	15 473	9 428	1 308	2	840	3 445	34 042
2013								
Carrying amount at 1 July	2 807	15 515	9 578	1 342	9	1 194	3 196	33 641
Acquisitions	-	-	-	-	-	-	3 703	3 703
Transfer to (from) capital works in progress	-	2 535	1 948	300	27	375	(5 186)	(1)
Depreciation expense	-	(730)	(1 126)	(186)	(7)	(211)	-	(2 260)
Disposals	-	-	(24)	-	-	-	-	(24)
Carrying amount at 30 June	2 807	17 320	10 376	1 456	29	1 358	1 713	35 059

20. Intangible assets

	2014 $'000	2013 $'000
Computer software	328	328
Accumulated amortisation	(328)	(322)
Intangible assets	-	6

Movement reconciliation of intangible assets

Carrying amount at 1 July	6	12
Amortisation expense	(6)	(6)
Carrying amount at 30 June	-	6

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at 30 June 2014.

21. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. The SES categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

The SES had no valuations categorised into level 1.

Fair value hierarchy (continued)

2014		Level 2	Level 3	Total
Recurring fair value measurements:	Note	$'000	$'000	$'000
Land	19	1 249	2 297	3 546
Buildings	19	2 723	12 750	15 473
Vehicles	19	415	9 013	9 428
Communication equipment	19	305	1 003	1 308
Computer equipment	19	-	2	2
Plant and equipment	19	13	827	840
Total recurring fair value measurements		4 705	25 892	30 597

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The SES's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Refer to APF III for guidance in determining the applicable fair value hierarchy disclosure level.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 19. There were no changes in the valuation techniques during 2014.

Land which restricted use is considered within input level 3.

Buildings specialised are classified as input level 3.

As with all assets in this valuation, the market price has been estimated by the written-down replacement cost of a modern equivalent or reproduced comparable asset, not the replacement cost of existing asset on a like-with-like material basis.

Description	*Fair value*	*Valuation technique*	*Unobservable inputs*	*Range*		
	$'000			*$*	*$/m²*	*Years*
Land	2 297	Market approach[(1)]	Adjusted market price	-	1-150	-
Buildings	12 750	Depreciated replacement cost[(2)]	Current market replacement cost	-	150-2 000	40
Other plant and equipment	10 845	Depreciated replacement cost[(3)]	Current market replacement cost	1868 522 399	- -	5-15

(1) Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

(2) Due to the highly specialised nature of the assets, fair value was determined using depreciated replacement cost approach. Key assumptions were the use of the properties and specialised nature of the improvements either by virtue of the type of improvement, location or scale.

(3) Due to no quoted market price available for this asset class in an active and liquid market, fair value has been estimated by written-down replacement cost.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	Land	Buildings	Vehicles	Communi-cation	Computer equipment	Plant and equipment	Total
Opening balance	$'000	$'000	$'000	$'000	$'000	$'000	$'000
at 1 July	1 865	14 117	10 374	1 456	28	1 358	29 198
Acquisitions	-	-	-	-	-	-	-
Capitalised subsequent expenditure	-	-	-	-	-	-	-
Revaluation increment (decrement)	448	(690)	(243)	(259)	(22)	(336)	(1 102)
Depreciation	-	(592)	(1 106)	(194)	(4)	(195)	(2 091)
Disposals	(16)	(85)	(12)	-	-	-	(113)
Closing balance at 30 June	2 297	12 750	9 013	1 003	2	827	25 892

22. Payables

	2014	2013
Current payables:	$'000	$'000
Accrued expenses	160	108
Creditors	675	1 492
FBT	13	11
Employment on-costs	95	75
Total current payables	943	1 686

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Accrued expenses	47	27
Creditors	191	63
FBT	13	11
Employment on-costs	38	38
Total current payables to entities within the SA Government	289	139

Non-current payables:		
Employment on-costs	45	40
Total non-current payables	45	40

Non-current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Employment on-costs	25	23
Total non-current payables to entities within the SA Government	25	23

Employment on-costs

The actuarial assessment performed by DTF, has resulted in the percentage of the proportion of LSL taken as leave to remain at the 2013 rate of 40%, and the average factor for the calculation of employer superannuation cost on-cost has increased to 10.3% from 2013 (10.2%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a increase in the employment on-cost of $25 000 and employee benefits expense of $25 000. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information

Refer note 30.

23. Employee benefits

	2014	2013
Current:	$'000	$'000
Accrued salaries and wages	58	4
Annual leave	394	296
SERL	19	9
LSL	223	160
Total current employee benefits	694	469

Non-current:		
LSL	484	422
Total non-current employee benefits	484	422

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

24. Provisions

	2014	2013
Current liabilities:	$'000	$'000
Provision for workers compensation	144	109
Total current provisions	144	109
Non-current liabilities:		
Provision for workers compensation	558	571
Total non-current provisions	558	571
Total provisions	702	680

Provision movement:		
Carrying amount at 1 July	680	842
Additional provisions recognised (released)	105	(106)
Reductions arising from payments	(83)	(56)
Carrying amount at 30 June	702	680

The SES has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by DPC.

25. Equity

Retained earnings	28 098	27 731
Revaluation surplus	5 152	6 916
Total equity	33 250	34 647

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

26. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 436	2 481
Balance as per the Statement of Cash Flows	1 436	2 481

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	3 397	4 335
Revenues from SA Government	(14 811)	(14 949)
Non-cash items:		
Depreciation and amortisation	(2 214)	(2 266)
Asset revaluation decrement recognised in Statement of Comprehensive Income	(478)	-
Net loss from disposal of non-current assets	(99)	(7)
Movements in assets/liabilities:		
Receivables	20	11
Payables	50	141
Employee benefits	(287)	(39)
Provisions	(22)	162
Net cost of providing services	(14 444)	(12 612)

27. Unrecognised contractual commitments

Operating lease commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2014	2013
	$'000	$'000
Within one year	314	433
Later than one year but not later than five years	1 054	55
Later than five years	1 113	-
Total operating lease commitments	2 481	488

Operating lease commitments (continued)

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property leases, with rental payable monthly. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2014 $'000	2013 $'000
Within one year	588	55
Later than one year but not later than five years	-	-
Later than five years	-	-
Total capital commitments	588	55

Prior capital commitments were for property.

Remuneration commitments

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

Within one year	442	416
Later than one year but not later than five years	168	596
Later than five years	-	-
Total remuneration commitments	610	1 012

Amounts disclosed include commitments arising from executive contracts. The SES does not offer fixed-term remuneration contracts greater than five years.

Other commitments

The total value of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2014 $'000	2013 $'000
Within one year	38	214
Later than one year but not later than five years	118	156
Later than five years	-	-
Total other commitments	156	370

Contractual commitments relate to information technology contract.

28. Contingent assets and liabilities

Contingent assets

In 2009-10 the SES made prepayments for capital works projects of $170 720 for works that did not materialise. Recovery of the prepayment has been sought. The SES is aware of a possible contingent asset in relation to the recovery of costs associated with a defective asset. The financial impact cannot be determined at this stage.

Contingent liabilities

The SES has a contingent liability arising from litigation against the SES and the Crown. The quantum of potential financial impact is assessed as being less than $150 000.

29. Events after the reporting period

There were no events after the reporting period affecting the financial statements.

30. Financial instruments/Financial risk management

30.1 Categorisation of financial instruments

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

30.1 Categorisation of financial instruments

	Note	2014 Carrying amount $'000	2014 Fair value $'000	2013 Carrying amount $'000	2013 Fair value $'000
Financial assets					
Cash and cash equivalents	16	1 436	1 436	2 481	2 481
Receivables(1)(2)	17	62	62	23	23
Other financial assets	18	334	334	112	112
Financial liabilities					
Payables	22	809	809	1 574	1 574

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The SES does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term natures of these (refer notes 2, 17 and 22).

Credit risk

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

The carrying amount of financial assets as detailed in note 30.1 represents the SES's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the SES.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the SES does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

30.2 Ageing analysis of financial assets

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

		Past due by			
	Current (not overdue)	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2014	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	46	-	-	16	62
Other financial assets	334	-	-	-	334
2013					
Not impaired:					
Receivables	7	-	-	16	23
Other financial assets	112	-	-	-	112

30.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities	
	Carrying amount	Less than 1 year	1-5 years
2014	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalents	1 436	1 436	-
Receivables	62	62	-
Other financial assets	334	334	-
Total financial assets	1 832	1 832	-
Financial liabilities:			
Payables	809	809	-
Total financial liabilities	809	809	-
2013			
Financial assets:			
Cash and cash equivalents	2 481	2 481	-
Receivables	23	23	-
Other financial assets	112	112	-
Total financial assets	2 616	2 616	-
Financial liabilities:			
Payables	1 574	1 574	-
Total financial liabilities	1 574	1 574	-

The financial assets and liabilities of the SES are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

Liquidity risk arises where the SES is unable to meet its financial obligations as they are due to be settled. The SES is funded principally from contributions from the Community Emergency Services Fund. The SES and SAFECOM works with the manager of the Fund to determine cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The SES settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in the above table categorisation of financial instruments represents the SES's maximum exposure to financial liabilities.

Market risk

The SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The SES's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the SES as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the SES as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

31. Trust funds

	2014	2013
	$'000	$'000
Cash at bank	289	154
	289	154

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the SES headquarters in Australia. The SES will administer these funds until they are fully expended. In 2013-14, total income earned by the Council was $126 000 and expenses incurred totalled $15 000.

South Australian Superannuation Board

Functional responsibility

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by section 6(2) of the *Superannuation Act 1988* (the Act). The Board is responsible to the Minister for Finance.

Functions

The Board is responsible for the administration of the following superannuation schemes:

- South Australian Superannuation Scheme (SAS Scheme) under the Act
- Southern State Superannuation Scheme (Triple S Scheme) under the *Southern State Superannuation Act 2009*
- Super SA Retirement Investment Fund under the Southern State Superannuation Regulations 2009 comprising:
  - Income Stream
  - Flexible Rollover Product
- South Australian Ambulance Service Superannuation Scheme (SA Ambulance Scheme) under Schedule 3 of the Act.

The Board's administration of these schemes encompasses maintenance of:

- accounts in the name of all members
- employer contribution accounts
- proper accounts for each financial year on receipts of contributions and payments of benefits.

Note 1 to the financial statements provides further details of the Board's functions. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer note 1 to the financial statements of the individual superannuation schemes which directly follow this section of Part B of this Report.

Service provision arrangements

The Board utilises the services of DTF – State Superannuation Office to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia is responsible for the investment and management of the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

Further information on the investment and management of superannuation monies is provided under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Audit mandate and coverage

Audit authority

Audit of the financial report

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

Assessment of controls

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

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

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Information on the audit coverage, findings and audit opinion on the financial statements of the individual superannuation schemes is provided under 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme', 'Southern State Superannuation Scheme' and 'Super SA Retirement Investment Fund' which directly follow this section of Part B of this Report.

The commentary under the heading 'Communication of audit matters' provides the overall issues that are not covered in the audit commentary on the individual schemes.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Superannuation Board as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

The Board was advised of recommended measures to improve certain financial and control processes, notably the need to:

- ensure that key systems, which manage members' accounts, are adequately reconciled to the general ledger

- ensure that reconciliations relating to contributions and benefit payments are prepared and reviewed in a timely manner
- reassess the warning message reporting activity from the contributions system to ensure that only complete and valid warnings are identified and the outcome of the investigation of warnings is documented
- ensure that all benefit payments are authorised in accordance with approved financial delegations
- review and update a number of procedures that do not reflect current business practices.

The Board responded and advised the following remedial actions:

- while there are some reporting limitations with the existing systems, action will be taken towards implementing further refinement and checks to the current processes
- while the time taken to process employer and member data contributes to the delay in the preparation of reconciliations, a continued review of the timeliness of key tasks and areas for improvement will be a focus in 2014-15
- a review will be performed of the documented approach to each warning type, particularly where any are considered high risk with a financial implication
- staff will be reminded of the need to comply with the financial delegations
- there will be a continued focus on procedure maintenance as resources allow.

Interpretation and analysis of the financial report

The Board's financial statements reflect its administration role in that:

- expenses relate predominantly to fees paid to DTF to administer the superannuation schemes
- revenues are mainly for the reimbursement of DTF fees from the relevant superannuation schemes.

Each superannuation scheme administered by the Board is reported separately in accordance with AAS 25.

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses and income		
Total expenses	16.9	16.6
Total income	18.2	19.7
Total comprehensive result	1.3	3.1
Net cash provided by (used in) operating activities	1.7	5.2

	2014 $'million	2013 $'million
Assets		
Cash and cash equivalents	13.5	17.5
Receivables	0.5	1.9
Total assets	14.0	19.4
Liabilities	0.5	2.0
Equity	13.5	17.4

Statement of Comprehensive Income

The net surplus for the year was $1.3 million ($3.1 million). This result mainly reflects:

- revenue recoveries of administration fees of $17.9 million ($17.8 million). This amount represents the administration fees charged to the superannuation schemes administered by the Board
- administration expense of $16.9 million ($16.5 million). This amount is paid to DTF for administrative services.

The net surplus was higher in the previous year on account of funds of $1.5 million received by the Board from the Triple S Scheme for placement in the Board's reserves (refer notes 5 and 10 to the financial statements).

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Administration expenses		16 921	16 505
Other expenses	4	17	53
Total expenses		16 938	16 558
Income:			
Revenues from fees and charges	5	17 913	19 251
Interest revenues	6	342	426
Total income		18 255	19 677
Total comprehensive result	10	1 317	3 119

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	7	13 498	17 520
Receivables	8	41	1 868
Non-current assets			
Receivables	8,16	512	-
Total assets		14 051	19 388
Current liabilities:			
Payables	9	534	2 008
Total liabilities		534	2 008
Net assets		13 517	17 380
Equity:			
Retained earnings	10	512	-
Reserves	10	13 005	17 380
Total equity		13 517	17 380

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Retained earnings $'000	Reserves $'000	Total $'000
Balance at 30 June 2012		-	14 261	14 261
Total comprehensive result for 2012-13		3 119	-	3 119
Transferred to reserves		(3 119)	3 119	-
Balance at 30 June 2013		-	17 380	17 380
Total comprehensive result for 2013-14		1 317	-	1 317
Transferred to reserves	10	(805)	805	-
Transferred from reserves	10	-	(5 180)	(5 180)
Balance at 30 June 2014		512	13 005	13 517

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Administration expenses		(18 395)	(15 341)
Other expenses		(17)	(107)
Cash used in operations		(18 412)	(15 448)
Cash inflows:			
Interest		340	426
Fees and charges		19 730	20 250
Cash generated from operations		20 070	20 676
Net cash provided by (used in) operating activities	12	1 658	5 228
Cash flows from financing activities:			
Cash outflows:			
Loan to the Minister for Finance	16	(500)	-
Transfers from reserves	10	(5 180)	-
Cash used in financing activities		(5 680)	-
Net cash provided by (used in) financing activities		(5 680)	
Net increase (decrease) in cash and cash equivalents		(4 022)	5 228
Cash and cash equivalents at 1 July		17 520	12 292
Cash and cash equivalents at 30 June	7,12	13 498	17 520

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives of the South Australian Superannuation Board (the Board)

The Board was established under section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Minister for Finance for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Southern State Superannuation (Triple S) Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as trustee of the South Australian Ambulance Service Superannuation Scheme and be responsible for administering the trust deed and rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the South Australian public sector. The State Superannuation Office, a branch of DTF, provides administrative services to the Board. The State Superannuation Office adopts the Super SA name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the service level agreement (SLA) fee to DTF for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific purposes.

2. Summary of significant accounting policies

(a) Statement of compliance

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

The Board has applied AASs that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2014 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- accounting policies selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency, the APSs require the following note disclosures, which have been included in this financial report:
  - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and comparative information is presented.

(c) Comparative information

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

(c) Comparative information (continued)

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

(d) Rounding

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

(e) Taxation

The Board is not subject to income tax.

The Board is not registered for GST and no GST is recoverable or payable to the ATO.

(f) Events after reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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

(g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

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

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

Interest comprises of the interest received on the cash held in the Board's deposit account, with DTF, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to DTF for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include deposits held in the deposit account.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

(j) Payables (continued)

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, as per TI 11.

3. New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2013-14.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the period ending 30 June 2014. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Other expenses	2014 $'000	2013 $'000
Other expenses	17	53
Total other expenses	17	53

Other expenses includes amounts paid or due and payable to the Auditor-General's Department for the audit of the Board for the reporting period which were $15 600 ($15 200). No other services have been provided by the Auditor-General's Department.

5. Fees and charges	2014 $'000	2013 $'000
Recovery of administration fees	17 913	17 751
Other income(i)	-	1 500
Total fees and charges	17 913	19 251

(i) Other income – the Board policy 'Operational Risk Reserve - Triple S' proposes that between $1 million to $1.5 million be transferred from the Triple S insurance reserve to the operational risk reserve over a five year period until it represents 0.125% of total assets of the Triple S Scheme. This has ceased as at December 2013 (refer note 10).

6. Interest revenues	2014 $'000	2013 $'000
Bank account	330	426
Loan	12	-
Total interest revenues	342	426

7. Cash and cash equivalents		
Cash at bank	13 498	17 520
Total cash and cash equivalents	13 498	17 520

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

8. Receivables		
Current:		
Recovery of Super SA Select set-up costs	-	317
Sundry debtors	24	1 534
Audit fee recovery	17	17
Total current receivables	41	1 868
Non-current receivables:		
Loan receivable(i)	512	-
Total non-current receivables	512	-
Total receivables	553	1 868

8. Receivables (continued)

All current receivables will be settled within 12 months of the reporting date.

(i) Refer note 16.

9. Payables

	2014	2013
	$’000	$’000
Audit fee payable	17	17
Administration fee payable	517	1 991
Total payables	534	2 008

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

10. Retained earnings and reserves

	Opening balance	Total comprehensive result	Transfers to reserves	2014	2013
	$’000	$’000	$’000	$’000	$’000
Retained earnings	-	1 317	(805)	512	-

Reserves:	Opening balance	Transfers to reserve	Transfers from reserve	2014	2013
Board election reserve:(i)	$’000	$’000	$’000	$’000	$’000
South Australian Superannuation Scheme	47	-	(47)	-	47
Southern State Superannuation Scheme	60	1	(61)	-	60
Office administration reserve:(ii)					
South Australian Superannuation Scheme	2 976	29	(3 005)	-	2 976
Southern State Superannuation Scheme	4 919	48	(4 967)	-	4 919
Capital and development reserve:(iii)					
South Australian Superannuation Scheme	1 760	17	(1 777)	-	1 760
Southern State Superannuation Scheme	2 488	26	(2 514)	-	2 488
Triple S operational risk reserve:(iv)					
Southern State Superannuation Scheme	5 130	50	(5 180)	-	5 130
General reserve(v)	-	13 005	-	13 005	-
Total reserves	17 380	13 176	(17 551)	13 005	17 380

The transfers to/from reserves are transfers from equity based on specific reserve balances and purposes which are outlined below:

(i) The Board election reserve represents amounts which have been put aside for the three yearly board election costs. The transfers to reserve amount represents interest allocated up to December 2013. Now closed (refer (v)).

(ii) The office administration reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. The transfers to reserve amount represents interest allocated up to December 2013. Now closed (refer (v)).

(iii) The capital and development reserve represents amounts which have been put aside for future capital replacement costs. A loan of $500 000 was transferred from the reserve and provided to the Minister for Finance for the establishment of the Super SA Select fund. The transfers to reserve amount represents interest allocated up to December 2013. Now closed (refer (v)).

10. Retained earnings and reserves (continued)

(iv) The Triple S operational risk reserve represents amounts held as part of the Board's risk management policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The transfers to reserve amount represents interest allocated up to December 2013.

The funding of this reserve is from the Triple S insurance reserve. The Board determined that an amount between $1 million to $1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the insurance reserve will be assessed each year and will also take into account the triennial actuarial assessment of the insurance pool to ensure sufficient reserve is held in the insurance reserve. The Board determined to cease this process and elected to establish an operational risk reserve within each scheme where funds were available to do so. The balance of this reserve as at 31 December 2013 was transferred to the Triple S Scheme as a result.

(v) The general reserve was established in December 2013. The funding was received by transferring the 31 December 2013 balances of the Board election reserve, office administration reserve and the capital and development reserve into the general reserve. The transfers to reserve amount represents these transfers, interest allocated from January 2014 to June 2014 plus the refund from DTF of the underspent SLA fee for 2013-14.

11. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2013-14 financial year were:

Philip Jackson (Presiding Member)	1 July 2013- 30 June 2014
Kevin Cantley* (John Wright* - Deputy)	1 July 2013 - 14 August 2013
Bill Griggs* (Aaron Chia* - Deputy)	1 July 2013 - 30 June 2014
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2013 - 30 June 2014
Jan McMahon (Leah York** - Deputy)	1 July 2013 - 30 June 2014
Deborah Black	5 September 2013 - 30 June 2014

The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$0	2	2
$1 - $9 999	1	1
$20 000 - $29 999	3	2
$30 000 - $39 999	1	-
$40 000 - $49 999	-	1
Total	7	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $107 000 ($99 000).

Amounts paid to a superannuation plan for board/committee members were $16 000 ($8000).

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

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

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

12. Cash flow reconciliation

Reconciliation of cash and cash equivalents - cash at 30 June:	2014 $'000	2013 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	13 498	17 520
Balance as per Statement of Cash Flows	13 498	17 520

Reconciliation of total comprehensive result to net cash provided by (used in) operating activities	2014 $'000	2013 $'000
Total comprehensive result	1 317	3 119
Movements in assets/liabilities:		
Receivables	1 815	998
Payables	(1 474)	1 111
Net cash provided by (used in) operating activities	1 658	5 228

13. Financial instruments

The Board holds all cash in a deposit account with DTF which receives interest at the applicable SA Government rate. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

A loan has been made from the Board to the Minister for Finance (refer note 16).

14. Transactions within SA Government	2014 $'000	2013 $'000
Total expenses	16 938	16 558
Total income	18 255	19 677
Receivables	553	1 868
Payables	534	2 008
Total transactions within SA Government	36 280	40 111

15. Events after the reporting period

There were no significant events after the reporting period.

16. Loan to the Minister for Finance

At the 8 June 2012 Board meeting, the Board agreed to provide funding of $500 000 from its then capital and development reserve account for the purpose of establishing a new fund: Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the Public Corporations (Southern Select Super Corporation) Regulations 2012 (the Regulations) and the tripartite funding deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the trustee). The funding deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2013-14 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was $12 083.

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2013-14 there were no principal repayments required (refer to the Fund's financial report).

South Australian Ambulance Service Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Clause 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial report of the South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) for each financial year.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the SA Ambulance Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the net assets of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2014, and changes in net assets for the year ended 30 June 2014, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

In accordance with AAS 25, the financial report comprises a Statement of Changes in Net Assets and a Statement of Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial statements.

Highlights of the financial report	2014 $'million	2013 $'million
Revenue		
Contribution revenue	12.4	13.9
Investment revenue	23.6	21.6
Total revenue	36.0	35.5
Expenses		
Benefit expenses	10.4	5.5
Other expenses	1.5	1.3
Income tax expense	3.4	3.5
Total expenses	15.3	10.3
Net increase (decrease) in funds	20.7	25.2
Assets		
Investments	198.7	175.6
Other assets	0.5	2.5
Total assets	199.2	178.1
Liabilities		
Current liabilities	1.0	1.2
Non-current liabilities	0.7	-
Total liabilities	1.7	1.2
Net assets available to pay benefits	197.5	176.9

Statement of Changes in Net Assets

There was a net increase in funds of $20.7 million for 2013-14, reflecting:

- contributions revenue of $12.4 million ($13.9 million) consisting predominantly of contributions by employers of $10.8 million ($12.2 million)
- returns on investments of $23.6 million ($21.6 million). Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report
- benefit expenses of $10.4 million ($5.5 million). The increase in benefit expenses is mainly the result of an increase in retirement benefits of $3.4 million.

Statement of Net Assets

The main item in the Statement of Net Assets is investments. They increased by $23.1 million to $198.7 million due mainly to the returns on investments and contributions revenue, offset by benefits paid.

Further commentary on operations

Liability for accrued benefits

An actuarial review is undertaken every three years. The most recent review was undertaken as at 30 June 2011. The estimated liability for accrued benefits at 30 June 2011 was $141.8 million ($112.2 million) as disclosed in note 7 to the financial statements.

The vested benefits as at 30 June 2014 were $186 million ($168.5 million) as disclosed in note 8 to the financial statements. Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the past three years were:

	2014	2013	2012
Non-contributory members	20	21	22
Contributory members	761	792	813
Contributions received ($'000)	1 320	1 457	1 228

The number of contributory members decreased by 31. This is consistent with a closed scheme where retirements occur causing a reduction in membership. The SA Ambulance Scheme was closed to new members with effect from 1 July 2008.

Statement of Changes in Net Assets
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Net assets available to pay benefits at 1 July		176 871	151 639
Revenue:			
Investment revenue		23 611	21 561
Other revenue		16	24
Contribution revenue:			
Contributions by employers	3	10 800	12 243
Contributions by members		1 320	1 457
Rollovers from other schemes		185	183
Spouse contributions		4	7
Government co-contributions		12	15
Total contribution revenue		12 321	13 905
Total revenue		35 948	35 490
Expenses:			
Direct investment expenses	5	1 086	855
Administration expenses	4	383	394
Benefit expenses	6	10 444	5 477
Total expenses		11 913	6 726
Income tax expense	11(a),(b)	3 383	3 532
Net increase (decrease) in funds		20 652	25 232
Net assets available to pay benefits at 30 June	10	197 523	176 871

Statement of Net Assets
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Investments:			
Inflation linked securities B		21 961	18 251
Property B		22 398	21 865
Australian equities B		43 375	39 118
International equities B		40 878	35 762
Long-term fixed interest		10 433	8 060
Short-term fixed interest		7 246	6 763
Diversified strategies growth B		11 858	11 605
Diversified strategies income		27 413	26 073
Cash		13 147	8 097
Total investments		198 709	175 594
Other assets:			
Cash and cash equivalents		486	1 389
Deferred tax assets	11(d)	4	1 077
Receivables		8	17
Total other assets		498	2 483
Total assets		199 207	178 077
Current liabilities:			
Benefits payable		1	9
Payables		212	25
Current tax liabilities	11(c)	801	1 172
Total current liabilities		1 014	1 206
Non-current liabilities:			
Deferred tax liability	11(e)	670	-
Total non-current liabilities		670	-
Total liabilities		1 684	1 206
Net assets available to pay benefits	10	197 523	176 871

Notes to and forming part of the financial statements

1. Objectives and funding

(a) South Australian Ambulance Service Superannuation Scheme (the Scheme)

On 29 June 2006, the Treasurer declared the Scheme a scheme and fund established pursuant to clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

The Scheme is governed by a trust deed and rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

(a) South Australian Ambulance Service Superannuation Scheme (the Scheme) (continued)

Member and employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

(b) South Australian Superannuation Board (the Board)

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the Board the trustee of the Scheme from 1 July 2006. As trustee of the Scheme, the Board is responsible for administering the trust deed and rules.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

Pursuant to clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) Funding arrangements

For the year ended 30 June 2014, contributory members contributed 5% of post-tax salary or 5.9% of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12% of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3% of salaries (3.72% for elective services employees and emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9% of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

An actuarial review as at 30 June 2011 determined the current employer contribution for the defined benefit scheme members of 12% can be maintained. This amount was deemed sufficient to fund the ongoing liabilities of the Scheme. The 12% employer contribution comprises: 10.16% for the defined benefit employer contribution; 0.63% represents administration expenses; and 1.21% represents insurance premiums. The components, which comprise contributions by employers, are provided in note 3.

From 1 July 2006, the insurance cover for death, total and permanent disablement and income protection was provided as a self-insurance arrangement within the Fund. As a result of the 2011 self-insurance review, the insurance contribution has been reduced from 1.77% to 1.21%, and of this: 0.91% represents insurance premiums for death, total and permanent disablement and serious ill health cover; and 0.30% represents premiums for income protection cover.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

New accounting standard

AASB 1056 was recently issued and becomes mandatory for the Scheme's financial statements in 2016-17. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities B

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Property B

The property B portfolio comprises two subsectors:

- *Listed property trusts*

  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*

  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities B

Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities B

Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth B

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

(vii) Diversified strategies income

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

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) Income tax

The Scheme is a complying superannuation fund within the provisions of the ITAA and accordingly the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options. The Scheme is fully invested in the balanced option.

(e) Revenue

Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external funds on behalf of the SA Ambulance Service members.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) GST

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

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

(i) Comparative information

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

	2014	2013
3. Contributions by employers	$'000	$'000
Employer contributions	9 828	11 183
Insurance premiums	639	697
Administration expenses	333	363
	10 800	12 243
4. Administration expenses		
Administration fees	346	362
Other expenses	24	28
Consultancy expenses	13	4
	383	394

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly.

Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $22 500 ($21 900). No other services were provided by the Auditor-General's Department.

Consultancy expenses are in relation to actuarial services provided by Mercer Consulting (Australia) Pty Ltd regarding the self-insurance arrangements and provision of updated certificates for the Scheme.

5. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment. In 2013-14 the increase in investment management expenses were largely attributable to:

- increased funds under management driven by strong share market performance (costs are applied on a percentage basis of funds under management)
- an increase in performance based fees paid to managers in the diversified strategies growth and diversified strategies income asset classes. Funds SA notes that these asset classes produced solid positive returns for the year.

6. Benefit expenses

	2014	2013
	$'000	$'000
Retirement	7 766	4 413
Resignation	1 236	549
Total and permanent disablement	1 341	70
Serious ill health	-	300
Salary continuance	101	145
	10 444	5 477

7. Liability for accrued benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2011 and the next review is to be undertaken as at 30 June 2014. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2011. The figure reported has been determined by reference to the expected future salary level increases (4%) and by application of the market-based, risk-adjusted discount rate (7%).

	2011	2008
	$'000	$'000
Liability for accrued benefits	141 768	112 247

8. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

	2014	2013
	$'000	$'000
Vested benefits	186 044	168 537

9. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

10. Net assets available to pay benefits

(a) Assets available to pay benefits

Funds held at 1 July	172 658	148 126
Contributions by members	1 320	1 457
Contributions by employers	10 161	11 546
Investment revenue	23 365	21 114
Transfers from insurance reserve	3 000	-
Rollovers from other schemes	185	183
Spouse contributions	4	7
Government co-contributions	12	15
Other revenue	16	24
	38 063	34 346
Benefit expenses	(9 908)	(5 033)
Direct investment expenses	(1 086)	(855)
Administration expenses	(377)	(394)
Income tax expense	(3 383)	(3 532)
	(14 754)	(9 814)
Assets available to pay benefits	195 967	172 658

(b) Insurance reserve

Opening balance of insurance reserve	4 213	3 513
Employer fees	639	697
Investment revenue	229	447
	868	1 144
Benefit payments:		
Total and permanent disablement	(435)	-
Serious ill health	-	(300)
Temporary disablement	(101)	(144)
	(536)	(444)

		2014	2013
(b)	***Insurance reserve (continued)***	$'000	$'000
	Transfer to the Scheme	(3 000)	-
	Transfer to operational risk reserve	(476)	-
	Administration expenses	(6)	-
		(3 482)	-
	Closing balance of insurance reserve	1 063	4 213
(c)	***Operational risk reserve***		
	Opening balance of operational risk reserve	-	-
	Transfer from insurance reserve	476	-
	Investment revenue	17	-
	Closing balance of operational risk reserve	493	-
	Net assets available to pay benefits	197 523	176 871

11. Taxation

		2014	2013
(a)	***Major components of tax expense***		
	Current income tax:		
	Current tax charge	1 725	2 225
	Adjustment to current tax for prior periods	(54)	(103)
	Deferred income tax:		
	Relating to the originating and reversal of temporary differences	1 712	1 410
	Income tax expense	3 383	3 532
(b)	***Income tax expense***		
	Changes in net assets before tax	24 217	28 764
	Tax applicable at the rate of 15%	3 633	4 315
	Tax effect of income and losses that are not assessable/or deductible in determining taxable income:		
	Investment income	(792)	(721)
	Member contributions	(204)	(222)
	Transfers in	(28)	(27)
	Tax effect of expenses that are not deductible in determining taxable income:		
	Benefit expenses	1 567	821
	Tax effect of other adjustments:		
	Imputation and foreign tax credits	(739)	(531)
	Over provision prior period	(54)	(103)
	Income tax expense	3 383	3 532
(c)	***Current tax liabilities***		
	Balance at 1 July	1 172	1 278
	Income tax paid - prior periods	(1 087)	(1 139)
	Income tax paid - current period	(924)	(1 053)
	Current year's income tax provision	1 725	2 225
	Over provision - prior period	(85)	(139)
	Total current tax liabilities	801	1 172
(d)	***Deferred tax assets***		
	The amount of deferred tax assets recognised in the Statement of Net Assets at reporting date is made up as follows:		
	Accrued expenses	4	4
	Realised capital losses carried forward (discounted)	-	1 773
	Unrealised capital losses carried forward (discounted)	-	(700)
	Total deferred tax assets	4	1 077
(e)	***Deferred tax liabilities***		
	The amount of deferred tax liability recognised in the Statement of Net Assets at reporting date is made up as follows:		
	Realised capital losses carried forward (discounted)	(1 759)	-
	Unrealised capital losses carried forward (discounted)	2 429	-
	Total deferred tax liability	670	-

12. Related parties

The Board acts as trustee for the Scheme. For details of board membership and remuneration refer to the Board's financial report.

13. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

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

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

- foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars

- foreign currency exposures over the developed markets component of the international equities asset sector are 50% hedged to Australian dollars.

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

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

(iii) Other market price risk

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

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2014			
Balanced	Nominal standard deviation	7.7	15 301
Total			15 301
2013			
Balanced	Nominal standard deviation	8.1	14 223
Total			14 223

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

(b) Credit risk

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

(b) Credit risk (continued)

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the tables are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2014	$'000	$'000	$'000
Benefits payable	1	1	1
Payables	212	212	212
Current tax liabilities	801	801	801
Vested benefits	186 044	186 044	186 044
Total	187 058	187 058	187 058
2013			
Benefits payable	9	9	9
Payables	25	25	25
Current tax liabilities	1 172	1 172	1 172
Vested benefits	168 537	168 537	168 537
Total	169 743	169 743	169 743

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

(d) Fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss (Level 1 and level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2014		
Unlisted managed investment schemes:		
Funds SA	198 709	198 709
	198 709	198 709
2013		
Unlisted managed investment schemes:		
Funds SA	175 594	175 594
	175 594	175 594

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over-the-counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

South Australian Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 20AB(2) of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Superannuation Scheme as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

For information on the audit findings, refer to the South Australian Superannuation Board in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Revenue		
Investment revenue	693	677
Contribution revenue	465	528
Other revenue	38	37
Total revenue	1 196	1 242
Expenses		
Benefits expense	787	827
Direct investment expenses	33	25
Other expenses	12	14
Total expenses	832	866
Operating result	364	376
Net cash provided by (used in) operating activities	(312)	(189)
Assets		
Investments	4 895	4 549
Other assets	20	16
Total assets	4 915	4 565
Liabilities		
Liability for accrued benefits	10 492	10 503
Current liabilities	17	20
Total liabilities	10 509	10 523
Excess of liabilities over net assets	5 594	5 958

Operating Statement

Revenues

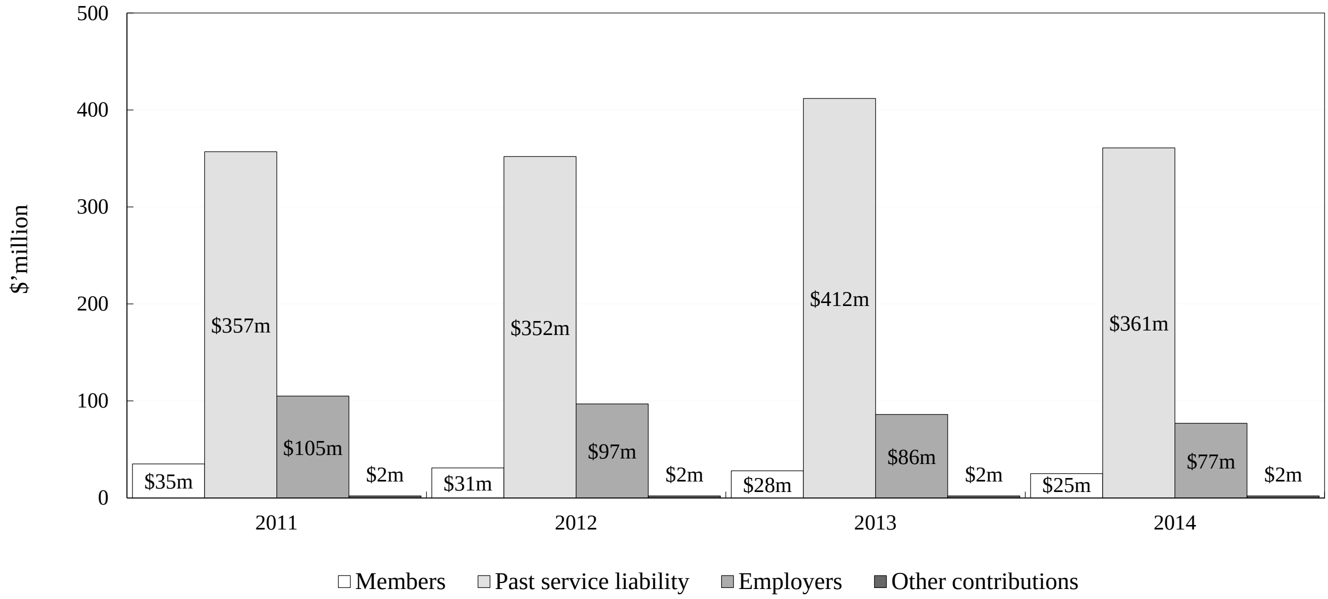
Investment activity for the year resulted in a return of $693 million ($677 million).

The increase in investment revenue is due mainly to improved returns from the diversified strategies growth and diversified strategies income asset classes. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Contribution revenue decreased by $63 million to $465 million, due to a decrease in contributions for past service liability of $51 million (refer note 1(d) to the financial statements for further information) and a decrease of $12 million in employer and member contributions. The decrease in employer and member contributions is indicative of a closed scheme where the number of members is decreasing due to retirement.

During the year the Government transferred $357 million ($409 million) into the South Australian Superannuation Scheme Contribution Account for past service liability funding. Public sector employers contributed $4 million ($3 million).

A structural analysis of contribution revenues of the Scheme for the four years to 2014 is presented in the following chart.



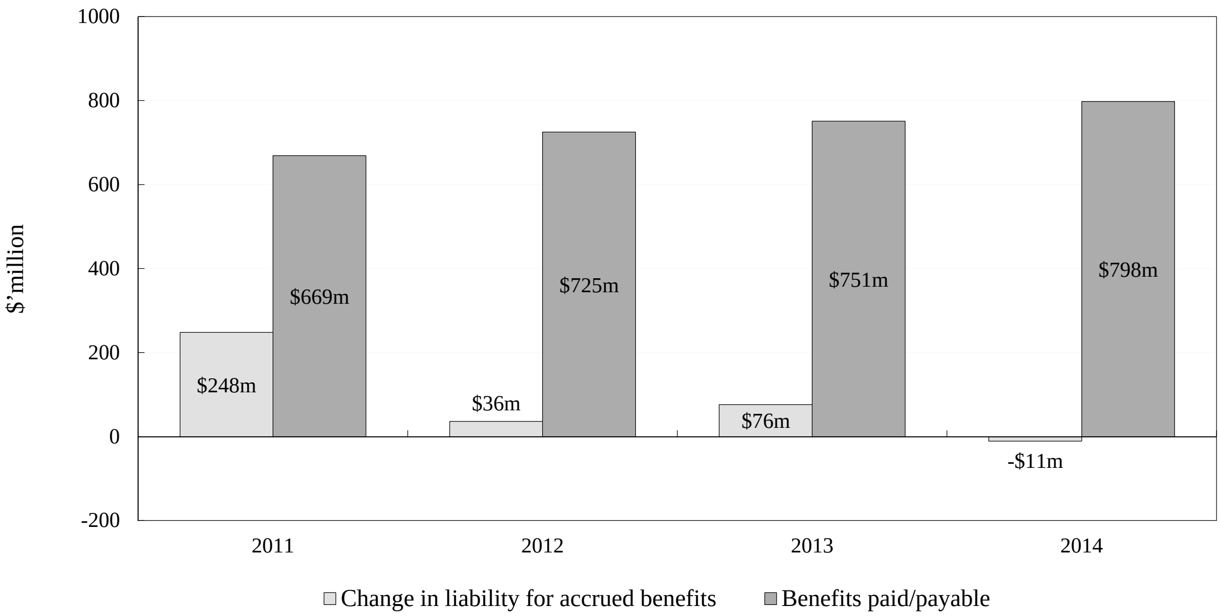
The chart shows that over the last four years employer and member contributions have slowly reduced. This is expected as the new and old schemes are closed schemes with no new contributors.

Past service liability payments represent funding from both the Government (since 1994) and public sector employers to meet accrued superannuation liabilities. The Government expects to fully fund its liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which decreased by $39 million to $787 million for the year.

For the four years to 2014 a structural analysis of the components of benefits expense is shown in the following chart.



Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability are provided below under the heading 'Statement of Financial Position'.

Over the period of review there has been a steady increase in benefits paid. This is expected as more members reach retirement age. Benefits paid are also affected by increases in final salary and inflation adjustments to pensions.

Statement of Financial Position

The estimated liability for accrued benefits decreased by $11 million to $10.5 billion for which net assets of $4.9 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $5.6 billion. Of the $10.5 billion liability, $8.7 billion (83%) represents the old scheme (pension) liability and $1.8 billion (17%) is the new scheme (lump sum) liability. The demographic assumptions of the 2013 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

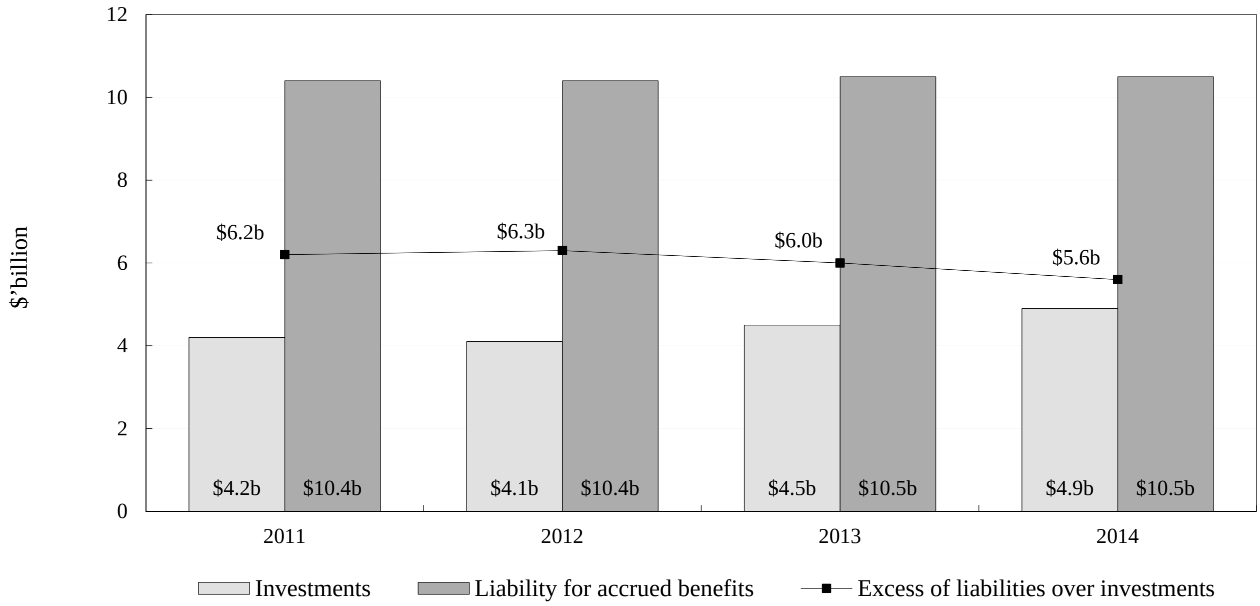
For the 2013-14 liability calculation for financial reporting the following rates were used:

- discount rate 7%
- long-term salary inflation 4%
- long-term CPI factor 2.5%.

The liabilities for the old scheme decreased by $21 million and for the new scheme increased by $10 million. Benefits expense decreased by $39 million. This decrease is impacted by:

- a decrease of $11 million in the estimated liability for accrued benefits
- an increase in benefits paid of $48 million.

For the four years to 2014 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



From 30 June 2011 investments increased predominantly due to positive returns and additional funds available for investment through contributions for past service liability.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

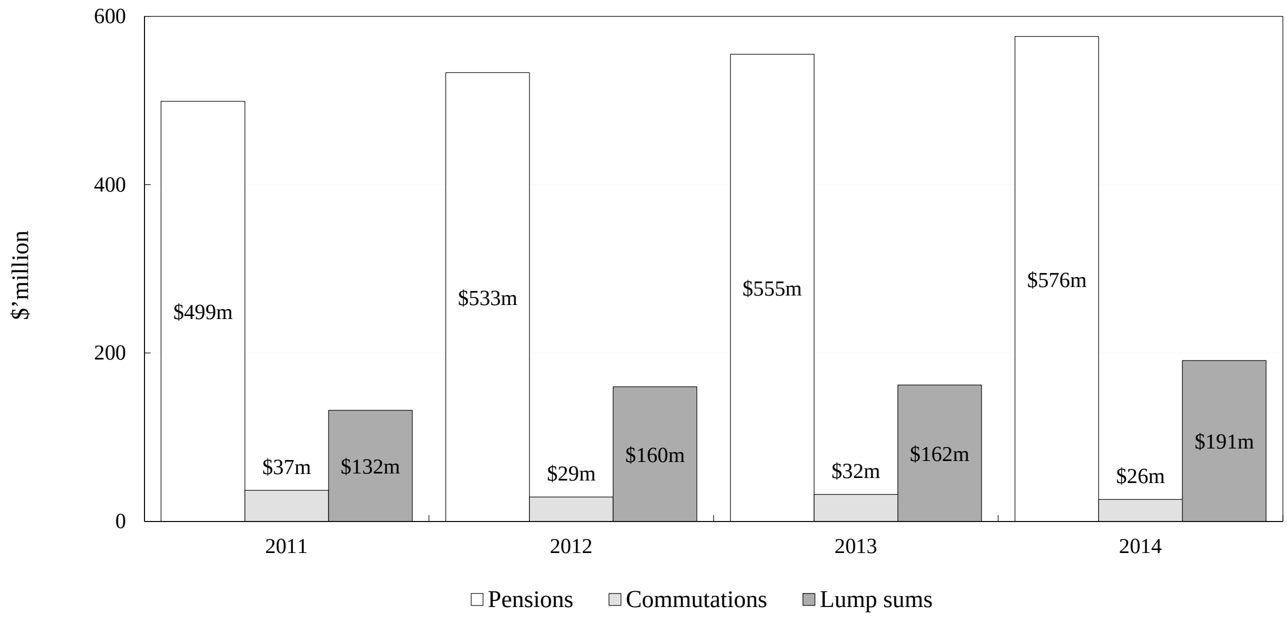
	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net cash flows				
Operating	(312.0)	(189.1)	(232.8)	(145.5)
Investing	314.8	186.4	233.8	148.6
Change in cash	2.8	(2.7)	1.0	3.1
Cash at 30 June	9.3	6.5	9.2	8.2

The increase in the operating cash outflow for 2013-14 is due mainly to a reduction of $52.6 million in contributions for past service liability and an increase of $45 million in benefits paid.

Benefits paid

In 2013-14 total benefits paid amounted to $798 million ($751 million), which included $576 million ($555 million) paid as pensions. Details of benefits paid/payable are disclosed in note 7 to the financial statements.

The following chart analyses the most significant benefits paid for the four years to 2014.



The chart shows an increasing trend in pensions and lump sums paid as more members reach retirement age. Pensions are also adjusted for increases in inflation.

Further commentary on operations

Funding of benefit payments

Benefit payments are funded from a number of sources that have remained relatively consistent. Over half of the benefit payments are funded from the SA Government Employer Account.

The South Australian Superannuation Fund (the Fund) portion of a benefit is fully funded. Member contributions are deposited into the Fund and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested with Funds SA.

Note 1(d) to the financial statements provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a special deposit account established for that purpose.

Pensioners

The number of pensioners at 30 June each year and pensions paid for the past four years were:

	2014	2013	2012	2011
Pensioners	15 438	15 471	15 433	15 359
Pensions paid ($'million)	576	555	533	499

Contributions by members

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

	2014			2013	2012
	Old Scheme	New Scheme	Total	Total	Total
Contributors (excludes preserved members)	1 226	3 871	5 097	5 810	6 575
Contributions revenue ($'000)	5 141	20 331	25 472	28 329	31 180

Operating Statement
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue:			
Investment revenue		692 817	677 300
Other revenue	17	37 644	36 352
Contribution revenue:			
Contributions for past service liability	1(d)	360 907	411 973
Contributions by employers		77 205	86 309
Contributions by members		25 472	28 329
Rollovers from other schemes		1 588	1 396
Government co-contributions	18	64	372
Total contribution revenue		465 236	528 379
Total revenue		1 195 697	1 242 031
Expenses:			
Direct investment expenses	4	32 562	25 341
Co-contributions transferred to other scheme	18	64	372
Higher education superannuation costs	20	9 263	9 258
Administration expenses	5	2 543	4 591
Benefits expense	8	787 337	826 710
Total expenses		831 769	866 272
Operating result		363 928	375 759

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Investments:			
Inflation linked securities A		372 841	350 550
Property A		685 409	662 615
Australian equities A		1 156 496	1 110 530
International equities A		1 325 617	1 212 392
Long-term fixed interest		81 820	80 366
Short-term fixed interest		35 454	49 263
Diversified strategies growth A		411 221	376 292
Diversified strategies income		680 348	597 708
Cash		142 807	107 978
Socially responsible		2 662	1 492
Total investments	10	4 894 675	4 549 186
Other assets:			
Cash and cash equivalents	12	9 285	6 493
Contributions receivable	3	2 010	2 034
Other revenue receivable	16	8 511	6 652
Receivables	19	426	304
		20 232	15 483
Total assets		4 914 907	4 564 669
Current liabilities:			
Benefits payable		16 791	10 141
Payables	13	155	9 395
Total liabilities		16 946	19 536
Net assets available to pay benefits	6	4 897 961	4 545 133
Liability for accrued benefits	8	(10 491 614)	(10 502 714)
Excess of liabilities over net assets		(5 593 653)	(5 957 581)

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions for past service liability		359 417	411 973
Contributions by employers		77 217	86 574
Contributions by members		25 511	28 407
Rollovers from other schemes		1 592	1 396
Government co-contributions		64	372
		463 801	528 722
GST recovered from the ATO		146	251
Other income:			
Reimbursement from other sources:			
Public authorities		37 010	34 603
Temporary disability reimbursements		40	28
Interest		232	298
		37 282	34 929
Benefits paid:			
Pensions		(574 775)	(553 204)
Commutation of pension benefits		(25 810)	(32 693)
Lump sums		(191 327)	(161 064)
		(791 912)	(746 961)
Administration expenses		(2 708)	(5 619)
Co-contributions transferred to other scheme		(64)	(372)
Higher education superannuation costs		(18 520)	-
Net cash provided by (used in) operating activities	11	(311 975)	(189 050)
Cash flows from investing activities:			
Receipts from Funds SA		806 178	678 459
Payments to Funds SA		(491 411)	(492 067)
Net cash provided by (used in) investing activities		314 767	186 392
Net increase (decrease) in cash and cash equivalents held		2 792	(2 658)
Cash and cash equivalents at 1 July		6 493	9 151
Cash and cash equivalents at 30 June	12	9 285	6 493

Notes to and forming part of the financial statements

1. Objectives and funding

(a) South Australian Superannuation Scheme (the Scheme)

The Scheme is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the SA Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

(a) South Australian Superannuation Scheme (the Scheme) (continued)

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the Scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5% and 6%. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian Superannuation Board (the Board)

The Act charges the Board, a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board has contracted DTF to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

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

(c) Funds SA

Funds SA is an SA Government entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in this financial report are related to the investment activities of Funds SA.

(d) Funding arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a special deposit account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or special deposit account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with sections 47C and 47D of the Act. During the year ended 30 June 2014 no payments ($0) were made to the Consolidated Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government departments, statutory authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26% (26%) for old scheme contributors and 14.75% (14.75%) for new scheme contributors.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) *State Government departments*

State Government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period $56.4 million ($64.3 million) was received or receivable from State Government departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2014 the Government transferred a total of $357.4 million ($370.5 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) *Statutory authorities*

Where the employer proportion of a payment relates to statutory authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government liability for statutory authorities*
  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in note 1(d)(i).

- *Employer contribution accounts*
  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the employer contribution accounts. The Treasurer seeks reimbursement from the employer contribution account balances as benefits are paid.

  Contributions of $2.4 million ($2.3 million) have also been received from the South Australian Water Corporation, $528 000 ($508 000) from WorkCoverSA and $583 000 ($561 000) from the South Australian Forestry Corporation to fund their accrued superannuation liabilities.

- *Public authorities accounts (universities)*
  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from statutory authorities, $18.3 million ($20.1 million) relates to amounts received or receivable from SA Government entities and $2.5 million ($1.9 million) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the public authorities accounts referred to in note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for statutory authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

(a) Basis of accounting (continued)

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

New accounting standard

AASB 1056 was recently issued and becomes mandatory for the Scheme's financial statements in 2016-17. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities A portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two subsectors:

- *Listed property trusts*

  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*

  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth A

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

(vii) Diversified strategies income

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

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially responsible investment

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

(c) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the growth option.

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

(e) Revenue

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

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) Receivables and payables

Contributions receivable are contributions relating to the 2013-14 financial year received by the Scheme after 30 June 2014.

Other receivables are carried at nominal amounts due that approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2014 but who had not been paid until after 30 June 2014.

(g) GST

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

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(h) Comparative information

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Contributions receivable

	2014	2013
	$'000	$'000
Contributions receivable by members	424	462
Contributions receivable by employers	1 586	1 572
	2 010	2 034

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2013-14 the increase in direct investment expenses was largely attributable to:

- increased funds under management driven by strong share market performance (costs are applied on a percentage basis of funds under management)
- an increase in performance based fees paid to managers in the diversified strategies growth and diversified strategies income asset classes. Funds SA notes that these asset classes produced solid positive returns for the year.

5. Administration expenses

	Old Scheme Division	New Scheme Division	Total 2014	Total 2013
	$'000	$'000	$'000	$'000
Administration expenses	1 329	1 087	2 416	4 432
Bank fees	8	-	8	27
Other expenses	41	34	75	109
Consultancy expenses	32	12	44	23
Total administration expenses	1 410	1 133	2 543	4 591

Administration expenses comprise the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme. The cost is recovered in two components:

- subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30%
- 70% of costs were deducted from the employer contributions received during the year.

5. Administration expenses (continued)

Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $74 800 ($95 200) GST inclusive. No other services were provided by the Auditor-General's Department.

Consultancy expenses are in relation to actuarial services provided by PricewaterhouseCoopers regarding the valuation of accrued benefits liability in accordance with AAS 25.

6. Net assets available to pay benefits

Net assets available to pay benefits consist of the combined balances of the Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund Account (employee component)

	Old Scheme Division	New Scheme Division	Total 2014	Total 2013
	$'000	$'000	$'000	$'000
Funds held at 1 July	1 304 017	628 758	1 932 775	1 768 144
Contributions	5 141	20 331	25 472	28 329
Rollovers from other schemes	470	1 118	1 588	1 396
Investment revenue	197 412	86 228	283 640	284 333
Government co-contributions	4	60	64	372
Other income	37	31	68	86
	203 064	107 768	310 832	314 516
Benefits paid	(86 030)	(66 568)	(152 598)	(137 609)
Direct investment expenses	(9 219)	(3 996)	(13 215)	(10 515)
Co-contributions transferred to other schemes	(4)	(60)	(64)	(372)
Administration expenses	(419)	(336)	(755)	(1 389)
	(95 672)	(70 960)	(166 632)	(149 885)
Funds held at 30 June	1 411 409	665 566	2 076 975	1 932 775

(b) South Australian Superannuation Scheme Contribution Account (employer component)

	2014	2013
	$'000	$'000
Funds held at 1 July	2 612 358	2 325 144
Employer contributions:		
State Government departments	56 373	64 335
Statutory authorities	20 832	21 974
Contributions for past service liability	360 907	411 973
	438 112	498 282
Investment revenue	409 177	392 967
Other income - public authorities	37 324	36 025
Other income - interest received	156	201
Other income - temporary disability	96	40
	884 865	927 515
Benefits paid:		
Old scheme contributors	(520 759)	(508 578)
New scheme contributors	(125 080)	(104 437)
Direct investment expenses	(19 347)	(14 826)
Higher education superannuation costs	(9 263)	(9 258)
Administration expenses	(1 788)	(3 202)
	(676 237)	(640 301)
Funds held at 30 June	2 820 986	2 612 358
Total net assets available to pay benefits	4 897 961	4 545 133

7. Benefits paid/payable

	2014 Old Scheme Division	2014 New Scheme Division	2014 Total	2013 Old Scheme Division	2013 New Scheme Division	2013 Total
Pensions:						
Funded from:	$’000	$’000	$’000	$’000	$’000	$’000
South Australian Superannuation Fund	80 511	96	80 607	77 336	94	77 430
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	26 519	-	26 519	25 079	-	25 079
Public authorities	33 360	2	33 362	33 122	3	33 125
SA Government Employer Account	435 190	738	435 928	418 322	890	419 212
Gross scheme costs	575 580	836	576 416	553 859	987	554 846
Commutations:						
Funded from:						
South Australian Superannuation Fund	3 613	-	3 613	4 529	-	4 529
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	5 159	-	5 159	6 839	-	6 839
Public authorities	595	-	595	1 106	-	1 106
SA Government Employer Account	16 443	-	16 443	19 877	-	19 877
Gross scheme costs	25 810	-	25 810	32 351	-	32 351
Lump sums:						
Funded from:						
South Australian Superannuation Fund	1 834	64 556	66 390	1 535	53 789	55 324
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	761	29 204	29 965	979	26 231	27 210
Public authorities	57	3 404	3 461	140	1 691	1 831
SA Government Employer Account	2 675	88 933	91 608	2 989	75 129	78 118
Gross scheme costs	5 327	186 097	191 424	5 643	156 840	162 483
Retrenchments:						
Funded from:						
South Australian Superannuation Fund	-	79	79	6	88	94
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	195	195	-	245	245
Public authorities	-	-	-	33	-	33
SA Government Employer Account	-	-	-	92	-	92
Gross scheme costs	-	274	274	131	333	464
Targeted separation packages:						
Funded from:						
South Australian Superannuation Fund	72	1 837	1 909	-	232	232
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	494	494	-	-	-
Public authorities	-	-	-	-	-	-
SA Government Employer Account	-	2 110	2 110	-	248	248
Gross scheme costs	72	4 441	4 513	-	480	480
Total benefits paid/payable	606 789	191 648	798 437	591 984	158 640	750 624
Total benefit payments:						
Funded from:						
South Australian Superannuation Fund	86 030	66 568	152 598	83 406	54 203	137 609
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	32 439	29 893	62 332	32 897	26 476	59 373
Public authorities	34 012	3 406	37 418	34 401	1 694	36 095
SA Government Employer Account	454 308	91 781	546 089	441 280	76 267	517 547
Gross scheme costs	606 789	191 648	798 437	591 984	158 640	750 624

8. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2014.

For the employee funded defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2014.

The expected future benefit payments have been determined using the 2013 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5% p.a. above the Adelaide CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5% p.a. above the CPI of 2.5%.

	2014			2013		
	Old Scheme Division	New Scheme Division	Total	Old Scheme Division	New Scheme Division	Total
Changes in the liability for accrued benefits:	$'000	$'000	$'000	$'000	$'000	$'000
Liability for accrued benefits at 1 July	8 669 602	1 833 112	10 502 714	8 664 300	1 762 328	10 426 628
Benefits expense(i)	585 554	201 783	787 337	597 286	229 424	826 710
Benefits paid(ii)	(606 789)	(191 648)	(798 437)	(591 984)	(158 640)	(750 624)
Liability for accrued benefits at 30 June	8 648 367	1 843 247	10 491 614	8 669 602	1 833 112	10 502 714
Represented by:						
South Australian Superannuation Fund	1 217 167	672 788	1 889 955	1 222 987	628 824	1 851 811
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 256 136	381 034	1 637 170	1 265 551	404 048	1 669 599
SA Government Employer Account	5 855 786	777 772	6 633 558	5 857 469	785 765	6 643 234
Public authorities	319 278	11 653	330 931	323 595	14 475	338 070
Total	8 648 367	1 843 247	10 491 614	8 669 602	1 833 112	10 502 714

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer note 7.

Although the total liability for accrued benefits shown above is $10.5 billion, the SA Government is only responsible for funding the SA Government Employer Account of $6.6 billion and part of the employer contribution accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2013 by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers. Her report to the Minister dated June 2014, was tabled in Parliament on 3 July 2014. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

9. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme.

9. Vested benefits (continued)

Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2014.

	2014 Old Scheme Division $'000	2014 New Scheme Division $'000	2014 Total $'000	2013 Old Scheme Division $'000	2013 New Scheme Division $'000	2013 Total $'000
South Australian Superannuation Fund	1 205 968	672 788	1 878 756	1 205 368	628 824	1 834 192
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 245 852	414 718	1 660 570	1 242 328	422 223	1 664 551
SA Government Employer Account	5 796 654	858 523	6 655 177	5 772 073	848 276	6 620 349
Public authorities	318 968	12 557	331 525	322 247	15 055	337 302
Total	8 567 442	1 958 586	10 526 028	8 542 016	1 914 378	10 456 394

10. Summary of investments

The interests of the Fund and the South Australian Scheme Contribution Account in the unitised investment portfolio of Funds SA are as follows:	2014 Fund - Old Scheme Division $'000	2014 Fund - New Scheme Division $'000	2014 Scheme Contribution Accounts $'000	Total 2014 $'000	Total 2013 $'000
Inflation linked securities A	105 967	53 775	213 099	372 841	350 550
Property A	198 421	87 963	399 025	685 409	662 615
Australian equities A	335 185	147 253	674 058	1 156 496	1 110 530
International equities A	384 068	169 188	772 361	1 325 617	1 212 392
Long-term fixed interest	22 354	14 510	44 956	81 820	80 366
Short-term fixed interest	7 570	12 661	15 223	35 454	49 263
Diversified strategies growth A	120 019	49 844	241 358	411 221	376 292
Diversified strategies income	195 786	90 835	393 727	680 348	597 708
Cash	32 625	44 574	65 608	142 807	107 978
Socially responsible	-	2 662	-	2 662	1 492
Total	1 401 995	673 265	2 819 415	4 894 675	4 549 186

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

	2014 $'000	2013 $'000
Operating result	363 928	375 759
Investment revenue	(692 817)	(677 300)
Direct investment expenses	32 562	25 341
Movements in assets/liabilities:		
Other income receivable	(1 859)	(1 435)
Contributions receivable	23	344
Benefits payable	6 650	3 697
Receivables	(122)	(85)
Payables	(9 240)	8 543
Liability for accrued benefits	(11 100)	76 086
Net cash provided by (used in) operating activities	(311 975)	(189 050)

12. Reconciliation of cash and cash equivalents

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

12. Reconciliation of cash and cash equivalents (continued)

	2014	2013
	$'000	$'000
Cash and cash equivalents per Statement of Financial Position	9 285	6 493
Cash and cash equivalents per Statement of Cash Flows	9 285	6 493

13. Payables

Audit fees	80	109
Bank fee	-	1
Contributions refundable	27	-
Health commissions	-	1
Higher education superannuation costs	-	9 258
Overseas pensions	15	15
Returned benefit payments	28	11
Other payables	5	-
	155	9 395

14. PAYG withholding tax

There was $0 ($0) PAYG withholding tax due on benefit payments which had not been remitted to the Commissioner of Taxation as at 30 June 2014.

15. Benefit entitlements

Contributors' benefit entitlements are specified by the Act.

16. Other revenue receivable

Public authorities	8 411	6 607
Temporary disability debtors	100	45
	8 511	6 652

17. Other revenue

Interest	224	287
Public authorities	37 324	36 025
Temporary disability	96	40
	37 644	36 352

18. Government co-contributions

During the 2013-14 financial year, the Scheme received co-contributions from the ATO amounting to $64 000 ($372 000). Whilst members of the Scheme are eligible to receive the co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Receivables

	2014	2013
	$'000	$'000
Interest	16	23
Benefit repayments	369	219
Overpaid pensions	13	23
GST recoup from the ATO	28	39
	426	304

20. Higher education superannuation costs

An amount of $9.3 million ($9.3 million) was paid to the Commonwealth Government which related to the South Australian share of the 2013-14 higher education superannuation costs under the Commonwealth-State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian universities who were members of one of the main State schemes, be shared.

21. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

21. Financial instruments (continued)

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

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

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

- foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars

- foreign currency exposures over the developed markets component of the international equities asset sector are 50% hedged to Australian dollars.

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each

- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

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

(iii) Other market price risk (continued)

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2014			
High growth	Nominal standard deviation	12.1	2 882
Growth	Nominal standard deviation	9.9	469 462
Balanced	Nominal standard deviation	8.6	3 593
Moderate	Nominal standard deviation	6.6	933
Conservative	Nominal standard deviation	4.8	1 459
Capital defensive	Nominal standard deviation	3.0	566
Cash	Nominal standard deviation	1.5	315
Socially responsible	Nominal standard deviation	10.6	282
Total			479 492
2013			
High growth	Nominal standard deviation	12.9	1 998
Growth	Nominal standard deviation	10.5	459 249
Balanced	Nominal standard deviation	9.1	2 782
Moderate	Nominal standard deviation	7.0	879
Conservative	Nominal standard deviation	5.0	1 675
Capital defensive	Nominal standard deviation	3.0	1 012
Cash	Nominal standard deviation	1.2	576
Socially responsible	Nominal standard deviation	11.1	166
Total			468 337

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

(b) Credit risk

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

(b) Credit risk (continued)

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2014	$'000	$'000	$'000
Benefits payable	16 791	16 791	16 791
Payables	155	155	155
Vested benefits	10 526 028	10 526 028	10 526 028
Total	10 542 974	10 542 974	10 542 974
2013			
Benefits payable	10 141	10 141	10 141
Payables	9 395	9 395	9 395
Vested benefits	10 456 394	10 456 394	10 456 394
Total	10 475 930	10 475 930	10 475 930

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

(d) Fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss (Level 1 and level 3 are not relevant to the Scheme)	Level 2 $'000
2014	
Unlisted managed investments schemes:	
Funds SA	4 894 675
	4 894 675
2013	
Unlisted managed investments schemes:	
Funds SA	4 549 186
	4 549 186

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over-the-counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

22. Related parties

Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the Board's financial statements.

Southern State Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (Triple S Scheme) for each financial year.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Triple S Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Southern State Superannuation Scheme as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

For information on the audit findings, refer to the South Australian Superannuation Board in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Revenue		
Investment revenue	1 422	1 253
Contribution revenue	1 234	1 099
Total revenue	2 656	2 352

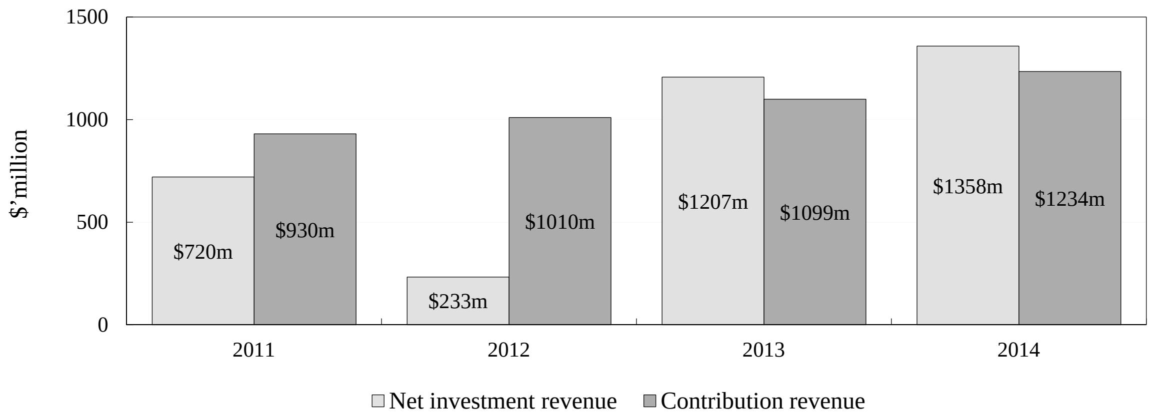
	2014 $'million	2013 $'million
Expenses		
Direct investment expenses	64	46
Other expenses	13	13
Total expenses	77	59
Benefits accrued as a result of operations	2 579	2 293
Net cash provided by (used in) operating activities	338	397
Assets		
Investments	11 624	9 932
Other assets	39	29
Total assets	11 663	9 961
Liabilities		
Current liabilities	31	27
Total liabilities	31	27
Net assets available to pay benefits	11 632	9 934
Represented by:		
Liability for accrued benefits	11 457	9 791
Reserves	175	143
	11 632	9 934

Operating Statement

Revenues

Total revenue increased by $304 million to $2.7 billion and is represented by increases in investment revenue of $169 million and contribution revenue of $135 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Triple S Scheme for the four years to 2014 is presented in the following chart.



The chart shows strong returns on investments except for 2011-12 when returns were lower due to declining economic conditions in European markets. The increased investment revenue in 2013-14 is due mainly to improved returns from the diversified strategies growth and diversified strategies income asset classes. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Contribution revenue continues to increase each year.

Contribution revenue

Active members of the Triple S Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Triple S Scheme. An analysis of amounts contributed by members and employers for the four years to 2014 is presented in the following chart.

The chart indicates that the value of contributions by employers has increased over the four year period by $186 million (26%). In the same period member contributions have increased by $27 million (24%).

Member contributions have increased despite a continuing decline in the number of active (contributory) members over the four year period. This is predominantly due to salary increases and an increase in one-off contributions of $30.7 million in 2013-14.

Membership statistics for the last three years are provided in the following table.

	2014 Number	2013 Number	2012 Number
Contributory	30 293	30 364	30 926
Non-contributory	85 567	83 544	82 041

	2014 %	2013 %	2012 %
Contributory	26.1	26.7	27.4
Non-contributory	73.9	73.3	72.6

Statement of Financial Position

The improved investment performance together with additional funds invested has contributed to the net assets available to pay benefits increasing by $1.7 billion. The movement in net assets is indicative of the accumulative nature of the Triple S Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Triple S Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	2014	2013	2012	2011
	$'billion	$'billion	$'billion	$'billion
Net assets available to pay benefits	11.6	9.9	8.3	7.7

Statement of Cash Flows

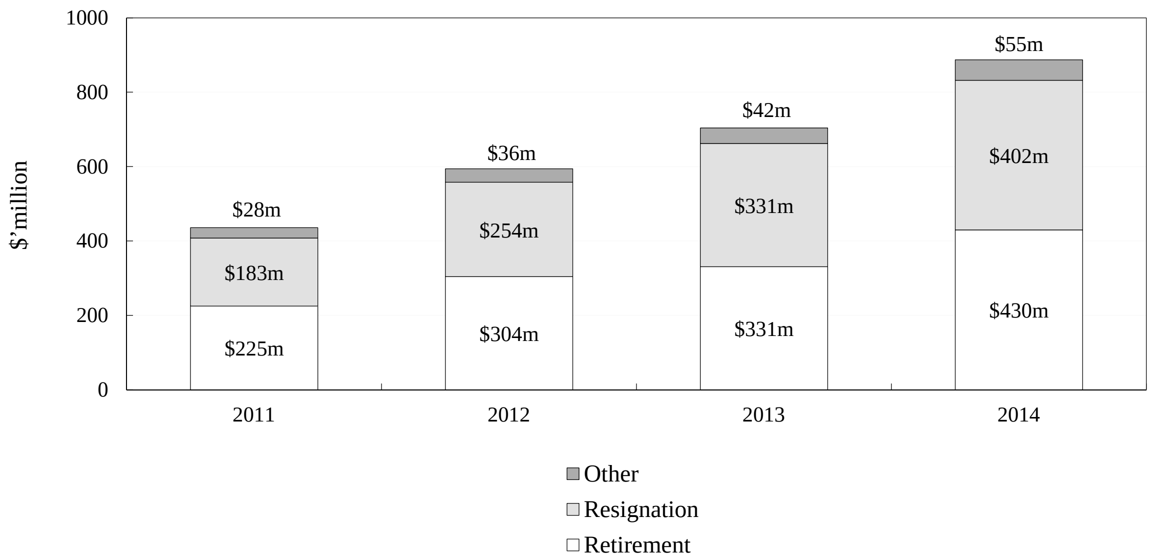
The following table summarises the net cash flows for 2014 and 2013.

	2014	2013
	$'million	$'million
Net cash flows		
Operating	338	397
Financing	3	-
Investing	(334)	(398)
Change in cash	7	(1)
Cash at 30 June	20	13

The analysis of cash flows shows that the Triple S Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid and payable

Total benefits paid and payable amounted to $887 million ($704 million). The following chart analyses benefits paid for the four years to 30 June 2014 and shows an increasing trend. This is expected in an open scheme that was established 19 years ago.



In 2014 benefit payments increased due mainly to:

- an increase in the average length of membership of Triple S Scheme members
- the average length of time that members have been contributing to superannuation as a whole
- an increase in the number of benefits paid.

Operating Statement
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue:			
Investment revenue		1 421 898	1 252 941
Other revenue		390	480
Contribution revenue:			
Contributions by members	1(a)	137 539	107 195
Contributions by employers	1(a)	895 038	808 045
Rollovers from other schemes		199 338	177 389
Government co-contributions		1 840	5 606
Total contribution revenue		1 233 755	1 098 235
Total revenue		2 656 043	2 351 656
Expenses:			
Direct investment expenses	3	64 368	46 420
Transfer to Board reserves		-	1 500
Insurance administration expenses	13	2 103	1 184
Administration expenses	4	10 424	9 964
Total expenses		76 895	59 068
Benefits accrued as a result of operations		2 579 148	2 292 588

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Investments:			
Inflation linked securities A		1 140 748	979 181
Property A		1 397 878	1 239 665
Australian equities A		2 409 998	2 107 359
International equities A		2 779 367	2 318 586
Long-term fixed interest		547 161	414 550
Short-term fixed interest		417 998	398 188
Diversified strategies growth A		732 671	613 688
Diversified strategies income		1 566 346	1 262 500
Cash		588 171	582 456
Socially responsible		43 372	16 247
		11 623 710	9 932 420
Other assets:			
Cash and cash equivalents	5	20 278	12 864
Contributions receivable	6	18 422	16 299
Receivables	7	151	141
		38 851	29 304
Total assets		11 662 561	9 961 724
Current liabilities:			
Benefits payable	8	30 444	25 792
Payables	9	184	1 592
Total liabilities		30 628	27 384
Net assets available to pay benefits	10	11 631 933	9 934 340
Represented by:			
Liability for accrued benefits:			
Allocated to members' accounts	11,17	11 470 116	9 791 834
Not allocated to members' accounts	12	(13 006)	(685)
		11 457 110	9 791 149
Reserves:			
Death, invalidity and income protection insurance reserve	13	147 329	132 197
Administration fee reserve	14	2 833	10 994
Operational risk reserve	15	24 661	-
		174 823	143 191
		11 631 933	9 934 340

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions by members		137 361	107 173
Contributions by employers		893 110	807 475
Rollovers from other schemes		199 387	177 003
Government co-contributions		1 840	5 606
		1 231 698	1 097 257
GST recovered from the ATO		639	610
Interest revenue		401	489
Benefits paid:			
Retirement		(424 770)	(328 517)
Resignation		(401 471)	(318 821)
Invalidity		(23 161)	(17 438)
Death		(19 060)	(11 009)
Payments to unclaimed monies		(656)	(1 515)
Transfers to Super SA Select		(475)	(800)
Temporary disability		(12 344)	(9 980)
		(881 937)	(688 080)
Insurance administration expenses		(2 248)	(1 184)
Administration expenses		(10 940)	(12 381)
Net cash provided by (used in) operating activities	18	337 613	396 711
Cash flows from financing activities:			
Transfers to operational risk reserve		5 180	-
Payments from operational risk reserve		(120)	-
Transfers from insurance reserve		(1 500)	-
Net cash provided by (used in) financing activities		3 560	-
Cash flows from investing activities:			
Receipts from Funds SA		293 876	251 485
Payments to Funds SA		(627 635)	(649 811)
Net cash provided by (used in) investing activities		(333 759)	(398 326)
Net increase (decrease) in cash and cash equivalents held		7 414	(1 615)
Cash and cash equivalents at 1 July		12 864	14 479
Cash and cash equivalents at 30 June	5	20 278	12 864

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme)

The Scheme is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the Act. The Southern State Superannuation Regulations 2009 provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994.*

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme) (continued)

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1%, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5% of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.25% of salary where the member has elected to contribute less than 4.5% of salary. Where the member has elected to contribute 4.5% or more of salary, the employer must contribute at a rate of 10%.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect 'transition to retirement' or 'early access to super' whilst still an employee of the South Australian public sector or die and for those who become terminally ill or terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements forwarded to each member.

(b) South Australian Superannuation Board (the Board)

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) Funds SA

Funds SA is an SA Government entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a special deposit account with DTF established for that purpose. During the current reporting period contributions were made to a special deposit account. All employer contributions are received from SA Government entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a special deposit account established for that purpose. During the current reporting period payments were made from the special deposit account.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

New accounting standard

AASB 1056 was recently issued and becomes mandatory for the Scheme's financial statements in 2016-17. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities A portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed internal inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation at balance date was performed by an independent valuer.

(ii) Property A

The property A portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

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

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

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

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

(c) Operation of investment portfolio
Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014 Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

During the financial year all of the above investment options were available to members of the Scheme.

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

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

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(e) Receivables and payables
Contributions receivable are contributions relating to the 2013-14 financial year received by the Scheme after 30 June 2014.

Other receivables are carried at nominal amounts due that approximate fair value.

(e) Receivables and payables (continued)

Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprise the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(f) GST

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

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(g) Comparative information

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2013-14 the increase in direct investment expenses was largely attributable to:

- increased funds under management driven by strong share market performance (costs are applied on a percentage basis of funds under management)
- an increase in performance based fees paid to managers in the diversified strategies growth A and diversified strategies income asset classes. Funds SA notes that these asset classes produced solid positive returns for the year.

4. Administration expenses

	2014	2013
	$'000	$'000
Administration expenses	10 302	9 865
Other expenses	89	99
Consultancy expenses	33	-
	10 424	9 964

Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2014, the charge was $1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2014 the amount charged to members' employer contribution accounts was $12 million ($11.3 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2014, based on actual costs of administering the Scheme, amounted to $10.3 million ($9.9 million).

Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $74 800 ($72 800). No other services were provided by the Auditor-General's Department.

4. Administration expenses (continued)

Consultancy expenses are in relation to actuarial services provided by Mercer Consulting (Australia) Pty Ltd for the provision of updated certificates for the Scheme, and PricewaterhouseCoopers for the triennial review of the self-insurance arrangements.

5. Reconciliation of cash

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

	2014	2013
	$'000	$'000
Cash and cash equivalents as per Statement of Financial Position	20 278	12 864
Cash and cash equivalents as per Statement of Cash Flows	20 278	12 864

6. Contributions receivable

Contributions from members	1 378	1 200
Contributions from employers	17 044	15 099
	18 422	16 299

7. Receivables

Refund from the ATO for GST	117	97
Interest receivable	34	44
	151	141

8. Benefits payable

Benefits payable	30 444	25 792

9. Payables

Audit fees	78	91
Other payables	87	1
Contributions refundable	19	-
Transfer to Triple S operational risk reserve	-	1 500
	184	1 592

10. Net assets available to pay benefits

Funds held at 1 July	9 934 340	8 345 529
Contributions by members	136 576	106 137
Spouse contributions	963	1 058
Employer contributions	895 038	808 045
Rollovers from other schemes	199 338	177 389
Government co-contributions	1 840	5 606
Investment revenue	1 421 898	1 252 941
Other revenue	390	480
Transfer to operational risk reserve	5 180	-
	2 661 223	2 351 656
Benefits paid and payable	(886 614)	(703 777)
Direct investment expenses	(64 368)	(46 420)
Administration expenses	(10 424)	(9 964)
Payments from operational risk reserve	(121)	-
Insurance administration expenses	(2 103)	(1 184)
Transfer to Board – Triple S operational risk reserve	-	(1 500)
	(963 630)	(762 845)
Total net assets available to pay benefits	11 631 933	9 934 340

11. Allocated to members' accounts

The value of funds which have been formally allocated to member accounts equals the vested benefits as per note 17. The formal allocation of earnings to members' accounts has been determined for the 2014 year.

12. Not allocated to members' accounts

All accumulation schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

13. Death, invalidity and income protection insurance reserve

The Scheme provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An income protection insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The standard insurance benefit of two units of cover costs $1.50 per week and is compulsory for most members of the Scheme except casual employees who elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1, Schedule 3 of the repealed Southern State Superannuation Regulations 1995, and those who are special category members in terms of Regulation 28. Police officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least six units of standard insurance cover. The value of a unit of standard insurance for members up to age 34 years is $75 000. The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is an option of fixed insurance where costs increase with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1.5 million and casual employees up to $750 000.

As required by section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by $0.25 per unit per week; an expected premium subsidy of $3.3 million p.a. results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2016.

To be eligible for the income protection insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income protection payments can continue for 24 months for members employed full or part-time. Casual employees can be paid for up to 12 months.

	2014	2013
	$'000	$'000
Opening balance of the death, invalidity and income protection insurance reserve	132 197	114 142
Investment earnings on insurance reserve at 13.82%(i)	18 255	16 898
Premiums and charges	24 765	24 196
	43 020	41 094
Benefit payments:		
Invalidity	(7 091)	(6 358)
Death	(4 780)	(3 988)
Disability pensions	(12 381)	(10 005)
Administration fees(ii)	(2 103)	(1 184)
Actuarial review of insurance pool	(33)	-
Transfers to operational risk reserve	(1 500)	(1 500)
TPD legal costs	-	(4)
	(27 888)	(23 039)
Net transfer value to the death, invalidity and income protection insurance reserve	15 132	18 055
Closing balance of reserve	147 329	132 197

(i) The insurance reserve is notionally invested in the balanced option.
(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

14. Administration fee reserve

This reserve has been set aside for future Scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the Scheme during the year.

	2014	2013
	$'000	$'000
Opening balance of administration fee reserve	10 994	8 249
Investment earnings on administration fee reserve at 13.82%(i)	1 177	1 320
Premiums and charges:		
Member fees	11 952	11 279
Switching fees	6	10
	13 135	12 609

14. Administration fee reserve (continued)	2014	2013
Payments:	$'000	$'000
Administration fees(ii)	(10 302)	(9 864)
Transfer to operational risk reserve(iii)	(10 994)	-
Net transfer value to the administration fee reserve	(8 161)	2 745
Closing balance of reserve	2 833	10 994

(i) The administration fee reserve is notionally invested in the balanced option.

(ii) The amount relates to the annual service level agreement paid for administering the Scheme.

(iii) The opening balance of the reserve was transferred to contribute to the establishment of the Scheme's operational risk reserve (refer note 15).

15. Operational risk reserve

The operational risk reserve was established in the Scheme in December 2013 using existing reserves. In accordance with Prudential Standard SPS114 it is to be accumulated to 0.25% of funds under management by June 2016. It is currently 0.21% of funds under management.

	2014	2013
	$'000	$'000
Opening balance of operational risk reserve	-	-
Investment earnings on operational risk reserve at 5.88%(i)	1 010	-
Transfer to reserve(ii)	23 771	-
	24 781	-
Payments from reserve	(120)	-
Net transfer value to the reserve	24 661	-
Closing balance of reserve	24 661	-

(i) The operational risk reserve is notionally invested in the balanced option (established December 2013).

(ii) This is made up of $5.2 million transferred from the existing Triple S operational risk reserve invested with the Board, $11 million transferred from the Scheme's administration fee reserve (refer note 14), $1.5 million transferred from the Scheme's insurance reserve (refer note 13) and $6.1 million recognised from the Scheme's sundry revenue and fee surplus.

16. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2014	2013
	$'000	$'000
Liability for accrued benefits at 1 July	9 934 340	8 345 529
Increase (Decrease) in accrued benefits	2 584 207	2 292 588
Benefits paid/payable	(886 614)	(703 777)
Liability for accrued benefits at 30 June	11 631 933	9 934 340

17. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2014	2013
	$'000	$'000
Vested benefits	11 470 116	9 791 834

18. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities	2014 $'000	2013 $'000
Benefits accrued as a result of operations	2 579 148	2 292 588
Benefits paid and payable	(886 614)	(703 777)
Investment revenue	(1 421 898)	(1 252 941)
Direct investment expenses	64 368	46 420
Movements in assets/liabilities:		
Contributions receivable	(2 123)	(592)
Receivables	(10)	(87)
Payables	91	(559)
Benefits payable	4 651	15 659
Net cash provided by (used in) operating activities	337 613	396 711

19. Benefit entitlements

Benefit entitlements are specified by the Act.

20. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

(i) Currency risk (continued)

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

- foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars
- foreign currency exposures over the developed markets component of the international equities asset sector are 50% hedged to Australian dollars.

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

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

(iii) Other market price risk

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

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments, in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2014			
High growth	Nominal standard deviation	12.1	99 001
Growth	Nominal standard deviation	9.9	33 796
Balanced	Nominal standard deviation	8.6	826 760
Moderate	Nominal standard deviation	6.6	8 475
Conservative	Nominal standard deviation	4.8	14 587
Capital defensive	Nominal standard deviation	3.0	4 596
Cash	Nominal standard deviation	1.5	3 327
Socially responsible	Nominal standard deviation	10.6	4 597
Total			995 139

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
High growth	Nominal standard deviation	12.9	85 058
Growth	Nominal standard deviation	10.5	27 637
Balanced	Nominal standard deviation	9.1	737 108
Moderate	Nominal standard deviation	7.0	5 265
Conservative	Nominal standard deviation	5.0	13 283
Capital defensive	Nominal standard deviation	3.0	7 205
Cash	Nominal standard deviation	1.2	3 749
Socially responsible	Nominal standard deviation	11.1	1 803
Total			881 108

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

(c) Liquidity risk (continued)

	Less than three months $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
2014			
Benefits payable	30 444	30 444	30 444
Payables	184	184	184
Vested benefits (see below)	11 470 116	11 470 116	11 470 116
Total	11 500 744	11 500 744	11 500 744
2013			
Benefits payable	25 792	25 792	25 792
Payables	1 592	1 592	1 592
Vested benefits (see below)	9 791 834	9 791 834	9 791 834
Total	9 819 218	9 819 218	9 819 218

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

(d) Fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss (Level 1 and level 3 are not relevant to the Scheme)	Level 2 $'000
2014	
Unlisted managed investments schemes:	
Funds SA	11 623 710
	11 623 710
2013	
Unlisted managed investments schemes:	
Funds SA	9 932 420
	9 932 420

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over-the-counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

21. Related parties

Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the Board's financial statements.

Super SA Retirement Investment Fund

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15(3) of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Super SA Retirement Investment Fund (the Fund) for each financial year.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Fund's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Super SA Retirement Investment Fund as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit identified several matters requiring formal communication to the South Australian Superannuation Board. Those matters included the need to update policies and procedures and ensure that all payments are authorised in accordance with the financial delegations.

The Board advised that work has commenced on updating policies and procedures and staff will be reminded of the need to ensure that all payments are correctly authorised.

Interpretation and analysis of the financial report

The Fund comprises transactions for the Super SA Income Stream Product (the Income Stream) and the Flexible Rollover Product.

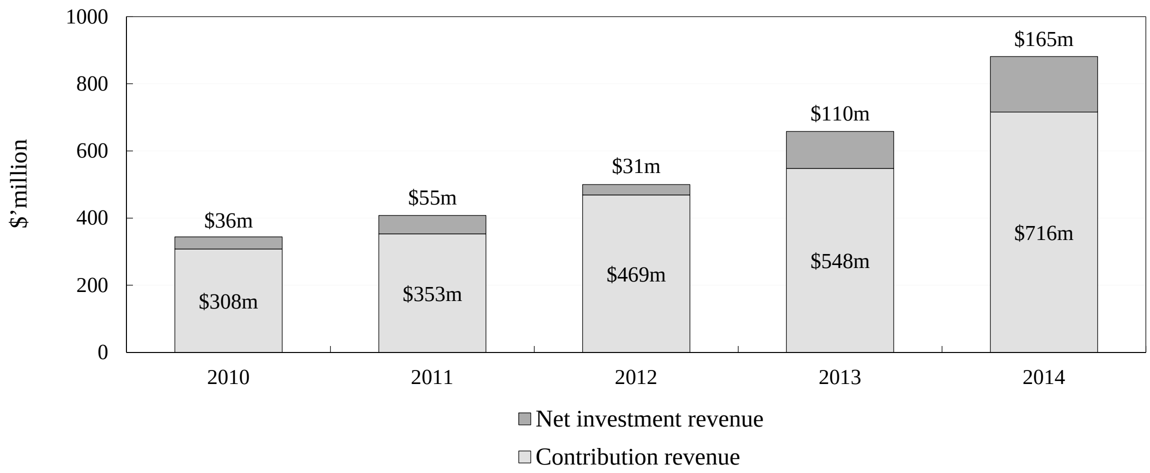
Highlights of the financial report	2014 $'million	2013 $'million
Revenue		
Investment revenue	173	115
Contribution revenue	716	548
Other revenue	3	3
Total revenue	892	666
Expenses		
Direct investment expenses	8	5
Income tax expense	59	44
Other expenses	2	1
Total expenses	69	50
Benefits accrued as a result of operations	823	616
Net cash provided by (used in) operating activities	378	289
Assets		
Investments	2 027	1 481
Other assets	22	24
Total assets	2 049	1 505
Liabilities		
Current liabilities	23	24
Non-current liabilities	2	-
Total liabilities	25	24
Net assets available to pay benefits	2 024	1 481
Liability for accrued benefits	2 024	1 481

Operating Statement

Revenue

Total revenue increased by $226 million to $892 million. The increase is predominantly due to an increase in investment revenue of $58 million and an increase in rollovers from other schemes of $144 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Fund for the five years to 2014 is presented in the following chart.

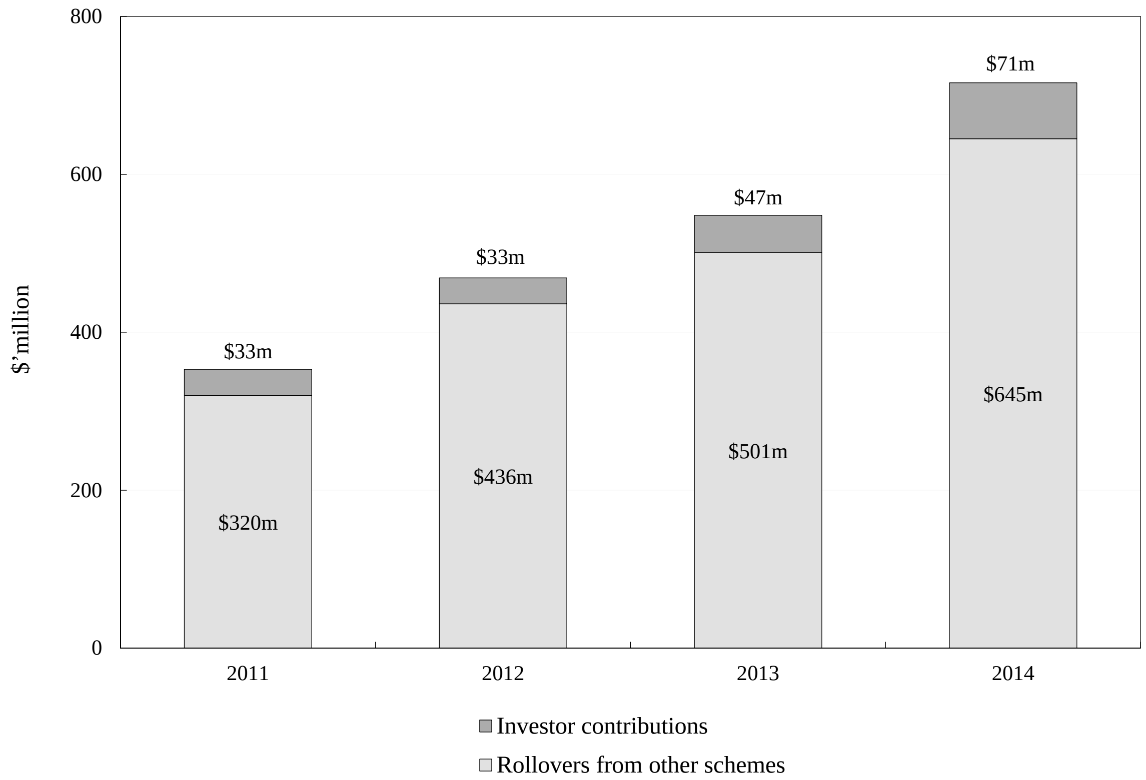


The amount of revenue from contributions has increased significantly over the last five years mainly as a result of the increase in rollovers from other schemes. Contributions are further discussed below.

The increase in the net investment revenue in 2013-14 reflects an improved return on investments. Investment returns are discussed in the commentary under ‘Superannuation Funds Management Corporation of South Australia’ elsewhere in Part B of this Report.

Contribution revenue

An analysis of contribution revenue for the four years to 2014 is presented in the following chart.



The chart indicates that the rollovers from other schemes are the dominant factor affecting contributions. These have increased significantly over the four year period in line with growth in membership.

Membership statistics for the last four years are provided in the following table.

	2014 Number	2013 Number	2012 Number	2011 Number
Flexible Rollover Product	3 668	3 168	2 793	2 434
Income Stream	5 230	4 142	3 236	2 337

Statement of Financial Position

There has been growth in investments and liability for accrued benefits over the nine years of the Fund’s operations. This is indicative of the accumulative nature of the scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	2014 $'million	2013 $'million	2012 $'million	2011 $'million
Net assets available to pay benefits	2 024	1 481	1 086	813

Statement of Cash Flows

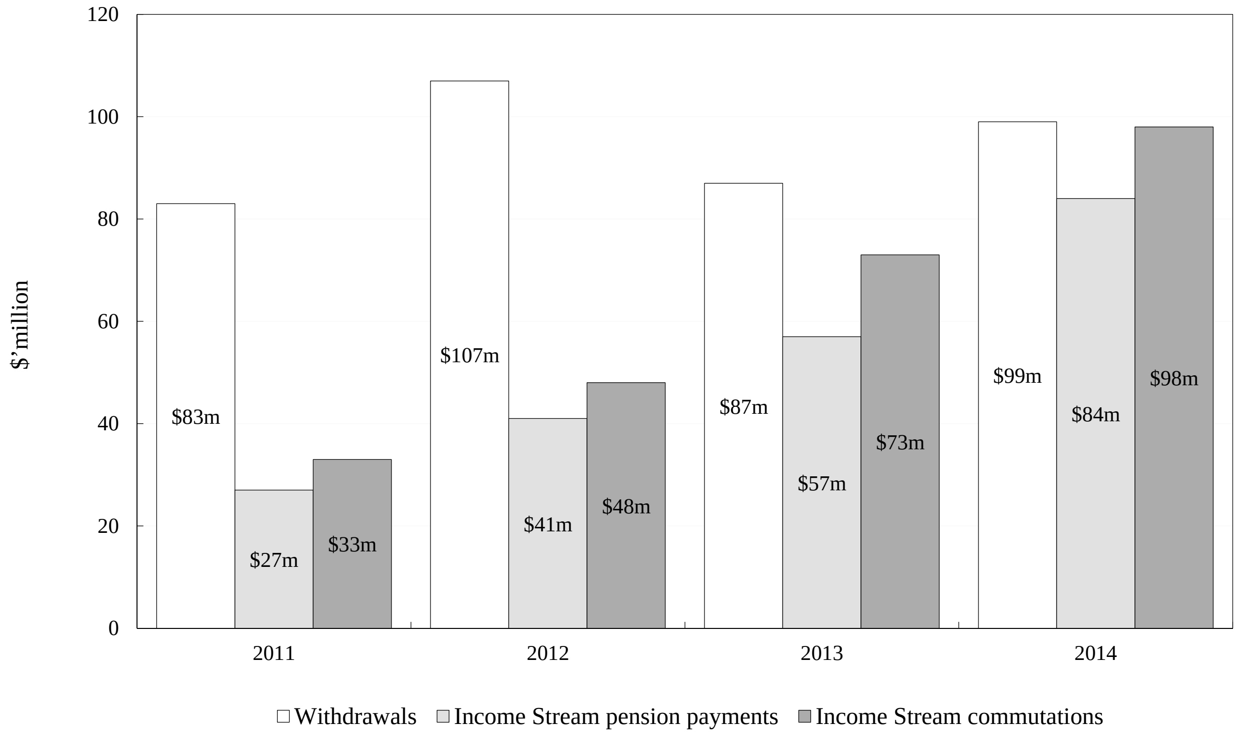
The following table summarises the net cash flows for the current and previous year.

	2014 $'million	2013 $'million
Net cash flows		
Operating	378	289
Investing	(378)	(284)
Change in cash	-	5
Cash at 30 June	22	22

The analysis of cash flows shows that the Fund maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $281 million ($218 million). The following chart analyses the major benefits paid for the four years to 2014 and shows an increasing trend. This is expected in an open scheme that was established nine years ago and is experiencing strong membership growth.



Operating Statement
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue:			
Investment revenue		172 704	115 075
Other revenue		3 243	2 652
Contribution revenue:			
Contributions by investors	1(a)	70 831	47 488
Government co-contributions		84	138
Rollovers from other schemes		645 179	500 841
Total contribution revenue		716 094	548 467
Total revenue		892 041	666 194
Expenses:			
Direct investment expenses	3	8 183	4 784
Administration expenses	4	1 916	718
Total expenses		10 099	5 502
Income tax expense	16(a),16(b)	59 173	44 417
Benefits accrued as a result of operations		822 769	616 275

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Investments:			
Inflation linked securities B		220 260	158 472
Property B		183 851	132 895
Australian equities B		331 574	214 946
International equities B		320 435	200 001
Long-term fixed interest		99 311	57 479
Short-term fixed interest		116 547	98 814
Diversified strategies growth B		75 637	52 571
Diversified strategies income		257 757	186 330
Cash		386 279	368 155
Socially responsible		35 041	11 301
Total investments		2 026 692	1 480 964
Other assets:			
Cash and cash equivalents	5	21 888	22 339
Deferred tax assets	16(d)	2	1 209
Receivables	11	114	63
		22 004	23 611
Total assets		2 048 696	1 504 575
Current liabilities:			
Benefits payable	6	6 659	7 287
Payables	12	46	36
PAYG withholding tax		77	49
Current tax liabilities	16(c)	16 071	16 487
		22 853	23 859
Non-current liabilities:			
Deferred tax liabilities	16(e)	2 191	-
		2 191	-
Total liabilities		25 044	23 859
Net assets available to pay benefits	7	2 023 652	1 480 716
Represented by:			
Liability for accrued benefits:			
Allocated to investors' accounts	8,14	2 019 583	1 475 753
Not allocated to investors' accounts	9	(1 526)	2 306
		2 018 057	1 478 059
Reserves	10	5 595	2 657
	13	2 023 652	1 480 716

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions received:			
Contributions by investors		70 833	47 487
Government co-contributions		84	138
Rollovers from other schemes		645 164	501 487
		716 081	549 112
GST recovered from the ATO		83	40
Interest revenue		643	666
Benefits paid:			
Full withdrawal		(36 996)	(35 692)
Death		(1 919)	(643)
Partial withdrawal		(59 773)	(51 201)
Income Stream pension payments		(83 771)	(57 343)
Income Stream commutations		(98 004)	(73 073)
		(280 463)	(217 952)
Administration expenses		(1 992)	(874)
Income tax expense		(56 190)	(42 173)
Net cash provided by (used in) operating activities	15	378 162	288 819
Cash flows from investing activities:			
Receipts from Funds SA		240 286	216 394
Payments to Funds SA		(618 899)	(500 560)
Net cash provided by (used in) investing activities		(378 613)	(284 166)
Net increase (decrease) in cash and cash equivalents held		(451)	4 653
Cash and cash equivalents at 1 July		22 339	17 686
Cash and cash equivalents at 30 June	5	21 888	22 339

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Super SA Retirement Investment Fund (the Fund)

The Flexible Rollover Product and the Super SA Income Stream Product (the Income Stream) were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994.*

The Fund continues in existence under section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3, Division 4 of the Southern State Superannuation Regulations 2009 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products: the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

(a) Super SA Retirement Investment Fund (the Fund) (continued)

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) The Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and section 45 of the Southern State Superannuation Regulations 2009, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and the Income Stream.

(c) Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

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

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

New accounting standard

AASB 1056 was recently issued and becomes mandatory for the Fund's financial statements in 2016-17. The Fund does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Fund have been measured at net market value as provided by Funds SA.

(i) *Inflation linked securities B*
The inflation linked securities B portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) *Property B*
Property B portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian equities B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

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

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

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) *Socially responsible*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (UUT).

The valuation is performed and supplied by the relevant fund manager.

(c) Income tax

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and the Income Stream, is subject to income tax.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15%.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

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

(e) Revenue

Superannuation rollovers and investor contributions are brought to account when received.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value.

Payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

(g) GST

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

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(h) Comparative information

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Direct investment expenses

Direct investment expenses comprise of fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

In 2013-14 the increase in investment management expenses was largely attributable to:

- increased funds under management driven by strong share market performance (costs are applied on a percentage basis of funds under management)
- an increase in performance based fees paid to managers in the diversified strategies growth and diversified strategies income asset classes. Funds SA notes that these asset classes produced solid positive returns for the year.

4. Administration expenses

	2014	2013
	$'000	$'000
Administration expenses(i)	1 882	704
Other expenses(ii)	34	14
	1 916	718

(i) Administration expenses incurred by the Board in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2014, based on actual costs of administering the Fund, amounted to $1.9 million ($704 000).

(ii) Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Fund for the reporting period totalled $29 900 ($6800). No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

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

	2014	2013
Cash and cash equivalents:	$'000	$'000
Flexible Rollover Product	6 573	7 908
Income Stream	15 315	14 431
Cash and cash equivalents as per Statement of Financial Position	21 888	22 339
Cash and cash equivalents as per Statement of Cash Flows	21 888	22 339

6. Benefits payable

	2014	2013
	$'000	$'000
Benefits payable by the Flexible Rollover Product	1 804	1 875
Benefits payable by the Income Stream	4 855	5 412
	6 659	7 287

7. Net assets available to pay benefits

(a) Income Stream

	2014	2013
Funds held at 1 July	1 014 728	716 860
Rollovers from other schemes	375 266	294 278
Internal transfers[(i)]	166 006	105 560
Investment revenue	119 978	77 945
Other revenue	2 785	2 268
	664 035	480 051
Benefits paid and payable	(181 205)	(133 392)
Direct investment expenses	(5 724)	(3 276)
Administration expenses	(990)	(528)
Internal transfers[(i)]	(37 863)	(21 641)
Income tax	(29 443)	(23 346)
	(255 225)	(182 183)
Funds held at 30 June	1 423 538	1 014 728

(b) Flexible Rollover Product

	2014	2013
Funds held at 1 July	465 988	369 575
Contributions by investors	70 251	46 541
Government co-contributions	84	138
Rollovers from other schemes	269 913	206 563
Internal transfers[(i)]	33 099	18 579
Spouse contributions	580	947
Investment revenue	52 726	37 130
Other revenue	458	384
	427 111	310 282
Benefits paid and payable	(98 628)	(88 602)
Direct investment expenses	(2 459)	(1 508)
Administration expenses	(926)	(190)
Internal transfers[(i)]	(161 242)	(102 498)
Income tax	(29 730)	(21 071)
	(292 985)	(213 869)
Funds held at 30 June	600 114	465 988
Total net assets available to pay benefits	2 023 652	1 480 716

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the products. Difference in internal transfers between the Income Stream and the Flexible Rollover Product are due to transfers within the individual schemes, usually relating to family law splits.

8. Allocated to investors' accounts

The value of funds which have been formally allocated to investor accounts equals the vested benefits as per note 14. The formal allocation of earnings to investors' accounts has been determined for the 2014 year.

9. Not allocated to investors' accounts

All accumulation schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

10. Reserves

The surplus attributable to administration fees for both the Income Stream and the Flexible Rollover Product included in funds under management was initially recognised in March 2014 as an administration reserve. The reserve is credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds. The reserve is invested in the balanced option and earnings are applied based on the unit price for that option.

10. Reserves (continued)

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an insurance reserve. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. The reserve is invested in the balanced option and earnings are applied based on the unit price for that option.

The operational risk reserves for the Income Stream and the Flexible Rollover Product were initially established at 31 December 2012 of 0.2% of funds under management. The reserves are invested in the balanced option and earnings are applied based on the unit price for that option.

As at 30 June 2014 the reserve account balances were as follows:	2014 $'000	2013 $'000
Administration reserves	1 793	-
Insurance reserve	836	-
Operational risk reserves	2 966	2 657
	5 595	2 657

11. Receivables

Refund from ATO for GST	25	9
Bank interest receivable	60	54
Overpaid commutation receivable	29	-
	114	63

12. Payables

Rollovers refundable to other schemes	12	28
BPAY contributions payable	1	-
Audit fees payable	33	8
	46	36

13. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the value of reserves and amounts not allocated to accounts.

Liability for accrued benefits at 1 July	1 480 716	1 086 435
Increase in accrued benefits	822 769	616 275
Benefits paid and payable	(279 833)	(221 994)
Liability for accrued benefits at 30 June	2 023 652	1 480 716

14. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

Vested benefits:	2014 $'000	2013 $'000
Income Stream	1 420 514	1 011 228
Flexible Rollover Product	599 069	464 525
	2 019 583	1 475 753

15. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities

Benefits accrued as a result of operations	822 769	616 275
Benefits paid and payable	(279 833)	(221 994)
Investment revenue	(172 704)	(115 075)
Direct investment expense	8 183	4 784
Investors administration fee received	(2 594)	(1 997)
Movements in assets/liabilities:		
Deferred tax assets	1 207	1 753
Receivables	(51)	661
Benefits payable	(628)	4 010
Payables	10	(111)
PAYG withholding tax	28	22
Current tax liabilities	(416)	491
Deferred tax liabilities	2 191	-
Net cash provided by (used in) operating activities	378 162	288 819

16. Income tax

	2014	2013
(a) Major components of tax expense	$'000	$'000
Current income tax:		
Current tax charge	55 679	42 823
Adjustment to current tax for prior periods	152	(100)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	3 342	1 694
Income tax expense	59 173	44 417

(b) Income tax expense		
Benefits accrued before tax	881 954	660 692
Tax applicable at the rate of 15%	132 293	99 104
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	121	9
Tax effect of income (losses) that is not assessable/deductible in determining taxable income:		
Investment revenue	(1 788)	(8 760)
Member contributions and transfers in	(48 612)	(39 270)
Exempt pension income	(18 106)	(3 502)
Tax effect of other adjustments:		
Imputation and foreign tax credits	(4 887)	(3 064)
Over provision prior period	152	(100)
Income tax expense	59 173	44 417

(c) Current tax liabilities		
Balance at 1 July	16 487	15 996
Income tax paid - current period	(39 608)	(26 336)
Income tax paid - prior periods	(16 583)	(15 838)
Current year's income tax provision	55 679	42 823
Over provision prior period	96	(158)
	16 071	16 487

(d) Deferred tax assets		
The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:		
Accrued expenses	2	-
Realised capital losses carried forward (discounted)	-	3 066
Unrealised capital losses carried forward (discounted)	-	(1 857)
	2	1 209

(e) Deferred tax liabilities		
The amount of deferred tax assets (liabilities) recognised in the Statement of Financial Position at reporting date is made up as follows:		
Realised capital losses carried forward (discounted)	(3 086)	-
Unrealised capital gains carried forward (discounted)	5 277	-
	2 191	-

17. Financial instruments

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

17. Financial instruments (continued)

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

- foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars

- foreign currency exposures over the developed markets component of the international equities asset sector are 50% hedged to Australian dollars.

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

(ii) Interest rate risk

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

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each

- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

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

(iii) Other market price risk (continued)

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

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

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

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk:

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2014			
High growth	Nominal standard deviation	11.73	8 815
Growth	Nominal standard deviation	9.58	13 429
Balanced	Nominal standard deviation	8.34	70 262
Moderate	Nominal standard deviation	6.42	17 521
Conservative	Nominal standard deviation	4.66	15 129
Capital defensive	Nominal standard deviation	2.97	4 415
Cash	Nominal standard deviation	1.42	2 679
Socially responsible	Nominal standard deviation	10.16	3 559
Total			135 809
2013			
High growth	Nominal standard deviation	12.30	6 165
Growth	Nominal standard deviation	10.08	10 084
Balanced	Nominal standard deviation	8.80	45 386
Moderate	Nominal standard deviation	6.82	10 195
Conservative	Nominal standard deviation	4.83	10 706
Capital defensive	Nominal standard deviation	2.89	5 613
Cash	Nominal standard deviation	1.16	2 781
Socially responsible	Nominal standard deviation	10.55	1 193
Total			92 123

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

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

(b) Credit risk

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

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

(b) Credit risk (continued)

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

(c) Liquidity risk

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

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

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions

- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2014	$'000	$'000	$'000
Benefits payable	6 659	6 659	6 659
Payables	46	46	46
PAYG withholding tax	77	77	77
Current tax liabilities	16 071	16 071	16 071
Vested benefits(i)	2 019 583	2 019 583	2 019 583
Total	2 042 436	2 042 436	2 042 436
2013			
Benefits payable	7 287	7 287	7 287
Payables	36	36	36
PAYG withholding tax	49	49	49
Current tax liabilities	16 487	16 487	16 487
Vested benefits(i)	1 475 753	1 475 753	1 475 753
Total	1 499 612	1 499 612	1 499 612

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

(d) Fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss (Level 1 and level 3 are not relevant to the Fund)	Level 2 $'000
2014	
Unlisted managed investment schemes:	
Funds SA	2 026 692
	2 026 692
2013	
Unlisted managed investment schemes:	
Funds SA	1 480 964
	1 480 964

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over-the-counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

18. Related parties

Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the South Australian Superannuation Board's financial report.

South Australian Tourism Commission

Functional responsibility

Establishment

The South Australian Tourism Commission (the Commission), a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*. The Commission is responsible to the Minister for Tourism.

Functions

The Commission was established to promote South Australia as a tourist destination and further develop and improve the State's tourism industry.

For more information about the Commission's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 23(3) of the *South Australian Tourism Commission Act 1993* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

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

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

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2013-14, areas of review included:

- revenue
- expenditure
- payroll
- financial accounting
- control over overseas operations
- governance.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Tourism Commission as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

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

The main matters communicated to the Commission related to:

- documenting procedures for the new leave tracker system implemented during the year
- timeliness in documenting an approval for one procurement process that was conducted under a tight timeframe.

The Commission's response detailed action taken that addressed all the matters raised.

Shared Services SA – financial systems and transaction processing environments

SSSA processes financial transactions on behalf of the Commission under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to Commission transaction processing.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Expenses		
Employee benefits expenses	11	10
Advertising and promotion	24	21
Industry assistance	7	11
Event operations	10	8
Other	9	9
Total expenses	61	59

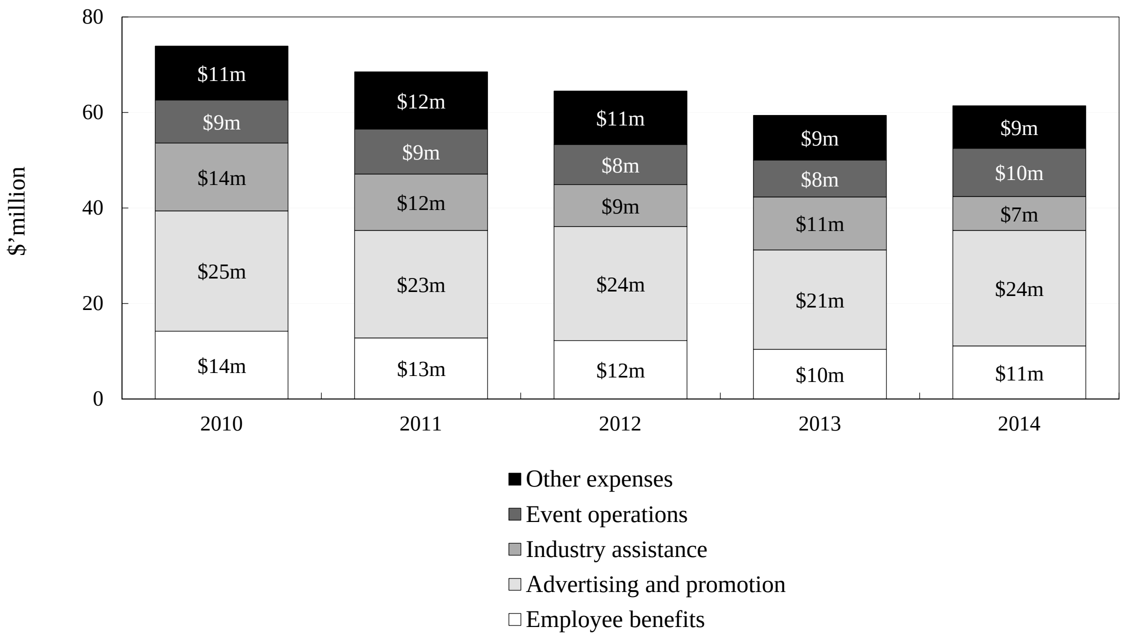
	2014 $'million	2013 $'million
Income		
Participation fees	5	4
Other	2	2
Total income	7	6
Net cost of providing services	54	53
Revenues from (Payments to) SA Government	54	52
Net result and total comprehensive result	-	(1)
Net cash provided by (used in) operating activities	(2)	-
Assets		
Current assets	3	4
Non-current assets	2	3
Total assets	5	7
Liabilities		
Current liabilities	4	6
Non-current liabilities	2	2
Total liabilities	6	8
Total equity	(1)	(1)

Statement of Comprehensive Income

The Commission is reliant on SA Government funding as its major revenue source to fund its operations. The level and timing of the Commission's financial activities vary from year to year depending on the planned mix of marketing, destination development and events supported and the extent to which specific Commission identified opportunities are funded. The main events managed by the Commission are the Tour Down Under, Christmas Pageant and Tasting Australia.

Expenses

The following chart shows a structural analysis of the main expense items for the five years to 2014.



Total expenses increased by $1.9 million to $61.4 million in 2014. Significant factors contributing to this change were:

- an increase in employee benefits expenses of $742 000 due mainly to an increase in TVSP payments of $595 000
- an increase in advertising and promotion expenses of $3.4 million, due mainly to increased consumer advertising of $2.1 million and cooperative consumer marketing of $853 000
- a decrease in industry assistance of $4 million, relating predominantly to the airline industry
- an increase in event operations expenses of $2.4 million, relating predominantly to the Tour Down Under and Tasting Australia events. The Tasting Australia event was held in 2013-14, but not in 2012-13.

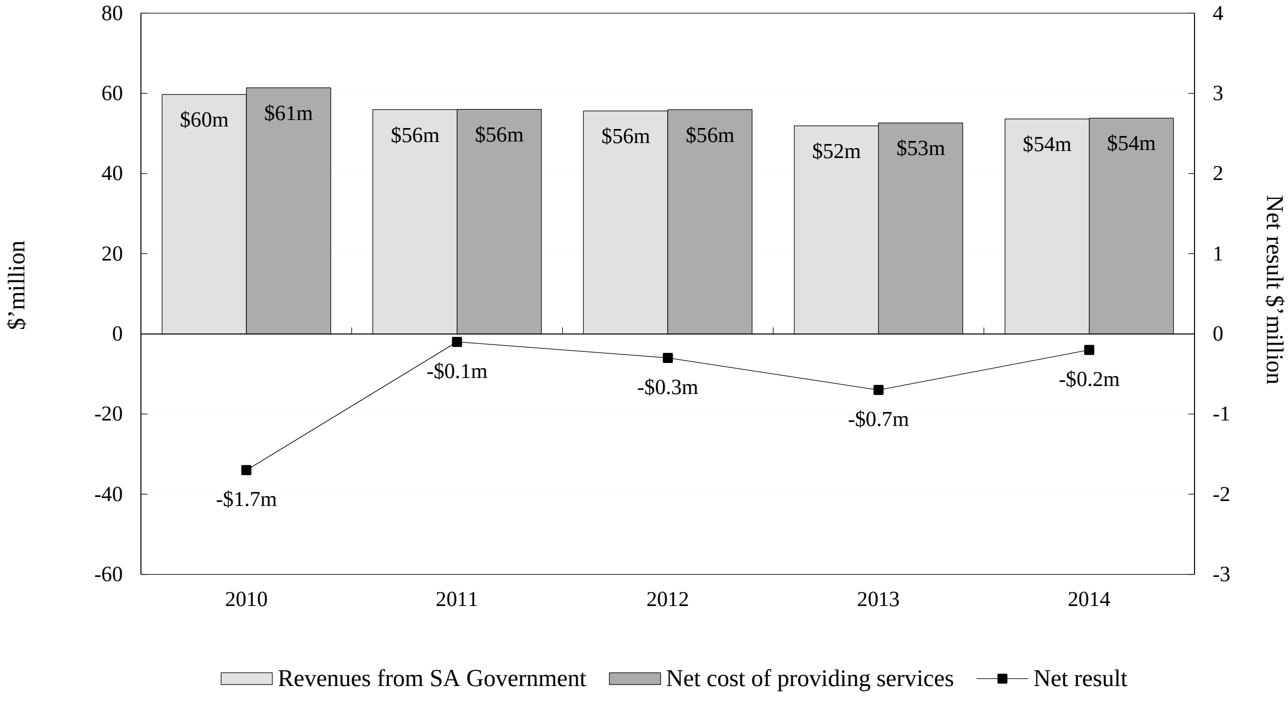
Income

Income for the year totalled $61.2 million ($58.7 million). The majority of income comprises revenue from the SA Government, which amounted to $53.6 million ($51.9 million) and represented 88% (88%) of total income.

Other income of $7.6 million ($6.8 million) predominantly consists of sponsorship revenue, $4.4 million ($3.8 million) and event entry fees, $1.1 million ($914 000) relating to events managed by the Commission.

Net result

The following chart shows the revenues from government, net cost of services and net result for the five years to 2014.



The chart indicates that funding from the SA Government covered the majority, but not all, of the net costs of services for the last five years resulting in deficits for the past five years. The cash flows over this time indicate that government funding has met the Commission's cash funding requirements.

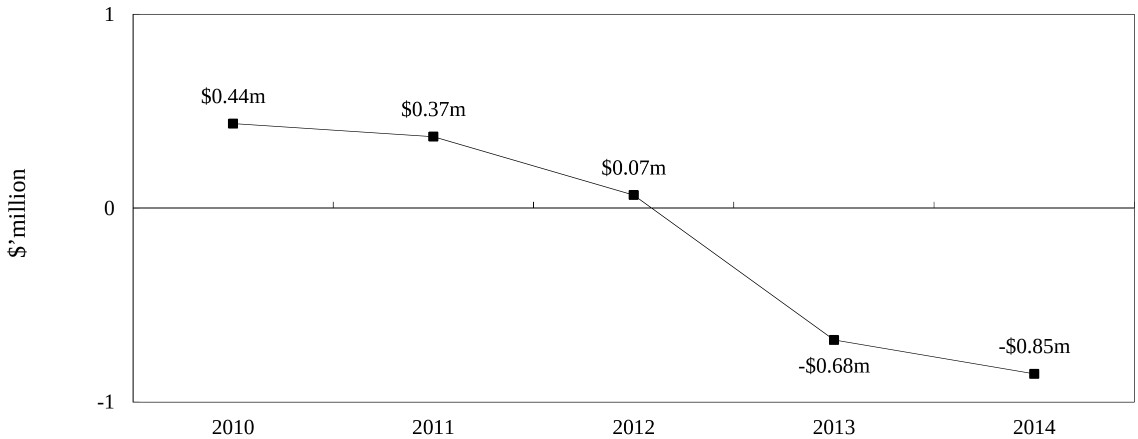
Statement of Financial Position

Current assets and liabilities

At 30 June 2014 current liabilities amounted to $3.6 million ($6.1 million), exceeding current assets of $2.6 million ($4.7 million) by $1 million ($1.4 million). While a deficiency in working capital can be of concern, the Commission has historically had sufficient cash flow, mainly through revenues from SA Government, to meet operating requirements.

Equity (net assets)

The following chart shows the equity as at 30 June for the past five years.



As discussed above the Commission has operated with a deficit over the past five years. This has resulted in a gradual reduction of the Commission's total equity (net assets), with a negative position being reported for the first time in 2012-13.

Statement of Cash Flows

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows					
Operating	(2.0)	0.5	0.6	(0.7)	0.9
Investing	(0.2)	(0.3)	(0.1)	(0.2)	(0.5)
Financing	-	-	-	(0.1)	(0.2)
Change in cash	(2.2)	0.2	0.5	(1.0)	0.2
Cash at 30 June	1.3	3.5	3.3	2.8	3.8

As discussed above the cash flow statement indicates the Commission is managing its operations within the cash revenue provided by the SA Government.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Expenses:			
Employee benefits expenses	5	11 105	10 363
Advertising and promotion	6	24 196	20 767
Industry assistance	7	7 058	11 104
Administration and accommodation	8	7 953	8 950
Event operations		10 183	7 752
Depreciation expense	9	494	511
Impairment of financial assets	10	400	-
Net loss from the disposal of non-current assets	14	1	-
Total expenses		61 390	59 447
Income:			
Participation fees	11	5 002	4 474
Entry fees, merchandise sales and commission	12	1 191	1 043
Refunds and recoups		485	595
Other income	13	953	708
Net gain from the disposal of non-current assets	14	-	6
Total income		7 631	6 826
Net cost of providing services		53 759	52 621
Revenues from (Payments to) SA Government:			
Revenues from SA Government	15	53 584	51 874
Total revenues from (payments to) SA Government		53 584	51 874
Net result		(175)	(747)
Total comprehensive result		(175)	(747)

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	16	1 287	3 452
Receivables	17	1 311	1 223
Total current assets		2 598	4 675
Non-current assets:			
Plant and equipment	18	2 059	2 412
Investments	19	-	400
Total non-current assets		2 059	2 812
Total assets		4 657	7 487
Current liabilities:			
Payables	21	2 356	4 866
Other current liabilities	22	218	154
Employee benefits	23	1 040	1 042
Provisions	24	12	12
Total current liabilities		3 626	6 074
Non-current liabilities:			
Payables	21	115	119
Other non-current liabilities	22	475	629
Employee benefits	23	1 242	1 292
Provisions	24	53	52
Total non-current liabilities		1 885	2 092
Total liabilities		5 511	8 166
Net assets		(854)	(679)
Equity:			
Contributed capital		64	64
Retained earnings		(918)	(743)
Total equity		(854)	(679)

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	25		

Statement of Changes in Equity
for the year ended 30 June 2014

	Contributed capital $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2012	64	4	68
Net result for 2012-13	-	(747)	(747)
Total comprehensive result for 2012-13	-	(747)	(747)
Balance at 30 June 2013	64	(743)	(679)
Net result for 2013-14	-	(175)	(175)
Total comprehensive result for 2013-14	-	(175)	(175)
Balance at 30 June 2014	64	(918)	(854)

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

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) $'000	2013 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(11 162)	(10 442)
Payments for supplies and services		(56 619)	(52 236)
Payments for Paid Parental Leave Scheme		(19)	(44)
Cash used in operations		(67 800)	(62 722)
Cash inflows:			
Receipts from the sale of goods and services		8 293	8 101
GST recovered from the ATO		3 881	3 151
Receipts for Paid Parental Leave Scheme		19	44
Cash generated from operations		12 193	11 296
Cash flows from SA Government:			
Receipts from SA Government		53 584	51 874
Cash generated from SA Government		53 584	51 874
Net cash provided by (used in) operating activities	28	(2 023)	448
Cash flows from investing activities:			
Cash outflows:			
Purchase of plant and equipment		(164)	(275)
Cash used in investing activities		(164)	(275)
Cash inflows:			
Proceeds from sale of plant and equipment		22	16
Cash generated from investing activities		22	16
Net cash provided by (used in) investing activities		(142)	(259)
Net increase (decrease) in cash and cash equivalents		(2 165)	189
Cash and cash equivalents at 1 July		3 452	3 263
Cash and cash equivalents at 30 June	16	1 287	3 452

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2014

(Activities - refer note 4)	1		2	
	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	2 318	2 099	2 373	2 010
Advertising and promotion	970	878	2 943	2 158
Industry assistance	3 299	5 906	2 552	3 930
Administration and accommodation	1 123	1 175	2 605	3 178
Event operations	-	-	10 170	7 752
Depreciation expense	63	71	209	210
Impairment of financial assets	66	-	98	-
Net loss from the disposal of non-current assets	-	-	1	-
Total expenses	7 839	10 129	20 951	19 238
Income:				
Participation fees	130	64	4 456	3 851
Entry fees, merchandise sales and commission	-	-	1 179	944
Refunds and recoups	70	43	148	186
Other income	-	2	659	524
Net gain (loss) from the disposal of non-current assets	-	3	-	(7)
Total income	200	112	6 442	5 498
Net cost of providing services	7 639	10 017	14 509	13 740
Revenues from (Payments to) SA Government:				
Revenues from SA Government	7 569	9 866	14 259	13 693
Total revenues from (payments to) SA Government	7 569	9 866	14 259	13 693
Net result	(70)	(151)	(250)	(47)
Total comprehensive result	(70)	(151)	(250)	(47)

(Activities - refer note 4)	3		Total	
	2014	2013	2014	2013
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	6 414	6 254	11 105	10 363
Advertising and promotion	20 283	17 731	24 196	20 767
Industry assistance	1 207	1 268	7 058	11 104
Administration and accommodation	4 225	4 597	7 953	8 950
Event operations	13	-	10 183	7 752
Depreciation expense	222	230	494	511
Impairment of financial assets	236	-	400	-
Net loss from the disposal of non-current assets	-	-	1	-
Total expenses	32 600	30 080	61 390	59 447
Income:				
Participation fees	416	559	5 002	4 474
Entry fees, merchandise sales and commission	12	99	1 191	1 043
Refunds and recoups	267	366	485	595
Other income	294	182	953	708
Net gain (loss) from the disposal of non-current assets	-	10	-	6
Total income	989	1 216	7 631	6 826
Net cost of providing services	31 611	28 864	53 759	52 621
Revenues from (Payments to) SA Government:				
Revenues from SA Government	31 756	28 315	53 584	51 874
Total revenues from (payments to) SA Government	31 756	28 315	53 584	51 874
Net result	145	(549)	(175)	(747)
Total comprehensive result	145	(549)	(175)	(747)

Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities.

A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

Notes to and forming part of the financial statements

1. Objectives of the South Australian Tourism Commission (the Commission)

Objectives

The purpose of the Commission established under the *South Australian Tourism Commission Act 1993* is to assist in securing economic and social benefits for the people of South Australia through the promotion of South Australia as a tourism destination and the further development and improvement of the State's tourism industry. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a special deposit account pursuant to section 21 of the PFAA.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Commission has applied AASs that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2014 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

  (c) employee TVSP information

(b) Basis of preparation (continued)

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) Reporting entity

The Commission is a statutory authority of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*.

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as the Commission's income, expense, assets and liabilities. As administered items are not significant in relation to the Commission's overall financial performance and position, they are disclosed in note 31. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for controlled items.

Administered items

The Commission was responsible for the operation of the South Australian Visitor and Travel Centre (SAV&TC) until 30 June 2011. The SAV&TC arranged bookings of tourism products such as accommodation, transfers and tours on behalf of tourism operators. The SAV&TC administered the collection of money from customers and forwarded payments to operators. Note 31 provides the financial details of this administered arrangement for residual carryover items.

This item is not recorded in the Statement of Comprehensive Income or the Statement of Financial Position as the Commission did not have control over these funds.

(d) Comparative information

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

Where presentation or classification of items in the financial statements has been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

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

(f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, FBT and GST.

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

(f) Taxation (continued)

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

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

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

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

(g) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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

(h) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transactions or other event.

The following are specific recognition criteria:

Contributions received

Contributions are recognised as an asset and income when the Commission obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (that is, the amount can be reliably measured and the flow of resources is probable).

Generally, the Commission has obtained control or the right to receive for:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable, that is, the earlier of when the receiving entity has formally been advised that the contribution has been approved; the agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Commission have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government

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

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Commission and the contribution is recorded as contributed equity.

Participation fees

The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees.

Entry fees, merchandise sales and commission
Income from entry fees and merchandise sales is derived in respect of events owned and managed by the Commission. Commission consists of income earned on online sales made through the Commission's website (southaustralia.com).

Other income
Other income consists of supply commissions, gain on foreign exchange and sundry income.

Net gain from the disposal of non-current assets
Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

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

The following are specific recognition criteria:

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

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

Industry assistance
For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met. All contributions paid by the Commission have been contributions with unconditional stipulations attached.

Depreciation
All non-current assets, having limited useful lives, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

Class of asset	*Useful life (years)*
General plant and equipment	3-5
Event plant and equipment	5-10
Pageant plant and equipment	3-32
Fitouts	10-11

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(j) Current and non-current classification (continued)

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Assets

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

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

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

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

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised where there is objective evidence that the Commission will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

- *Acquisition and recognition*

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

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised. All pageant floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant floats are recorded at historic cost less accumulated depreciation.

- *Revaluation of non-current assets*

  All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

  If at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

  Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluations reserve for that asset class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

- *Impairment*
  All non-current tangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the respective revaluation surplus.

- *Fair value measurement*
  AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date. The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

  Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

  Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

  Level 3: not traded in an active market and are derived from unobservable inputs.

  The valuation processes and fair value changes are reviewed by the General Manager Finance and Business Services at each reporting date.

- *Non-financial assets*
  In determining fair value, the Commission has taken into account the characteristic of the asset, such as the condition and location of the asset and any restrictions on the sale or use of the asset, and the asset's highest and best use (that is physically possible, legally permissible and financially feasible). The Commission's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commission has not identified any factors to suggest an alternative use, fair value measurement is based on current use.

  The carrying amount of non-financial assets with a fair value at the time of acquisition which was less than $1 million, or an estimated useful life that was less than three years, are deemed to approximate fair value. Refer notes 18 and 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

- *Financial assets/liabilities*
  The Commission does not recognise any financial assets or financial liabilities at fair value.

(l) Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

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

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

Employee benefits on-costs include payroll tax, workers compensation levies and superannuation contributions in respect to outstanding liabilities for salary and wages, LSL, annual leave and SERL.

(l) Liabilities (continued)

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Commission has entered into operating leases.

Operating leases

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

Lease incentives

All incentives for the operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

The lease incentive received is in the form of fitouts, and as such is capitalised as an asset and depreciated over the remaining term of the lease.

Employee benefits

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

Salaries, wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages, annual leave and SERL liability are payable later than 12 months, the liability will be measured at present value.

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

LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of services. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting periods on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Provisions

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

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

Provisions (continued)

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged by the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Commission is responsible for the payment of workers compensation claims.

(m) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

(n) Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Associated currency gains and losses, where material, are disclosed separately in notes 8 and 13 to the Statement of Comprehensive Income.

3. New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Commission has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach or the market approach to determine fair value. The Commission will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information are provided in notes 18 and 20.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the period ending 30 June 2014. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Activities of the Commission

In achieving its objective, the Commission provides a range of services classified into the following activities:

Activity 1: Tourism Development

Promote and assist tourism development, improve visitor access into and around the State, and advise industry in terms of research, policy and planning.

Activity 2: Tourism Events

Develop and grow the State's event calendar by supporting and managing events in South Australia.

Activity 3: Tourism Marketing

Develop and implement marketing strategies and campaigns to increase the number of visitors to and within South Australia.

The disaggregated disclosures schedule presents expenses and income information attributable to each of the activities for the years ended 30 June 2014 and 30 June 2013. Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities. A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

5. Employee benefits expenses

	2014	2013
	$'000	$'000
Salaries and wages	8 004	8 055
TVSPs (refer below)	661	66
LSL	253	147
Annual leave	681	624
SERL	16	16
Employment on-costs - superannuation	820	797
Employment on-costs - other	502	494
Board fees	168	164
Total employee benefits expenses	11 105	10 363

TVSPs

	2014	2013
Amount paid to 30 June to separated employees:		
TVSPs	661	66
Annual leave and LSL paid to those employees	229	16
Recovery from DTF	661	104
Net cost to the Commission	229	(22)

The number of employees who received a TVSP during the reporting period was 5 (1).

Remuneration of employees	2014	2013
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$141 500 - $151 499	2	1
$151 500 - $161 499	-	2
$161 500 - $171 499	1	-
$171 500 - $181 499	1	-
$181 500 - $191 499	-	2
$191 500 - $201 499	4	1
$241 500 - $251 499	-	1
$271 500 - $281 499	2	-
$321 500 - $331 499	1	-
Total	11	7

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment and includes salaries and wages, termination payments, TVSPs, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $2.298 million ($1.275 million).

6. Advertising and promotion

	2014	2013
	$'000	$'000
Consumer advertising	9 447	7 348
Cooperative consumer marketing	3 893	3 040
Familiarisations	1 573	1 523
Other consumer marketing	124	205
Production	4 253	4 363
Marketing research	887	804
Trade marketing	931	1 012
Other advertising and promotion	3 088	2 472
Total advertising and promotion	24 196	20 767

7. Industry assistance

Sponsorship of events	2 950	4 474
Tourism infrastructure grants	1 176	1 568
Tourism marketing boards/information centre grants	20	605
Marketing/Industry support	2 872	4 399
Trade show subsidies/membership of tourism industry bodies	40	58
Total industry assistance	7 058	11 104

8. Administration and accommodation

	2014 $'000	2013 $'000
Communication and computing	2 006	1 916
Stationery, postage, couriers and freight	127	152
Contractors and consultants	1 540	1 884
Motor vehicles, taxis and car parking	355	497
Domestic and international travel	611	654
Seminars, courses and training	153	185
Accommodation and service costs	2 187	2 125
Bad debts and allowances for doubtful debts	-	30
Loss on foreign exchange	81	12
Insurance	212	204
Audit, legal and other fees	343	469
Other	338	822
Total administration and accommodation	7 953	8 950

Consultants

The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands:	2014 Number	2014 $'000	2013 Number	2013 $'000
Below $10 000	-	-	1	6
$10 000 - $50 000	2	40	1	16
Total paid/payable to consultants engaged	2	40	2	22

9. Depreciation expense

	2014 $'000	2013 $'000
General plant and equipment	88	88
Events plant and equipment	13	23
Pageant plant and equipment	116	123
Fitouts	277	277
Total depreciation expense	494	511

Revision of accounting estimates

During the year, the Commission reassessed the useful lives of its pageant plant and equipment, resulting in an increase in some of the estimated useful lives. This has resulted in a decrease of $4000 in the amount of depreciation calculated on these assets in the 2013-14 financial year relative to the amount that would have been expensed based on the previous estimate of useful lives. The lower depreciation expense will also be reflected in future years.

10. Impairment of financial assets

	2014 $'000	2013 $'000
Impairment of investments	400	-
Total impairment of financial assets	400	-

11. Participation fees

Cooperative marketing/advertising	353	237
Sponsorship revenue	4 370	3 832
Trade/Consumer show participation/workshops/training	128	148
In-kind revenue	151	257
Total participation fees	5 002	4 474

12. Entry fees, merchandise sales and commission

Event entry fees	1 138	914
Sale of merchandise	48	37
Commission on sales	5	92
Total entry fees, merchandise sales and commission	1 191	1 043

13. Other income

Service fees and supply commissions	229	193
Gain on foreign exchange	282	122
Sundry income	442	393
Total other income	953	708

14. Net gain (loss) from the disposal of non-current assets

	2014 $'000	2013 $'000
Plant and equipment:		
Proceeds from disposal	22	16
Net book value of assets disposed	(23)	(10)
Total net gain (loss) from the disposal of non-current assets	(1)	6

15. Revenues from SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	52 884	50 947
Other revenues from SA Government	700	927
Total revenues from SA Government	53 584	51 874

Total revenues from SA Government consist of $53.444 million ($51.737 million) of operational funding and $140 000 ($137 000) for capital purposes. For details on the expenditure associated with the operational and capital funding received refer notes 5 to 10 and note 18. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to the Commission under the annual *Appropriation Act* was $50.515 million. An additional $700 000 was received from the Treasurer via the Governor's Appropriation Fund.

16. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash on hand	3	3
Cash at bank	621	3 424
Deposits with the Treasurer	663	25
Total cash and cash equivalents	1 287	3 452

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use. That is, funds can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

Cash on hand and at bank is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

17. Receivables

	2014 $'000	2013 $'000
Current:		
Receivables	448	508
Allowance for doubtful debts	-	-
	448	508
GST input tax recoverable	370	642
Accrued revenue	1	8
Prepayments	492	65
Total receivables	1 311	1 223

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss would be recognised under administration and accommodation in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2014 $'000	2013 $'000
Carrying amount at 1 July	-	44
Increase in the allowance	-	30
Amounts written off	-	(74)
Carrying amount at 30 June	-	-

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Interest rate and credit risk (continued)

(a) Maturity analysis of receivables - refer note 30.

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

18. Plant and equipment

	2014	2013
General, events and pageant plant and equipment:	$'000	$'000
Plant and equipment at cost (deemed fair value)	2 449	2 452
Accumulated depreciation	1 477	1 404
Total general, events and pageant plant and equipment	972	1 048
Fitouts:		
Fitouts at cost (deemed fair value)	2 809	2 809
Accumulated depreciation	1 722	1 445
Total fitouts	1 087	1 364
Total plant and equipment	2 059	2 412

Valuation of fitouts

The valuation of the fitout of the Commission's leased office accommodation was assessed by management as at 30 June 2014 via internal estimates based on indices or recent transactions, considering the need for ongoing provision of government services. The Commission has determined that there is no material difference between the carrying amount of the fitouts valued at cost (deemed fair value) and replacement cost less accumulated depreciation.

Carrying amount of plant and equipment

All items of plant and equipment which had a fair value at the time of acquisition that was less than $1 million or an estimated useful life less than three years have not been revalued in accordance with APF III. The carrying values of these items are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Plant and equipment includes $396 000 ($476 000) of fully depreciated plant and equipment still in use.

Impairment

There were no indications of impairment of plant and equipment at 30 June 2014.

Reconciliation of non-current assets

The following table shows the movement of non-current assets:

	General plant and equipment	Events plant and equipment	Pageant plant and equipment	Fitouts	Total
2014	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	200	46	802	1 364	2 412
Additions	-	-	164	-	164
Disposals	-	(18)	(5)	-	(23)
Depreciation	(88)	(13)	(116)	(277)	(494)
Carrying amount at 30 June	112	15	845	1 087	2 059
2013					
Carrying amount at 1 July	231	69	717	1 641	2 658
Additions	67	-	208	-	275
Disposals	(10)	-	-	-	(10)
Depreciation	(88)	(23)	(123)	(277)	(511)
Carrying amount at 30 June	200	46	802	1 364	2 412

19. Investments

	2014	2013
	$'000	$'000
Investments at cost	400	400
Impairment of investments	(400)	-
Total investments	-	400

The Australian Tourism Data Warehouse Pty Ltd (ATDW) is an Australian proprietary company limited by shares, jointly owned by all state and territory tourism authorities and Tourism Australia. The ATDW is a central content and distribution platform for the Australian tourism industry. Paragraph 10 of the Shareholders Agreement restricts the disposal of shares to other shareholders only. Therefore there is no active market for shares, and in practical terms the shares cannot be sold as the majority of other shareholders value their investment at zero.

19. Investments (continued)

Consequently, the Commission's investment has been impaired to zero. The Commission's shareholding of 400 000 D Class shares does not give the Commission controlling interest in ATDW.

20. Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commission categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Commission had no valuations categorised into level 1 or level 2.

2014	Level 3
Recurring fair value measurements:	$'000
General, events and pageant plant and equipment	972
Fitouts	1 087
Total recurring fair value measurements	2 059

As permitted by the transition provisions of AASB 13, comparative information for non-financial assets has not been provided. There were no movements in fair value measurements beyond those disclosed in note 18.

Valuation techniques and inputs

Valuation techniques used to derive level 3 fair values are at note 18. There were no changes in valuation techniques during 2014.

21. Payables

Payables	2014	2013
Current:	$'000	$'000
Creditors	219	1 544
Accrued expenses	1 961	3 146
Employment on-costs	176	176
Total current payables	2 356	4 866
Non-current:		
Employment on-costs	115	119
Total non-current payables	115	119
Total payables	2 471	4 985

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40%. The average factor for the calculation of employer superannuation contribution on-cost has increased from 10.2% (2013) to 10.3% (2014). These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is an increase in the employment on-cost of $1000. The estimated impact on 2015 and 2016 is $1000 and $1000 respectively.

Interest rate and credit risk

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

(a) Maturity analysis of payables - refer note 30.
(b) Categorisation of financial instruments and risk exposure information - refer note 30.

22. Other liabilities

Other liabilities	2014	2013
Current:	$'000	$'000
Lease incentive	154	154
Foreign exchange forward contracts	64	-
Total current other liabilities	218	154
Non-current:		
Lease incentive	475	629
Total non-current other liabilities	475	629
Total other liabilities	693	783

22. Other liabilities (continued)

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

23. Employee benefits

	2014	2013
Current:	$'000	$'000
Annual leave	603	598
LSL	289	281
SERL	19	16
Accrued salaries and wages	129	147
Total current employee benefits	1 040	1 042
Non-current:		
LSL	1 242	1 292
Total non-current employee benefits	1 242	1 292
Total employee benefits	2 282	2 334

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 3.75% (2013) to 3.5% (2014). This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

The net financial effect of the change in the bond rate in the current financial year is an increase in the LSL liability of $34 000, employment on-costs payables of $4000 and employee benefits expenses of $38 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions, of which a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

24. Provisions

	2014	2013
Current:	$'000	$'000
Provision for workers compensation	12	12
Total current provisions	12	12
Non-current:		
Provision for workers compensation	53	52
Total non-current provisions	53	52
Total provisions	65	64
Carrying amount at 1 July	64	74
Additional provisions recognised	10	9
Reductions arising from payments/other sacrifice of future economic benefits	-	2
Reductions resulting from re-measurement or settlement without cost	(9)	(21)
Carrying amount at 30 June	65	64

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

25. Unrecognised contractual commitments

(a) Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2014 $'000	2013 $'000
Within one year	1 608	1 597
Later than one year but not longer than five years	4 827	6 265
Later than five years	-	181
Total operating lease commitments	6 435	8 043

The Commission's operating leases are for office accommodation and warehousing. These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable monthly in advance.

(b)	***Other commitments***	2014	2013
		$'000	$'000
	Within one year	15 112	14 682
	Later than one year but not longer than five years	9 087	14 752
	Later than five years	-	1 250
	Total other commitments	24 199	30 684

The Commission's other commitments are for agreements for international marketing representation, tourism development projects, event sponsorship and other cooperative and service contracts. There are no purchase options available to the Commission.

(c)	***Remuneration commitments***	2014	2013
	Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
	Within one year	5 615	5 580
	Later than one year but not longer than five years	7 386	2 854
	Total remuneration commitments	13 001	8 434

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

26. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	112	102

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of audit, legal and other fees in note 8.

27. Remuneration of board members

Members of the Board during the 2013-14 financial year were:

South Australian Tourism Commission Board

A Bullock	I Horne
J Jeffreys	L Tuit
M Tilley (retired 30 September 2013)	B Hayes
J Irving	J Turbill
M Young (appointed 1 October 2013)	K Lloyd

The number of members whose total remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
$0 - $9 999	1	-
$10 000 - $19 999	8	8
$20 000 - $29 999	1	1
Total	10	9

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits, and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was $184 000 ($179 000). Amounts paid to a superannuation plan for board members totalled $16 000 ($15 000).

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

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

28. Cash flow reconciliation

	2014	2013
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 287	3 452
Balance as per the Statement of Cash Flows	1 287	3 452
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	(2 023)	448
Revenues from SA Government	(53 584)	(51 874)
Non-cash items:		
Depreciation expense	(494)	(511)
Impairment of financial assets	(400)	-
Net gain (loss) from disposal of non-current assets	(1)	6
Movements in assets/liabilities:		
Receivables	88	(341)
Employee benefits	52	45
Provisions	(1)	10
Other liabilities	90	169
Payables	2 514	(573)
Net cost of providing services	(53 759)	(52 621)

29. Transactions with SA Government

The following table discloses revenue, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature:

	SA Government	
	2014	2013
Expenses	$'000	$'000
Employee benefits expenses	1 321	1 288
Advertising and promotion	33	82
Industry assistance	424	639
Administration and accommodation	1 808	2 081
Event operations	330	270
Total expenses	3 916	4 360
Income		
Participation fees	364	327
Refunds and recoups	74	20
Total income	438	347
Net cost of providing services	3 478	4 013
Revenues from SA Government		
Revenues from SA Government	53 584	51 874
Total revenues from SA Government	53 584	51 874
Net result	50 106	47 861
Total comprehensive result	50 106	47 861
Financial assets		
Receivables	19	13
Total financial assets	19	13
Financial liabilities		
Payables:		
Creditors	-	17
Accrued expenses	168	141
Employment on-costs	289	292
Total financial liabilities	457	450

30. Financial instruments/Financial risk management

30.1 Categorisation of financial instruments

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

30.1 Categorisation of financial instruments (continued)

		Carrying amount 2014	2013
Financial assets	Note	$'000	$'000
Cash and cash equivalents:			
Cash and cash equivalents	16,28	1 287	3 452
Loans and receivables:			
Receivables[(1)(2)]	17	430	503
Held-to-maturity investments:			
Shares	19	-	400
Total financial assets		1 717	4 355
Financial liabilities			
Financial liabilities at cost:			
Payables[(1)]	21	2 012	4 532
Other current liabilities	22	64	-
Total financial liabilities		2 076	4 532

(1) Receivables and payables amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax and audit receivables/payables they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Commission does not recognise any financial assets or financial liabilities at fair value. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The carrying amount of financial assets as detailed in note 30.1 represents the Commission's maximum exposure to credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

30.2 Ageing analysis of financial assets

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

	Past due by			
	Less than 30 days	30-60 days	More than 60 days	Total
2014	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[(1)]	61	12	112	185
Impaired:				
Receivables	-	-	-	-

30.2 Ageing analysis of financial assets (continued)

2013	Past due by Less than 30 days	30-60 days	More than 60 days	Total
Not impaired:	$'000	$'000	$'000	$'000
Receivables[(1)]	2	1	263	266
Impaired:				
Receivables	-	-	-	-

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Maturity analysis of financial assets and financial liabilities

The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year.

Liquidity risk

Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriation by the SA Government. The Commission works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days from the date of resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in note 30.1 represents the Commission's maximum exposure to financial liabilities.

Market risk

The Commission does not engage in high risk hedging for its financial assets. To manage exchange risk for 2014-15, as at 30 June 2014 the Commission had in place 11 (14) foreign exchange forward contracts totalling $5.412 million ($4.671 million). In 2013-14 the Commission had 15 (27) foreign exchange forward contracts mature totalling $5.421 million ($4.853 million). The forward contracts are to cover commitments denominated in foreign currencies, including for the payment of representation fees, event participation fees and marketing activity in overseas offices. As with all hedges there are financial risks. Cash flows from foreign exchange forward contracts in 2013-14 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 8 and as gains in note 13.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk and exchange risk of the Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates and exchange is immaterial.

Credit standby arrangements

The Commission has a $283 000 ($283 000) purchasing card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2014 was $231 000 ($199 000).

31. Disclosure of administered items - South Australian Visitor and Travel Centre

	2014	2013
Administered expenses:	$'000	$'000
Commissions paid	-	83
Expenditure to tourism operators	15	466
Total administered expenses	15	549
Administered income:		
Gross sales revenue	-	549
Total administered income	-	549
Administered assets:		
Cash and cash equivalents	-	15
Total administered assets	-	15
Administered liabilities:		
Payables	-	15
Total administered liabilities	-	15

South Australian Water Corporation

Functional responsibility

Establishment

The South Australian Water Corporation (SA Water) was established pursuant to the *South Australian Water Corporation Act 1994*. SA Water is responsible to the Minister for Water and the River Murray.

Functions

The primary functions of SA Water, in accordance with the *South Australian Water Corporation Act 1994*, are to provide services for the:

- supply of water by means of reticulated systems
- storage, treatment and supply of bulk water
- removal and treatment of wastewater by means of sewerage systems.

The PCA applies to SA Water and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with SA Water.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 32(4) of the PCA provide for the Auditor-General to audit the accounts of SA Water in respect of each financial year.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. During 2013-14, specific areas of audit attention included:

- revenue raising, collection, receipting and banking
- procurement and contract management
- operating and capital expenditure
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowing and finance leases.

The work of internal audit was considered in planning and conducting the audit program.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of SA Water. The main matters raised with SA Water and the related responses are detailed below.

Adelaide Services Alliance contract (the Alliance contract)

Background

The Alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for SA Water to extend the contract for a further six years in 12 monthly increments. The current annual value of the contract is in the order of $90-$100 million.

The Alliance contract entered into by SA Water is designed to allow the sharing of responsibility for the management of the operations and maintenance activities through an external alliance with a contractor (Allwater). The alliance model is a more complex and integrated arrangement than would be experienced under standard type contract arrangements.

The Alliance contract prescribes several key management principles including the establishment of several joint management structures to manage the alliance. The key joint management groups include the Alliance Leadership Team and Alliance Management Team, which include senior personnel from SA Water and Allwater.

In addition, SA Water has established the Alliance Management Committee (AMC) to provide oversight, from a client perspective, that the level of governance, objectives and scope set for the alliance are aligned to SA Water's strategy, are in SA Water's commercial interests, represent the overall best value option to SA Water and are adequate to satisfy SA Water's governance requirements. The AMC is also a reference point for changes to the Alliance contract. The AMC role includes reviewing and approving the Alliance contract management framework (CMF) under which the Contract Operations team administers the contract and guides the AMC's ongoing review of the alliance.

Consultant's review

SA Water engaged a consultant to perform a comparative analysis of the Alliance contract model to the previous model. The consultant reported in November 2013 and found that, from a qualitative and quantitative perspective, the new contracting model appears to be performing well in comparison to the old model, and that the costs appear lower than estimated to be incurred had the old model continued uninterrupted.

The report also noted that the first two years of the contract has been a period of considerable change. As a result, the journey to this point in time has not been entirely smooth and there remain a number of ongoing issues and risks.

The report recommendations covered various elements of contract governance, culture development and process enhancement and included recommendations relating to:

- objective measurement of performance of the alliance
- tracking progress against the business case objectives
- establishing an independent owners representative responsible for the delivery of services under the alliance
- monitoring of contract variations
- interfaces between Allwater and SA Water for IT systems and people
- roles, responsibilities and feedback mechanisms for SA Water staff embedded in the alliance
- assessing work performed against the budget.

In May 2014 the Board received an update on SA Water's response to these recommendations. This indicated that SA Water has been continuing to evolve its management and oversight of the Alliance contract and has been particularly conscious of impacts on the alliance as a result of the organisational restructure and the continual review of SA Water's strategy. Developments noted included:

- reviewing and approving terms of reference for the AMC and establishing that body as the oversight body representing the interests of SA Water as the client/owner
- scheduling the further development of the CMF to provide a more specific set of guidelines for what SA Water believes is the appropriate criteria for assessing value for money
- initiating several tasks to ensure that there is clarity around roles and responsibilities of key stakeholders
- plans to review the accountabilities and formalise the expectations and roles of SA Water staff embedded in the alliance
- scheduling a review of the strategic objectives of the contract to ensure they are consistent and relevant to SA Water's current corporate strategic objectives
- clarifying the accountability for administering the Alliance contract and the AMC
- commencing a review of the overarching IT strategy in relation to systems integration with the alliance and future technology investment options.

Audit observations

Audit noted the AMC terms of reference were drafted in March 2013 and approved in April 2014 and that the CMF was first approved in April 2014. It was also noted that SA Water has been undergoing a business transformation process, which has impacted key management personnel and structure relating to the management of the Alliance contract.

Audit noted that documentation of the CMF and relevant supporting guidance could be improved. Examples noted included the extent of documentation and guidance on how SA Water:

- considers, addresses, monitors and reports on compliance with Alliance contract provisions
- identifies, manages, monitors and reports on SA Water's risks associated with the Alliance contract
- gains assurance that performance indicators reported by the contractor are complete and accurate
- ensures that the budget provided by the contractor and approved by SA Water is appropriate
- uses the independent external audit regime to monitor the contractor's compliance with the Alliance contract.

Other matters noted were:

- at the time of review the external audit reports used to gain assurance on the validity and accuracy of invoices were not available for 2013-14
- it was not clear how the independence of officers embedded in the alliance was maintained and how they reported to SA Water. This was also noted by the aforementioned consultant's comparative analysis.

Audit comment

The Alliance contract is complex, long-term and significant to SA Water's operations. The Alliance contract is a form of contractual arrangement that provides a greater transparency for SA Water into the alliance contractor's charging, finances and operations and includes a number of important governance regimes (eg Alliance Leadership Team, Alliance Management Team). Notwithstanding these governance arrangements SA Water is purchasing services and it is therefore important for SA Water to ensure a structured, detailed and complete contract management regime is documented, maintained and used to address the contractual, operational and financial risks to SA Water over the life of the contract.

The transition from the previous provider to the Alliance contract, together with the business transformation process, have impacted the progress in completing documentation to support the contract management process.

SA Water has established internal mechanisms to assist in the management of the contract and has initiated a review of the Alliance contract model compared to the previous model. This review indicated benefits with the Alliance contract model and also suggested a number of improvements. Audit review also indicated the documentation and processes supporting the CMF required improvement.

SA Water response

SA Water's response indicated that the CMF is a focus for 2014-15. A major revision is expected to be approved before the end of the year and work has commenced to address specific CMF items raised by the various reviews. The response provided action taken and planned for contract compliance, performance indicators, budget, internal audit and the strategy for embedded employees.

The response also provided an update on the external audits on the validity and accuracy of invoices and indicated that the reviews were in the final stages of completion.

Progress of developments in this area will be a matter of continued focus during the 2014-15 audit.

Adelaide Desalination Plant (ADP) contract management

In 2012-13 Audit noted that the contract management framework (CMF) addressing the operations and maintenance (O&M) contract and renewable energy (energy) contract was in draft format, and detailed procedures and contract management schedules (checklists) to support the timing and conduct of the contract management activities were still being developed. These observations were communicated to SA Water in a letter. In response, SA Water indicated that the CMF for the O&M and energy contracts would be formally issued by December 2013.

In 2013-14 Audit follow-up noted that a CMF for the O&M and energy contracts came into use in December 2013. Some opportunities for improvement noted by Audit related to updating the CMF to document responsibilities and timing for reviewing contract risks, and reviewing documentation and controls to ensure that contributions received from SA Power Networks for the use of electricity assets funded by SA Water are complete and accurate.

SA Water's response indicated a further review of the risks was conducted in April and May 2014 with the CMF being reviewed and updated.

Expenditure

Areas identified where internal controls over accounts payable could be improved included the following:

- Scheduled quarterly reviews of delegations and application access levels in Ellipse were not conducted for two quarters. Further, for one quarter conducted some users were omitted from the review.
- Evidencing of some controls performed was not adequately documented.
- In certain specific circumstances Ellipse may allow a contract invoice to be authorised for payment by officers with insufficient delegation to cover the total invoice amount.
- There were some gaps in the review of CommBiz user access.

SA Water's response detailed action taken and planned to address all the matters raised.

Payroll

Previous audits found there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. Since the last audit, SA Water has implemented an electronic timesheet system (Timewise), which has significantly improved controls to ensure that office employee leave adjustments are recorded in the payroll system and that time worked is appropriately approved.

The current year's payroll audit identified some areas for improvement. These mainly related to following up unapproved timesheets on a regular basis, reconciliations between Timewise and the payroll system, and the regular review of bona fide reports.

SA Water's response detailed action taken and planned to address all the matters raised.

Revenue

The audit identified some areas for improvement. The main observations related to:

- reviewing the control environment for processing revenue through CAMS with a view to clarifying and documenting the internal control procedures and responsibilities
- regularity and evidencing of some CAMS general ledger reconciliations
- introducing controls to ensure free assets are accurately and completely recorded

- reviewing the number of Ellipse accounts receivable users and their level of access.

SA Water's response detailed action taken and planned to address all the matters raised.

Procurement practice and management

An important element of SA Water's control over procurement and contract management practices is the Procurement Quality Management Framework, which establishes the requirement for various internal compliance audits to be undertaken by an independent procurement specialist. The scope of internal compliance audits was expanded to incorporate contract management at the beginning of 2013-14.

Audit review of the operation of the compliance element of the Procurement Quality Management Framework identified some areas for improvement including refining the scope of audit programs to include assessment of contract variations, appropriate approval of the contract management plan and the security of the tender box.

SA Water's response indicated that Audit's suggested areas for improvement in the scope of the audit programs will be implemented.

Other areas

Other matters raised included:

- a contract management plan was not prepared for the Alinta (electricity) contract
- management and monitoring of general ledger reconciliations could be improved
- the number of officers with access to post manual journals and make changes to the chart of accounts to the general ledger could be further restricted.

SA Water's response detailed action taken and planned to address all the matters raised.

Information and communications technology and control

Internal audit reviews

An internal review completed in late 2013 examined aspects of security access management for three significant financial systems of SA Water.

The internal review identified a number of issues, including an excessive number of administrative accounts, segregation of duties conflicts, and the need for improvements in the area of security policy and procedures and system documentation. It was also identified that periodic reviews should be undertaken of user access and that logging needed to be activated.

In response to these findings SA Water indicated that certain issues had been remediated and most of the remaining matters would be actioned by September 2014.

An internal audit review was also completed in June 2014 on IT disaster recovery management. While the review identified developments in a number of areas, there was still significant work to complete documented recovery plans and test SA Water's capability to restore all critical systems within their identified recovery time objective.

SA Water has targeted actions to address the issues by December 2014 through to June 2015.

Audit reviews

In 2013-14 Audit completed reviews covering overall ICT management arrangements, network user access and a follow-up review for telecommunications management.

ICT management and control arrangements

Audit completed a high level review of the ICT management arrangements. During this review, SA Water's organisational structure, which included IT, was undergoing change.

The review noted that SA Water had strengthened certain aspects of ICT governance through the establishment of committees and the development of various policies and procedures. Notwithstanding this, there were a number of issues that required attention and reflected certain matters identified in the internal audit reviews. These matters included:

- establishment of data management plans for key systems
- development of an annual self-assessment methodology for business units to assess compliance against the information security policy and the completion of the data management policy
- implementation of detailed procedures for physical and environmental security, management of security incidents and third party security. The absence of these procedures also meant that key performance indicators relating to information security could not be established to assist in ongoing monitoring efforts
- consolidation of information asset registers and standardisation of data classifications
- endorsement of the business continuity management policy with some business continuity plans and disaster recovery plans to be completed.

SA Water responded to the findings and advised:

- a single data management plan had been completed and work was in progress to finish plans for other key systems by the end of 2014
- a self-assessment would be completed by the end of 2014 and supporting tools to assist in the process would be in place by June 2015
- continuing identification of procedural gaps concerning information security was occurring. This was expected to be completed by June 2015. Information security related key performance indicators would be in place by the end of 2014
- consolidation of information asset registers and standardisation of data classifications would be completed by the end of 2014
- the business continuity management policy would be endorsed by the end of 2014 and the development of certain plans would occur over a three year period leading into 2015-16.

Network user access

Audit completed a network access review of SA Water's network. This review identified some areas where internal controls could be improved. These included documenting and improving the review processes relating to privilege access and improving the identification and timely removal of inactive accounts.

The Corporation advised that certain action would be taken to improve these controls. This included increasing the review of privileged accounts and the development/update of supporting procedural documentation. It was also communicated that improvements would be made to the automated process that disables network access through updating SA Water's human resource management system. Audit was advised that first pass remediation would be complete by end of 2014 and for certain action items remediation/review would be ongoing.

Telecommunications management – a follow-up review

The 2010-11 Report included the outcomes of a review into telecommunications management at SA Water. The review found that certain improvements were required in the area of verification of telecommunications invoices, including provision of associated procedural documentation.

In 2013-14 Audit undertook a follow-up review of the matters previously raised with SA Water. The review noted that most matters had been addressed. There remained, however, certain areas that required further action, in particular:

- documented procedures were not in operation for no usage reporting of data services, sign-off of invoices for data and voice services and the review and reconciliation of mobile service invoices
- invoices for voice services were not fully reconciled to the each of the service provider's billing management systems to ensure that all charges, including credits, were accounted for completely.

SA Water advised that the procedures for both no usage reporting and sign-off of invoices for data and voice services had been developed and were expected to be approved by September 2014. A process for managing mobile invoice billing was expected to be formalised into an approved procedure by the end of 2014. SA Water would also investigate by the end of 2014 the capability of the external service providers' billing management systems to aid in their reconciliation process.

Audit comment

Both SA Water internal audit reviews and Audit reviews of information technology operations and controls have identified many issues for attention by SA Water.

SA Water has actioned matters and set proposed actions with targeted timeframes to address other matters raised in the reviews. It is important that the targeted actions are addressed within the set timeframes or earlier.

Interpretation and analysis of the financial report

Highlights of the financial report

	2014 $'million	2013 $'million
Income		
Water and wastewater rates and charges	1 097	1 182
Community service obligations	126	107
Other	159	148
Total income	1 382	1 437
Expenses		
Depreciation and amortisation expense	318	290
Borrowings costs	225	234
Operational and service contracts	182	184
Employee benefits expenses	126	123
Other expenses	247	243
Total expenses	1 098	1 074
Net profit before income tax equivalents expense	284	363
Income tax expense	84	99
Net profit after income tax equivalents expense	200	264

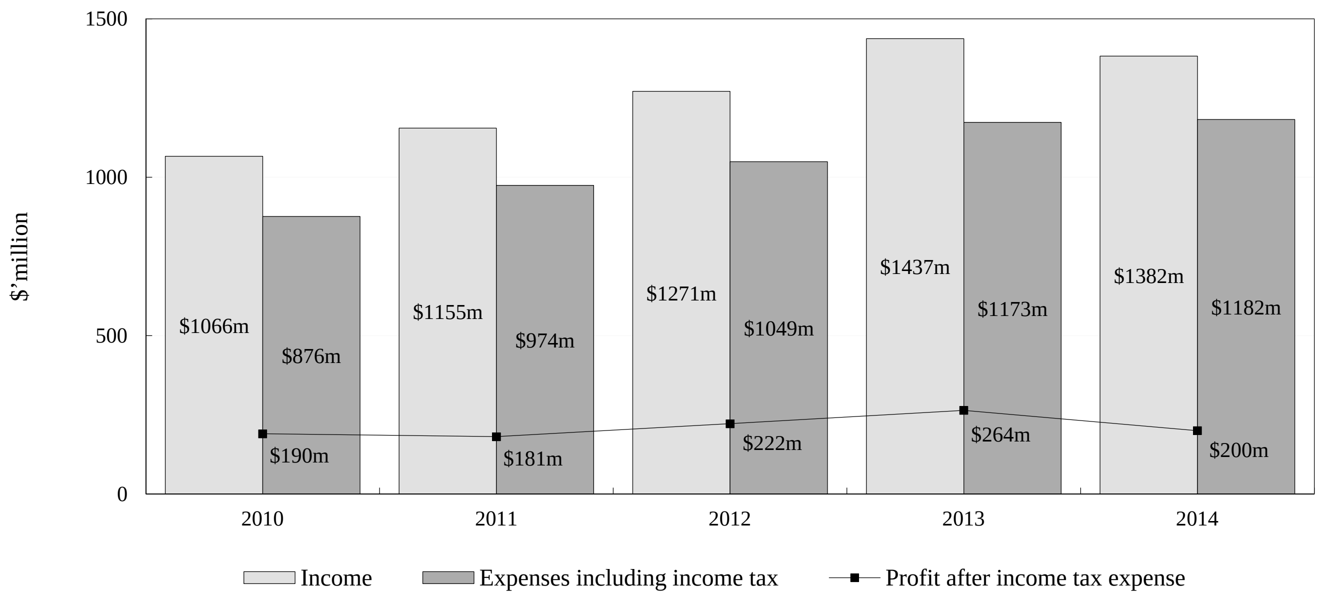
	2014 $'million	2013 $'million
Other comprehensive income (net of tax)	245	(100)
Total comprehensive result	445	164
Net cash inflows (outflows) from operating activities	469	538
Assets		
Current assets	202	235
Non-current assets	13 927	13 590
Total assets	14 129	13 825
Liabilities		
Current liabilities	220	255
Non-current liabilities	5 810	5 720
Total liabilities	6 030	5 975
Total equity	8 099	7 850

Statement of Comprehensive Income

Operating result

SA Water's profit after income tax equivalents expense (income tax) decreased by $64 million ($42 million increase in 2013) to $200 million ($264 million).

The following chart shows the income, expenses (including income tax) and profit after income tax for the five years to 2014.

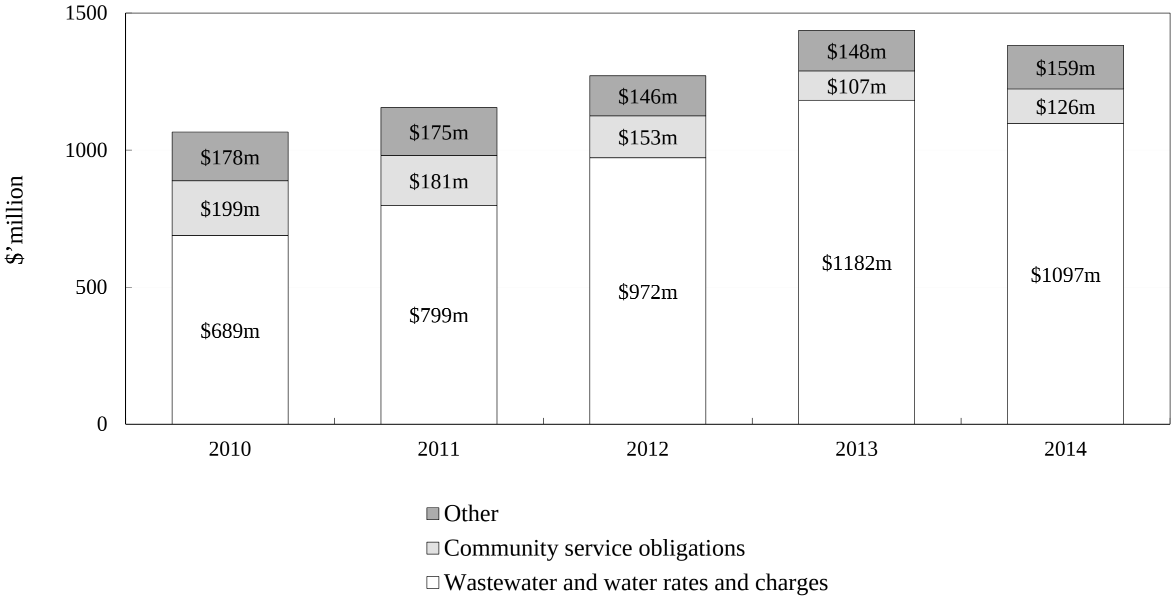


The chart shows that both income and expenses have increased each year up to 2013 and in 2014 revenues declined. The chart also shows the decrease in profit for 2014 is mainly due to the decline in revenue.

Income

Total income decreased by $55 million to $1.4 billion. The decrease was due mainly to a combination of water and wastewater rates and charges decreasing by $85 million (7%) and community service obligations (CSOs) increasing by $19 million.

The following chart analyses the main sources of income for SA Water for the five years to 2014.



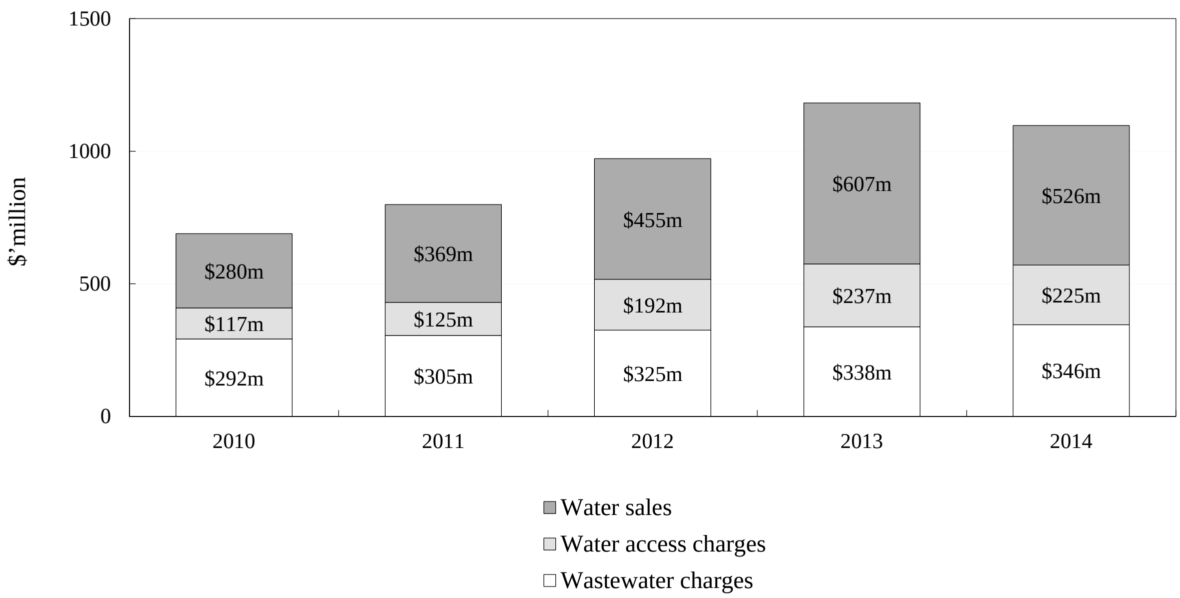
The above chart shows total income has increased each year to 2013 and decreased in 2014 due to wastewater and water rates and charges. Comments on the trend over this period are discussed below.

Wastewater and water rates and charges

The major contribution to SA Water's income is wastewater and water rates and charges. Wastewater and water rates and charges are mainly comprised of:

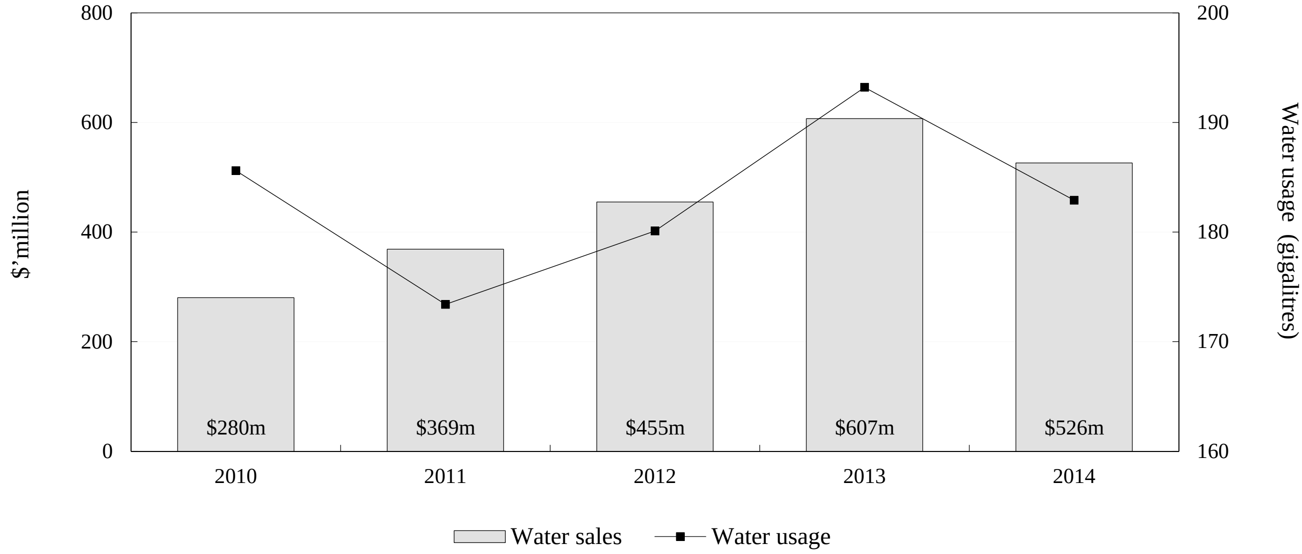
- wastewater charges, mainly set on property values
- water access charges, mainly set at a fixed amount
- water sales, charged by volume of water used.

The following chart details these components for the past five years.



The main factors affecting wastewater and water rates and charges are changes in price and water consumption.

The following chart shows water sales income compared to the volume of water used.



Water restrictions, which commenced in October 2006, were lifted in December 2010. The easing of water restrictions has seen some growth in water usage in 2012 and 2013. Water used decreased in 2014 primarily due to higher rainfall in 2014 compared to the previous year.

In addition, prices for water increased each year up to 2013 and decreased in 2014. The factors affecting water and wastewater prices are discussed below under 'Further commentary on operations'.

CSOs

SA Water is required to provide a number of non-commercial services to the community on behalf of the Government. The Government provides SA Water with CSO funding to compensate for these non-commercial activities. The main CSOs are to compensate SA Water for:

- the under-recovery of country water and wastewater services (due to the requirement for state-wide pricing). SA Water received $108 million ($81 million) for this CSO in 2014, an increase of $27 million from 2013. The increase in funding is due mainly to decreased water prices
- the provision of water and wastewater concessions to certain properties such as charities, churches and public schools. This CSO amounted to $13 million ($12 million).

CSOs are provided under the financial ownership framework agreed with DTF.

Other income

Other income increased by $11 million to $159 million.

Other income includes contributed assets and recoverable works, which can vary from year to year depending on economic conditions and government initiatives. Of the $62 million ($60 million) recoverable works income, $46 million ($48 million) is received from the Murray-Darling Basin Authority for management and works on the River Murray. Contributed assets amounted to $45 million ($43 million), which is related to the trend in building market activity.

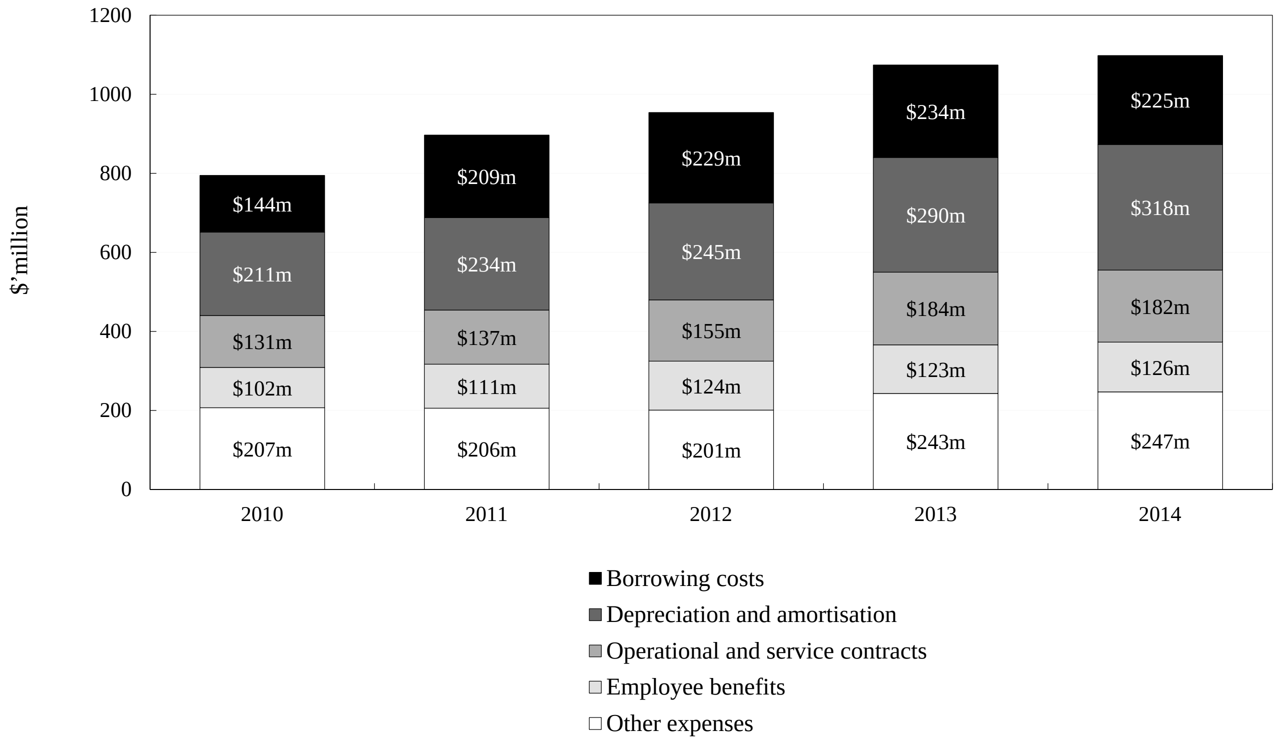
Miscellaneous income decreased by $11 million due to the 2012-13 amount including a settlement amount for a dispute with United Water. Refer to the 2011-12 Report for details on the dispute between SA Water and United Water.

Expenses

Total expenses increased by $24 million to $1.1 billion. The major contributing components were:

- depreciation and amortisation increased by $28 million due mainly to the revaluation of assets and recently completed assets commencing depreciation
- operational and service contracts decreased by $2 million to $182 million. Main operational and service contracts were:
  - the ADP O&M expenditure of $27 million ($29 million)
  - Alliance contract costs of $99 million ($98 million)
- borrowing costs decreased by 4% or $9 million due mainly to lower interest rates, which were partially offset by additional borrowings to fund capital projects
- other expenses increased by $4 million due mainly to:
  - an increase in electricity expenses of $14 million due mainly to increased electricity usage for operating the ADP of $23 million, offset by lower electricity usage for major pumping
  - a decrease in write-off of infrastructure, plant and equipment of $8 million.

The following chart analyses the main expense items excluding income tax expense for SA Water for the five years to 2014.



Since 2010 expenses have increased by $303 million (38%). Major factors affecting expenses were:

- increased borrowing costs of $81 million since 2010, due mainly to additional borrowings to fund the construction and acquisition of assets

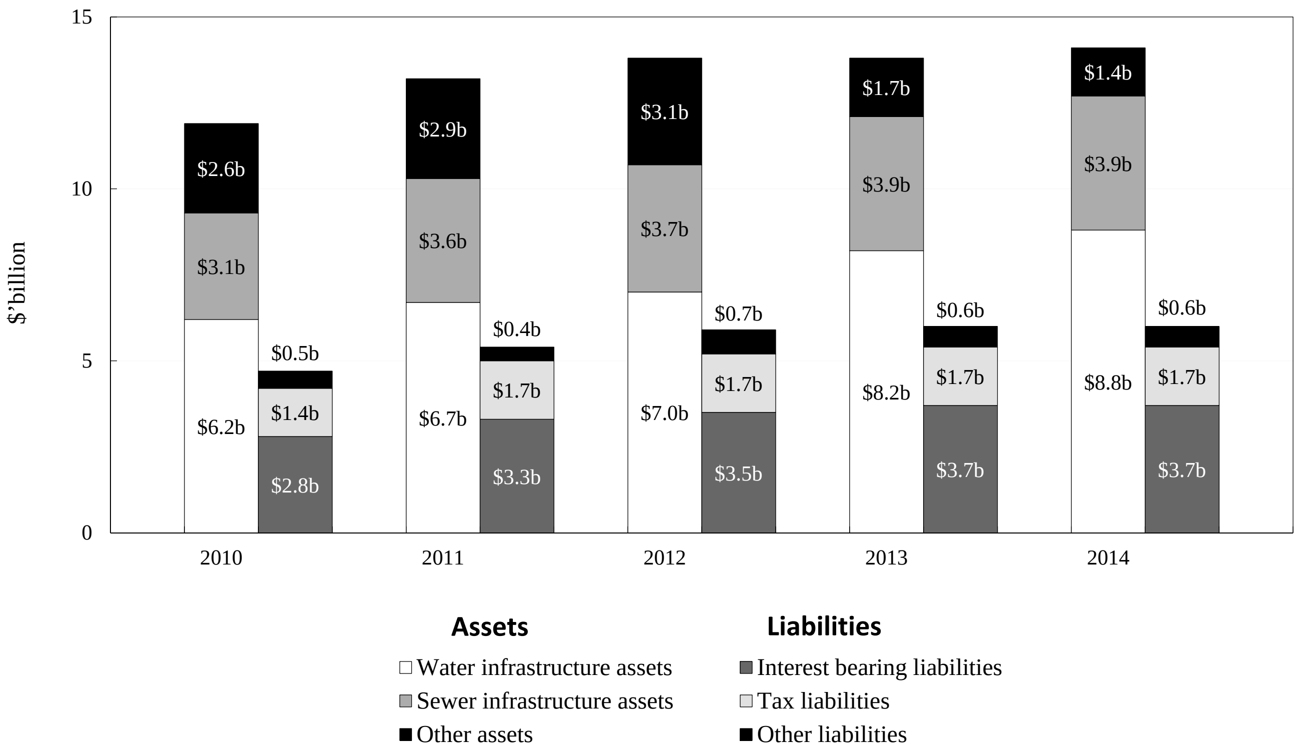
- depreciation and amortisation costs continuing to grow significantly in line with the impact of asset revaluations and additions. Over the past five years this expense has increased by $107 million, primarily due to asset revaluations
- increasing operational and service contracts expenses, due mainly to water security activities and the ADP commencing production in 2012
- from 2010 to 2012 the increase in employee benefits exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions, drought initiatives and capital and operational projects
- for other expenses:
  - electricity costs increased in 2013 and 2014 due to the operation of the ADP commencing
  - from 2012 SA Water incurred new expenditure of $16 million p.a. for water planning and management to the responsible government agency
  - a water efficiency rebates scheme reduced from 2012 when a number of rebates ceased
  - the level of recoverable works varies from year to year depending on economic conditions and government initiatives. In 2012 recoverable River Murray works declined due to high river levels, which resulted in additional spending on deferred works in 2013 and 2014.

Other comprehensive income

Other comprehensive income recorded a net gain of $245 million ($100 million loss), attributable to a revaluation upwards of assets.

Statement of Financial Position

A structural analysis of assets and liabilities for the five years to 2014 is shown in the following chart.



SA Water's financial position is dominated by non-current water and sewer infrastructure assets and related borrowings and tax liabilities. The chart shows that for the period from 2010 to 2012, total assets increased significantly reflecting:

- significant expenditure on capital projects such as the ADP and the North South Interconnection System project (the NSISP). Whilst these assets were being constructed they were reflected in other assets. The ADP and the NSISP were transferred to water infrastructure in 2013 and 2014 respectively, resulting in the decrease in other assets and increase in water infrastructure in those years

- significant increases in assets from revaluations.

In 2014 total assets were $14.1 billion ($13.8 billion), remaining at a similar level to the previous year. Significant matters affecting assets during the year were the:

- acquisition of infrastructure, plant and equipment of $299 million. Major capital expenditure includes ADP $26 million, Bolivar wastewater treatment plant upgrade $24 million, Christies Beach wastewater treatment plant capacity upgrade $13 million, Port Wakefield water supply upgrade $12 million, water and wastewater extensions $26 million, and assets contributed through development activity $26 million

- revaluation of infrastructure, plant and equipment by $348 million upwards. Revaluation of assets is based on independent valuation or directors' valuation and is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(e) to the financial statements details SA Water's revaluation policies

- depreciation and amortisation charges of $318 million

- decrease in receivables of $29 million mainly due to the decrease in water and wastewater rates receivable of $22 million, resulting mainly from decreased prices and water sales (refer to income analysis above).

In 2014 liabilities increased by $55 million due mainly to a combination of:

- an increase in borrowings of $19 million

- an increase in income tax related liabilities of $50 million due mainly to the tax effect of revaluing assets

- a decrease in employee benefits provisions of $5 million

- a decrease in lease liabilities of $6 million.

Current assets and liabilities

At 30 June 2013 current liabilities amounted to $220 million ($255 million), exceeding current assets of $202 million ($235 million) by $18 million ($20 million). While such a deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities and access to sufficient borrowing facilities with SAFA, which would enable all of its current liabilities to be met. A large component of current liabilities is payables, which includes obligations for capital purchases.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows					
Operating	469	538	637	396	444
Investing	(286)	(473)	(602)	(722)	(1 140)
Financing	(183)	(65)	(34)	326	696
Change in cash	-	-	1	-	-
Cash at 30 June	2	2	2	1	1

Factors affecting cash flows include:

- the investment in the construction and purchase of infrastructure, plant and equipment and intangible assets. In 2014 investing payments for assets amounted to $302 million ($478 million). Since 2010 total payments for assets amounted to $3.3 billion
- payment of a dividend to the Government. This amounted to $196 million ($236 million) in 2014
- increased net borrowings. In 2014 net cash flows from borrowings were $19 million ($176 million).

Further commentary on operations

Performance statement

As a public corporation SA Water is bound by a charter and is also required to meet a range of performance targets set out in an annual performance statement, as agreed between SA Water, the then Minister for Water and the Treasurer. The performance statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

The key financial performance measures agreed to in the performance statement are set out in the following table.

Performance measure	Target 2013-14	Actual result 2013-14
Profit ($'million)	279.9	283.9
Tax expense ($'million)	84	84
Dividend ($'million)	186.1	196.2
Total contribution ($'million)	270.1	280.2
Gearing ratio (%)(1)	25.2	26.1

(1) (Total interest bearing debt including borrowings and lease liabilities) divided by (total assets).

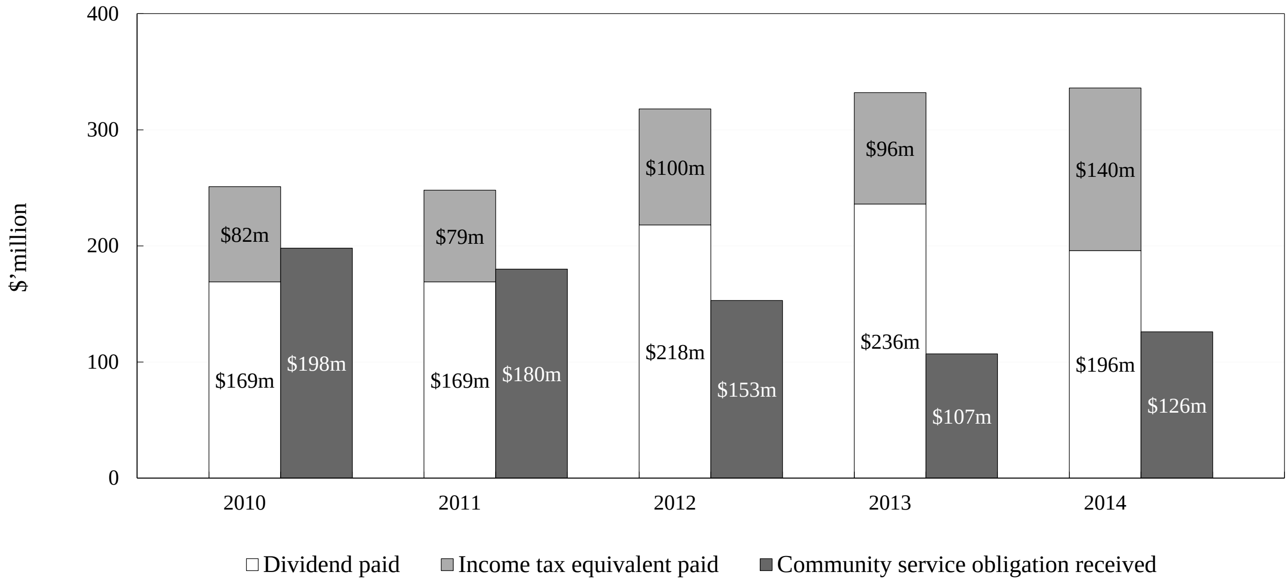
SA Water's final result was close to the planned profit before tax in the performance statement. SA Water's internal reporting indicates major contributing factors were the lower than planned income from water revenue of $34 million due mainly to lower consumption, which was offset by lower than planned depreciation expenditure of $11 million and savings across a range of other expenditure lines.

The dividend exceeded the target by $10 million, due to SA Water having a higher forecast of profit at the time the dividend was declared by the Minister.

Commentary on SA Water's gearing ratio is included under 'Contributions to the State Government' below.

Contributions to the State Government

A structural analysis of particular cash contributions (dividends, income tax equivalent) paid to the Government and CSO funding provided by the Government for the five years to 2014 is shown in the following chart.



The above chart shows that the amount of money returned to the SA Government through income tax equivalent and dividend increased significantly since 2012. In 2010 and 2011 the CSO funding exceeded the dividend.

SA Water operates under a financial ownership framework developed by DTF for public non-financial corporations. It was implemented in 2005-06. The main features of the framework are:

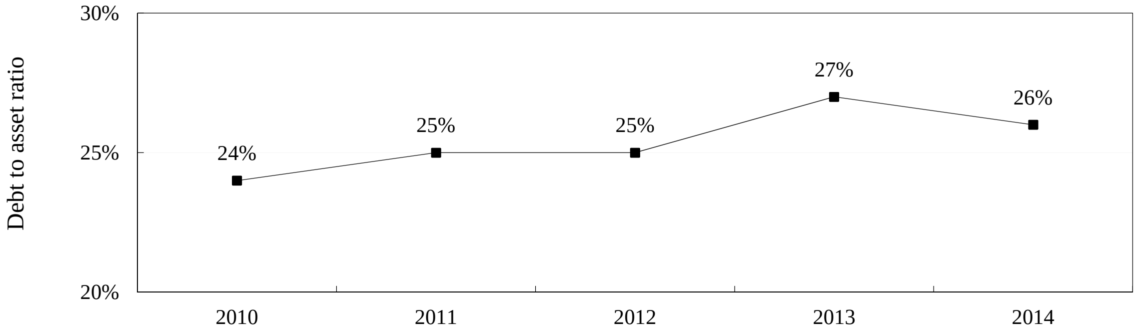
- debt to total assets ratio range of 15-25%
- dividend payout ratio of 95% based on after tax profit
- arrangements for the Government to purchase non-commercial services for which CSO payments are made.

The following table summarises movements in the major items influencing borrowings.

	2014 $'million	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash inflows from operating activities	469	538	637	396	444
Net cash outflows from investing activities	(286)	(473)	(602)	(722)	(1 140)
Surplus (Shortfall in) cash from operations after investing activities	183	65	35	(326)	(696)
Dividend payments to owners	(196)	(236)	(218)	(169)	(169)
Surplus (Shortfall in) funds to pay for dividends and investing activities	(13)	(171)	(183)	(495)	(865)
Net increase in borrowings	19	176	189	500	870

For the period to 2013 SA Water has increased its borrowing to finance its capital works programs, most notably for the ADP and the NSISP. There was only a small increase in borrowings in 2014 due to the reduction in SA Water's capital program.

The following graph presents movements in the debt to asset ratio for the five years to 2014.



The financial ownership framework gearing ratio range was 15-25% with a long-term target of 20%. From 2010, due to borrowings to fund capital works, the ratio exceeded the long-term target. It is noted that the annual performance statement established a target debt/asset ratio target of 25.2%.

Water industry legislation

The *Water Industry Act 2012* (the Act) commenced on 1 July 2012. The Act replaced the *Waterworks Act 1932*, *Water Conservation Act 1936* and *Sewerage Act 1929*. The Act, inter alia, aims to:

- facilitate planning in connection with water demand and supply
- regulate the water industry, including by providing for the establishment of a licensing regime and providing for the regulation of prices, customer service standards, technical standards for water and sewerage infrastructure and installations and plumbing, and by providing performance monitoring of the water industry
- provide for other measures relevant to the use and management of water.

Certain sections of the Act were not operational until 1 January 2013 via transitional provisions.

The Act appoints the Essential Services Commission of South Australia (ESCOSA) as the independent economic regulator for the South Australian water industry. SA Water operates within the requirements of the Act by holding a licence, and continuing to provide water supply and sewerage services.

ESCOSA made its first determination for prices commencing from 1 July 2013.

Wastewater and water rates and charges

For 2012-13, the setting of water prices was covered by regulatory statements issued by the Government. Previous Reports have made comments on price setting under that regime.

Pricing 2013-14

ESCOSA

As mentioned above, the Act appoints ESCOSA as the independent economic regulator for the South Australian water industry. ESCOSA commenced its role as economic regulator of the water industry in South Australia on 1 January 2013. The Act establishes ESCOSA as the body responsible to make price determinations.

ESCOSA is responsible for economic regulation for SA Water commencing 1 July 2013. In making price determinations, the Act requires ESCOSA to comply with the requirements of any pricing order issued by the Treasurer under the Act.

Pricing orders

The Treasurer issued two pricing orders. The first pricing order issued in September 2012 included the requirement that ESCOSA:

- adopt the initial regulatory period of three years commencing 1 July 2013 as part of the determination
- only determine the revenue (not the price) that may be derived from the provision of drinking and sewerage retail services (separately)
- may apply either a revenue cap, average revenue cap or combination of the two as the form of price regulation for drinking water and sewerage services
- include a mechanism that allows for the adjustment of the allowable revenue where ESCOSA determines there to be a relevant and material variation between forecast and actual rates of water consumption or sewerage connections
- adopt the National Water Initiative principles, subject to allowing SA Water to recover certain non-commercial activities, externalities and water and planning management charges in accordance with a direction under section 6 of the PCA.

The second pricing order issued in May 2013 included the requirement that ESCOSA:

- adopt specified values for SA Water's retail water and sewerage regulatory asset bases (RAB), at $7.77 billion and $3.58 billion respectively as at 1 July 2013 (in December 2012 dollars)
- adopt an annual demand forecast of 190 gigalitres of water for each year of the initial regulatory period.

Ministerial direction

Under the PCA and the *South Australian Water Corporation Act 1994* SA Water is subject to the control and direction of the Minister for Water and the River Murray (the Minister). On 9 May 2013 the Minister issued a direction to SA Water under these Acts.

The direction recognised the *Water Industry Act 2012* and that ESCOSA must make a determination that complies with any pricing order issued by the Treasurer. The pricing order provides for the ESCOSA determination to consider the directions from the Minister (refer to 'Pricing orders' above).

The Minister considered it appropriate to direct SA Water to:

- provide certain services in addition to the services it is required to provide pursuant to section 7 of the *South Australian Water Corporation Act 1994* and the charter for SA Water. These included compliance with the State Emergency Management plan, participation in the South Australian Government Radio Network, administration of the Save the River Murray levy and fluoridation services. The cost of the aforementioned areas excluding fluoridation services was specified at about $1.1 million in each year of the initial regulatory period, for which SA Water would receive an equivalent contribution from the SA Government (ie CSO). No cost or recovery was specified for fluoridation services
- purchase renewable energy or renewable energy certificates for the purpose of operating the Adelaide desalination plant

- maintain state-wide pricing in respect of the drinking water and sewerage retail services it provides to customers. This required that tariffs or tariff components for drinking water and sewerage retail services must be the same, or result in a similar outcome, for all customers in an equivalent class irrespective of the customer's location. SA Government contributions (ie CSO) payments for state-wide pricing were $67.4 million for drinking water retail services and $40.2 million for sewerage retail services for each year of the initial regulatory period

- contribute to the Department of Environment, Water and Natural Resources to support water planning and management activities. The SA Water contributions were determined at $16.7 million for 2013-14, $17.1 million for 2014-15 and $17.6 million for 2015-16

- reimburse the Minister for fees paid to the Valuer-General for a copy of the valuation roll. The SA Water contributions were determined at $4.4 million for 2013-14, $4.6 million for 2014-15 and $4.8 million for 2015-16.

The costs of these directions may be recovered by SA Water in accordance with the terms of the initial pricing order (ie where not covered by a CSO or where the CSO is not sufficient).

ESCOSA determination

On 27 May 2013 ESCOSA issued a final determination of the amount of revenue that can be recovered by SA Water from drinking water retail services and sewerage retail services for the three year period commencing 1 July 2013.

For both drinking water retail and sewage retail services ESCOSA determined that the (maximum) average revenue control cap price regulation method be used for both drinking water retail services and sewerage retail services. These were set at $4.098 per kilolitre for drinking water retail services and $610.113 per connection for sewerage retail services. The determination allowed the average revenue from both services to increase by the annual change in CPI in 2014-15 and 2015-16.

The determination included forecast revenues for drinking water retail services and sewerage retail services in each regulatory year as follows:

	2013-14 $'million	2014-15 $'million	2015-16 $'million
Drinking water retail services(1)	778.715	778.715	778.715
Sewerage retail services(2)	353.189	356.368	359.575

(1) Assumption 190 gigalitres each year.

(2) Assumption of connections of 578 892 in 2013-14, 584 102 in 2014-15 and 589 359 in 2015-16.

(3) No allowance has been made for CPI increases in the table, however the determination includes a mechanism to adjust for inflation.

In its 'Final Determination - Statement of Reasons' document of May 2013, supporting the price determination, ESCOSA set out:

- the impacts of the Treasurer's pricing orders on ESCOSA's assessment and determination of SA Water's average revenues

- that in nominal terms (including inflation), SA Water's average revenue from drinking water services would fall by 5.5% and average revenue from sewerage services would increase by 1.6% on 1 July 2013. As noted earlier average prices are allowed only to increase by CPI in 2014-15 and 2015-16.

Important elements to the average revenue reductions by ESCOSA were:

- setting capital and operating expenditure at $166 million and $145 million lower than was proposed by SA Water during the three year period
- a significant reduction in financing costs - the weighted average cost of capital. ESCOSA noted that this impact was, however, largely offset by the Treasurer's decision to increase the value of SA Water's RAB in the second pricing order.

SA Water pricing 2013-14

SA Water is responsible for setting the prices charged to consumers during the three year regulatory period. Those prices must comply with ESCOSA's revenue determination.

Under the ESCOSA determination SA Water must prepare a statement of compliance each year. This document:

- for 2013-14 indicated that SA Water will comply with the maximum average revenue in 2013-14 by decreasing water rates and charges on average by 6.4% nominal (ie including inflation) and increasing average sewerage rates and charges by 1.6% nominal (ie including inflation) for metropolitan customers and 2.1% for country customers
- for 2014-15 indicated that SA Water will comply with the maximum average revenue in 2014-15 by increasing water rates and charges on average by 2.9% nominal (ie including inflation) and increasing average sewerage rates and charges by 2.9% nominal (ie including inflation) for metropolitan customers and 3.4% for country customers.

SA Water water prices vary according to customer type and property location. A large component of SA Water water prices is residential customers. The charges for water for residential customers for the four years to 2014-15 are detailed below:

	2014-15	2013-14	2012-13	2011-12
Residential water charges	$	$	$	$
First tier: first 0.3288kL per day	2.32/kL	2.26/kL	2.42/kL	1.93/kL
Second tier: from 0.3288kL to 1.4247kL per day	3.32/kL	3.23/kL	3.45/kL	2.75/kL
Third tier: over 1.4247kL per day	3.59/kL	3.49/kL	3.73/kL	2.98/kL
Annual residential water supply charge per year	282.80	274.80	293.00	234.60

Asset value accounting matters

As part of the determination of prices for water and sewerage services ESCOSA considers the appropriate RAB. As detailed above, the RAB was determined by the Treasurer in the second pricing order.

The RAB differs from the value of assets reported in SA Water's financial statements. The total RAB assets as at 1 July 2013 as specified in the pricing order were $11.35 billion (comprising $7.77 billion for water services and $3.58 billion for sewerage services). This compares to SA Water's total assets at 30 June 2013 of $13.83 billion.

SA Water values the majority of its assets at fair value. In many organisations fair value can be assessed from recent market trading information. However, the determination of fair value for large infrastructure agencies such as SA Water is difficult because reliable market information is not available due to the absence of readily observable market values. SA Water estimates the fair value of the majority of its assets on the basis of written down current cost, being the lower of written down reproduction or written down replacement cost (refer note 1(e) to the financial statements).

Under the current regulatory parameters the RAB, as determined by the Treasurer, is the value of assets on which regulatory revenues are determined. Asset earning capacity provides information relevant to determining the market value of assets.

Given the difference in the RAB and financial statement asset values, last year SA Water investigated, with the assistance of DTF and an accounting firm, whether the establishment of the RAB was an indication that the asset values adopted for financial reporting were impaired (ie overvalued).

Important considerations noted were that the RAB is based on the perspective of the current owner rather than what a willing buyer would pay for the asset, and that the RAB value in isolation is not an appropriate valuation to adopt for accounting standard purposes. Evidence was available that where infrastructure utilities are traded they achieve sales prices in a range in excess of the published RAB value. SA Water's financial statements asset value was determined as being within a reasonable range.

SA Water concluded, on the basis of the 2012-13 investigation, that the assets do not need to be subjected to further investigation of impairment, since the financial statement values are likely to be materially within the range of market values.

ADP

The ADP was a major construction undertaking that commenced in 2008-09. The objective of the project was to construct and operate infrastructure that obtains and treats seawater to produce drinking quality water. The desalination plant handover to the operator occurred on 12 December 2012. While handover to the operator has occurred, there is continuing work to address deferred items and defects. In addition there is a 24 month defects correction period. Previous reports have included commentary on the construction and handover of the plant.

The major non-construction contracts are for the:

- operation and maintenance of the desalination plant (O&M contract). The O&M contract was awarded in February 2009 and provides for the operator to operate and maintain the desalination plant for a period of 20 years from project handover, which occurred on 12 December 2012. During 2013-14 expenditure for operating the plant was $27 million ($29 million). Approximately 60 gigalitres (39 gigalitres) of water was produced in 2013-14
- power to operate the desalination plant. As part of the approval for the ADP, a commitment was made that renewable energy would be used for the production of the desalinated water and the transfer of this water to the distribution network. In September 2009 SA Water entered into a 20 year contract for the supply of operational power for the ADP. During 2013-14 expenditure for operational power (including relevant used renewable energy certificates) was $42 million ($19 million). In addition, a current asset of $3 million ($7 million) was recorded for renewable energy certificates acquired but not yet used (refer note 11 to the financial statements).

From handover of the desalination plant to the operator on 12 December 2012 the plant was ready for use and consequently depreciation was recognised. The total depreciation expense (including intangible assets) related to the ADP amounted to $47 million ($28 million).

NSISP

Adelaide has discrete northern and southern water supply systems. The aim of this project was to connect the northern and southern water supply systems to enable the ability to transfer large volumes of water between the systems. The NSISP is a major construction undertaking that will enable full utilisation of the capacity of reservoirs and the Adelaide desalination plant between the two systems.

In November 2010 Cabinet approved $403 million for the NSISP, which included the $30 million for the preliminary works and $13 million in previous sunk costs incurred in prior financial years. Approval was also provided for ongoing costs for operation and maintenance.

The NSISP achieved practical completion during 2013-14 for a cost of $387 million.

Transfer of debt from DTF

The 2014-15 State Budget included the announcement of the Government's intention to transfer $2.7 billion in debt to SA Water. Note 39 to the financial statement covers this matter and highlights that the transfer of debt will result in an increase in interest expense and decrease in profit, which will in turn reduce the level of income tax and dividend payable to the SA Government.

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Income:			
Revenue from ordinary activities	5	1 373 776	1 436 005
Other income	6	7 802	576
Total income		1 381 578	1 436 581
Expenses:			
Depreciation and amortisation expense	7	318 195	290 080
Borrowing costs	7	225 325	233 873
Electricity expense		68 919	54 560
Services and supplies		177 281	187 713
Operational and service contracts	7	181 544	184 335
Employee benefits expenses		126 456	123 315
Total expenses		1 097 720	1 073 876
Profit (Loss) before income tax equivalents		283 858	362 705
Income tax expense	8	(83 960)	(98 982)
Profit (Loss) after income tax equivalents		199 898	263 723
Other comprehensive income:			
Items that will not be reclassified to net profit:			
Gain (Loss) on revaluation of infrastructure, plant and equipment assets	29(a)	347 543	(141 879)
Revaluation of financial assets		2 525	1 812
Income tax relating to components of other comprehensive income	8(c)	(104 664)	40 310
Total other comprehensive income, net of tax		245 404	(99 757)
Total comprehensive result		445 302	163 966

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets:			
Cash and cash equivalents	26	1 507	1 856
Receivables	9	188 436	217 637
Inventories	10	5 586	5 113
Other current assets	11	6 231	10 862
Total current assets		201 760	235 468
Non-current assets:			
Available-for-sale financial assets	12	26 444	23 919
Deferred tax assets	13	37 777	36 527
Intangible assets	14	199 460	198 593
Infrastructure, plant and equipment	15	13 663 201	13 330 507
Total non-current assets		13 926 882	13 589 546
Total assets		14 128 642	13 825 014
Current liabilities:			
Payables	16	152 896	147 614
Financial liabilities/borrowings	17	8 567	23 364
Tax liabilities	18	15 476	36 469
Provisions	19	16 202	18 010
Other current liabilities	20	26 987	29 679
Total current liabilities		220 128	255 136
Non-current liabilities:			
Payables	21	2 247	2 631
Financial liabilities/borrowings	22	3 676 990	3 649 107
Deferred tax liabilities	23	1 702 389	1 631 583
Provisions	24	29 360	32 934
Other non-current liabilities	25	398 489	403 715
Total non-current liabilities		5 809 475	5 719 970
Total liabilities		6 029 603	5 975 106
Net assets		8 099 039	7 849 908
Equity:			
Contributed equity		173 610	173 610
Revaluation surplus	29(a)	7 638 068	7 395 614
Retained earnings	29(b)	287 361	280 684
Total equity		8 099 039	7 849 908

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2014

	Note	Contributed equity $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2012		173 610	7 497 824	250 283	7 921 717
Profit for the year		-	-	263 723	263 723
Gain on revaluation on infrastructure, plant and equipment assets	29	-	(141 879)	-	(141 879)
Revaluation of investment in unlisted shares	29	-	1 812	-	1 812
Transfer to retained profits on disposal	29	-	(2 453)	-	(2 453)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	2 453	2 453
Income tax relating to components of other comprehensive income	8(c)	-	40 310	-	40 310
Total comprehensive result for the year		-	(102 210)	266 176	163 966
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(235 775)	(235 775)
Balance at 30 June 2013		173 610	7 395 614	280 684	7 849 908
Balance at 1 July 2013		173 610	7 395 614	280 684	7 849 908
Profit for the year		-	-	199 898	199 898
Gain on revaluation on infrastructure, plant and equipment assets	29	-	347 543	-	347 543
Revaluation of investment in unlisted shares	29	-	2 525	-	2 525
Transfer to retained profits on disposal	29	-	(2 950)	-	(2 950)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	2 950	2 950
Income tax relating to components of other comprehensive income	8(c)	-	(104 664)	-	(104 664)
Total comprehensive result for the year		-	242 454	202 848	445 302
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(196 171)	(196 171)
Balance at 30 June 2014		173 610	7 638 068	287 361	8 099 039

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

Statement of Cash Flows
for the year ended 30 June 2014

		2014	2013
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Receipts from customers		1 283 642	1 311 644
Payments to suppliers and employees		(602 136)	(621 095)
Interest received		1 158	920
Receipts from community service obligation funding		125 614	106 659
Receipts from contributions		18 575	19 520
Receipts from government grants		5 842	47 489
Borrowing costs paid		(223 143)	(230 721)
Income taxes paid		(140 060)	(96 447)
Net cash inflows (outflows) from operating activities	27	469 492	537 969
Cash flows from investing activities:			
Payments for construction and purchase of infrastructure, plant and equipment		(288 683)	(465 131)
Payments for intangible assets		(13 803)	(13 039)
Proceeds from sale of intangible assets		15 438	4 364
Proceeds from sale of infrastructure, plant and equipment		292	1 281
Net cash inflows (outflows) from investing activities		(286 756)	(472 525)
Cash flows from financing activities:			
Proceeds from borrowings		1 139 100	1 366 700
Repayment of borrowings		(1 119 650)	(1 190 700)
Dividends paid	33	(196 171)	(235 775)
Repayment of finance lease liability		(6 364)	(5 691)
Net cash inflows (outflows) from financing activities		(183 085)	(65 466)
Net increase (decrease) in cash and cash equivalents		(349)	(22)
Cash and cash equivalents at 1 July		1 856	1 878
Cash and cash equivalents at 30 June	26	1 507	1 856

Notes to and forming part of the financial statements

1. Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was established on 1 July 1995, as a State-owned statutory corporation by the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by the *Water Industry Act 2012* which came into operation on 1 July 2012. The *Water Industry Act 2012* repealed the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

The Corporation has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Corporation has applied AASs that are applicable to for-profit entities, as the Corporation is a for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2014.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with AASs and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. SA Water is a for-profit entity for the purpose of preparing the financial statements.

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or events is reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees
  - (d) employee TVSP information.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

The financial statements are authorised for issue by the Board.

Change in accounting policy

For administrative purposes SA Water uses a minimum dollar value threshold level in capitalising items of minor plant. SA Water increased its minor plant threshold to $10 000 on 30 June 2014. The cost and accumulated depreciation associated with minor plant below the threshold have been expensed in SA Water's Statement of Comprehensive Income in services and supplies. The amount expensed was immaterial.

Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings and available-for-sale non-current financial assets which are stated using fair value as detailed in the relevant notes.

Comparative information

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

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

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

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

(b) Jointly controlled operations
The Corporation's jointly controlled operation is brought to account by including its proportionate share of the operation's assets, liabilities, expenses and revenues on a line-by-line basis. For disclosure of the Corporation's interest in the joint controlled operation refer note 31.

(c) Revenue recognition
Rates and charges
Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June 2014 (refer note 5).

Unbilled revenue
SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water.

Community service obligations (CSOs)
The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non-commercial activities. The main CSOs relate to under recovery of country water and wastewater services (due to the requirement for state-wide pricing) and the provision of water and wastewater concessions to certain properties eg charities, churches, public schools and remote communities.

The CSO revenue is recognised as the services are provided.

Contributed assets
Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main

(ii) developers who make contributions where either:

  (a) water and sewerage infrastructures are constructed by developers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction

  (b) the Corporation constructs the infrastructure at the developer's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue received in advance of the assets construction is recorded as unearned revenue.

Disposal of non-current assets
The gain or loss on disposal of non-current assets is recognised at the date that control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation surplus relating to a particular asset being sold is transferred to retained earnings.

Recoverable works
Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants
In accordance with AASB 120 grants from the Government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions to the grant.

Government grants (continued)
Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

The Corporation received grant funding in 2013-14 amounting to $4.15 million ($46.2 million). In 2013-14 grant funding was received for the Port Wakefield supply upgrade (refer notes 20 and 25).

(d) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Corporation will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses are recognised as incurred and include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements.

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

Supplies and services
Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. Costs associated with this are recorded as expenses unless they add to the service potential of the existing infrastructure asset.

Operational and service contracts
Operational and service contracts include the Adelaide Services Alliance Agreement, Adelaide Desalination Plant (ADP) operations and maintenance contract, contracts relating to ICT and treatment plants, and miscellaneous operational and service contracts. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation
Refer note 1(e).

Borrowing costs
Borrowing costs include interest expense, government guarantee fees, SAFA margins and finance lease charges.

In accordance with APF II and AASB 123, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised after considering materiality.

The Corporation has not capitalised borrowing costs in 2013-14 as they were assessed as not material.

(e) Non-current assets
Infrastructure, plant and equipment

- *Acquisition*
  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) agreements are brought to account when commissioned (refer note 15).

  Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

- *Valuations*

  To comply with APF III, AASB 13 and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position. Refer note 3 for disclosures regarding fair value levels. The Corporation uses both directors' valuation and independent valuation methods to measure fair value. Directors' valuation is performed using the producer price index (PPI) or current contract rates. PPI measures changes over time in the price of new construction outputs. The PPI used is the Australian Bureau of Statistics' index number 3101 'Road and Bridge Construction South Australia'. Current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

  The Corporation's valuation methodologies, for any major class of infrastructure assets, are subjected to independent review when a change in the valuation method occurs. The most recent independent review was completed by GHD Pty Ltd and Ernst & Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values. There have been no changes to valuation methods since that time.

  Revaluation adjustments are taken to the revaluation surplus on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

  Accordingly the Corporation has adopted the following asset valuation methods:

  Infrastructure assets

  The fair value of SA Water's infrastructure assets in the majority of cases is the lower of modern equivalent reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded from the value. The modern equivalent reproduction or replacement cost is determined through an independent valuation process and applied as supplied. The valuation is then reduced to allow for the age of the asset.

  Infrastructure assets were valued as follows:

  - the unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquenta Consulting as at 1 July 2013. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains
  - other infrastructure assets are independently valued on a cyclical basis every five years. In the intervening periods between independent valuations the assets are indexed annually as at 1 July using the PPI. The previous independent valuations were:
    - — water filtration plants were independently valued by Aquenta Consulting as at 1 July 2013
    - — water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012
    - — leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aquenta Consulting as at 1 July 2011
    - — wastewater treatment plants and sewerage pumping stations were independently valued by Aquenta Consulting as at 1 July 2010.

  Land and buildings

  Land is valued independently at market value generally using valuations as at 1 July provided from the State Valuer-General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer. The Valuer-General uses site values of generically similar allotments to arrive at a unit rate used to assign a value to individual parcels. Rates depend on whether the site is residential, industrial or commercial.

  Buildings and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July 2013 using the PPI. Buildings are valued using depreciated replacement cost.

  Plant and equipment

  Plant and equipment is valued at historical cost which is deemed to be fair value.

Other assets

Other assets are valued at cost and indexed annually using the PPI.

Unobservable inputs

SA Water's infrastructure plant and equipment, with the exception of land, is disclosed as level 3 in the fair value measurement hierarchy described in note 3.

This is due to the fair value of the assets being determined with reference to unobservable inputs. The main unobservable input is the useful life of the asset and the rates supplied from the independent valuation.

- *Depreciation*

  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from two to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of asset	*Useful life (years)*
Water and sewer assets	7-170
Water and sewer leased assets	20-50
Buildings	50
Other	2-50
Plant and equipment	3-15

  The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Available-for-sale financial assets

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes 'Class A' reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd, a subsidiary of Euratech Limited. Advances to Water Reticulation Systems (Virginia) Pty Ltd were converted to non-voting class B shares, issued at a price of $1 per share.

The Corporation's investment in non-voting class B shares has been measured at fair value, in accordance with AASB 139. Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the available-for-sale revaluation surplus. The methodology of valuation of the VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009, and no change to the valuation method has occurred since that review.

Intangible assets

- *Issued water licences*

  The SA Government has issued water licences to the Corporation under the NRMA. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value. The details of these water licences are as follows:

  Rights other than those relating to the River Murray are:

  - various South East Region licences
  - various Murray Mallee Area licences
  - various Eyre Peninsula Region licences
  - licence 4484 McLaren Vale licence for the Aldinga Wastewater Treatment Plant
  - licence 5706 Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant
  - licence 222596 Western Mount Lofty Ranges.

- *Issued water licences (continued)*
  River Murray water rights are conferred via multiple instruments:

  - licence 2333 River Murray Licence for Metropolitan Adelaide
  - licence 2334 River Murray Licence for Country Towns.

- *Other water rights - permanent*
  The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as water access entitlements onto licences issued by the SA Government under the NRMA, as water shares issued by the Victorian Government under the *Water Act 1989*, and as unit shares issued by the New South Wales Government under the *Water Management Act 2000*). These rights comprise:

  - River Murray entitlements under the NRMA

  - Goulburn Zone 1A and Murray Zone 7 high reliability water shares held under the *Water Act 1989* (Vic)

  - NSW Murray Regulated River High Security unit shares held under the *Water Management Act 2000* (NSW).

  The allocations made to these water rights are able to be transferred within the Southern Murray-Darling Basin including South Australia.

  In accordance with the requirements of APF III covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

- *Seasonal water allocations*
  In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government has approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as intangible assets in the accounts and are expensed as the water is used.

- *Prescription of the Mount Lofty Ranges*
  SA Water has previously contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long-term protection of the water supply to Adelaide. On 14 June 2013 SA Water was issued licence 222596 pertaining to storage and diversion rights for streams in the Western Mount Lofty Ranges.

- *Easements*
  In accordance with APF III, easements are classified as an intangible asset and valued at cost. Easements gifted to the Corporation are not valued.

- *Application software*
  Application software is valued at cost as per AASB 138. The useful life is reviewed annually and has been assessed at five years. The software is amortised using the straight-line method.

- *ADP intangible asset*
  An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the ADP at the rates specified in the agreement. In accordance with AASB 138, this right was recognised in 2012-13 as an intangible asset and is measured at the construction cost of the SA Power Networks substation.

  The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependent as per AASB 138. As with other non-current assets, the useful life of the intangible asset is assessed annually and is currently 41.75 years. The ADP intangible asset is amortised using the straight-line method.

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the relevant revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2014. There have been no indications of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis exists that is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Finance leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset but not the legal ownership are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has previously entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(h) Expenditure on behalf of the State Government

Certain expenditure is incurred from time to time on behalf of the SA Government which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. There were no payments for the years ended 30 June 2014 and 30 June 2013.

(i) Taxes

SA Water is liable for income tax equivalents (income tax, land tax and council rates), payroll tax, FBT, GST and the Emergency Services levy.

Income tax

From 1 July 2001, the Corporation has operated under the national tax equivalent regime pursuant to the memorandum of understanding on national tax equivalent regime between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The national tax equivalent regime is administered by the ATO.

Income tax (continued)
Income tax expense is calculated in accordance with AASB 112 using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Taxation equivalents - land tax and council rates
The charge for land tax and council rate equivalents has been calculated by Revenue SA - DTF, based on valuations supplied by the Valuer-General.

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

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

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

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

(j) Cash and cash equivalents
Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) Receivables
Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

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

Wages and salaries, annual leave and sick leave
The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

LSL
Liabilities arising in respect of LSL expected to be settled within 12 months of balance date are measured at their nominal rates. All other LSL entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation's LSL liability for 30 June 2014 is valued by KPMG Actuarial Pty Ltd.

Superannuation
Contributions are made by the Corporation to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers compensation
The Corporation is registered with WorkCoverSA as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by KPMG Actuarial Pty Ltd.

(o) Insurance
SAICORP, a division of SAFA, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation subject to SA Water's deductible. In addition, insurance arrangements are in place for construction works, travel insurance and directors' and officers' liabilities.

Workers compensation risks, for which the Corporation is responsible, are excluded from these arrangements.

(p) Payables
Liabilities, whether or not yet billed to the Corporation, are recognised as amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

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

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

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

Damages and claims
A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation
A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

Employee benefits and workers compensation
SA Water provides for employee benefits expenditure and workers compensation claims as described in notes 1(m) and 1(n).

(r) Borrowings

All SA Water's borrowings are measured at their historical value. The Corporation has a long-term and short-term borrowing facility with SAFA. The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's debt portfolio is managed by SAFA under a liability management service agreement and within requirements outlined in SA Water's treasury risk management policies.

(s) Derivatives

The Corporation's treasury risk management policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's permitted treasury instruments policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies.

Interest rate derivatives
The Corporation's exposure to movements in interest rates arises from its borrowings. Prior to 10 December 2012, the Corporation used interest rate swaps and interest rate futures contracts to manage borrowing costs. Effective from 10 December 2012, interest rate derivative instruments are no longer permitted in accordance with treasury risk management policies.

Interest rate risk arising from borrowings is managed in accordance with the debt management strategies outlined in note 2(a)(i).

Foreign exchange derivatives
Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's foreign exchange risk management policy and TI 23. Management of foreign currency exposures. permitted foreign currency derivatives as outlined in SA Water's permitted treasury instruments policy include spot and forward foreign currency contracts and currency options to maximum maturity of three years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2014, SA Water had no outstanding foreign exchange derivatives.

Accounting for derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as ‘held for trading’ under AASB 139 and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water’s treasury policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items
The following administered items are not recognised in the Corporation’s Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 37.

River Murray levy
The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government is not controlled by the Corporation.

Pensioner concessions
SA Water is responsible for the administration of local government pensioner concession payments. An amount is received from SA Government which is used to make payments to local government councils. The amount collected on behalf of Government is not controlled by the Corporation.

(u) Adelaide Services Alliance Agreement
In March 2011 the Corporation entered into an Alliance contract to operate, manage and maintain Adelaide’s metropolitan water, wastewater and recycled water services. The Alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for the Corporation to extend the contract for a further six years in 12 month increments. The Alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(v) ADP
In 2008-09 the Corporation awarded the design, build, operate and maintain, transfer pipeline system and ETSA (SA Power Networks) agreements for the ADP. These contracts comprise the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 gigalitre p.a. capacity plant. Project handover of the 100 gigalitre p.a. plant to the operator was achieved on 12 December 2012. The plant is currently undergoing a 24 month proving and warranty period in accordance with contractual requirements.

In addition, the Corporation has entered into contracts to:

- operate and maintain the ADP from the project handover date for a term of 20 years and includes flexible mechanisms to manage the volume of water produced and requirements for scheduled maintenance

- provide GreenPower accredited renewable energy from sources in SA to operate the ADP and transfer pipeline system. The contract commenced on 1 June 2011 for a term of 20 years and includes the flexibility to purchase a minimum level of renewable energy certificates that can be banked for future use by the Corporation or used elsewhere in the business.

(w) New accounting standards and interpretations

The Corporation did not voluntarily change any of its accounting policies during 2013-14.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2014. The Corporation has assessed the AASB 108 paragraphs 30 and 31 impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

2. Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. As part of a review of the Corporation's debt duration parameters during 2012-13, the permissible duration range was changed from 1.75-4 years to 2.1-4.9 years based on advice from the Corporation's debt advisor and manager, SAFA. The benchmark duration of 2.95 years has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date.

At 30 June 2014 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 0.5% downwards.

		Interest rate risk			
	Carrying	-0.5%		+0.5%	
2014	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 507	(5)	(5)	5	5
Financial liabilities:					
Short-term borrowings	1 450	5	5	(5)	(5)
Total increase (decrease)		-	-	-	-

		Interest rate risk			
	Carrying	-1%		+0.5%	
2013	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 856	(13)	(13)	6	6
Financial liabilities:					
Short-term borrowings	(17 000)	119	119	(60)	(60)
Total increase (decrease)		106	106	(54)	(54)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

Under the *Water Industry Act 2012,* water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

(c) Liquidity risk

The Corporation has in place a liquidity risk management policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs.

Contractual maturities

The table below analyses the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and SAFA margins. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
2014	$'000	$'000	$'000	$'000	$'000
Non-derivatives:					
Fixed rate borrowings	999 027	629 521	1 070 696	1 742 979	4 442 223
Finance lease liabilities	22 466	22 466	67 396	91 067	203 395
Non-interest bearing liabilities*	98 856	-	-	-	98 856
Floating rate borrowings	1 456	-	-	-	1 456
Total non-derivatives	1 121 805	651 987	1 138 092	1 834 046	4 745 930
2013					
Non-derivatives:					
Fixed rate borrowings	966 765	821 199	1 222 197	1 403 964	4 414 125
Finance lease liabilities	22 067	22 067	66 201	110 945	221 280
Non-interest bearing liabilities*	97 195	-	-	-	97 195
Floating rate borrowings	17 007	-	-	-	17 007
Total non-derivatives	1 103 034	843 266	1 288 398	1 514 909	4 749 607

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

(d) Fair value measurements

The fair value of financial assets and financial liabilities is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value of financial liabilities

The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements (refer note 1(g)).

The carrying amounts and fair values of long-term borrowings at balance date are:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	$000	$000	$000	$000
Long-term borrowings	3 590 000	3 753 543	3 555 000	3 676 226

The fair values of all other financial liabilities approximate the carrying values.

(ii) Fair value of financial assets

The carrying amounts and fair values of available-for-sale financial assets at balance date are:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	$000	$000	$000	$000
Unlisted shares	26 444	26 444	23 919	23 919

(ii) Fair value of financial assets (continued)

The Corporation has invested in unlisted class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 5.06% (6%) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by $1.1 million ($1.2 million). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by $1.2 million ($1.3 million).

The fair values of all other financial assets approximate the carrying values.

3. Fair value measurements

The Corporation measures and recognises the following financial and non-financial assets at fair value on a recurring basis:

- available-for-sale financial assets (note 12)
- land and buildings (note 15)
- leased water and sewer infrastructure (note 15)
- water infrastructure (note 15)
- sewer infrastructure (note 15)
- plant and equipment (note 15)
- other (note 15).

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Corporation's financial and non-financial assets measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as permitted by the transitional provisions of the new standard.

The Corporation has no valuations categorised into level 1.

(i) Recognised fair value measurement

2014	Level 2	Level 3	Total
Recurring fair value measurements:	$'000	$'000	$'000
Financial assets:			
Unlisted shares	-	26 444	26 444
Total financial assets	-	26 444	26 444
Non-financial assets:			
Land	357 163	-	357 163
Buildings	-	29 835	29 835
Water infrastructure	-	8 757 720	8 757 720
Sewer infrastructure	-	3 924 188	3 924 188
Plant and equipment and other	-	127 035	127 035
Total non-financial assets	357 163	12 838 778	13 195 941
Total recurring financial and non-financial assets	357 163	12 865 222	13 222 385

There were no transfers between levels for recurring fair value measurements during the period.

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The Corporation has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of cash and cash equivalents, trade receivables, payables and other current liabilities are assumed to approximate their fair values due to their short-term nature. SA Water does not hold any noncurrent receivables.

The fair value of financial instruments that make up the long term borrowings disclosed in note 2(d)(i) have been deemed to be level 2 in the fair value hierarchy. The valuation is based on SAFA bond rates (market observable) which reflects the cost of funds. The carrying amount of short-term borrowings approximates its fair value, as the impact of discounting is not significant.

(b) Valuation techniques used to derive level 3 fair values

(i) Recurring fair value measurements

The valuation techniques used to derive level 3 fair values are at note 1(e).

Although unobservable inputs were used in determining fair value, and are subjective, the Corporation considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2013-14.

(ii) Non-recurring fair value measurements

SA Water has no non-recurring fair value measurements.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table is a reconciliation of fair value measurements for 30 June 2014 for recurring fair value measurements using significant unobservable inputs (level 3):

2014	Buildings	Water infrastructure	Sewer infrastructure	Plant and equipment and other	Available-for-sale financial assets	Total
	$'000	$'000	$'000	$' 000	$'000	$'000
Opening balance at 1 July	27 670	8 204 738	3 851 753	124 684	23 919	12 232 764
Acquisitions	3 296	482 838	81 688	28 957	-	596 779
Disposals	-	-	-	(334)	-	(334)
Total gains (losses) for the period in net result:						
Asset write-off	-	(5 210)	(2 013)	(6 516)	-	(13 739)
Reversal of previous decrement	245	-	-	-	-	245
Depreciation	(2 089)	(185 368)	(88 214)	(23 137)	-	(298 808)
	(1 844)	(190 578)	(90 227)	(29 653)	-	(312 302)
Total gains (losses) for the period in other comprehensive income:						
Revaluation increment	713	260 722	80 974	3 381	2 525	348 315
	713	260 722	80 974	3 381	2 525	348 315
Closing balance at 30 June	29 835	8 757 720	3 924 188	127 035	26 444	12 865 222

(i) Valuation inputs and relationships to fair value

Refer note 1(e) for information relating to unobservable inputs and valuation processes.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

4. Critical accounting estimates and judgements (continued)

In particular, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- unbilled revenue (refer note 1(c))
- contributed assets (refer note 1(c))
- borrowing costs (refer note 1(d))
- impairment of assets (refer note 1(f))
- valuation and useful lives of assets (refer note 1(e))
- provision for LSL (refer note 1(m))
- provision for workers compensation (refer note 1(n))
- provisions (refer note 1(q)).

5. Revenue from ordinary activities	Note	2014 $'000	2013 $'000
CSOs		125 751	106 773
Water and wastewater rates and charges		1 096 751	1 181 984
Recoverable works		61 971	60 094
Fees and charges		31 274	23 095
Miscellaneous		155	10 692
Government grants		11 454	7 267
Contributed assets		44 769	43 094
Rents		1 422	1 260
Interest		229	1 746
		1 373 776	1 436 005

6. Other income			
Reversal of prior year minor plant write-off		4 840	-
Net gain on disposal of infrastructure, plant and equipment		-	330
Net gain on disposal of water allocations		2 717	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement		245	246
		7 802	576

7. Expenses

Profit before income tax includes the following specific expenses:			
Depreciation:	15		
Buildings		2 089	1 822
Plant and equipment		5 154	4 949
Other		17 983	15 706
Infrastructure assets - sewer		88 214	91 838
Infrastructure assets - water		185 367	156 832
Amortisation:	14		
Computer software		17 688	16 799
ADP intangibles		1 700	2 134
Total depreciation/amortisation		318 195	290 080
Borrowing costs:			
Interest paid/payable for borrowings through profit and loss		214 105	221 980
Finance charges on capitalised leases		11 220	11 893
Total borrowing costs		225 325	233 873
Net losses from fair value adjustments of derivatives held for trading:			
Interest rate derivatives		-	3
Foreign currency derivatives		-	26
		-	29

7. Expenses (continued)

	Note	2014 $'000	2013 $'000
Finance lease contingent rentals		4 650	4 272
Operating lease minimum lease payments		10 801	10 363
Net bad and doubtful debts expense including movements in allowance for doubtful debts		610	117
Infrastructure, plant and equipment revaluation decrement		311	38
Write-off in value of infrastructure, plant and equipment		7 224	13 851
Write-off value of capital works in progress and minor plant		7 383	8 905
Consultancy costs		521	1 293
Superannuation contribution		16 935	15 951
Net loss on disposal of infrastructure plant and equipment		41	-
Net loss on disposal of purchased water rights/allocations		-	880

8. Income tax expense

(a) Income tax expense

	Note	2014 $'000	2013 $'000
Current tax		100 753	118 114
Deferred tax		(35 107)	(24 466)
Amounts under (over) provided in prior years		18 314	5 334
		83 960	98 982
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (Increase) in deferred tax assets	13	(1 250)	(1 682)
Increase (Decrease) in deferred tax liabilities	23	(33 857)	(22 784)
		(35 107)	(24 466)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2014 $'000	2013 $'000
Profit from continuing operations before income tax expense	283 859	362 705
Tax at the Australian tax rate of 30% (30%)	85 157	108 812
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss (Gain) on sale of land	-	(75)
Loss on sale of purchased water rights/allocations	-	264
ADP intangible asset	510	-
Revaluation decrement	-	14
Government grants	(2 590)	(1 467)
Provision for employee benefits	-	(18)
	83 077	107 530
Amounts under (over) provided in prior years	883	(8 548)
Income tax expense	83 960	98 982

(c) Tax expense (income) relating to items of other comprehensive income

	2014 $'000	2013 $'000
Gains on revaluation of infrastructure, plant and equipment assets	103 906	(40 854)
Revaluation of investment in unlisted shares	758	544
	104 664	(40 310)

9. Current assets - receivables

	2014 $'000	2013 $'000
Receivables:		
Rates receivable (water and wastewater)	146 745	169 131
Sundry debtors	29 424	35 839
Allowance for doubtful debts	(655)	(118)
	175 514	204 852
Other receivables:		
CSOs	12 922	12 785
	188 436	217 637

(a) *Impaired trade receivables*

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

	2014	2013
The ageing of these receivables is as follows:	$'000	$'000
More than 90 days overdue	655	118

Movements in the provision for impairment of receivables are as follows:		
At 1 July	118	96
Provision for impairment recognised during the year	611	94
Amounts written off	(74)	(72)
At 30 June	655	118

(b) *Past due but not impaired*

At 30 June the ageing of rates that are past due but not impaired is as follows:		
Past due 0-69 days	16 202	22 804
Past due more than 69 days	14 955	12 890
	31 157	35 694

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is $13.495 million ($13.597 million).

	2014	2013
At 30 June the ageing of sundry debtors that are past due but not impaired is as follows:	$'000	$'000
Past due 0-30 days	2 868	1 955
Past due more than 30 days	972	1 155
	3 840	3 110

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is $950 000 ($1.073 million).

Balances for other receivables relate to CSOs and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) *Fair value and credit risk*

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

10. Current assets - inventories

	2014	2013
	$'000	$'000
Raw materials and stores	6 246	5 882
Allowance for obsolete stock	(1 391)	(1 321)
Work in progress - sundry debtors	731	552
	5 586	5 113

11. Current assets - other current assets

Interest receivable	89	1 018
Prepayments	2 984	3 274
Renewable energy certificates*	3 158	6 570
	6 231	10 862

* SA Water purchases renewable energy certificates (RECs) in order to meet greenhouse gas emission targets. SA Water does not purchase RECs with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at their fair value. These RECs are expected to be utilised in satisfying the Corporation's 2013-14 greenhouse gas emission targets and will be expensed at time of surrender.

12. Non-current assets - available-for-sale financial assets

	Note	2014 $'000	2013 $'000
Unlisted shares at fair value		26 444	23 919

13. Non-current assets - deferred tax assets

	Note	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:			
Doubtful debts		197	35
Obsolete stock		417	396
Infrastructure, plant and equipment		6 566	3 280
Pooled assets		47	53
Payables		1210	1 367
Audit fee payable		126	121
Government grants		11 706	10 587
Employee benefits		12 020	13 699
Deferred lease incentives		373	413
Unearned income - customer contributions		2 275	3 721
Provision for site rehabilitation		41	106
Provision for asset disposal		28	30
Provision for damages and claims		150	163
Provision for workers compensation		286	221
		35 442	34 192
Amounts recognised directly in equity:			
Unearned income - customer contributions		2 335	2 335
Net deferred tax assets		37 777	36 527
Movements:			
Balance at 1 July		36 527	34 845
Credited to the Statement of Comprehensive Income	8	1 250	1 682
Balance at 30 June		37 777	36 527
Deferred tax assets expected to be recovered within 12 months		10 483	12 507
Deferred tax assets expected to be recovered after more than 12 months		27 294	24 020
		37 777	36 527

14. Non-current assets - intangible assets

2014

Year ended 30 June:	Easements $'000	Prescription rights $'000	Computer software $'000	ADP intangibles $'000
Opening net book amount	6 213	4 500	33 799	68 075
Additions from external acquisitions	-	-	28 675	-
Amortisation charge	-	-	(17 688)	(1 700)
Disposals	-	-	-	-
Closing net book amount	6 213	4 500	44 786	66 375
At 30 June:				
Cost	6 213	4 500	132 297	70 982
Accumulated amortisation	-	-	(87 511)	(4 607)
Net book amount	6 213	4 500	44 786	66 375

	Purchased water rights $'000	Seasonal water allocations $'000	Total $'000
Year ended 30 June:			
Opening net book amount	31 598	54 408	198 593
Additions from external acquisitions	-	-	28 675
Amortisation charge	-	-	(19 388)
Disposals	(8 420)	-	(8 420)
Closing net book amount	23 178	54 408	199 460
At 30 June:			
Cost	23 178	54 408	291 578
Accumulated amortisation	-	-	(92 118)
Net book amount	23 178	54 408	199 460

14. Non-current assets - intangible assets (continued)

2013	Easements	Prescription rights	Computer software	ADP intangibles
Year ended 30 June:	$'000	$'000	$'000	$'000
Opening net book amount	6 149	4 500	37 735	70 209
Additions from external acquisitions	64	-	12 862	-
Disposals	-	-	-	-
Amortisation charge	-	-	(16 798)	(2 134)
Closing net book amount	6 213	4 500	33 799	68 075
At 30 June:				
Cost	6 213	4 500	103 622	70 982
Accumulated amortisation	-	-	(69 823)	(2 907)
Net book amount	6 213	4 500	33 799	68 075

	Purchased water rights	Seasonal water allocations	Total
Year ended 30 June:	$'000	$'000	$'000
Opening net book amount	41 142	54 408	214 143
Additions from external acquisitions	-	-	12 926
Disposals	(9 544)	-	(9 544)
Amortisation charge	-	-	(18 932)
Closing net book amount	31 598	54 408	198 593
At 30 June:			
Cost	31 598	54 408	271 323
Accumulated amortisation	-	-	(72 730)
Net book amount	31 598	54 408	198 593

15. Non-current assets - infrastructure, plant and equipment

2014	Work in progress	Land	Buildings	Leased sewer infrastructure	Plant and equipment
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	765 943	355 719	27 670	23 551	27 040
Revaluation	-	1 444	958	816	-
Additions	296 582	-	3 296	-	4 395
Transfers	(594 398)	-	-	-	-
Depreciation charge	-	-	(2 089)	(752)	(5 154)
Asset write-down	(867)	-	-	-	(6 516)
Disposals	-	-	-	-	(334)
Closing net book amount	467 260	357 163	29 835	23 615	19 431
At 30 June:					
Cost	467 260	-	-	-	43 091
Valuation	-	357 163	77 926	29 473	-
Accumulated depreciation	-	-	(48 091)	(5 858)	(23 660)
Net book amount	467 260	357 163	29 835	23 615	19 431

	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	8 111 235	3 828 202	93 503	97 644	13 330 507
Revaluation	257 486	80 158	3 236	3 381	347 479
Additions	482 815	81 688	23	24 562	893 361
Transfers	-	-	-	-	(594 398)
Depreciation charge	(179 904)	(87 462)	(5 463)	(17 983)	(298 807)
Asset write-down	(5 211)	(2 013)	-	-	(14 607)
Disposals	-	-	-	-	(334)
Closing net book amount	8 666 421	3 900 573	91 299	107 604	13 663 201

15. Non-current assets - infrastructure, plant and equipment (continued)

2014 (continued)	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
At 30 June:	$'000	$'000	$'000	$'000	$'000
Cost	-	-	-	-	510 351
Valuation	14 189 301	6 472 404	201 483	232 969	21 560 719
Accumulated depreciation	(5 522 880)	(2 571 831)	(110 184)	(125 365)	(8 407 869)
Net book amount	8 666 421	3 900 573	91 299	107 604	13 663 201

2013	Work in progress	Land	Buildings	Leased sewer infrastructure	Plant and equipment
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	2 140 377	362 358	26 789	23 426	25 880
Revaluation	-	(6 071)	973	851	-
Additions	434 319	308	1 730	-	6 177
Disposals	-	(876)	-	-	(68)
Transfers	(1 799 848)	-	-	-	-
Depreciation charge	-	-	(1 822)	(726)	(4 949)
Asset write-down	(8 905)	-	-	-	-
Closing net book amount	765 943	355 719	27 670	23 551	27 040
At 30 June:					
Cost	765 943	-	-	-	63 164
Valuation	-	355 719	73 758	28 486	-
Accumulated depreciation	-	-	(46 088)	(4 935)	(36 124)
Net book amount	765 943	355 719	27 670	23 551	27 040

	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783
Revaluation	(204 361)	60 002	3 525	3 409	(141 672)
Additions	1 562 031	228 396	-	16 131	2 249 092
Disposals	-	-	-	-	(944)
Transfers	-	-	-	-	(1 799 848)
Depreciation charge	(149 845)	(91 113)	(6 987)	(15 706)	(271 148)
Asset write-down	(6 793)	(7 058)	-	-	(22 756)
Closing net book amount	8 111 235	3 828 202	93 503	97 644	13 330 507
At 30 June:					
Cost	-	-	-	-	829 107
Valuation	13 325 113	6 258 671	194 721	201 513	20 437 981
Accumulated depreciation	(5 213 878)	(2 430 469)	(101 218)	(103 869)	(7 936 581)
Net book amount	8 111 235	3 828 202	93 503	97 644	13 330 507

Carrying amounts that would have been recognised if revalued assets were stated at cost

	2014	2013
Freehold land:	$'000	$'000
Cost	44 850	44 920
Net book amount	44 850	44 920
Buildings:		
Cost	45 533	48 148
Accumulated depreciation	(21 246)	(25 501)
Net book amount	24 287	22 647
Leased sewer infrastructure:		
Cost	18 792	18 792
Accumulation depreciation	(4 228)	(3 758)
Net book amount	14 564	15 034

Carrying amounts that would have been recognised if revalued assets were stated at cost (continued)

	2014	2013
Water infrastructure:	$'000	$'000
Cost	4 248 637	3 782 513
Accumulated depreciation	(886 572)	(814 467)
Net book amount	3 362 065	2 968 046
Sewer infrastructure:		
Cost	1 936 579	1 870 154
Accumulated depreciation	(735 704)	(654 096)
Net book amount	1 200 875	1 216 058
Leased water infrastructure:		
Cost	124 183	124 183
Accumulated depreciation	(65 864)	(62 670)
Net book amount	58 319	61 513
Other:		
Cost	190 869	166 317
Accumulated depreciation	(97 225)	(81 559)
Net book amount	93 644	84 758

16. Current liabilities - payables

Interest payable	39 661	37 479
Trade creditors	95 036	94 439
Other creditors	18 199	15 696
	152 896	147 614

17. Current liabilities - financial liabilities/borrowings

Lease liabilities	7 117	6 364
Short-term borrowings	1 450	17 000
	8 567	23 364

The Corporation has a $100 million short-term borrowing facility with SAFA bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 2.

Due to the short term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value (refer note 2).

18. Current liabilities - tax liabilities

	2014	2013
Provision for current income tax movements during the year were as follows:	$'000	$'000
Balance at 1 July	36 469	9 468
Income tax paid	(140 060)	(96 447)
Current year's income tax provision	100 753	118 114
Amounts under (over) provided in prior year	18 314	5 334
	15 476	36 469

19. Current liabilities - provisions

Employee benefits	14 289	16 042
Asset disposal	20	20
Site rehabilitation	135	355
Damages and claims	532	544
Workers compensation	1 226	1 049
	16 202	18 010

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2014	Asset disposal	Site rehabilitation	Damages and claims	Workers compensation	Total
Current:	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	20	355	544	1 049	1 968
Additional provisions recognised	-	-	180	1 761	1 941
Payments made during the year	(9)	(128)	(192)	(504)	(833)
Remeasurement adjustments	-	(92)	-	(1 080)	(1 172)
Transfer from non-current provision	9	-	-	-	9
Carrying amount at 30 June	20	135	532	1 226	1 913

20. Current liabilities - other current liabilities

	2014	2013
	$'000	$'000
Government grants	9 952	11 020
Lease incentives	134	134
Unearned income	15 367	16 470
Deposits from contractors	1 534	1 273
Carbon Trading Scheme*	-	782
	26 987	29 679

* Under the *Clean Energy Act 2011* (Cwlth), SA Water is obligated to surrender carbon units to the Clean Energy Regulator, to offset its greenhouse gas emissions from the Bolivar Waste Treatment Facility. As at 30 June 2014 there was no expected liability from greenhouse gas emissions in 2013-14.

21. Non-current liabilities - payables

	Note	2014	2013
		$'000	$'000
Other payables		2 247	2 631

22. Non-current liabilities - financial liabilities/borrowings

	Note	2014	2013
Lease liabilities	30	86 990	94 107
Long-term borrowings		3 590 000	3 555 000
		3 676 990	3 649 107

23. Non-current liabilities - deferred tax liabilities

	Note	2014	2013
The balance comprises temporary differences attributable to:			
Prepayments		338	343
Unlisted shares at fair value		(2 406)	(2 406)
Seasonal water allocations		16 322	16 322
Depreciation and amortisation		36 327	70 181
		50 581	84 440
Amounts recognised directly in equity:			
Revaluation of infrastructure, plant and equipment		1 645 924	1 542 017
Unlisted shares at fair value		5 884	5 126
		1 651 808	1 547 143
Total deferred tax liabilities		1 702 389	1 631 583
Movements:			
Opening balance at 1 July		1 631 583	1 694 677
Credited to the Statement of Comprehensive Income	8	(16 427)	(8 901)
Charged to equity	29	103 906	(40 854)
Unlisted shares at fair value		758	544
Amounts under provided in prior years		(17 431)	(13 883)
Closing balance at 30 June		1 702 389	1 631 583
Deferred tax liabilities to be settled within 12 months		338	343
Deferred tax liabilities to be settled after more than 12 months		1 702 051	1 631 240
		1 702 389	1 631 583

24. Non-current liabilities - provisions

	2014	2013
Employee benefits	25 777	29 620
Workers compensation	3 511	3 233
Asset disposal	72	81
	29 360	32 934

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2014	Workers compensation	Asset disposal	Total
Non-current:	$'000	$'000	$'000
Carrying amount at 1 July	3 233	81	3 314
Transfer to current provision	-	(9)	(9)
Remeasurement adjustments	278	-	278
Carrying amount at 30 June	3 511	72	3 583

25. Non-current liabilities - other non-current liabilities

	2014	2013
	$'000	$'000
Government grants	397 379	402 472
Lease incentives	1 110	1 243
	398 489	403 715

26. Reconciliation of cash and cash equivalents

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

Cash and cash equivalents	1 507	1 856

Fair value

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27. Reconciliation of net profit after income tax to net cash inflows (outflows) from operating activities

Net profit for the year	199 898	263 723
Non-cash items:		
Depreciation and amortisation	318 195	290 080
Amortisation of government grant revenue	(11 454)	(7 267)
Contributed assets	(26 218)	(27 675)
Net loss (gain) on disposal of infrastructure, plant and equipment	41	(338)
Net loss (gain) on disposal of purchased water rights/allocations	(2 717)	880
Infrastructure, plant and equipment revaluation decrement reversal	(245)	(246)
Infrastructure, plant and equipment revaluation decrement	311	38
Write-off in value of infrastructure, plant and equipment	7 223	13 851
Write-off value of capital works in progress and minor plant	7 383	8 905
Reversal of prior year minor plant write-off	(4 840)	-
Movements in assets/liabilities:		
Rates and sundry receivables	24 851	(41 359)
Inventories	(472)	(280)
Prepayments	290	(668)
Other operating assets	4 337	(2 983)
Fair value of derivative financial assets	-	154
Deferred tax assets	(1 250)	(1 679)
Trade creditors	1 266	(13 657)
Provision for employee benefits	(5 596)	(1 829)
Provision for workers compensation	455	334
Other operating liabilities	7 282	7 135
Fair value of derivative financial liabilities	-	(249)
Government grants	5 842	47 489
Provision for deferred income tax	(33 857)	(22 787)
Other provisions	(240)	(604)
Provision for income taxes payable	(20 993)	27 001
Net cash inflows (outflows) from operating activities	469 492	537 969

28. Capital risk management

Capital is managed within the parameters outlined in the financial ownership framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, CSOs and dividends.

28. Capital risk management (continued)

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders including SA Water's customers.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15%-25%.

The Corporation's strategy, which is unchanged from 2012-13, was to maintain a gearing ratio within 15%-25%. The gearing ratios based on continuing operations at 30 June 2013 and 30 June 2014 were as follows:

	Note	2014 $'million	2013 $'million
Interest bearing liabilities	17,22	3 686	3 672
Cash and cash equivalents	26	(2)	(2)
Net debt		3 684	3 670
Total assets		14 129	13 825
Gearing ratio		26.1%	26.5%

Outside of the financial ownership framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the SA Government continue to review the parameters of the financial ownership framework to ensure the appropriateness of the targets. The target range for the gearing ratio will be reviewed during 2014-15 subject to finalisation of the $2.7 billion debt transfer from the SA Government to SA Water (refer note 39).

29. Revaluation surplus and retained profits

(a) Revaluation surplus

	Note	2014 $'000	2013 $'000
Infrastructure, plant and equipment revaluation surplus		7 624 340	7 383 653
Available-for-sale financial assets revaluation surplus		13 728	11 961
Balance at 30 June		7 638 068	7 395 614
Movements:			
Infrastructure, plant and equipment revaluation surplus:			
Balance at 1 July		7 383 653	7 487 131
Revaluation of infrastructure plant and equipment*		347 543	(141 879)
Movements in deferred tax liability	23	(103 906)	40 854
Transfer to retained profits on disposal		(2 950)	(2 453)
Balance at 30 June		7 624 340	7 383 653
Available-for-sale investments revaluation surplus:			
Balance at 1 July		11 961	10 693
Revaluation of investment in unlisted shares		2 525	1 812
Movements in deferred tax liability	23	(758)	(544)
Balance at 30 June		13 728	11 961

* The 2012-13 revaluation decrease relates to a decrease in infrastructure valuations, principally pipe replacement prices, reservoirs, earth storages and water dosing stations.

The 2013-14 revaluation increase relates to moderate (around 3%) increases in pipe replacement prices, together with similar increases in other assets.

(b) Retained profits

Movements in retained profits were as follows:

	Note	2014 $'000	2013 $'000
Balance at 1 July		280 684	250 283
Net profit for the year		199 898	263 723
Dividends	33	(196 171)	(235 775)
Transfers from infrastructure, plant and equipment revaluation surplus		2 950	2 453
Balance at 30 June		287 361	280 684

(c) Nature and purpose of revaluation surplus

(i) Infrastructure, plant and equipment revaluation surplus

The infrastructure, plant and equipment revaluation surplus is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation surplus

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation surplus.

30. Commitments

(a) *Capital commitments*

	2014	2013
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:	$'000	$'000
Within one year	58 188	95 348
Later than one year but not later than five years	29 660	42 045
	87 848	137 393

(b) *Operating lease commitments*

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	11 260	10 750
Later than one year but not later than five years	46 629	45 452
Later than five years	53 101	66 982
	110 990	123 184

The operating lease commitments relate to property leases which are non-cancellable leases. The rentals are payable monthly and reviewed annually. The annual increases are based on CPI, 2.5%-3.5%. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) *Other expenditure commitments*

	2014	2013
Future other expenditure commitments not provided for in the financial statements are payable as follows:	$'000	$'000
Within one year	166 095	170 623
Later than one year but not later than five years	621 915	613 194
Later than five years	1 067 567	1 261 336
	1 855 577	2 045 153

Other expenditure commitments include commitments pursuant to contracts to:

- operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants (refer note 1(u))
- operate, maintain and provide energy for the ADP (refer note 1(v)).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) *Finance leases*

	Note	2014	2013
Commitments in relation to finance leases are payable as follows:		$'000	$'000
Within one year		17 584	17 584
Later than one year but not later than five years		70 335	70 335
Later than five years		63 639	81 223
Minimum lease payments		151 558	169 142
Future finance charges		(57 451)	(68 671)
Recognised as a liability		94 107	100 471
Total lease liabilities		94 107	100 471
Representing lease liabilities:			
Current	17	7 117	6 364
Non-current	22	86 990	94 107
		94 107	100 471
The present value of finance lease liabilities is as follows:			
Within one year		7 117	6 364
Later than one year but not later than five years		37 969	33 941
Later than five years		49 021	60 166
Minimum lease payments		94 107	100 471

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(e) *Contingent rentals*

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the CPI and other related indexes. Commitments in relation to contingent rentals are payable as follows:

	2014	2013
	$'000	$'000
Within one year	4 882	4 483
Later than one year but not later than five years	19 527	17 933
Later than five years	27 428	29 722
	51 837	52 138

The amount of contingent rentals paid during the year is disclosed in note 7.

(f) *Remuneration commitments*

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

Within one year	13 682	15 027
Later than one year but not later than five years	25 045	21 843
	38 727	36 870

31. Joint operation

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the jointly controlled operation named SA Water/Lofty Ranges Power - jointly controlled operation. The principal activity of the operator is to generate electricity from the use of water energy stored in/around the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the jointly controlled operation, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2014	2013
Current assets:	$'000	$'000
Cash and cash equivalents	9	44
Receivables	31	3
Total current assets	40	47
Non-current assets:		
Infrastructure, plant and equipment	1 611	1 610
Total assets	1 651	1 657
Current liabilities:		
Payables	26	21
Total liabilities	26	21
Net assets	1 625	1 636

32. Remuneration of auditors

Audit fees paid/payable to the Auditor-General's Department relating to:

Financial statements audit	383	401
Regulatory accounts audit	35	-
Total audit fees	418	401

33. Dividends

Dividends paid	196 171	235 775

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the PCA.

34. Remuneration of employees

The number of employees whose remuneration paid and payable falls within the following bands is:	2014 Current employees Number	2014 Ex-employees Number	2013 Current employees Number	2013 Ex-employees Number
$138 000 - $141 499*	7	-	18	1
$141 500 - $151 499	41	1	40	1
$151 500 - $161 499	21	-	26	1
$161 500 - $171 499	13	1	15	1
$171 500 - $181 499	8	-	8	-
$181 500 - $191 499	5	-	5	2
$191 500 - $201 499	7	-	7	-
$201 500 - $211 499	5	-	3	-
$211 500 - $221 499	-	1	1	-
$221 500 - $231 499	1	-	2	-
$231 500 - $241 499	1	1	2	-
$241 500 - $251 499	1	-	1	-
$251 500 - $261 499	1	1	-	-
$261 500 - $271 499	2	1	2	1
$271 500 - $281 499	-	-	1	-
$281 500 - $291 499	1	1	3	-
$291 500 - $301 499	1	-	2	1
$301 500 - $311 499	2	1	2	-
$311 500 - $321 499	1	3	-	-
$321 500 - $331 499	1	2	-	1
$331 500 - $341 499	2	-	-	-
$341 500 - $351 499	-	-	-	1
$371 500 - $381 499	-	-	1	-
$381 500 - $391 499	-	-	-	1
$391 500 - $401 499	-	2	1	-
$401 500 - $411 499	-	1	-	-
$411 500 - $421 499	-	2	-	-
$421 500 - $431 499	1	2	-	1
$461 500 - $471 499	-	1	-	-
$531 500 - $541 499	-	1	-	-
$541 500 - $551 499	-	-	1	-
$551 500 - $561 499	1	-	-	-
$591 500 - $601 499	-	1	-	-
$891 500 - $901 499	-	1	-	-

The total remuneration paid and payable for those employees ongoing and separated was $22.2 million and $8.9 million ($24.8 million and $3 million). This amount includes separation payments, lump sum payments for annual leave and LSL, fringe benefits and superannuation payments.

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration for 2012-13.

TVSPs	2014	2013
Amount paid during the reporting period separated employees:	$'000	$'000
TVSPs	4 488	3 486
Annual leave and LSL paid to those employees	1 996	1 381
Net cost to SA Water	6 484	4 867

The number of employees who received TVSPs during the reporting period was 27 (27).

35. Remuneration of directors

The Board of SA Water was established under the *South Australian Water Corporation Act 1994* and consists of up to seven members including the Chief Executive. Note: Although a member of the Board, the Chief Executive does not receive additional remuneration as a board member. The remuneration of the Chief Executive is included in notes 34 and 36.

35. Remuneration of directors (continued)

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

The number of directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:	2014 Number	2013 Number
$30 000 - $39 999	1	-
$40 000 - $49 999	2	1
$50 000 - $59 999	2	3
$80 000 - $89 999	1	1

The total remuneration paid and payable for those Directors was $310 000 ($290 000) which includes fringe benefits and superannuation contributions.

36. Related party disclosures

(a) Directors

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

S G M Blencowe	C S Cooper	L W Owens
C A Pickles	K G Osborn	J F Ringham
S M Filby		

Ms Blencowe is a specialist member of the City of Port Adelaide Enfield Development Assessment Panel.

Ms Cooper is Chair of the Dairy Authority of South Australia, Aquaculture Advisory Council, Council Solutions and Fleurieu Regional Waste Authority, Director of Thoroughbred Racing SA and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the Aquaculture Tenure Allocation Board, (energy markets) Consumer Advocacy Panel, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts (gas) and the Natural Resources Management Council and an independent member of the City of Marion Audit Committee.

Ms Filby is a member of the Department Policy Advisory Committee.

Mr Osborn is Director of Pateka Pty Ltd., Tristar Properties Pty Ltd, Port Adelaide Football Club, Australian Institute of Company Directors and the Accounting Professional & Ethical Standards Board (APESB). He was formerly Chair of the Adelaide Desalination Cross Agency Steering Committee, Chair of Invest in South Australia, Deputy Chair of the Economic Development Board of SA Director of Adelaide University Business School Advisory Board and Director of Viterra Inc.

Mr Owens is Chair of SA Water, SA Country Arts Trust, a Director of Regional Arts Australia Ltd, a Reconciliation Ambassador for Reconciliation SA, Member of Resources and Energy Sector Infrastructure Council and Member of the City of Marion Audit Committee. He was formerly a Director of Petratherm.

Ms Pickles is the Chair of the South Australia State Library Foundation.

Mr Ringham is a Director and Chief Executive of SA Water, Deputy Chair Wateraid Australia and Director of Water Services Association of Australia.

All financial benefits provided by SA Water to related parties are provided on arm’s length terms.

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2014 and 2013 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the senior leadership team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits $’000	Post-employment benefits $’000	Long-term benefits $’000	Termination benefits $’000	Total $’000
2014*	17	2 348	1 497	79	308	4 232
2013	15	2 601	948	78	254	3 881

* 2014 includes an overlap of senior leadership team members resulting form the organisational restructure.

37. Statement of administered items

	River Murray levy	Pensioner concessions	Total 2014	Total 2013
	$'000	$'000	$'000	$'000
Administered income:				
Revenue	24 271	29 500	53 771	55 908
Total administered income	24 271	29 500	53 771	55 908
Administered expenses:				
Expenses	24 271	29 500	53 771	55 908
Total administered expenses	24 271	29 500	53 771	55 908
Operating surplus	-	-	-	-
Current assets:				
Cash and cash equivalents	74	274	348	162
Receivables	1 406	-	1 406	1 640
Total current assets	1 480	274	1 754	1 802
Total administered assets	1 480	274	1 754	1 802
Current liabilities:				
Payables	1 480	274	1 754	1 802
Total current liabilities	1 480	274	1 754	1 802
Total administered liabilities	1 480	274	1 754	1 802
Net assets	-	-	-	-
Cash flows from operating activities:				
Cash inflows	24 505	29 500	54 005	55 515
Total cash inflows	24 505	29 500	54 005	55 515
Cash outflows	24 591	29 228	53 819	55 727
Total cash outflows	24 591	29 228	53 819	55 727
Net cash inflows (outflows) from operating activities	(86)	272	186	(212)
Net increase (decrease) in cash held	(86)	272	186	(212)
Cash at 1 July	160	2	162	374
Cash at 30 June	74	274	348	162

38. SA Government transactions

(a) Income

	2014	2013
Income received/receivable from entities within the SA Government:	$'000	$'000
Rates and charges	64 179	63 847
CSOs	125 751	106 773
Recoverable works	7 341	3 567
Fees and charges	11	20
Miscellaneous	2	2
Government grants	1 793	672
Interest received	175	907
Total income - SA Government entities	199 252	175 788

(b) Expenses

	2014	2013
Supplies and services provided by entities within the SA Government:		
Operational services	32 712	33 210
Administration	35 283	34 989
Materials and other	1	993
Total supplies and services - SA Government entities	67 996	69 192
Operational and service contracts provided by entities within the SA Government:		
Operational and service contracts	1 473	2 118
Total operational and service contracts - SA Government entities	1 473	2 118
Borrowing costs provided by entities within the SA Government:		
Interest expense	214 105	221 980
Total borrowing costs - SA Government entities	214 105	221 980

(c) Receivables

	2014	2013
Receivables from SA Government entities:	$'000	$'000
CSOs	12 922	12 785
Rates receivable (water and wastewater)	709	7 180
Sundry debtors	5 254	6 247
Total receivables - SA Government entities	18 885	26 212

(d) Payables

	2014	2013
Current:		
Payables to SA Government entities:		
Trade creditors	5 079	5 093
Interest payable	39 661	37 479
Other creditors	4 608	4 470
Total payables - SA Government entities	49 348	47 042
Non-current:		
Payables to SA Government entities:		
Other creditors	1 300	1 511

39. Events occurring after the reporting period

(a) Transfer of debt from DTF

On 1 July 2014 the SA Government announced that $2.7 billion of debt will be transferred to SA Water. On 16 September 2014 the Treasurer requested the Board recommend an interim dividend of $2.7 billion be paid.

On 18 September 2014 the Board made the recommendation.

The financial effects of this transaction have not been brought to account at 30 June 2014 as the transaction had not occurred. The transfer of debt will increase interest expense, decrease profit and reduce the level of contributions (income tax equivalent payments and dividends) payable to the SA Government.

Details of the effect on liabilities and equity of the debt transfer are:

	$'000
Core debt borrowings	(2 700 000)
Equity	2 700 000

Part B

Acronyms used in this Report

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements (NFP)
AASB 127	Separate Financial Statements (FP)
AASB 128	Investments in Associates (NFP)
AASB 128	Investments in Associates and Joint Ventures (FP)
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads

Australian Accounting Standards – AASB (continued)

Reference	Title
AASB 1052	Disaggregated Disclosures
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 1056	Superannuation Entities

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 21	Levies
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 7	Corporate Governance
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

Treasurer's Instructions – TIs (continued)

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System

1 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

Acronyms (continued)

Reference	Title
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology *(except in heading in write-up. In full for indexing purposes)*
LSL	Long service leave
SAFA	South Australian Government Financing Authority
SERL	Skills and experience retention leave
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer’s Instruction
TVSP	Targeted voluntary separation package

Part B

General index

A

E

F

H

I

J

L

Q

R

S

T

U

V

W