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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2012

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Part B: Agency audit reports

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Part B

Table of contents

Page

Volume 1

Volume 2

Volume 3

Part B

Table of contents

Page

Volume 3

Volume 4

Volume 5

Part B

Table of contents

Page

Volume 6

Appendix

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 Asset Management Corporation

Functional responsibility

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to 'manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of $8.3 billion and $8.2 billion respectively. At 30 June 2012 assets and liabilities of SAAMC stood at $7.6 million and $2.8 million respectively, leaving total equity of SAAMC at 30 June 2012 at $4.8 million. This compared to total equity of $18.9 million at 30 June 2011. The decrease in total equity of $14.1 million reflected the profit result of $6.8 million and a dividend payment and capital contribution repayment of $20.2 million and $716 000 respectively to the SA Government in June 2012.

At 30 June 2012 SAAMC staffing consisted of a part-time chief executive officer and one temporary employee.

Dissolution of SAAMC

The 2011-12 financial year is expected to be the last full year of operations of SAAMC. At the time of preparation of this Report the *Statutes Amendment and Repeal (Budget 2012) Bill 2012* was before the South Australian Parliament. The Bill provides for the repeal of the *State Bank of South Australia Act 1983* and the dissolution of SAAMC. Refer note 24 to the financial statements for further explanation.

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 SAAMC 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 SAAMC 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 involved the review of financial systems and records 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 2011-12, areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; and financial statements verification.

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 Asset Management Corporation as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

The review of the auditable areas (including financial statements verification) indicated that the financial controls of SAAMC were satisfactory. No matters arose during the audit that required management letter communication to SAAMC.

Interpretation and analysis of the financial report

The major objective of SAAMC involves the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

Statement of Comprehensive Income

The following table shows the revenues/recoveries, expenses and net profits for the five years to 2012.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Revenues/Recoveries	7	22	4	5	13
Expenses	-	-	-	1	1
Net profit	7	22	4	4	12

The 2012 net profit resulted mainly from two bad (doubtful) debt recoveries totalling $5.5 million. In 2011 a significant bad (doubtful) debt recovery of $20.6 million accounted mainly for that year's profit.

The general trend results of SAAMC in recent years of recording small profits, reflects the near completion of its core mission of the orderly divestiture of certain assets and the extinguishment of certain liabilities of the former State Bank of South Australia.

Statement of Financial Position

The net asset position of SAAMC at 30 June 2012 was $4.8 million ($18.9 million). The decrease reflected the net profit result of $6.8 million and the dividend payment ($20.2 million) and the capital contribution repayment ($716 000) to the SA Government in June 2012.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2012.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows					
Operating	5	21	0.2	(1)	7
Investing	16	(17)	76	4	(4)
Financing	(21)	(4)	(76)	(4)	(4)
Change in cash	0.1	(0.2)	0.2	(1)	(1)
Cash at 30 June	0.1	-	0.2	1	1

Over the years cash flows from investing activities have been used in relation to financing activities, associated with repaying borrowings and/or contributed capital to the Government, or payment of dividends to the Government, or in reinvestment activity principally with SAFA.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Income:			
Interest revenues	5	1 104	1 006
Other revenues	6	7	151
Recoveries	12	5 964	20 577
Total income		7 075	21 734
Expenses:			
Employee benefits expenses	8	251	208
Supplies and services	9	40	80
Other expenses	10	4	15
Total expenses		295	303
Profit before income tax equivalents		6 780	21 431
Income tax equivalent expense	13	-	-
Profit after income tax equivalents		6 780	21 431
Total comprehensive result		6 780	21 431

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Assets:			
Cash and cash equivalents	22(a)	119	30
Investments	14	7 439	22 055
Other financial assets	15	3	95
Total assets		7 561	22 180
Liabilities:			
Payables	16	2 530	3 079
Employee benefits	17	275	209
Provisions	18	-	-
Total liabilities		2 805	3 288
Net assets		4 756	18 892
Equity:			
Contributed capital		-	716
Retained earnings		4 756	18 176
Total equity		4 756	18 892

Total equity is attributable to the SA Government as owner

	Note
Commitments for expenditure	19
Contingent assets and liabilities	20

Statement of Changes in Equity
for the year ended 30 June 2012

	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010	716	745	1 461
Profit after income tax equivalents for 2010-11	-	21 431	21 431
Total comprehensive result for 2010-11	-	21 431	21 431
Transactions with SA Government as owner:			
Dividend paid	-	(4 000)	(4 000)
Balance at 30 June 2011	716	18 176	18 892
Profit after income tax equivalents for 2011-12	-	6 780	6 780
Total comprehensive result for 2011-12	-	6 780	6 780
Transactions with SA Government as owner:			
Repayment of contributed capital to SA Government	(716)	-	(716)
Dividend paid	-	(20 200)	(20 200)
Balance at 30 June 2012	-	4 756	4 756

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from the sale of goods and services		51	66
Interest received		4	6
GST receipts on receivables		2	-
GST input tax credits claimed		15	-
Other receipts		5 558	20 983
Cash generated from operating activities		5 630	21 055
Cash outflows:			
Employee benefit payments		(232)	(239)
Supplies and services		(99)	(23)
GST remitted to ATO		(10)	(4)
Cash used in operating activities		(341)	(266)
Net cash provided by (used in) operating activities	22(b)	5 289	20 789
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sales/maturities of investments		21 116	9 670
Cash generated from investing activities		21 116	9 670
Cash outflows:			
Transfer to SAICORP		-	(2 715)
Purchase of investments		(5 400)	(23 951)
Cash used in investing activities		(5 400)	(26 666)
Net cash provided by (used in) investing activities		15 716	(16 996)
Cash flows from financing activities:			
Cash outflows:			
Repayment of contributed capital to SA Government		(716)	-
Dividends paid to SA Government		(20 200)	(4 000)
Cash used in financing activities		(20 916)	(4 000)
Net cash provided by (used in) financing activities		(20 916)	(4 000)
Net increase (decrease) in cash and cash equivalents		89	(207)
Cash and cash equivalents at 1 July		30	237
Cash and cash equivalents at 30 June		119	30

Notes to and forming part of the financial statements

1. Objectives of South Australian Asset Management Corporation (SAAMC)

SAAMC is incorporated under the *State Bank of South Australia Act 1983* (as amended) (the SBSA Act). On 1 July 1994, this entity changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the SBSA Act. The objectives of SAAMC are:

- meet the long-term obligations and commitments of what was previously known as State Bank of South Australia
- pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia

1. Objectives of South Australian Asset Management Corporation (SAAMC) (continued)

- disciplined downsizing of the Statement of Financial Position (Balance Sheet)
- generate earnings through the realisation of assets and prudent management of funding
- manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task
- be fully accountable to the State of South Australia
- maintain a high standard of corporate and business ethics.

SAAMC is intended to be dissolved on the repeal of the SBSA Act. The repeal of the SBSA Act is one significant matter along with a number of other matters provided for in the *Statutes Amendment and Repeal (Budget 2012) Bill 2012* which at the time of finalisation of this Report is before Parliament. The Bill passed the House of Assembly in June 2012 and after review by the Legislative Council in July 2012 it has been returned to the House of Assembly for further review, unrelated to the repeal Act matter of the Bill.

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 financial statements were authorised for issue by the Directors on 3 September 2012.

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants (refer note 9)

  (c) employees whose normal remuneration is more than the public sector base executive remuneration level of $144 896 (within $10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 7)

  (d) the financial statements for the period ending 30 June 2012 were not prepared on a going concern basis considering the imminent dissolution of SAAMC by legislation repealing the SBSA Act.

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

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

The 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 2012 and the comparative information presented.

(c) Reporting entity

The financial statements cover SAAMC as an individual reporting entity. SAAMC is a statutory authority of the State of South Australia, established pursuant to the SBSA Act, domiciled in Australia. The address of SAAMC's registered office is: Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia 5000.

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

(e) Rounding

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

(f) Events after the end of the reporting period

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

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

(g) Taxation

SAAMC is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. SAAMC is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

(h) Bad and doubtful debts

Provisioning for bad and doubtful debts is not required. SAAMC's assets are cash and other liquid investments with SAFA.

These assets have a minimum credit risk attached to them due to their nature and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Statement of Comprehensive Income.

(i) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from SAAMC 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.

(j) 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 purpose 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.

(k) Investments

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of SAAMC. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Comprehensive Income.

(l) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals. Receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment losses. Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual agreement. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is raised when there is objective evidence that SAAMC will not be able to collect the debt. Bad debts are written off when identified.

(m) Employee benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on projected departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

Salaries, annual leave and LSL

The provisions for employee entitlements to salaries and annual leave represent the amount that SAAMC has a present obligation to pay, resulting from employees' services provided up to reporting date. The provision has been calculated at nominal amounts, based on current salary rates, and includes related on-costs.

SAAMC's future obligations for LSL and annual leave entitlements, although immaterial, have been fully provided, including on-costs.

Superannuation funds

SAAMC contributes the prescribed employer contribution to the Triple S Scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made. Refer note 19. 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 paid.

(n) Provisions

Provisions are recognised when SAAMC 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 SAAMC 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 reporting date. If the effect of the time value of money is material, provisions are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

(o) Insurance

SAAMC has arranged through SAICORP, a division of SAFA, to insure all major risks of SAAMC. The excess payable under this arrangement varies depending on each class of insurance held.

3. Changes in accounting policies

SAAMC did not voluntarily change any of its accounting policies during 2011-12.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing the financial statements. These are not expected to have a significant effect on the financial statements of SAAMC.

4. Revenues from (Payments to) SA Government (direction from the Treasurer)

Pursuant to sections 20A(1) and 20A(3) of the SBSA Act the Treasurer of South Australia (the Treasurer) may determine that capital provided to SAAMC may be repaid to the Treasurer. Also section 22 provides that any surplus of funds remaining after the costs of SAAMC have been met in any financial year must be paid into the Consolidated Account or otherwise dealt with as the Treasurer may determine.

On the 21 June 2012, the Treasurer specifically determined and approved the payment of a $20.2 million ($4 million) dividend to the Consolidated Account on 30 June 2012. The dividend was paid from SAAMC's current earnings and retained profits. Further, a repayment of capital of $716 000 was paid to the Consolidated Account on 30 June 2012.

5. Interest revenues	2012	2011
	$'000	$'000
Interest from entities external to the SA Government	4	8
Interest from entities within the SA Government	1 100	998
Total interest income	1 104	1 006

6. Other income		
Other sundry income received from entities external to SA Government	7	151
Total other income	7	151

7. Key management personnel and remuneration

Key management personnel of SAAMC comprise the directors of SAAMC being Mr Brett G Rowse, Ms Linda Hart, Mrs Virginia Martindale and the Chief Executive Officer, Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by SAAMC for the discharge of their duties as directors. Remuneration payable to the Chief Executive Officer is $82 000 representing short-term benefits. This excludes employer superannuation contributions of $86 000.

8. Employee benefits costs	2012	2011
	$'000	$'000
FBT	5	5
Salaries	82	116
Superannuation and retiring allowances	95	58
Other staff expenses	69	29
Total employee benefits costs	251	208

9. Supplies and services		
Supplies and services provided by entities within the SA Government:		
Insurance	4	4
Other	17	54
Total supplies and services - SA Government entities	21	58
Supplies and services provided by entities external to the SA Government:		
Other	19	22
Total supplies and services - non-SA Government entities	19	22
Total supplies and services	40	80

SAAMC did not engage any consultants as defined by the APF II during the year.

10. Other expenses		
Other	4	15
Total other expenses	4	15

The other expenses for 2011-12 reflect an accrual made for residual litigation and statutory charges relating to the finalisation of the operations of Hellenic Cadastre Consult which is now a defunct partnership between SAAMC and an offshore entity.

11. Auditor's remuneration	2012	2011
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	20	39
Total audit fees – SA Government entities	20	39

11. Auditor's remuneration (continued)

The audit fees payable of $38 500 at 30 June 2011 related to fees payable for the 2009-10 and 2010-11 financial year audits. The audit fees payable at 30 June 2012 relate to the 2011-12 financial year audit and the audit being undertaken of the 2012-13 wind-up accounts of SAAMC following its intended dissolution.

12. Recoveries

	2012	2011
	$'000	$'000
Net credit for bad debts previously written off	(5 466)	(20 577)
Unclaimed expired bonds	(498)	-
Net recoveries received	(5 964)	(20 577)
Credit for total recoveries	(5 964)	(20 577)

13. Income tax

The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense calculated at 30% (30%) on profit	2 034	6 429
Decrease in income tax expense due to non-tax assessable items:		
Tax exempt income - SAAMC	7 075	21 734
Income tax expense (benefit) on profit adjusted for permanent differences:		
Income tax under (over) provided in prior year	-	-
Tax rate differential on overseas income	-	-
Future income tax benefit not brought to account	-	-
Total income tax expense (benefit)	-	-

14. Investments

Deposits with SA Government entities	7 439	22 055
Total investments	7 439	22 055

15. Other financial assets

Debtors - SA Government entities	-	3
Debtors - non-SA Government entities	-	92
GST receivable	3	-
Total other financial assets	3	95

16. Payables

Current:		
Creditors	2 504	3 001
Accrued expenses	26	78
Total payables	2 530	3 079
Government/Non-government payables:		
Payables to SA Government entities:		
Accrued expenses	(6)	65
Total payables to other SA Government entities	(6)	65
Payables to non-SA Government entities:		
Creditors	2 536	3 014
Total payables to non-SA Government entities	2 536	3 014
Total payables	2 530	3 079

17. Employee benefits

Annual leave	94	72
Accrued salaries	3	4
LSL	133	133
Other employee entitlements	45	-
Total employee benefits	275	209

18. Provisions

Workers compensation claims	-	-
Total provisions	-	-

18. Provisions (continued)

	2012 $'000	2011 $'000
Carrying amount at 1 July	-	2 715
Transfer claims operations to SAFA (SAICORP)	-	2 715
Carrying amount at 30 June	-	-

19. Commitments

Superannuation commitments

SAAMC contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board, and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds' requirements.

SAAMC had one part-time and one temporary employee as at reporting date. There was one part-time and one temporary employee at the same period last year.

20. Contingent assets and liabilities

Claims by and against SAAMC

In the ordinary course of business, SAAMC is indirectly involved in litigation, which at the date of adoption of these financial statements has not been resolved. Acting on legal advice, the Directors are of the opinion that on balance the outcomes of any litigation will not have a material impact on the financial statements of SAAMC.

21. Financial instruments/Financial risk management

SAAMC has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about SAAMC's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of SAAMC and has established appropriate policy to manage the above risks.

21.1 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.

		2012		2011	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	22(a)	119	119	30	30
Investments	14	7 439	7 439	22 055	22 055
Other financial assets:					
Receivables	15	3	3	95	95
Financial liabilities					
Financial liabilities - at cost:					
Payables	16	2 530	2 530	3 079	3 079

Credit risk

Credit risk arises when there is the possibility of SAAMC's debtors defaulting on their contractual obligations resulting in financial loss to SAAMC. SAAMC measures credit risk on a fair value basis and monitors risk on a regular basis. There is minimal concentration of credit risk and SAAMC does not engage in any hedging for its financial assets.

Liquidity risk

Liquidity risk arises where SAAMC is unable to meet its financial obligations as they fall due. SAAMC is an instrumentality of the Crown and is dependent on State Government policy and on an implicit guarantee from the State. SAAMC settles undisputed accounts payable (refer note 16) within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. SAAMC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

Market risk for SAAMC is only through interest rate risk. Exposure to interest rate risk may arise through the interest revenues received from deposits. SAAMC's cash, cash equivalents and investments are managed through SAFA and any movement in interest rates is monitored on a daily basis. There is no exposure to foreign currency or other price risks.

21.2 Maturity analysis of financial assets and liabilities

		Fixed interest maturing				
2012	Floating interest rate	1 year or less	Over 1 year to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	119	-	-	-	-	119
Investments	7 439	-	-	-	-	7 439
Receivables	-	-	-	-	3	3
Total financial assets	7 558	-	-	-	3	7 561
Weighted average interest rate	4.76%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	2 530	2 530
Total financial liabilities	-	-	-	-	2 530	2 530
2011						
Financial assets:						
Cash and cash equivalents	30	-	-	-	-	30
Investments	22 055	-	-	-	-	22 055
Receivables	-	-	-	-	95	95
Total financial assets	22 085	-	-	-	95	22 180
Weighted average interest rate	5.05%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	3 079	3 079
Total financial liabilities	-	-	-	-	3 079	3 079

Sensitivity disclosure analysis

The degree by which interest income would be affected by fluctuations in interest rates in the next 12 months would depend on how the fluctuating rates would move the financial markets in which SAAMC invests through SAFA and how SAFA would manage the relevant investments. A change of 100 basis points in the interest rates received from SAFA at the reporting date would have increased (decreased) profit or loss by $75 000 ($219 000). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

22. Notes to the Statement of Cash Flows

(a) Reconciliation of cash	2012 $'000	2011 $'000
Cash as at reporting date as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial position as follows:		
Cash and cash equivalents disclosed in the Statement of Financial Position	119	30
Balance as per the Statement of Cash Flows	119	30

(b) **Reconciliation of profit to net cash provided by (used in) operating activities**	2012 $'000	2011 $'000
Profit for the year	6 780	21 431
Net cash provided by (used in) operating activities before change in assets and liabilities	6 780	21 431
Movements in assets/liabilities:		
Net interest accrued	(1 008)	1 702
Sundry creditors and accruals	(551)	(2 372)
Employee entitlements	68	28
Net cash provided by (used in) operating activities	5 289	20 789

23. Related party disclosures

Directors

The names of each person holding the position of Director of SAAMC during the financial year ended 30 June 2012 are as follows:

Mr Andrew G Anastasiades
Ms Linda Hart
Mrs Virginia Martindale
Mr Brett G Rowse

Directors' transactions

No transactions took place between the Directors of SAAMC and related entities and their related parties, including director-related entities.

SAFA

Related party transactions with SAFA are disclosed in notes 5 and 14. In addition, SAAMC and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

24. Events after the end of the reporting period

SAAMC is intended to be dissolved on the repeal of the SBSA Act. The repeal of the SBSA Act is one significant matter along with a number of other matters provided for in the *Statutes Amendment and Repeal (Budget 2012) Bill 2012* which at the time of finalisation of this Report is before Parliament. The Bill passed the House of Assembly in June 2012 and after review by the Legislative Council in July 2012 it has been returned to the House of Assembly for further review, unrelated to the repeal Act matter of the Bill.

South Australian Country Fire Service

Functional responsibility

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Country Fire Service (SACFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SACFS 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 Country Fire Service
- South Australian State Emergency Service
- South Australian Metropolitan Fire Service.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

The primary function of the SACFS is the prevention of fires, and provision of fire and emergency response services to regional and peri-urban areas of South Australia.

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

For more information about the SACFS'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 100(2) of the FES Act provide for the Auditor-General to audit the accounts of the SACFS 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 SACFS 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 the SACFS and SAFECOM 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 Commonwealth grants
- cash and receivables
- non-current assets, including asset valuations and capital works in progress
- financial accounting
- corporate governance and risk management
- budgetary control
- financial management compliance programs.

The audit included a follow-up of previous audit findings. This included a specific assessment of internal controls related to capital works in progress and capitalisation of completed assets covering procurement, asset valuation and record keeping practices to support asset transactions and management reporting. Previous internal audit recommendations were considered as part of this review.

The audit also covered 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 Country Fire Service as at 30 June 2012, 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 Country 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' in the section of Part B of this Report titled 'South Australian Fire and Emergency Services Commission', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Country 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, SACFS who are responsible for the governance of the SACFS.

Major matters raised with SAFECOM and the SACFS and the related responses are detailed 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

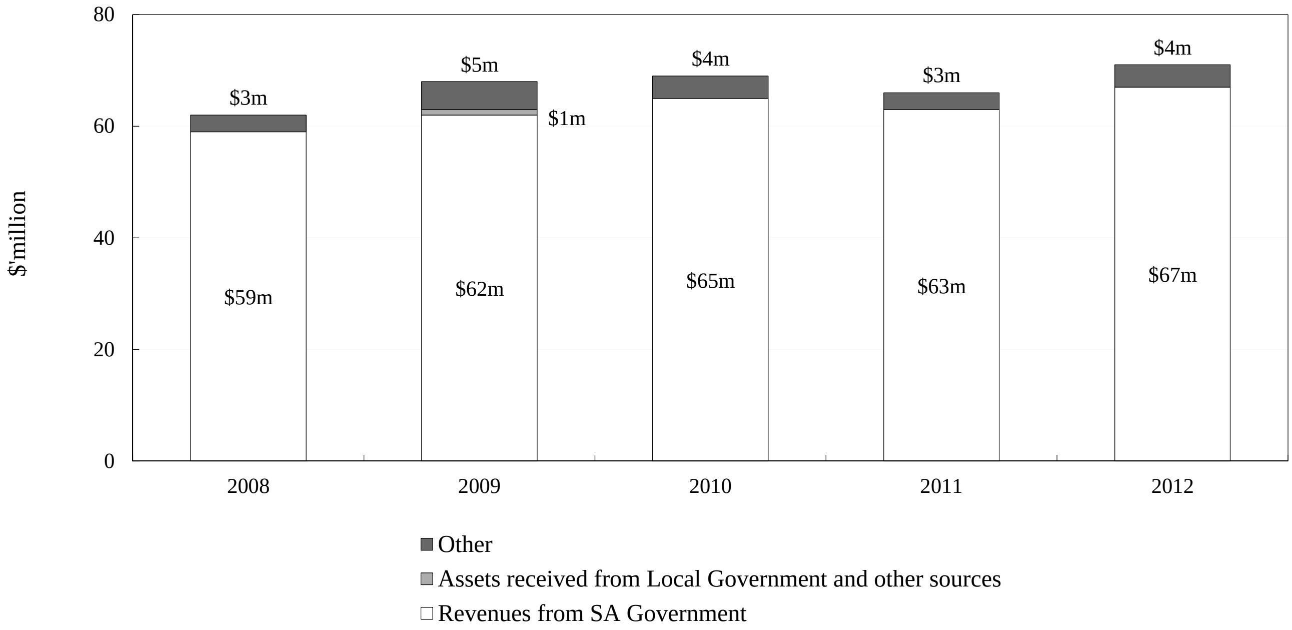
	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	13	14
Supplies and services and other expenses	40	38
Depreciation and amortisation	12	12
Total expenses	65	64
Income		
Total income	4	3
Net revenue from (cost of) providing services	(61)	(61)
Revenues from (Payments to) SA Government	67	63
Net result	6	2
Other comprehensive income	(2)	-
Total comprehensive result	4	2
Net cash provided by (used in) operating activities	17	18
Assets		
Current assets	16	14
Non-current assets	155	154
Total assets	171	168
Liabilities		
Current liabilities	8	8
Non-current liabilities	6	7
Total liabilities	14	15
Total equity	157	153

Statement of Comprehensive Income

Revenues from SA Government and income

The main source of funds for the SACFS is the contributions from the Fund which account for 94% of revenues (refer note 17 to the financial statements). The contributions from the Fund to the SACFS increased by 11% to $67 million during 2010-11.

A structural analysis of income for the five years to 2012 is presented in the following chart.

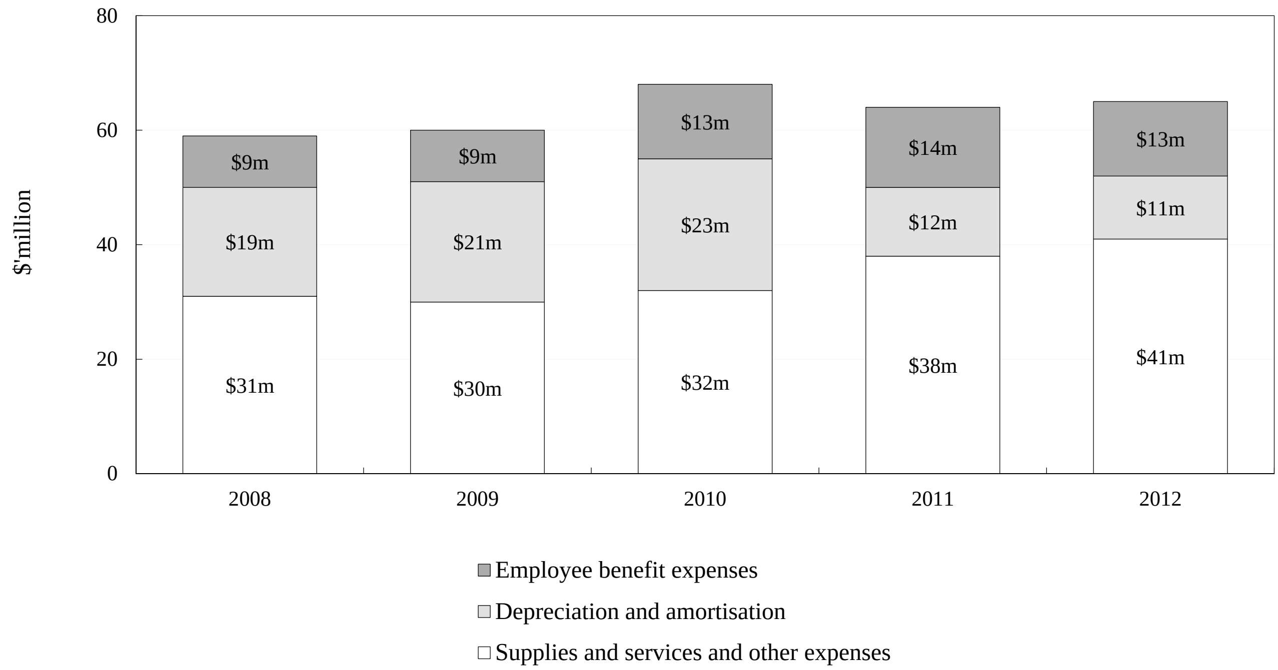


Revenues from SA Government, mainly the contributions from the Fund, over the last five years have increased by $8 million (13%) to $67 million.

Expenses

Employee benefits expenses account for only 20% of the total expenses of the SACFS due to the extensive use of volunteer firefighters.

For the five years to 2012, a structural analysis of the main expense items for the SACFS is shown in the following chart.

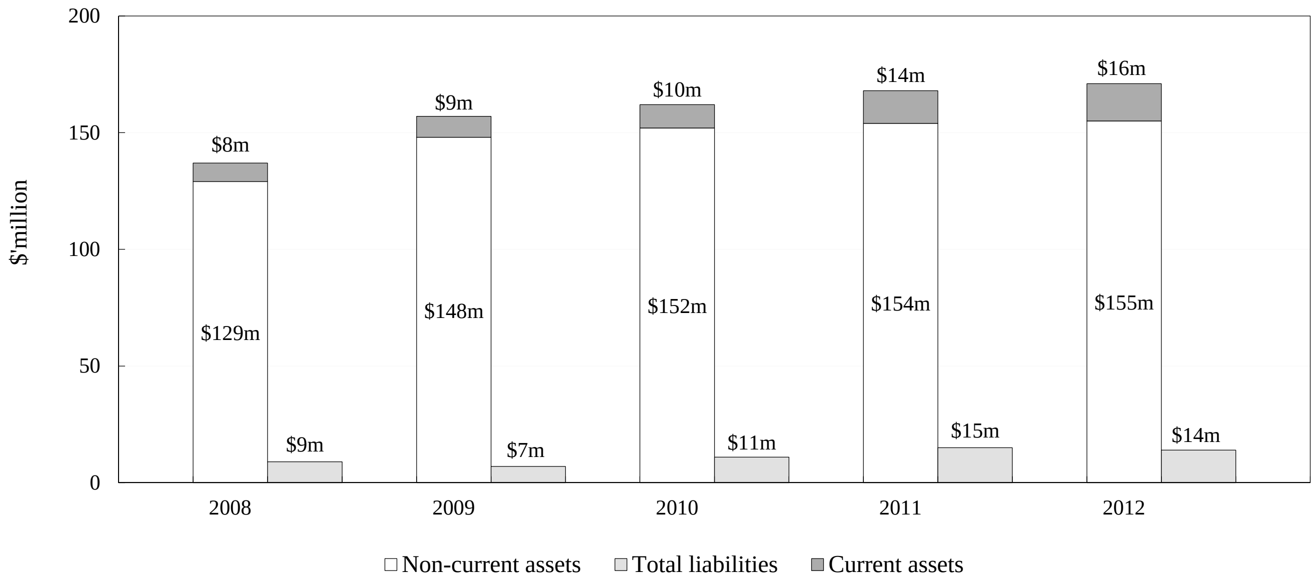


Over the five years, expenses have increased by $6 million (10%) to $65 million.

Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'property, plant and equipment' which accounts for 90% of total assets. Property, plant and equipment increased by $1 million during the year to $154 million.

For the five years to 2012, a structural analysis of assets and liabilities is shown in the following chart.

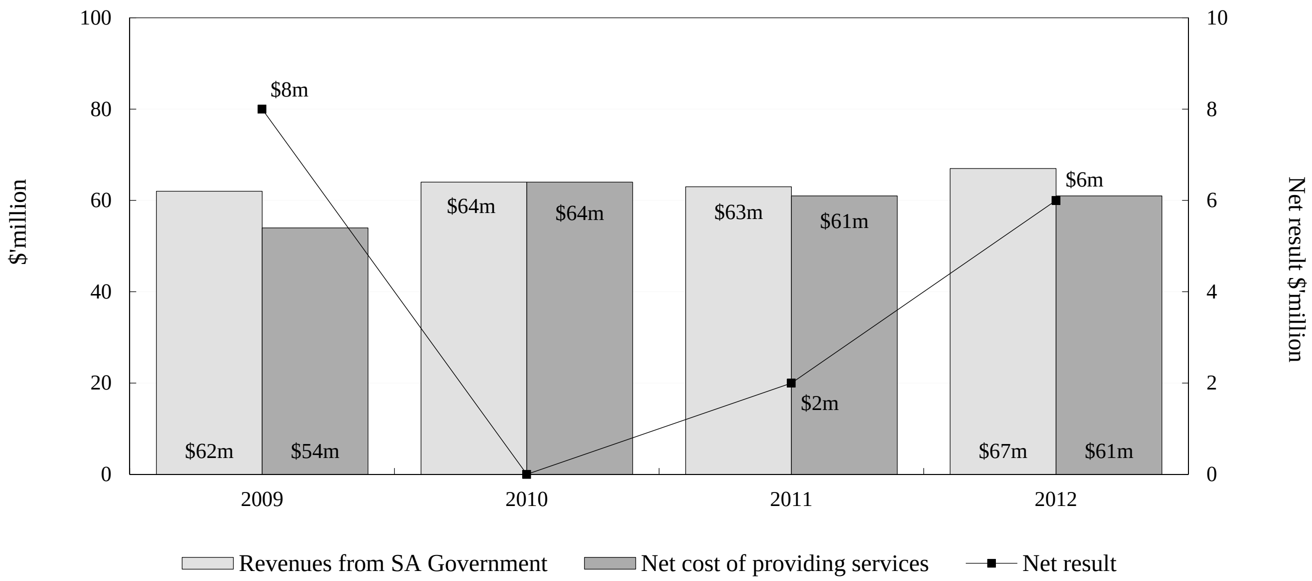


Non-current assets, mainly property, plant and equipment, have grown by 20% over the five year period to $155 million, primarily as a result of asset purchases and revaluations of assets.

The fair values of the main asset classes held by the SACFS were land and buildings ($58 million) and vehicles ($77 million). Refer note 22 to the financial statements for more information.

Further commentary on operations

The following chart shows the funding received by the SACFS from the Fund and the net cost of services for the past four years.



Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefits expenses	5	12 564	13 964
Supplies and services	6	40 399	37 951
Depreciation and amortisation	7	10 540	11 519
Grants and subsidies	8	692	535
Net loss from disposal of non-current assets	9	193	148
Other expenses	10	972	-
Total expenses		65 360	64 117
Income:			
Revenues from fees and charges	11	1 175	540
Commonwealth revenues	12	2 137	1 999
Interest revenues	13	283	399
Resources received free of charge	14	138	22
Groups/Brigades revenues	15	193	85
Other income	16	368	417
Total income		4 294	3 462
Net cost of providing services		61 066	60 655
Revenues from SA Government:			
Revenues from SA Government	17	66 857	62 657
Total revenues from (payments to) SA Government		66 857	62 657
Net result		5 791	2 002
Other comprehensive income:			
Net income or expense relating to non-current assets held for sale		(65)	-
Changes in asset		(2 189)	-
Total comprehensive result		3 537	2 002

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	18	11 766	9 991
Receivables	19	1 478	1 507
Other financial assets	20	2 136	1 901
Non-current assets held for sale	21	991	940
Total current assets		16 371	14 339
Non-current assets:			
Property, plant and equipment	22	154 347	153 420
Intangible assets	23	66	170
Total non-current assets		154 413	153 590
Total assets		170 784	167 929
Current liabilities:			
Payables	24	5 887	6 248
Employee benefits	25	1 603	1 273
Provisions	26	598	784
Total current liabilities		8 088	8 305
Non-current liabilities:			
Payables	24	321	184
Employee benefits	25	3 408	2 085
Provisions	26	2 272	4 197
Total non-current liabilities		6 001	6 466
Total liabilities		14 089	14 771
Net assets		156 695	153 158
Equity:			
Revaluation surplus	27	49 853	52 107
Retained earnings	27	106 842	101 051
Total equity		156 695	153 158

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 2012

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		52 107	99 049	151 156
Net result for 2010-11		-	2 002	2 002
Total comprehensive result for 2010-11		-	2 002	2 002
Balance at 30 June 2011	27	52 107	101 051	153 158
Net result for 2011-12		-	5 791	5 791
Net income or expenses relating to non-current assets held for sale		(65)		(65)
Loss on revaluation of property, plant and equipment during 2011-12		(2 189)	-	(2 189)
Total comprehensive result for 2011-12		(2 254)	5 791	3 537
Balance at 30 June 2012	27	49 853	106 842	156 695

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(12 847)	(12 245)
Supplies and services payments		(45 950)	(41 818)
Grants and subsidies payments		(692)	(535)
Payments for Paid Parental Leave Scheme		(2)	-
Cash used in operations		(59 491)	(54 598)
Cash inflows:			
Fees and charges		1 560	918
Receipts from Commonwealth		2 137	2 353
Interest received		288	381
GST recovered from the ATO		4 908	4 686
Receipts for Paid Parental Leave Scheme		5	-
Other receipts		440	1 409
Cash generated from operating activities		9 338	9 747
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	17	66 857	60 157
Other receipts from SA Government	17	-	2 500
Cash generated from SA Government		66 857	62 657
Net cash provided by (used in) operating activities	28	16 704	17 806
Cash flows from investing activities:			
Cash outflows:			
Purchase of investments		(234)	(86)
Purchase of property, plant and equipment		(15 079)	(14 047)
Cash used in investing activities		(15 313)	(14 133)
Cash inflows:			
Proceeds from sale of property, plant and equipment		384	436
Cash generated from investing activities		384	436
Net cash provided by (used in) investing activities		(14 929)	(13 697)
Net increase (decrease) in cash and cash equivalents		1 775	4 109
Cash and cash equivalents at 1 July		9 991	5 882
Cash and cash equivalents at 30 June	18	11 766	9 991

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian Country Fire Service (CFS) is established 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 the country

Objectives (continued)

- to provide efficient and responsive services in the country 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 the country
- to develop and maintain plans to cope with the effects of fire or emergencies in the country
- to provide services or support to assist with recovery in the event of a fire or other emergency in the country
- to perform any other function assigned to CFS by or under this or any other Act.

Funding arrangements

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

Funds generated by groups and brigades through fundraising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in CFS's financial statements.

On 1 July 2011, CFS introduced fees and charges for fire alarm monitoring, unwanted false alarms and certain building fire safety services. These fees are prescribed in the Regulations.

2. Summary of significant accounting policies

(a) Statement of compliance

The CFS 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 CFS has applied AASs that are applicable to not-for-profit entities as the CFS 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 CFS for the reporting period ending 30 June 2012 (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 judgment in the process of applying CFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, 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. CFS has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
  - (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 entity to those employees
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of preparation (continued)

CFS'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 2012 and the comparative information presented.

(c) Reporting entity

The CFS is established under the Act. Under the Act, the CFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

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

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

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

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

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

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

(g) Events after the end of the reporting period

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 CFS 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 CFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues
Commonwealth revenues are recognised as an asset and income when the CFS 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).

Generally, the CFS 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 CFS 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 rental income, insurance 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 CFS 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 the CFS to the superannuation plan in respect of current services of current CFS staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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.

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)*
Communications equipment	10
Vehicles	20
Plant and equipment	10
Computer equipment	5
Intangibles	5
Buildings	40

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 CFS have been contributions with unconditional stipulations attached.

(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 CFS 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.

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. An allowance for doubtful debts is raised when there is objective evidence that CFS will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets
CFS 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 written down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

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

Any revaluation increment is credited to the 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 CFS 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 CFS has been unable to attribute this expenditure to the intangible asset rather than to CFS as a whole.

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

Payables
Payables include creditors, accrued expenses, 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 the CFS.

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 CFS has received from the Commonwealth Government to forward on to eligible employees via the CFS's standard payroll processes. That is, CFS 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 benefit on-costs include payroll tax, WorkCoverSA levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

CFS 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.

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

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

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

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

LSL
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 25).

This calculation is consistent with the CFS's experience of employee retention and leave taken.

Provisions
Provisions are recognised when CFS 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 CFS 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 2012 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.

CFS is responsible for the payment of workers compensation claims.

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.

(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 CFS did not voluntarily change any of its accounting policies during 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by CFS for the period ending 30 June 2012. CFS 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 CFS.

4. Activities of the CFS
In achieving its objectives, the CFS provides services within six areas of activity: leadership, prevention and community preparedness, operational preparedness, response, recovery, and business excellence. These services are classified under one program titled 'South Australian Country Fire Service'.

5. Employee benefits expenses

	2012	2011
	$'000	$'000
Salaries and wages	9 317	8 352
Annual leave	892	807
LSL	1 744	464
Employment on-costs - superannuation	1 014	839
Payroll tax	631	504
Workers compensation costs	(1 443)	2 747
Other employment related expenses	409	251
Total employee benefits expenses	12 564	13 964

Employee remuneration	2012	2011
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$130 700 - $133 999*	-	2
$134 000 - $143 999	5	3
$144 000 - $153 999	2	1
$154 000 - $163 999	1	1
$164 000 - $173 999	-	1
$184 000 - $193 999	1	1
$204 000 - $213 999	-	2
$214 000 - $223 999	1	-
$234 000 - $243 999	1	-
$264 000 - $273 999	1	-
Total	12	11

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2010-11.

The table includes all employees who received remuneration equal to or greater than the base executives 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 $2.072 million ($1.743 million).

6. Supplies and services

	2012	2011
	$'000	$'000
Accommodation	96	95
Aerial firefighting	8 122	6 096
Auditor's remuneration	31	28
Communications	1 115	1 137
Computing costs	954	804
Consultancy, contractor and legal fees	1 605	1 787
Consumables	1 929	1 887
Energy	634	515
Government radio network	10 050	10 174
Minor plant and equipment	1 814	1 819
Operating lease costs	2 672	2 813
Operational costs	1 325	688
Repairs and maintenance	4 262	4 626
Travel and training	1 749	1 366
Uniforms and protective clothing	1 313	1 395
Other expenses	2 728	2 721
Total supplies and services	40 399	37 951

Consultancies	2012	2011	2012	2011
The number and dollar amount of consultancies paid/payable (included in consultant expenses shown above) fell within the following bands:	Number	Number	$'000	$'000
Between $10 000 and $50 000	1	1	19	33
Total amount paid/payable to consultants engaged	1	1	19	33

	2012	2011
Auditor's remuneration		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	$'000 31	$'000 28
Total audit fees	31	28

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:		
Accommodation	76	53
Aerial firefighting	95	51
Auditor's remuneration	31	28
Communication	49	48
Computing costs	153	140
Consultancy, contractor and legal fees	74	68
Consumables	325	320
Energy	11	14
Government Radio Network	10 050	10 174
Operating lease costs	1 874	2 052
Operational costs	6	1
Repairs and maintenance	190	180
Travel and training	58	8
Other expenses	499	210
Total supplies and services provided by entities within the SA Government	13 491	13 347

7. Depreciation and amortisation

Depreciation:		
Buildings	2 471	2 292
Vehicles	6 087	6 315
Computers	-	60
Plant	295	290
Communications	1 583	2 446
Total depreciation	10 436	11 403
Amortisation:		
Software	104	116
Total amortisation	104	116
Total depreciation and amortisation	10 540	11 519

8. Grant and subsidies

Grants to individuals and community organisations	692	535
Total grants and subsidies	692	535

All grants and subsidies are provided to non-SA Government recipients.

9. Net loss from disposal of non-current assets

Land and buildings:		
Proceeds from disposal	-	5
Net book value of assets disposed	(244)	(19)
Net gain (loss) from disposal of land and buildings	(244)	14
Vehicles:		
Proceeds from disposal	350	431
Net book value of assets disposed	(302)	(565)
Net gain (loss) from disposal of vehicles	48	(134)
Plant and equipment:		
Proceeds from disposal	34	-
Net book value of assets disposed	(31)	-
Net gain (loss) from disposal of plant and equipment	3	-
Total assets:		
Total proceeds from disposal	384	436
Total value of assets disposed	(577)	(584)
Net gain (loss) from disposal of non-current assets	(193)	(148)

10. Other expenses

	2012 $'000	2011 $'000
Asset revaluation decrement	972	-
Total other expenses	972	-

11. Revenues from fees and charges

	2012 $'000	2011 $'000
Fire alarm attendance fees	333	-
Fire safety fees	116	86
Fire alarm monitoring fees	141	-
Incident cost recoveries	159	-
Training and other recoveries	410	446
Salary recoveries	2	-
Other recoveries	14	8
Total revenues from fees and charges	1 175	540

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:

	2012 $'000	2011 $'000
Fire alarm attendance fees	148	-
Fire safety fees	13	-
Fire alarm monitoring fees	45	-
Training and other recoveries	188	104
Total fees and charges received/receivable from entities within the SA Government	394	104

12. Commonwealth revenues

	2012 $'000	2011 $'000
Grants and contributions	2 137	1 999
Total Commonwealth revenues	2 137	1 999

Commonwealth revenues include contributions towards aerial firefighting costs through the National Aerial Firefighting Centre Ltd, contributions towards the cost of providing fire and emergency services to Commonwealth property in CFS areas and one-off project grants.

Contributions through the National Aerial Firefighting Centre Ltd can only be applied to aircraft leasing and positioning costs and must be matched by State Government funding on at least a dollar for dollar basis. Once-off project grants are subject to specific funding agreements.

13. Interest revenues

	2012 $'000	2011 $'000
Interest on deposit accounts - from entities within the SA Government	283	399
Total interest revenue	283	399

14. Resources received free of charge

	2012 $'000	2011 $'000
Asset contributions from local government councils and other organisations	138	22
Total resources received free of charge	138	22

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services. During 2011-12, six properties have been transitioned into the control of the Minister for Emergency Services (valued at fair value of $138 000).

15. Groups/Brigades revenues

	2012 $'000	2011 $'000
Groups/Brigades fundraising	193	85
Total groups/brigades revenues	193	85

16. Other income

	2012 $'000	2011 $'000
Rent received	56	36
Insurance recoveries	6	81
Other	306	300
Total other income	368	417

Other income received/receivable from entities within the SA Government	2012	2011
The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:	$'000	$'000
Insurance recoveries	-	80
Other	122	18
Total other income from SA Government entities	122	98

17. Revenues from SA Government

Contributions from Community Emergency Service Fund	66 857	60 157
Other revenue from SA Government	-	2 500
Total revenues from SA Government	66 857	62 657

Total revenues from government consists of $52.36 million ($49.254 million) for operational funding and $14.497 million ($13.403 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5 to 8 and 22 to 23. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

18. Cash and cash equivalents

	2012	2011
	$'000	$'000
Cash on hand	5	6
Deposits with the Treasurer	8 457	6 522
Cash at bank (non-SA Government)	416	446
Cash at bank (non-SA Government) - groups/brigades	2 640	2 766
Short-term deposits (non-SA Government) - groups/brigades	248	251
Total cash and cash equivalents	11 766	9 991

Short-term deposits

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

Interest rate risk

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

19. Receivables

	2012	2011
Current:	$'000	$'000
Receivables	451	195
Allowance for doubtful debts	(4)	-
	447	195
Accrued revenues	24	126
Prepaid salaries and wages	-	38
GST input tax recoverable	1 007	1 148
Total current receivables	1 478	1 507

Receivables from SA Government entities

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:		
Receivables	72	42
Allowance for doubtful debts	-	-
	72	42
Accrued revenues	23	28
Prepaid salaries and wages	-	3
Total receivables - SA Government entities	95	73

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.

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)	2012	2011
	$'000	$'000
Carrying amount at 1 July	-	(778)
Decrease (Increase) in the allowance	(4)	778
Carrying amount at 30 June	(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 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.

20. Other financial assets

	2012	2011
	$'000	$'000
Medium-term deposits - groups and brigades	2 136	1 901
Total other current financial assets	2 136	1 901

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information
Refer note 33.

21. Non-current assets held for sale

Building	4	-
Land	987	940
Total non-current assets held for sale	991	940

A tender to sell surplus land at Port Lincoln during 2010-11 failed to be realised, and as at 30 June 2012 the property remains on the market for sale. The property value was reassessed by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV) during 2011-12. The movement has been reflected in equity.

22. Property, plant and equipment

	2012	2011
Land:	$'000	$'000
At valuation	11 294	11 346
At cost (deemed fair value)	60	47
Total land	11 354	11 393
Buildings:		
At valuation	47 640	42 305
At cost (deemed fair value)	116	8 849
Accumulated depreciation	(1 286)	(4 501)
Total buildings	46 470	46 653
Vehicles:		
At valuation	74 386	72 711
At cost (deemed fair value)	5 346	17 523
Accumulated depreciation	(2 911)	(13 169)
Total vehicles	76 821	77 065
Communication equipment:		
At valuation	6 273	10 032
At cost (deemed fair value)	2 621	3 182
Accumulated depreciation	(659)	(4 893)
Total communication equipment	8 235	8 321
Computer equipment:		
At valuation	-	169
At cost (deemed fair value)	98	-
Accumulated depreciation	-	(169)
Total computer equipment	98	-

22. Property, plant and equipment (continued)

	2012	2011
	$'000	$'000
Plant and equipment:		
At valuation	1 449	1 756
At cost (deemed fair value)	926	276
Accumulated depreciation	(147)	(613)
Total plant and equipment	2 228	1 419
Capital work in progress:		
At cost (deemed fair value)	9 141	8 569
Total capital work in progress	9 141	8 569
Total property, plant and equipment	154 347	153 420

Valuation of assets

At 30 June 2012, valuations were undertaken by a suitably qualified officer of the South Australian Fire and Emergency Services Commission. The assessment indicated there was no material difference between the fair value and carrying amount of the assets and consequently no revaluation adjustments were required. All assets have been valued on the basis of written down current cost or open market values for existing use, which is considered to be equivalent to fair value.

At 1 January 2012 independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The valuer arrived at fair value on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2012.

Resources received free of charge

Refer note 14.

Movement reconciliation of property, plant and equipment

2012	Land $'000	Buildings $'000	Vehicles $'000	Communications equipment $'000	Computer equipment $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July	11 393	46 653	77 065	8 321	-	1 419	8 569	153 420
Acquisitions	60	12	-	-	-	23	14 984	15 079
Transfers to (from) capital WIP	-	2 343	8 448	2 621	98	902	(14 412)	-
Depreciation expense	-	(2 471)	(6 087)	(1 583)	-	(295)	-	(10 436)
Net revaluation increment (decrement)	(3)	59	(2 303)	(152)	-	210	-	(2 189)
Assets received for nil consideration	19	119	-	-	-	-	-	138
Disposals	(3)	(241)	(302)	-	-	(31)	-	(577)
Transfer to non-current asset held for resale	(112)	(4)	-	-	-	-	-	(116)
Net revaluation decrement expensed	-	-	-	(972)	-	-	-	(972)
Carrying amount at 30 June	11 354	46 470	76 821	8 235	98	2 228	9 141	154 347
2011								
Carrying amount at 1 July	11 345	44 087	76 807	9 345	60	1 709	7 986	151 339
Acquisitions	47	-	-	-	-	-	13 999	14 046
Transfers to (from) capital WIP	-	4 856	7 138	1 422	-	-	(13 416)	-
Depreciation expense	-	(2 292)	(6 315)	(2 446)	(60)	(290)	-	(11 403)
Assets received for nil consideration	1	21	-	-	-	-	-	22
Disposals	-	(19)	(565)	-	-	-	-	(584)
Carrying amount at 30 June	11 393	46 653	77 065	8 321	-	1 419	8 569	153 420

23. Intangible assets

	2012	2011
	$'000	$'000
Computer software	970	970
Accumulated amortisation	(904)	(800)
Total intangible assets	66	170

Movement reconciliation of intangible assets

	2012	2011
Carrying amount at 1 July	170	286
Amortisation expense	(104)	(116)
Carrying amount at 30 June	66	170

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 2012.

24. Payables

	2012	2011
Current:	$'000	$'000
Accrued expenses	338	573
Creditors	5 163	5 362
FBT payable	92	59
Paid Parental Leave Scheme payable	2	-
Employment on-costs	292	254
Total current payables	5 887	6 248

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	27	269
Creditors	196	2 681
FBT payable	92	59
Employment benefit on-costs	292	254
Total current payables to SA Government entities	607	3 263

Non-current liabilities:		
Employment on-costs	321	184
Total non-current payables	321	184

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	321	184
Total non-current payables to SA Government entities	321	184

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed to 40% (35%), and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 10.3%. 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 $75 000 and employee benefit expense of $75 000. 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

	2012	2011
Current:	$'000	$'000
Accrued salaries and wages	24	-
Annual leave	1 123	994
LSL	456	279
Total current employee benefits	1 603	1 273

Non-current:		
LSL	3 408	2 085
Total non-current employee benefits	3 408	2 085

25. Employee benefits (continued)

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation. 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 2011 (5.25%) to 2012 (2.75%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $605 000 and employee benefit expense of $605 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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

	2012	2011
Current:	$'000	$'000
Provisions for workers compensation	598	784
Total current provisions	598	784
Non-current:		
Provision for workers compensation	2 272	4 197
Total non-current provisions	2 272	4 197
Provision movement		
Carrying amount at 1 July	4 981	3 276
Additional provisions recognised (released)	(1 437)	2 745
Reductions arising from payments	(674)	(1 040)
Carrying amount at 30 June	2 870	4 981

CFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

27. Equity

	2012	2011
	$'000	$'000
Accumulated surplus	106 842	101 051
Revaluation surplus	49 853	52 107
Total equity	156 695	153 158

The revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. 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.

The cumulative income or expense recognised in other income (via the revaluation surplus) relating to non-current assets classified as held for sale for the year ending 30 June 2012 was $65 000 ($0).

28. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	11 766	9 991
Balance as per the Statement of Cash Flows	11 766	9 991

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2012 $'000	2011 $'000
Net cash provided by operating activities	16 704	17 806
Revenues from SA Government	(66 857)	(62 657)
Non-cash items:		
Depreciation and amortisation	(10 540)	(11 519)
Assets received free of charge	138	22
Asset revaluation decrement recognised in Statement of Comprehensive Income	(972)	-
Net loss from disposal of non-current assets held for sale	(193)	(148)
Movements in assets/liabilities:		
Receivables	(29)	(396)
Payables	224	(1 996)
Employee benefits	(1 652)	(62)
Provisions	2 111	(1 705)
Net cost of providing services	(61 066)	(60 655)

29. 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.

	2012 $'000	2011 $'000
Within one year	1 686	2 254
Later than one year but not later than five years	1 394	2 740
Total operating lease commitments	3 080	4 994

The abovementioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle, property and equipment leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

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

	2012 $'000	2011 $'000
Within one year	5 732	1 240
Total capital commitments	5 732	1 240

These capital commitments are for building and appliance projects.

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	688	671
Later than one year but not later than five years	1 855	2 579
Total remuneration commitments	2 543	3 250

Amounts disclosed include commitments arising from executive contracts. CFS 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.

	2012 $'000	2011 $'000
Within one year	2 503	287
Later than one year but not later than five years	955	305
Total other commitments	3 458	592

Contractual commitments relate to aerial firefighting, cleaning, and occupational welfare services.

30. Contingent assets and liabilities

Contingent assets

In 2009-10 CFS made prepayments for capital works projects of $855 800 for works that did not materialise. Recovery of the prepayments has been sought.

Contingent liabilities

CFS has several contingent liabilities in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure to CFS is limited to a $10 000 excess under insurance arrangements.

31. Board members' remuneration

Members of the board and committees, during the 2012 financial year were:

State Bushfire Coordination Committee

Ali Ben Kahn* (retired 30 June 2012)
Glenn Benham*
Jane Charles* (retired 30 June 2012)
Franco Crisci*
Ann De Piaz*
Jennifer Dickins* (retired 30 June 2012)
Fiona Dunstan*
Kylie Egan*
Bryan Fahy* (retired 12 Aug 2011)
Susan Filby*
Paul Fletcher* (retired 30 June 2012)
Andrew Grear* (retired 30 June 2012)
David Hood (retired 30 June 2012)
Meredith Jenner*
Bronwyn Killmier* (appointed 13 Oct 2011)
Jeffrey Klitscher* (retired 30 June 2012)
Suellen LeFebvre*
Jennifer Lillecrapp* (retired 30 June 2012)
Vicki Linton* (retired 30 June 2012)
Lisien Loan* (retired 30 June 2012)
William McIntosh
Suzanne Mickan*
Timothy Milne
Dennis Mutton
John Nairn* (retired 30 June 2012)
Gregory Nettleton*
Stephen Pascale*
Penelope Paton* (retired 30 June 2012)
Sylvia Rapo* (retired 30 June 2012)
Christopher Reed
Vicki-Jo Russell* (retired 19 Jan 2012)
Kenneth Schutz* (retired 30 June 2012)
Katie Taylor*
Scott Thompson* (appointed 11 Mar 2012)
Carol Vincent* (retired 30 June 2012)
Andrew Watson*
Peter White
Michael Williams* (retired 11 Nov 2011)

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$0	32	32
$1 - $9 999	6	7
Total	38	39

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 $4326 ($5030).

* 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 the CFS are on conditions no more favourable than those that it is reasonable to expect the CFS would have adopted if dealing with a related party at arm's length in the same circumstances.

For the purposes of this note, 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.

32. Events after the reporting date

On 13 August 2012 the Government announced it intends establishing a community safety directorate. The directorate will provide strategic advice and high level coordination across police, correctional services, emergency services and road safety, and oversee the development and implementation of policy. A project team has been established to determine the best model for the authority.

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.

		2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	18	11 766	11 766	9 991	9 991
Receivables(1)(2)	19	471	471	359	359
Other financial assets	20	2 136	2 136	1 901	1 901
Financial liabilities					
Payables	24	5 766	5 766	6 117	6 117

(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 20 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.

Credit risk

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

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

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

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

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 19 for information on the allowance for impairment in relation to receivables.

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

33.2 Ageing analysis of financial assets

		Past due by			
	Current not overdue	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2012	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	300	21	11	139	471
Other financial assets	2 136	-	-	-	2 136
Impaired:					
Receivables	-	-	-	4	4
Financial assets	-	-	-	-	-

33.2 Ageing analysis of financial assets (continued)

		Past due by			
	Current not overdue	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2011	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	284	18	-	57	359
Other financial assets	1 901	-	-	-	1 901

33.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturity	
	Carrying amount	Less than 1 year	1-5 years
2012	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalent	11 766	11 766	-
Receivables	471	471	-
Other financial assets	2 136	2 136	-
Total financial assets	14 373	14 373	-
Financial liabilities:			
Payables	5 766	5 621	145
Total financial liabilities	5 766	5 621	145
2011			
Financial assets:			
Cash and cash equivalent	9 991	9 991	-
Receivables	359	359	-
Other financial assets	1 901	1 901	-
Total financial assets	12 251	12 251	-
Financial liabilities:			
Payables	6 117	6 040	77
Total financial liabilities	6 117	6 040	77

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

Liquidity risk

Liquidity risk arises where CFS is unable to meet its financial obligations as they are due to be settled. CFS is funded principally from contributions from the Community Emergency Services Fund. The CFS and SAFECOM works with the Fund 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. CFS 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.

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

The carrying amount of financial liabilities recorded under 'Categorisation of financial instruments' above represent CFS's maximum exposure to financial liabilities.

Market risk

The CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The CFS'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 CFS 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 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
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

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 policy and sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding state wide emergency management.

For more information about SAFECOM's objectives refer 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* (ESF Act).

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 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 Commonwealth grants
- cash and receivables
- non-current assets, including asset valuation and capital works in progress
- financial accounting
- corporate governance and risk management
- budgetary control
- financial management compliance programs.

The audit included a follow-up of previous audit findings. This included a specific assessment of internal controls related to capital works in progress and capitalisation of completed assets covering procurement, asset valuation and record keeping practices to support asset transactions and management reporting. Previous internal audit recommendations were considered as part of this review.

The audit also covered the operations of the Fund.

Other audit considerations

The scope of the audit included a follow-up of previous audit findings and management actions related to:

- events that required the reissuing of 2009-10 financial statements for SAFECOM, South Australian Country Fire Service (SACFS) and South Australian State Emergency Service (SASES)

- follow-up of the status of capital works projects for works that did not materialise and ongoing recovery of prepayments with contractors

- effectiveness of the Building Project Control Committee

- deficiencies in record keeping and other information.

Refer to 'Communication of audit matters' below for further details on audit findings related to these areas.

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 2012, 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, Chief Officers and other officers responsible for the governance of SAFECOM and ESOs in late September 2012. Major matters raised with SAFECOM and the related responses are detailed below.

In my Supplementary Audit Reports to Parliament tabled in February and November 2011, I commented on deficiencies relating to asset management and accounting and associated management trails for emergency services agencies. This included commentary on matters arising from the Port Lincoln and other building construction projects and expectations regarding the monitoring and review role of the Building Project Control Committee. Specific details of those matters are set out in those reports.

Building Project Control Committee

The Building Project Control Committee (the Committee) was established to provide a monthly reporting regime and whose primary role is the early identification and management of building project risks including requests to vary project scope and/or potential budget overruns for oversight by the Committee and subsequent approvals by the Board.

It is important to note that the creation of the Committee was the primary response and assurance used by management to internal control breakdowns for building works in recent years.

Audit review found that the Committee was not operating effectively for 2011-12 including the following issues:

- The Committee specifically reviews and monitors capital building projects for SACFS and SASES. Other capital projects are not reviewed that may be exposed to budget overruns, prepayments and approval issues experienced in recent years.
- No formal reports are prepared and submitted to the SAFECOM Board.

- Membership of the Committee was not consistent, did not always involve representation independent of project management and at times only one officer performed the role.
- The Committee does not review and monitor any SAFECOM or SAMFS capital building projects.
- Management were unable to locate the minutes of all meetings to demonstrate control functions were operating effectively.
- Audit could not be assured that reports submitted to the Committee were attached with the agenda/meeting minutes to demonstrate monitoring and assessment activities were effective.

Audit understands that some SAMFS control activities and involvement with other agencies differs from controls associated with the SACFS and the SASES and was not a primary focus when the Committee was established. Notwithstanding, Audit considers it would be appropriate to include both SAMFS and SAFECOM major works within the Committee's review functions given the diminishing administrative and support roles within the sector.

Audit has provided a number of recommendations to address these committee management control issues. It was suggested that these recommendations should be considered in conjunction with the amended role of the Department for Community and Social Inclusion (DCSI). Refer note 31 to the financial statements for further details about DCSI and the Government's intention of establishing a community safety directorate.

In response to the Committee issues raised, the Chief Executive, SAFECOM advised that staffing resources were centralised to improve accountability. The specific recommendations concerning the Committee structure, including assessing the impact DCSI will have on administrative and reporting requirements, will be considered and adopted. The feasibility of this Committee to assess all projects across the sector will be reviewed.

Deficiencies in record keeping and other information

The 2011 Port Lincoln Building Construction Project internal audit report recommended that SAFECOM amend policy 4.2 'Purchasing' to specify what constitutes an acceptable form of certification of goods received. External audit supported this recommendation in 2010-11. Review of asset record keeping and other information during 2011-12 revealed that whilst the purchasing policy was reviewed, the specific forms of acceptable certification and information to be documented is yet to be fully considered and implemented by management.

To implement this recommendation in a practical way for the sector, Audit considers the types, complexity and significance of procurement activities undertaken should be analysed on a risk based approach and guidance provided to improve the level and location of supporting documentation. This will also assist management in approval and accounting treatment decisions for procurement activities and ensure that information is readily available to management.

Audit recommended that management perform an asset risk assessment to determine what constitutes an acceptable form of documentation for high risk and high value projects. The purchasing policy should be further updated to improve record management systems and ensure supporting documentation is readily available to support asset transactions within Readsoft and Basware.

In response to the issues raised, the Chief Executive, SAFECOM advised the purchasing policy will be reviewed and updated. As part of this review the required level of documentation for high risk and high value projects will be assessed.

Payment authorisations

Audit review of a sample of expenditure transactions revealed three instances where grants and subsidies were approved by an officer on Basware that did not align with delegations in operation at the time of the transactions.

Audit recommended that Basware limits are reconciled to the schedule of financial delegations annually and when changes are necessary for specific circumstances.

In response to the issues raised, the Chief Executive, SAFECOM advised that agency authorised officers for Basware will maintain a folder of Chief Officer approved delegation changes and the schedule of financial delegations will continue to be reviewed and updated annually.

TIs 2 and 28

TIs 2 and 28 specify financial management requirements for agencies including the need to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program (FMCP) to review relevant policies and procedures, internal controls and financial reporting.

Policies and procedures

TI 2.5 requires each chief executive to ensure that policies, procedures and systems are properly documented. That documentation must be reviewed regularly, revised where necessary and be readily available to relevant officers.

Audit review of policies and procedures revealed a number that were either in draft form, were not recently reviewed or not fully communicated to staff. Policies and procedures used by staff on the intranet were not always the latest version.

Audit recommended that senior management remind business units of the need to regularly review and update all policies, procedures and system documentation and ensure that latest versions are available for staff use. Business units should ensure that documentation is aligned with corporate level policies and appropriately evidenced of the date of last review to assist in scheduling subsequent review functions.

FMCPs

Audit review of FMCPs prepared for the sector revealed a number of significant compliance areas for which controls were not assessed as effective.

Audit recommended that these areas be given focus by management in 2012-13 to progress action plans aimed at improving compliance in these areas.

In response to the issues raised, the Chief Executive, SAFECOM advised the following:

- SAFECOM is aware of the need to regularly review and update the policies and procedures of the organisation. Due to workforce reductions, the sector will prioritise this recommendation.
- SAFECOM will remind all areas of the need to review policies and procedures and to ensure that the updated approved policies and procedures are available on the intranet.
- The sector is aware of these issues listed and the reporting of partial or non-compliance issues from the FMCP was considered. These will be addressed through the SAFECOM Audit Risk and Management Committee (ARMC).

- Any significant non-compliance issues that remain unresolved for a significant period of time will be noted and escalated to the SAFECOM Board.
- The recommendations provided by Audit will be taken into consideration and will be provided to the ARMC to support the focus areas indicated.

Other SAFECOM and ESO audit findings

Other findings from the audit include:

- an information technology strategic plan was not in place for the 2011-12 financial year
- property, plant and equipment disposals should be approved by the Minister and be ready for sale on the market before financial statement disclosures are amended to recognise them as held for sale
- not all groups/units audited returns were submitted for reviewed
- not all SASES bank accounts were reconciled and review
- the service level determination between SSSA and SAFECOM/ESO has not been reviewed or revisited since 2009.

In response to the issues raised, the Chief Executive, SAFECOM advised the following:

- The information management services strategic plan will be reviewed annually.
- Audit recommendations are noted and will be adhered to and the non-current asset policy will be updated to reflect Audit's recommendation.
- All groups/units will be reminded of the need to be audited at least once a year and to forward bank statements regularly.
- SAFECOM will liaise with SSSA to ensure that the SASES Westpac Bank account is independently reviewed.
- SAFECOM will liaise with SSSA to ensure that future service level determinations address current practices.

Shared services

The overall control environment for an agency includes central controls at SSSA and specific controls established by individual agencies. Therefore, the consideration and assessment of controls requires coverage in both agencies. The SAFECOM and ESO audits considered central reviews of SSSA expenditure, payroll, revenue and financial accounting systems and controls maintained by SSSA and SAFECOM/ESOs under shared services arrangements.

Detailed audit findings from central reviews were provided directly to SSSA in various letters during the year for their consideration and comment. Responses were received to the issues raised which outlined actions to address the matters.

The results of these reviews and enquiry with SAFECOM and ESO management concerning agency level controls were considered when planning the approach to the audits. In some instances, Audit was able to identify specific SAFECOM and ESO management controls that compensated for some issues raised with SSSA. However, it was concluded that the overall internal control environment for SAFECOM and ESOs was not sufficient to place reliance on management control activities for the expenditure, payroll and revenue transaction cycles. See further commentary below relating to the SSSA control environments.

Shared Services SA – e-Procurement and electronic payment control environments

The audit review of SAFECOM's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Follow-up of the management response and actions taken by SSSA and/or SAFECOM/ESOs will be performed as part of the 2012-13 audit.

Interpretation and analysis of the financial report

Highlights of the financial report - consolidated emergency services sector

	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	128	121
Depreciation and amortisation	20	20
Supplies and services	66	63
Other expenses (includes payments to SA Government)	4	4
Total expenses	218	208
Income		
Total income	16	17
Net cost of providing services	(202)	(191)
Total revenues from SA Government	197	190
Net result	(5)	(1)
Other comprehensive income	(5)	-
Total comprehensive result	(10)	(1)
Net cash provided by (used in) operating activities	20	25
Assets		
Current assets	51	54
Non-current assets	328	331
Total assets	379	385
Liabilities		
Current liabilities	30	30
Non-current liabilities	38	34
Total liabilities	68	64
Total equity	311	321

Statement of Comprehensive Income

The main source of revenue for the sector is contributions from the Fund of $194 million ($187 million), which accounts for 91% of total income (refer note 16 to the financial statements).

Total expenses increased by $11 million.

Expenses are dominated by employee benefits expenses of $128 million ($121 million), which represent 59% of total expenses. During 2011-12, employee benefits expenses increased by $6 million or 5%. Salaries and wages rose $3.2 million and LSL expense increased $4.4 million. The increase in LSL expense for 2012 was due mainly to a decrease in the discount rate (yield on long-term Commonwealth Government bonds) applied in the revaluation of the LSL liability at 30 June (refer note 24 to the financial statements). These increases were offset by a decrease in workers compensation expense of $3.8 million.

The other main contributors to increased expenses were:

- aerial support up $2 million
- a revaluation decrement of $1.5 million. The sector's accounting policy is that any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class. See further discussion below.

Statement of Financial Position

Non-current assets of $328 million represent 86% of total assets. The main asset classes held are land and buildings (fair value of $172 million) and vehicles (fair value of $121 million).

Non-current assets decreased by $4 million. This reflected building revaluations in 2011-12 which resulted in an overall decrement of $11 million and depreciation charges of $19 million during the period. These were offset by additions through various projects of $23 million and revaluation increments for vehicles of $6 million (refer note 21 to the financial statements).

Highlights of the financial report - SAFECOM

	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	10	9
Supplies and services	5	5
Other expenses	3	3
Total expenses	18	17
Income		
Total income	5	6
Net cost of providing services	(13)	(11)
Revenues from SA Government	15	17
Net and total comprehensive result	2	6
Net cash provided by (used in) operating activities	2	6

	2012 $'million	2011 $'million
Assets		
Current assets	15	14
Non-current assets	4	3
Total assets	19	17
Liabilities		
Current liabilities	2	2
Non-current liabilities	3	3
Total liabilities	5	5
Total equity	14	12

Statement of Comprehensive Income

Revenues from SA Government

SAFECOM is primarily funded from contributions from the Fund which in 2011-12 totalled $13 million ($16 million). This represents 65% of total revenue.

Expenses

Total expenses increased by $1.5 million. Employee benefits expenses are the main expense category of SAFECOM and increased $1.2 million to $10.4 million in 2011-12. The increase was due to higher LSL expense and TVSPs. Salaries and wages decreased $900 000.

SAFECOM made 13 TVSP payments in 2011-12 at a total cost of $3.2 million including accumulated leave entitlements. $2 million was recovered from DTF (refer note 5 to the financial statements).

Administered comprehensive income

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the ESF Act. The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA.

The levy on mobile property is collected by the Department of Planning, Transport and Infrastructure using the vehicle registration system. In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into the Fund from which payments are made to ESOs to meet the costs of collection and administration.

The following table shows the relationship over the past four years between the Fund income (mainly levies collected) and the cash payments from the Fund (mainly to ESOs). The transactions outlined represent the activities of the Fund combining the administration periods of the Attorney-General's Department and SAFECOM.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Emergency Services levies collected*	226	222	221	220
Payments to emergency services sector**	225	223	227	219
	1	(1)	(6)	1

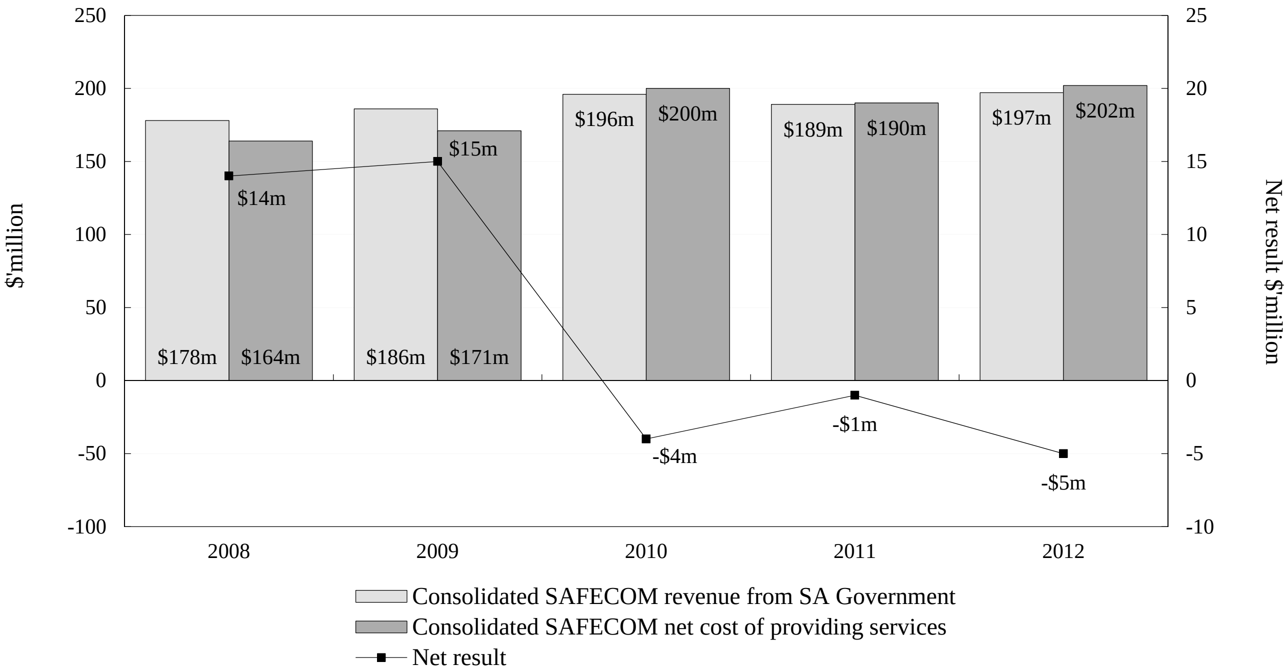
* Includes levies, interest and other income

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

Levies and other revenues are collected in accordance with the ESF Act to fund the approved budget of ESOs and other payments. Emergency Services levies collected were $223 million up from $219 million the previous year. The main components were fixed property collections $98 million and fixed property remission revenue $76 million. Note A6 to the financial statements sets out details of revenues from levy sources.

In 2011-12, payments to SA Government administrative units increased by $8 million to $218 million. The predominant reason for the increase was higher payments to the SACFS, up $6.7 million and the SAMFS, up $4 million offset by lower payments to SAFECOM, down $3 million,.

The following table shows the consolidated funding received by SAFECOM from the Fund and other government revenue and the net cost of services for the past five years to 2011-12:



Administered Statement of Financial Position

At 30 June 2012 current assets of $4.1 million, including cash and cash equivalents of $500 000 ($2.2 million) exceed current liabilities of $2.2 million by $1.9 million. As at 30 June 2012 administered receivables increased to $3.6 million.

Note A5 to the financial statements discloses $1.6 million paid to RevenueSA for collection costs under the Act. These are for the collection of fixed property levies and associated remissions and fees. Collection costs in 2010-11 were $5.6 million.

The reduction between years reflected a one-off refund of $4.1 million from DTF in 2011-12. This resulted in an increase in the cash balance of the Fund. The Treasurer approved the amounts be returned to the Fund as it represented cash accumulated over a number of years due to underspending against RevenueSA's estimated collection costs.

Statement of Comprehensive Income
for the year ended 30 June 2012

		Consolidated		SAFECOM	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Expenses:					
Employee benefits expenses	5	127 587	121 406	10 395	9 225
Supplies and services	6	66 478	63 042	5 177	5 260
Depreciation and amortisation expense	7	19 530	20 066	303	322
Grants and subsidies	8	2 714	2 550	2 002	1 939
Net loss from disposal of non-current assets	9	10	133	-	-
Other expenses	10	1 534	-	340	-
Total expenses		217 853	207 197	18 217	16 746
Income:					
Revenues from fees and charges	11	5 549	4 654	490	550
Commonwealth revenues	12	6 946	7 777	3 615	4 687
Interest revenues	13	1 693	2 104	544	477
Resources received free of charge	14	529	22	-	-
Other income	15	1 539	2 149	211	109
Total income		16 256	16 706	4 860	5 823
Net cost of providing services		201 597	190 491	13 357	10 923
Revenues from (Payments to) SA Government:					
Revenues from SA Government	16	196 486	190 994	14 812	17 153
Payments to SA Government	16	-	(1 174)	-	-
Total revenues from (payments to) SA Government		196 486	189 820	14 812	17 153
Net result		(5 111)	(671)	1 455	6 230
Other comprehensive income:					
Net income or expenses relating to non-current assets held for sale		(65)	-	-	-
Changes in revaluation surplus	21	(5 093)	-	(24)	-
Total comprehensive result		(10 269)	(671)	1 431	6 230

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

Statement of Financial Position
as at 30 June 2012

		Consolidated		SAFECOM	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash and cash equivalents	17	43 377	46 000	13 662	12 540
Receivables	18	3 703	4 540	949	1 474
Other financial assets	19	2 371	2 157	-	-
Non-current assets held for sale	20	1 246	1 195	-	-
Total current assets		50 697	53 892	14 611	14 014
Non-current assets:					
Property, plant and equipment	21	325 644	330 475	1 567	2 696
Intangible assets	22	2 107	818	2 006	584
Total non-current assets		327 751	331 293	3 573	3 280
Total assets		378 448	385 185	18 184	17 294
Current liabilities:					
Payables	23	12 752	13 551	1 200	1 571
Employee benefits	24	15 037	13 495	936	1 006
Provisions	25	2 298	2 800	41	92
Total current liabilities		30 087	29 846	2 177	2 669
Non-current liabilities:					
Payables	23	2 540	1 882	219	199
Employee benefits	24	27 049	21 333	2 350	2 272
Provisions	25	8 177	11 260	172	319
Total non-current liabilities		37 766	34 475	2 741	2 790
Total liabilities		67 853	64 321	4 918	5 459
Net assets		310 595	320 864	13 266	11 835
Equity:					
Revaluation surplus	26	68 924	74 082	-	24
Retained earnings	26	241 671	246 782	13 266	11 811
Total equity		310 595	320 864	13 266	11 835

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28
Contingent assets and liabilities	29

Statement of Changes in Equity
for the year ended 30 June 2012

Consolidated	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		74 082	247 453	321 535
Net result for 2010-11		-	(671)	(671)
Total comprehensive result for 2010-11		-	(671)	(671)
Balance at 30 June 2011	26	74 082	246 782	320 864
Net result for 2011-12		-	(5 111)	(5 111)
Net income or expenses relating to non-current assets held for sale		(65)	-	(65)
Gain (Loss) on revaluation of property, plant and equipment during 2011-12		(5 093)	-	(5 093)
Total comprehensive result for 2011-12		(5 158)	(5 111)	(10 269)
Balance at 30 June 2012	26	68 924	241 671	310 595
SAFECOM				
Balance at 30 June 2010		24	5 581	5 605
Net result for 2010-11		-	6 230	6 230
Total comprehensive result for 2010-11		-	6 230	6 230
Balance at 30 June 2011	26	24	11 811	11 835
Net result for 2011-12		-	1 455	1 455
Net income or expenses relating to non-current assets held for sale		-	-	-
Gain (Loss) on revaluation of property, plant and equipment during 2011-12		(24)	-	(24)
Total comprehensive result for 2011-12		(24)	1 455	1 431
Balance at 30 June 2012	26	-	13 266	13 266

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

Statement of Cash Flows
for the year ended 30 June 2012

		Consolidated		SAFECOM	
		2012	2011	2012	2011
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Cash outflows:					
Employee benefit payments		(123 145)	(119 031)	(10 566)	(9 916)
Supplies and services payments		(77 026)	(71 010)	(7 748)	(7 355)
Grants and subsidies payments		(2 714)	(2 550)	(2 002)	(1 939)
GST paid to the ATO		(273)	(284)	(183)	-
Payments for Paid Parental Leave Scheme		(13)	-	-	-
Cash used in operating activities		(203 171)	(192 875)	(20 499)	(19 210)
Cash inflows:					
Fees and charges		6 940	5 575	603	400
Receipts from Commonwealth		6 946	8 102	3 615	4 626
Interest received		1 748	2 071	553	453
GST recovered from the ATO		9 220	8 905	2 178	2 308
Receipts for Paid Parental Leave Scheme		26	-	11	-
Other receipts		1 390	3 254	590	179
Cash generated from operating activities		26 270	27 907	7 550	7 966
Cash flows from SA Government:					
Contributions from Community Emergency Services Fund	16	193 972	186 960	13 369	16 372
Other receipts from SA Government	16	2 733	3 815	1 662	562
Payments to SA Government	16	-	(1 174)	-	-
Cash generated from SA Government		196 705	189 601	15 031	16 934
Net cash provided by (used in) operating activities	27	19 804	24 633	2 082	5 690
Cash flows from investing activities:					
Cash outflows:					
Purchase of property, plant and equipment		(22 600)	(23 507)	(960)	(1 563)
Purchase of investments		(214)	(129)	-	-
Cash used in investing activities		(22 814)	(23 636)	(960)	(1 563)
Cash inflows:					
Proceeds from sale of property, plant and equipment		387	1 608	-	-
Cash generated from investing activities		387	1 608	-	-
Net cash provided by (used in) investing activities		(22 427)	(22 028)	(960)	(1 563)
Net increase (decrease) in cash and cash equivalents		(2 623)	2 605	1 122	4 127
Cash and cash equivalents at 1 July		46 000	43 395	12 540	8 413
Cash and cash equivalents at 30 June	17	43 377	46 000	13 662	12 540

Notes to and forming part of the financial statements

1. Establishment, objectives and funding arrangements

Establishment

The *Fire and Emergency Services Act 2005* (the Act) was assented to on 14 July 2005. The Act establishes the South Australian Fire and Emergency Services Commission (SAFECOM) which came into operation on 1 October 2005 replacing the Emergency Services Administrative Unit (ESAU), which was dissolved from 31 December 2005. Note, the Act was reviewed in accordance with the review provisions contained in the Act and an amended version of the Act was proclaimed on 1 November 2009.

The Act provides for the continuation of the South Australian Metropolitan Fire Service (SAMFS), the South Australian Country Fire Service (SACFS) and the South Australian State Emergency Service (SASES). The SAMFS and the SACFS were previously in existence as separate entities, whereas the SASES was a division of the ESAU. The SASES is now a separate body corporate. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Services Act 1987* were repealed upon the proclamation of the new 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 for Emergency Services (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 provision 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 2012 (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 judgment 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, these are outlined in the applicable notes

(b) Basis of preparation (continued)

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:

  (a) 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 to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed

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

  (c) employee TVSP information

  (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the 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 2012 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 2012 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 *Fire and Emergency Services Act 2005*.

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, expense, assets and liabilities. As administered items are significant in relation to SAFECOM's overall financial performance and position, they 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.

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

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

(f) Rounding

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

(g) Taxation

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 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 SA Government are recognised as income when SAFECOM obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues

Commonwealth revenues 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).

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.

Commonwealth revenues (continued)
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.

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.

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.

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 and amortisation (continued)
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)
Communications equipment	10	10
Vehicles	15-20	15
Plant and equipment	10	10
Computer equipment	5	5
Buildings	40-50	40
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 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. 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 held for sale (continued)
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 written down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

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

  Any revaluation increment is credited to the 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. 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.

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 SAFECOM as a whole.

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

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 benefit on-costs include superannuation contributions, WorkCoverSA levies and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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.

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

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

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

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

- *LSL*
  An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

  Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 24).

  This calculation is consistent with SAFECOM's experience of employee retention and leave taken.

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.

Provisions (continued)
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

SAFECOM is responsible for the payment of workers compensation claims.

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.

(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 2011-12.

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 2012. SAFECOM 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 SAFECOM.

4. Activities of SAFECOM
In achieving its objectives, SAFECOM provides strategic and corporate support services to the SACFS, SAMFS and SASES. These services are classified under one program titled ‘Fire and emergency services strategic and business support’.

5. Employee benefits expenses

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$’000	$’000	$’000	$’000
Salaries and wages	87 991	84 753	6 046	6 945
Annual leave	10 663	10 120	538	536
LSL	10 377	5 930	1 144	209
Employment on-costs - superannuation	10 883	10 265	670	763
Payroll tax	5 774	5 414	394	397
TVSPs (refer below)	1 720	1 154	1 720	422
Workers compensation costs	(781)	3 068	(191)	(133)
Other employment related expenses	960	702	74	86
Total employee benefits expenses	127 587	121 406	10 395	9 225

TVSPs and early terminations

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Amounts paid to these employees:				
TVSPs	1 720	1 154	1 720	422
Early terminations	312	131	312	131
Annual and LSL paid during the reporting period	1 136	421	1 136	153
Recovery from DTF	(1 443)	(1 302)	(1 443)	(562)
Net cost to agency	1 725	404	1 725	144

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	Number	Number	Number	Number
Number of employees who received a TVSP or early termination during the reporting period	13	8	13	5

Employee remuneration	Consolidated		SAFECOM	
The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number	2012 Number	2011 Number
$130 000 - $133 999*	-	10	-	-
$134 000 - $143 999	26	21	1	-
$144 000 - $153 999	7	7	-	-
$154 000 - $163 999	6	2	-	-
$164 000 - $173 999	2	1	-	-
$174 000 - $183 999	-	1	-	-
$184 000 - $193 999	1	2	-	1
$194 000 - $203 999	1	1	-	-
$204 000 - $213 999	1	2	-	-
$214 000 - $223 999	1	1	-	1
$224 000 - $233 999	-	1	-	-
$234 000 - $243 999	2	-	-	-
$244 000 - $253 999	1	-	-	-
$264 000 - $273 999	1	2	-	1
$274 000 - $283 999#^	1	1	1	1
$284 000 - $293 999#^	1	1	1	-
$294 000 - $303 999	1	-	-	-
$344 000 - $353 999#^	1	-	1	-
$364 000 - $373 999#^	1	-	1	-
$374 000 - $383 999#^	1	-	1	-
$404 000 - $413 999#^	1	-	1	-
$424 000 - $433 999#^	1	-	1	-
$434 000 - $443 999	-	1	-	-
$514 000 - $523 999	-	1	-	-
Total	57	55	8	4

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2011.

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, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was SAFECOM $2.637 million ($962 000) and Consolidated $10.573 million ($9.431 million).

#^ The number of employees reported in the bandings above includes six SAFECOM and six Consolidated (one SAFECOM and three Consolidated) who received a payment for the early termination of an executive contract.

6. Supplies and services

	Consolidated		SAFECOM	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Accommodation	316	294	-	-
Aerial support costs	8 122	6 095	-	-
Auditor's remuneration	194	198	111	116
Communications	2 482	2 620	538	553
Computing costs	2 757	2 774	583	636
Consultancy, contractor and legal fees	4 815	3 917	1 294	1 001
Consumables	3 560	3 617	90	127
Energy	1 390	1 202	12	18
Government Radio Network	13 671	13 647	-	-
Minor plant and equipment	2 935	3 038	16	27
Operating lease costs	5 143	5 283	576	716
Operational costs	1 614	1 031	26	32
Repairs and maintenance	7 236	7 663	86	149
SSSA payments	1 248	1 252	1 240	1 252
Travel and training	3 548	3 173	292	267
Uniforms and protective clothing	2 579	2 501	2	5
Other expenses	4 868	4 737	311	361
Total supplies and services	66 478	63 042	5 177	5 260

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	Consolidated 2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	4	16	3	17
Between $10 000 - $50 000	3	81	4	120
Total	7	97	7	137

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	SAFECOM 2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	1	10	-	-
Between $10 000 - $50 000	1	40	1	39
Total	2	50	1	39

Auditor's remuneration

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Audit fees paid/payable to Auditor-General's Department relating to the audit of the financial statements	194	198	111	116
Total audit fees	194	198	111	116

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 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Accommodation	277	234	-	-
Aerial support costs	95	51	-	-
Auditor's remuneration	194	198	111	116
Communications	146	167	58	76
Computing costs	437	388	80	52
Consultancy, contractor and legal fees	254	451	141	287
Consumables	431	430	18	2
Energy	52	44	12	17
Government Radio Network	13 671	13 647	-	-
Minor plant and equipment	16	5	1	-
Operating lease costs	4 073	4 166	576	657
Operational costs	8	3	-	-
Repairs and maintenance	315	670	58	124
SSSA payments	1 240	1 252	1 240	1 252
Travel and training	255	49	21	3
Uniforms and protective clothing	5	5	-	-
Other expenses	1 251	718	20	17
Total supplies and services provided by entities within the SA Government	22 720	22 478	2 336	2 603

7. Depreciation and amortisation expense

	Consolidated 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Depreciation:				
Buildings	5 624	5 616	5	9
Vehicles	10 682	10 157	-	-
Computers	124	209	118	132
Plant	832	743	27	-
Communications	1 982	2 993	-	-
Total depreciation	19 244	19 718	150	141
Amortisation:				
Software	286	348	153	181
Total amortisation	286	348	153	181
Total depreciation and amortisation expense	19 530	20 066	303	322

8. Grants and subsidies	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Grants and subsidies	2 714	2 550	2 002	1 939
Total grants and subsidies	2 714	2 550	2 002	1 939
Grants and subsidies paid/payable to entities within the SA Government:				
Grants and subsidies	398	264	398	264
Total grants and subsidies - SA Government entities	398	264	398	264
9. Net gain (loss) from disposal of non-current assets				
Land and buildings:				
Proceeds from disposal	-	1 171	-	-
Net book value of assets disposed	(61)	(1 174)	-	-
Costs of disposal	(3)	-	-	-
Net gain (loss) from disposal of land and buildings	(64)	(3)	-	-
Vehicles:				
Proceeds from disposal	353	437	-	-
Net book value of assets disposed	(302)	(567)	-	-
Net gain (loss) from disposal of vehicles	51	(130)	-	-
Plant and equipment:				
Proceeds from disposal	34	-	-	-
Net book value of assets disposed	(31)	-	-	-
Net gain (loss) from disposal of plant and equipment	3	-	-	-
Total:				
Total proceeds from disposal	387	1 608	-	-
Total value of assets disposed	(394)	(1 741)	-	-
Total costs of disposal	(3)	-	-	-
Total gain (loss) from disposal of non-current assets	(10)	(133)	-	-
10. Other expenses				
Revaluation decrement	1 534	-	340	-
Total other expenses	1 534	-	340	-
11. Revenues from fees and charges				
Fire alarm attendance fees	2 243	1 512	-	-
Fire safety fees	405	381	-	-
Fire alarm monitoring fees	1 866	1 667	-	-
Incident cost recoveries	158	-	-	
Training and other recoveries	343	394	-	-
Salary recoveries	534	656	490	550
Other recoveries	-	44	-	-
Total revenues from fees and charges	5 549	4 654	490	550

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	499	317	-	-
Fire safety fees	22	13	-	-
Fire alarm monitoring fees	231	164	-	-
Training and other recoveries	193	67	-	-
Salary recoveries	491	563	489	548
Other recoveries	-	40	-	-
Total fees and charges received/receivable - SA Government entities	1 436	1 164	489	548

12. Commonwealth revenues

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Grants and contributions	6 946	7 777	3 615	4 687
Total Commonwealth revenues	6 946	7 777	3 615	4 687

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 $9.028 million ($7.063 million). These contributions relate to the Natural Disaster Resilience Program, Natural Disaster Mitigation Program and Bushfire Mitigation Program.

Restrictions attached to these contributions include completion of quarterly funding reports and final program acquittal.

13. Interest revenues

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Interest on deposit accounts -	$'000	$'000	$'000	$'000
from entities within the SA Government	1 693	2 104	544	477
Total interest revenues	1 693	2 104	544	477

14. Resources received free of charge

Asset contributions from local government councils				
and other organisations	529	22	-	-
Total resources received free of charge	529	22	-	-

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister. During 2011-12, several properties have been transitioned into the control of the Minister (valued at fair value of $529 000).

15. Other income

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Donations	1	22	-	-
Groups/Brigades fundraising revenue	202	117	-	-
Rent received	173	157	-	-
Insurance recoveries	20	280	-	-
Other	1 143	1 573	211	109
Total other income	1 539	2 149	211	109

Other income received/receivable from entities within the SA Government

The following other income (included in the other income revenues shown above) was received/ receivable from entities within the SA Government:				
Rent received	33	38	-	-
Insurance recoveries	-	263	-	-
Other	451	314	206	48
Total other income received/receivable - SA Government	484	615	206	48

16. Revenues from (Payments to) SA Government

Revenues from SA Government:				
Contributions from Community Emergency Services Fund	193 972	186 960	13 369	16 372
Other revenues from SA Government	2 514	4 034	1 443	781
Total revenues from SA Government	196 486	190 994	14 812	17 153

16. Revenues from (Payments to) SA Government (continued)

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Payments to SA Government:	$'000	$'000	$'000	$'000
Payment to Consolidated Account of proceeds for sale of surplus land and buildings	-	1 174	-	-
Total payments to SA Government	-	1 174	-	-

Total revenues from government for SAFECOM entity consists of $12.832 million ($16.425 million) for operational funding and $537 000 ($728 000) for capital projects.

Total revenues from government for SAFECOM consolidated consists of $169.106 million ($169.862 million) for operational funding and $24.866 million ($21.132 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer to notes 5, 6, 8, 9, 21 and 22. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash on hand	20	22	2	2
Deposits with the Treasurer	39 219	41 697	13 660	12 538
Cash at bank (non-SA Government)	553	596	-	-
Cash at bank (non-SA Government) - groups/brigades	3 298	3 375	-	-
Short-term deposits (non-SA Government) - groups/brigades	270	293	-	-
Short-term deposits	17	17	-	-
Total cash and cash equivalents	43 377	46 000	13 662	12 540

Short-term deposits

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

Interest rate risk

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

18. Receivables

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Current:	$'000	$'000	$'000	$'000
Receivables	1 383	1 231	123	342
Allowance for doubtful debts	(349)	(64)	(122)	-
	1 034	1 167	1	342
Accrued revenues	712	899	542	574
Prepaid salaries and wages	-	90	-	39
GST input tax recoverable	1 957	2 384	406	519
Total receivables	3 703	4 540	949	1 474

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	261	381	122	222
Allowance for doubtful debts	-	-	-	-
	261	381	122	222
Accrued revenues	659	700	542	574
Prepaid salaries and wages	-	8	-	3
Total receivables - SA Government entities	920	1 089	664	799

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.

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$’000	$’000	$’000	$’000
Carrying amount at 1 July	(64)	(939)	-	-
Amounts written off	-	1	-	-
Increase (Decrease) in the allowance	(285)	874	(122)	-
Carrying amount at 30 June	(349)	(64)	(122)	-

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 32.

19. Other financial assets

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Current:	$’000	$’000	$’000	$’000
Medium-term deposits - groups/brigades	2 371	2 157	-	-
Total other financial assets	2 371	2 157	-	-

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

Refer note 32.

20. Non-current assets held for sale

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$’000	$’000	$’000	$’000
Building	4	-	-	-
Land	1 242	1 195	-	-
Total non-current assets held for sale	1 246	1 195	-	-

During 2010-11 the SAMFS closed operations at Burra and this resulted in the facility becoming surplus. Due to construction of a new SAMFS site at Port Lincoln the old site has also became surplus and both properties are expected to be sold during 2012-13.

A tender to sell surplus land at Port Lincoln during 2010-11 failed to be realised, and as at 30 June 2012 the property continues to remain on the market for sale. The property value was reassessed by Liquid Pacific, Mr Burns, MRICS, AAPI (CPV) during 2011-12. The movement has been reflected in equity.

21. Property, plant and equipment

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Land:	$’000	$’000	$’000	$’000
At valuation	54 957	53 594	-	-
At cost (deemed fair value)	60	47	-	-
Total land	55 017	53 641	-	-
Buildings:				
At valuation	119 738	120 141	-	305
At cost (deemed fair value)	561	22 440	-	-
Accumulated depreciation	(2 790)	(10 888)	-	(18)
Total buildings	117 509	131 693	-	287

21. Property, plant and equipment (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Vehicles:				
At valuation	118 355	107 325	-	-
At cost (deemed fair value)	8 022	28 787	-	-
Accumulated depreciation	(5 406)	(20 836)	-	-
Total vehicles	120 971	115 276	-	-
Communication equipment:				
At valuation	8 758	13 027	-	-
At cost (deemed fair value)	3 010	4 613	-	-
Accumulated depreciation	(855)	(6 346)	-	-
Total communication equipment	10 913	11 294	-	-
Computer equipment:				
At valuation	161	820	143	547
At cost (deemed fair value)	113	11	-	-
Accumulated depreciation	(57)	(528)	(53)	(264)
Total computer equipment	217	303	90	283
Plant and equipment:				
At valuation	4 291	4 576	179	-
At cost (deemed fair value)	1 361	1 236	135	195
Accumulated depreciation	(438)	(1 640)	(17)	-
Total plant and equipment	5 214	4 172	297	195
Capital work in progress:				
At cost (deemed fair value)	15 803	14 096	1 180	1 931
Total capital work in progress	15 803	14 096	1 180	1 931
Total property, plant and equipment	325 644	330 475	1 567	2 696

Valuation of assets

At 30 June 2012, valuations were undertaken by a suitably qualified officer of SAFECOM. The assessment indicated there was no material difference between the fair value and carrying amount of the assets and consequently no revaluation adjustments were required. All assets have been valued on the basis of written down current cost or open market values for existing use, which is considered to be equivalent to fair value.

At 1 January 2012 independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The valuer arrived at fair value on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2012.

Resources received free of charge

Refer note 14.

Movement reconciliation of property, plant and equipment

2012 **Consolidated**	Land $'000	Buildings $'000	Vehicles $'000	Communications equipmnt $'000	Computer equipmnt $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July	53 641	131 693	115 276	11 294	303	4 172	14 096	330 475
Acquisitions	60	13	-	-	-	23	22 500	22 596
Transfers to (from) capital work in progress	845	2 786	11 124	3 010	112	1 341	(20 793)	(1 575)
Depreciation	-	(5 624)	(10 682)	(1 982)	(124)	(832)	-	(19 244)
Net revaluation increment (decrement)	230	(11 209)	5 555	(215)	(1)	547	-	(5 093)
Assets received for nil consideration	412	117	-	-	-	-	-	529
Disposals	(59)	(2)	(302)	-	-	(31)	-	(394)
Transfer to non-current assets held for sale	(112)	(4)	-	-	-	-	-	(116)
Net revaluation decrement expensed	-	(261)	-	(1 194)	(73)	(6)	-	(1 534)
Carrying amount at 30 June	55 017	117 509	120 971	10 913	217	5 214	15 803	325 644

Movement reconciliation of property, plant and equipment (continued)

	Land $'000	Buildings $'000	Vehicles $'000	Communications equipmnt $'000	Computer equipmnt $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
SAFECOM								
Carrying amount at 1 July	-	287	-	-	283	195	1 931	2 696
Acquisitions	-	-	-	-	-	1	959	960
Transfers to (from) capital work in progress	-	-	-	-	-	135	(1 710)	(1 575)
Depreciation	-	(5)	-	-	(118)	(27)	-	(150)
Net revaluation increment (decrement)	-	(22)	-	-	(2)	-	-	(24)
Net revaluation decrement expensed	-	(260)	-	-	(73)	(7)	-	(340)
Carrying amount at 30 June	-	-	-	-	90	297	1 180	1 567
2011								
Consolidated								
Carrying amount at 1 July	53 848	131 508	110 672	12 015	501	4 233	14 733	327 510
Acquisitions	47	-	-	-	-	-	23 455	23 502
Transfers to (from) capital work in progress	-	5 799	15 328	2 272	11	682	(24 092)	-
Depreciation	-	(5 616)	(10 157)	(2 993)	(209)	(743)	-	(19 718)
Assets received for nil consideration	1	21	-	-	-	-	-	22
Disposals	-	(19)	(567)	-	-	-	-	(586)
Transfer to non-current assets held for sale	(255)	-	-	-	-	-	-	(255)
Carrying amount at 30 June	53 641	131 693	115 276	11 294	303	4 172	14 096	330 475
SAFECOM								
Carrying amount at 1 July	-	296	-	-	415	-	563	1 274
Acquisitions	-	-	-	-	-	-	1 563	1 563
Transfers to (from) capital work in progress	-	-	-	-	-	195	(195)	-
Depreciation	-	(9)	-	-	(132)	-	-	(141)
Carrying amount at 30 June	-	287	-	-	283	195	1 931	2 696

22. Intangible assets

	Consolidated 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Computer software	4 099	2 524	2 478	903
Accumulated amortisation	(1 992)	(1 706)	(472)	(319)
Total intangible assets	2 107	818	2 006	584

Movement reconciliation of intangible assets

	Consolidated 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Carrying amount at 1 July	818	1 166	584	765
Amortisation expense	(286)	(348)	(153)	(181)
Transfers from capital work in progress	1 575	-	1 575	-
Carrying amount at 30 June	2 107	818	2 006	584

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 2012.

23. Payables

	Consolidated 2012 $'000	Consolidated 2011 $'000	SAFECOM 2012 $'000	SAFECOM 2011 $'000
Current:				
Accrued expenses	1 461	1 824	272	566
Creditors	8 470	9 083	715	803
FBT payable	226	172	19	21
Paid Parental Leave Scheme payable	13	-	11	-
Employment on-costs	2 582	2 472	183	181
Total current payables	12 752	13 551	1 200	1 571

Current payables to entities within SA Government	Consolidated		SAFECOM	
The following payables (included in payables shown above) were payable to entities within SA Government:	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Accrued expenses	437	991	201	411
Creditors	1 047	3 821	256	366
FBT payable	226	172	19	21
Employment on-costs	2 582	2 472	183	181
Total current payables - SA Government entities	4 292	7 456	659	979
Non-current:				
Employment on-costs	2 540	1 882	219	199
Total non-current payables	2 540	1 882	219	199

Non-current payables to entities within SA Government				
The following payables (included in payables shown above) were payable to entities within SA Government:				
Employment on-costs	2 540	1 882	219	199
Total non-current payables - SA Government entities	2 540	1 882	219	199

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed to 40% (35%), and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 10.3%. 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 $47 000 and employee benefit expense of $47 000. 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 32.

24. Employee benefits

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Current:	$'000	$'000	$'000	$'000
Accrued salaries and wages	2 205	1 673	6	-
Annual leave	9 213	8 968	616	702
LSL	3 619	2 854	314	304
Total current employee benefits	15 037	13 495	936	1 006
Non-current:				
LSL	27 049	21 333	2 350	2 272
Total non-current employee benefits	27 049	21 333	2 350	2 272

AASB 119 contains the calculation methodology for the LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation. 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 2011 (5.25%) to 2012 (2.75%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $366 000 and employee benefit expense of $366 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

24. Employee benefits (continued)

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.

25. Provisions

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Current:	$'000	$'000	$'000	$'000
Provisions for workers compensation	2 298	2 800	41	92
Total current provisions	2 298	2 800	41	92
Non-current:				
Provision for workers compensation	8 177	11 260	172	319
Total non-current provisions	8 177	11 260	172	319
Provision movement:				
Carrying amount at 1 July	14 060	14 112	411	554
Additional provisions recognised (released)	(807)	3 066	(190)	(128)
Reductions arising from payments	(2 778)	(3 118)	(8)	(15)
Carrying amount at 30 June	10 475	14 060	213	411

SAFECOM has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

26. Equity

	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Accumulated surplus	242 269	246 782	13 864	11 811
Revaluation surplus	68 924	74 082	-	24
Total equity	311 193	320 864	13 864	11 835

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.

The consolidated cumulative income or expense recognised in other comprehensive income (via the revaluation surplus) relating to non-current assets classified as held for sale for the year ending 30 June was $65 000 ($0).

27. Cash flow reconciliation

	Consolidated		SAFECOM	
	2012	2011	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	43 377	46 000	13 662	12 540
Balances as per Statement of Cash Flows	43 377	46 000	13 662	12 540
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services				
Net cash provided (used in) by operating activities	19 804	24 633	2 082	5 690
Revenues from SA Government	(197 084)	(190 994)	(15 410)	(17 153)
Payments to SA Government	-	1 174	-	-
Non-cash items:				
Depreciation and amortisation	(19 530)	(20 066)	(303)	(322)
Assets received free of charge	529	22	-	-
Assets revaluation increment (decrement) recognised				-
in Statement of Comprehensive Income	(1 534)	-	(340)	-
Net profit (loss) from disposal of non-current assets	(10)	(133)	-	-
Movements in assets/liabilities:				
Receivables	(239)	160	73	259
Payables	141	(2 756)	351	39
Employee benefits	(7 259)	(2 583)	(8)	421
Provisions	3 585	52	198	143
Net cost of providing services	(201 597)	(190 491)	(13 357)	(10 923)

28. Unrecognised contractual commitments

Operating lease commitments

	Consolidated		SAFECOM	
	2012	2011	2012	2011
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.	$'000	$'000	$'000	$'000
Within one year	3 022	3 995	594	614
Later than one year but not later than five years	2 617	5 194	632	1 252
Total operating lease commitments	5 639	9 189	1 226	1 866

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

Capital commitments

Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:	Consolidated		SAFECOM	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	5 732	1 642	-	75
Total capital commitments	5 732	1 642	-	75

These capital commitments are for property and vehicles.

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	1 724	1 814	300	293
Later than one year but not later than five years	4 297	4 647	79	384
Total remuneration commitments	6 021	6 461	379	677

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	3 425	767	473	106
Later than one year but not later than five years	1 424	752	121	105
Total other commitments	4 849	1 519	594	211

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.

29. Contingent assets and liabilities

Contingent assets

The SAFECOM entity is not aware of any contingent assets.

SAFECOM consolidated has a contingent asset for the SAMFS of $15 000 in relation to repairs of solar panels.

In 2009-10 SACFS and SASES 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 has several contingent liabilities for the SACFS, SAMFS and SASES 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.

30. Remuneration of board and committee members

Members of the board and committees, during the 2012 financial year were:

South Australian Fire and Emergency Services Commission Board

Andrew Lawson*
Barry Dermot*
Barry Luke*
Christopher Beattie*
David Norton* (retired 15 July 2011)
David Place*
Grant Lupton*
Gregory Nettleton*
Haydon Castle* (retired 7 October 2011)
Helen Chalmers*
Joseph Szakacs
Kenneth Schutz*
Lois Boswell* (retired 28 March 2012)
Lyn Berghofer*
Matthew Maywald* (retired 17 February 2012)
Michael Smith*
Moira Deslandes*
Susan Caracoussis
Virginia Hickey
Wayne Thorley

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

Aaron Chia*
Andrew Lawson*
Barry Dermot* (appointed 14 May 2012)
Don Cranwell*
Henry Lukowicz* (retired 30 December 2011)
Joseph Szakacs*
Lena Grant*
Mark Groote* (retired 11 June 2012)
Matthew Maywald* (retired 17 February 2012)
Michael Smith*
Roy Thompson*
Virginia Hickey*

State Bushfire Coordination Committee

Ali Ben Kahn* (retired 30 June 2012)
Andrew Grear* (retired 30 June 2012)
Andrew Watson*
Ann De Piaz*
Bronwyn Killmier* (appointed 13 October 2011)
Bryan Fahy* (retired 12 August 2011)
Carol Vincent* (retired 30 June 2012)
Christopher Reed
David Hood (retired 30 June 2012)
Dennis Mutton
Fiona Dunstan*
Franco Crisci*
Glenn Benham*
Gregory Nettleton*
Jane Charles* (retired 30 June 2012)
Jeffrey Klitscher* (retired 30 June 2012)
Jennifer Dickins* (retired 30 June 2012)
Jennifer Lillecrapp* (retired 30 June 2012)
John Nairn* (retired 30 June 2012)
Katie Taylor*
Kenneth Schutz* (retired 30 June 2012)
Kylie Egan*
Lisien Loan* (retired 30 June 2012)
Meredith Jenner*
Michael Williams* (retired 11 November 2011)
Paul Fletcher* (retired 30 June 2012)
Penelope Paton* (retired 30 June 2012)
Peter White
Scott Thompson* (appointed 11 March 2012)
Stephen Pascale*
Suellen LeFebvre*
Susan Filby*
Suzanne Mickan*
Sylvia Rapo* (retired 30 June 2012)
Timothy Milne
Vicki Linton* (retired 30 June 2012)
Vicki-Jo Russell* (retired 19 January 2012)
William McIntosh

South Australian Metropolitan Fire Service Disciplinary Committee

Brendan West*
Graham Dart
Michael Vander-Jeugd*
Roy Thompson*

The number of members whose remuneration received or receivable falls within the following bands:	Consolidated 2012 Number	Consolidated 2011 Number	SAFECOM 2012 Number	SAFECOM 2011 Number
$0	54	58	22	26
$1 - $9 999	7	9	-	1
$20 000 - $29 999	2	3	2	3
$30 000 -$39 999	2	1	2	1
Total	65	71	26	31

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 SAFECOM consolidated $131 600 ($136 200) and SAFECOM $122 200 ($113 260).

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

30. Remuneration of board and committee members (continued)

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.

31. Events subsequent to reporting date

On 13 August 2012 the Government announced it intends establishing a community safety directorate. The Directorate will provide strategic advice and high level coordination across police, correctional services, emergency services and road safety, and oversee the development and implementation of policy. A project team has been established to determine the best model for the authority.

32. Financial instruments/Financial risk management

32.1 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.

		2012		2011	
Consolidated	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	17	43 377	43 377	46 000	46 000
Receivables	18	2 344	2 344	2 156	2 156
Other financial assets	19	2 371	2 371	2 157	2 157
Financial liabilities					
Payables	23	12 304	12 304	12 845	12 845
SAFECOM					
Financial assets					
Cash and cash equivalents	17	13 662	13 662	12 540	12 540
Receivables	18	1 141	1 141	955	955
Other financial assets	19	-	-	-	-
Financial liabilities					
Payables	23	1 082	1 082	1 453	1 453

(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.

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 32.1 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.

Credit risk (continued)

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 for information on the allowance for impairment in relation to receivables.

32.2 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
2012	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	1 746	75	68	455	2 344
Other financial assets	2 371	-	-	-	2 371
Impaired:					
Receivables	(64)	-	-	413	349
Allowance for impairment	-	-	-	-	-
2011					
Not impaired:					
Receivables	1 978	56	21	101	2 156
Other financial assets	2 157	-	-	-	2 157
Impaired:					
Receivables	-	-	-	64	64
Allowance for impairment	-	-	-	-	-
SAFECOM					
2012					
Not impaired:					
Receivables	1 140	-	-	1	1 141
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	122	-	-	-	122
Allowance for impairment	-	-	-	-	-
2011					
Not impaired:					
Receivables	954	-	-	1	955
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	-	-	-	-	-

32.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities	
Consolidated	Carrying amount	Less than 1 year	1-5 years
2012			
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	43 377	43 377	-
Receivables	2 344	2 344	-
Other financial assets	2 371	2 371	-
Total financial assets	48 092	48 092	-
Financial liabilities:			
Payables	12 304	11 158	1 146
Total financial liabilities	12 304	11 158	1 146

32.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities	
	Carrying	Less than	
2011	amount	1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	46 000	46 000	-
Receivables	2 156	2 156	-
Other financial assets	2 157	2 157	-
Total financial assets	50 313	50 313	-
Financial liabilities:			
Payables	12 845	12 058	788
Total financial liabilities	12 845	12 058	788
SAFECOM			
2012			
Financial assets:			
Cash and cash equivalents	13 662	13 662	-
Receivables	1 141	1 141	-
Other financial assets	-	-	-
Total financial assets	14 803	14 803	-
Financial liabilities:			
Payables	1 082	984	98
Total financial liabilities	1 082	984	98
2011			
Financial assets:			
Cash and cash equivalents	12 540	12 540	-
Receivables	955	955	-
Other financial assets	-	-	-
Total financial assets	13 495	13 495	-
Financial liabilities:			
Payables	1 453	1 370	82
Total financial liabilities	1 453	1 370	82

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. The SAFECOM group and SAFECOM entity works with the fund 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 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's 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.

Statement of Administered Comprehensive Income for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Payments to SA Government administrative units	A3	217 595	210 030
Grants and subsidies	A4	3 408	4 533
Other expenses	A5	3 888	8 432
Total expenses		224 891	222 995
Income:			
Revenues from levy sources	A6	223 170	219 303
Revenues from fees and charges	A7	645	662
Interest revenues	A8	2 195	2 436
Total income		226 010	222 401
Net result		1 119	(594)
Total comprehensive result		1 119	(594)

Statement of Administered Financial Position as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	A9	553	2 204
Receivables	A10	3 524	3 126
Total current assets		4 077	5 330
Current liabilities:			
Payables	A11	2 212	4 584
Total current liabilities		2 212	4 584
Net assets		1 865	746
Equity:			
Retained earnings	A12	1 865	746
Total equity		1 865	746
Unrecognised contractual commitments	A14		
Contingent assets and liabilities	A15		

Statement of Administered Changes in Equity for the year ended 30 June 2012

	Note	Retained earnings $'000	Total $'000
Balance at 30 June 2010		1 340	1 340
Net result for 2010-11		(594)	(594)
Total comprehensive result for 2010-11		(594)	(594)
Balance at 30 June 2011	A12	746	746
Net result for 2011-12		1 119	1 119
Total comprehensive result for 2011-12		1 119	1 119
Balance at 30 June 2012	A12	1 865	1 865

Statement of Administered Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows)	2011 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Payments to SA Government administrative units		(219 967)	(214 450)
Grant payments		(3 408)	(4 533)
Other payments		(7 988)	(8 432)
Cash used in operating activities		(231 363)	(227 415)
Cash inflows:			
Receipts from levy sources		222 746	220 776
Fees and charges		645	662
Interest received		2 221	2 436
Refunds	A5	4 100	-
Cash generated from operating activities		229 712	223 874
Net cash provided by (used in) operating activities	A13	(1 651)	(3 541)
Net decrease (increase) in cash and cash equivalents		(1 651)	(3 541)
Cash and cash equivalents at 1 July		2 204	5 745
Cash and cash equivalents at 30 June	A9	553	2 204

Notes to and forming part of the administered financial statements

A1. Establishment, objectives and funding arrangements

Establishment

The Community Emergency Services 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 1998*, 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 Service 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 administrative 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. Payments to SA Government administrative units	2012	2011
	$'000	$'000
SAFECOM	13 369	16 372
South Australian State Emergency Service	13 423	14 306
South Australian Country Fire Service	66 857	60 157
South Australian Metropolitan Fire Service	100 323	96 125
South Australia Police	18 628	18 174
South Australia Police - Government Radio Network	687	687
Attorney-General's Department - State Rescue Helicopter Service	592	578
SA Ambulance Service	1 000	976
SA Ambulance Service - Government Radio Network	209	209
Department for Environment and Natural Resources	2 507	2 446
Total payments to SA Government administrative units	217 595	210 030

A4. Grants and subsidies		
Surf Life Saving SA Inc	2 395	3 238
Volunteer Marine Rescue	647	977
Shark Beach Patrol	366	318
Total grants and subsidies	3 408	4 533

A5. Other expenses		
RevenueSA collection costs*	1 612	5 617
Department of Planning, Transport and Infrastructure - collection costs	760	752
Fixed property refunds	969	1 529
Administration costs	547	534
Total other expenses	3 888	8 432

* Includes a on-off refund of $4.1 million from DTF.

A6. Revenues from levy sources		
Fixed property collections	97 974	96 800
Fixed property remissions	75 639	73 781
Mobile collections	31 530	31 267
Mobile remissions	11 095	10 963
Pensioner remissions	6 932	6 492
Total revenues from levy sources	223 170	219 303

A7. Revenues from fees and charges		
Certificate sales and other from entities within the SA Government	645	662
Total revenues from fees and charges	645	662

A8. Interest revenues		
Interest on deposit accounts - from entities within the SA Government	2 195	2 436
Total interest revenues	2 195	2 436

A9. Cash and cash equivalents

	2012	2011
	$'000	$'000
Deposits with the Treasurer	553	2 204
Total cash and cash equivalents	553	2 204

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

	2012	2011
Current:	$'000	$'000
Receivables from entities within the SA Government	3 524	3 126
Total current receivables	3 524	3 126

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

	2012	2011
Current:	$'000	$'000
Accrued expenses	825	2 463
Creditors	1 387	2 121
Total current payables	2 212	4 584

Current payables to entities within the SA Government

	2012	2011
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Accrued expenses	673	597
Creditors	1 068	2 121
Total current payables - SA Government entities	1 741	2 718

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

	2012	2011
	$'000	$'000
Retained earnings	1 865	746
Total equity	1 865	746

A13. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June 2012

	2012	2011
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	553	2 204
Balance as per the Statement of Administered Cash Flows	553	2 204

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

	2012	2011
Net cash provided by (used in) operating activities	(1 651)	(3 541)
Movements in assets/liabilities:		
Receivables	398	(1 473)
Payables	2 372	4 420
Net result	1 119	(594)

A14. Unrecognised contractual commitments
CESF has no unrecognised contractual commitments at reporting date.

A15. Contingent assets and liabilities
CESF is not aware of any contingent assets or contingent liabilities.

A16. Events subsequent to reporting date
On 13 August 2012 the Government announced it intends establishing a community safety directorate. The Directorate will provide strategic advice and high level coordination across police, correctional services, emergency services and road safety, and oversee the development and implementation of policy. A project team has been established to determine the best model for the authority.

A17. Financial instruments/Financial risk management
A17.1 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 A2.

		2012		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	A9	553	553	2 204	2 204
Receivables	A10	3 524	3 524	3 126	3 126
Financial liabilities					
Payables	A11	2 212	2 212	4 584	4 584

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 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 A17.1 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.

CESF has minimal concentration of credit risk. CESF has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. 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 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
2012	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	3 524	-	-	-	3 524
Impaired:					
Receivables	-	-	-	-	-
Financial assets	-	-	-	-	-

A17.2 Ageing analysis of financial assets (continued)

		Overdue			
	Current not overdue	Less than 30 days	30-60 days	More than 60 days	Total
2011	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	3 126	-	-	-	3 126
Impaired:					
Receivables	-	-	-	-	-
Financial assets	-	-	-	-	-

17.3 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
2012	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalents	553	553	-
Receivables	3 524	3 524	-
Total financial assets	4 077	4 077	-
Financial liabilities:			
Payables	2 212	2 212	-
Total financial liabilities	2 212	2 212	-
2011			
Financial assets:			
Cash and cash equivalents	2 204	2 204	-
Receivables	3 126	3 126	-
Total financial assets	5 330	5 330	-
Financial liabilities:			
Payables	4 584	4 584	-
Total financial liabilities	4 584	4 584	-

The financial assets and liabilities of 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, remissions and interest. The payments from the CESF are approved by the Economic and Finance Committee, pursuant to the *Emergency Services Funding Act 1998*, 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 flows.

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 represent 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 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. For more information about the Corporation's functions refer note 1 to the financial statements.

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.

Audit and Risk Committee

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

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

Forward sale of forest rotations

On 22 August 2012, the SA Government announced that it had agreed to sell the forward rotations of the Green Triangle plantations in the South East to a consortium. Completion of the sale is expected to occur later in 2012. Further details of the forward sale are outlined in note 28 to the Corporation's financial statements.

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 and financial report of the Corporation in respect of each financial year.

Assessment of controls

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

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

Scope of audit

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

During 2011-12, specific areas of audit attention included:

- Forest Logging System revenue and expenditure
- expenditure
- payroll
- bank reconciliations
- financial accounting
- contract management
- information technology
- valuation of standing timber.

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

Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

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 Forestry Corporation as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Chief Executive of the Corporation.

The principal matters raised were the need to ensure that there were adequate controls over the EFT file, reviewing and approving financial delegations each financial year, documenting key control processes for the Forest Logging System and updating the security management framework and business continuity plans for the ICT environment.

The Corporation advised that it has undertaken a comprehensive review of financial delegations and Board approval has been given for a number of amendments to the structure of the delegations. The required annual review will be performed.

The Corporation will address the EFT control issue, document the key control processes for the Forest Logging System and attend to the matters relating to the ICT environment.

Interpretation and analysis of the financial report

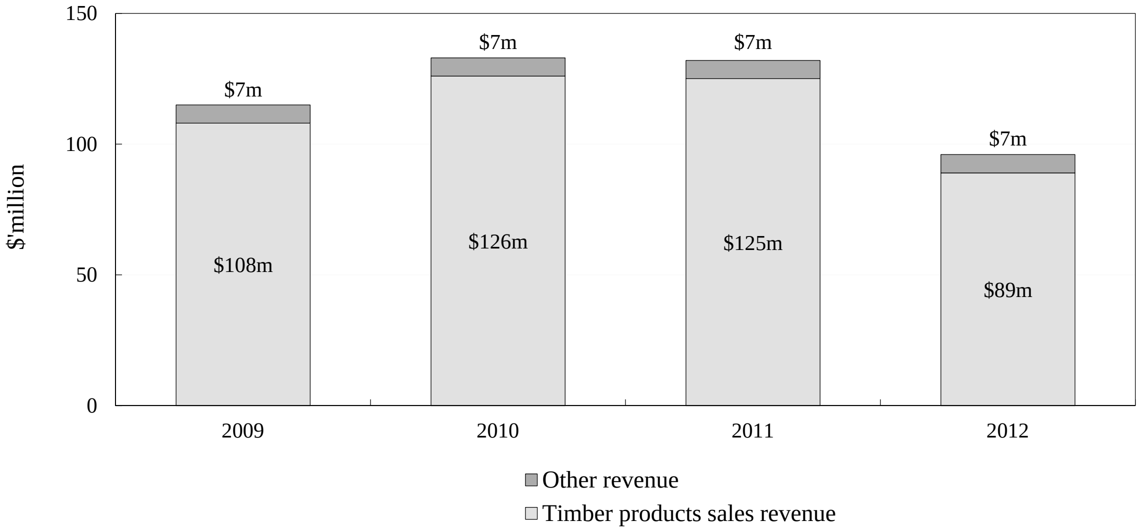
Highlights of the financial report

	2012 $'million	2011 $'million
Income		
Sales - timber products	89	125
Revenues from SA Government	3	3
Other revenue	4	4
Total income	96	132
Expenses		
Employee benefits	17	15
Contractors and wood purchases	39	51
Other expenses	22	18
Total expenses	78	84
Trading profit before revaluation of standing timber	18	48
Net profit (loss) (after revaluation and income tax equivalent expense)	33	(16)
Total comprehensive income (loss)	(43)	(10)
Net cash flows from operating activities	20	40
Net cash flows from investing activities	(4)	15
Assets		
Current assets	1 111	148
Non-current assets	167	1 196
Total assets	1 278	1 344
Liabilities		
Current liabilities	34	22
Non-current liabilities	14	34
Total liabilities	48	56
Total equity	1 230	1 288

Statement of Comprehensive Income

Income

The following chart shows that the main source of income for the Corporation for the four years to 2012 is the sale of timber products.



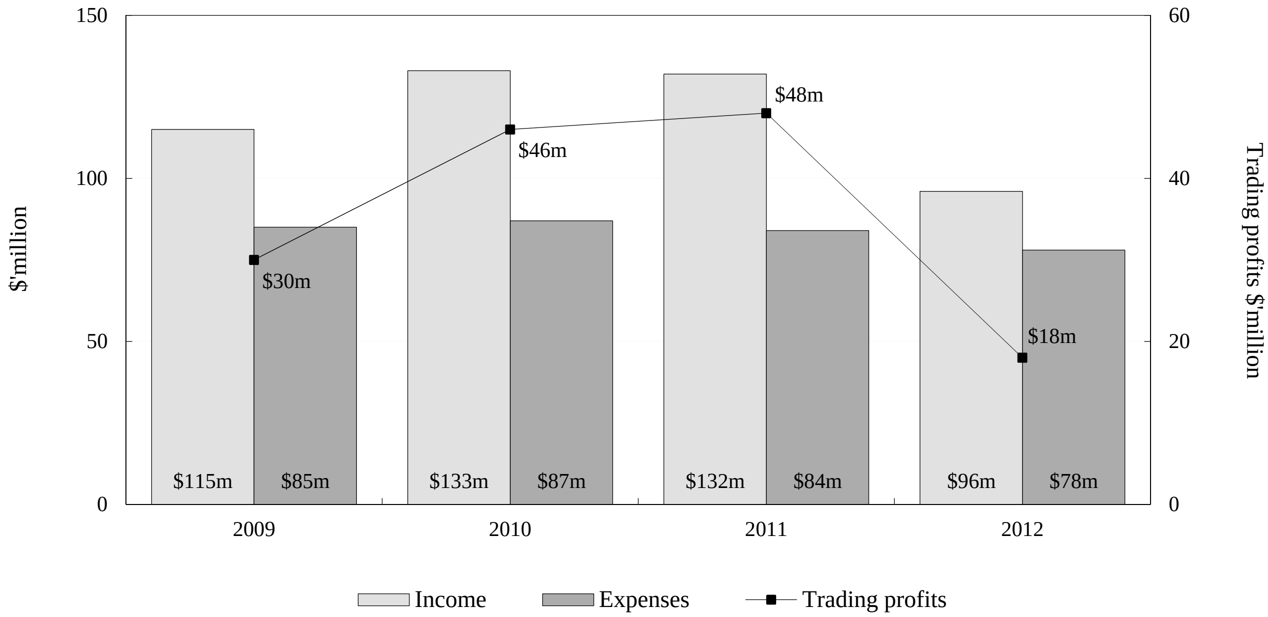
Timber products sales revenue dropped 29% in 2012 as a result of the downturn in the home building industry sector.

Expenses

Expenditure on contractors of $39 million represents 50% of the Corporation's total expenditure and of this amount $34 million ($43 million) relates to harvesting and transport costs.

Trading results

In 2012, the Corporation achieved a trading profit of $18 million compared to a trading profit of $48 million in 2011. The significant decrease in the trading profit is a reflection of a decrease in sales resulting principally from the downturn in the home building industry sector.

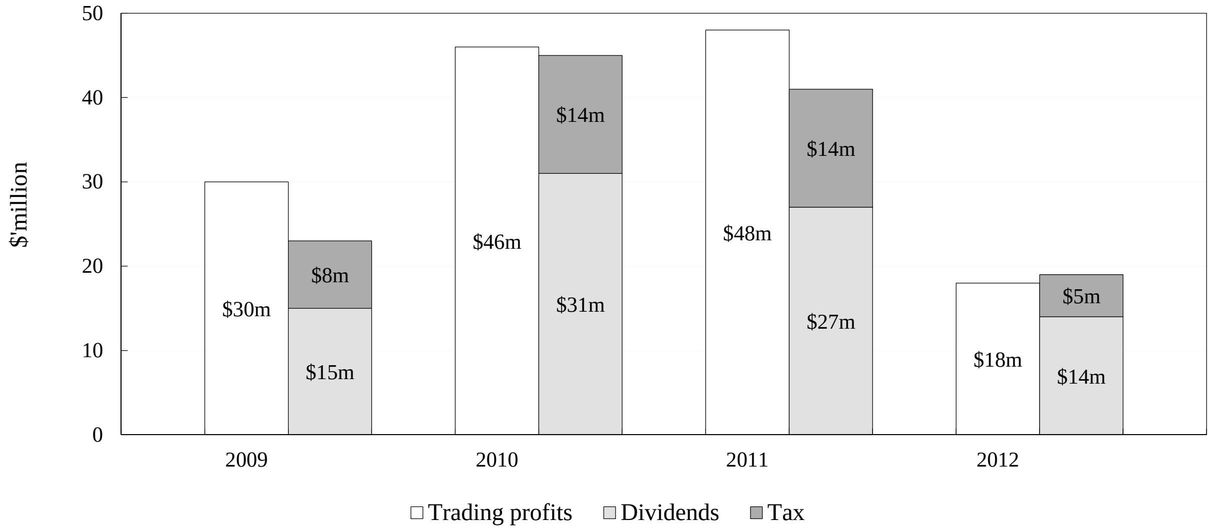


Standing timber

Standing timber is revalued every year and the net change in value for 2012 is a decrease of $46 million. This compares to a decrease of $50 million in 2011.

Distributions to government

For the four years to 2012 an analysis of the Corporation's trading profits before revaluation of standing timber compared to returns to government is shown in the following chart.



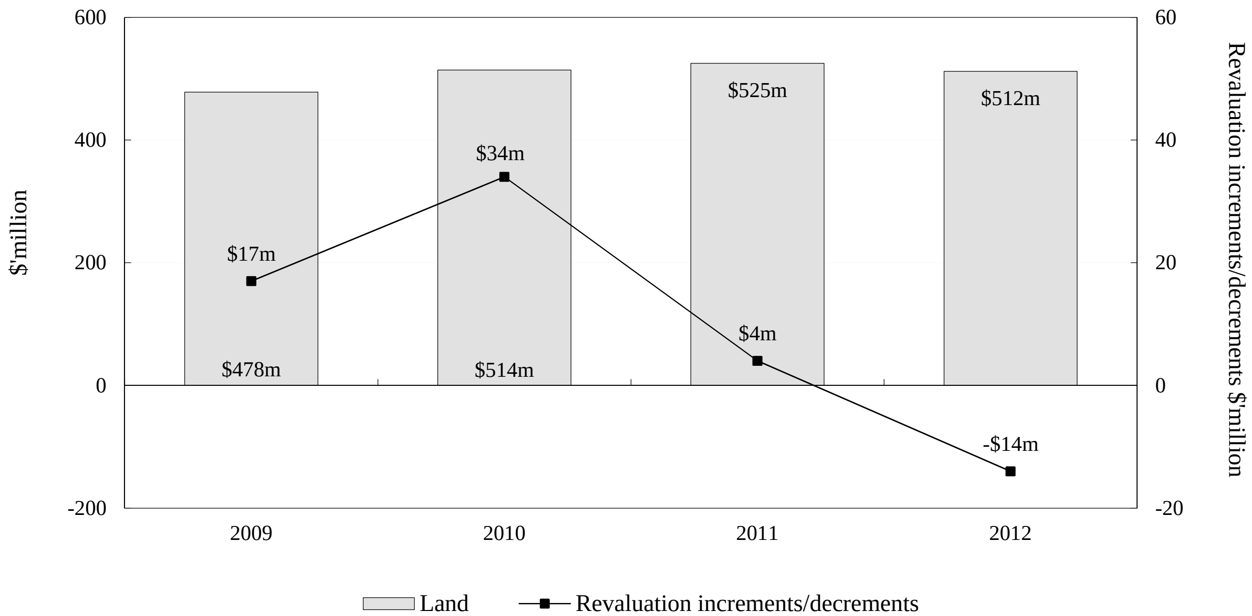
Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to government.

Statement of Financial Position

Standing timber and land are significant assets and represent 93% of the total assets of the Corporation. Further comment and analysis follows below.

Land

An analysis of land balances for the four years to 2012 is presented in the following chart.



At 30 June 2012, $435 million of the $512 million of land holdings had been reclassified as assets held for distribution to owners.

The valuation of land is undertaken each year by the Valuer-General in South Australia and local shires in Victoria at the current market value of unimproved land. For the period 2009 to 2011, the value of land rose reflecting upward valuation adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the South East region of South Australia. In 2012, the decrement mainly reflects reduced land sales in some areas.

Standing timber

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

The following table summarises valuations of standing timber for the past four years by region and revaluation results.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Region				
South East region:				
Young plantations	41	41	42	41
Mature plantations	561	601	650	576
Central and northern regions:				
Young plantations	7	7	6	6
Mature plantations	66	72	70	63
	675	721	768	686
Revaluation increments (decrements)	(46)	(50)	81	70

The net change in the valuation of standing timber is a combination of the change in the volume of standing timber and the change in price. The revaluation decrement for 2012 results mainly from price changes. For further information refer note 14 to the financial statements.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	19	40	34	26
Investing	(4)	15	(33)	(11)
Financing	(17)	(23)	(34)	(10)
Change in cash	(2)	32	(33)	5
Cash at 30 June	43	45	13	46

The Corporation's surplus cash that is generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid.

The reduction in operating cash flows in 2012 is mainly attributed to reduced timber sales. The lower financing cash flows reflect a decrease in dividends paid to government and the net impact of borrowings.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Income:			
Sales - timber products		88 762	125 553
Revenues from SA Government	5(i)	3 356	2 990
Interest	5(i)	2 445	2 757
Other	5(i)	1 364	891
Net gain from disposal of non-current assets	5(ii)	7	-
Total income		95 934	132 191
Expenses:			
Employee benefits	7	17 152	15 438
Contractors		39 238	47 719
Wood purchases		239	3 338
Depreciation and amortisation	5(iii),15,16	2 554	2 267
Council rates		1 572	1 439
Finance costs	5(iii)	2 664	2 564
Materials		3 733	2 159
Equipment and vehicle costs		3 243	3 051
Purchased standing timber harvested	14	-	869
Other		4 209	4 690
Net loss from disposal of non-current assets	5(ii)	-	19
Net revaluation decrement on non-current assets	15	3 224	367
Total expenses		77 828	83 920
Trading profit before revaluation of standing timber		18 106	48 271
Net change in value of standing timber	14	(45 567)	(50 171)
Profit (loss) before income tax equivalent		(27 461)	(1 900)
Income tax equivalent expense	6	(5 332)	(14 288)
Net profit (loss) after income tax equivalent	9(ii)	(32 793)	(16 188)
Other comprehensive income:			
Land revaluation recorded in revaluation surplus	15	(10 410)	4 383
Buildings and structures revaluation recorded in revaluation surplus	15	-	1 934
Total comprehensive income (loss)		(43 203)	(9 871)

Net profit (loss) after income tax equivalent and total comprehensive income (loss) are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	9	43 014	44 755
Receivables	10	12 129	18 180
Inventories	11	2 039	1 849
Standing timber	14	20 884	82 345
Assets classified as held for sale	12	177	413
Assets classified as held for distribution to owner	13	1 032 776	-
Total current assets		1 111 019	147 542
Non-current assets:			
Standing timber	14	60 478	638 250
Property, plant and equipment	15	106 517	557 178
Intangible assets	16	288	744
Total non-current assets		167 283	1 196 172
Total assets		1 278 302	1 343 714
Current liabilities:			
Payables	17	5 520	8 593
Employee benefits	18	1 875	1 734
Interest bearing loans	19	1 383	7 172
Tax liabilities	6	501	3 992
Deferred income	20	854	841
Other provisions	21	262	123
Liabilities classified as held for distribution to owner	22	23 638	-
Total current liabilities		34 033	22 455
Non-current liabilities:			
Payables	17	564	491
Employee benefits	18	3 080	2 602
Interest bearing loans	19	8 706	29 517
Deferred income	20	666	605
Other provisions	21	1 013	414
Total non-current liabilities		14 029	33 629
Total liabilities		48 062	56 084
Net assets		1 230 240	1 287 630
Equity:			
Contributed capital		4 984	4 984
Reserves		1 132 017	1 187 600
Retained earnings		93 239	95 046
Total equity		1 230 240	1 287 630

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2012

	Contributed capital $'000	Revaluation surplus $'000	Standing timber reserve $'000	Fire Insurance Fund reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010	4 984	480 014	733 563	17 863	87 593	1 324 017
Gain on revaluation of property, plant and equipment	-	6 317	-	-	-	6 317
Net income (expense) recognised directly in equity	-	6 317	-	-	-	6 317
Net profit (loss) for the period	-	-	-	-	(16 188)	(16 188)
Total comprehensive income for 2010-11	-	6 317	-	-	(16 188)	(9 871)
Dividend	-	-	-	-	(26 516)	(26 516)
Transfers to (from) equity	-	(689)	(50 171)	703	50 157	-
Total change for the period	-	5 628	(50 171)	703	7 453	(36 387)
Balance at 30 June 2011	4 984	485 642	683 392	18 566	95 046	1 287 630
Loss on revaluation of property, plant and equipment	-	(10 410)	-	-	-	(10 410)
Net income (expense) recognised directly in equity	-	(10 410)	-	-	-	(10 410)
Net profit (loss) for the period	-	-	-	-	(32 793)	(32 793)
Total comprehensive income for 2011-12	-	(10 410)	-	-	(32 793)	(43 203)
Dividend	-	-	-	-	(14 187)	(14 187)
Transfers to (from) equity	-	(2)	(45 567)	396	45 173	-
Total change for the period	-	(10 412)	(45 567)	396	(1 807)	(57 390)
Balance at 30 June 2012	4 984	475 230	637 825	18 962	93 239	1 230 240

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

The revaluation surplus attributable to the assets classified as held for distribution to owner is $396 116 000

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Receipts from customers		96 574	129 402
Payments to suppliers and employees		(70 713)	(78 723)
Finance costs		(2 664)	(2 564)
Interest received		2 517	2 532
Receipts from SA Government		2 913	2 591
GST receipts on sales		9 323	12 932
GST payments on purchases		(5 241)	(6 345)
GST remitted to ATO		(4 321)	(6 704)
Income tax equivalents paid	6	(8 822)	(13 155)
Net cash flows from operating activities	9(ii)	19 566	39 966
Cash flows from investing activities:			
Redemption of other financial assets		-	27 836
Purchase of property, timber, plant and equipment		(4 085)	(12 252)
Purchase of intangible assets		(122)	(362)
Proceeds from sale of assets		100	4
Net cash flows from investing activities		(4 107)	15 226
Cash flows from financing activities:			
Proceeds from borrowings		4 166	6 061
Repayment of borrowings		(7 179)	(2 923)
Dividend paid		(14 187)	(26 516)
Net cash flows from financing activities		(17 200)	(23 378)
Net increase (decrease) in cash held		(1 741)	31 814
Cash and cash equivalents at 1 July		44 755	12 941
Cash and cash equivalents at 30 June	9(i)	43 014	44 755

Notes to and forming part of the financial statements

1. Corporate information

Role and function of the South Australian Forestry Corporation (SAFC)

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

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

Role and function of the South Australian Forestry Corporation (SAFC) (continued)

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

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

2. Summary of significant accounting policies

(a) Statement of compliance

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFC for the reporting period ending 30 June 2012 (refer note 2(e)).

(b) Basis of preparation

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

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

The preparation of the financial statements requires the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAFC'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.

The preparation of the financial statements requires 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:

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

(ii) expenses incurred as a result of engaging consultants

(iii) employee TVSP information

(iv) 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 financial report has been prepared based on a 12 month operating cycle an presented in Australian currency.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting standard or APS has required a change.

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

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

(d) Rounding

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

(e) New and revised accounting standards

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAFC for the period ending 30 June 2012. SAFC 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 SAFC.

(f)* *Taxation

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

Income tax equivalent

SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the SA Government Consolidated Account. The tax calculation method is prescribed by TI 22 and the tax equivalent payment is calculated on the accounting profits model. DTF provided SAFC with a ruling that excludes unrealised gains and losses relating to growing timber revaluations and allows for deduction of approved contributions to the Fire Insurance Fund from the accounting profit used to calculate the income tax equivalent payment.

Under the accounting profits model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

GST

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

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

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

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

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)* *Income

Income is recognised in SAFC's Statement of Comprehensive Income when and only when the flow of economic benefit(s) has occurred and can be reliably measured.

Income has been classified according to its nature and has not been offset unless required or permitted by a specific accounting standard.

Revenue from sale of timber is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

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

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

(h)* *Expenses

Expenses are recognised in SAFC's Statement of Comprehensive Income when and only when the flow of economic benefit has occurred and can be reliably measured.

Expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

Finance costs are recognised as an expense on an accrual basis.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular operating cycle of 12 months. Standing timber that is expected to be harvested within 12 months after the reporting date has been classified as a current asset, while the standing timber that is expected to be harvested more than 12 months after the reporting date has been classified as a non-current asset. Other assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value (refer note 9).

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

Cash is measured at nominal value.

(k) Receivables

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

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

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

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

(l) Inventories

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Standing timber

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

Standing timber below a marketable size (classified as young forest in note 14) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applies to trees up to nine years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date, after allowing for standing timber acquired and purchased standing timber harvested, is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. All forest expenditure is recognised as an expense in the year the expenditure is incurred.

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

(m) Standing timber (continued)

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forest the master database was updated as at June 2012, affecting the standing timber valuation as at 30 June 2012. For the Mount Lofty Ranges and Mid-North forests the master database was last updated as at June 2011, affecting the standing timber valuation as at 30 June 2011.

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

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

(n) Property, plant and equipment

(i) Recognition and measurement

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

SAFC individually capitalises all non-current physical assets with a value of $1000 or greater, and a low value pool is created for assets between $300 and $1000. Where an asset comprises significant components with differing useful lives, those components are recorded separately.

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

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

(ii) Impairment

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

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

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

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

(iii) Non-current assets held for sale

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

(iv) Revaluation

Land has been revalued as at 30 June 2012, whilst buildings and structures were revalued as at 30 June 2011, in accordance with APF III. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

(iv) Revaluation (continued)

The basis of the revaluation of land is the current site value of the unimproved land. In accordance with this policy, land was revalued in 2011 and 2012 using valuations provided by the Valuer-General and/or local shires. SAFC undertakes an annual revaluation of land to fair value at the end of June. In accordance with APF III, APS 3.8, SAFC has elected to take revaluation adjustments to the revaluation surplus on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its buildings and structures in June 2011.

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

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

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

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

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

(v) Depreciation and amortisation of non-current assets

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

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

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

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

Land and assets held for sale or for distribution to owner are not depreciated.

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

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and structures	Straight-line	25-60
Leasehold improvements	Straight-line	Life of lease
Roads and land improvements	Straight-line	20-25
Plant and equipment	Straight-line	3-25

(vi) Crown land

The value of Crown land amounts to $485 million ($489 million). SAFC is entitled to the value of the Crown land and has the use of the Crown land for forestry purposes. Generally, the issue of title over Crown land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown land, as per DPC Circular 114.

(o) Intangible assets

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

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

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

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

(p) Trade and other payables

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

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

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

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received. All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

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

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

(q) Employee benefits

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

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

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

In accordance with APF IV, APS 5.10, SAFC does not exclude any employees in the recognition of LSL (2011: applied a five year benchmark at which a liability for LSL was recognised) and includes a 10% (0%) loading in addition to the nominal LSL amount calculated.

(r) Interest bearing loans

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

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

(s) Leases

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

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

(t) Insurance

SAFC has arranged through SAICORP, a division of SAFA, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is $250 000 from an event or occurrence covered by the agreement.

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

(u) Provisions

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

(v) Contributed equity

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

(w) Fire Insurance Fund and reserve

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

(x) Unrecognised contractual commitments and contingent liabilities

Commitments include operating and outsourcing arrangements arising from contractual sources and 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 a note and, if quantifiable, are measured at nominal value.

3. Financial risk management

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 72% of transactions for the financial year (82%) were transactions with the six largest of SAFC's customers.

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

4. Segment information

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

5. Revenue, other income and expenses

Profit from ordinary activities before income tax has been determined after:	Note	2012 $'000	2011 $'000
(i) Crediting as revenue			
CSO funding[(1)]	1	2 965	2 605
Government Radio Network funding		365	364
Deferred revenues from SA Government		26	21
Revenues from SA Government		3 356	2 990

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

		Note	2012 $'000	2011 $'000
(i)	***Crediting as revenue (continued)***			
	Interest received or receivable:			
	Interest received or receivable related to cash balances[1]		2 230	2 627
	Interest received or receivable related to trade receivables		215	130
	Interest revenue		2 445	2 757
	Other operating revenue:			
	Other revenue from non-SA Government entities		1 364	891
	Other revenues		1 364	891
(ii)	***Net gain (loss) from disposal of assets***			
	Land and buildings:			
	Net proceeds (expenses) from disposal		(2)	(2)
	Net book value of assets disposed	15	-	(22)
	Net gain (loss) from disposal of land and buildings		(2)	(24)
	Plant and equipment:			
	Net proceeds from disposal		102	6
	Net book value of assets disposed	15	(93)	(1)
	Net gain (loss) from disposal of plant and equipment		9	5
	Total assets:			
	Net proceeds from disposal		100	4
	Net book value of assets disposed		(93)	(23)
	Net gain (loss) from disposal of total assets		7	(19)
(iii)	***Charging as expenses***			
	Harvesting and transport costs		33 716	42 524
	Interest and guarantee fee paid or payable[1]	19	2 664	2 564
	Depreciation of non-current assets	15	2 310	2 023
	Amortisation	16	244	244
	Rental expense on property operating leases		39	37
	Consultants[2]		28	53
	Total other expenses related to SA Government entities		3 071	3 628

(1) To/From SA Government entities.
(2) Includes payments to one (one) consultant.

6. Income tax equivalent

SAFC uses the accounting profits model to calculate the income tax equivalent payment, in accordance with TI 22. Under the accounting profits model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net result from operations determined in accordance with AASB 101.

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

Income tax equivalent

Accounting for income tax for the 2012 financial year is based on the tax equivalent calculations under the accounting profits model prescribed in the State Tax Equivalent Regime and the applicable accounting standards (refer note 2, not including AASB 112).

	2012 $'000	2011 $'000
Prima facie tax equivalent at 30% of trading profit before revaluation of standing timber[1] less Fire Insurance Fund contributions[2]	5 332	14 288
Income tax expense	5 332	14 288

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

(2) The contributions to the Fire Insurance Fund, which equate to $334 000 ($643 000), are treated as expenses for tax equivalent purposes.

		2012	2011
6.	**Income tax equivalent (continued)**		
	(ii) The income tax equivalent expense comprises amounts set aside as:	$'000	$'000
	Income tax expense	5 332	14 288
	Paid during financial year related to financial year	(4 831)	(10 296)
	Income tax equivalent payable as at 30 June	501	3 992

7.	**Employee benefits**		
	Salaries and wages	12 536	11 002
	LSL	974	577
	Annual leave	1 042	969
	Employment on-costs - superannuation	1 861	1 754
	TVSP	-	367
	Employment on-costs - other	739	769
		17 152	15 438
	TVSPs		
	Amount paid to these employees, included in the above amounts:		
	TVSP	-	367
	Annual leave and LSL balance paid	-	138
		-	505

The number of employees who were paid TVSPs during the reporting period was 0 (4).

8.	**Auditor's remuneration**		
	Audit fees paid/payable to the auditors relating to the audit of the accounts for the financial year	119	108
		119	108
9.	**Cash and cash equivalents**		
	Cash	2	3
	Deposit account - SAFC	24 054	26 190
	Fire Insurance Fund	18 958	18 562
		43 014	44 755

Cash flows

(i) Reconciliation of cash and cash equivalents at 30 June		
Cash and cash equivalents as per Statement of Financial Position	43 014	44 755
Cash and cash equivalents as per Statement of Cash Flows	43 014	44 755
(ii) Reconciliation of net profit (loss) after income tax equivalent payments to net cash flows from operating activities		
Net profit after income tax equivalents	(32 793)	(16 188)
Other reconciling movements:		
Net change in value of standing timber - harvested purchased timber	-	869
Net change in value of standing timber - other	45 567	50 171
Loss on revaluation of land	3 224	342
Loss on property, plant and equipment valuation (not land)	-	25
Depreciation and amortisation	2 555	2 267
Historic cost on disposal	(7)	19
	51 339	53 693
Movements in assets and liabilities:		
Debtors	6 068	2 410
GST receivable	178	(21)
Interest receivable	72	(225)
Other debtors and prepayments	(113)	(99)
Inventories	(190)	(1 405)
Trade creditors	(2 791)	678
GST payable	(417)	(96)
Employee provisions	1 433	(64)
Income tax equivalent payable	(3 491)	1 134
Other creditors	271	149
Net cash flows from changes in operating balances	1 020	2 461
Net cash flows from operating activities	19 566	39 966

10. Receivables

	Note	2012	2011
Current:		$'000	$'000
Trade receivables		11 726	17 553
Doubtful debts		(182)	-
Accrued revenue		171	241
Prepayments		438	386
Receivables classified as held for distribution to owner	13	(24)	-
		12 129	18 180

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

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. For details of credit and interest rate risks refer note 27. As at 30 June 2012 $3.9 million ($3.7 million) of trade receivables were overdue.

	Note	2012	2011
SA Government receivables:		$'000	$'000
Trade debtors		13	12
Other than trade receivables		128	208
		141	220
Non-SA Government receivables:			
Trade debtors		11 532	17 540
Other than trade receivables		456	420
		11 988	17 960

11. Inventories

		2012	2011
Current:			
Roading rubble		156	106
Materials and stores		793	580
Nursery stock - trees		1 090	1 163
		2 039	1 849

12. Assets classified as held for sale

	Note	2012	2011
Non-current assets classified as held for sale:			
Land and buildings, property, plant and equipment		756	413
Assets held for sale classified as held for distribution to owner	13	(579)	-
		177	413

13. Assets classified as held for distribution to owner

	Note	2012	2011
Receivables	10	24	-
Assets classified as held for sale	12	579	-
Standing timber	14	593 666	-
Property, plant and equipment	15	438 182	-
Water licences	16	325	-
		1 032 776	-

Proposed distribution of assets and liabilities to SAFC's owner and forward sale of forest rotations

The SA Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the South East. At 30 June 2012 the forward sale had not been completed, however, the sale process was at an advanced stage and it was considered highly probable that it would be completed during 2012-13.

On 22 August 2012 the SA Government announced that it had agreed to sell the forward rotations of the Green Triangle plantations to a consortium led by The Campbell Group, LLC, representing a number of investors including Australia's Future Fund. Completion of the sale is expected to occur later in 2012.

SAFC has been advised by its owner, the SA Government, that the forward sale will be structured such that:

- SAFC will distribute all relevant assets and liabilities to its owner at book value
- the SA Government, or one of its entities other than SAFC, will then enter into contractual arrangements with the new plantation owner whereby the Green Triangle standing timber is sold, land is leased and other associated arrangements are entered into.

In these financial statements SAFC has therefore classified and presented the assets and liabilities that are expected to be involved in these transactions as 'held for distribution to owner', in accordance with AASB 5.

14. Standing timber

	Note	2012 $'000	2011 $'000
Opening balance		720 595	767 769
New plantings		5 542	1 808
Harvesting		(59 665)	(84 994)
Volume adjustments		80 081	77 508
Loss due to fire		(156)	-
Price changes		(71 369)	(44 493)
Net change recorded in Statement of Comprehensive Income		(45 567)	(50 171)
New standing timber acquisitions		-	3 866
Purchased standing timber harvested		-	(869)
Closing balance		675 028	720 595
Standing timber classified as held distribution to owner	13	(593 666)	-
Closing balance		81 362	720 595

The standing timber comprises the following:

	Note	2012	2011
Fair value:			
Standing timber classified as held for distribution to owner	13	593 666	-
Standing timber classified as held to maturity		81 362	720 595
Total fair value		675 028	720 595
Mature forest		627 654	672 511
Young forest		47 374	48 084
Total fair value		675 028	720 595

	2012	2011
Volume:	'000 m^3	'000 m^3
Mature forest	19 900	19 415
Young forest	1 032	982
Total volume	20 932	20 397

	2012	2011
Area:	ha	ha
Mature forest	63 415	62 386
Young forest	26 042	25 683
Total area	89 457	88 069

	Note	2012	2011
Current asset:		$'000	$'000
Current portion of standing timber valuation		67 226	82 345
Current standing timber classified as held for distribution to owner	13	(46 342)	-
		20 884	82 345
Non-current asset:			
Non-current portion of standing timber valuation		607 802	638 250
Non-current standing timber classified as held for distribution to owner	13	(547 324)	-
		60 478	638 250

15. Property, plant and equipment

2012	Land	Buildings & structures	Roads & land imprvmnts	Plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2011, net of accumulated depreciation and impairment	524 564	12 546	5 139	14 929	557 178
Additions/transfers	1 624	119	524	1 297	3 564
Disposals	-	-	-	(93)	(93)
Assets reclassified to assets held for sale	(5)	-	-	(1)	(6)
Assets reclassified to distribution to owner	(435 205)	(7)	(2 970)	-	(438 182)
Revaluation increments	1 960	-	-	-	1 960
Revaluation decrements	(15 594)	-	-	-	(15 594)
Depreciation charge for the year	-	(536)	(371)	(1 403)	(2 310)
Net of accumulated depreciation and impairment	77 344	12 122	2 322	14 729	106 517

15. Property, plant and equipment (continued)

2012 (continued)	Land	Buildings & structures	Roads & land imprvmnts	Plant & equipment	Total
At 1 July:					
Cost or fair value	524 564	12 556	8 827	26 498	572 445
Accumulated depreciation and impairment	-	(10)	(3 688)	(11 569)	(15 267)
Net carrying amount	524 564	12 546	5 139	14 929	557 178
At 30 June:					
Cost or fair value	77 344	12 664	4 182	26 969	121 159
Accumulated depreciation and impairment	-	(542)	(1 860)	(12 240)	(14 642)
Net carrying amount	77 344	12 122	2 322	14 729	106 517
2011					
As at 1 July 2010, net of accumulated depreciation and impairment	513 881	9 809	4 828	16 329	544 847
Additions/transfers	6 656	307	626	1 041	8 630
Disposals	-	(40)	-	(15)	(55)
Assets reclassified to assets held for sale	(14)	(156)	-	-	(170)
Revaluation increments	4 773	2 483	-	-	7 256
Revaluation decrements	(732)	(575)	-	-	(1 307)
Depreciation charge for the year	-	(439)	(349)	(1 235)	(2 023)
Transfers within asset classes	-	1 157	34	(1 191)	-
Net of accumulated depreciation and impairment	524 564	12 546	5 139	14 929	557 178
At 1 July:					
Cost or fair value	513 881	11 089	8 314	27 192	560 476
Accumulated depreciation and impairment	-	(1 280)	(3 486)	(10 863)	(15 629)
Net carrying amount	513 881	9 809	4 828	16 329	544 847
At 30 June:					
Cost or fair value	524 564	12 556	8 827	26 498	572 445
Accumulated depreciation and impairment	-	(10)	(3 688)	(11 569)	(15 267)
Net carrying amount	524 564	12 546	5 139	14 929	557 178

Revaluation of land and buildings and structures

SAFC uses the services of the Valuer-General in South Australia and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market based evidence, which is the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as the valuation date. The effective date of the land revaluations is 30 June 2012 (30 June 2011).

In 2011 SAFC engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluation of the buildings and structures is 30 June 2011.

Fair value of roads and land improvements and plant and equipment

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

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

At 30 June 2012:	Land $'000	Buildings & structures $'000	Roads & land imprvmnts $'000	Plant & equipment $'000	Total $'000
Cost	48 907	10 007	9 339	26 967	95 220
Accumulated depreciation and impairment	(7 588)	(1 869)	(4 055)	(12 239)	(25 751)
Assets reclassified to distribution to owner	(39 099)	(7)	(2 970)	-	(42 076)
Net carrying amount	2 220	8 131	2 314	14 728	27 393

Fair value of roads and land improvements and plant and equipment (continued)

At 30 June 2011:	Land $'000	Buildings & structures $'000	Roads & land imprvmnts $'000	Plant & equipment $'000	Total $'000
Cost	53 381	9 897	8 827	26 498	98 603
Accumulated depreciation and impairment	(8 500)	(1 334)	(3 689)	(11 569)	(25 092)
Net carrying amount	44 881	8 563	5 138	14 929	73 511

Leasehold improvements are included in plant and equipment.

Included in the roads and land improvements and plant equipment at 30 June 2012 and 30 June 2011 are some plant and improvements in the course of construction.

Impairment

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2012.

16. Intangible assets

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

	Note	2012 $'000	2011 $'000
Computer software:			
As at 1 July, net of accumulated amortisation and impairment		419	536
Additions		113	127
Amortisation charge for the year		(244)	(244)
Total computer software, net of accumulated amortisation and impairment		288	419
As at 30 June:			
Cost or fair value		1 921	1 808
Accumulated amortisation and impairment		(1 633)	(1 389)
Net carrying amount		288	419
Water licences:			
As at 1 July, net of accumulated amortisation and impairment		325	213
Additions		-	112
Non-current assets classified as held for distribution to owner	13	(325)	-
Total water licences, net of accumulated amortisation and impairment		-	325
As at 30 June:			
Cost or fair value		-	325
Accumulated amortisation and impairment		-	-
Net carrying amount		-	325

17. Payables

	2012 $'000	2011 $'000
Current:		
Trade payables	4 460	7 444
Accrued expenses	672	737
Deposits held	-	59
Employee benefit on-costs	387	353
Paid Parental Leave Scheme	1	-
	5 520	8 593
Non-current:		
Employee benefit on-costs	564	491
	564	491
SA Government payables:		
Trade payables	214	256
Accrued expenses	328	212
	542	468

18. Employee benefits

	Note	2012	2011
Current:		$'000	$'000
Accrued salaries and wages		590	505
LSL		495	448
Annual leave		790	781
		1 875	1 734
Non-current:			
LSL		3 080	2 602
		3 080	2 602

The total current and non-current employee benefits and employee benefit on-costs for 2012 are $5.9 million ($5.2 million). Employee benefit related on-costs are disclosed as payables.

19. Interest bearing loans

	Note	2012	2011
Current:			
Unsecured[1]		9 162	7 172
Interest bearing loans classified as held for distribution to owner	22	(7 779)	-
		1 383	7 172
Non-current:			
Unsecured[1]		24 514	29 517
Interest bearing loans classified as held for distribution to owner	22	15 808	-
		8 706	29 517

(1) SAFC's loans are provided by SAFA and are unsecured.

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 27.

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

20. Deferred income

	Note	2012	2011
Current:		$'000	$'000
Deferred income		878	841
Payables classified as held for distribution to owner	22	(24)	-
		854	841
Non-current:			
Deferred income		693	605
Payables classified as held for distribution to owner	22	(27)	-
		666	605
SA Government:			
Deferred income		194	214
		194	214

21. Other provisions

	2012	2011
Current:		
Workers compensation	262	123
	262	123
Opening balance	123	111
Payments	(189)	(111)
Increments (Decrements) in provision	328	123
Closing balance	262	123
Non-current:		
Workers compensation	1 013	414
	1 013	414
Opening balance	414	358
Payments	-	(200)
Increments (Decrements) in provision	599	256
Closing balance	1 013	414

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

22. Liabilities classified as held for distribution to owner

Current:	Note	2012 $'000	2011 $'000
Interest bearing loans	19	23 587	-
Other payables - deferred income	20	51	-
		23 638	-

Refer note 13 regarding the proposed distribution of assets and liabilities to SAFC's owner and forward sale of forest rotations.

23. Equity

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

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to government consisting of a dividend calculated as 90% of after tax profit, adjusted for standing timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. SAFC declared dividends of $14.2 million ($26.5 million). This included an adjustment for prior year underpaid dividends of $1.4 million (prior year overpayment of $2.1 million). Based on the above agreement SAFC will include an adjustment decreasing the 2012-13 interim dividend by $1.6 million. In accordance with AASB 110 this amount has not been recognised in the 2011-12 financial statements.

24. Commitments and contingencies

(a) Commitments

(i) Operating lease commitments

	2012 $'000	2011 $'000
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	651	523
Due later than one year but not later than five years	688	336
Total operating lease commitments	1 339	859

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

(ii) Remuneration commitments

Due not later than one year	3 652	3 460
Due later than one year but not later than five years	8 562	6 042
Total remuneration commitments	12 214	9 502

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

(iii) Other commitments

	2012 $'000	2011 $'000
Due not later than one year	27 827	24 231
Due later than one year but not later than five years	75 501	21 119
Total other commitments	103 328	45 350

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

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

(b) Contingent liabilities

Defined benefit plans - South Australian Superannuation Board payments

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

(b) Contingent liabilities (continued)

SAFC was notified by the South Australian Superannuation Board in 2009 of a $5.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2009, requiring additional contributions over 15 years. The previous 2006 actuarial assessment indicated a deficit of $2.5 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed $517 000 ($497 000) being the amount payable during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

(c) Contingent assets

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

South Australian 'Productivity Places for Existing Workers Program'

SAFC administers a training scheme on behalf of the Minister for Employment, Training and Further Education. The program aims to reduce skill shortages and to increase the number of people with qualifications. SAFC holds cash until the registered training organisation have delivered the required training objectives. In 2012 SAFC held no cash ($59 000).

	2012	2011
Summary of cash flows:	$'000	$'000
Cash at 1 July	59	22
Net funds received (paid)	(59)	37
Cash at 30 June	-	59

25. Executive disclosures

(a) Details of key management personnel

Executive

D I Robertson	Chief Executive
A Hatch	General Manager - Sales
W G Materne	Chief Financial Officer
J F O'Hehir	General Manager - Planning and Development
G K Saunder	General Manager - Operations

(b) Compensation of key management personnel

	2012	2011
Short-term employee benefits paid or due and payable to or on behalf of key management personnel	847	900
Superannuation benefits paid or due and payable to or on behalf of key management personnel	84	93
Total	931	993

(c) Compensation of employees whose income was over the base executive remuneration level

	2012	2011
The number of employees whose income was within the following bands:	Number	Number
$134 013 - $144 012	2	3
$144 013 - $154 012	4	2
$164 013 - $174 012	1	-
$194 013 - $204 012	-	1
$204 013 - $214 012	1	-
$234 013 - $244 012	-	1
$254 013 - $264 012	1	-
Total	9	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 including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.5 million ($1.1 million).

26. Directors and related party disclosures

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

J S Ross - Chairman (to 31 December 2011)
I J Kowalick - Chairman (appointed 1 January 2012)
K H Adams
A Darras (appointed 1 January 2012)
S J Duncan (to 31 December 2011)
G Foreman (to 31 December 2011)
A McCleary (appointed 26 April 2012)
J Obst

Transactions between SAFC and its directors are made at arm's length. There have been no such transactions in the financial year (nil).

Directors' remuneration	2012	2011
Income paid or due and payable to or on behalf of directors,	$'000	$'000
excluding superannuation benefits	188	198
Superannuation benefits paid or due and payable to or on behalf of directors	17	18
Total	205	216

	2012	2011
The number of directors whose income was within the following bands:	Number	Number
$0 - $9 999	1	-
$10 000 - $19 999	1	-
$20 000 - $29 999	3	-
$30 000 - $39 999	1	2
$40 000 - $49 999	2	2
$50 000 - $59 999	-	1
Total	8	5

27. Financial instruments

(i) Credit risk exposures

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 72% of transactions for the financial year were transactions with the six largest of SAFC's customers (82%).

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

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts
- a risk assessment process is used for customers with balances over $10 000
- bank guarantees are obtained for specific customers (refer note 24)
- interest is charged on overdue balances.

(ii) Foreign currency risk exposures

As at 30 June 2012 SAFC has no direct exposure to foreign currencies.

(iii) Interest rate risk exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table. In addition to the interest rate SAFC paid a guarantee fee to SAFA of 1.5% on the daily balance of the outstanding loan amounts (1.5%). The guarantee fee from 1 July 2012 is 1.5%.

			Fixed interest maturing				
	Floating rate	Non-interest bearing	1 year or less	1-5 years	Over 5 years	2012 Total	2011 Total
Financial assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	43 014	-	-	-	-	43 014	44 755
Receivables(1)	3 615	8 101	-	-	-	11 716	17 793
	46 629	8 101	-	-	-	54 730	62 548
Weighted average interest rate (%)	4.63%		-	-	-		
Financial liabilities:							
Interest bearing loans(2)	2 896	-	10 624	15 897	9 870	39 287	43 917
Payables(3)	-	5 133	-	-	-	5 133	8 182
	2 896	5 133	10 624	15 897	9 870	44 420	52 099
Weighted average interest rate (%) including guarantee fee	6.10%		6.97%	7.30%	8.29%		
Net financial assets (liabilities)	43 733	2 968	(10 624)	(15 897)	(9 870)	10 310	10 449

(1) Other than prepayments.
(2) Based on contractual undiscounted cash flows.
(3) Other than employee on-costs.

(iii) Interest rate risk exposures (continued)

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

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

	Carrying amount		Net fair value	
	2012	2011	2012	2011
Financial liabilities:	$'000	$'000	$'000	$'000
Interest bearing loans	33 676	36 689	33 394	35 834

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

Interest bearing loans with a carrying value of $33.7 million ($36.7 million) are recorded at the nominal principal amount to be settled. This is above their net fair value of $33.4 million ($35.8 million).

(v) Net fair value of financial assets and liabilities

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

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

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

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

(vi) Hedging instruments

Hedges of specific instruments

SAFC has not entered into any hedging instruments.

(vii) Liquidity risk

Liquidity risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. SAFC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

28. Events after the reporting period

The SA Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the South East. At 30 June 2012 the forward sale had not been completed, however, the sale process was at an advanced stage and it was considered highly probable that it would be completed during 2012-13.

On 22 August 2012 the SA Government announced that it had agreed to sell the forward rotations of the Green Triangle plantations to a consortium led by The Campbell Group, LLC, representing a number of investors including Australia's Future Fund. Completion of the sale is expected to occur later in 2012.

SAFC has been advised by its owner, the SA Government, that the forward sale will be structured such that:

- SAFC will distribute all relevant assets and liabilities to its owner at book value
- the SA Government, or one of its entities other than SAFC, will then enter into contractual arrangements with the new plantation owner whereby the Green Triangle standing timber is sold, land is leased and other associated arrangements are entered into.

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.

From 8 December 2011 the Treasurer 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 South Australian Government Financing Advisory Board (the Advisory Board).

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

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

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

Audit mandate and coverage

Audit authority

Audit of the financial report

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 2011-12, specific areas of audit attention included:

- treasury operations
- financial accounting for the treasury, fleet and insurance functions
- fleet operations
- insurance claim expenditure
- catastrophe reinsurance
- industry assistance and contract management.

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
- yield curve and interest calculations
- industry assistance and contract management.

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 2012, 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. The main matters raised with SAFA and the related responses are outlined below.

Treasury 'end-to-end' processes

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

During 2011-12 Audit reviewed SAFA's treasury function and specifically considered SAFA's response to the matters raised by internal audit.

An update on the key outcomes from this review is provided below.

Operations (settlement) staff access to online banking

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

This matter highlighted that officers responsible for payment processing also had access to create and amend bank account details within the disbursement systems.

While accepting that the dual authorisation function within SAFA's banking system reduced the likelihood of fraud or error, in 2010-11 Audit noted that almost all payments using the main online banking system were processed using standard payment templates. These templates allow operations staff to process payments without adjusting recipient bank account details.

The extent to which SAFA used payment templates highlighted that SAFA rarely needed to amend bank account details once counterparties were established. At the time Audit recommended that SAFA improve its control over payment processing by removing operations staff access to counterparty bank account details within the online banking system.

During 2011-12 SAFA has added an additional layer of control to the payment process. While operations staff retain system access to create and amend counterparty bank account details, staff independent of the operations unit are now required to check and approve all changes to payment templates. All treasury payments are now disbursed using these pre-approved templates.

Access to create deals in Quantum

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

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

While detective controls significantly reduce the likelihood of material fraud or error, they do not eliminate this risk. Preventative controls, including segregation of duties and restricting system access, are designed to eliminate risk.

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

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

Since this date SAFA has concluded that it cannot configure Quantum to achieve the level of access control required to eliminate the risk. Further, it has also concluded that, due to the size and structure of its treasury function, it is reasonable for operations staff to retain this access.

The structure of SAFA's treasury function is relevant when considering this matter. The Quantum system and SAFA's disbursement (banking) systems operate independently, meaning that effective control of SAFA's banking systems is more relevant in preventing fraud. The improvements that SAFA has made to its banking arrangements over the past two years have had a meaningful impact in reducing the risk of fraud.

Notwithstanding, Audit notes that SAFA has started a project designed to evaluate and procure a treasury system that will support its ongoing operations. Implementation of this treasury system is scheduled for March 2014.

SAFA will need to review its existing treasury controls, including segregating deal creation and validation, should the replacement treasury system effectively integrate the treasury and banking systems.

Implementation of TIs 2 and 28

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

Risk and fraud management

SAFA's policy manual explains and outlines SAFA's strategies for managing specific risks including interest rate risk, liquidity risk, funding risk, credit risk, currency risk, operational risk, legal risk and insurance risk. SAFA's strategies for managing these risks include documenting approved financial instruments and documenting delegation, market exposure and transaction limits. A summary of SAFA's approach to managing these risks is disclosed in note 29 to the financial statements.

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

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

Policies and procedures

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

Detailed procedures also exist and are maintained by individual units.

Compliance testing and independent review

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

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

The compliance unit's work is reviewed and tested by SAFA's contract internal auditor, who provides SAFA's Audit Committee with 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 Committee

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

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

Interpretation and analysis of the financial report

Highlights of the financial report	2012 $'million	2011 $'million
Interest revenue	1 307	1 234
Interest expense	(1 282)	(1 192)
Net interest revenue	25	42
Net gain (loss) on financial instruments and derivatives	(6)	22
Leasing and hire revenue	80	82
Insurance premium revenue	35	36
Recoveries	40	29
Other income (including net gain on sale of property, plant and equipment)	11	20
Vehicle operating costs (including depreciation and impairment)	(84)	(83)
Insurance claim	(62)	(66)
Other expenses	(24)	(22)
Profit (Loss) before income tax equivalents	15	60
Income tax equivalent expense	(5)	(18)
Profit (Loss) after income tax equivalents and total comprehensive result	10	42
Assets		
Cash, short-term assets and investments	4 050	3 551
Loans	14 506	12 394
Derivatives receivable	1 251	1 345
Property, plant and equipment (including held for sale)	209	217
Other assets	62	59
Total assets	20 078	17 566

	2012 $'million	2011 $'million
Liabilities		
Deposits and short-term borrowings	6 464	6 202
Bonds, notes and debentures	12 067	9 451
Outstanding claims	365	336
Derivatives payable	928	1 320
Other liabilities	7	8
Total liabilities	19 831	17 317
Total equity	247	249

Statement of Comprehensive Income

Net income and expense

Interest revenue and expense is determined on a market value accounting basis. Interest revenue increased by $73 million or 6%. This was associated with a corresponding increase in interest expenses of $90 million or 8%.

Net gain on financial instruments and derivatives

The net gain on financial instruments and derivatives for 2011-12 comprises realised and unrealised gains from SAFA's insurance activities of $10.6 million offset by realised and unrealised losses of $16.8 million on SAFA's finance activities.

Leasing and hire revenue and recoveries

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

Other income

Due to the nature of its activities the Treasurer has quarantined SAFA from any operating profit or loss before tax on the activities of Insurance Fund 2.

For 2011-12 Fund 2 reported an operating profit before tax of $1 million, reducing SAFA's receivable from the Treasurer by this amount. This reduction in receivables is recognised as an expense in the Statement of Comprehensive Income.

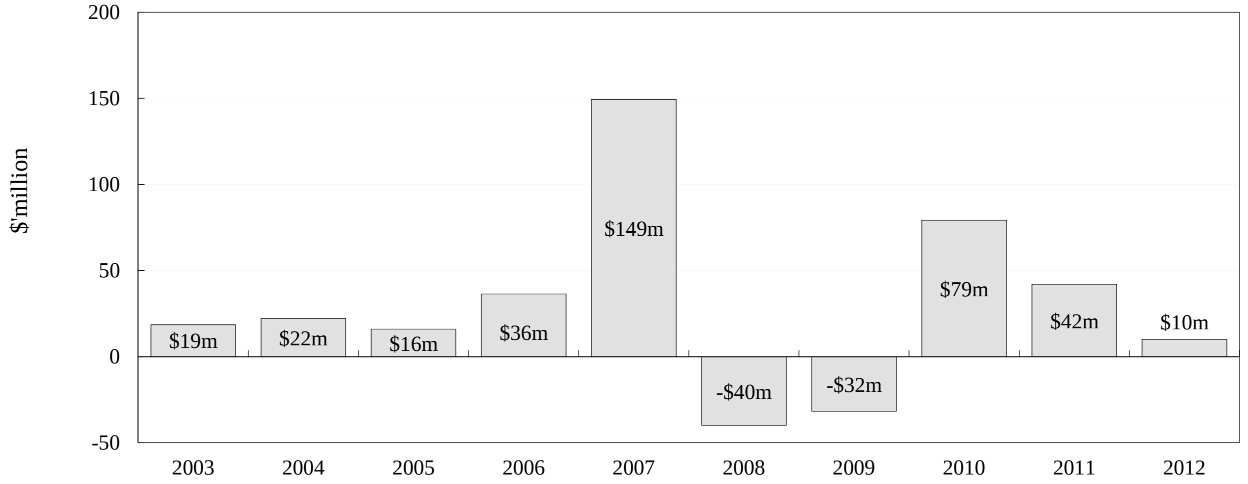
During the previous financial year Fund 2 reported an operating loss before tax of $9.5 million. SAFA's receivable from the Treasurer and other income was increased by this amount.

This turnaround in SAFA's receivable from the Treasurer is the principal reason for the $8.9 million decrease in other income.

Profit (Loss)

SAFA's profit before income tax equivalent was $15 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 demonstrated in the following chart.



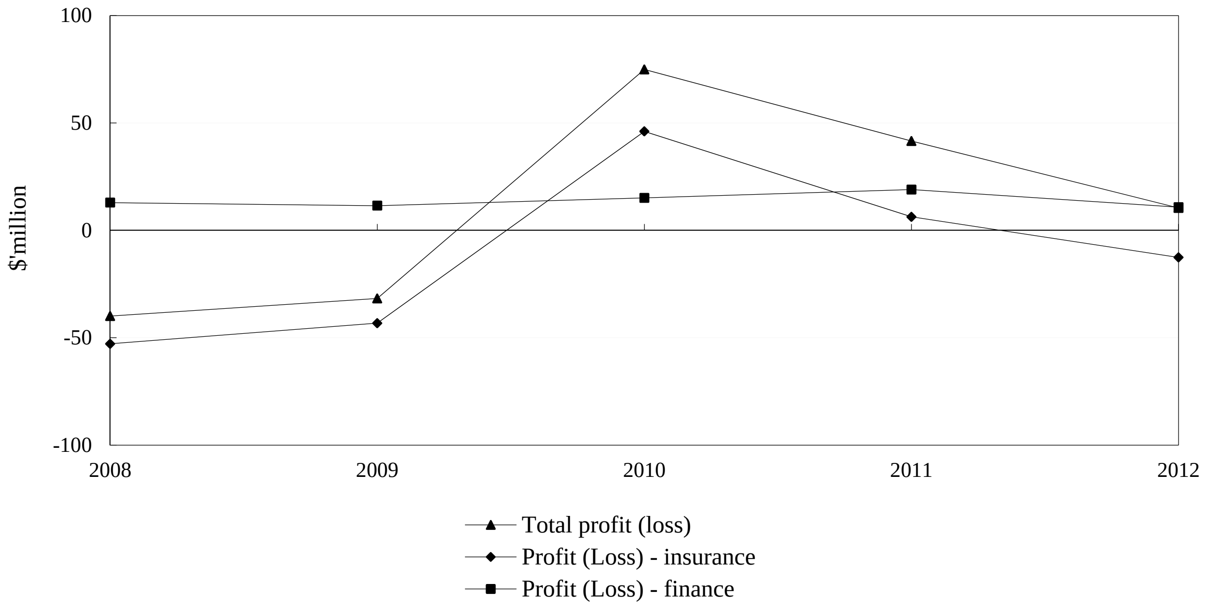
The chart highlights the volatility in SAFA's results since 2007. This volatility is impacted by the financial performance of SAFA's insurance activities, which were transferred to SAFA in July 2006.

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

The 2012 profit after income tax equivalents of $10 million includes net losses on SAFA's insurance activities of $13 million. This net loss on insurance activities is due mainly to:

- net insurance investment gains of $11 million
- insurance premiums and commission of $36 million
- insurance claims expenses totalling $62 million. Total claim expenses include the impact of movements in the outstanding claims liability, which for 2011-12 was $29 million.

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

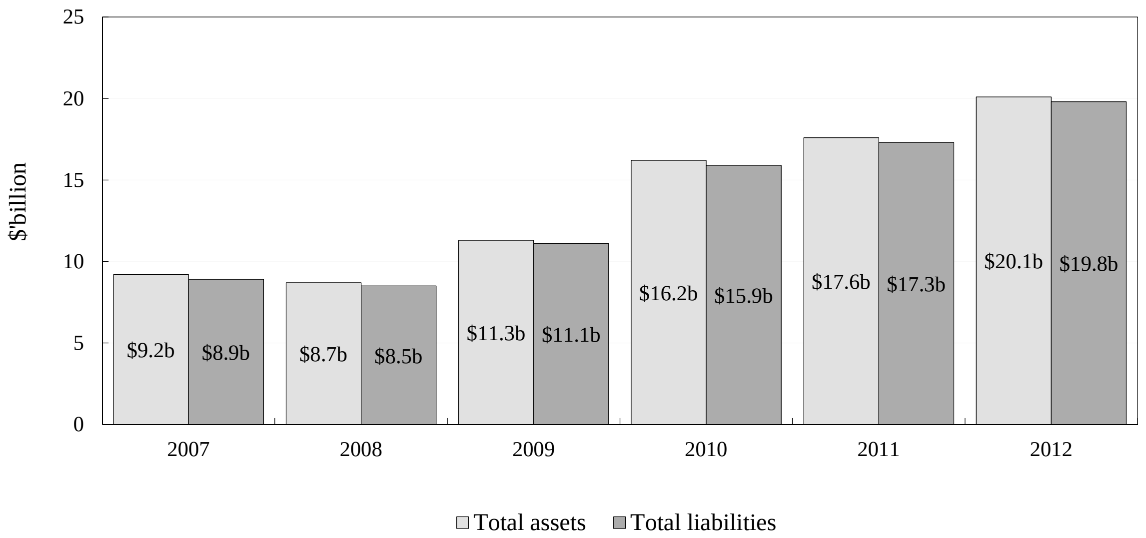


The result after income tax equivalents is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other income', SAFA is quarantined from Fund 2 profits or losses. This arrangement reflected the fact that Fund 2 is used to meet claim payments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

Statement of Financial Position

Assets and liabilities

A structural analysis of assets and liabilities for the six years to 2012 is shown in the following chart.



Assets increased by $2.5 billion in 2012 due mainly to a:

- $1.6 billion increase in loans to the Treasurer, mainly to fund the Consolidated Account deficit for 2011-12 (refer note 8 to the financial statements and Treasurer's Statement A in the Appendix to Part B of this Report)

- $509 million increase in loans to other SA Government entities (refer note 8). The majority of new loans were provided to the South Australian Water Corporation, Urban Renewal Authority and HomeStart Finance.

- $523 million increase in cash and cash equivalents to improve short-term liquidity.

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

- $2.3 billion increase in SAFA select lines (refer note 14)
- $366 million increase in deposits from the Treasurer (refer note 13).

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

Capital and distributions

At 30 June 2012, SAFA's capital reserves were represented solely by its retained earnings, which stood at $247 million ($249 million). A $13 million ($50 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 2012.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	42	102	129	44
Investing	(2 541)	(670)	(3 983)	(2 356)
Financing	2 469	674	3 775	2 296
Change in cash	(30)	106	(79)	(16)
Cash at 30 June	158	188	82	161

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 $5 billion at 30 June 2012. 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, $924 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, $1.9 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 (COF) 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 2011-12 the average annual COF charged to the Treasurer was 5.08% per annum. While there is no direct benchmark against which to compare the COF rate, for 2011-12 the average 90 day bank bill rate was 4.42% while the average 10 year Commonwealth bond rate was 4%.

As indicated, any surplus or deficits resulting from the operations of the Treasurer's managed and passive portfolios are 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
- capital.

These portfolios, holding assets of $13.4 billion at 30 June 2012, 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.

Changes to SAFA's lending arrangements with the Treasurer

As outlined above, the majority of funding provided by SAFA to the Treasurer is currently charged at the COF rate, reflecting SAFA's average cost of borrowings within the Treasurer's portfolios. This charging mechanism reflects changes to the Treasurer's portfolio arrangements that were approved by the Treasurer on 26 July 2011. Prior to that date funding was provided to the Treasurer at a common interest rate referred to as the Commonwealth Public Sector Interest Rate (CPSIR).

Similar in nature to the COF arrangements, the CPSIR represented a quarterly charge rate reflecting SAFA's average costs of borrowings plus a margin to cover administration costs.

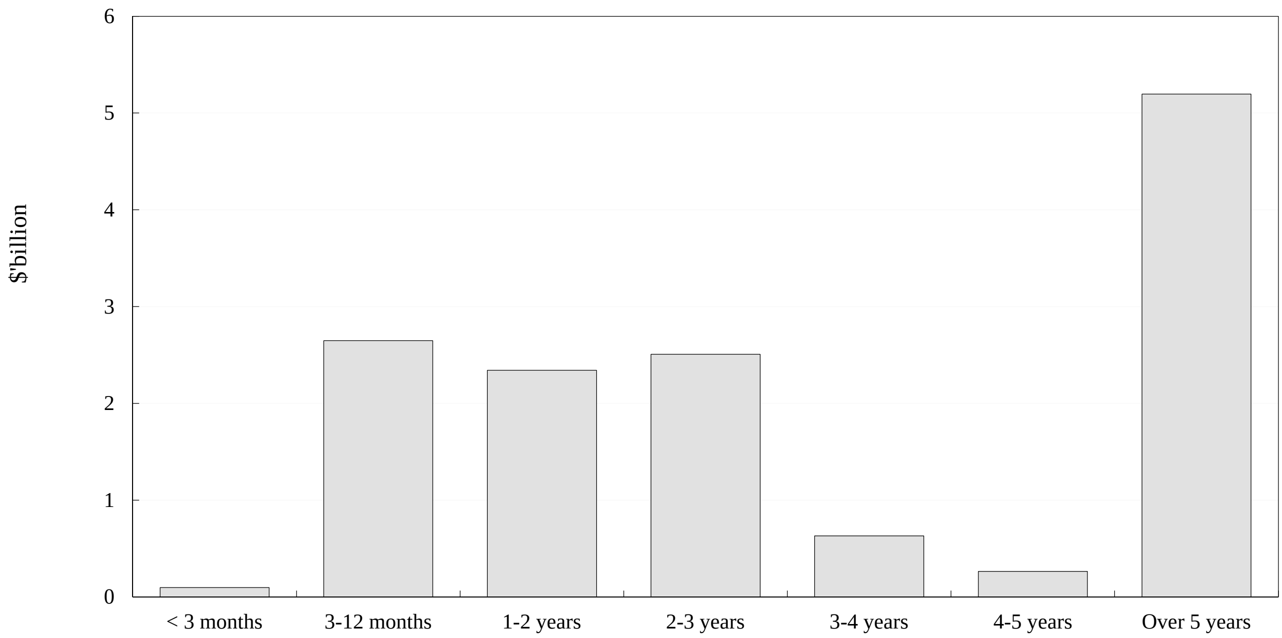
Funding risk

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. These guidelines focus on SAFA's core funding issue – Select Lines.

A maturity profile of the face value of SAFA's bonds, notes and debentures as at 30 June 2012 is presented in the following chart. Bonds, notes and debentures include SAFA's Select Lines issue but exclude commercial paper, which is included in the balance of deposits and borrowings.



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 2012-13 SAFA has anticipated an additional $1.8 billion 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. The large refinancing requirement in the 'over five years' category mainly represents the maturing of SAFA's 2017, 2019 and 2021 Select Lines. SAFA anticipates an increase in the 2019 and 2021 Select Lines during 2012-13 as it refinances its 2013 issue.

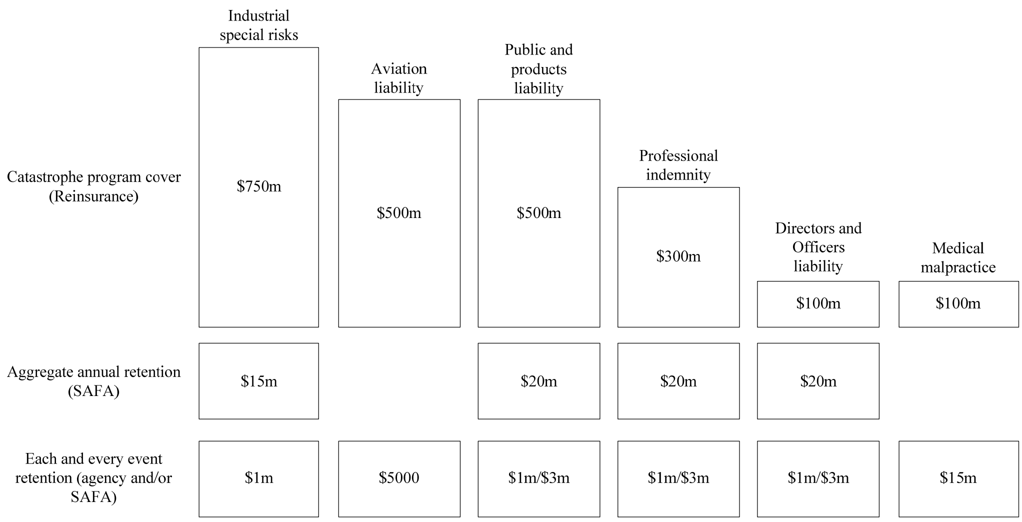
SAFA has been successful in meeting its funding requirements to date, despite global events that have disrupted the markets over the past four years. While SAFA had no Select Line refinancing during 2011-12, it was required to raise funding of $4.7 billion. This figure includes refinancing of short-term borrowings and also reflects SAFA's decision to run a greater level of liquidity during 2011-12.

SAFA's capacity to raise funding has benefited from APRA Prudential Standard 210 'Liquidity', released in June 2011, which has resulted in Australian authorised deposit-taking institutions holding significantly more Commonwealth and State Government bonds in their liquidity portfolios.

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 Treasurer following consideration by the Advisory Board.

The structure of SAFA's catastrophe reinsurance program for 2011-12 is depicted as follows:



SAFA's reinsurance premium expense for 2011-12 was $8.1 million ($7.5 million).

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

For 2011-12 SAFA increased its industrial special risks cover from $600 million to $750 million. This increase was driven mainly by an identified market opportunity which significantly increased the State's cover with only a marginal increase in premiums.

Natural disaster relief and recovery arrangements (NDRRA)

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

These arrangements apply to the following natural disasters:

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

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

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

During 2010-11 the Australian Government amended these arrangements, introducing a requirement for each State and Territory Government to have regular independent assessments of their insurance arrangements and provide these assessments to the Commonwealth for review.

During 2011-12 SAFA engaged an external consultant to review its catastrophe reinsurance program in accordance with a determination under the NDRRA. The final report was submitted to the Commonwealth in September 2011 and an independent review of this report was released by the Commonwealth in March 2012.

The Commonwealth's review provided the following conclusions on South Australia's annual reinsurance renewal process:

- The State's submission demonstrates that it has explored an appropriate range of insurance options available to it.
- The State has assessed options for non-road assets on a cost-benefit basis.
- The low level of support provided by the Commonwealth to the State under the NDRRA indicates that the State's arrangements have been cost effective to the Commonwealth. However the Commonwealth was unwilling to draw a firm conclusion on this matter as the past efficacy of the reinsurance arrangements was not presented in the State's submission.
- It would appear that the State has attempted to minimise the financial exposure borne by taxpayers for assets covered by SAFA.

The Commonwealth's review highlighted that the State had not provided cost-benefit assessments for its decision on terrorism cover or the absence of reinsurance coverage for road assets.

The Commonwealth's review recommended that SAFA:

- resubmit information to the Commonwealth once it has completed a cost-benefit analysis for the reinsurance of road assets
- present cost-benefit analysis to support its decision on terrorism coverage in its next submission

- present cost-benefit analysis of past reinsurance arrangements for its next annual submission to support the cost effectiveness of the reinsurance arrangements

- in its next submission, include all assets that it considers could be classified as essential public assets and covered by the NDRRA and therefore excluded from its reinsurance arrangements.

Since receiving the Commonwealth's report SAFA has resubmitted information to the Commonwealth on the availability and cost of road insurance and placed terrorism reinsurance from 1 July 2012.

Events after the end of the reporting date

Alternative fleet management arrangements

On 12 June 2012 Cabinet approved the appointment of two separate contractors to provide fleet management and vehicle disposal services from a date to be finalised in 2012-13. Under the revised arrangements SAFA will continue to retain responsibility for the purchase and ownership of fleet vehicles.

As disclosed in note 2 of its financial statements, SAFA does not employ staff. Staff are assigned to it by DTF pursuant to a service level agreement (SLA) between the two entities.

Under the SLA SAFA is charged a fee by DTF to recover DTF's costs of providing services under the SLA. DTF's fee includes recovery of costs associated with the provision of fleet management and vehicle disposal services.

Any reduction in SAFA's service charge from DTF will be at least partially offset by fees charged by the new service providers.

SAFA has concluded that the revised fleet arrangements will not have a material impact on its future financial statements.

Dissolution of Playford Centre and transfer of Playford Capital Pty Ltd

Pursuant to the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012 issued under the PCA, Playford Centre, a public corporation under the PCA, was dissolved. Effective from 1 July 2012 the assets and liabilities of Playford Centre immediately before its dissolution are vested in SAFA.

Playford Capital Pty Ltd, a non-profit company controlled by Playford Centre, has subsequently transferred to SAFA effective from 1 July 2012.

SAFA has concluded that the transfer of the assets and liabilities of Playford Centre will not have a material impact on its financial position or financial performance.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'million	2011 $'million
Revenue:			
Interest revenue	18	1 307.4	1 234.2
Interest expense	18	(1 282.0)	(1 192.6)
Net interest revenue		25.4	41.6
Insurance premium	18	35.0	36.3
Leasing and hire	18	79.9	82.2
Recoveries	18	39.5	28.6
Other	18	4.6	13.5
Total revenue		184.4	202.2
Other gains (losses):			
Net gain (loss) on financial instruments and derivatives	19	(6.2)	21.9
Net gain (loss) on sale of property, plant and equipment	19	6.8	6.3
Total other gains (losses)		0.6	28.2
Total income		185.0	230.4
Expenses:			
Depreciation and impairment	20	47.6	47.2
Insurance claims	20	61.5	66.2
Motor vehicle	20	36.9	35.4
Outward reinsurance	20	8.1	7.5
Operating	20	16.0	14.6
Total expenses		170.1	170.9
Profit (Loss) before income tax equivalents		14.9	59.5
Income tax equivalent expense with SA Government		4.5	17.9
Profit (Loss) after income tax equivalents		10.4	41.6
Other comprehensive income		-	-
Total comprehensive result		10.4	41.6

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 2012

	Note	2012 $'million	2011 $'million
Assets:			
Cash and cash equivalents	5	2 077.8	1 554.5
Assets held for sale	6	9.2	8.2
Investments	7	1 971.8	1 996.4
Loans	8	14 506.1	12 393.5
Property, plant and equipment	9	200.1	209.0
Intangible assets	10	0.4	-
Derivatives receivable	11	1 251.4	1 345.0
Other assets	12	60.9	59.5
Total assets		20 077.7	17 566.1
Liabilities:			
Deposits and short-term borrowings	13	6 464.2	6 201.9
Bonds, notes and debentures	14	12 067.1	9 450.7
Outstanding claims	15	364.7	335.9
Derivatives payable	16	928.0	1 320.2
Other liabilities	17	7.0	8.3
Total liabilities		19 831.0	17 317.0
Net assets		246.7	249.1
Equity:			
Retained earnings		246.7	249.1
Total equity		246.7	249.1

Total equity is attributable to the SA Government as owner

	Note
Contingent assets and liabilities	22
Operating lease commitments receivable	28

Statement of Changes in Equity
for the year ended 30 June 2012

	Note	Retained earnings $'million
Balance at 30 June 2010		257.5
Profit (Loss) after income tax for 2010-11	2(p)	41.6
Total comprehensive result for 2010-11		41.6
Transactions with SA Government as owner:		
Dividends paid		(50.0)
Balance at 30 June 2011		249.1
Profit (Loss) after income tax for 2011-12	2(p)	10.4
Total comprehensive result for 2011-12		10.4
Transactions with SA Government as owner:		
Dividends paid		(12.8)
Balance at 30 June 2012		246.7

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

Statement of Cash Flows for the year ended 30 June 2012

Cash flows from operating activities:	Note	2012 Inflows (Outflows) $'million	2011 Inflows (Outflows) $'million
Proceeds from:			
Interest received		920.8	879.2
Derivatives net interest received (payable)		54.3	(25.6)
Insurance premiums received		35.2	36.3
Leasing and hire receipts		83.5	90.3
Recoveries		41.4	33.7
Direct insurance placement		9.7	10.8
Stamp duty received from agencies		4.6	4.7
Other receipts		(38.8)	15.3
Commissions		1.6	1.0
GST recovered from ATO		13.3	12.4
Indemnity from the Treasurer		7.0	-
Payments for:			
Interest paid		(954.8)	(811.7)
Insurance claims paid		(31.2)	(32.9)
Motor vehicle costs		(38.4)	(37.8)
Outwards reinsurance premium paid		(8.4)	(7.2)
Direct insurance placement		(10.0)	(10.8)
Stamp duty paid to RevenueSA		(4.2)	(4.3)
Operating expenses paid		(22.6)	(16.4)
GST paid to ATO		(17.5)	(16.3)
Income tax equivalent (TER) paid		(3.4)	(18.1)
Net cash provided by (used in) operating activities	23.2	42.1	102.6
Cash flows from investing activities:			
Net proceeds from client loans		(1 781.8)	(1 934.1)
Purchase of investments		(23 993.8)	(26 903.4)
Proceeds from investments		23 262.2	28 207.2
Purchase of property, plant and equipment		(97.0)	(102.3)
Purchase of intangible assets		(0.4)	-
Proceeds from the sale of property, plant and equipment		70.1	59.9
Cash received from transferred functions		-	2.7
Net cash provided by (used in) investing activities		(2 540.7)	(670.0)
Cash flows from financing activities:			
Net proceeds from borrowings		2 481.3	723.9
Dividends paid to government		(12.8)	(50.0)
Net cash provided by (used in) financing activities		2 468.5	673.9
Net decrease (increase) in cash held		(30.1)	106.5
Cash and cash equivalents at 1 July		187.6	81.8
Net effect of exchange rate changes		-	(0.7)
Cash and cash equivalents at 30 June	23.1	157.5	187.6

Notes to and forming part of the financial statements

1. Objectives

The financial statements cover the South Australian Government Financing Authority (SAFA) as an individual reporting entity. It 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
- engage in such other financial activities as are determined by the Treasurer of South Australia (the Treasurer) to be in the interest of the State
- administer the Government's insurance and risk management arrangements
- insure, co-insure and reinsure the risks of the Crown
- provide advice on the management of risks of the Crown
- provide fleet management services to all government agencies.

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

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 2012 are detailed in note 2(s).

(b) Basis of preparation

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

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

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

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

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

(c) Significant accounting judgments, estimates and assumptions

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

(i) Outstanding claims

Insurance outstanding claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer note 31).

(ii) *Fair value*
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Management uses its judgment to select a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting date (refer note 29(i)).

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

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

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

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

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

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

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

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

(ix) *Outwards reinsurance*

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

(x) *Indemnity from (to) the Treasurer*

Insurance activities are segregated into two funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 (refer note 22(iii)). Under this arrangement any profit (loss) on Fund 2 is recognised as a payable to/receivable from the Treasurer. Any payable to the Treasurer is carried forward to offset future operating losses.

(e) Cash and cash equivalents

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

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

(f) Assets held for sale

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

(g) Financial instruments

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

All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer note 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 originating outside the South Australian public sector, which are purchased as part of SAFA's cash management products, for liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the SA Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer note 7).

(ii) *Loans*

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

(iii) *Deposits and short-term borrowings*

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

(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).

(h) Assets backing general insurance liabilities

Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities and are comprised of operating cash, cash held on deposit and units invested with 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 as advised by the fund managers. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income.

(i) Reinsurance and other recoveries

Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in note 31.

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

(j) Property, plant and equipment

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

(i) Depreciation

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

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

(ii) Impairment

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

(k) Intangible assets

Intangible assets represent purchased software and are stated at fair value, which is taken to be cost less accumulated amortisation and impairment.

(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 up to five years (refer note 10).

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

(ii) Impairment

The carrying values of 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.

(l) Outstanding claims liability

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

The liability for outstanding claims at balance date comprises:

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

together with anticipated direct and indirect costs of settling those claims. These costs are estimated at 6% of the gross outstanding claims liabilities (refer note 15).

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Detail of risk margin rates are disclosed in note 31.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates are disclosed in note 31. The impact of the revision of the inflation and discount assumptions on the outstanding claims liability is reflected in the financial statements and is disclosed in note 15.

(m) 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).

(n) Foreign currency translation

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

(o) Employee benefits

SAFA does not employ any direct staff, but is assigned with staff resources by DTF through a service level agreement (SLA) 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.

(p) Taxation

Accounting profits tax model

In accordance with TI 22, SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is based on the taxation equivalent regime (TER) which applies the accounting profit method. This requires SAFA to apply the corporate income tax rate to the net profit. The current income tax 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 are excluded from premium revenue and paid monthly to RevenueSA. Amounts collected as part of fleet activities are excluded from revenues and remitted to DTF. Government agencies that are part of the TER pay a stamp duty equivalent on leased motor vehicles.

(q) Business segments

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

(r) 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 have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

(s) New or revised accounting standard and policies

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. SAFA's assessment of the impact of these new and amended standards and interpretations is set out below.

AASB 9, AASB 2009-11 Amendments to AASs arising from AASB 9 and AASB 2010-7 Amendments to AASs arising from AASB 9 address the classification, measurement and derecognition of financial assets and liabilities. SAFA does not expect any financial impact when the standard is first applied in the year ended 30 June 2016.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to AASs arising from AASB 13 establish a single source of guidance for determining the fair value of assets and liabilities. SAFA does not expect any financial impact when the standard is first applied in the year ended 30 June 2014.

3. Business segments

SAFA operates in the following segments:

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

The insurance activities are designated into two 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 builders warranty indemnity reinsurance arrangement, SGIC residual claims and workers compensation claims previously managed by SAAMC. All other non-insurance type risk and liabilities previously funded by Fund 2 are managed by the relevant government department and funded separately by the agency.

2012	Treasury $'million	Insurance $'million	Fleet $'million	Eliminations $'million	Total $'million
Income	22.9	54.2	108.0	(0.1)	185.0
Expenses	7.4	72.2	90.6	(0.1)	170.1
Profit (Loss) before tax	15.5	(18.0)	17.4	-	14.9
Income tax equivalent expense	4.7	(5.4)	5.2	-	4.5
Comprehensive result	10.8	(12.6)	12.2	-	10.4
Segment assets	19 637.5	447.5	263.3	(270.6)	20 077.7
Segment liabilities	(19 519.7)	(365.0)	(216.9)	270.6	(19 831.0)
Net assets	117.8	82.5	46.4	-	246.7
2011					
Income	34.3	84.3	111.9	(0.1)	230.4
Expenses	7.1	75.3	88.6	(0.1)	170.9
Profit (Loss) before tax	27.2	9.0	23.3	-	59.5
Income tax equivalent expense	8.2	2.7	7.0	-	17.9
Comprehensive result	19.0	6.3	16.3	-	41.6
Segment assets	17 117.8	431.4	245.1	(228.2)	17 566.1
Segment liabilities	(16 998.1)	(336.3)	(210.8)	228.2	(17 317.0)
Net assets	119.7	95.1	34.3	-	249.1

4. Transfer of administrative functions

SAAMC - residual insurance portfolio

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

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

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

	2012 $'million	2011 $'million
Assets:		
Cash and cash equivalents	-	2.7
	-	2.7
Liabilities:		
Claims	-	2.7
	-	2.7
Net assets transferred	-	-

5. Cash and cash equivalents

Cash at bank	8.0	11.1
Deposits with the Treasurer	39.5	16.6
Short-term money market deposits	110.6	161.1
Negotiable certificates of deposit	1 919.7	1 365.7
Total cash and cash equivalents	2 077.8	1 554.5

6. Assets held for sale

Motor vehicles	9.2	8.2
Total assets held for sale	9.2	8.2

7. Investments

Semi-government securities	230.0	57.1
Commonwealth Government securities	-	-
Local Government securities	12.0	13.9
Bank and corporate securities	1 336.1	1 540.0
Conservative funds (Funds SA)	48.6	52.1
Growth fund (Funds SA)	345.1	327.1
Paragon Capital Equity Fund No 1	-	6.2
Total investments	1 971.8	1 996.4

8. Loans

Loans to the Treasurer at market rates	28.7	26.9
Loans to the Treasurer at COF/CPSIR	5 922.0	6 894.2
Loans to the Treasurer at cash	2 574.3	-
Loans to SA Government agencies	0.1	0.1
Loans to public non-financial corporations	4 031.7	3 535.0
Loans to public financial corporations	1 949.3	1 937.3
Total loans	14 506.1	12 393.5

The COF/CPSIR loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's portfolio that fund the loan are equally offset by a gain or loss on the COF/CPSIR loan to the Treasurer. The loan type changed in August 2012 from the previous CPSIR to COF, splitting out the cash component to a separate loan.

9. Property, plant and equipment

	2012 $'million	2011 $'million
Plant and equipment:		
At cost	0.1	0.1
Accumulated depreciation	(0.1)	(0.1)
Total plant and equipment	-	-

9. Property, plant and equipment (continued)	2012	2011
Motor vehicles:	$'million	$'million
At cost	246.1	257.9
Accumulated depreciation	(46.0)	(48.9)
Total motor vehicles	200.1	209.0
Total property, plant and equipment	200.1	209.0
Reconciliation of property, plant and equipment:		
Plant and equipment:		
Carrying amount at 1 July	0.0	0.1
Additions	-	-
Impairment loss	(0.0)	(0.1)
Depreciation expense	-	-
	0.0	0.0
Motor vehicles:		
Carrying amount at 1 July	209.0	211.1
Additions	92.0	93.0
Assets classified as held for sale	(9.2)	(8.2)
Disposals	(44.1)	(40.7)
Depreciation expense	(47.6)	(46.2)
	200.1	209.0

10. Intangible assets		
Information technology:		
At cost	0.4	-
Accumulated amortisation	-	-
Total intangible assets	0.4	-
Reconciliation of information technology:		
Carrying amount at 1 July	-	-
Additions	0.4	-
Amortisation expense	-	-
	0.4	-

11. Derivatives receivable		
FX swaps	873.8	1 235.1
Interest rate swaps - SA Government*	11.7	6.8
Interest rate swaps	365.9	103.1
Total derivatives receivable	1 251.4	1 345.0

* SA Government includes the Treasurer.

12. Other assets		
Receivables - SA Government	13.7	14.3
Receivables	16.1	14.0
Allowance for impairment loss	(0.8)	(0.8)
Receivables from the Treasurer	26.6	24.5
Prepaid outwards reinsurance	3.1	2.4
Sundry debtors - SA Government	0.9	1.4
Sundry debtors	1.3	3.3
Prepaid expenses	-	0.4
Total other assets	60.9	59.5

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.

	2012	2011
	$'million	$'million
Carrying amount at 1 July	0.8	0.6
Increase (Decrease) in provision	-	0.2
Carrying amount at 30 June	0.8	0.8

13. Deposits and short-term borrowings

	2012 $'million	2011 $'million
At call deposits	58.8	96.3
Deposits from the Treasurer	3 143.9	2 777.8
Deposits from SA Government agencies	668.4	692.3
Repurchase agreements	-	22.7
Commercial paper	2 593.1	2 612.8
Total deposits and short-term borrowings	6 464.2	6 201.9

14. Bonds, notes and debentures

Select lines	10 724.1	8 456.1
Retail stock	50.1	64.1
Floating rate notes	273.8	-
Zero coupon bonds	213.1	206.5
Inflation linked bonds and securities	151.8	173.3
Obligation to the Commonwealth Government	654.2	550.7
Total bonds, notes and debentures	12 067.1	9 450.7

15. Outstanding claims

Outstanding claims - SA Government	10.0	16.2
Outstanding claims	354.7	319.7
Total outstanding claims	364.7	335.9

Reconciliation of movements in outstanding claims

	Property $'million	Liability* $'million	Medical malpractice $'million
Fund 1			
2011 balance	10.0	66.9	183.6
Paid	(3.3)	(9.0)	(3.1)
Reported claims	(1.0)	5.1	15.4
IBNR/IBNER reserve	0.7	3.5	19.7
Risk margin	(0.9)	(0.1)	10.7
Indirect claims settlement reserve	(0.2)	(0.0)	1.9
2012 balance	5.3	66.4	228.2
Fund 2			
2011 balance	6.2	30.6	38.7
Paid	(4.1)	(8.9)	(2.7)
Reported claims	2.8	(0.4)	1.6
IBNR/IBNER reserve	0.2	2.2	1.3
Risk margin	(0.2)	(1.9)	-
Indirect claims settlement reserve	(0.1)	(0.5)	-
2012 balance	4.8	21.1	38.9
Total	10.1	87.5	267.1

* Includes other.

16. Derivatives payable

	2012 $'million	2011 $'million
FX swaps	874.9	1 270.1
Interest rate swaps – SA Government*	1.0	1.3
Interest rate swaps	52.1	48.8
Total derivatives payable	928.0	1 320.2

* SA Government includes the Treasurer.

17. Other liabilities

Sundry creditors - SA Government	0.1	0.1
Sundry creditors	4.5	5.4
Accrued operating expenses - SA Government	-	0.1
Accrued operating expenses	2.4	2.7
Total other liabilities	7.0	8.3

		Note	2012 $'million	2011 $'million
18.	**Revenue**			
	Interest revenue:			
	External to SA Government:			
	Cash and cash equivalents		87.2	103.5
	Investments		81.0	108.3
	Other assets		454.2	432.4
	Internal to SA Government:			
	Cash and cash equivalents		1.1	1.1
	Loans		664.7	564.0
	Other assets		19.2	24.9
			1 307.4	1 234.2
	Interest expense:			
	External to SA Government:			
	Deposits and short-term borrowings		78.3	79.8
	Bonds, notes and debentures		582.8	492.4
	Other liabilities		459.4	459.6
	Internal to SA Government:			
	Deposits and short-term borrowings		146.3	141.3
	Other liabilities		15.2	19.5
			1 282.0	1 192.6
	Net interest revenue		25.4	41.6
	Insurance premium:			
	External to SA Government		2.2	2.9
	Internal to SA Government		32.8	33.4
		21	35.0	36.3
	Leasing and hire:			
	External to SA Government		-	0.0
	Internal to SA Government		79.9	82.2
			79.9	82.2
	Recoveries:			
	External to SA Government		6.7	(1.8)
	Internal to SA Government		32.8	30.4
			39.5	28.6
	Other:			
	External to SA Government:			
	Other revenue		1.3	0.6
	Commissions		0.6	0.8
	Internal to SA Government:			
	Commissions		-	0.0
	Other revenue		0.8	0.8
	Management fees		1.9	1.8
	Indemnity from Treasurer		-	9.5
			4.6	13.5
	Total revenue		184.4	202.2
19.	**Other gains (losses)**			
	Net gain (loss) on financial instruments and derivatives:			
	External to SA Government:			
	Realised		(16.5)	(5.4)
	Unrealised		(234.6)	17.7
	Internal to SA Government:			
	Realised		(38.9)	1.0
	Unrealised		283.8	8.6
			(6.2)	21.9
	Net gain (loss) on sale of property, plant and equipment:			
	External to SA Government		6.8	6.3
			6.8	6.3
	Total other gains (losses)		0.6	28.2

20. Expenses

	Note	2012 $'million	2011 $'million
Insurance claims:			
External to SA Government		51.4	60.5
Internal to SA Government		10.1	5.7
	21	61.5	66.2
Motor vehicle:			
External to SA Government		34.0	30.4
Internal to SA Government		2.9	5.0
		36.9	35.4
Reinsurance external to SA Government		8.1	7.5
	21	8.1	7.5
Depreciation and impairment:			
External to SA Government		-	0.2
Internal to SA Government		47.6	47.0
		47.6	47.2
Operating:			
External to SA Government:			
Program and debt management fees		1.0	0.7
Direct insurance placement costs		0.1	0.1
Bad debts written off		-	0.1
Other		0.3	0.5
Internal to SA Government:			
Indemnity to Treasurer		1.0	-
SLA		13.6	13.2
		16.0	14.6
Total expenses		170.1	170.9

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

SLA insurance costs of $1 319 933 ($1 265 785) 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.

Fund 1	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	37 844	(6 200)	31 644
Other recoveries undiscounted	(163)	(2 177)	(2 340)
Net claims incurred - undiscounted	37 681	(8 377)	29 304
Discount and discount movement - gross claims incurred	(6 885)	30 684	23 799
Discount and discount movement - other recoveries	(143)	(2 366)	(2 509)
Net discount movement	(7 028)	28 318	21 290
Net claims incurred	30 653	19 941	50 594

The net claims incurred during 2011-12 in respect of claims incurred prior to 30 June 2011 was $19.9 million which is a result of:

	$'million
Interest on the 30 June 2011 provision less payments during 2011-12	12.5
Release of administration allowance and risk margin in respect of payments during 2011-12	(4.0)
Changes in actuarial assumptions and experience deviation from expected	11.4
	19.9

21. Net claims incurred and underwriting result (continued)

Fund 2	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	4 568	(7 482)	(2 914)
Other recoveries undiscounted	-	(2 916)	(2 916)
Net claims incurred - undiscounted	4 568	(10 398)	(5 830)
Discount and discount movement - gross claims incurred	(396)	7 694	7 298
Discount and discount movement - other recoveries	-	(43)	(43)
Net discount movement	(396)	7 651	7 255
Net claims incurred	4 172	(2 747)	1 425

The net claims incurred during 2011-12 in respect of claims incurred prior to 30 June 2011 was ($2.7 million) which is a result of:

	$'million
Interest on the 30 June 2011 provision less payments during 2011-12	3.6
Release of administration allowance and risk margin in respect of payments during 2011-12	(3.8)
Change in actuarial assumptions and experience deviation from expected	(2.5)
	(2.7)

	2012 $'million	2011 $'million
Net earned premium:		
Premium revenue	35.0	36.3
Outwards reinsurance expense	(8.1)	(7.5)
	26.9	28.8
Net claims incurred:		
Claims expense	(61.5)	(66.2)
Recoveries income	7.2	(3.3)
Impairment expense	-	(0.1)
	(54.3)	(69.6)
Underwriting result income (expense)	(27.4)	(40.8)

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. This includes any derivative counterparties default. As at 30 June 2012, derivative credit exposure was $616.4 million ($290.8 million)

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

Under an agreement between the Urban Renewal Authority and SAFA (see below), SAFA is indemnified by the Urban Renewal Authority for the performance of the Port Waterfront Redevelopment under this agreement.

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.

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*
As at 30 June 2012, SAFA has provided a guarantee to the Urban Renewal Authority for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

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

(iii) *Treasurer's indemnity*
The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 portfolio. Given the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be $0. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. In 2011-12 this policy resulted in a receivable from the Treasurer of $8.2 million ($16.3 million).

(iv) *Unused loan facilities*
As at 30 June 2012, SAFA had extended loan facilities that were unutilised totalling $794.4 million ($567.5 million).

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

The Government was committed to invest $1 for every $4 of private sector capital that Paragon Advisory Pty Ltd was able to realise up until the closing date of April 2007. The final capital commitment of the SA Government is $1.03 million which has been assumed by SAFA.

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

23. Cash flow information

23.1 Reconciliation of cash

	Note	2012 $'million	2011 $'million
Cash and cash equivalents disclosed in the Statement of Financial Position	5	2 077.8	1 554.5
Negotiable certificates of deposit		(1 919.7)	(1 365.7)
Fair value component		(0.6)	(1.2)
Balance per Statement of Cash Flows		157.5	187.6

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

	2012	2011
Comprehensive result	10.4	41.6
Non-cash items:		
Change in net market value of financial instruments	(36.5)	12.6
Amortisation of financial instruments	3.9	53.9
Change in market value of insurance investments	(10.5)	(38.8)
Depreciation, impairment and bad debts	47.6	47.3
Gain on sale of property, plant and equipment	(6.8)	(6.3)
Movements in assets and liabilities, net of effects from transferred functions:		
Accrued interest receivable	(8.2)	(44.9)
Recoveries receivable	(1.3)	3.3
Sundry debtors and other assets	(4.0)	(11.0)
Accrued interest payable	22.2	31.3
Outstanding claims	28.8	32.1
Sundry creditors and other liabilities	(3.5)	(18.5)
FX movement	-	-
Net cash provided by (used in) operating activities	42.1	102.6

23.3 Non-cash financing and investing activities

During 2011-12, $5.8 million was adjusted against the Treasurer's debt for book gains arising from debt management activity.

24. Auditor's remuneration

	2012 $'000	2011 $'000
Audit fees payable to the Auditor-General's Department relating to the audit of the financial statements	184	177
	184	177

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

	2012 Number	2011 Number
Remuneration:		
$0	5	4
$30 001 - $40 000	4	4
$40 001 - $50 000	1	1
Total	10	9
Total remuneration	$178 848	$182 108

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 2011-12 were $14 768 ($15 502). All amounts paid to members are paid through SAFA's SLA with DTF.

Advisory Board and Audit Committee members during the 2011-12 financial year were:

Advisory Board
Mr B Rowse* (Presiding Member)
Ms J Brown
Mr B Brownjohn (resigned June 2012)
Mr M Day (appointed June 2012)
Mr L Foster
Mr G Goddard*
Mr C Long
Ms Y Sneddon
Ms A Westley*

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

* 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, 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

	2012 Number	2011 Number
Between $0 and $10 000	-	1
Between $10 001 and $50 000	-	-
Between $50 001 and $100 000	1	-
Total consultants	1	1
Total consultants expense	$75 145	$4 500

26. Consultants (continued)

In addition to the amounts shown in the table above, \$382 050 (\$215 000) 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 or agreed, by the clients. SAFA is responsible for providing regular financial and management information with respect to its management of the clients' assets and liabilities.

	2012	2011
	\$'million	\$'million
Liabilities under management	3 574.6	3 254.1

SAFA provides a range of pooled investment portfolios to its clients that meet their investment needs. The cash management fund comprises cash and short-term money market securities whilst the cash enhanced fund was a market value fund that comprised term investments of high credit quality and marketability. The cash enhanced fund was closed on 28 June 2012. The assets and liabilities of these portfolios are reported within SAFA's Statement of Financial Position.

	2012	2011
	\$'million	\$'million
Total market value of pooled investments	852.5	750.8

28. Operating lease commitments receivable

SAFA as a lessor

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

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

	2012	2011
Motor vehicle hire:	\$'million	\$'million
Not later than one year	61.3	65.5
Later than one year but not later than five years	37.7	42.6
Total non-cancellable operating lease receivables	99.0	108.1

29. Financial risk management

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

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

(a) Capital risk management

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

(b) Market risk

Interest rate risk

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

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

Interest rate risk (continued)

SAFA holds the following derivative instruments:

	2012	2011
	$'million	$'million
Interest rate futures contracts	(2 201.9)	(1 240.7)
Interest rate swaps	10 371.6	8 365.4
Total face value	8 169.7	7 124.7

Price risk

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

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. VaR for the funding portfolio is managed daily against an approved working limit of $750 000 for 2011-12 ($750 000).

VaR for the liquidity portfolio is managed daily against an approved working limit of $250 000 for 2011-12 ($0).

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

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

	2012	2011
	$	$
Funding portfolio	152 708	317 775
Liquidity portfolio	39 525	-
Reinvestment portfolio	1 026	1 810
Cash management fund	33 826	40 789

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

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

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

2012		Profit (post tax)		Equity	
	Investments	-10%	+10%	-10%	+10%
Funds:	$'000	$'000	$'000	$'000	$'000
Fund 1	345 134	(24 159)	24 159	(24 159)	24 159
Fund 2*	48 586	(3 401)	3 401	(3 401)	3 401
Total	393 720	(27 560)	27 560	(27 560)	27 560

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

Foreign exchange risk

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

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

	2012	2011
	$'million	$'million
Foreign exchange swaps	(871.2)	(1 259.4)
Foreign exchange contracts*	17.3	26.7
Total face value	(853.9)	(1 232.7)

* SAFA has entered into forward foreign exchange contracts to hedge exposures arising from the foreign exchange hedging service provided to public sector clients. These transactions have a $0 exposure.

Foreign exchange risk (continued)

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

	USD	EUR	GBP	NZD
Less than one year:	A$'000	A$'000	A$'000	A$'000
Net foreign currency assets	70.6	(4.0)	142.6	16.0
Net derivatives	-	-	-	-
Net	70.6	(4.0)	142.6	16.0
Greater than one year:				
Net foreign currency assets	-	-	0.0	0.0
Net derivatives	-	-	-	-
Net	-	-	-	-
Total exposure	70.6	(4.0)	142.6	16.0

(c) Credit risk

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

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

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

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

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

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

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

Concentration of credit risk by credit rating

2012					Rating				
	AAA	AA+	AA	AA-	A+	A	A-	NR*	Total
Asset class:	$'million	$'million	$'million	$'million	$'million	$'million		$'million	$'million
Loans/Investments	553.4	68.0	15.0	1 237.3	865.0	762.7	100.0	14 485.8	18 087.2
Interest rate swaps	-	-	-	408.6	104.1	98.8	-	15.4	626.9
Currency swaps	-	-	-	-	3.4	3.2	-	-	6.6
FX contracts	-	-	-	(1.7)	-	-	-	2.0	0.3
Total	553.4	68.0	15.0	1 644.2	972.5	864.7	100.0	14 503.2	18 721.0
2011									
Asset class:									
Loans/Investments	488.9	32.0	1 738.2	10.0	895.5	-	-	12 597.2	15 761.8
Interest rate swaps	-	-	130.2	75.6	84.9	1.0	-	11.5	303.2
Currency swaps	-	-	-	0.6	2.2	-	-	-	2.8
FX contracts	-	-	(3.5)	-	-	-	-	4.3	0.8
Total	488.9	32.0	1 864.9	86.2	982.6	1.0	-	12 613.0	16 068.6

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

Concentration of credit risk by credit rating (continued)
By counterparty the main concentration is 77% (78%) to SA Government and 23% (21%) to banks.

* NR – not classified under particular ratings. Includes loans to SA Government of $14 197 million ($11 855 million).

(d) Liquidity risk

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

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

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

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

2012	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	2 024.4	561.3	-	-	-	-	-	2 585.7
Investments	418.3	342.1	143.6	402.1	89.7	12.4	189.1	1 597.3
Loans	3 401.2	1 724.7	1 218.1	1 624.6	514.3	379.5	7 411.9	16 274.3
Other assets	13.8	61.3	28.5	8.6	0.4	0.2	-	112.8
Total	5 857.7	2 689.4	1 390.2	2 035.3	604.4	392.1	7 601.0	20 570.1
Liabilities:								
Deposits and short-term borrowings	5 685.4	798.2	9.3	279.7	-	-	-	6 772.6
Bonds, notes and debentures	97.4	2 647.3	2 342.0	2 507.2	631.4	263.7	5 195.6	13 684.6
Outstanding claims	20.3	61.0	59.3	36.5	39.1	25.2	123.3	364.7
Total	5 803.1	3 506.5	2 410.6	2 823.4	670.5	288.9	5 318.9	20 821.9
Net	54.6	(817.1)	(1 020.4)	(788.1)	(66.1)	103.2	2 282.1	(251.8)
Derivatives	(6.7)	80.7	62.7	50.4	29.0	31.7	68.3	316.1

2011	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	1 478.8	174.9	-	-	-	-	-	1 653.7
Investments	1 213.8	66.2	186.7	90.2	390.6	66.5	2.0	2 016.0
Loans	756.7	668.2	1 794.0	1 260.9	1 678.9	563.6	8 145.1	14 867.4
Other assets	14.6	65.6	32.9	9.3	0.4	-	-	122.8
Total	3 463.9	974.9	2 013.6	1 360.4	2 069.9	630.1	8 147.1	18 659.9
Liabilities:								
Deposits and short-term borrowings	5 588.8	490.7	-	-	-	-	-	6 079.5
Bonds, notes and debentures	95.4	443.5	2 728.9	2 473.0	2 345.9	534.9	2 924.7	11 546.3
Outstanding claims	16.8	50.3	54.7	39.1	32.1	27.8	115.1	335.9
Total	5 701.0	984.5	2 783.6	2 512.1	2 378.0	562.7	3 039.8	17 961.7
Net	(2 237.1)	(9.6)	(770.0)	(1 151.7)	(308.1)	67.4	5 107.3	698.2
Derivatives	(54.5)	36.7	31.0	17.0	18.4	7.1	20.7	76.4

(e) *Insurance risk*

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

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

(f) *Claims development table*

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

Medical malpractice

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											Paid to date	Undis-counted liability June 2012	Dis-count present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	85 790	61 258	51 934	54 551	73 263	67 720	141 761	76 540	71 914	64 239	77 729	18 766	58 964	55 306
2001	11 274	8 879	7 140	7 060	10 273	9 967	9 925	9 979	5 937	5 024	4 561	60	4 501	3 913
2002	16 522	15 038	13 328	7 581	10 253	9 625	12 742	11 766	11 863	6 974	6 631	4 891	1 740	1 501
2003		11 619	21 220	17 077	14 533	13 159	13 789	14 108	13 277	12 709	12 009	93	11 916	10 207
2004			14 397	12 260	9 012	3 355	11 643	7 043	4 336	4 552	2 714	205	2 509	2 134
2005				18 826	16 683	12 519	7 752	4 200	3 114	3 963	2 378	44	2 334	1 967
2006					21 363	17 896	25 892	16 422	7 694	20 793	13 421	41	13 380	11 146
2007						21 513	22 589	13 748	7 366	9 966	8 290	37	8 253	6 779
2008							22 947	20 345	13 923	11 993	16 582	50	16 532	13 341
2009								49 922	36 167	29 248	27 700	85	27 615	21 824
2010									24 134	15 725	13 002	62	12 939	9 983
2011										17 486	15 471	65	15 406	11 565
2012											18 749	41	18 708	13 623
								Totals			219 237	24 440	194 797	163 289

Liability

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											Paid to date	Undis-counted liability June 2012	Dis-count present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	17 832	17 966	24 609	23 209	26 102	19 707	22 694	36 310	38 597	43 581	44 723	41 952	2 770	2 692
2001	2 045	2 606	4 214	4 931	7 892	4 784	4 729	4 635	4 460	5 591	5 614	4 859	756	722
2002	4 226	2 383	2 046	3 402	3 684	3 753	5 543	5 843	5 634	5 890	5 858	5 501	357	339
2003		4 670	2 792	2 593	2 280	2 237	2 099	2 102	2 239	2 780	3 169	2 601	568	537
2004			5 078	2 686	3 093	2 733	2 813	2 816	3 814	3 971	4 291	3 313	978	921
2005				6 283	5 187	4 407	23 291	24 446	24 943	23 879	23 613	5 857	17 756	16 592
2006					7 922	3 488	2 295	1 961	1 848	1 845	1 911	709	1 202	1 125
2007						7 366	3 564	2 106	2 182	2 996	2 552	1 632	921	857
2008							6 359	3 610	2 137	2 114	1 936	517	1 420	1 315
2009								5 784	2 766	7 445	5 644	3 428	2 216	2 034
2010									6 705	4 365	3 663	299	3 363	3 046
2011										7 173	5 982	230	5 752	5 118
2012											8 038	181	7 857	6 852
								Totals			116 994	71 079	45 916	42 150

Property

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											Paid to to date	Undis-counted liability June 2012	Dis-count present value
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	12 291	6 529	6 522	5 997	6 020	5 765	7 405	7 700	7 699	6 703	6 703	6 703	-	-
2001	808	1 256	1 146	1 418	1 386	1 190	1 180	1 180	1 180	1 204	1 204	1 204	-	-
2002	1 372	4 041	3 802	3 817	1 737	3 872	1 529	1 588	1 900	2 230	1 674	1 174	500	487
2003		1 162	853	586	426	668	447	447	447	456	456	456	-	-
2004			2 764	2 920	2 444	4 430	4 111	3 975	4 634	3 512	2 880	2 880	-	-
2005				12 182	4 035	4 027	2 849	2 700	2 718	2 704	2 689	2 689	-	-
2006					1 667	2 461	1 927	1 604	1 731	2 581	1 933	1 933	-	-
2007						3 269	2 907	2 666	2 256	2 285	2 142	2 134	8	8
2008							2 347	2 265	2 390	1 762	1 555	1 519	37	35
2009								2 777	2 116	1 599	1 689	1 380	309	296
2010									3 255	1 779	1 543	1 386	157	151
2011										4 568	3 270	2 309	961	923
2012											2 683	337	2 346	2 252
								Totals			30 421	26 104	4 318	4 152

(g) Concentration risk

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

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

(h) Sensitivity analysis

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

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

	2012			
Insurance fund:	Present value of outstanding liability		Percentage change from central estimate	
	Fund 1	Fund 2	Fund 1	Fund 2
1. Discount rate:	$'000	$'000	%	%
(a) Increase by 1%	284 939	63 070	(4.6)	(2.7)
(b) Decrease by 1%	313 901	66 671	5.1	2.9
2. Inflation rate:				
(a) Increase by 1%	312 657	66 617	4.7	2.8
(b) Decrease by 1%	285 874	63 087	(4.3)	(2.6)
3. Superimposed inflation rate				
(a) Increase by 1%	312 577	66 545	4.6	2.7
(b) Decrease by 1%	285 953	63 157	(4.3)	(2.5)
4. Other assumptions				
(a) Faster payment pattern - Long tail and MedMal	298 725	64 983	(0.0)	0.3
(b) Longer liability tail	300 298	65 570	0.5	1.2
(c) Longer MedMal tail	300 753	66 678	0.7	2.9

(i) Fair value hierarchy

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

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

(i) Fair value hierarchy (continued)

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

		Valuation technique -		
	Quoted market price (Level 1)	Market observable inputs (Level 2)	Non-market observable inputs (Level 3)	Total
2012				
Financial assets:	$'million	$'million	$'million	$'million
Cash and cash equivalents	158.0	1 919.8	-	2 077.8
Investments[a]	219.0	1 478.9	273.9	1 971.8
Loans[b]	-	8 584.1	5 922.0	14 506.1
Derivatives receivable	-	1 251.4	-	1 251.4
Total	377.0	13 234.2	6 195.9	19 807.1
Financial liabilities:				
Deposits and short-term borrowings[c]	724.0	5 740.2	-	6 464.2
Bonds, notes and debentures[d]	10 926.0	201.9	939.2	12 067.1
Derivatives payable	-	928.0	-	928.0
Total	11 650.0	6 870.1	939.2	19 459.3
2011				
Financial assets:				
Cash and cash equivalents	188.8	1 365.7	-	1 554.5
Investments[a]	958.7	761.8	275.9	1 996.4
Loans[b]	-	5 499.3	6 894.2	12 393.5
Derivatives receivable	-	1 345.0	-	1 345.0
Total	1 147.5	8 971.8	7 170.1	17 289.4
Financial liabilities:				
Deposits and short-term borrowings[c]	710.6	5 393.8	97.5	6 201.9
Bonds, notes and debentures[d]	8 386.3	237.4	827.0	9 450.7
Derivatives payable	-	1 320.2	-	1 320.2
Total	9 096.9	6 951.4	924.5	16 972.8

Methods used for valuations in Level 3:

Measurement of fair value

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

All valuations remain unchanged compared to the previous reporting period.

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

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

(c) *Deposits and short-term borrowings* – the deposit represented in Level 3 consisted of Cash Enhanced Fund. This fund was closed on 28 June 2012. This deposit was a valuation of a number of smaller investments that have been classified as Level 1 or Level 2 in the fair value hierarchy. The deposits did not have a quoted price in the market.

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

Reconciliation of movement in Level 3

	2012 $'million	2011 $'million
Opening balance	6 245.6	4 393.2
Total gains and losses	212.6	241.7
Purchases/Deposits	1 602.7	1 779.3
Sales/Withdrawals	(2 804.2)	(168.6)
Closing balance	5 256.7	6 245.6
Total gains or losses for the period included in the Statement of Comprehensive Income for assets and liabilities held at 30 June	212.6	241.5

(j)* *Ageing analysis

As at 30 June the amount of financial assets including impaired assets that are past due was $1 332 736 ($1 017 094).

2012	Past due by				
	0-30 days	31-60 days	61-90 days	+91 days	Total
Not impaired:	$'million	$'million	$'million	$'million	$'million
Receivables	-	0.3	0.2	0.5	1.0
Impaired:					
Receivables	-	-	-	0.3	0.3
	-	0.3	0.2	0.8	1.3
2011					
Not impaired:					
Receivables	-	0.5	0.1	0.1	0.7
Impaired:					
Receivables	-	-	-	0.3	0.3
	-	0.5	0.1	0.4	1.0

30. 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.

	2012			2011		
	Average balance $'million	Interest $'million	Average rate %	Average balance $'million	Interest $'million	Average rate %
Assets:						
Interest earning assets:						
Cash and cash equivalents	1 826.4	88.3	4.83	2 114.9	104.6	4.95
Investments	1 546.7	81.0	5.24	1 916.3	108.3	5.65
Loans	13 128.3	664.7	5.06	10 686.8	564.0	5.28
Other assets	-	473.4	-	-	457.3	-
Total assets	16 501.4	1 307.4	5.05	14 718.0	1 234.2	5.28
Liabilities:						
Interest bearing liabilities:						
Deposits and short-term borrowings	6 382.3	224.6	3.52	5 810.8	221.1	3.80
Bonds, notes and debentures	10 212.4	582.8	5.71	8 943.1	492.4	5.51
Other liabilities	-	474.6	-	-	479.1	-
Total liabilities	16 594.7	1 282.0	4.87	14 753.9	1 192.6	4.84

31. Actuarial assumptions and methods

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

31. Actuarial assumptions and methods (continued)

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

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

	2012		2011	
	Fund 1	Fund 2	Fund 1	Fund 2
	%	%	%	%
Medical malpractice	32	25	32	25
Liability	33	23	33	23
Property	21	19	21	19
Other	33	23	33	23

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.

Discount/Inflation rates
SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims.

	2012	2011
For the succeeding year:	%	%
Inflation rate (includes superimposed inflation) - medical malpractice	3.00*	3.00*
Inflation rate (includes superimposed inflation) - short tail classes	-	-
Inflation rate (includes superimposed inflation) - long tail classes	3.00*	3.00*
Discount rate - medical malpractice	3.10	5.25
Discount rate - short tail classes	2.60	4.90
Discount rate - long tail classes	2.65	5.10
For subsequent years:		
Inflation rate (includes superimposed inflation) - medical malpractice	3.00*	3.00*
Inflation rate (includes superimposed inflation) - short tail classes	-	-
Inflation rate (includes superimposed inflation) - long tail classes	3.00*	3.00*
Discount rate - medical malpractice	3.10	5.25
Discount rate - short tail classes	2.60	4.90
Discount rate - long tail classes	2.65	5.10

* 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.

Weighted average expected term to settlement of outstanding claims from the end of the reporting period:	2012		2011	
	Fund 1	Fund 2	Fund 1	Fund 2
	Years	Years	Years	Years
Medical malpractice	6.16	2.23	5.78	2.91
Liability	3.56	5.22	2.41	4.23
Property	1.56	1.60	1.76	1.46

Total outstanding claims

Fund 1	Central estimate $'million	Risk margin $'million	Indirect claim settlement margin $'million	2012 Total $'million
Expected future claims payments (inflated/undiscounted)	258.0	76.0	13.9	347.9
Discount to present value	(35.6)	(10.5)	(1.9)	(48.0)
Total outstanding claims	222.4	65.5	12.0	299.9

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

Outstanding claims:	Balance under 2011 assumptions* $'million	Balance under 2012 assumptions* $'million	Change due to revision of assumptions $'million
Medical malpractice	202.2	228.3	26.1
Liability	62.3	66.3	4.0
Property	5.1	5.3	0.2
Other	-	-	-
Total outstanding claims	269.6	299.9	30.3

* The outstanding claims positions as at 30 June 2012 and the economic assumptions as at 30 June 2011 have been used to identify the impact due to revision of those assumptions.

Fund 2	Central estimate $'million	Risk margin $'million	Indirect claim settlements margin $'million	2012 Total $'million
Expected future claims payments (inflated/undiscounted)	53.8	13.6	3.2	70.6
Discount to present value	(4.4)	(1.1)	(0.3)	(5.8)
Total outstanding claims	49.4	12.5	2.9	64.8

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

Outstanding claims:	Balance under 2011 assumptions* $'million	Balance under 2012 assumptions* $'million	Change due to revision of assumptions $'million
Medical malpractice	37.4	38.9	1.5
Liability	19.1	21.2	2.1
Property	4.5	4.7	0.2
Total outstanding claims	61.0	64.8	3.8

* The outstanding claims positions as at 30 June 2012 and the economic assumptions as at 30 June 2011 have been used to identify the impact due to revision of those assumptions.

32. Controlled entities

As at 30 June 2012, SAFA did not control any entities either through ownership or management control.

33. Events after the end of the reporting period

SAFA advises that since the end of the reporting period there have been two matters arise that will affect the operations of the Consolidated Entity and the reported results from the Consolidated Entity in the future financial reporting periods.

As a consequence of the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012, Playford Centre's assets, rights and liabilities transferred to SAFA on 1 July 2012. The estimated financial impact on the accounts of SAFA in future years is expected to be less than $1 million. The transfer of this business is not expected to have any significant impact on SAFA's financial position or operating capability.

Playford Capital Pty Ltd has transferred to SAFA as a controlled entity effective 1 July 2012. The transfer of this business is not expected to have any significant impact on SAFA's consolidated financial position or operating result.

The Fleet Division has completed the review of the alternative fleet management arrangements and will transition to the new suppliers, LeasePlan for fleet management services and Pickles Auctions for vehicle disposal services in the first half of the 2012-13 financial year. The new arrangements will not have any material impact on future financial statements as SAFA will continue to fund and own the vehicle assets.

South Australian Housing Trust

Functional responsibility

Establishment

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

Functions

The functions of the Trust include the following:

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

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

The Trust has a performance agreement with the Department for 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* require 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 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 2011-12, specific areas of audit attention included:

- revenue, including raising rent and recovery
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- borrowings
- fixed assets, including rental properties
- inventory
- fixed asset and inventory work in progress
- community housing operations including regulatory functions and revenue collections.

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 2012, 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. Major matters raised with the Trust and the related responses are detailed below.

Rent

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

- recording tenant details and assessing their entitlement to rent rebates

- periodic review of tenants' continuing entitlement to rent rebates which may change if household composition or income changes

- control over the write-off of tenant debt in accordance with Trust policies.

The following matters were raised with the Trust in 2011-12:

- Rent calculation overrides processed by regional staff and benefit review officers, which enable non-systematic adjustments to tenants' rent, were not always authorised at the time the adjustment was made. Audit recommended that the policies and procedures be amended to require adjustments to be authorised prior to their entry into the rent management system. Various issues relating to the approval and processing of rent overrides have been raised with the Trust since 2008-09.

- Policies and procedures should be updated to include the review undertaken of properties with a zero rent.

- Rent assessment guidelines require that at least once every 12 months, a household occupancy declaration 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 that the income of all people residing at a property is taken into account when determining the rent amount payable by the tenant. Audit review found that the last household occupancy declaration process was conducted in June 2010.

In response the Trust advised that policies and procedures would be updated to require rent overrides to be approved before they are entered into the rent management system and to include the process for review of properties with zero rent. Regarding the household occupancy declaration process, the Trust advised that the process is currently under review with various models being considered with a view to reintroducing the process in 2013.

Maintenance

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

- Instances where the delegations programmed into the maintenance system were inconsistent with the Trust's approved delegations of authority. In addition there was no regular review of delegations within the maintenance system.

- No documented procedure existed regarding the regular review of access to the maintenance system.

In response the Trust advised a documented procedure had been established for the review of access to the maintenance system and that action would be taken to address the inconsistencies between delegations.

Payroll

The Trust utilises the policies and procedures of DCSI for its payroll activities. The audit identified a lack of central monitoring and review of monthly leave returns. This issue was raised with the Trust last year and in response the Trust indicated that it would be referred to DCSI's Human Resource section for action. Other areas of concern were the timely completion of recreation leave approvals and cessation of employment forms.

In response the Trust indicated that DCSI's Human Resource section has advised it does not plan to implement any central controls over monthly leave returns. The Trust also advised that staff would be reminded of the need to complete forms in a timely manner and also of the need to ensure that monthly leave returns are scrutinised and inconsistencies followed up.

Capital works

For the past two years Audit has raised concerns about the operation of the Project Budget System (PBS) and the lack of progress made to overcome the shortcomings of the system. In 2010-11 the Trust advised that further enhancements to the PBS were unlikely to address the issues. The requirements of the system would be considered as part of the wider review of ICT modernisations being undertaken. Audit testing in 2011-12 revealed that the PBS was not used as part of project monitoring processes and as a result there is a lack of a consistent monitoring framework that governs the management of all projects. Audit recommended that a project monitoring framework be developed.

In mid-April 2012 significant restructuring of operations occurred with project management staff being transferred to the Urban Renewal Authority (URA). These staff still undertake project management activities on behalf of the Trust and Audit sought clarification of the arrangements in place to control and manage projects given that the Trust no longer has responsibility for the staff who are performing these functions.

The Trust responded that discussions are occurring between the Trust and the URA to formalise the arrangements, including an Inter-Ministerial agreement, an agreement between the URA and Trust boards, a housing plan and a memorandum of administrative arrangement. In addition new procedures and processes are being developed within Housing SA to ensure appropriate management, oversight and control of the activities that the URA is undertaking on behalf of the Trust. It is proposed to establish an executive level project control group that will provide strategic oversight and have appropriate decision making power for significant changes in project outcomes. Terms of reference for this group are currently being developed.

Regarding the development of a project monitoring framework, the Trust advised that it considers that existing controls manage the project risks adequately and that there is adequate reporting through a monthly project summary which provides a robust framework for the monitoring of projects within its control. URA now has taken responsibility for a number of projects and while formal agreements are yet to be signed, the Trust considers the working relationship between the two organisations appears to remain robust with existing controls working effectively.

Project management and reporting will again receive focused audit attention in 2012-13 in the context of the changed administrative arrangements being implemented with URA.

Management of grant payments

A review of grant management processes for grants provided to non-government organisations identified that quarterly service delivery reports, which included information about key performance indicators, were discontinued from 1 July 2011 pending the introduction of the new H2H system. This system was to be used to provide information to monitor compliance with service agreements and performance indicators. However technical difficulties with its implementation meant that no monthly reports were produced and little information was available to ensure grant recipients were meeting their service obligations. Audit recommended the reinstatement of the former quarterly reports until the new system became fully operational.

In response the Trust indicated that by the end of October 2012 functionality of the H2H system will allow performance information to be extracted and that work is being undertaken to develop key performance indicator reports outside of the H2H system.

Shared Services SA – e-Procurement and electronic payment control environments

The audit review of the Trust's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

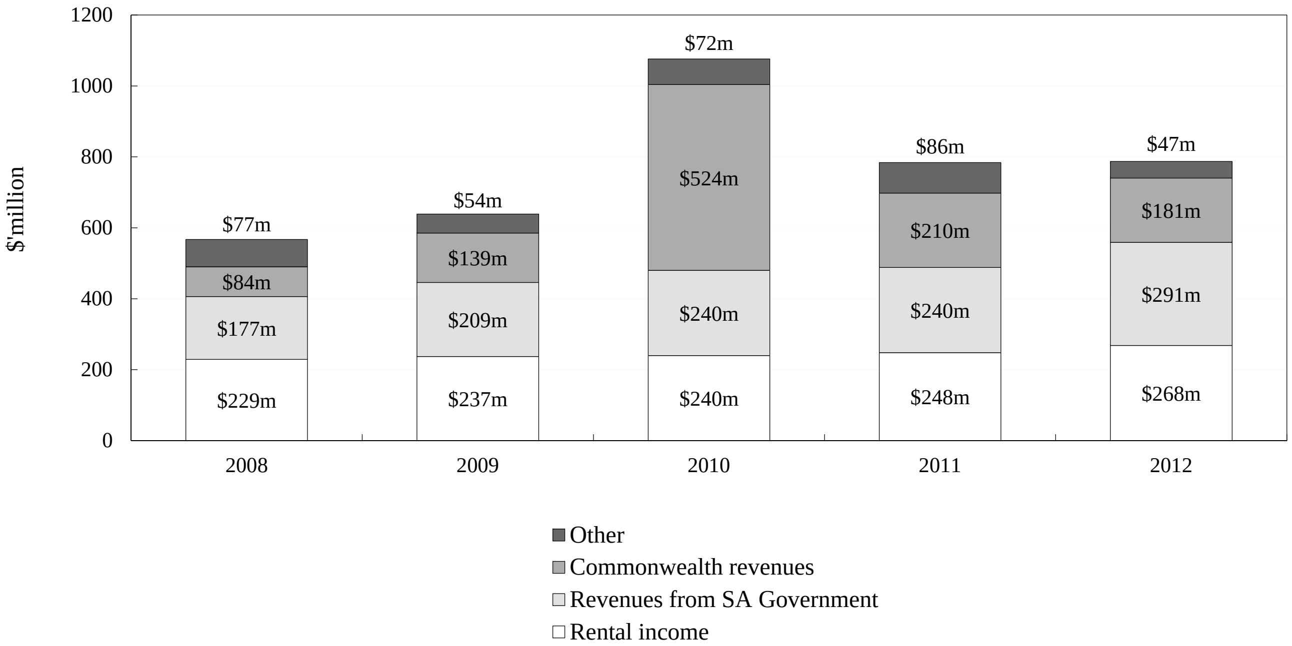
	2012 $'million	2011 $'million
Expenses		
Staffing costs	75	68
Finance costs	41	37
Maintenance	111	104
Council rates and water rates	76	68
Land tax equivalent	193	185
Depreciation and amortisation	90	87
Grants and subsidies	84	93
Other expenses	100	78
Total expenses	770	720
Income		
Rental income	268	248
Commonwealth revenues	181	210
Other	47	86
Total income	496	544
Net cost of providing services	274	176
Revenues from SA Government	291	240
Net result before income tax equivalent	17	64
Income tax equivalent	-	-
Net result after income tax equivalent	17	64
Other comprehensive income	443	757
Total comprehensive result	460	821
Net cash provided by (used in) operating activities	91	(2)
Assets		
Current assets	443	414
Non-current assets	10 369	10 086
Total assets	10 812	10 500

	2012 $'million	2011 $'million
Liabilities		
Current liabilities	78	87
Non-current liabilities	491	565
Total liabilities	569	652
Total equity	10 243	9 848

Statement of Comprehensive Income

Income

For the five years to 2012 a structural analysis of income for the Trust is presented in the following chart.



Total income was $787 million, an increase of $3 million over the previous year. The movement in the main components of income were:

- SA Government revenues increased by $51 million to a total of $291 million. Individual components of SA Government funding had the following outcomes:
  - land tax equivalent reimbursement, up $8 million. Under the Commonwealth funding arrangement funds received from the Commonwealth are not permitted to be used to fund tax equivalent payments. As a consequence the State provides reimbursement for any tax equivalent amounts paid by the Trust which results in tax equivalent transactions having no impact on the Trust's net result. This year land tax equivalent reimbursements were impacted by increasing property values and totalled $193 million ($185 million)
  - capital grants decreased by $4 million due to no funding provided in 2011-12
  - general purpose grant decreased by $8 million to $36 million
  - $54 million was received from the URA as compensation for properties transferred to the URA as part of machinery of government changes.

- Commonwealth revenues decreased by $29 million primarily as a result of capital funding down $29 million mainly due to:

  — National Partnership Agreement: Nation Building - Economic Stimulus Plan, down $54 million

  — National Partnership Agreement: Remote Indigenous Housing, up $26 million.

  Note 37 to the financial statements explains current grant funding arrangements

- rental income (net of rental rebates) increased by $20 million mainly as a result of increased market rent, up $15 million and lower rent rebates, down $4 million. Rent rebates reduce the rent paid by low income tenants

- net gain from the disposal of assets decreased by $42 million. In 2012 a loss of $15 million was incurred which is included in expenses.

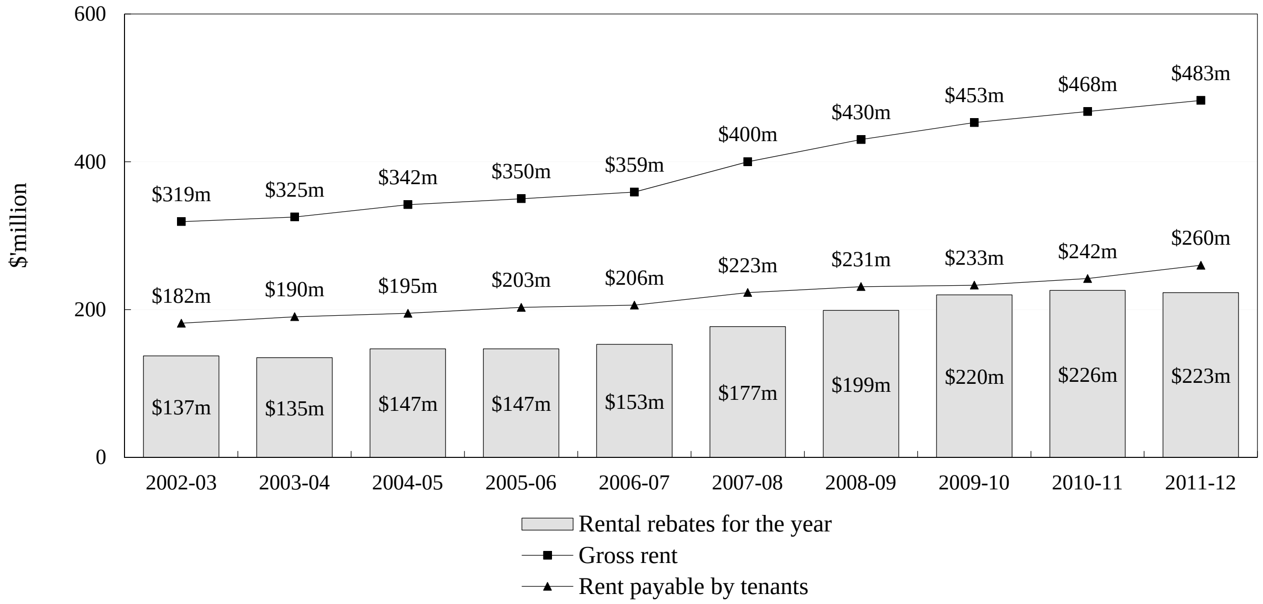
Rental operations

The following table shows the level of housing stock, excluding unlettable properties, as at 30 June for the past five years.

	2012	2011	2010	2009	2008
	Number	Number	Number	Number	Number
Properties	43 705	44 436	44 706	45 103	45 819

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

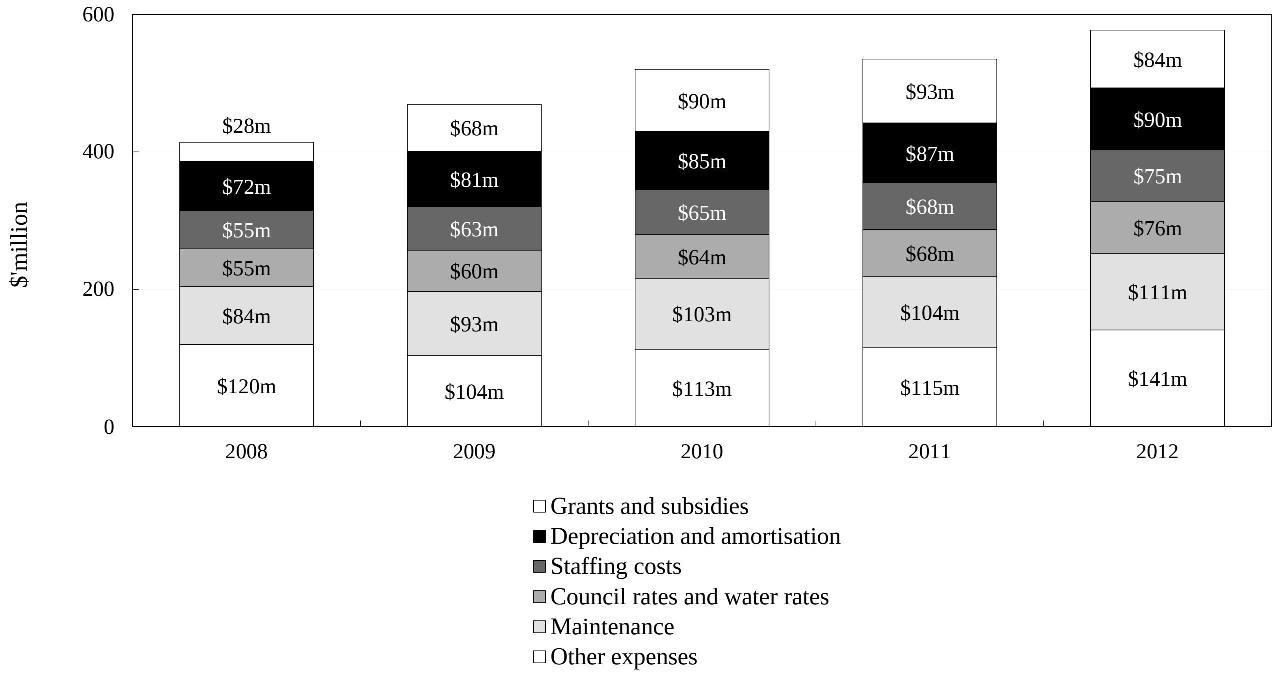
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2002-03 due to increases in market rents and 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2012 gross rent increased 3% ($15 million), rent revenue increased 7% ($18 million) and rent rebates decreased 1% ($3 million). This is the first decrease in rent rebates since 2003-04. 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 2012, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the last five years. In 2009, 2010 and 2011 depreciation and amortisation expenses, maintenance costs, council rates and water rates and staffing costs have increased. In 2009 and 2010 grants and subsidies increased significantly. In 2012 costs in all areas, except for grants and subsidies, increased.

In 2012 total expenses (excluding tax equivalent expenses) increased by $42 million (7%). This increase was due mainly to increases in:

- staffing costs ($7 million) as a result of fewer costs being capitalised to capital projects because of decreased activity following the conclusion of a number of key development projects
- council and water rates ($8 million) due to higher property values
- maintenance expenses ($7 million) due to increased maintenance work on rental properties
- finance costs ($4 million) due to interest premium charges on early repayment of loans ($7 million) offset by a decrease in interest on borrowings ($3 million)
- loss on disposal of assets ($15 million) - see discussion below.

Loss on disposal of assets

In 2012 the Trust incurred a loss on disposal of assets of $15 million compared with a profit in 2011 of $42 million. The Trust has agreed a financial viability strategy with DTF that requires a certain level of debt repayment each year, which is funded primarily through the sale of Trust properties.

For 2011-12 the Cabinet approved asset disposal target was 450 properties to achieve a budgeted revenue target of $108.5 million and the debt repayment requirement was $84.8 million.

642 properties were sold in 2011-12. Total proceeds received from asset disposals for financial viability (sales of property excluding capital work in progress and debentured properties) for 2011-12

were $121 million compared to the net book value of $130 million, which includes the costs of disposals.

The higher than targeted number of sales outcome reflects an increased number of properties being placed on the market, sales price reviews and a reduction in official interest rates.

Sales took place in a property market where conditions were subdued throughout the year.

The Trust determined that on average, properties sold at 98% of book value excluding the costs of disposal. The loss on disposal increased after taking into account the costs of selling the properties. Note 14 to the financial statements sets out the details of asset disposals.

Debt repayments in 2011-12 were $76 million and are discussed later 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.

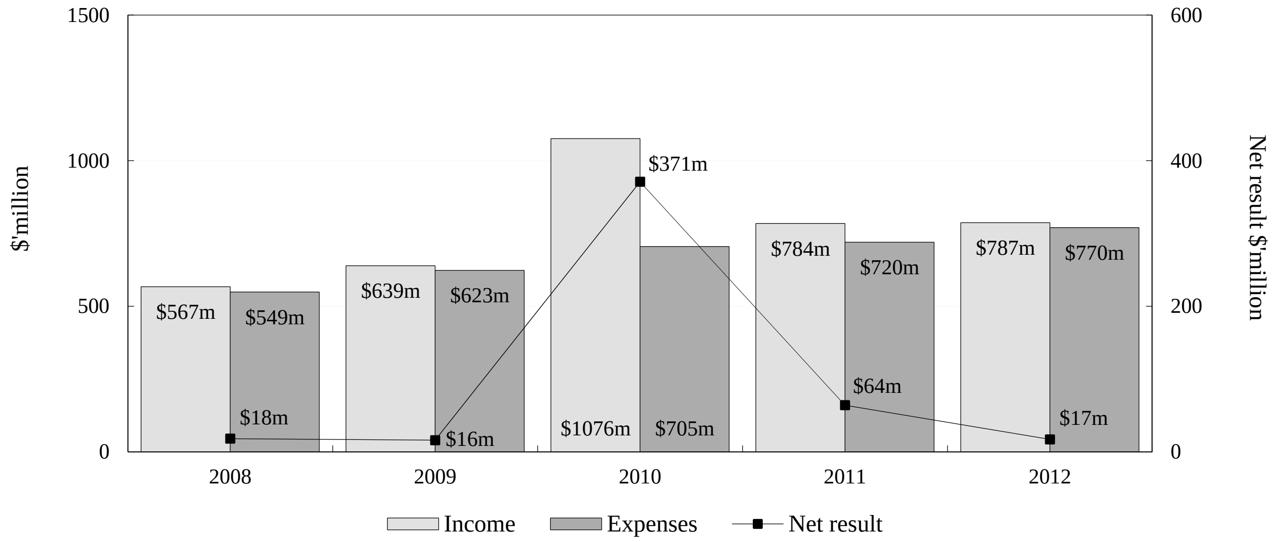
Grant funded programs

The Trust's recurrent direct expenditure on grant funded programs was $84 million ($93 million). This decrease of $9 million was mainly as a result of:

- grants made under the National Partnership Agreement for Homelessness increasing by $2 million
- grants for private rental assistance increasing by $2 million
- grants made under the National Affordable Housing Agreement for Specialist Homelessness Services increasing by $1 million
- affordable housing grants decreasing by $6 million
- grants made under the Nation Partnership Agreement on Social Housing decreasing by $5 million
- grants for the Indigenous Community Housing program decreasing by $4 million.

Net result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2012.



The net result for 2012 has decreased by $47 million from the previous year. The result was impacted by a significant increase in expenses as discussed previously under the heading 'Expenses'. The overall net result of $17 million is consistent with the 2008 and 2009 results, while the 2010 and 2011 results were impacted by high levels of grants from the Commonwealth, primarily for capital purposes.

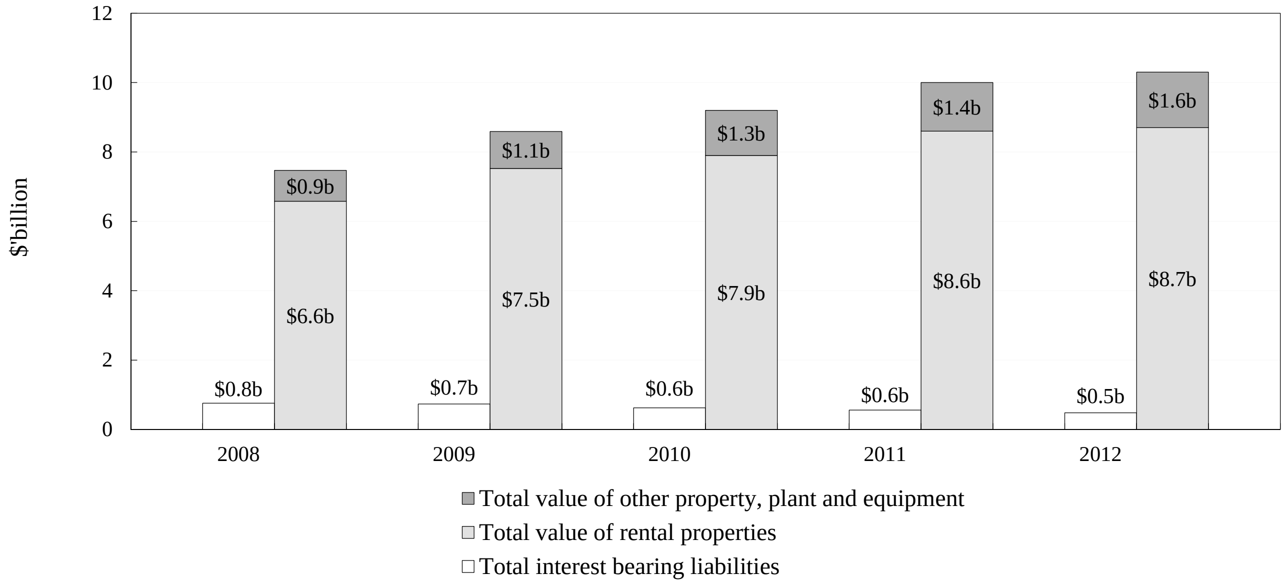
State and Commonwealth Government funds received for a number of projects are yet to be fully expended. Note 37 to the financial statements details that $83 million of grant funds received during 2011-12, $35 million of grant funds received in 2010-11 and $22 million received in earlier financial years were unspent as at 30 June 2012.

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

Statement of Financial Position

The Trust's financial position is dominated by non-current property, plant and equipment assets and non-current interest bearing liabilities. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2012 current liabilities amounted to $78 million ($87 million), while current assets were $443 million ($414 million). The significant increase in current assets is primarily as a result of inventories as at 30 June 2012 of $123 million, compared to $98 million the previous year. The increase of $25 million relates mainly to more properties from development activities which will be sold within the next 12 months.

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



Property, plant and equipment

In 2012 the value of rental properties increased by $105 million (1%) to $8.7 billion. Of this increase asset additions accounted for $104 million and revaluation of assets for $402 million, offset by disposal of assets of $327 million and depreciation of $74 million.

Since 2008 there has been a steady increase in the value of both rental properties and other property plant and equipment. The increase in 2012 is not as great as in previous years due to the impact of lower market values from a subdued property market which has resulted in a lower revaluation increment than in previous years. The 2009 and 2010 increases were primarily a result of asset revaluation. The 2011 figures increased by asset revaluations as outlined above but also by the addition of assets built using the funding provided by the Commonwealth for the Economic Stimulus - Nation Building and Jobs Plan program. Other property, plant and equipment includes assets under arrangement of $1.2 billion (refer note 2.14(i)).

It is important to note that the Trust revalues all land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the Trust's financial reporting obligations, reported values lag current market values. As reported in note 2.14(ii) values for 2011-12 were issued by the Valuer-General as at 1 July 2011. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock.

Interest bearing liabilities

During the period under review total borrowings steadily decreased with a reduction of $275 million over the five year period. The Trust has a financial viability agreement with DTF that specifies an agreed level of debt repayment each year.

In 2011-12 the agreed level of debt repayment was $84.8 million. Actual repayments of borrowings amounted to $76 million compared to $65 million the previous year.

Due to the difference between the face value of borrowings and the market value of borrowings at repayment, the Trust incurred an additional finance cost of $7 million being the interest premium on early repayment of loans. This arises from differences between the interest rates at the time of borrowing and repaying borrowings (refer note 12 to the financial statements).

Total borrowings of $483 million are subject to concessional interest rates which are fixed and range from 4% to 5%. The fair value of borrowings at 30 June 2012 was $469 million ($487 million).

Statement of Cash Flows

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows					
Operating	90	(2)	309	51	44
Investing	(4)	(3)	(3)	(5)	41
Financing	(76)	(65)	(109)	(24)	(61)
Change in cash	10	(70)	197	22	24
Cash at 30 June	280	270	340	143	121

In 2012 the Trust recorded an increase in cash of $10 million compared to a decrease in cash of $70 million the previous year. Of the $280 million balance of cash on hand at 30 June 2012, $140 million relates to grants received in this and previous years that were unspent at year end. The unspent funds mainly relate to the Nation Partnership Agreements for Remote Indigenous Housing and Nation Building - Economic Stimulus Plan (refer note 37 to the financial statements).

Cash inflows from operating activities increased by $93 million largely because of a decrease in cash used in operations of $71 million. The main factors of this decrease were a decrease in cash used in the purchase of rental property (down $118 million) and a decrease in income tax equivalent paid (down $21 million), offset by increases in rental property expenses (up $21 million) and supplies and services costs (up $22 million).

Cash outflows from financing activities saw repayment of borrowings of $76 million compared to $65 million the previous year.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Staffing costs	6	75 327	67 603
Supplies and services	7	39 253	31 105
Business service fees	8	19 136	22 258
Rental property expenses	9	390 014	358 865
Depreciation and amortisation	10	89 712	87 228
Grants and subsidies	11	84 351	92 953
Finance costs	12	40 515	36 672
Impairment expenses	13	16 680	23 805
Net loss from disposal of assets	14	15 248	-
Total expenses		770 236	720 489
Income:			
Rental income	15	268 050	248 198
Interest revenue	16	12 799	13 402
Recoveries	17	30 231	19 007
Recurrent Commonwealth revenues	18	107 324	107 630
Capital Commonwealth revenues	19	74 110	102 618
Other revenue	20	4 035	11 078
Net gain from disposal of assets	14	-	42 157
Total income		496 549	544 090
Net cost of providing services		273 687	176 399
Revenues from SA Government:			
Recurrent revenues from SA Government	21	290 968	235 860
Capital revenues from SA Government	22	-	4 360
Total revenues from SA Government		290 968	240 220
Net result before income tax equivalent		17 281	63 821
Income tax equivalent		-	-
Net result after income tax equivalent		17 281	63 821
Other comprehensive income:			
Changes in revaluation surplus		442 641	757 088
Total comprehensive result		459 922	820 909

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 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	23	280 085	269 527
Receivables	24	19 518	14 802
Inventories	25	123 391	98 251
Non-current assets classified as held for sale	26	20 060	31 272
Total current assets		443 054	413 852
Non-current assets:			
Inventories	25	2 019	3 907
Property, plant and equipment	27	10 359 890	10 076 328
Intangible assets	28	6 967	5 749
Total non-current assets		10 368 876	10 085 984
Total assets		10 811 930	10 499 836
Current liabilities:			
Payables	29	43 607	51 246
Staff entitlements	30	6 700	7 349
Interest bearing liabilities	31	13 523	15 116
Provisions	32	2 130	2 183
Other liabilities	33	12 253	11 315
Total current liabilities		78 213	87 209
Non-current liabilities:			
Interest bearing liabilities	31	469 318	543 948
Staff entitlements	30	14 863	14 278
Provisions	32	3 757	3 276
Payables	29	1 378	1 247
Other liabilities	33	1 737	1 925
Total non-current liabilities		491 053	564 674
Total liabilities		569 266	651 883
Net assets		10 242 664	9 847 953
Equity:			
Retained earnings		2 975 089	2 857 460
Revaluation surplus		7 267 575	6 990 493
Total equity		10 242 664	9 847 953

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 2012

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		6 326 958	2 700 891	9 027 849
Error correction		-	(805)	(805)
Restated balance at 30 June 2010		6 326 958	2 700 086	9 027 044
Net result after income tax equivalent for 2010-11		-	63 821	63 821
Revaluation of property during 2010-11:				
Movement in rental houses due to revaluation:				
Transferred to capital works		(6 165)	-	(6 165)
Subject to sales contracts		(3 727)	-	(3 727)
Recognition of APY leases		91	-	91
Increment in freehold land and buildings due to revaluation		766 889	-	766 889
Total comprehensive result for 2010-11		757 088	63 821	820 909
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(93 553)	-	(93 553)
Realisation of revaluation surplus on sale of freehold land and buildings		-	93 553	93 553
Total transfer between equity components 2010-11		(93 553)	93 553	-
Balance at 30 June 2011		6 990 493	2 857 460	9 847 953
Net result after income tax equivalent for 2011-12		-	17 281	17 281
Revaluation of property during 2011-12:				
Movement in rental houses due to revaluation:				
Transferred to capital works		(7 675)	-	(7 675)
Subject to sales contracts		(14 552)	-	(14 552)
Recognition of APY leases		9 037	-	9 037
Increment in freehold land and buildings due to revaluation		455 831	-	455 831
Total comprehensive result for 2011-12		442 641	17 281	459 922
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(165 559)	-	(165 559)
Realisation of revaluation surplus on sale of freehold land and buildings		-	165 559	165 559
Total transfer between equity components 2011-12		(165 559)	165 559	-
Transactions with SA Government as owner:				
Net assets transferred as a result of an administrative restructure	36	-	(65 211)	(65 211)
Total transactions with SA Government as owner		-	(65 211)	(65 211)
Balance at 30 June 2012		7 267 575	2 975 089	10 242 664

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staffing costs		(74 718)	(67 695)
Supplies and services		(50 439)	(28 597)
Business service fees		(19 136)	(22 258)
Rental property expenses		(207 021)	(185 539)
Grants and subsidies		(93 269)	(99 282)
Interest paid		(32 196)	(27 400)
Other finance costs		(8 561)	(9 515)
Land tax equivalents paid		(192 866)	(185 042)
Income tax equivalent paid		-	(21 414)
GST paid to the Department for Communities and Social Inclusion		(23 117)	(7 702)
Payments for Paid Parental Leave Scheme		(61)	-
Purchase of rental property		(205 262)	(323 004)
Cash used in operating activities		(906 646)	(977 448)
Cash inflows:			
Rent received		261 580	245 214
Recoveries received		33 030	19 766
Other receipts		4 004	10 980
Receipts from Commonwealth		181 434	210 248
Interest received		13 000	13 467
Proceeds from sale of rental property		180 689	193 283
GST receipts from the Department for Communities and Social Inclusion		32 629	20 208
Cash generated from operating activities		706 366	713 166
Cash flows from SA Government:			
Receipts from SA Government		290 968	262 022
Cash generated from SA Government		290 968	262 022
Net cash provided by (used in) operating activities	38	90 688	(2 260)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(1 896)	(938)
Purchase of intangibles		(2 254)	(2 431)
Cash provided by (used in) investing activities		(4 150)	(3 369)
Net cash provided by (used in) investing activities		(4 150)	(3 369)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(75 980)	(65 211)
Cash provided by (used in) financing activities		(75 980)	(65 211)
Net cash provided by (used in) financing activities		(75 980)	(65 211)
Net increase (decrease) in cash and cash equivalents		10 558	(70 840)
Cash and cash equivalents at 1 July		269 527	340 367
Cash and cash equivalents at 30 June	23	280 085	269 527

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2012

(Activities - refer note 5)	1		2		3	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	55 452	50 101	9 442	7 341	1 544	1 549
Supplies and services	29 335	23 263	5 751	4 454	801	735
Business service fees	14 139	16 864	2 515	2 374	423	466
Rental property expenses	372 700	344 728	16 972	13 573	335	547
Depreciation and amortisation	74 392	73 654	4 508	3 851	10 812	9 723
Grants and subsidies	16 119	27 286	2 916	6 547	663	777
Finance costs	40 515	36 672	-	-	-	-
Impairment expenses	11 537	19 008	853	870	697	1 277
Net loss from disposal of assets	14 717	-	136	-	395	-
Total expenses	628 906	591 576	43 093	39 010	15 670	15 074
Income (excluding capital grants):						
Rental income	248 668	230 734	12 343	11 385	7 039	6 079
Interest revenue	12 799	13 402	-	-	-	-
Recoveries	21 194	12 066	2 975	2 136	114	97
Recurrent Commonwealth revenues	94 691	95 852	4 456	3 872	-	-
Net gain from disposal of assets	-	41 045	-	645	-	467
Other revenue	2 679	9 565	313	446	370	391
Recurrent revenues from SA Government	215 052	161 601	-	4 680	8 147	8 040
Total income (excluding capital grants)	595 083	564 265	20 087	23 164	15 670	15 074
Net cost of providing services before capital grants	(33 823)	(27 311)	(23 006)	(15 846)	-	-
Capital grants:						
Capital revenues from SA Government	-	4 360	-	-	-	-
Capital Commonwealth revenues	32 612	86 772	41 498	15 846	-	-
Total capital grants	32 612	91 132	41 498	15 846	-	-
Net result before income tax equivalent	(1 211)	63 821	18 492	-	-	-
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	(1 211)	63 821	18 492	-	-	-

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2012 (continued)

(Activities - refer note 5)	4		5		Total	
	2012	2011	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	4 330	4 158	4 559	4 454	75 327	67 603
Supplies and services	1 710	1 383	1 656	1 270	39 253	31 105
Business service fees	1 039	1 297	1 020	1 257	19 136	22 258
Rental property expenses	5	15	2	2	390 014	358 865
Depreciation and amortisation	-	-	-	-	89 712	87 228
Grants and subsidies	14 283	12 131	50 370	46 212	84 351	92 953
Finance costs	-	-	-	-	40 515	36 672
Impairment expenses	3 593	2 650	-	-	16 680	23 805
Net loss from disposal of assets	-	-	-	-	15 248	-
Total expenses	24 960	21 634	57 607	53 195	770 236	720 489
Income (excluding capital grants):						
Rental income	-	-	-	-	268 050	248 198
Interest revenue	-	-	-	-	12 799	13 402
Recoveries	5 690	4 355	258	353	30 231	19 007
Recurrent Commonwealth revenues	-	-	8 177	7 906	107 324	107 630
Net gain from disposal of assets	-	-	-	-	-	42 157
Other revenue	673	674	-	2	4 035	11 078
Recurrent revenues from SA Government	18 597	16 605	49 172	44 934	290 968	235 860
Total income (excluding capital grants)	24 960	21 634	57 607	53 195	713 407	677 332
Net cost of providing services before capital grants	-	-	-	-	(56 829)	(43 157)
Capital grants:						
Capital revenues from SA Government	-	-	-	-	-	4 360
Capital Commonwealth revenues	-	-	-	-	74 110	102 618
Total capital grants	-	-	-	-	74 110	106 978
Net result before income tax equivalent	-	-	-	-	17 281	63 821
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	-	-	-	-	17 281	63 821

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2012

(Activities - refer note 5)	1		2		3	
	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	280 081	269 523	4	4	-	-
Receivables	16 749	12 865	2 769	1 937	-	-
Inventories	125 264	102 158	146	-	-	-
Non-current assets classified as held for sale	20 060	31 272	-	-	-	-
Property, plant and equipment	8 533 022	8 467 546	564 820	502 017	1 262 032	1 106 765
Intangible assets	6 967	5 602	-	147	-	-
Total assets	8 982 149	8 888 966	567 739	504 105	1 262 032	1 106 765
Liabilities:						
Payables	39 947	48 404	1 637	1 322	3 401	2 767
Staff entitlements	15 873	16 028	2 702	2 348	442	496
Provisions	5 792	5 302	14	34	81	123
Interest bearing liabilities	482 841	559 064	-	-	-	-
Other liabilities	13 990	13 240	-	-	-	-
Total liabilities	558 443	642 038	4 353	3 704	3 924	3 386

(Activities - refer note 5)	4		5		Total	
	2012	2011	2012	2011	2012	2011
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	280 085	269 527
Receivables	-	-	-	-	19 518	14 802
Inventories	-	-	-	-	125 410	102 158
Non-current assets classified as held for sale	-	-	-	-	20 060	31 272
Property, plant and equipment	-	-	10	-	10 359 890	10 076 328
Intangible assets	-	-	-	-	6 967	5 749
Total assets	-	-	10	-	10 811 930	10 499 836
Liabilities:						
Payables	-	-	-	-	44 985	52 493
Staff entitlements	1 240	1 330	1 306	1 425	21 563	21 627
Provisions	-	-	-	-	5 887	5 459
Interest bearing liabilities	-	-	-	-	482 841	559 064
Other liabilities	-	-	-	-	13 990	13 240
Total liabilities	1 240	1 330	1 306	1 425	569 266	651 883

Notes to and forming part of the financial statements

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

1.1 Objectives

The Trust is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act) and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for 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 objectives of the Trust include 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 performance agreement 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 *South Australian Housing Trust Act 1995*.

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.

2.2 Basis of preparation

The preparation of the financial statements requires:

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

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. 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 2012 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 (URA) 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 (refer note 36). Simultaneously, to complement the activities transferred to the new URA, a comprehensive selection of staff from the Trust functional areas of major projects, affordable housing and asset services were transferred to the URA. These 83 people (79.3 full-time equivalents) were gazetted over to the URA effective from 23 April 2012.

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

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

2.6 *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 staff. 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 SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

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

Disposal of non-current assets
Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer. Refer note 14 for further details.

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

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

2.8 Taxation

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

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

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

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

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is 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.

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

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

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

2.9 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. 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% per annum, based on the risk-free rate as at 30 June 2012, an estimated future debt write-off of 2.6% per annum 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 land and vacant land that are expected to be sold in the ordinary course of business.

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

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

(iii) Vacant land consists of land that is expected to be sold and is valued using the Valuer-General's values for rating purposes as at 1 July 2011.

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 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, 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 PGPs 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 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 co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific 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.

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

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

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

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

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2011 reflecting 'the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale' in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Revaluation occurred at 31 October 2011, using the 1 July 2011 values, for all land and buildings acquired or completed before 1 July 2010.

Capital work in progress
The carrying value of a constructed asset is compared to its market value upon transfer out of work in progress either for use or for future sale and an adjustment is effected to ensure that the carrying amount does not exceed fair value.

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

(iii) *Depreciation 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
Assets under arrangement	Straight-line	50
Leased assets APY	Straight-line	45-50
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% per annum on the opening revalued amount for each property. This is consistent with the national APF for state housing entities and promotes consistency and comparability between these entities.

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

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

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

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

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

For revalued assets an impairment loss is offset against the 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.

2.17 *Payables (continued)*

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

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 the Trust's standard payroll processes. That is the Trust 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, DCSI 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.

Wages, salaries, annual leave and sick leave

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

LSL

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

Staff entitlement on-costs

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

2.19 *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

DCSI 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 2012 data.

2.20 *Borrowings*

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

2.20 Borrowings (continued)

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

2.21 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.

3. Financial risk management

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

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

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

The 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 generally depressed at present with lower prices being achieved and properties taking longer to sell than would be the case in a stronger market. The sales program has reflected these market conditions with sale prices lower than anticipated, requiring the sale of a higher number of properties to achieve the required revenue targets. The Trust manages the risk of not meeting its sales revenue requirements by regular monitoring and reporting of sales performance.

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

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

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

4. Changes in accounting policies and accounting standards

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 2012. The Trust has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Trust.

5. Activities of the Trust

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

Activity 1: Public Housing

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

Activity 2: Indigenous Housing

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

Activity 3: Community Housing

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

Activity 4: Private Rental Assistance

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

Activity 5: Homelessness Services and Support

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

6. Staffing costs

	Note	2012	2011
		$'000	$'000
Salaries and wages		54 305	53 207
Superannuation		7 037	6 534
Annual leave		5 391	5 705
Payroll tax		3 691	3 564
Other staff expenses		2 932	2 732
LSL		4 114	2 745
Workers compensation		1 887	2 769
TVSPs		119	511
Board fees		289	269
Charged to capital program		(4 438)	(10 433)
Total staffing costs		75 327	67 603

TVSPs

	Note	2012	2011
Amount paid to staff:			
TVSPs		119	511
Annual leave and LSL paid during the reporting period		37	164
Recovery from DTF	17	119	511
Net cost to Trust		37	164

TVSPs (continued)
The number of employees who received a TVSP during the reporting period was 1 (5).

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	Executive 2012 Number	Executive 2011 Number	Staff 2012 Number	Staff 2011 Number
$134 000 - $143 999	-	1	2	3
$144 000 - $153 999	2	2	-	3
$154 000 - $163 999	3	3	2	1
$164 000 - $173 999	2	1	-	-
$174 000 - $183 999	1	1	-	-
$184 000 - $193 999	-	2	-	-
$204 000 - $213 999	-	-	1	-
$224 000 - $233 999	1	-	-	-
$244 000 - $253 999	1	2	-	-
Total	10	12	5	7

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 $2.566 million ($3.163 million).

Remuneration of board and committee members
Membership for various boards and committees during 2011-12 were:

SAHT Governing Board (appointed by the Governor)
C Long (Chair)
M Patetsos
G Crafter
M Hemmerling
J King
R Boorman

South Australian Affordable Housing Trust Board (appointed by the Board)
C Long (Chair)
M Patetsos
G Crafter
J King
M Hemmerling
R Boorman

Audit and Finance Committee (appointed by the Board)
M Patetsos (Chair)
P Agars (ended 30 October 2011)
J King
M Hemmerling (September 2011)

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

Housing Appeal Panel (appointed by the Minister)
K McEvoy (reappointed 1 February 2012)
M Castles (reappointed 1 February 2012)
U Dahl (reappointed 1 February 2012)
K Dahl
A Faulkner
A King
A McLean
C Finn (term expired 31 January 2012)

Westwood Urban Renewal Project Committee (dissolved 31 March 2012)
(appointed under the terms of the Westwood Agreement)
R Payze
M Devine (ended December 2011)
D O'Loughlin[(1)]
D Atkinson (ended February 2012)[(1)]
K Gligic (appointed February 2012)[(1)]

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

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

Some board members sit on more than one board.

Remuneration of board and committee members (continued)

The number of board and committee members whose remuneration from the Trust falls within the following bands:	2012 Number	2011 Number
$0 - $9 999	12	27
$10 000 - $19 999	1	7
$20 000 - $29 999	-	2
$30 000 - $39 999	1	3
$40 000 - $49 999	5	-
$50 000 - $59 999	1	-
Total	20	39

	2012 $'000	2011 $'000
Total remuneration received, or due and received by board and committee members	301	297
Amounts paid to a superannuation plan for board and committee members	26	28

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

7. Supplies and services

Supplies and services provided by entities within the SA Government:	2012 $'000	2011 $'000
Operating lease	6 039	6 097
Insurance	2 197	2 188
Accommodation expenses	1 531	1 882
Audit fees - Auditor-General's Department(1)	370	411
Debt management	475	370
Travel and accommodation	5	230
Fleet management	3 159	-
Communications	212	155
Administration expenses	207	138
Contractors	60	-
Total supplies and services - SA Government entities	14 255	11 471
Supplies and services provided by entities external to the SA Government:		
Contractors	5 757	4 680
Insurance	4 471	3 754
Computer expenses	5 473	2 783
Printing, stationery and postage	1 703	1 803
Accommodation expenses	2 622	1 704
Administration expenses	1 665	1 643
Operating lease	972	949
Travel and accommodation	1 480	808
Tenant relocation	564	745
Agent fees	631	615
Communications	615	578
Other customer related expenses	641	426
Staff development	423	390
Debt management	142	179
Consultants	77	138
Brokerage	67	65
Charged to capital program	(2 305)	(1 626)
Total supplies and services - non-SA Government entities	24 998	19 634
Total supplies and services	39 253	31 105

(1) 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:	2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	3	21	2	13
$10 000 - $50 000	3	56	5	125
Total paid/payable to the consultants engaged	6	77	7	138

8. Business service fees

	2012 $'000	2011 $'000
Computing services and processing charges	7 475	7 204
Motor vehicles hire charges	385	3 568
Legal and financial services	491	467
GST expense	1 410	1 053
Staff development	1 151	1 108
Human resources services	1 325	1 315
Records management and mail services	579	609
Administration premises management	743	753
Procurement services	1 216	1 187
Geographical information services	808	788
Payroll services	574	559
Internal audit	525	512
Business planning, strategy and quality assurance	281	274
Insurance	215	210
Media and communications services	219	214
SSSA	1 703	2 124
Telecommunications management and charges	36	313
Total business service fees	19 136	22 258

9. Rental property expenses

	2012 $'000	2011 $'000
Rental property expenses provided by entities within the SA Government:		
Land tax equivalent	192 866	185 042
Water rates	34 437	28 409
Stamp duty and search fees	67	118
Valuations	150	144
Emergency Services levy	154	168
Total rental property expenses - SA Government entities	227 674	213 881
Rental property expenses provided by entities external to the SA Government:		
Maintenance	110 782	104 261
Council rates	41 386	39 298
Construction variances	9 921	1 265
Property expenses	251	160
Total rental property expenses - non-SA Government entities	162 340	144 984
Total rental property expenses	390 014	358 865

10. Depreciation and amortisation

	2012 $'000	2011 $'000
Depreciation:		
Rental properties	75 986	74 844
Assets under arrangement	10 725	9 608
Plant and equipment	346	206
Administrative properties	160	169
Total depreciation	87 217	84 827
Amortisation:		
Intangible assets	1 036	1 484
Leasehold improvements	875	917
APY Lands	584	-
Total amortisation	2 495	2 401
Total depreciation and amortisation	89 712	87 228

11. Grants and subsidies

	2012	2011
Grants and subsidies paid/payable to entities within the SA Government:	$'000	$'000
Private rental assistance	6 752	5 250
National Affordable Housing Agreement: Specialist Homelessness Services	1 734	2 047
National Partnership Agreements:		
Homelessness	1 161	1 028
Remote Indigenous Housing	593	-
Affordable housing grants	873	836
Disability SA group home fitout subsidy	38	236
Nunga loan subsidy	-	150
Subsidies to other housing providers	15	88
Other recurrent grants	3	16
Total grants and subsidies - SA Government entities	11 169	9 651
Grants and subsidies paid/payable to entities external to the SA Government:		
National Affordable Housing Agreements: Specialist Homelessness Services	32 698	31 341
National Partnership Agreements:		
Homelessness	14 676	12 681
Social Housing	700	5 937
Remote Indigenous Housing	1 437	1 310
Affordable housing grants	10 056	16 154
Private rental assistance	7 531	6 880
Indigenous Community Housing program	458	4 875
Subsidies to other housing providers	2 411	1 983
National Rental Affordability Scheme subsidies	1 344	635
CHO maintenance liability	430	500
Crisis accommodation	680	366
APY Lands Environmental Health Program	-	362
Subsidies to CHOs	234	278
Bookyana Veg Garden Project	114	-
Homelessness Improvement Fund	100	-
Yalata Community insurances	307	-
Other recurrent grants	6	-
Total grants and subsidies - non-SA Government entities	73 182	83 302
Total grants and subsidies	84 351	92 953

12. Finance costs

	2012	2011
Interest on borrowings	24 714	27 400
Treasurer's guarantee fee	8 319	9 272
Interest premium on early repayment of loans	7 482	-
Total finance costs - SA Government entities	40 515	36 672

13. Impairment expenses

	2012	2011
Impairment expenses paid/payable to entities external to the SA Government:		
Asset write-offs[1]	9 898	15 221
Doubtful debts expense	6 782	8 584
Total impairment expenses - non-SA Government entities	16 680	23 805

(1) Expensing of book value of assets demolished.

14. Net gain (loss) from disposal of assets

	2012	2011
Rental properties:		
Proceeds from disposal	123 591	92 898
Net book value of assets disposed[1]	(132 607)	(92 825)
Net gain (loss) from disposal of rental properties	(9 016)	73
Administration properties:		
Proceeds from disposal	-	985
Net book value of assets disposed[1]	-	(1 217)
Net gain (loss) from disposal of administration properties	-	(232)

14.	**Net gain (loss) from disposal of assets (continued)**	2012	2011
	Inventory - capital work in progress	$'000	$'000
	Proceeds from disposal	38 509	90 522
	Net book value of assets disposed[1]	(44 740)	(48 495)
	Net gain (loss) from disposal of completed assets	(6 231)	42 027
	Inventory - vacant land:		
	Proceeds from disposal	3 513	1 621
	Net book value of assets disposed[1]	(3 514)	(1 332)
	Net gain (loss) from disposal of vacant land	(1)	289
	Total assets:		
	Total proceeds from disposal	165 613	186 026
	Total net book value of assets disposed[1]	(180 861)	(143 869)
	Total net gain (loss) from disposal of assets	(15 248)	42 157

[1] 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.

15.	**Rental income**	2012	2011
	Rent received/receivable from entities external to the SA Government:	$'000	$'000
	Market rent income	482 958	468 224
	Rental rebates	(222 623)	(226 447)
	Other rent	7 715	6 421
	Total rental income - non-SA Government entities	268 050	248 198

16.	**Interest revenue**		
	Interest from entities within the SA Government	12 701	13 304
	Interest from entities external to the SA Government	98	98
	Total interest revenue	12 799	13 402

17.	**Recoveries**		
	Recoveries received/receivable from entities within the SA Government:		
	Administrative services to other agencies	655	413
	TVSP recoveries	119	511
	Other	136	138
	Total recoveries - SA Government entities	910	1 062
	Recoveries received/receivable from entities external to the SA Government:		
	Maintenance	8 596	5 088
	Private rental assistance	5 648	4 304
	Water charges	10 141	6 702
	General service recoveries	1 037	489
	Grant recoveries	262	761
	Insurance	3 560	264
	Other	77	337
	Total recoveries - non-SA Government entities	29 321	17 945
	Total recoveries	30 231	19 007

18.	**Recurrent Commonwealth revenues**		
	National Affordable Housing Agreement base funding	94 691	95 852
	National Partnership Agreements:		
	Homelessness	8 177	7 796
	Remote Indigenous Housing	3 967	3 535
	Sturt Street Accommodation program	489	262
	Fixing Houses for Better Health program	-	75
	Homelessness Regional Alliance	-	110
	Total recurrent Commonwealth revenues	107 324	107 630

19. Capital Commonwealth revenues	2012	2011
National Partnership Agreements:	$'000	$'000
Nation Building - Economic Stimulus Plan	30 709	84 855
Remote Indigenous Housing	41 498	15 846
Social Housing	36	-
Homelessness	1 817	1 817
National Housing Affordability Fund	50	100
Total capital Commonwealth revenues	74 110	102 618

20. Other revenue		
Other revenue received/receivable from entities within the SA Government:		
Interest discount due to early repayment of loans	-	6 107
Total other revenue - SA Government entities	-	6 107
Other revenue received/receivable from entities external to the SA Government:		
Bad debts recovered	3 528	3 959
Assets received free of charge	370	520
Sundry revenue	137	492
Total other revenue - non-SA Government entities	4 035	4 971
Total other revenue	4 035	11 078

21. Recurrent revenues from SA Government		
Tax equivalent reimbursement	192 866	185 042
General purpose grant	36 049	43 908
National Partnership Agreement: Homelessness	6 550	6 550
National Rental Affordability Scheme	994	-
Other state grants	688	360
Compensation from URA	53 821	-
Total recurrent revenues from SA Government	290 968	235 860

22. Capital revenues from SA Government		
Strathmont Centre redevelopment	-	3
Disability housing '7 for 9' replacement	-	4 357
Total capital revenues from SA Government	-	4 360

23. Cash and cash equivalents		
Cash held in SAFA Cash Management Fund	143 723	154 839
Deposits with the Treasurer	134 841	113 209
Cash - development projects	1 483	1 442
Cash on hand	38	37
Total cash and cash equivalents	280 085	269 527

Deposits with the Treasurer

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

Cash - development projects

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

Interest rates applicable at 30 June 2012

Deposits with the Treasurer: 3.93% - 4.6% (4.4% - 4.65%)
Cash - Development Projects: 0.5% - 4.92% (1.25% - 4.92%)
Cash held at SAFA Cash Management Fund: 4.16% - 5.08% (4.84% - 5.1%)

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

	2012	2011
	$'000	$'000
Affordable Housing Initiative Fund balance at 1 July	11 375	24 224
Interest revenue	2 726	3 304
Affordable Housing Initiative Fund land sales revenue	125	-
Approved payments from the Fund	(10 020)	(16 153)
Affordable Housing Initiative Fund balance at 30 June	4 206	11 375

24. Receivables

	2012	2011
Current:	$'000	$'000
Receivables	29 301	29 901
Allowance for doubtful debts	(16 156)	(17 933)
Accrued revenues	1 515	2 218
GST receivable	4 665	-
Prepayments	193	616
Total current receivables	19 518	14 802
Total receivables	19 518	14 802

Government/Non-government receivables

	2012	2011
Receivables from SA Government entities:		
Receivables	6 068	3 772
Accrued revenues	935	1 719
Prepayments	-	123
GST receivable from DCSI	4 665	-
Total receivables - SA Government entities	11 668	5 614
Receivables from non-SA Government entities:		
Receivables	7 077	8 196
Accrued revenues	580	499
Prepayments	193	493
Total receivables - non-SA Government entities	7 850	9 188
Total receivables	19 518	14 802

Interest rate and credit risk

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

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

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

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

Allowance for doubtful debts

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

Movements in the allowance for doubtful debts (impairment loss):	2012	2011
	$'000	$'000
Carrying amount at 1 July	17 933	16 700
Increase (Decrease) in the provision	6 782	8 584
Amounts written off	(8 559)	(7 351)
Carrying amount at 30 June	16 156	17 933

Bad and doubtful debts

The Trust has recognised a doubtful debts expense of $6.782 million ($8.584 million) in the Statement of Comprehensive Income.

Maturity analysis of receivables – refer note 39.3.

Categorisation of financial instruments and risk exposure information – refer note 39.

25. Inventories

	2012	2011
Current:	$'000	$'000
Capital work in progress	109 894	86 650
Developed land	10 373	10 092
Vacant land	3 124	1 509
Total current inventories	123 391	98 251

	2012	2011
25. Inventories (continued)		
Non-current:	$'000	$'000
Capital work in progress	2 019	3 907
Total non-current inventories	2 019	3 907
Total inventories	125 410	102 158

26. Non-current assets classified as held for sale

	2012	2011
Land	11 779	17 204
Buildings	8 281	14 068
Total non-current assets classified as held for sale	20 060	31 272

27. Property, plant and equipment

	2012	2011
Rental properties:		
Land:		
Land at fair value	5 050 829	4 883 025
Buildings:		
Buildings at fair value	3 749 227	3 812 008
Accumulated depreciation	(50 635)	(50 514)
Total buildings	3 698 592	3 761 494
Total rental properties	8 749 421	8 644 519
Administrative properties:		
Land:		
Freehold land	2 180	2 080
Buildings:		
Buildings	3 769	3 202
Accumulated depreciation	(112)	(96)
Total buildings	3 657	3 106
Leasehold improvements:		
Leasehold improvements	8 363	7 506
Accumulated depreciation	(5 872)	(4 997)
Total leasehold improvements	2 491	2 509
Total administrative properties	8 328	7 695
Assets under arrangement:		
Land:		
Assets under arrangement	667 039	579 894
Buildings:		
Assets under arrangement	582 302	511 525
Accumulated depreciation	(7 288)	(6 432)
Total assets under arrangement - buildings	575 014	505 093
Total assets under arrangement	1 242 053	1 084 987
Vacant land:		
Land:		
Freehold land	81 978	68 647
Total vacant land	81 978	68 647
APY leased properties:		
Land:		
APY land	953	91
Buildings:		
APY buildings	42 570	32 704
Accumulated amortisation	(584)	-
Total APY leased properties - buildings	41 986	32 704
Total APY leased properties	42 939	32 795
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 943	3 002
Accumulated depreciation	(1 579)	(1 520)
Total plant and equipment	1 364	1 482

27. Property, plant and equipment (continued)

	2012	2011
Capital work in progress:	$'000	$'000
Buildings	233 807	236 203
Total capital work in progress	233 807	236 203
Total property, plant and equipment	10 359 890	10 076 328
Total property, plant and equipment at fair value	10 189 210	9 900 682
Total property, plant and equipment at cost	236 750	239 205
Total accumulated depreciation	(66 070)	(63 559)
Total property, plant and equipment	10 359 890	10 076 328

Refer note 40 for reconciliation of property, plant and equipment.

28. Intangible assets

	2012	2011
Computer software:		
Internally generated computer software	9 925	6 897
Accumulated amortisation	(5 581)	(4 545)
Total computer software	4 344	2 352
Work in progress computer system development	2 623	3 397
Total work in progress computer system development	2 623	3 397
Total intangible assets	6 967	5 749

	Internally generated software		Work in progress computer system development		Total	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	2 352	3 603	3 397	1 578	5 749	5 181
Additions	3 028	612	2 254	2 431	5 282	3 043
Transfers to internally generated software	-	-	(3 028)	(612)	(3 028)	(612)
Transfer to other asset categories	-	(379)	-	-	-	(379)
Amortisation	(1 036)	(1 484)	-	-	(1 036)	(1 484)
Balance at 30 June	4 344	2 352	2 623	3 397	6 967	5 749

29. Payables

	2012	2011
Current:	$'000	$'000
Creditors	38 230	44 663
Accrued expenses	4 422	4 631
Staff on-costs	955	1 046
GST payable	-	906
Total current payables	43 607	51 246
Non-current:		
Staff on-costs	1 378	1 247
Total non-current payables	1 378	1 247
Total payables	44 985	52 493
Payables to SA Government entities:		
Creditors	4 655	19 269
Accrued expenses	4 310	4 563
Staff on-costs	2 333	2 293
GST payable to DCSI	-	906
Total payables - SA Government entities	11 298	27 031
Payables to non-SA Government entities:		
Creditors	33 575	25 394
Accrued expenses	112	68
Total payables - non-SA Government entities	33 687	25 462
Total payables	44 985	52 493

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

	2012	2011
Current:	$'000	$'000
Annual leave	5 049	5 763
LSL	1 651	1 586
Total current staff entitlements	6 700	7 349
Non-current:		
LSL	14 863	14 278
Total non-current staff entitlements	14 863	14 278
Total staff entitlements	21 563	21 627

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 2011 (5.25%) to 2012 (3%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of LSL liability has changed from the 2011 benchmark five years to zero years. The net financial effect of the changes in the current financial year is an increase in the LSL liability of $2.37 million and staff on-costs of $220 000. The impact on future periods can not be estimated reliably as the benchmark is calculated using a number of assumptions and a key assumption the long-term discount rate is experiencing significant movement.

31. Interest bearing liabilities

	2012	2011
Current:	$'000	$'000
Borrowings - DTF	13 280	14 873
Managed Houses Scheme	243	243
Total current interest bearing liabilities	13 523	15 116
Non-current:		
Borrowings - DTF	467 071	541 459
Managed Houses Scheme	2 247	2 489
Total non-current interest bearing liabilities	469 318	543 948
Total interest bearing liabilities - SA Government entities	482 841	559 064

DTF loans consist of concessional interest rate borrowing (originally under the Commonwealth State Housing Agreement) of $480.4 million ($556.3 million) which are repayable over a period of 30 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 4% to 5% (4% to 5%). The weighted average interest rate is 4.47% (4.5%).

The fair value of DTF loans is $468.82 million ($486.95 million).

32. Provisions

	2012	2011
Current:	$'000	$'000
Public risk	824	911
Workers compensation	1 093	1 024
Professional indemnity	179	194
General insurance	34	54
Total current provisions - SA Government entities	2 130	2 183

32. Provisions (continued)

	2012	2011
Non-current:	$'000	$'000
Workers compensation	3 710	3 207
General insurance	47	69
Total non-current provisions - SA Government entities	3 757	3 276
Total provisions	5 887	5 459

	Public risk	Workers compensation	Professional indemnity	General insurance	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	911	4 231	194	123	5 459
Additional provisions recognised	904	1 886	65	-	2 855
Reduction in provisions	(921)	-	(50)	(42)	(1 013)
Payments made	(70)	(1 314)	(30)	-	(1 414)
Carrying amount at 30 June	824	4 803	179	81	5 887

33. Other liabilities

	2012	2011
Current:	$'000	$'000
Rent received in advance	9 667	8 554
Deposits held:		
Tenant deposits held	2 388	2 326
Sale deposits held	10	247
Unearned revenue	188	188
Total current other liabilities	12 253	11 315
Non-current:		
Unearned revenue	1 737	1 925
Total non-current other liabilities	1 737	1 925
Total other liabilities	13 990	13 240
Other liabilities - SA Government entities:		
Unearned revenue	1 290	1 416
Total other liabilities - SA Government entities	1 290	1 416
Other liabilities - non-SA Government entities:		
Rent received in advance	9 667	8 554
Unearned revenue	635	697
Deposits held:		
Tenant deposits held	2 388	2 326
Sale deposits held	10	247
Total other liabilities - non-SA Government entities	12 700	11 824
Total other liabilities	13 990	13 240

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:

	2012	2011
	$'000	$'000
Not later than one year	6 424	7 724
Later than one year but not later than five years	5 677	4 887
Later than five years	-	-
Total remuneration commitments	12 101	12 611

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:

Capital commitments (continued)	2012	2011
	$'000	$'000
Not later than one year	19 667	85 104
Later than one year but not later than five years	5 391	5 627
Later than five years	-	-
Total capital commitments	25 058	90 731

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	61 171	48 819
Later than one year but not later than five years	1 061	41 842
Later than five years	-	-
Total recurrent commitments	62 232	90 661

Management agreement commitments

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

	2012	2011
	$'000	$'000
Not later than one year	306	300
Later than one year but not later than five years	5 213	5 114
Later than five years	8 851	10 259
Total management agreement commitments	14 370	15 673

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:

	2012	2011
	$'000	$'000
Not later than one year	7 712	7 754
Later than one year but not later than five years	19 994	21 782
Later than five years	10 588	14 342
Total operating lease commitments	38 294	43 878

35. Contingent assets and liabilities

Contingent assets

The Trust does not have any contingent assets as at 30 June 2012.

Contingent liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 29 (35) of the properties included in the scheme are subject to mortgages with a collective loan balance of $609 000 ($928 000). The tenants' share of the value of the properties subject to mortgage is estimated to be $3.965 million ($4.642 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 eight (nine) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $1.704 million ($1.809 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 2012 is $33.168 million ($26.235 million). The value of claims made this financial year is $5.423 million ($4.049 million).

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

Equity shares

The SACCH Act provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative or association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant co-operatives or associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2012 is $9.967 million ($9.701 million).

Compensation from URA

Compensation of $53.821 million was received from the URA some months after the $67.52 million transfer of assets to the URA under machinery of government changes. The GST status of this payment is the subject of a private ruling being developed for Housing SA by Ernst and Young with the ATO. Preliminary advice from Ernst and Young indicates that a GST liability is unlikely, but this is not yet absolute.

36. Transferred functions

The following assets and liabilities were transferred to the URA.

	2012	2011
Transferred out	$'000	$'000
Non-current assets:		
Property, plant and equipment	67 520	-
Total non-current assets	67 520	-
Current liabilities:		
Payables	(108)	-
Staffing entitlements	(812)	-
Total current liabilities	(920)	-
Non-current liabilities:		
Payables	(112)	-
Staffing entitlements	(1 277)	-
Total non-current liabilities	(1 389)	-
Total liabilities	(2 309)	
Total net assets transferred	65 211	-

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.

	2012	2011
Unspent SA Government revenues:		
National Partnership Agreement: Homelessness	6 466	6 550
Total unspent SA Government commitments	6 466	6 550
Unspent Commonwealth revenues:		
National Partnership Agreements:		
Nation Building - Economic Stimulus Plan	30 709	84 855
Remote Indigenous Housing	45 465	19 381
Homelessness	-	1 738
Social Housing	36	-
Homelessness Regional Alliance	-	110
Alice Springs Safe House	70	-
Total unspent Commonwealth grant commitments	76 280	106 084
Total unspent grants	82 746	112 634

Unspent grant commitments (continued)

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

National Partnership Agreement: Homelessness

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

National Partnership Agreement: Nation Building - Economic Stimulus Plan

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

National Partnership Agreement: Remote Indigenous Housing

Funding is granted for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring on going 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.

National Partnership Agreement: Social Housing

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

Homelessness Regional Alliance

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

Alice Springs Safe House

Funding is provided as a contribution towards maintaining a facility located in Alice Springs to provide emergency accommodation for large families escaping family and domestic violence. The facility is to be managed by the NPY Women's Council under MOAA with the Commonwealth and the Homelessness Strategy Division of Housing SA.

Of the revenue reported as unspent at 30 June 2011, $35.308 million remains unspent at 30 June 2012. This total comprises the following: $315 000 for the National Partnership Agreement - Homelessness (State matching funds), $15.557 million for National Partnership Agreement: Nation Building - Economic Stimulus Plan, $19.381 million for National Partnership Agreement: Remote Indigenous Housing, and $55 000 for the Homelessness Regional Alliance. These amounts have been incorporated into approved budgets for future expenditure.

Of the revenue reported as unspent in previous years $22.342 million remains unspent at 30 June 2012. This total comprises: $3.115 million for the National Partnership Agreement; Homelessness, $9.109 million for National Partnership Agreement: Remote Indigenous Housing, $1.509 million for National Partnership Agreement: Social Housing, $4.141 million National Housing Affordability Fund, $4.419 million for the Crisis Accommodation Program and $49 000 for the Umeewarra Mission Program. These amounts have been incorporated into approved budgets for future expenditure.

38. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Statement of Cash Flows	280 085	269 527
Statement of Financial Position	280 085	269 527
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	90 688	(2 260)
Revenues from SA Government	(290 968)	(262 022)
	(200 280)	(264 282)
Non-cash items:		
Depreciation and amortisation	(89 712)	(87 228)
Loan amortisation	243	243
Assets received free of charge	370	520
Allowance for doubtful debts	1 777	(1 233)
Provision adjustment	1 842	1 905
Construction variance, surplus on property	(9 921)	(1 265)
Buildings and other assets written off	(9 898)	(14 068)
	(105 299)	(101 126)
Movements in assets/liabilities:		
Receivables	2 939	(2 457)
Property, plant and equipment	24 400	179 135
Payables	7 508	15 631
Staff entitlements	64	706
Provisions	(2 269)	(2 474)
Other liabilities	(750)	(1 532)
	31 892	189 009
Net cost of providing services	(273 687)	(176 399)

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.

		2012		2011	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	23	280 085	280 085	269 527	269 527
Loans and receivables:					
Receivables (at cost)	24	14 660	14 660	14 186	14 186
Financial liabilities					
Payables:					
Payables (at cost)	29	41 297	41 297	48 327	48 327
Borrowings:					
Interest bearing liabilities (at cost)	31	482 841	471 310	559 064	489 686

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			
2012	Overdue for less than 30 days $'000	Overdue for 30-90 days $'000	Overdue for more than 90 days $'000	Total $'000
Not impaired:				
Receivables	10 399	-	-	10 399
Impaired:				
Receivables	4 836	315	15 266	20 417*
2011				
Not impaired:				
Receivables	10 093	-	-	10 093
Impaired:				
Receivables	5 631	493	15 902	22 026*

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

* Gross amount before application of allowance for doubtful debts.

39.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2012	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	280 085	280 085	-	-
Receivables	14 660	8 467	6 157	36
Total financial assets	294 745	288 552	6 157	36
Financial liabilities:				
Payables	41 297	39 919	1 378	-
Interest bearing liabilities	482 841	13 523	56 450	412 868
Total financial liabilities	524 138	53 442	57 828	412 868
2011				
Financial assets:				
Cash and cash equivalents	269 527	269 527	-	-
Receivables	14 186	8 274	5 866	46
Total financial assets	283 713	277 801	5 866	46
Financial liabilities:				
Payables	48 327	48 327	-	-
Interest bearing liabilities	559 064	15 116	65 329	478 619
Total financial liabilities	607 391	63 443	65 329	478 619

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

40. Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2011-12:

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

	Rental properties - land		Rental properties - buildings		Admin properties - land	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	4 883 025	4 292 693	3 761 494	3 621 153	2 080	1 912
Additions	-	-	-	-	-	-
Transfer in from other asset category	29 565	115 371	50 501	189 736	44	179
Maintenance upgrades	-	-	14 290	25 901	-	-
Assets classified as held for sale	3 221	(1 397)	5 787	(231)	-	-
Disposals	(78 913)	(48 456)	(52 021)	(34 371)	-	(79)
Transfer out to other asset category	(94 033)	(78 661)	(101 897)	(34 799)	-	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment	307 964	603 475	94 248	68 212	56	68
Depreciation and amortisation expenses	-	-	(75 986)	(74 844)	-	-
Depreciation and amortisation on disposals	-	-	2 176	737	-	-
Carrying amount at 30 June	5 050 829	4 883 025	3 698 592	3 761 494	2 180	2 080

	Admin properties - buildings		Admin properties - leasehold improvements		Assets under arrangement - land	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	3 106	2 747	2 509	3 261	579 894	492 925
Additions	-	-	1 187	649	-	-
Transfer in from other asset category	329	481	691	-	49 563	23 525
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	(133)	-	-	-	(189)
Transfer out to other asset category	-	-	(1 021)	(484)	(2 776)	(9 503)
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment	382	170	-	-	40 358	73 136
Depreciation and amortisation expenses	(160)	(169)	(875)	(917)	-	-
Depreciation and amortisation on disposals	-	10	-	-	-	-
Carrying amount at 30 June	3 657	3 106	2 491	2 509	667 039	579 894

	Assets under arrangement - buildings		Vacant land - land		APY leased properties - land	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	505 093	464 625	68 647	62 167	91	-
Additions	102	321	-	-	-	-
Transfer in from other asset category	73 453	50 509	26 838	21 968	862	-
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	(76)	(124)	(785)	-	-
Transfer out to other asset category	(2 411)	(4 250)	(16 733)	(33 000)	-	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment	9 473	3 531	3 350	18 297	-	91
Depreciation and amortisation expenses	(10 725)	(9 608)	-	-	-	-
Depreciation and amortisation on disposals	29	41	-	-	-	-
Carrying amount at 30 June	575 014	505 093	81 978	68 647	953	91

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

	APY leased properties - buildings		Plant and equipment		Capital work in progress	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	32 704	-	1 482	1 232	236 203	281 033
Additions	-	-	97	456	173 923	273 470
Transfer in from other asset category	829	32 704	130	-	75 494	379 808
Maintenance upgrades	-	-	-	-	1 097	23 159
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	(285)	-	-	-
Transfer out to other asset category	-	-	-	(175)	(185 390)	(721 267)
Assets transferred due to administrative restructure	-	-	-	-	(67 520)	-
Revaluation increment	9 037	-	-	-	-	-
Depreciation and amortisation expenses	(584)	-	(346)	(206)	-	-
Depreciation and amortisation on disposals	-	-	286	175	-	-
Carrying amount at 30 June	41 986	32 704	1 364	1 482	233 807	236 203

	Total property, plant and equipment	
	2012	2011
	$'000	$'000
Carrying amount at 1 July	10 076 328	9 223 748
Additions	175 309	274 896
Transfer in from other asset category	308 299	814 281
Maintenance upgrades	15 387	49 060
Assets classified as held for sale	9 008	(1 628)
Disposals	(131 343)	(84 089)
Transfer out to other asset category	(404 261)	(882 139)
Assets transferred due to administrative restructure	(67 520)	-
Revaluation increment	464 868	766 980
Depreciation and amortisation expenses	(88 676)	(85 744)
Depreciation and amortisation on disposals	2 491	963
Carrying amount at 30 June	10 359 890	10 076 328

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 establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

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

SAFECOM provides various services in support of the SAMFS's primary functions, including financial management and accounting services. Also, the operations of the SAMFS are financed by the Community Emergency Services Fund (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 the SAMFS and SAFECOM 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 Commonwealth grants
- cash and receivables
- non-current assets, including asset valuations and capital works in progress
- financial accounting
- corporate governance and risk management
- budgetary control
- financial management compliance programs.

The audit included a follow-up of previous audit findings. This included a specific assessment of internal controls related to capital works in progress and capitalisation of completed assets covering procurement, asset valuation and record keeping practices to support asset transactions and management reporting. Previous internal audit recommendations were considered as part of this review.

The audit also covered 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 Metropolitan Fire Service as at 30 June 2012, 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’ in the section of Part B of this Report titled ‘South Australian Fire and Emergency Services Commission’, are sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire Service have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SAMFS who are responsible for the governance of the SAMFS.

Major matters raised with SAFECOM and the SAMFS and the related responses are detailed 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

	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	101	94
Supplies and services	14	13
Other expenses	7	7
Total expenses	122	114
Income		
Total income	7	7
Net cost of providing services	(115)	(107)
Revenues from (Payments to) SA Government	101	96
Net result	(14)	(11)
Other comprehensive income	(4)	-
Total comprehensive result	(18)	(11)
Net cash provided by (used in) operating activities	(2)	(3)
Assets		
Current assets	18	23
Non-current assets	136	144
Total assets	154	167
Liabilities		
Current liabilities	18	16
Non-current liabilities	27	24
Total liabilities	45	40
Total equity	109	127

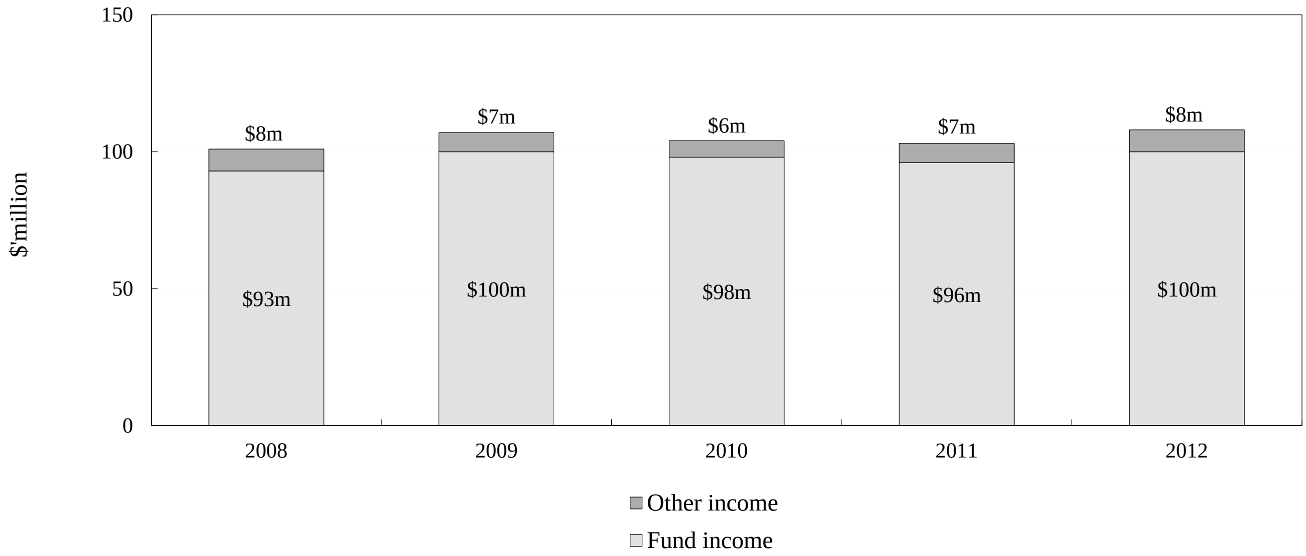
Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for the SAMFS is the contributions from the Fund which account for 93% of revenues (refer note 14 to the financial statements).

The contributions from the Fund to the SAMFS increased by 4% to $100 million during 2011-12.

A structural analysis of income for the SAMFS for the five years to 2012 is presented in the following chart.



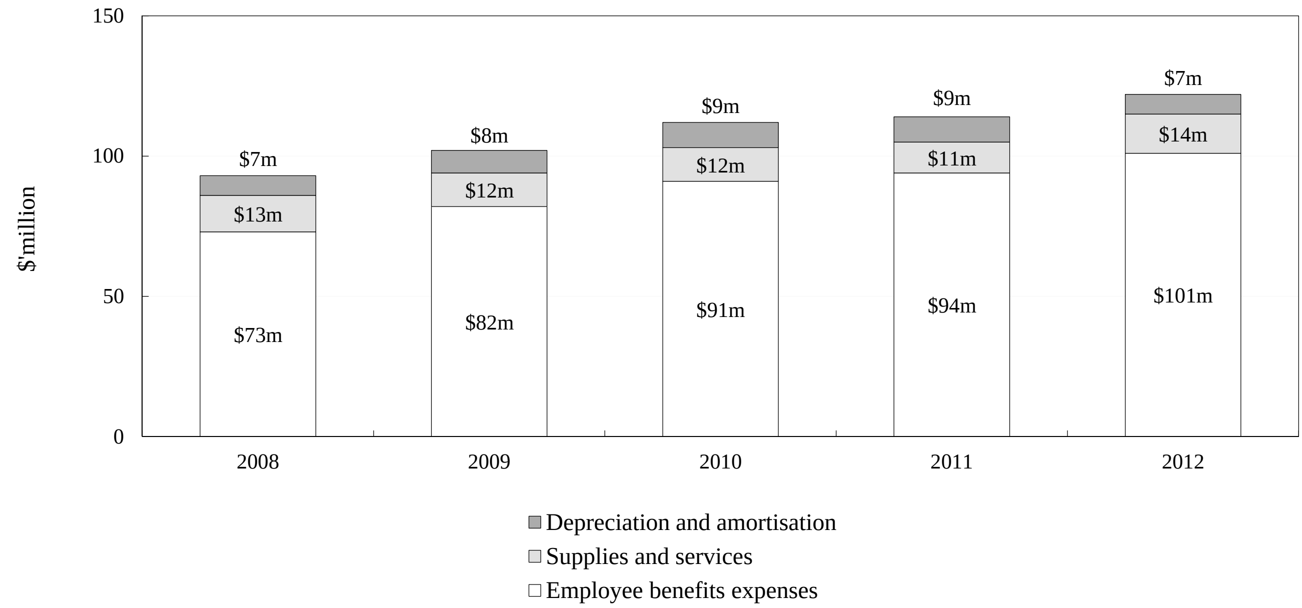
Expenses

Total expenses increased by $8 million (7%) to $122 million. Employee benefits costs account for 83% of the total expenses of the SAMFS. Employee benefits expenses increased by $7 million (7%) to $101 million due mainly to:

- salaries and wages, up $3.6 million due to increases in overtime, allowances and salaries under the enterprise bargaining agreement for some staff
- LSL expense, up $2 million due mainly to a decrease in the discount rate (yield on long-term Commonwealth Government bonds) applied in the revaluation of the LSL liability at 30 June. Refer note 21 to the financial statements for further details.

Supplies and services increased by $1 million due mainly to an increase in consultancy, contractor and legal fees.

For the five years to 2012, an analysis of the main operating expense items (excluding payments to SA Government) for the SAMFS is shown in the following chart.



Over the five years to 2012, expenses have increased by $29 million or 31%.

Net result

The increased expenditure offset by increased funding still resulted in a net deficit for the year of $14 million compared to a net deficit of $11 million in 2010-11. SAMFS's cash and cash equivalents reduced by $5 million as part of this approved budgeted outcome.

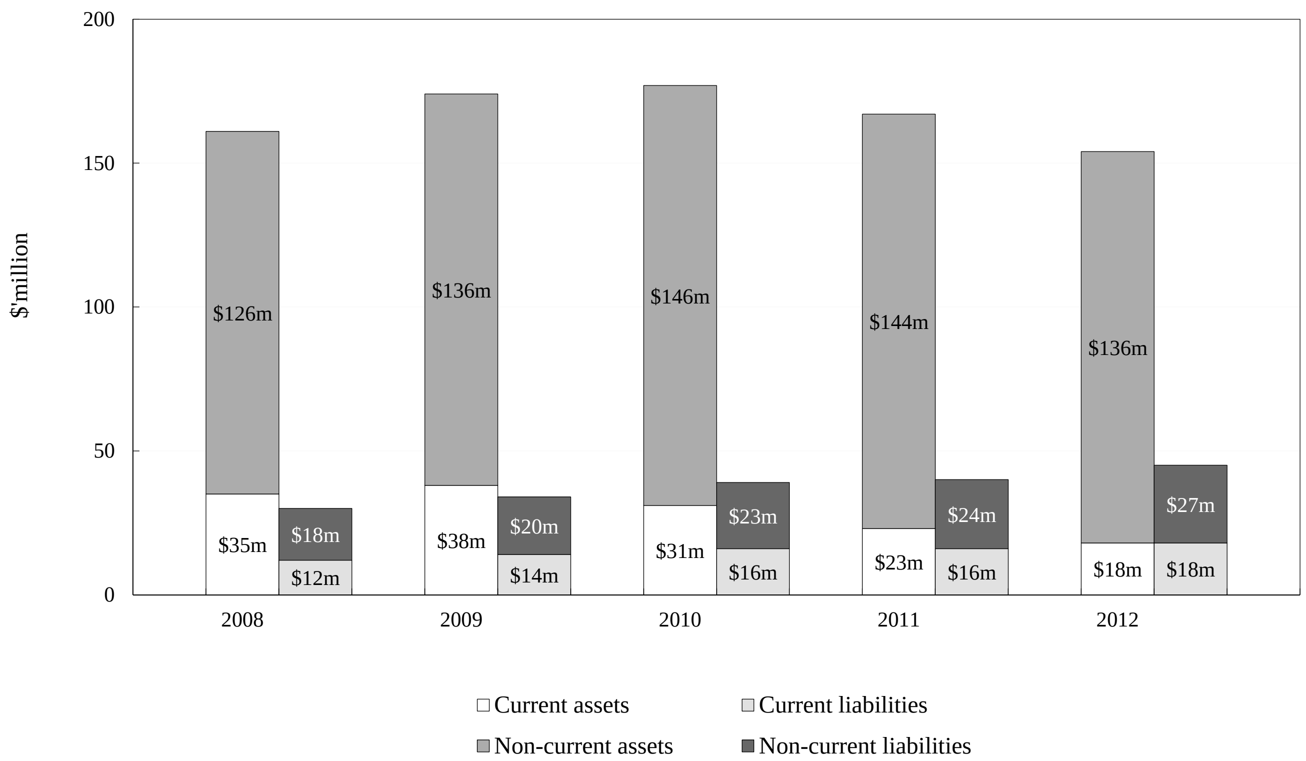
Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'property, plant and equipment' which accounts for 88% of total assets. Property, plant and equipment decreased by $8 million during the year to $136 million due mainly to net revaluation decrements totalling $4.2 million, depreciation expense for the year of $6.7 million offset by capital works in progress acquisitions of $3.2 million.

Current assets decreased by $5 million to $18 million during the year mainly due to a reduction in cash and cash equivalents of $5 million to fund the increased net cost of services. Current assets marginally exceed current liabilities by $70 000 ($6.7 million).

Employee benefit liabilities increased by $5 million to $33 million due to a $4.6 million increase in the LSL liability due mainly to a decrease in the discount rate (yield on long-term Commonwealth Government bonds) applied in the revaluation of the LSL liability at 30 June. Refer note 21 to the financial statements for further details.

For the five years to 2012, 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 and buildings $96 million ($108 million) and vehicles $35 million ($30 million). Refer note 18 to the financial statements for more information.

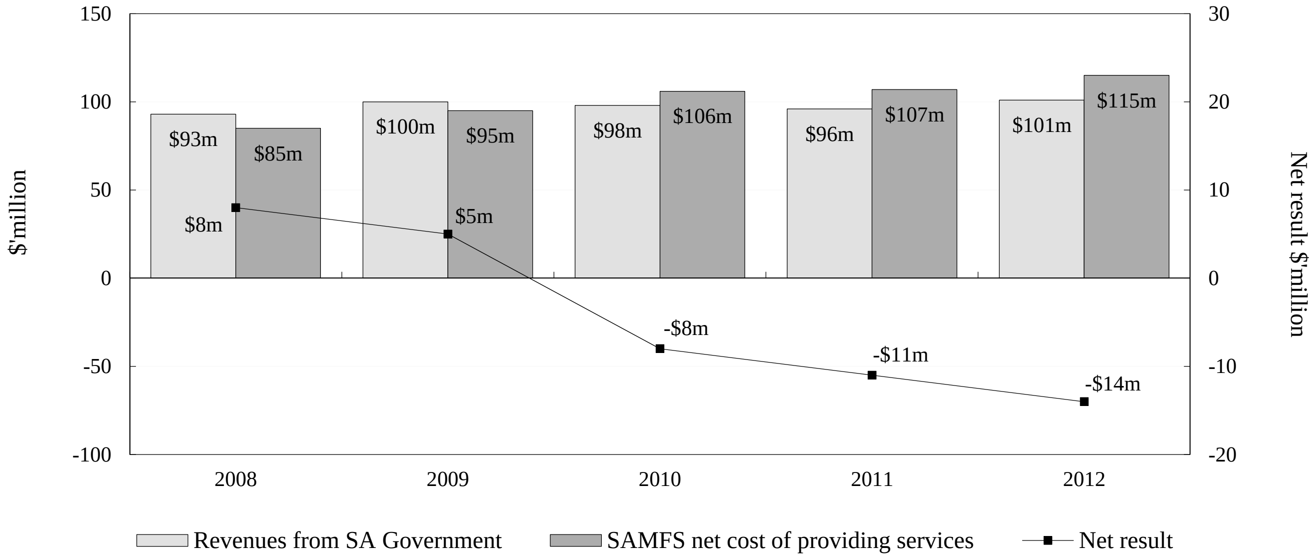
Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2012.

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows					
Operating	(2)	(3)	4	15	15
Investing	(3)	(3)	(12)	(13)	(7)
Change in cash	(5)	(6)	(8)	2	8
Cash at 30 June	17	22	28	36	34

Further commentary on operations

The following chart shows the funding received by the SAMFS from the Fund and the net cost of services for the past five years:



Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefits expenses	5	100 979	94 337
Supplies and services	6	14 034	12 817
Depreciation and amortisation expense	7	6 719	6 449
Other expenses	8	126	-
Net loss from disposal of non-current assets	9	1	-
Total expenses		121 859	113 603
Income:			
Revenues from fees and charges	10	3 954	3 622
Commonwealth revenue	11	1 194	1 090
Interest revenues	12	829	1 211
Net gain from disposal of non-current assets	9	-	17
Other income	13	491	724
Total income		6 468	6 664
Net cost of providing services		115 391	106 939
Revenues from (Payments to) SA Government:			
Revenues from SA Government	14	101 381	96 866
Payments to SA Government	14	-	1 174
Total revenues from (payments to) SA Government		101 381	95 692
Net result		(14 010)	(11 247)
Other comprehensive income:			
Changes in revaluation surplus	18	(4 284)	-
Total comprehensive result		(18 294)	(11 247)

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	15	16 737	21 552
Receivables	16	1 001	1 168
Non-current assets held for sale	17	255	255
Total current assets		17 993	22 975
Non-current assets:			
Property, plant and equipment	18	136 090	144 015
Intangible assets	19	23	37
Total non-current assets		136 113	144 052
Total assets		154 106	167 027
Current liabilities:			
Payables	20	4 342	3 745
Employee benefits	21	12 131	10 812
Provisions	22	1 450	1 672
Total current liabilities		17 923	16 229
Non-current liabilities:			
Payables	20	1 926	1 454
Employee benefits	21	20 507	16 480
Provisions	22	5 101	5 921
Total non-current liabilities		27 534	23 855
Total liabilities		45 457	40 084
Net assets		108 649	126 943
Equity:			
Revaluation surplus	23	96 609	100 893
Retained earnings	23	12 040	26 050
Total equity		108 649	126 943

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	25
Contingent assets and liabilities	26

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		100 893	37 297	138 190
Net result for 2010-11		-	(11 247)	(11 247)
Total comprehensive result for 2010-11		-	(11 247)	(11 247)
Balance at 30 June 2011	23	100 893	26 050	126 943
Net result for 2011-12		-	(14 010)	(14 010)
Loss on revaluation of property, plant and equipment during 2011-12		(4 284)	-	(4 284)
Total comprehensive result for 2011-12		(4 284)	(14 010)	(18 294)
Balance at 30 June 2012	23	96 609	12 040	108 649

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

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(96 121)	(92 598)
Supplies and services payments		(14 862)	(14 603)
GST paid to the ATO		(90)	(284)
Payments for Paid Parental Leave Scheme		(11)	-
Cash used in operations		(111 084)	(107 485)
Cash inflows:			
Fees and charges		4 310	4 318
Receipts from Commonwealth		1 194	1 118
Interest received		868	1 221
GST recovered from the ATO		1 205	1 019
Receipts for Paid Parental Leave Scheme		11	-
Other receipts		491	696
Cash generated from operations		8 079	8 372
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	14	100 323	96 125
Other receipts from SA Government	14	1 058	741
Payments to SA Government	14	-	(1 174)
Cash generated from SA Government		101 381	95 692
Net cash provided by (used in) operating activities	24	(1 624)	(3 421)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(3 194)	(4 613)
Cash used in investing activities		(3 194)	(4 613)
Cash inflows:			
Proceeds from sale of property, plant and equipment		3	1 172
Cash generated from investing activities		3	1 172
Net cash provided by (used in) investing activities		(3 191)	(3 441)
Net increase (decrease) in cash and cash equivalents		(4 815)	(6 862)
Cash and cash equivalents at 1 July		21 552	28 414
Cash and cash equivalents at 30 June	15	16 737	21 552

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian Metropolitan Fire Service (MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue

Objectives (continued)

- to protect life, property and environmental assets from fire and other emergencies occurring in any fire district
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to MFS by or under this or any other Act.

Funding arrangements

Funding of 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 2012 (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 judgment in the process of applying MFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, 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. MFS has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed

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

  (c) employee TVSP information

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

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.

(b) Basis of preparation (continued)

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 2012 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 have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(e) Rounding

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

(f) Taxation

MFS is not subject to income tax. 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 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.

(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 MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues
Commonwealth revenues are recognised as an asset and income when 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.

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.

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.

Net loss/gain on non-current assets
Income or expenses 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 from the 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.

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.

Depreciation and amortisation
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)*
Communications equipment	10
Vehicles	15
Plant and equipment	10
Computer equipment	5
Buildings	50
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.

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 MFS will not be able to collect the debt. Bad debts are written off when identified.

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 written down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

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

Any revaluation increment is credited to the 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.

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 MFS has been unable to attribute this expenditure to the intangible asset rather than to MFS as a whole.

(l) Liabilities

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

Payables
Payables include creditors, accrued expenses, 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 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.

The Paid Parental Leave Scheme payable represents amounts which the MFS has received from the Commonwealth Government to forward onto eligible employees via MFS's standard payroll processes. That is, the MFS 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 benefit on-costs include superannuation contributions, WorkCover levies and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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.

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

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

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

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

LSL
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 21).

This calculation is consistent with MFS's experience of employee retention and leave taken.

Provisions
Provisions are recognised when 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 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.

Provisions (continued)
The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 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.

MFS is responsible for the payment of workers compensation claims.

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.

(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 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by MFS for the period ending 30 June 2012. MFS has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of 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 ‘South Australian Metropolitan Fire Service’.

5. Employee benefits expenses

	2012	2011
	$’000	$’000
Salaries and wages	70 117	66 520
Annual leave	9 070	8 489
LSL	6 998	4 995
Employment on-costs - superannuation	8 925	8 342
Employment on-costs - other	4 602	4 347
TVSPs (refer below)	-	732
Workers compensation costs	875	618
Other employment related expenses	392	294
Total employee benefits expenses	100 979	94 337

TVSPs	2012	2011
Amount paid during the reporting period to separated employees:	$’000	$’000
TVSPs	-	732
Annual leave and LSL paid during the reporting period	-	268
	-	1 000
Recovery from DTF	-	(741)
Net cost to agency	-	259

The number of employees who received a TVSP or early termination during the reporting period was zero (3).

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$130 700 - $133 999*	n/a	7
$134 000 - $143 999	19	16
$144 000 - $153 999	4	5
$154 000 - $163 999	4	1
$164 000 - $173 999	2	-
$194 000 - $203 999	-	1
$204 000 - $213 999	1	-
$224 000 - $233 999	-	1
$234 000 - $243 999	1	-
$244 000 - $253 999	1	-
$284 000 - $293 999	-	1
$294 000 - $303 999	1	-
$434 000 - $443 999	-	1
$514 000 - $523 999	-	1
Total	33	34

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2010-11.

The number of employees reported in the bandings above includes zero (two) who received a payment for the early termination of an executive contract.

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 $5.219 million ($5.723 million).

6. Supplies and services

	2012 $'000	2011 $'000
Accommodation	197	178
Auditor's remuneration	24	25
Communications	569	634
Computing costs	968	1 076
Consultancy, contractor and legal fees	1 436	925
Consumables	1 173	1 205
Energy	609	568
Government Radio Network	1 701	1 566
Insurance premiums	352	319
Minor plant and equipment	796	634
Operational costs	64	37
Operating lease costs	887	728
Repairs and maintenance	2 196	2 188
Travel and training	914	938
Uniforms and protective clothing	998	811
Other expenses	1 150	985
Total supplies and services	14 034	12 817

Consultancies

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2012 Number	2011 Number
Below $10 000	2	2
Between $10 000 - $50 000	-	2
Total	2	4

	2012 $'000	2011 $'000
Below $10 000	3	11
Between $10 000 - $50 000	-	48
Total amount paid/payable to the consultants engaged	3	59

Auditor's remuneration (continued)	2012	2011
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	$'000 24	$'000 25
Total auditor's remuneration	24	25

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:

	2012	2011
Accommodation	188	170
Auditor's remuneration	24	25
Computing costs	156	147
Consultancy, contractor and legal fees	50	61
Consumables	1	-
Government Radio Network	1 701	1 566
Insurance premiums	352	319
Minor plant and equipment	10	3
Operating lease costs	823	657
Repairs and maintenance	11	306
Travel and training	147	79
Uniforms and protective clothing	5	5
Other expenses	240	307
Total supplies and services provided by entities within the SA Government	3 708	3 645

7. Depreciation and amortisation expenses

	2012	2011
Depreciation:		
Buildings	2 476	2 659
Vehicles	3 669	3 141
Computers	4	17
Plant	334	309
Communications	222	292
Total depreciation	6 705	6 418
Amortisation:		
Software	14	31
Total amortisation	14	31
Total depreciation and amortisation	6 719	6 449

8. Other expenses

	2012	2011
Asset revaluation decrement	126	-
Total other expenses	126	-

9. Net gain (loss) from disposal of non-current assets

	2012	2011
Land and buildings:		
Proceeds from disposal	-	1 166
Net book value of assets disposed	-	(1 155)
Costs of disposal of land and buildings	(4)	-
Net gain (loss) from disposal of land and buildings	(4)	11
Vehicles:		
Proceeds from disposal	3	6
Net book value of assets disposed	-	-
Net gain (loss) from disposal of vehicles	3	6
Total assets:		
Total proceeds from disposal	3	1 172
Total value of assets disposed	-	(1 155)
Costs of disposal	(4)	-
Net gain (loss) from disposal of non-current assets	(1)	17

10. Revenues from fees and charges

	2012 $'000	2011 $'000
Fire alarm attendance fees	1 910	1 512
Fire safety fees	274	297
Fire alarm monitoring fees	1 725	1 667
Training and other recoveries	5	-
Salary recoveries	39	106
Other recoveries	1	40
Total revenues from fees and charges	3 954	3 622

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:

	2012 $'000	2011 $'000
Fire alarm attendance fees	351	317
Fire safety fees	9	13
Fire alarm monitoring fees	186	164
Training and other recoveries	5	-
Salary recoveries	-	14
Other recoveries	-	40
Total fees and charges received/receivable from entities within the SA Government	551	548

11. Commonwealth revenues

	2012 $'000	2011 $'000
Grants and contributions	1 194	1 090
Total Commonwealth revenues	1 194	1 090

Commonwealth revenue includes contributions towards the cost of providing fire and emergency services to Commonwealth property.

There are no conditions attached to these contributions.

12. Interest revenues

	2012 $'000	2011 $'000
Interest on deposit accounts from entities within the SA Government	829	1 211
Total interest revenues	829	1 211

13. Other income

	2012 $'000	2011 $'000
Rent received	116	122
Donations	-	6
Other	375	596
Total other income	491	724

The following other income (included in the other income shown above) was received/receivable from entities within the SA Government:

	2012 $'000	2011 $'000
Rent received	33	38
Other	15	145
Total other income received/receivable from entities within the SA Government	48	183

14. Revenues from (Payments to) SA Government

	2012 $'000	2011 $'000
Revenues from SA Government:		
Contributions from Community Emergency Services Fund	100 323	96 125
Other revenues from SA Government	1 058	741
Total revenues from SA Government	101 381	96 866
Payments to SA Government:		
Payment to consolidated account of proceeds for the sale of surplus land and buildings	-	1 174
Total payments to SA Government	-	1 174

Total revenues from government consists of $93.66 million ($93.215 million) for operational funding and $6.663 million ($3.651 million) for capital projects.

14. Revenues from (Payments to) SA Government (continued)

For details on the expenditure associated with the operational funding and capital funding refer notes 5 to 6 and 18 to 19. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

15. Cash and cash equivalents

	2012	2011
	$'000	$'000
Cash on hand	12	12
Deposits with the Treasurer	16 725	21 540
Total cash and cash equivalents	16 737	21 552

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.

16. Receivables

Current:		
Receivables	791	591
Allowance for doubtful debts	(224)	(64)
	567	527
Accrued revenues	143	194
GST input tax recoverable	291	447
Total current receivables	1 001	1 168

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:		
Receivables	68	116
Allowance for doubtful debts	-	-
	68	116
Accrued revenues	92	94
Total current receivables from entities within the SA Government	160	210

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.

	2012	2011
Movements in the allowance for doubtful debts (impairment loss)	$'000	$'000
Carrying amount at 1 July	(64)	(6)
Amounts written off	-	1
Decrease (Increase) in the allowance	(160)	(59)
Carrying amount at 30 June	(224)	(64)

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 29.

17. Non-current assets held for sale

	2012	2011
	$'000	$'000
Land held for sale	255	255
Total non-current assets for sale	255	255

The Burra and Port Lincoln site is surplus to requirements and, at balance date, is in the process of being sold. Sale proceeds are anticipated to be received in 2012-13.

18. Property, plant and equipment	2012	2011
Land:	$'000	$'000
At valuation	40 855	39 455
At cost (deemed fair value)	-	-
Accumulated depreciation	-	-
Total land	40 855	39 455
Buildings:		
At valuation	56 244	63 886
At cost (deemed fair value)	425	10 127
Accumulated depreciation	(1 148)	(5 133)
Total buildings	55 521	68 880
Vehicles:		
At valuation	34 452	26 894
At cost (deemed fair value)	2 091	9 268
Accumulated depreciation	(1 968)	(6 320)
Total vehicles	34 575	29 842
Communication equipment:		
At valuation	1 140	2 025
At cost (deemed fair value)	302	397
Accumulated depreciation	(108)	(979)
Total communication equipment	1 334	1 443
Computer equipment:		
At valuation	9	67
At cost (deemed fair value)	13	-
Accumulated depreciation	(2)	(58)
Total computer equipment	20	9
Plant and equipment:		
At valuation	1 642	1 961
At cost (deemed fair value)	33	323
Accumulated depreciation	(180)	(709)
Total plant and equipment	1 495	1 575
Capital work in progress:		
At cost (deemed fair value)	2 290	2 811
Total work in progress	2 290	2 811
Total property, plant and equipment	136 090	144 015

Valuation of assets

At 30 June 2012, valuations were undertaken by a suitably qualified officer of SAFECOM. The assessment indicated there was no material difference between the fair value and carrying amount of the assets and consequently no revaluation adjustments were required. All assets have been valued on the basis of written down current cost or open market values for existing use, which is considered to be equivalent to fair value.

At 1 January 2012 independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific's Mr M Burns, MRICS, AAPI (CPV). The valuer arrived at fair value on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2012.

Movement and reconciliation of property, plant and equipment (continued)

2012	Land $'000	Buildings $'000	Vehicles $'000	Comms equipmnt $'000	Computer equipmnt $'000	Plant and equipmnt $'000	Capital work in progress (CWIP) $'000	Total $'000
Carrying amount at 1 July	39 455	68 880	29 842	1 443	9	1 575	2 811	144 015
Acquisitions	-	-	-	-	-	-	3 190	3 190
Transfers to (from) CWIP	845	425	2 091	301	13	36	(3 711)	-
Depreciation expense	-	(2 476)	(3 669)	(222)	(4)	(334)	-	(6 705)
Net revaluation increments (decrements)	555	(11 308)	6 311	(62)	2	218	-	(4 284)
Net revaluation decrement expensed	-	-	-	(126)	-	-	-	(126)
Carrying amount at 30 June	40 855	55 521	34 575	1 334	20	1 495	2 290	136 090
2011								
Carrying amount at 1 July	39 710	71 248	26 734	1 538	26	1 784	5 040	146 080
Acquisitions	-	-	-	-	-	-	4 608	4 608
Transfers to (from) CWIP	-	291	6 249	197	-	100	(6 837)	-
Depreciation expense	-	(2 659)	(3 141)	(292)	(17)	(309)	-	(6 418)
Transfer to different asset class - non-current asset held for resale	(255)	-	-	-	-	-	-	(255)
Carrying amount at 30 June	39 455	68 880	29 842	1 443	9	1 575	2 811	144 015

19. Intangible assets

	2012 $'000	2011 $'000
Computer software	324	324
Accumulated amortisation	(301)	(287)
Total intangible assets	23	37

Movement reconciliation of intangible assets

	2012	2011
Carrying amount at 1 July	37	68
Amortisation expense	(14)	(31)
Carrying amount at 30 June	23	37

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 2012.

20. Payables

	2012 $'000	2011 $'000
Current payables:		
Accrued expenses	715	453
Creditors	1 494	1 262
FBT payable	93	72
Employment on-costs	2 040	1 958
Total current payables	4 342	3 745
Non-current payables:		
Employment on-costs	1 926	1 454
Total non-current payables	1 926	1 454

Current payables to SA Government entities

The following payables (included in the payables shown above) were payable to entities within the SA Government:	2012 $'000	2011 $'000
Accrued expenses	187	227
Creditors	441	254
FBT payable	93	72
Employment on-costs	2 040	1 958
Total current payables - SA Government entities	2 761	2 511

Non-current payables to SA Government entities

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

	2012	2011
Employment on-costs	1 926	1 454
Total non-current payables - SA Government entities	1 926	1 454

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed to 40% (35%), and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 10.3%. 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 $447 000 and employee benefit expense of $447 000. 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 29.

21. Employee benefits

	2012	2011
Current:	$'000	$'000
Annual leave	7 213	6 933
LSL	2 744	2 205
Accrued salaries and wages	2 174	1 674
Total employee benefits - current	12 131	10 812
Non-current:		
LSL	20 507	16 480
Total employee benefits - non-current	20 507	16 480

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation. 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 2011 (5.25%) to 2012 (2.75%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $3.601 million and employee benefit expense of $3.601 million. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

22. Provisions

	2012	2011
Current liabilities:	$'000	$'000
Provision for workers compensation	1 450	1 672
Total current provisions	1 450	1 672
Non-current liabilities:		
Provision for workers compensation	5 101	5 921
Total non-current provisions	5 101	5 921

Provision movement

	2012	2011
Carrying amount at 1 July	7 593	8 850
Additional provisions recognised (released)	843	610
Reductions arising from payments	(1 885)	(1 867)
Carrying amount at 30 June	6 551	7 593

MFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

23. Equity

	2012 $'000	2011 $'000
Accumulated surplus	12 040	26 050
Revaluation surplus	96 609	100 893
Total equity	108 649	126 943

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 on another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

24. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June

	2012	2011
Cash and cash equivalents disclosed in the Statement of Financial Position	16 737	21 552
Balance as per the Statement of Cash Flows	16 737	21 552

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

	2012	2011
Net cash provided by (used in) operating activities	(1 624)	(3 421)
Revenues from SA Government	(101 381)	(96 866)
Payments to SA Government	-	1 174
Non-cash items:		
Depreciation and amortisation	(6 719)	(6 449)
Asset revaluation decrement recognised in Statement of Comprehensive Income	(126)	-
Net gain (loss) from disposal of non-current assets	(1)	17
Movements in assets/liabilities:		
Receivables	(167)	166
Payables	(1 069)	146
Employee benefits	(5 346)	(2 963)
Provisions	1 042	1 257
Net cost of providing services	(115 391)	(106 939)

25. 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 is detailed below. These amounts have not been brought to account in the financial statements:

	2012	2011
Within one year	333	389
Later than one year but not later than five years	285	358
Total operating lease commitments	618	747

The abovementioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

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.

	2012 $'000	2011 $'000
Within one year	-	265
Total capital commitments	-	265

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:

	2012	2011
Within one year	533	499
Later than one year but not later than five years	1 859	800
Total remuneration commitments	2 392	1 299

Remuneration commitments (continued)

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

Other commitments	2012	2011
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:	$'000	$'000
Within one year	106	326
Later than one year but not longer than five years	167	277
Total other commitments	273	603

Contractual commitments relate to operational equipment, personal protective clothing and photocopier services.

26. Contingent assets and liabilities

Contingent assets

MFS is aware of a contingent asset in relation to repair of solar panels for an amount of $15 000.

Contingent liabilities

MFS has a 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.

27. Remuneration of board and committee members

Members of the board and committees, during the 2012 financial year were:

South Australian Metropolitan Fire Service Disciplinary Committee

Graham Dart
Michael Vander-Jeugd*
Roy Thompson*
Brendan West*

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$0	3	3
$1 - $9 999	1	1
Total	4	4

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 $5050 ($5000).

* 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 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 note, 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

28. Events subsequent to reporting date

On 13 August 2012 the Government announced it intends establishing a community safety directorate. The Directorate will provide strategic advice and high level coordination across police, correctional services, emergency services and road safety and oversee the development and implementation of policy. A project team has been established to determine the best model for the authority.

29. Financial instruments/Financial risk management

29.1 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.

29.1 Categorisation of financial instruments (continued)

	Note	2012 Carrying amount $'000	2012 Fair value $'000	2011 Carrying amount $'000	2011 Fair value $'000
Financial assets					
Cash and cash equivalents	15	16 737	16 737	21 552	21 552
Receivables(1)(2)	16	710	710	721	721
Financial liabilities					
Payables(1)	20	6 268	6 268	3 350	3 350

(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 20 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.

Credit risk

Credit risk arises when there is the possibility of MFS's debtors defaulting on their contractual obligations resulting in financial loss to 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 29.1 represents MFS's maximum exposure to credit risk.

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

MFS has minimal concentration of credit risk. MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. 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 16 for information on the allowance for impairment in relation to receivables.

29.2 Ageing analysis of financial assets

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

		Past due by			
2012	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	299	54	57	300	710
Impaired:					
Receivables	-	-	-	224	224
2011					
Not impaired:					
Receivables	636	37	21	27	721
Impaired:					
Receivables	-	-	-	64	64

29.3 Maturity analysis of financial assets and liabilities

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

29.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturity	
2012	Carrying amount	Less than 1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	16 737	16 737	-
Receivables	710	710	-
Total financial assets	17 447	17 447	-
Financial liabilities:			
Payables	6 268	4 342	1 926
Total financial liabilities	6 268	4 342	1 926
2011			
Financial assets:			
Cash and cash equivalents	21 552	21 552	-
Receivables	721	721	-
Total financial assets	22 273	22 273	-
Financial liabilities:			
Payables	3 350	2 741	609
Total financial liabilities	3 350	2 741	609

The financial assets and liabilities of 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 MFS is unable to meet its financial obligations as they are due to be settled. MFS is funded principally from contributions from the Community Emergency Services Fund. The MFS and SAFECOM work with the fund 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. 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.

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

The carrying amount of financial liabilities recorded under 'Categorisation of financial instruments' above represent 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 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 Premier.

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with DPC, the Board is 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 2011-12, specific areas of audit attention included:

- payroll
- expenditure
- revenue
- procurement
- fixed assets
- general ledger
- cash at bank.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2011-12 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 financial report. These liabilities total $1.6 million as at 30 June 2012.

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, $18.6 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 $6.3 million of the $18.6 million has been recognised as revenue. The remaining $12.3 million is recognised as current and non-current liabilities as at 30 June 2012.

Requirements of Australian Accounting Standards and Treasurer's Instructions

In my opinion, both the 'capital' and 'infrastructure' State Government grant funds received represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Accounting Policy Framework APF V 'Income Framework' issued pursuant to the Treasurer's Instructions. The State Government grants were controlled by the South Australian Motor Sport Board, met the income recognition criteria upon their receipt and consequently these grants should have been recorded as assets and income on receipt.

The financial effect of not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:

- *Total income and Total comprehensive result are overstated by $752 000 (overstated by $1.6 million for the year ended 30 June 2011).*
- *Operating surplus is overstated by $752 000 (operating deficit understated by $1.6 million for the year ended 30 June 2011).*
- *Current liabilities are overstated by $2 million (overstated by $1.9 million for the year ended 30 June 2011).*
- *Non-current liabilities are overstated by $11.9 million (overstated by $12.7 million for the year ended 30 June 2011).*

- *Total liabilities are overstated by $13.9 million (overstated by $14.6 million for the year ended 30 June 2011).*
- *Total equity is understated by $13.9 million (understated by $14.6 million for the year ended 30 June 2011).*

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the South Australian Motor Sport Board as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 *and Australian Accounting Standards.*

Assessment of controls

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

Communication of audit matters

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

Payment authorisations

Pursuant to TI 8 the Premier has authorised the Board and the Chief Executive to authorise payments up to $1 million and $500 000 respectively and the Chief Executive has delegated payment authority to nominated Board employees. The audit of expenditure found two instances where payments were not authorised. The audit also identified that the Chief Executive authorised a $710 000 payment for the purchase of grandstand seats. Neither the invoice nor the minutes of meetings of the Board recorded the Board's payment authorisation.

In response the Board advised the payment exceeding the Chief Executive's authority occurred as the purchase had been considered and approved by the Board and the Premier although the payment authority was not explicitly documented. The Board also advised that in future, details of payments exceeding the Chief Executive's authority will be included in the Chief Executive's report to the Board on a monthly basis for prior authorisation.

Service contracts

The Board has entered into service contracts for roles/positions that would normally be held by Board employees. A review of service contractual arrangements revealed documentation of service contractor terms and conditions were inconsistent and in some cases required improvement.

In response the Board advised all service contracts are now prepared in accordance with the standard contract agreement.

Interpretation and analysis of the financial report

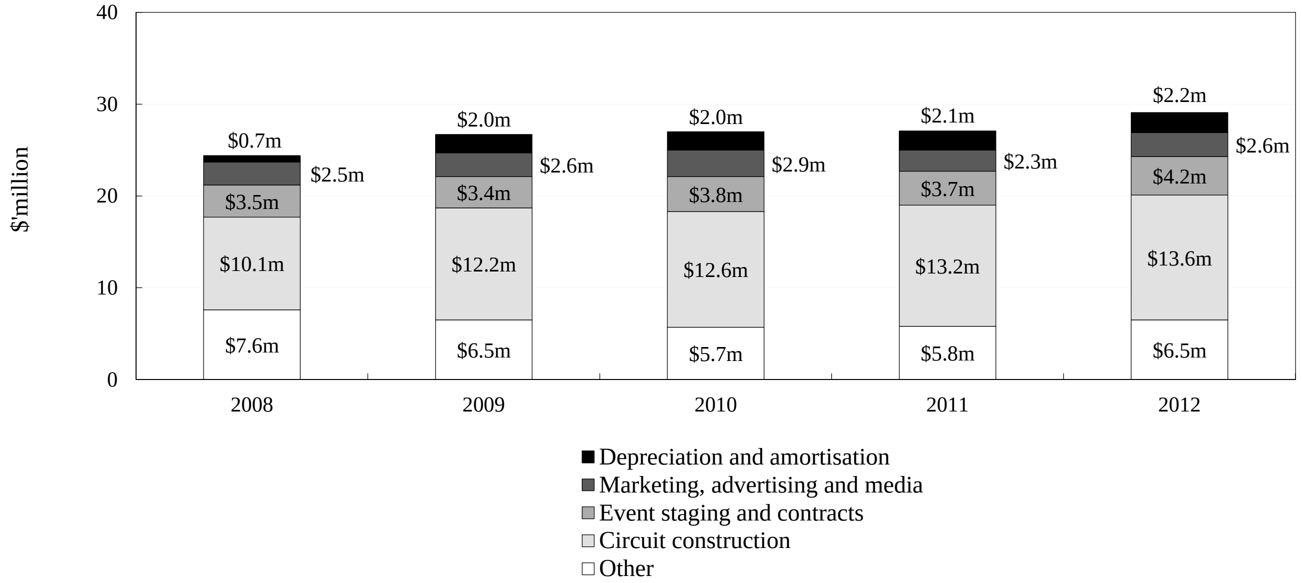
Highlights of the financial report	2012 $'million	2011 $'million
Expenses		
Supplies and services	25	24
Depreciation and amortisation	2	2
Employee benefit expenses	2	1
Total expenses	29	27
Income		
State Government grants	8	4
User charges	20	19
Amortisation of grants	2	2
Total income	30	25
Operating surplus (deficit) and total comprehensive result	1	(2)
Assets		
Current assets	4	5
Non-current assets	17	17
Total assets	21	22
Liabilities		
Current liabilities	6	6
Non-current liabilities	12	13
Total liabilities	18	19
Total equity	3	3

Statement of Comprehensive Income

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 2012 is shown in the following chart.



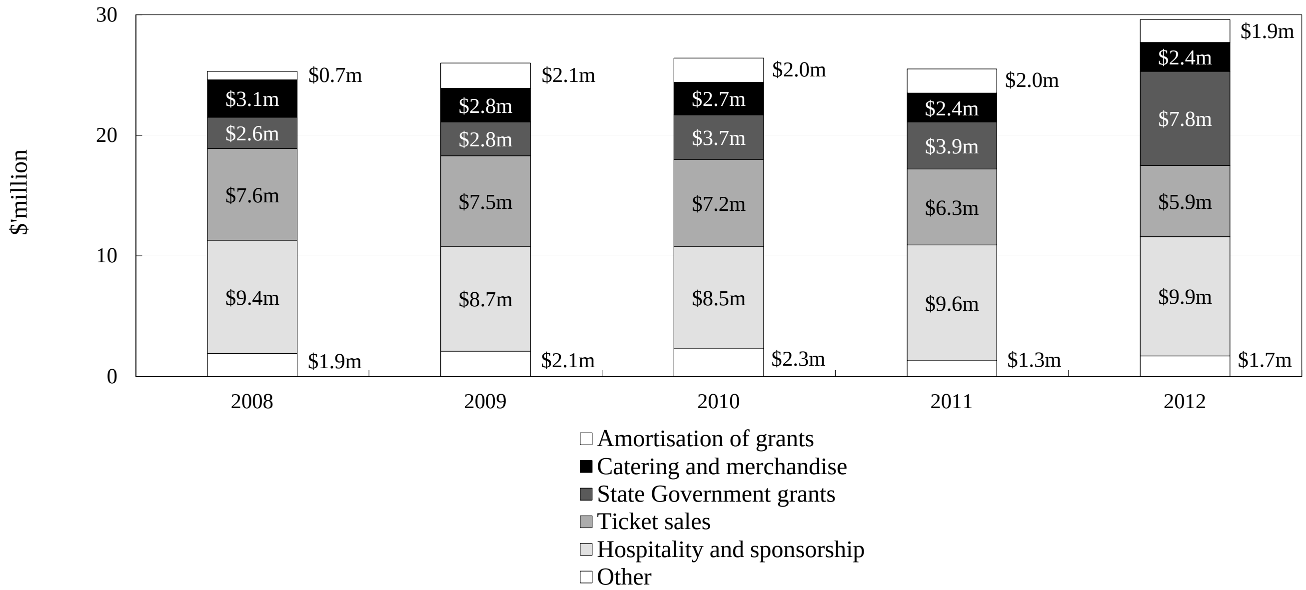
The chart illustrates that overall expenditure remained steady between 2009 and 2011 and then increased across all expenditure categories in 2012.

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 $752 000 ($1.6 million overstatement).

A structural analysis of income for the Board for the five years to 2012 is presented in the following chart.

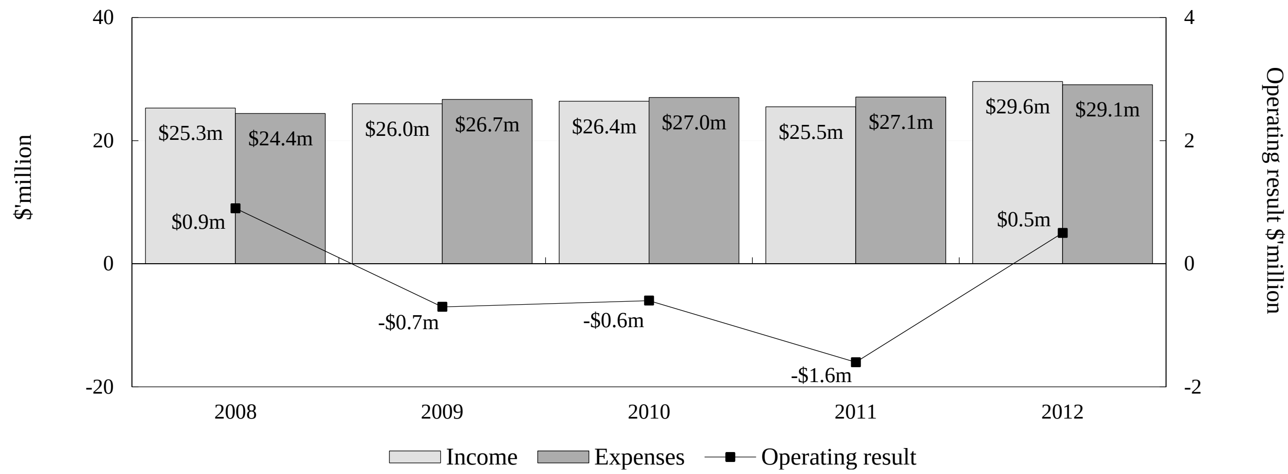


The chart illustrates the significant increase in overall income in 2012 which was principally due to an increase in State Government grants.

It also illustrates that, over the five year period, income from ticket sales and catering and merchandise sales has fallen which is partly offset by increased income in hospitality and sponsorship.

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 surplus of $510 000 ($1.6 million operating deficit) which is the first operating surplus since 2007-08. The $2.1 million improvement is principally due to a $4 million increase in grant income offset by the $2 million increase in expenditure previously discussed.

Statement of Cash Flows

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

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	(0.2)	0.4	(1.0)	(0.3)
Investing	(0.6)	-	-	(6.2)
Change in cash	(0.8)	0.4	(1.0)	(6.5)
Cash at 30 June	3.7	4.5	4.1	5.1

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Income:			
State Government operating grants	1	7 766	3 886
Interest	4	444	458
User charges	5	19 426	19 245
Amortisation of capital grants	2.8,14	377	369
Amortisation of infrastructure grants	2.8,14	1 585	1 585
Total income		29 598	25 543
Expenses:			
Supplies and services	6	25 379	23 667
Depreciation and amortisation	10	2 209	2 062
Allowance for doubtful debts	9	21	-
Employee benefit expenses	7	1 479	1 384
Total expenses		29 088	27 113
Operating surplus (deficit)		510	(1 570)
Total comprehensive result		510	(1 570)

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	8	3 671	4 469
Receivables	9	593	59
Total current assets		4 264	4 528
Non-current assets:			
Concrete safety barriers, other racing infrastructure, plant and equipment and leasehold improvements	10	16 609	17 010
Total non-current assets		16 609	17 010
Total assets		20 873	21 538
Current liabilities:			
Payables	11	3 700	4 185
Employee benefits	12	132	77
Provisions	13	1	-
Deferred State Government grant - capital	14	584	289
Deferred State Government grant - infrastructure	14	1 460	1 585
Total current liabilities		5 877	6 136
Non-current liabilities:			
Payables	11	4	4
Employee benefits	12	31	26
Provisions	13	1	-
Deferred State Government grant - capital	14	968	430
Deferred State Government grant - infrastructure	14	10 870	12 330
Total non-current liabilities		11 874	12 790
Total liabilities		17 751	18 926
Net assets		3 122	2 612
Equity:			
Reserve for extreme weather	2.12	1 100	846
Retained earnings		1 419	1 163
Revaluation surplus		603	603
Total equity		3 122	2 612

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	15		
Contingent assets and liabilities	16		

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Reserve for extreme weather $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		1 000	603	2 579	4 182
Operating result for 2010-11		-	-	(1 570)	(1 570)
Total comprehensive result for 2010-11		-	-	(1 570)	(1 570)
Other transfers:					
Transfer to (from) reserve for extreme weather		(154)	-	154	-
Total other transfers		(154)	-	154	-
Balance at 30 June 2011		846	603	1 163	2 612
Operating result for 2011-12		-	-	510	510
Total comprehensive result for 2011-12		-	-	510	510
Other transfers:	2.12				
Transfer to (from) reserve for extreme weather		254	-	(254)	-
Total other transfers		254	-	(254)	254
Balance at 30 June 2012		1 100	603	1 419	3 122

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

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers and sponsors		20 739	21 208
Interest received		444	458
SA Government contributions - operating		7 766	5 586
GST recovered from the ATO		1 374	947
Cash generated from operations		30 323	28 199
Cash outflows:			
Payments for supplies and services		(28 520)	(25 703)
Employee benefit payments		(1 420)	(1 412)
GST paid to the ATO		(583)	(718)
Cash used in operations		(30 523)	(27 833)
Net cash provided by (used in) operating activities	17.2	(200)	366
Cash flows from investing activities:			
Cash inflows:			
SA Government contributions - capital		1 210	350
Cash generated from investing activities		1 210	350
Cash outflows:			
Purchase of racing infrastructure, plant and equipment		(1 808)	(346)
Cash used in investing activities		(1 808)	(346)
Net cash provided by (used in) investing activities		(598)	4
Net increase (decrease) in cash and cash equivalents		(798)	370
Cash and cash equivalents at 1 July		4 469	4 009
Cash and cash equivalents at 30 June	17.1	3 671	4 469

Notes to and forming part of the financial statements

1. Organisational structure, objectives and funding

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

The principal objectives of the Board are to:

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

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with DPC, the Board has assumed responsibility for the staging of the 'World Solar Challenge' in October 2013.

During the year, the Board received funding of $7.766 million for operating activities (of which $1.63 million related to 2010-11) and $1.21 million for event staging capital from the State Government. The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

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

2. Statement of significant accounting policies

2.1 Statement of compliance

The 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 2012. These are outlined in note 3.

2.2 Basis of accounting

The preparation of the financial statements requires:

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

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

  (b) expenses incurred as a result of engaging consultants (refer note 19)

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 20.3).

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 2012 and the comparative information presented.

2.3 Reporting entity

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

2.8 Amortisation of State Government grants

The State Government has since 1999 provided a total of $12.694 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 2011-12 $1.585 million has been amortised leaving a deferred State Government grant – infrastructure liability of $12.33 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 unexpired period of the race staging deed 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:

	2012		2011	
	AASB 1004 APF V	IAS 20	AASB 1004 APF V	IAS 20
Revenue - State Government grant:	$'000	$'000	$'000	$'000
Capital	1 210		350	-
Amortisation - State Government grant:				
Capital	-	377	-	369
Infrastructure	-	1 585	-	1 585
Operating surplus (deficit)	(242)	510	(3 174)	(1 570)
Assets	20 873	20 873	21 538	21 538
Liabilities	3 869	17 751	4 292	18 926
Equity	17 004	3 122	17 246	2 612

Therefore the application of AASB 1004 and APF V would result in an operating deficit for the year of $242 000. The application of IAS 20 results in an operating surplus of $510 000 which the Board believes to be a true reflection of the result for the year.

2.9 Income and expenses

Income, except as described in note 2.8, and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

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

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

Income

The following are specific recognition criteria:

Revenues from user charges

Revenues from user charges are derived from the provision of goods and services to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Revenues from user charges (continued)
The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenues from sales
Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

Interest income
Interest income includes interest received on term deposits and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

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

Expenses
The following are specific recognition criteria:

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Board to the superannuation plan in respect of current services of current Board employees.

Depreciation and amortisation
All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

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

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

Class of asset	*Useful life (years)*
Concrete safety barriers	20
Other racing infrastructure, plant and equipment	1-20
Leasehold improvements	Life of lease

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

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

2.11 Assets and liabilities (continued)

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

Assets

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

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

Non-current assets

The Board does not own any land or permanent buildings.

- *Acquisition and recognition*

  Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

  Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

- *Revaluation of non-current assets*

  All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

  Every five years the Board revalues its concrete safety barriers, other racing infrastructure and plant and equipment. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

  Any revaluation increment is credited to the 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.

Liabilities
Payables
Payables include creditors, accrued expenses, GST payable, employment on-costs and funds held in trust.

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

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

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

Employee benefit on-costs include payroll tax, WorkCoverSA levies and superannuation contributions in respect to 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.

Funds held in trust represent advance ticket sales, exclusive of GST, for the year 2013 event.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Board has entered into operating leases.

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

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

- *Wages, salaries, annual leave and sick leave*
  The liability for salary and wages 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 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 2012 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.

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 has 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. The 2012 review has resulted in a transfer from retained earnings to the reserve for extreme weather of $254 000.

2.13 Staff 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.

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

2.15 Insurance

The Board has arranged through SAICORP, a division of SAFA, to insure major risks of the Board. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2011-12.

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 2012. 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

	2012 $’000	2011 $’000
Interest from entities within the SA Government	429	442
Interest from entities external to the SA Government	15	16
Total interest	444	458

5. User charges

	2012 $’000	2011 $’000
User charges received/receivable from entities within the SA Government:		
Other income	40	15
Sponsorship	428	509
Total user charges - SA Government entities	468	524

5. User charges (continued)

	2012	2011
User charges received/receivable from entities external to the SA Government:	$'000	$'000
Hospitality and sponsorship	9 526	9 064
Ticketing sales	5 857	6 293
Catering and merchandise	2 389	2 477
Entry fees	507	225
Other income	679	662
Total user charges - non-SA Government entities	18 958	18 721
Total user charges	19 426	19 245

6. Supplies and services

Supplies and services provided by entities within the SA Government:		
Administration	126	164
Event staging and contracts	66	81
Marketing, advertising and media	83	91
Circuit construction	114	25
Total supplies and services - SA Government entities	389	361

Supplies and services provided by entities external to the SA Government:		
Circuit construction	13 475	13 200
Hospitality, sponsorship and ticketing costs	173	209
Catering and merchandise costs	1 184	1 092
Event staging and contracts	4 162	3 604
Entertainment	1 521	1 203
Security and ground staff	1 180	1 053
Administration	759	675
Marketing, advertising and media	2 536	2 270
Total supplies and services - non-SA Government entities	24 990	23 306
Total supplies and services	25 379	23 667

7. Employee benefit expenses

Salaries, wages, annual and sick leave	1 273	1 212
LSL	23	4
Employment on-costs - superannuation	113	108
Employment on-costs - other	70	60
Total employee benefit expenses	1 479	1 384

Remuneration of employees

	2012	2011
The number of employees who received or were due to receive remuneration within the following bands were:	Number	Number
$144 000 - $153 999	-	2
$154 000 - $163 999	-	1
$164 000 - $173 999	1	-
$264 000 - $273 999	1	-
Total	2	3

The table includes all employees who received remuneration equal to or greater than the base executive level remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $438 000 ($465 000).

8. Cash and cash equivalents

	2012	2011
	$'000	$'000
Short-term deposits with SAFA	3 549	4 393
Cash on hand and at bank	122	76
	3 671	4 469

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

	2012	2011
Current:	$'000	$'000
Trade debtors	608	44
Allowance for doubtful debts	(21)	-
Prepayments	6	15
Total receivables	593	59

	2012	2011
SA Government/non-SA Government receivables:		
Receivables from SA Government entities:		
Trade debtors	201	-
Total receivables from SA Government entities	201	-
Receivables from non-SA Government entities:		
Trade debtors	407	44
Allowance for doubtful debts	(21)	-
Prepayments	6	15
Total receivables from non-SA Government entities	392	59
Total receivables	593	59

Receivables amounting to $340 000 ($476 000) and the corresponding liability relating to advanced ticket sales exclusive of GST for Year 2013 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.

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

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.

There is no concentration of credit risk.

Refer note 21 for maturity analysis of receivables, categorisation of financial instruments and risk exposure information.

10. Concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements

	2012	2011
	$'000	$'000
Concrete safety barriers:		
Gross carrying amount:		
Balance at 1 July	1 516	1 472
Acquisitions	3	44
Balance at 30 June	1 519	1 516
Accumulated depreciation:		
Balance at 1 July	(848)	(782)
Depreciation expense	(58)	(66)
Balance at 30 June	(906)	(848)
Net carrying amount	613	668

10. **Concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements (continued)**	2012 $'000	2011 $'000
Other racing infrastructure, plant and equipment:		
Gross carrying amount:		
Balance at 1 July	28 227	27 925
Acquisitions	1 805	302
Assets written off	(25)	-
Balance at 30 June	30 007	28 227
Accumulated depreciation:		
Balance at 1 July	(11 934)	(9 970)
Depreciation expense	(2 119)	(1 964)
Depreciation on assets written off	25	-
Balance at 30 June	(14 028)	(11 934)
Net carrying amount	15 979	16 293
Leasehold improvements:		
Gross carrying amount:		
Balance at 1 July	219	219
Balance at 30 June	219	219
Accumulated amortisation:		
Balance at 1 July	(170)	(138)
Amortisation expense	(32)	(32)
Balance at 30 June	(202)	(170)
Net carrying amount	17	49
Total concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements	16 609	17 010

Valuation of concrete safety barriers, debris fencing and track overpasses

An independent valuation of the concrete safety barriers, debris fencing and track overpasses was undertaken by Valcorp Australia Pty Ltd in June 2009.

Impairment

There were no indications of impairment of concrete barriers, other racing infrastructure, plant and equipment and leasehold improvements at 30 June 2012.

11. **Payables**	2012	2011
Current:	$'000	$'000
Trade creditors	370	872
Other creditors and accruals	1 518	1 154
Employment on-costs	19	14
GST payable	61	8
Funds held in trust(i)	1 732	2 137
Total current payables	3 700	4 185
Non-current:		
Employment on-costs	4	4
Total non-current payables	4	4
Total payables	3 704	4 189
SA Government/non-SA Government payables:		
Payables to SA Governments entities:		
Trade creditors	1	87
Other creditors and accruals	43	34
Employment on-costs	23	18
Total payables to SA Government entities	67	139
Payables to non-SA Government entities:		
Trade creditors	369	785
Other creditors and accruals	1 475	1 120
GST payable	61	8
Funds held in trust(i)	1 732	2 137
Total payables to non-SA Government entities	3 637	4 050
Total payables	3 704	4 189

(i) Advanced ticket sales exclusive of GST for Year 2013 event.

Interest rate and credit risk

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

Refer note 21 for maturity analysis of payables, categorisation of financial instruments and risk exposure information.

12. Employee benefits

	2012	2011
Current:	$'000	$'000
Annual leave	80	49
LSL	52	20
Accrued salaries and wages	-	8
Total current employee benefits	132	77
Non-current:		
LSL	31	26
Total non-current employee benefits	31	26
Total employee benefits	163	103

13. Provisions

Current:		
Provision for workers compensation	1	-
Total current provisions	1	-
Non-current:		
Provisions for workers compensation	1	-
Total non-current provisions	1	-
Total provisions	2	-

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

14. Deferred State Government grants

Capital:		
Deferred State Government grant - capital	12 694	11 484
Accumulated amortisation	(11 142)	(10 765)
	1 552	719
Reconciled to:		
Current	584	289
Non-current	968	430
	1 552	719
Infrastructure grant:		
Deferred State Government grant - infrastructure	19 968	19 968
Transferred to income	(1 298)	(1 298)
Accumulated amortisation	(6 340)	(4 755)
	12 330	13 915
Reconciled to:		
Current	1 460	1 585
Non-current	10 870	12 330
	12 330	13 915

15. Unrecognised contractual commitments

15.1 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	87	176
Later than one year but not longer than five years	-	87
Total operating lease commitments	87	263

The lease is for office accommodation leased from Sofrina Pty Limited. The lease is non-cancellable with a term of seven years, having the right of renewal and rent is payable monthly in advance.

15.2 Event staging commitments

The Board has commitments for the staging of future events.

	2012	2011
Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	14 489	12 771
Later than one year but not longer than five years	25 413	31 983
Total event staging commitments	39 902	44 754

15.3 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	840	1 075
Later than one year but not longer than five years	813	1 176
Total remuneration commitments	1 653	2 251

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

16. 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.

17. Cash flow reconciliation

17.1 Reconciliation of cash and cash equivalents at 30 June

Cash and cash equivalents disclosed in the Statement of Financial Position	3 671	4 469
Balance as per the Statement of Cash Flows	3 671	4 469

17.2 Reconciliation of net cash provided by (used in) operating activities to operating surplus (deficit)

Operating surplus (deficit)	510	(1 570)
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	2 209	2 062
Amortisation of State Government grant - capital	(377)	(369)
Amortisation of State Government grant - infrastructure	(1 585)	(1 585)
Transfers to provisions:		
Doubtful debts	21	-
Workers compensation	2	-
Movements in assets/liabilities:		
Assets:		
Receivables	(555)	1 670
Liabilities:		
Employee benefits	60	(29)
Payables	(485)	187
Net cash provided by (used in) operating activities	(200)	366

18. 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 $36 000 ($31 000). No other services were provided by the Auditor-General's Department.

19. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $8000 ($5000).

20. Key management personnel

20.1 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:

20.1 Board members (continued)

A Ford - Chairman
R Cook, AM - Chairman (resigned 30 September 2011)
G Boulton, AM - Deputy Chairman
J Turbill (resigned 30 September 2011)
A Rischbieth
C Smerdon
A Williamson
N Malani
T Schenken
N Seymour-Smith (appointed 6 October 2011)
S Ciccarello (appointed 29 March 2012)

20.2 Other key management personnel

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

M Warren - Chief Executive
M Whitford - Head of Marketing
C Black - Commercial Manager (resigned 10 January 2012)
N Cayzer - Commercial Manager (appointed 19 March 2012)

20.3 Remuneration of governing board members

The number of governing board members who received or were due to receive remuneration within the following bands were:	2012 Number	2011 Number
$0 - $9 999	3	5
$10 000 - $19 999	5	2
$20 000 - $29 999	3	4
$30 000 - $39 999	-	1
Total	11	12

The total remuneration received or receivable by the governing board members was $183 000 ($190 000), which includes superannuation contributions of $15 000 ($16 000).

20.4 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:

R Cook, AM	V8 Supercars Australia Pty Ltd	$771 430	Hospitality, rights income and infrastructure recoveries
R Cook, AM	V8 Supercars Australia Pty Ltd	$1 790 777	Race staging deed and television requirements
T Schenken	CAMS Ltd	$140 845	License fees, permit fees and insurance
T Schenken	CAMS Ltd	$3 903	Infrastructure recoveries
C Smerdon	Vectra Corporation Ltd	$10 300	Hospitality
C Smerdon	Travellink Pty Ltd	$38 716	Travel wholesaler commission, hospitality and merchandise
J Turbill	Intuito Pty Ltd	$26 152	Marketing research
N Malani, A Williamson	Adelaide City Council	$38 500	Sponsorship World Solar Challenge
N Malani, A Williamson	Adelaide City Council	$178 009	Circuit construction and operating costs

All corporate facilities purchased by board members or their related parties are at arm's length rates.

There are no loans to board members.

21. Financial instruments/Financial risk management

Categorisation of financial instruments

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

Categorisation of financial instruments (continued)

	Note	2012 Carrying amount $'000	2012 Fair value $'000	2011 Carrying amount $'000	2011 Fair value $'000
Financial assets					
Cash and cash equivalents	8	3 671	3 671	4 469	4 469
Loans and receivables - at cost:					
Receivables[(i)(ii)]	9	587	587	44	44
Total		4 258	4 258	4 513	4 513
Financial liabilities					
Financial liabilities - at cost:					
Payables[(i)]	11	3 620	3 620	4 163	4 163
Total		3 620	3 620	4 163	4 163

(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 and 11).

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.

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			
2012	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)]	347	23	17	221	608
Impaired:					
Receivables[(i)]	-	-	-	(21)	(21)
	347	23	17	200	587

Ageing analysis of financial assets (continued)

		Past due by			
2011	Current (not overdue)	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
Not impaired:	$’000	$’000	$’000	$’000	$’000
Receivables[(i)]	-	9	35	-	44
Impaired:					
Receivables[(i)]	-	-	-	-	-
	-	9	35	-	44

(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, 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		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2012	$’000	$’000	$’000	$’000
Financial assets:				
Cash and cash equivalents	3 671	3 671	-	-
Receivables	587	587	-	-
Total	4 258	4 258	-	-
Financial liabilities:				
Payables	3 620	3 620	-	-
Total	3 620	3 620	-	-
2011				
Financial assets:				
Cash and cash equivalents	4 469	4 469	-	-
Receivables	44	44	-	-
Total	4 513	4 513	-	-
Financial liabilities:				
Payables	4 163	4 163	-	-
Total	4 163	4 163	-	-

Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they are due to be settled. The continued existence of the Board is dependent on State Government policy and on continuing appropriations by Parliament for the Board’s operations. The Board settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

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

Market risk

Market risk for the Board is primarily through interest rate risk. The Board’s only exposure to interest rate risk relates to cash at bank and short-term deposits with SAFA. Movement in SAFA interest rates are monitored on a daily basis.

There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

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

22. Events after the reporting period

There were no events after the reporting period that have material financial implications on these financial statements.

South Australian State Emergency Service

Functional responsibility

Establishment

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

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

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

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

The primary function of the SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

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

For more information about the SASES's objectives refer 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 the SASES and SAFECOM 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 Commonwealth grants
- cash and receivables
- non-current assets, including asset valuations, capital works in progress and assets received free of charge
- financial accounting
- corporate governance and risk management
- budgetary control
- financial management compliance programs.

The audit included a follow-up of previous audit findings. This included a specific assessment of internal controls related to capital works in progress and capitalisation of completed assets covering procurement, asset valuation and record keeping practices to support asset transactions and management reporting. Previous internal audit recommendations were considered as part of this review.

The audit also covered 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 State Emergency Service as at 30 June 2012, 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' in the section of Part B of this Report titled 'South Australian Fire and Emergency Services Commission', are sufficient to provide reasonable assurance that the financial transactions of the South Australian State Emergency Service have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SASES who are responsible for the governance of the SASES.

Major matters raised with SAFECOM and the SASES and the related responses are detailed 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	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	4	4
Supplies and services	7	5
Other expenses	2	4
Total expenses	13	13
Income		
Total income	1	1
Net revenue from (cost of) providing services	(12)	(12)
Revenues from SA Government	13	14
Net result	1	2
Other comprehensive income	2	-
Total comprehensive result	3	2
Net cash provided by (used in) operating activities	3	5
Assets		
Current assets	2	3
Non-current assets	33	30
Total assets	35	33
Liabilities		
Current liabilities	2	3
Non-current liabilities	1	1
Total liabilities	3	4
Total equity	32	29

Statement of Comprehensive Income

The main source of funds for the SASES is the contributions from the Fund which account for 93% of revenues. The contributions from the Fund to the SASES decreased by 6% to $13 million during 2011-12. Refer note 15 to the financial statements for details.

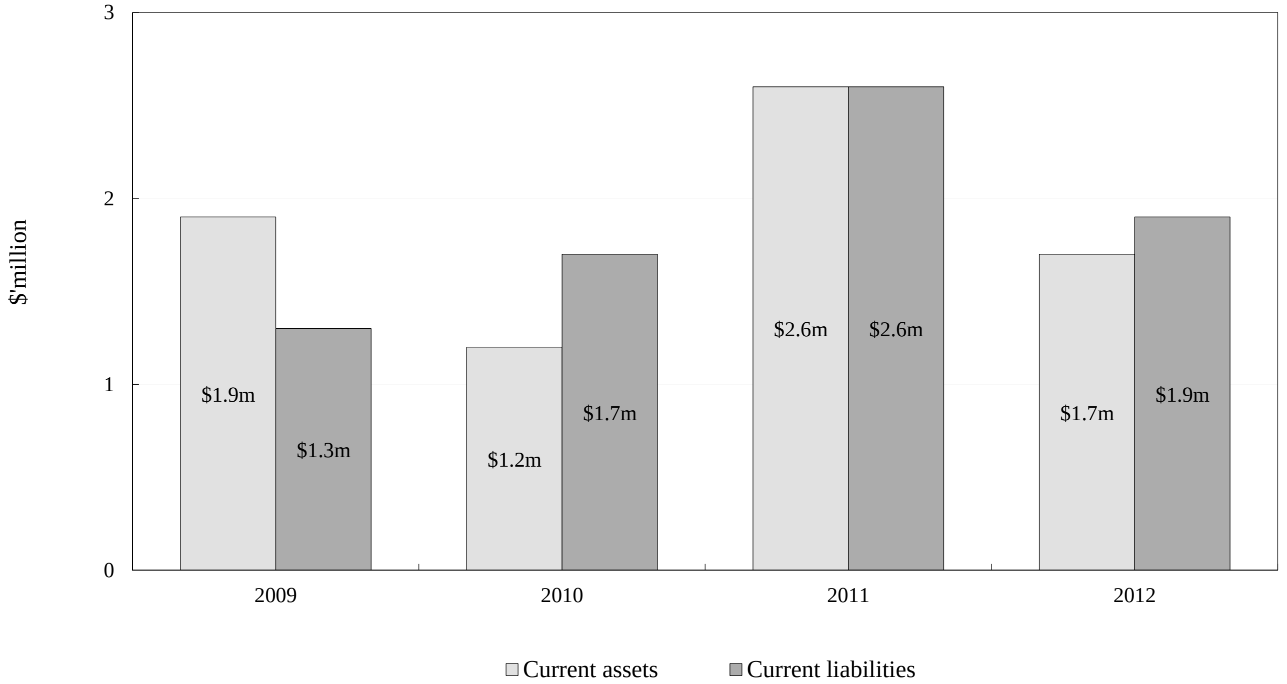
Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'property, plant and equipment' which increased by $3.3 million during the year to $34 million. This was due mainly to works in progress acquisition of $3.4 million and net revaluation increments of $1.4 million, offset by depreciation expense for the year of $2 million.

The fair values of the main asset classes held by the SASES were land and buildings ($18.3 million) and vehicles ($9.6 million).

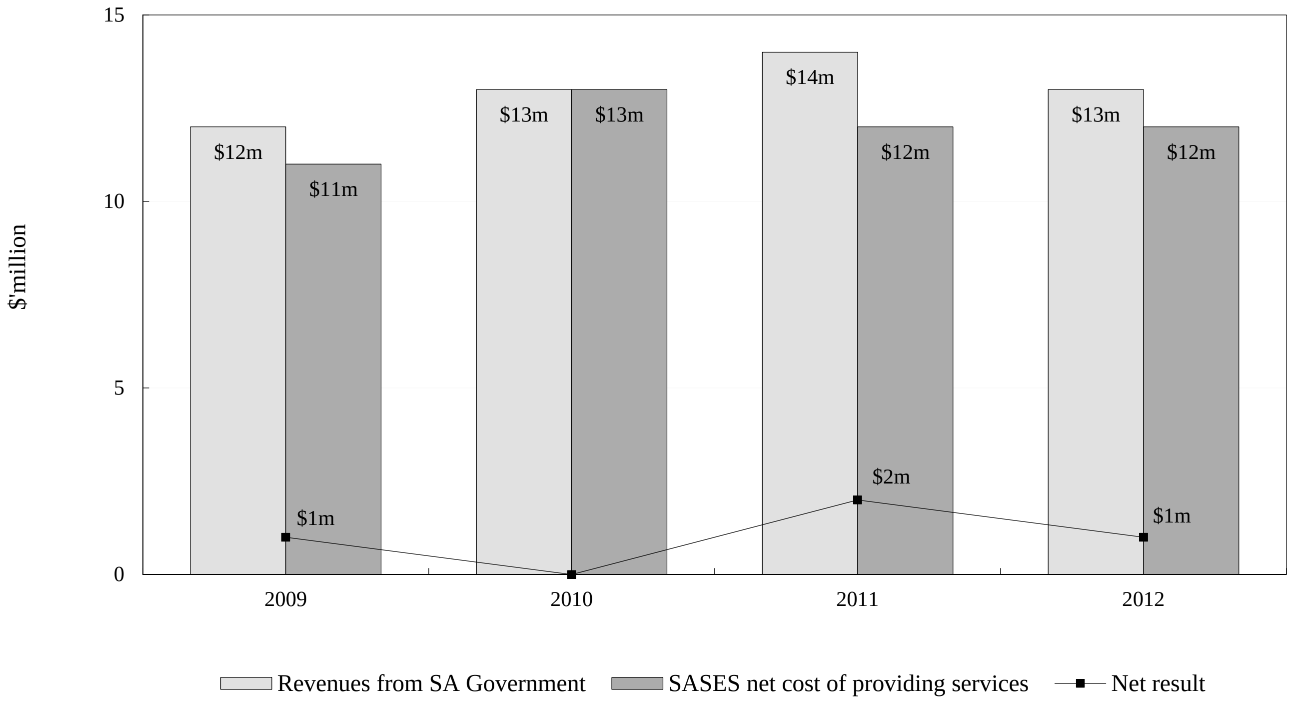
At balance date, current liabilities exceeded current assets by $178 000 ($81 000). Current assets included a decrease in cash and cash equivalents of $700 000 to $1.2 million.

The following chart shows the current assets and current liabilities of the SASES for the past four years.



Further commentary on operations

The following chart shows the funding received by the SASES from the Fund and the net cost of providing services for the past four years.



Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefits expenses	5	3 656	3 889
Supplies and services	6	6 931	7 070
Grants and subsidies	7	79	76
Depreciation and amortisation	8	1 970	1 776
Other expenses	9	96	-
Net loss from disposal of non-current assets	10	68	1
Total expenses		12 800	12 812
Income:			
Revenues from fees and charges	11	2	-
Interest revenues	12	37	16
Resources received free of charge	13	644	-
Other income	14	334	816
Total income		1 017	832
Net cost of providing services		11 783	11 980
Revenues from SA Government:			
Revenues from SA Government	15	13 436	14 319
Net result		1 653	2 339
Other comprehensive income:			
Changes in revaluation surplus	19	1 402	-
Total comprehensive result		3 055	2 339

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	16	1 212	1 916
Receivables	17	275	389
Other financial assets	18	235	256
Total current assets		1 722	2 561
Non-current assets:			
Property, plant and equipment	19	33 641	30 344
Intangible assets	20	12	27
Total non-current assets		33 653	30 371
Total assets		35 375	32 932
Current liabilities:			
Payables	21	1 324	1 985
Employee benefits	22	367	405
Provisions	23	209	252
Total current liabilities		1 900	2 642
Non-current liabilities:			
Payables	21	74	44
Employee benefits	22	785	496
Provisions	23	633	822
Total non-current liabilities		1 492	1 362
Total liabilities		3 392	4 004
Net assets		31 983	28 928
Equity:			
Revaluation surplus	24	6 916	5 514
Retained earnings	24	25 067	23 414
Total equity		31 983	28 928

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2012

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		5 514	21 075	26 589
Net result for 2010-11		-	2 339	2 339
Total comprehensive result for 2010-11		-	2 339	2 339
Balance at 30 June 2011	24	5 514	23 414	28 928
Net result for 2011-12		-	1 653	1 653
Gain on revaluation of property, plant and equipment during 2011-12		1 402	-	1 402
Total comprehensive result for 2011-12		1 402	1 653	3 055
Balance at 30 June 2012	24	6 916	25 067	31 983

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(3 620)	(4 281)
Supplies and services payments		(8 519)	(7 289)
Grants and subsidies payments		(79)	(76)
Cash used in operations		(12 218)	(11 646)
Cash inflows:			
Fees and charges		2	-
Interest received		39	15
GST recovered from the ATO		929	891
Other receipts		459	974
Cash generated from operations		1 429	1 880
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	15	13 423	14 306
Other receipts from SA Government	15	13	13
Cash generated from SA Government		13 436	14 319
Net cash provided by (used in) operating activities	25	2 647	4 553
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(3 372)	(3 282)
Purchase of investments		21	(42)
Cash used in investing activities		(3 351)	(3 324)
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	1
Cash generated from investing activities		-	1
Net cash provided by (used in) investing activities		(3 351)	(3 323)
Net increase (decrease) in cash and cash equivalents		(704)	1 230
Cash and cash equivalents at 1 July		1 916	686
Cash and cash equivalents at 30 June	16	1 212	1 916

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian State Emergency Service (SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency
- to assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency

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 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 fund raising 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.

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 SES for the reporting period ending 30 June 2012 (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 judgment in the process of applying SES's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the 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. SES has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
  - (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 entity to those employees.

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.

(b) Basis of preparation (continued)

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 2012 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) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

SES is not subject to income tax. 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.

(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 a material impact on the results of subsequent years.

(h) Income

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

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

(h) Income (continued)

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 SES obtains control over the funding. Control over funding is normally obtained 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 and other minor revenues.

(i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the SES will occur and can be reliably measured. Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The 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.

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.

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:

Depreciation and amortisation (continued)

Class of asset	*Useful lives (years)*
Communications equipment	10
Vehicles	15
Plant and equipment	10
Computer equipment	5
Buildings	40
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 Department have been contributions with unconditional stipulations attached.

(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 SES has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

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

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 SES will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets
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 written down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

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

Any revaluation increment is credited to the 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 SES has been unable to attribute this expenditure to the intangible asset rather than to SES as a whole.

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

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

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

Payables (continued)
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 superannuation contributions, WorkCoverSA levies and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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.

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

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

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

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

LSL
An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 22).

This calculation is consistent with SES's experience of employee retention and leave taken.

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the 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 2012 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.

SES is responsible for the payment of workers compensation claims.

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.

(m) 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 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SES for the period ending 30 June 2012. SES has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SES.

4. Activities of the SES

In achieving its objectives, the SES provides services within six areas of activity: leadership, prevention, preparedness, response, recovery and business excellence. These services are classified under one activity titled ‘State Emergency Service’.

5. Employee benefits expenses

	2012	2011
	$’000	$’000
Salaries and wages	2 510	2 936
Annual leave	162	288
LSL	491	262
Employment on-costs:		
Superannuation	274	321
Other	147	165
Workers compensation costs	(22)	(163)
Other employment related expenses	94	80
Total employee benefits expenses	3 656	3 889

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$130 700 - $133 999*	n/a	1
$134 000 - $143 999	1	2
$144 000 - $153 999	1	1
$154 000 - $163 999	1	-
$174 000 - $183 999	-	1
$194 000 - $203 999	1	-
$264 000 - $273 999	-	1
Total	4	6

* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2010-11.

The table includes all employees who received remuneration equal to or greater than the base executives 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 $645 000 ($1.003 million).

6. Supplies and services

	2012 $'000	2011 $'000
Accommodation	24	21
Auditor's remuneration	28	28
Communications	261	297
Computing costs	252	258
Consultancy, contractors and legal fees	482	205
Consumables	369	398
Energy	136	100
Government Radio Network	1 920	1 907
Insurance premiums	94	91
Minor plant and equipment	309	559
Operating lease costs	1 009	1 026
Repairs and maintenance	691	707
Travel and training	664	653
Uniforms and protective clothing	265	291
Operational costs	199	276
Other expenses	228	253
Total supplies and services	6 931	7 070

Consultancies

The number and dollar amount of consultancies paid/payable (included in consultants expenses shown above) fell within the following bands:	2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	1	3	1	6
Between $10 000 and $50 000	1	22	-	-
Total amount paid/payable to consultants engaged	2	25	1	6

Auditor's remuneration

	2012 $'000	2011 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	28	28
Total external auditor's remuneration	28	28

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 amount shown above) were provided by entities within the SA Government:

	2012	2011
Accommodation	14	10
Auditor's remuneration	28	28
Communications	39	43
Computing costs	49	49
Consultancy, contractors and legal fees	11	32
Consumables	87	107
Energy	29	13
Government Radio Network	1 920	1 907
Insurance premiums	72	80
Minor plant and equipment	5	2
Operating lease costs	801	799
Repairs and maintenance	55	59
Travel and training	30	-
Operational costs	2	2
Other expenses	67	56
Total supplies and services provided by entities within the SA Government	3 209	3 187

7. Grants and subsidies

	2012	2011
Grants and subsidies	79	76
Total grant and subsidies expense	79	76

All grants and subsidies are provided to non-SA Government recipients.

8. Depreciation and amortisation expense

	2012	2011
Depreciation:	$'000	$'000
Buildings	674	656
Vehicles	925	700
Computers	2	-
Plant and equipment	176	143
Communications	178	256
Total depreciation	1 955	1 755
Amortisation:		
Software	15	21
Total amortisation	15	21
Total depreciation and amortisation	1 970	1 776

9. Other expenses

Asset revaluation decrement	96	-
Total other expenses	96	-

10. Net gain (loss) from disposal of non-current assets

Land and buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	(68)	-
Net gain (loss) from disposal of land and buildings	(68)	-
Vehicles:		
Proceeds from disposal	-	1
Net book value of assets disposed	-	(2)
Net gain (loss) from disposal of vehicles	-	(1)
Total assets:		
Total proceeds from disposal	-	1
Total value of assets disposed	(68)	(2)
Net gain (loss) from disposal of non-current assets	(68)	(1)

11. Revenues from fees and charges

Salary recoveries	2	-
Total revenues from fees and charges	2	-

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:

Salary recoveries	1	-
Total fees and charges received/receivable from entities within the SA Government	1	-

12. Interest revenues

Interest on deposit accounts from entities within the SA Government	37	16
Total interest revenues	37	16

13. Resources received free of charge

Asset contributions from local government councils and other organisations	644	-
Total resources received free of charge	644	-

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services. During 2011-12 one property has been transitioned into the control of the Minister for Emergency Services (valued at fair value of $400 000) and properties transferred from Country Fire Service (valued at fair value of $244 000).

Resources received free of charge from entities within the SA Government	2012	2011
The following resources received free of charge (included in the resources received free of charge revenues shown above) were received/receivable from entities:	$'000	$'000
Asset contributions from local government councils and other organisations	244	-
Total resources received free of charge from entities within the SA Government	244	-

14. Other income

Donations	1	16
Groups and brigades fundraising	9	31
Insurance recoveries	15	200
Other	309	569
Total other income	334	816

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:

Insurance recoveries	-	183
Other	108	103
Total other income received/receivable from entities within the SA Government	108	286

15. Revenues from (Payments to) SA Government

Revenues from SA Government:

Contributions from the Fund	13 423	14 306
Other revenues from SA Government	13	13
Total revenues from SA Government	13 436	14 319

Total revenues from government consists of $10.254 million ($10.956 million) for operational funding, $3.169 million ($3.35 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 to 9 and 19 to 20. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

16. Cash and cash equivalents

	2012	2011
	$'000	$'000
Cash on hand	2	2
Deposits with the Treasurer	376	1 096
Cash at bank (non-SA Government)	136	150
Cash at bank (non-SA Government) - groups/brigades	658	609
Short-term deposits (non-SA Government) - groups/brigades	23	42
Short-term deposits	17	17
Total cash and cash equivalents	1 212	1 916

Short-term deposits

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

Interest rate risk

Cash on hand is non-interest bearing. 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

	2012	2011
Current:	$'000	$'000
Receivables	20	102
Allowance for doubtful debts	-	-
	20	102
Accrued revenues	3	4
Prepaid salaries and wages	-	13
GST input tax recoverable	252	270
Total current receivables	275	389

Current receivables from entities within the SA Government	2012	2011
The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:	$'000	$'000
Receivables	-	1
Allowance for doubtful debts	-	-
	-	1
Accrued revenues	3	4
Prepaid salaries and wages	-	1
Total current receivables from entities within the SA Government	3	6

Movement in 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.

	2012	2011
	$'000	$'000
Movements in the allowance for doubtful debts (impairment loss)		
Carrying amount at 1 July	-	(155)
Amounts written off	-	-
Decrease (Increase) in the allowance	-	155
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 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 29.

18. Other financial assets

	2012	2011
	$'000	$'000
Medium-term deposits - groups and brigades	235	256
Total other financial assets	235	256

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

Refer note 29.

19. Property, plant and equipment

Land:		
At valuation	2 807	2 793
At cost (deemed fair value)	-	-
Accumulated depreciation	-	-
Total land	2 807	2 793
Buildings:		
At valuation	15 853	13 645
At cost (deemed fair value)	19	3 464
Accumulated depreciation	(357)	(1 237)
Total buildings	15 515	15 872
Vehicles:		
At valuation	9 518	7 721
At cost (deemed fair value)	585	1 996
Accumulated depreciation	(525)	(1 346)
Total vehicles	9 578	8 371

19. Property, plant and equipment (continued)

	2012	2011
Communications equipment:	$'000	$'000
At valuation	1 344	969
At cost (deemed fair value)	87	1 035
Accumulated depreciation	(89)	(475)
Total communications equipment	1 342	1 529
Computer equipment:		
At valuation	10	37
At cost (deemed fair value)	-	11
Accumulated depreciation	(1)	(37)
Total computer equipment	9	11
Plant and equipment:		
At valuation	1 020	860
At cost (deemed fair value)	267	442
Accumulated depreciation	(93)	(317)
Total plant and equipment	1 194	985
Capital work in progress:		
At cost (deemed fair value)	3 196	783
Total work in progress	3 196	783
Total property, plant and equipment	33 641	30 344

Valuation of assets

At 30 June 2012, valuations were undertaken by a suitably qualified officer of the South Australian Fire and Emergency Services Commission (SAFECOM). The assessment indicated there was no material difference between the fair value and carrying amount of the assets and consequently no revaluation adjustments were required. All assets have been valued on the basis of written down current cost or open market values for existing use, which is considered to be equivalent to fair value.

At 1 January 2012 independent valuations for land, buildings, vehicles and communication assets were obtained from Liquid Pacific's Mr M Burns, MRICS, AAPI (CPV). The valuer arrived at fair value on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Resources received free of charge

Refer note 13.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2012.

Movement reconciliation of property, plant and equipment

2012	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	2 793	15 872	8 371	1 529	11	985	783	30 344
Acquisitions	-	-	-	-	-	-	3 370	3 370
Transfer to (from) capital WIP	-	18	585	87	-	267	(957)	-
Depreciation expense	-	(674)	(925)	(178)	(2)	(176)	-	(1 955)
Net revaluation increment	(323)	60	1 547	-	-	118	-	1 402
Assets received for nil consideration	403	241	-	-	-	-	-	644
Disposals	(66)	(2)	-	-	-	-	-	(68)
Net revaluation decrement expensed	-	-	-	(96)	-	-	-	(96)
Carrying amount at 30 June	2 807	15 515	9 578	1 342	9	1 194	3 196	33 641
2011								
Carrying amount at 1 July	2 793	15 878	7 131	1 132	-	741	1 144	28 819
Acquisitions	-	-	-	-	-	-	3 282	3 283
Transfer to (from) capital WIP	-	650	1 942	653	11	387	(3 643)	-
Depreciation expense	-	(656)	(700)	(256)	-	(143)	-	(1 755)
Disposals	-	-	(2)	-	-	-	-	(3)
Carrying amount at 30 June	2 793	15 872	8 371	1 529	11	985	783	30 344

20. Intangible assets

	2012	2011
	$'000	$'000
Computer software	328	328
Accumulated amortisation	(316)	(301)
Intangible assets	12	27

Movement reconciliation of intangible assets

	2012	2011
Carrying amount at 1 July	27	48
Amortisation expense	(15)	(21)
Carrying amount at 30 June	12	27

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 2012.

21. Payables

	2012	2011
Current payables:	$'000	$'000
Accrued expenses	136	229
Creditors	1 099	1 657
FBT payable	23	20
Employment on-costs	66	79
Total current payables	1 324	1 985

Current payables to entities within the SA Government

	2012	2011
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Accrued expenses	22	85
Creditors	154	519
FBT payable	23	20
Employment on-costs	66	79
Total current payables to entities within the SA Government	265	703

	2012	2011
Non-current payables:		
Employment on-costs	74	44
Total non-current payables	74	44

Non-current payables to entities within the SA Government

	2012	2011
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Employment on-costs	74	44
Total non-current payables to entities within the SA Government	74	44

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed to 40% (35%), and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 10.3%. 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 $17 000 and employee benefit expense of $17 000. 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 29.

22. Employee benefits

	2012	2011
Current:	$'000	$'000
Accrued salaries and wages	1	-
Annual leave	261	339
LSL	105	66
Total current employee benefits	367	405
Non-current:		
LSL	785	496
Total non-current employee benefits	785	496

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation. 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 2011 (5.25%) to 2012 (2.75%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $139 000 and employee benefit expense of $139 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

23. Provisions

	2012	2011
Current:	$'000	$'000
Provision for workers compensation	209	252
Total current provisions	209	252
Non-current:		
Provision for workers compensation	633	822
Total non-current provisions	633	822
Total provisions	842	1 074
Provision movement:		
Carrying amount at 1 July	1 074	1 431
Additional provisions recognised (released)	(21)	(162)
Reductions arising from payments	(211)	(195)
Carrying amount at 30 June	842	1 074

SES has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

24. Equity

	2012	2011
	$'000	$'000
Accumulated surplus	25 067	23 414
Revaluation surplus	6 916	5 514
Total equity	31 983	28 928

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.

25. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 212	1 916
Balance as per the Statement of Cash Flows	1 212	1 916

25. Cash flow reconciliation (continued)

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

	2012 $'000	2011 $'000
Net cash provided by (used in) operating activities	2 647	4 553
Revenues from SA Government	(13 436)	(14 319)
Non-cash items:		
Depreciation and amortisation	(1 970)	(1 776)
Assets received free of charge	644	-
Asset revaluation decrement recognised in Statement of Comprehensive Income	(96)	-
Net loss from disposal of non-current assets	(68)	(1)
Movements in assets/liabilities:		
Receivables	(114)	132
Payables	629	(946)
Employee benefits	(251)	20
Provisions	232	357
Net cost of providing services	(11 783)	(11 980)

26. 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.

	2012 $'000	2011 $'000
Within one year	410	738
Later than one year but not later than five years	306	844
Total operating lease commitments	716	1 582

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

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.

	2012 $'000	2011 $'000
Within one year	-	62
Total capital commitments	-	62

Prior capital commitments were 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:

	2012 $'000	2011 $'000
Within one year	204	351
Later than one year but not later than five years	505	884
Total remuneration commitments	709	1 235

Amounts disclosed include commitments arising from executive contracts. 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.

	2012 $'000	2011 $'000
Within one year	344	48
Later than one year but not later than five years	181	65
Total other commitments	525	113

Other commitments (continued)

Contractual commitments relate to computer rollout and broadband connection.

27. Contingent assets and liabilities

Contingent assets

In 2009-10 SES made prepayments for capital works projects of $170 720 for works that did not materialise. Recovery of the prepayment has been sought. 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

SES has a potential contingent liability in the form of possible litigation, however, the outcome or financial impact cannot be reliably determined at this stage.

28. Events after the reporting period

On 13 August 2012 the Government announced it intends establishing a community safety directorate. The directorate will provide strategic advice and high level coordination across police, correctional services, emergency services and road safety, and oversee the development and implementation of policy. A project team has been established to determine the best model for the authority.

29. 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.

		2012		2011	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	16	1 212	1 212	1 916	1 916
Receivables[(1)(2)]	17	23	23	119	119
Other financial assets	18	235	235	256	256
Financial liabilities					
Payables	21	1 279	1 279	1 923	1 923

(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.

Credit risk

Credit risk arises when there is the possibility of 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 this note represents SES's maximum exposure to credit risk.

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

SES has minimal concentration of credit risk. SES has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. 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 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.

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
2012	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	8	-	-	15	23
Other financial assets	235	-	-	-	235
Impaired:					
Receivables	-	-	-	-	-
Allowance for impairment	-	-	-	-	-
2011					
Not impaired:					
Receivables	102	1	-	16	119
Other financial assets	256	-	-	-	256
Impaired:					
Receivables	-	-	-	-	-
Allowance for impairment	-	-	-	-	-

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
2012	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalents	1 212	1 212	-
Receivables	23	23	-
Other financial assets	235	235	-
Total financial assets	1 470	1 470	-
Financial liabilities:			
Payables	1 279	1 205	74
Total financial liabilities	1 279	1 205	74
2011			
Financial assets:			
Cash and cash equivalents	1 916	1 916	-
Receivables	119	119	-
Other financial assets	256	256	-
Total financial assets	2 291	2 291	-
Financial liabilities:			
Payables	1 923	1 905	18
Total financial liabilities	1 923	1 905	18

The financial assets and liabilities of 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 SES is unable to meet its financial obligations as they are due to be settled. SES is funded principally from contributions from the Community Emergency Services Fund. The SES and SAFECOM works with the Fund 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. SES'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.

Liquidity risk (continued)
SES's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded under 'Categorisation of financial instruments' above represent 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 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 SES as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

South Australian Superannuation Board

Functional responsibility

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by 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 (the 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

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

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Presiding Member of the Board. The main matter raised with the Board and related response is detailed below.

Online banking access review

The State Superannuation Office does not have documented policies and procedures for the regular review of staff access to online banking.

TI 2 requires the Chief Executive to establish and maintain effective policies and procedures for the management of financial risks and to make these readily available to staff.

The Board responded that the State Superannuation Office will ensure that a procedure on staff access to online banking is finalised and implemented prior to 30 September 2012.

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

	2012 $'million	2011 $'million
Expenses and income		
Total expenses	14.9	13.9
Total income	18.8	17.5
Total comprehensive result	3.9	3.6
Net cash provided by (used in) operating activities	3.4	2.0
Assets		
Cash and cash equivalents	12.3	8.8
Receivables	2.9	1.5
Total assets	15.2	10.3
Liabilities	0.9	-
Equity	14.3	10.3

Statement of Comprehensive Income

The net surplus for the year was $3.9 million. This result reflects:

- revenues from fees and charges of $18.8 million. Of this amount, $16.9 million (90%), represents the administration fees charged to the superannuation schemes administered by the Board
- administration expense of $14.9 million. A majority of this amount is payment to DTF for administrative services.

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Administration expenses	4	14 948	13 948
Total expenses		14 948	13 948
Income:			
Revenue from fees and charges	5	18 844	17 489
Total income		18 844	17 489
Total comprehensive result	9	3 896	3 541

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	6	12 292	8 846
Receivables	7	2 866	1 535
Total assets		15 158	10 381
`			
Current liabilities:			
Payables	8	897	16
Total liabilities		897	16
Net assets		14 261	10 365
Equity:			
Retained earnings	9	-	-
Reserves	9	14 261	10 365
Total equity		14 261	10 365

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2012

	Note	Retained earnings $'000	Reserves $'000	Total $'000
Balance at 30 June 2010		-	6 824	6 824
Total comprehensive result for the year 2010-11		3 541	-	3 541
Transferred to reserves		(3 541)	3 541	-
Balance at 30 June 2011		-	10 365	10 365
Total comprehensive result for the year 2011-12		3 896	-	3 896
Transferred to reserves	9	(3 896)	3 896	-
Balance at 30 June 2012		-	14 261	14 261

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Administration expenses		(12 762)	(15 253)
Cash used in operations		(12 762)	(15 253)
Cash inflows:			
Interest		454	304
Receipts from fees and charges		15 754	16 987
Cash generated from operations		16 208	17 291
Net cash provided by (used in) operating activities	11	3 446	2 038
Net increase (decrease) in cash and cash equivalents		3 446	2 038
Cash and cash equivalents at 1 July		8 846	6 808
Cash and cash equivalents at 30 June	6	12 292	8 846

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* (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.

Objectives of the South Australian Superannuation Board (the Board) (continued)

The Board is responsible for payment of the service level agreement 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, TIs and APSs promulgated under the provision 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 2012. These are outlined in 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
  - 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 2012 and comparative information is presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific APS or AAS 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.

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 deposit account at the applicable SA Government rate and advised quarterly by DTF. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to DTF for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include deposits held in the deposit account.

For the purpose of the Statement of Cash Flows, cash consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received as per TI 11.

3. New and revised accounting standards and policies

Issued or amended but not yet effective

The Board did not voluntarily change any of its accounting policies during the 2011-12. 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 2012. The Board has assessed the impact of 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. Administration expenses

	2012 $'000	2011 $'000
Administration fees	14 876	13 853
Other expenses[(i)]	72	95
Total administration expenses	14 948	13 948

(i) Other expenses include amounts paid or due and payable to the Auditor-General's Department for the audit of the Board for the reporting period which were $16 280 ($15 950). No other services have been provided by the Auditor-General's Department.

5. Fees and charges

	2012 $'000	2011 $'000
Interest	468	314
Recovery of administration fees	16 876	16 552
Other income	1 500	623
Total fees and charges	18 844	17 489

6. Cash and cash equivalents

Cash at bank	12 292	8 846
Total cash and cash equivalents	12 292	8 846

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

7. Receivables

Sundry debtors	2 850	1 519
Audit fee recovery	16	16
Total receivables	2 866	1 535

8. Payables

Sundry creditors	55	-
Audit fees payable	16	16
Administration fee payable	826	-
Total payables	897	16

9. Retained earnings and reserves

	Opening balance $'000	Total comprehensive result $'000	Transfers to reserves $'000	2012 $'000	2011 $'000
Retained earnings	-	3 896	(3 896)	-	-

Reserves:	Opening balance $'000	Transfers to reserve $'000	Transfers from reserve $'000	2012 $'000	2011 $'000
Board election reserve:[(i)]					
South Australian Superannuation Scheme	74	3	(19)	58	74
Southern State Superannuation Scheme	114	5	(37)	82	114
Office administration reserve:[(ii)]					
South Australian Superannuation Scheme	1 792	727	-	2 519	1 792
Southern State Superannuation Scheme	2 504	1 449	-	3 953	2 504
Capital and development reserve:[(iii)]					
South Australian Superannuation Scheme	1 634	75	-	1 709	1 634
Southern State Superannuation Scheme	2 310	106	-	2 416	2 310
Triple S operational risk reserve:[(iv)]					
Southern State Superannuation Scheme	1 937	1 587	-	3 524	1 937
Total reserves	10 365	3 952	(56)	14 261	10 365

9. Retained earnings and reserves (continued)

The transfers to/from reserves are transfers from equity based on specific reserve balances and purposes which are outlined below:

(i) The Board election reserve represents amounts which have been put aside for the three yearly Board election costs. The transfers to reserve amount represents interest allocated during the year. The transfers from reserve represents part of the 2012-13 Board election cost incurred in 2011-12.

(ii) The office administration reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. The transfers to reserve amount represents interest allocated during the year plus the refund from DTF of the underspent service level agreement fee for 2011-12.

(iii) The capital and development reserve represents amounts which have been put aside for future capital replacement costs. The transfers to reserve amount represents interest allocated during the year plus the refund from DTF of the unspent capital and development funds. There was no refund for unspent capital in 2011-12. The Southern State Superannuation Scheme also reflects the transfers to reserve of net income received from the income stream and flexible rollover product to offset setup costs incurred for the establishment of these products.

(iv) The Triple S operational risk reserve represents amounts held as part of the Board's Risk Management Policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The transfers to reserve represent interest allocated during the year plus transfers from Triple S to the Board of $1.5 million.

The funding of this reserve is from the Triple S insurance reserve. The Board determined that an amount between $1 million - $1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the insurance reserve will be assessed each year and will also take into account the three yearly actuarial assessment of the insurance pool to ensure sufficient reserves are held in the insurance reserve.

10. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2011-12 financial year were:

South Australian Superannuation Board	
Philip Jackson (Presiding Member)	1 July 2011 - 30 June 2012
Kevin Cantley* (John Wright* - Deputy)	1 July 2011 - 30 June 2012
Bill Griggs* (Aaron Chia* - Deputy)	1 July 2011 - 30 June 2012
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2011 - 30 June 2012
Jan McMahon (Leah York - Deputy)	1 July 2011 - 30 June 2012
Leah York**	1 July 2011 - 30 June 2012

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$0	2	2
$1 - $9 999	1	2
$20 000 - $29 999	2	2
$30 000 - $39 999	1	1
Total	6	7

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 $99 000 ($95 000).

Amounts paid to a superannuation plan for board/committee members was $8000 ($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.

11. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents - cash at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	12 292	8 846
Balance as per Statement of Cash Flows	12 292	8 846
Reconciliation of total comprehensive result to net cash provided by (used in) operating activities		
Total comprehensive result	3 896	3 541
Movements in assets/liabilities:		
Receivables	(1 331)	(1 503)
Payables	881	-
Net cash provided by (used in) operating activities	3 446	2 038

12. Financial instruments

The Board holds all cash in a deposit account with DTF which receives interest at the applicable SA Government rate. There is minimal financial risk associated with the Board's financial instruments.

South Australian Ambulance Service Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Clause 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial report of the South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) for each financial year.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2011-12, 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 2012, and changes in net assets for the year ended 30 June 2012 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

	2012 $'million	2011 $'million
Revenue		
Contribution revenue	12.4	17.7
Investment revenue	4.4	13.9
Total revenue	16.8	31.6
Expenses		
Benefits expenses	8.6	7.0
Other expenses	1.2	1.1
Income tax expense	1.1	3.7
Total expenses	10.9	11.8
Net increase (decrease) in funds	5.9	19.8
Assets		
Investments	149.9	145.6
Other assets	3.5	3.2
Total assets	153.4	148.8
Liabilities		
Current liabilities	1.8	3.1
Total liabilities	1.8	3.1
Net assets available to pay benefits	151.6	145.7

Statement of Changes in Net Assets

There was a net increase in funds of $5.9 million for 2011-12, reflecting:

- contributions revenue of $12.4 million ($17.7 million) consisting predominantly of contributions by employers of $10.7 million ($11.8 million). In 2010-11 the Department of Health and Ageing contributed $4.6 million for past service liabilities. An actuarial review as at 30 June 2011 determined that these payments were currently no longer required to be made.

- returns on investments of $4.4 million ($13.9 million). The decrease in investment revenue is due to lower returns for funds under management during 2011-12. This mainly reflects declining economic conditions in European markets.

  Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

- benefits expenses of $8.6 million ($7 million).

Statement of Net Assets

The main item in the Statement of Net Assets is investments. They increased by $4.3 million to $149.9 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 as disclosed in note 8 to the financial statements.

The vested benefits as at 30 June 2012 were $147.9 million as disclosed in note 9 to the financial statements. Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the past three years were:

	2012	2011	2010
Non-contributory members	22	25	32
Contributory members	813	852	878
Contributions received ($'000)	1 228	1 300	1 345

The number of contributory members decreased by 39. 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 2012

	Note	2012 $'000	2011 $'000
Net assets available to pay benefits at 1 July		145 679	125 873
Revenue:			
Investment revenue		4 427	13 861
Other revenue		33	41
Contribution revenue:			
Contributions by employers	3	10 727	11 782
Contributions for past service liability	1(d)	-	4 560
Contributions by members		1 228	1 300
Rollovers from other schemes		365	29
Spouse contributions		6	8
Government co-contributions		24	23
Total contribution revenue		12 350	17 702
Total revenue		16 810	31 604
Expenses:			
Direct investment expenses	6	760	737
Administration expenses	4	397	363
Benefits expenses	7	8 601	6 961
Total expenses		9 758	8 061
Income tax expense	12(a),(b)	1 092	3 737
Net increase (decrease) in funds		5 960	19 806
Net assets available to pay benefits at 30 June	11	151 639	145 679

Statement of Net Assets
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Investments:			
Inflation linked securities B		15 181	17 580
Property B		16 711	12 747
Australian equities B		33 455	41 357
International equities B		25 178	28 823
Long-term fixed interest		8 446	8 528
Short-term fixed interest		6 811	7 009
Diversified strategies growth B		8 751	6 459
Diversified strategies income		21 267	14 840
Cash		14 118	8 208
Total investments		149 918	145 551
Other assets:			
Cash and cash equivalents		993	960
Deferred tax assets	12(e)	2 524	2 287
Other assets		14	19
Total other assets		3 531	3 266
Total assets		153 449	148 817
Current liabilities:			
Benefits payable		426	910
Other liabilities		106	26
Current tax liabilities	12(c)	1 278	2 201
		1 810	3 137
Non-current liabilities:			
Deferred tax liabilities	12(d)	-	1
Total liabilities		1 810	3 138
Net assets available to pay benefits	11	151 639	145 679

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 2012, 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.

As a result of an actuarial review as at 1 July 2008 the Treasurer determined that the former Department of Health would be making payments of $4.56 million to the Fund in 2008-09, 2009-10 and 2010-11 in relation to the unfunded liability of the Fund. This amount is reported in the Statement of Changes in Net Assets as contributions for past service liability.

An actuarial review as at 30 June 2011 determined the current employer contribution for the defined benefit scheme members of 12% can be maintained. Also the payments in respect of the unfunded liability as at the 2008 review have been sufficient to remove that unfunded liability. 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%, 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 provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

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).

(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 2012, 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.

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options. The Scheme is totally invested in the balanced option.

(e) Revenue

Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external funds on behalf of the SA Ambulance Service members.

(f) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

(i) Comparative information

The presentation and classification of items in the financial statements are consistent with prior period 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 proceeding period.

3. Contributions by employers

	2012	2011
	$'000	$'000
Employer contributions	9 821	10 551
Insurance premiums	596	919
Administration expenses	310	312
	10 727	11 782

4. Administration expenses

Administration fees	343	334
Other expenses	54	29
	397	363

5. Auditor's remuneration

Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $23 430 ($22 990). No other services were provided by the Auditor-General's Department.

6. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Benefits expenses

	2012	2011
	$'000	$'000
Retirement	5 593	5 304
Resignation	526	882
Total and permanent disablement	1 627	678
Death	700	-
Salary continuance	155	97
	8 601	6 961

8. Liability for accrued benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2011 and the next review 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

9. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

	2012	2011
	$'000	$'000
Vested benefits	147 921	140 444

10. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

11. Net assets available to pay benefits

	2012	2011
(a) Assets available to pay benefits	$'000	$'000
Funds held at 1 July	141 642	122 849
Contributions by members	1 228	1 300
Contributions for past service liability	-	4 560
Contributions by employers	10 131	10 863
Investment revenue	4 341	13 545
Rollovers from other schemes	365	29
Spouse contributions	6	8
Government co-contributions	24	23
Other revenue	33	41
	16 128	30 369
Benefits expenses	(7 395)	(6 739)
Direct investment expenses	(760)	(737)
Administration expenses	(397)	(363)
Income tax expense	(1 092)	(3 737)
	(9 644)	(11 576)
Assets available to pay benefits	148 126	141 642
(b) Insurance reserve		
Opening balance of insurance reserve	4 037	3 024
Employer fees	596	919
Investment revenue	86	316
	682	1 235
Benefits payments:		
Total and permanent disablement	(464)	(125)
Death	(588)	-
Temporary disablement	(154)	(97)
	(1 206)	(222)
Closing balance of insurance reserve	3 513	4 037
Net assets available to pay benefits	151 639	145 679

12. Taxation

	2012	2011
(a) Major components of tax expense		
Current income tax:		
Current tax charge	2 020	3 610
Adjustment to current tax for prior periods	(639)	(337)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	(289)	464
Income tax expense	1 092	3 737
(b) Income tax expense		
Changes in net assets before tax	6 141	24 453
Tax applicable at the rate of 15%	921	3 668
Tax effect of income and losses that are not assessable/or deductible in determining taxable income:		
Investment income	132	(250)
Member contributions	(189)	(200)
Transfers in	(51)	(2)
Insurance proceeds	-	(36)
Tax effect of expenses that are not deductible in determining taxable income:		
Benefits expenses	1 427	944
Tax effect of other adjustments:		
Imputation and foreign tax credits	(509)	(50)
Over provision prior period	(639)	(337)
Income tax expense	1 092	3 737

(c) **Current tax liabilities**	2012 $'000	2011 $'000
Balance at 1 July	2 201	1 429
Income tax paid - prior periods	(1 509)	(1 060)
Income tax paid - current period	(742)	(1 409)
Current year's income tax provision	2 020	3 610
Over provision - prior period	(692)	(369)
Total current tax liabilities	1 278	2 201

(d) Deferred tax liabilities

The amount of deferred tax liability recognised in the Statement of Net Assets at reporting date is made up as follows:

Interest receivable	-	1
Total deferred tax liabilities	-	1

(e) 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)	1 741	1 655
Unrealised capital losses carried forward (discounted)	779	628
Total deferred tax assets	2 524	2 287

13. Related parties

The Board acts as Trustee for the Scheme. For details of board membership and remuneration refer to the Board's financial report.

14. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 42.5% 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
2012			
Balanced	Nominal standard deviation	8.1	12 143
Total			12 143
2011			
Balanced	Nominal standard deviation	9.0	13 100
Total			13 100

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

(iv) Sensitivity analysis (continued)

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets included in the Statement of Net Assets represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2012	$'000	$'000	$'000
Benefits payable	426	426	426
Other liabilities	106	106	106
Current tax liabilities	1 278	1 278	1 278
Vested benefits(i)	147 921	147 921	147 921
Total	149 731	149 731	149 731
2011			
Benefits payable	910	910	910
Other liabilities	26	26	26
Current tax liabilities	2 201	2 201	2 201
Vested benefits(i)	140 444	140 444	140 444
Total	143 581	143 581	143 581

(i) Vested benefits have been included in the 'less than three months' column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2012		
Unlisted managed investment schemes:		
Funds SA	149 918	149 918
	149 918	149 918
2011		
Unlisted managed investment schemes:		
Funds SA	145 551	145 551
	145 551	145 551

(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* (the Act) provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2011-12, 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

Interpretation and analysis of the financial report

Highlights of the financial report	2012 $'million	2011 $'million
Revenue		
Investment revenue	120	464
Contribution revenue	482	500
Other revenue	36	33
Total revenue	638	997

	2012 $'million	2011 $'million
Expenses		
Benefits expense	761	917
Direct investment expense	22	24
Other expenses	13	13
Total expenses	796	954
Transfer to consolidated account	13	-
Operating result for the period	(171)	43
Net cash provided by (used in) operating activities	(233)	(145)
Assets		
Investments	4 084	4 219
Other assets	17	15
Total assets	4 101	4 234
Liabilities		
Liability for accrued benefits	10 427	10 390
Current liabilities	7	6
Total liabilities	10 434	10 396
Excess of liabilities over net assets	6 333	6 162

Operating Statement

Revenues

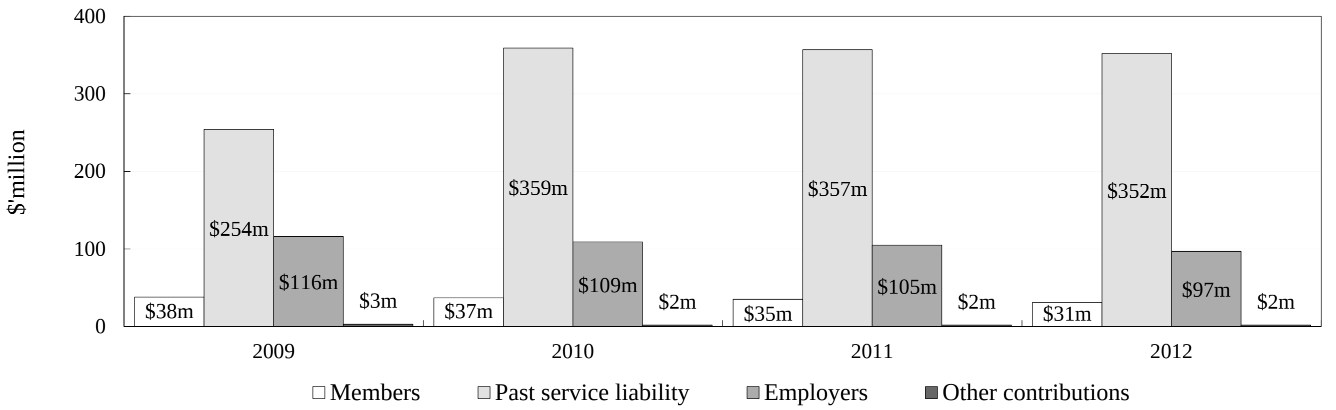
Investment activity for the year resulted in a return of $120 million ($464 million).

The decrease in investment revenue is due to lower returns for funds under management during 2011-12. This is mainly due to declining economic conditions in European markets. 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 $18 million to $482 million, due mainly to a decrease of $13 million in employer and member contributions. This is indicative of a closed scheme where the number of members is decreasing due to retirement.

During the year the Government transferred $352 million ($357 million) into the South Australian Superannuation Scheme Contribution Account for past service liability funding.

A structural analysis of contribution revenues of the Scheme for the four years to 2012 is presented in the following chart.



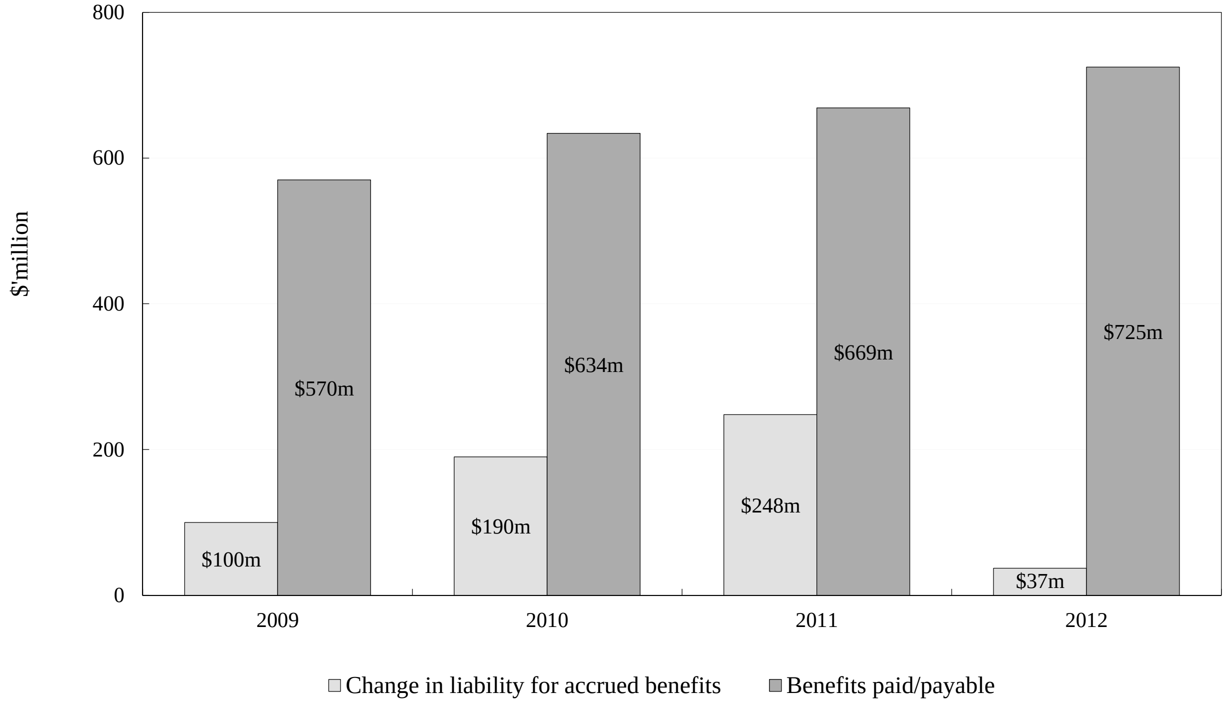
The chart shows that over the last four years employer and member contributions have slowly reduced. This is expected as the new and old schemes are closed schemes with no new contributors.

Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which decreased by $156 million to $761 million for the year.

For the four years to 2012 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 increased by $37 million to $10.4 billion for which net assets of $4.1 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $6.3 billion. Of the $10.4 billion liability, $8.7 billion (83%) represents the old scheme (pension) liability and $1.7 billion (17%) is the new scheme (lump sum) liability. The demographic assumptions of the 2010 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

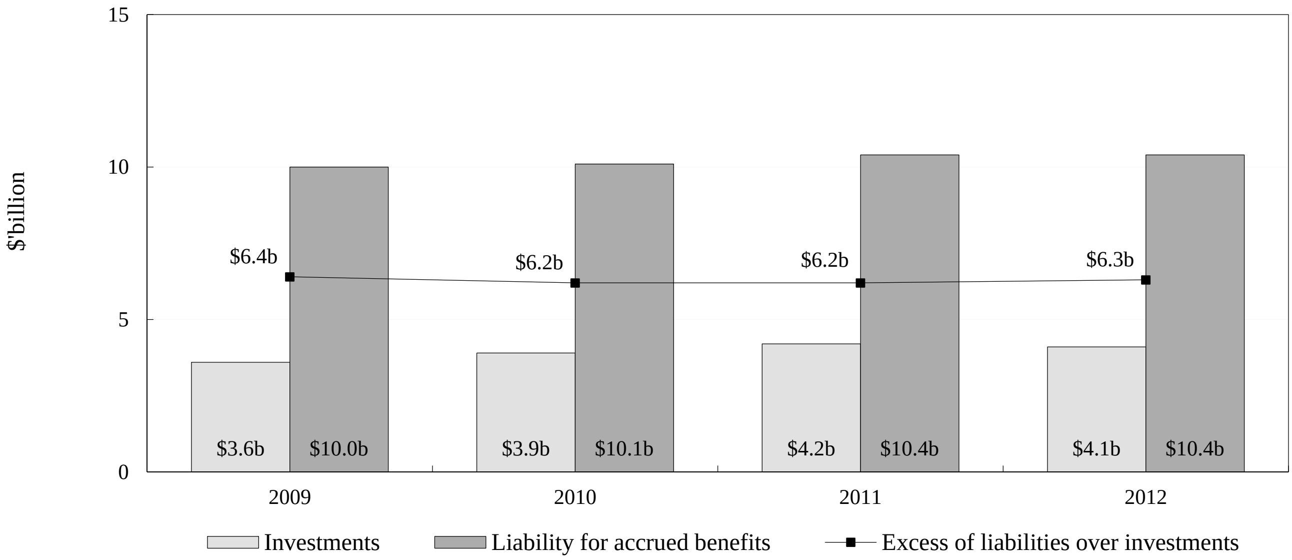
Consistent with the 2009-10 liability calculation for financial reporting the following rates were used:

- discount rate 7%
- long-term salary inflation 4%
- long term CPI factor 2.5%.

The liabilities for the old scheme and new scheme increased by $27 million and $9 million. Benefits expense decreased by $156 million. This was due to:

- a decrease in the investment earning rate for the new division
- large annual decreases in pension scheme contributors which reduces the accruals of new benefits combined with the ageing of current pensioners
- the duration of the liability decreasing by one year affecting the net present value.

For the four years to 2012 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



From 30 June 2009 investments increased predominantly due to positive returns on investments and additional government contributions for past service liability. The level of investments has remained stable in 2011-12.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2012.

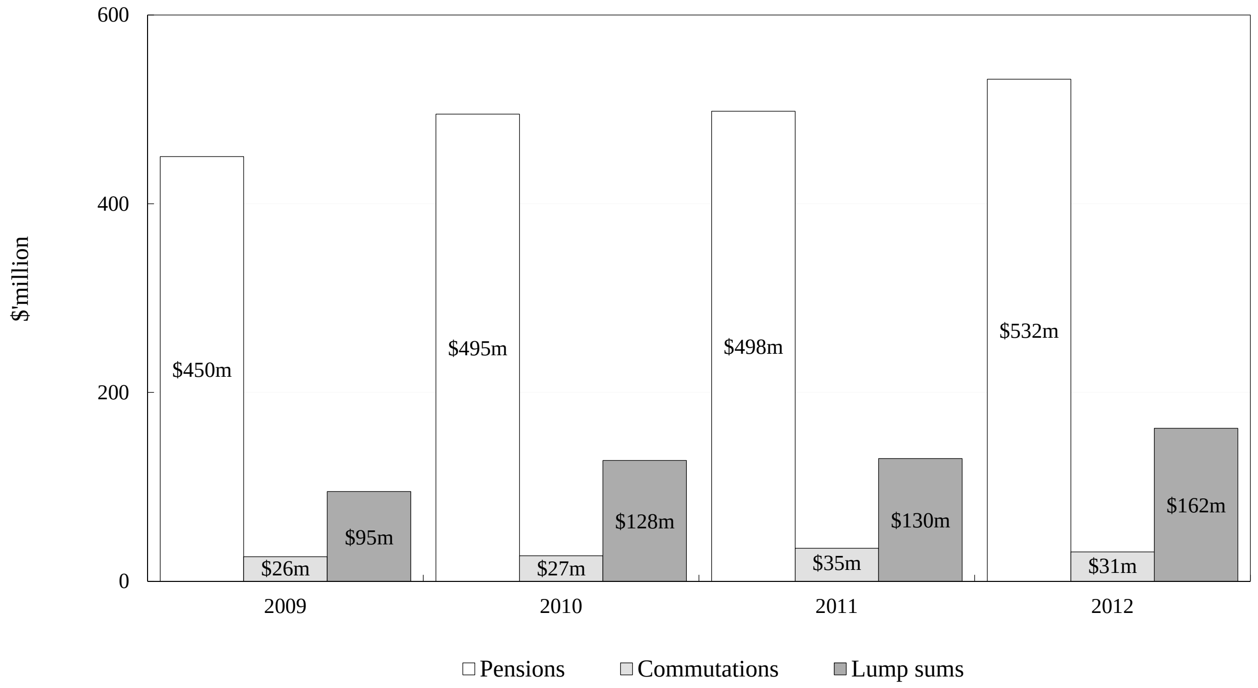
	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows				
Operating	(232.8)	(145.5)	(136.1)	(228.2)
Investing	233.8	148.6	110.4	245.4
Change in cash	1.0	3.1	(25.7)	17.2
Cash at 30 June	9.2	8.2	5.1	30.8

The operating cash outflow increased in 2011-12 due mainly to a $61 million increase in benefits paid.

Benefits paid

In 2011-12 total benefits paid amounted to $725 million ($663 million), which included $532 million ($498 million) paid as pensions. Details of benefits paid/payable are disclosed in note 7 to the financial statements.

The following chart analyses benefits paid for the four years to 2012.



The chart shows an increasing trend in pensions and lump sums paid as more members reach retirement age. Pensions are also adjusted for increases in inflation.

Further commentary on operations

Funding of benefit payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government Employer Account.

The South Australian Superannuation Fund (the Fund) portion of a benefit is fully funded. Member contributions are deposited in the Fund and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested with Funds SA.

Note 1(d) to the financial statements provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a special deposit account established for that purpose.

Pensioners

The number of pensioners at 30 June each year and pensions paid for the past four years were:

	2012	2011	2010	2009
Pensioners	15 433	15 359	15 332	15 115
Pensions paid ($'million)	532	498	495	450

Contributions by members

The number of contributors and contributions received from members for the past three years were:

	2012			2011	2010
	Old Scheme	New Scheme	Total	Total	Total
Contributors (excludes preserved members)	1 945	4 630	6 575	7 413	8 139
Contributions revenue ($'000)	8 427	22 753	31 180	35 313	36 609

Operating Statement
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue:			
Investment revenue		120 041	464 544
Other revenue	17	36 513	32 942
Contribution revenue:			
Contributions for past service liability	1(d)	352 461	356 635
Contributions by employers		96 582	105 191
Contributions by members		31 180	35 313
Rollovers from other schemes		1 554	1 959
Government co-contributions	18	441	710
Total contribution revenue		482 218	499 808
Total revenue		638 772	997 294
Expenses:			
Direct investment expenses	4	21 574	23 770
Co-contributions transferred to other scheme	18	441	710
Higher education superannuation costs	20	8 921	8 285
Administration expenses	5	4 558	5 129
Benefits expense	8	760 870	916 582
Total expenses		796 364	954 476
Transfer to Consolidated Account	21	13 300	-
Operating result for the period		(170 892)	42 818

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Investments:			
Inflation linked securities A		385 424	386 492
Property A		623 036	568 463
Australian equities A		959 043	1 218 630
International equities A		963 819	1 016 837
Long-term fixed interest		104 864	115 843
Short-term fixed interest		74 066	80 854
Diversified strategies growth A		238 341	227 435
Diversified strategies income		525 392	415 572
Cash		208 777	187 732
Socially responsible		857	997
	10	4 083 619	4 218 855
Other assets:			
Cash and cash equivalents	12	9 151	8 242
Contributions receivable	3	2 378	2 610
Other income receivable	16	5 217	4 393
Sundry debtors	19	219	211
		16 965	15 456
Total assets		4 100 584	4 234 311
Current liabilities:			
Benefits payable		6 444	4 501
Sundry creditors	13	852	220
PAYG withholding tax	14	-	1 439
Total liabilities		7 296	6 160
Net assets available to pay benefits	6	4 093 288	4 228 151
Liability for accrued benefits	8	(10 426 628)	(10 390 599)
Excess of liabilities over net assets		(6 333 340)	(6 162 448)

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions for past service liability		352 461	358 898
Contributions by employers		96 758	103 564
Contributions by members		31 236	34 734
Rollovers from other schemes		1 555	1 959
Government co-contributions		441	711
		482 451	499 866
Other income:			
Reimbursement from other sources:			
Public authorities		35 301	31 603
Temporary disability reimbursements		41	51
Other		343	408
		35 685	32 062
GST recoup received		301	-
Benefits paid:			
Pensions		(531 675)	(497 723)
Commutation of pension benefits		(30 859)	(35 167)
Lump sums		(161 945)	(130 437)
		(724 479)	(663 327)
Administration expenses		(4 088)	(5 096)
Co-contributions transferred to other scheme		(441)	(711)
Higher education superannuation costs		(8 922)	(8 285)
Transferred to consolidated account	21	(13 300)	-
Net cash provided by (used in) operating activities	11	(232 793)	(145 491)
Cash flows from investing activities:			
Receipts from Funds SA		658 253	539 487
Payments to Funds SA		(424 551)	(390 863)
Net cash provided by (used in) investing activities		233 702	148 624
Net increase (decrease) in cash and cash equivalents held		909	3 133
Cash and cash equivalents at 1 July		8 242	5 109
Cash and cash equivalents at 30 June	12	9 151	8 242

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 established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a special deposit account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or special deposit account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2012 payments of $13.3 million ($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% (24%) for old scheme contributors and 14.75% (14.5%) for new scheme contributors.

(d) ***Funding arrangements (continued)***

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 $73.5 million ($79.1 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 2012 the Government transferred a total of $349.2 million ($353.5 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 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 $2.2 million ($2.1 million) have also been received from SA Water, $528 000 ($508 000) from WorkCover and $517 000 ($497 000) from Forestry SA to fund their accrued superannuation liabilities.

- *Public authorities accounts (universities)*

  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from statutory authorities, $23.1 million ($25.7 million) relates to amounts received or receivable from SA Government entities and $348 000 ($425 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the public authorities Accounts referred to in note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government departments and the State Government liability for statutory authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Summary of significant accounting policies

(a) ***Basis of accounting***

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 provision of the PFAA, except as provided below.

(a) Basis of accounting (continued)

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).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The property A portfolio comprises two 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 2012, 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 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.

(f) Receivables and payables

Contributions receivable are contributions relating to the 2011-12 financial year received by the Scheme after 30 June 2012.

(f) Receivables and payables (continued)

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 2012 but who had not been paid until after 30 June 2012.

(g) GST

Revenues, expenses and assets are recognised net of the amount of the GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(h) Comparative information

The presentation and classification of items in the financial statements are consistent with prior period 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 proceeding period.

3. Contributions receivable

	2012	2011
	$'000	$'000
Contributions receivable by members	541	597
Contributions receivable by employers	1 837	2 013
	2 378	2 610

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

5. Administration expenses

	Old Scheme Division	New Scheme Division	Total 2012	Total 2011
	$'000	$'000	$'000	$'000
Administration expenses[(i)]	2 420	1 994	4 414	4 965
Bank fees	32	-	32	28
Other expenses[(ii)]	59	48	107	105
Consultancy expenses	5	-	5	31
Total administration expenses	2 516	2 042	4 558	5 129

(i) Administration expenses

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:

- Section 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.

(ii) Other expenses

Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period totalled $102 000 ($100 000). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

Net assets available to pay benefits consist of the combined balances of the Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund Account (employee component)

	Old Scheme Division	New Scheme Division	Total 2012	Total 2011
	$'000	$'000	$'000	$'000
Funds held at 1 July	1 238 819	595 531	1 834 350	1 740 617
Contributions	8 427	22 753	31 180	35 313
Rollovers from other schemes	342	1 212	1 554	1 959
Investment revenue	29 081	15 405	44 486	203 411
Government co-contributions	53	388	441	711
Other income	57	48	105	123
	37 960	39 806	77 766	241 517
Benefits paid	(80 853)	(52 301)	(133 154)	(135 243)
Direct investment expenses	(6 276)	(2 708)	(8 984)	(10 286)
Co-contributions transferred to other schemes	(53)	(388)	(441)	(711)
Administration expenses	(781)	(612)	(1 393)	(1 544)
	(87 963)	(56 009)	(143 972)	(147 784)
Funds held at 30 June	1 188 816	579 328	1 768 144	1 834 350

(b) South Australian Superannuation Scheme Contribution Account (employer component)

	2012	2011
	$'000	$'000
Funds held at 1 July	2 393 801	2 197 354
Employer contributions:		
State Government departments	73 489	79 064
Statutory authorities	23 093	26 127
Contributions for past service liability	352 461	356 635
	449 043	461 826
Investment revenue	75 555	261 133
Other income - public authorities	36 107	32 497
Other income - interest received	242	285
Other income - temporary disability	59	37
	561 006	755 778
Benefits paid:		
Old scheme contributors	(488 087)	(447 731)
New scheme contributors	(103 600)	(86 246)
Direct investment expenses	(12 590)	(13 484)
Higher education superannuation costs	(8 921)	(8 285)
Administration expenses	(3 165)	(3 585)
Transfer to Consolidated Account	(13 300)	-
	(629 663)	(559 331)
Funds held at 30 June	2 325 144	2 393 801
Total net assets available to pay benefits	4 093 288	4 228 151

7. Benefits paid/payable

	2012 Old Scheme Division	2012 New Scheme Division	2012 Total	2011 Old Scheme Division	2011 New Scheme Division	2011 Total
Pensions:						
Funded from:	$'000	$'000	$'000	$'000	$'000	$'000
South Australian Superannuation Fund	74 223	92	74 315	84 834	108	84 942
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	24 222	-	24 222	21 331	-	21 331
Public authorities	32 763	3	32 766	30 679	3	30 682
SA Government Employer Account	401 181	868	402 049	361 258	903	362 161
Gross scheme costs	532 389	963	533 352	498 102	1 014	499 116

7. Benefits paid/payable (continued)

	2012 Old Scheme Division $'000	2012 New Scheme Division $'000	2012 Total $'000	2011 Old Scheme Division $'000	2011 New Scheme Division $'000	2011 Total $'000
Commutations:						
Funded from:						
South Australian Superannuation Fund	4 089	-	4 089	6 310	-	6 310
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	5 197	-	5 197	8 518	-	8 518
Public authorities	1 467	-	1 467	379	-	379
SA Government Employer Account	18 455	-	18 455	21 952	-	21 952
Gross scheme costs	29 208	-	29 208	37 159	-	37 159
Lump sums:						
Funded from:						
South Australian Superannuation Fund	2 541	51 564	54 105	1 088	42 491	43 579
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 377	26 312	27 689	870	25 367	26 237
Public authorities	10	2 041	2 051	-	313	313
SA Government Employer Account	3 415	72 772	76 187	2 744	59 260	62 004
Gross scheme costs	7 343	152 689	160 032	4 702	127 431	132 133
Targeted separation packages:						
Funded from:						
South Australian Superannuation Fund	-	645	645	-	412	412
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	313	313	-	-	-
SA Government Employer Account	-	1 291	1 291	-	400	400
Gross scheme costs	-	2 249	2 249	-	812	812
Total benefits paid/payable	568 940	155 901	724 841	539 963	129 257	669 220

8. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by the State Superannuation Office of DTF are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2012 based on membership data as at 30 June 2011.

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 2012.

The expected future benefit payments have been determined using the 2010 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5% per annum above the Adelaide CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5% per annum above the CPI of 2.5%.

	2012 Old Scheme Division $'000	2012 New Scheme Division $'000	2012 Total $'000	2011 Old Scheme Division $'000	2011 New Scheme Division $'000	2011 Total $'000
Changes in the liability for accrued benefits:						
Liability for accrued benefits at 1 July	8637 200	1 753 399	10 390 599	8 470 200	1 673 037	10 143 237
Benefits expense(i)	596 040	164 830	760 870	706 963	209 619	916 582
Benefits paid(ii)	(568 940)	(155 901)	(724 841)	(539 963)	(129 257)	(669 220)
Liability for accrued benefits at 30 June	8 664 300	1 762 328	10 426 628	8 637 200	1 753 399	10 390 599

8. Liability for accrued benefits (continued)

	2012 Old Scheme Division	2012 New Scheme Division	2012 Total	2011 Old Scheme Division	2011 New Scheme Division	2011 Total
Represented by:	$’000	$’000	$’000	$’000	$’000	$’000
South Australian Superannuation Fund	1 212 600	579 328	1 791 928	1 206 800	595 099	1 801 899
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 252 200	353 300	1 605 500	1 255 000	357 500	1 612 500
SA Government Employer Account	5 869 700	815 300	6 685 000	5 842 000	786 500	6 628 500
Public authorities	329 800	14 400	344 200	333 400	14 300	347 700
Total	8 664 300	1 762 328	10 426 628	8 637 200	1 753 399	10 390 599

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer note 7.

Although the total liability for accrued benefits shown above is $10.4 billion, the SA Government is only responsible for funding the SA Government Employer Account of $6.7 billion and part of the Employer Contribution Accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth’s 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 2010 by Mr Stuart Mules, Fellow of the Institute of Actuaries of Australia. His report to the Minister dated 2 December 2010, was tabled in Parliament on 22 March 2011. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

9. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2012 based on membership data as at 30 June 2011.

	2012 Old Scheme Division	2012 New Scheme Division	2012 Total	2011 Old Scheme Division	2011 New Scheme Division	2011 Total
	$’000	$’000	$’000	$’000	$’000	$’000
South Australian Superannuation Fund	1 196 600	579 328	1 775 928	1 191 300	595 099	1 786 399
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 216 900	366 200	1 583 100	1 213 800	364 600	1 578 400
SA Government Employer Account	5 721 700	884 500	6 606 200	5 688 600	845 200	6 533 800
Public authorities	328 200	16 800	345 000	331 600	15 700	347 300
Total	8 463 400	1 846 828	10 310 228	8 425 300	1 820 599	10 245 899

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:	2012 Fund - Old Scheme Division $'000	2012 Fund - New Scheme Division $'000	2012 Scheme Contribution Accounts $'000	Total 2012 $'000	Total 2011 $'000
Inflation linked securities A	113 312	54 799	217 313	385 424	386 492
Property A	187 015	77 358	358 663	623 036	568 463
Australian equities A	288 284	117 880	552 879	959 043	1 218 630
International equities A	289 625	118 742	555 452	963 819	1 016 837
Long-term fixed interest	30 646	15 443	58 775	104 864	115 844
Short-term fixed interest	19 714	16 543	37 809	74 066	80 853
Diversified strategies growth A	71 863	28 656	137 822	238 341	227 435
Diversified strategies income	156 140	69 801	299 451	525 392	415 572
Cash	44 428	79 143	85 206	208 777	187 732
Socially responsible	-	857	-	857	997
Total	1 201 027	579 222	2 303 370	4 083 619	4 218 855

11. Reconciliation of operating result to net cash used in operating activities

	2012 $'000	2011 $'000
Operating result	(170 892)	42 818
Increase (Decrease) in liability for accrued benefits	36 029	247 362
Investment revenue	(120 041)	(464 544)
Direct investment expense	21 574	23 770
Movements in assets/liabilities:		
Other income receivable	(824)	(880)
Contributions receivable	233	(2 225)
PAYG withholding tax	(1 439)	1 439
Benefits payable	1 943	4 501
Sundry debtors	(8)	2 158
Sundry creditors	632	110
Net cash provided by (used in) operating activities	(232 793)	(145 491)

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:

	2012 $'000	2011 $'000
Cash and cash equivalents	9 151	8 242

13. Sundry creditors

	2012	2011
Administration fees payable	738	-
Audit fees	107	105
Bank fee	3	2
Health commissions	1	1
Overpaid member contributions	-	19
Overseas pensions	-	18
Returned benefit payments payable	3	-
Surcharge liability	-	75
	852	220

14. PAYG withholding tax

There was $0 ($1.4 million) PAYG withholding tax due on benefit payments which had not been remitted to the Commissioner of Taxation as at 30 June 2012.

15. Benefit entitlements

Contributors' benefit entitlements are specified by the Act.

16. Other income receivable

	2012 $'000	2011 $'000
Temporary disability debtors	32	14
Public authorities	5 185	4 379
	5 217	4 393

17. Other revenue

	2012	2011
	$'000	$'000
Bank account interest	346	407
Public authorities	36 107	32 497
Temporary disability	59	37
Switch fee	1	1
	36 513	32 942

18. Government co-contributions

During the 2011-12 financial year, the Scheme received co-contributions from the ATO amounting to $440 000 ($710 000). 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. Sundry debtors

	2012	2011
	$'000	$'000
Interest receivable	34	29
Benefit repayments	161	124
Overpaid pensions	24	28
GST recoup from ATO	-	30
	219	211

20. Higher education superannuation costs

An amount of $8.9 million ($8.3 million) was paid to the Commonwealth Government which related to the South Australian share of the 2011-12 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. Transfer to Consolidated Account

The Treasurer approved a transfer of $13.3 million ($0) to the consolidated account in 2011-12.

22. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA which has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 42.5% 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 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 sub markets
- 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.

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2012			
High growth	Nominal standard deviation	12.7	1 866
Growth	Nominal standard deviation	10.3	406 178
Balanced	Nominal standard deviation	9.0	1 822
Moderate	Nominal standard deviation	6.9	551
Conservative	Nominal standard deviation	4.9	1 080
Capital defensive	Nominal standard deviation	2.5	562
Cash	Nominal standard deviation	1.1	570
Socially responsible	Nominal standard deviation	11.1	95
Total			412 724
2011			
High growth	Nominal standard deviation	13.5	2 404
Growth	Nominal standard deviation	11.1	457 563
Balanced	Nominal standard deviation	10.0	2 164
Moderate	Nominal standard deviation	7.7	523
Conservative	Nominal standard deviation	5.0	607
Capital defensive	Nominal standard deviation	2.3	166
Cash	Nominal standard deviation	1.2	361
Socially responsible	Nominal standard deviation	11.6	116
Total			463 904

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.

(c) Liquidity risk (continued)

- 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
2012	$'000	$'000	$'000
Sundry creditors	852	852	852
Benefits payable	6 444	6 444	6 444
Vested benefits[(i)]	10 310 228	10 310 228	10 310 228
Total	10 317 524	10 317 524	10 317 524
2011			
Sundry creditors	220	220	220
Benefits payable	4 501	4 501	4 501
PAYG withholding tax	1 439	1 439	1 439
Vested benefits[(i)]	10 245 899	10 245 899	10 245 899
Total	10 252 059	10 252 059	10 252 059

(i) Vested benefits have been included in the 'less than three months' column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2012		
Unlisted managed investments schemes:		
Funds SA	4 083 619	4 083 619
	4 083 619	4 083 619
2011		
Unlisted managed investments schemes:		
Funds SA	4 218 855	4 218 855
	4 218 855	4 218 855

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

23. Related parties

Details of the members of the Board and their remuneration for the 2011-12 financial year are disclosed in the notes to the Board's financial report.

Southern State Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 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 2011-12, 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

Highlights of the financial report

	2012 $'million	2011 $'million
Revenue		
Investment revenue	271	759
Contribution revenue	1 010	930
Total revenue	1 281	1 689

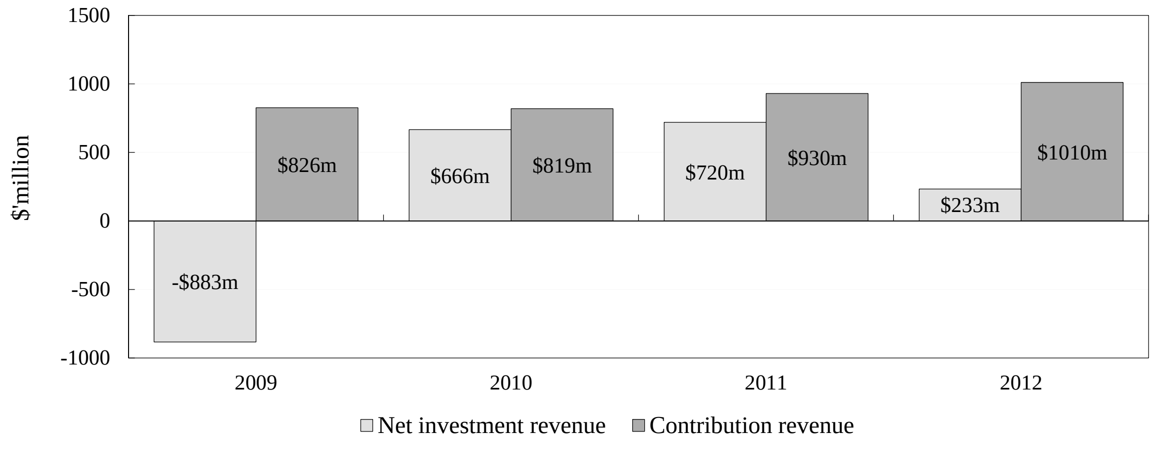
	2012 $'million	2011 $'million
Expenses		
Direct investment expenses	38	39
Other expenses	12	9
Total expenses	50	48
Benefits accrued as a result of operations	1 231	1 641
Net cash provided by (used in) operating activities	406	466
Assets		
Investments	8 328	7 692
Other assets	30	27
Total assets	8 358	7 719
Liabilities		
Current liabilities	12	11
Total liabilities	12	11
Net assets available to pay benefits	8 346	7 708
Represented by:		
Liability for accrued benefits	8 223	7 591
Reserves	123	117
	8 346	7 708

Operating Statement

Revenues

Total revenue decreased by $408 million. The decrease is due to a decrease in investment revenue of $488 million offset by an increase in contribution revenue of $80 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 2012 is presented in the following chart.

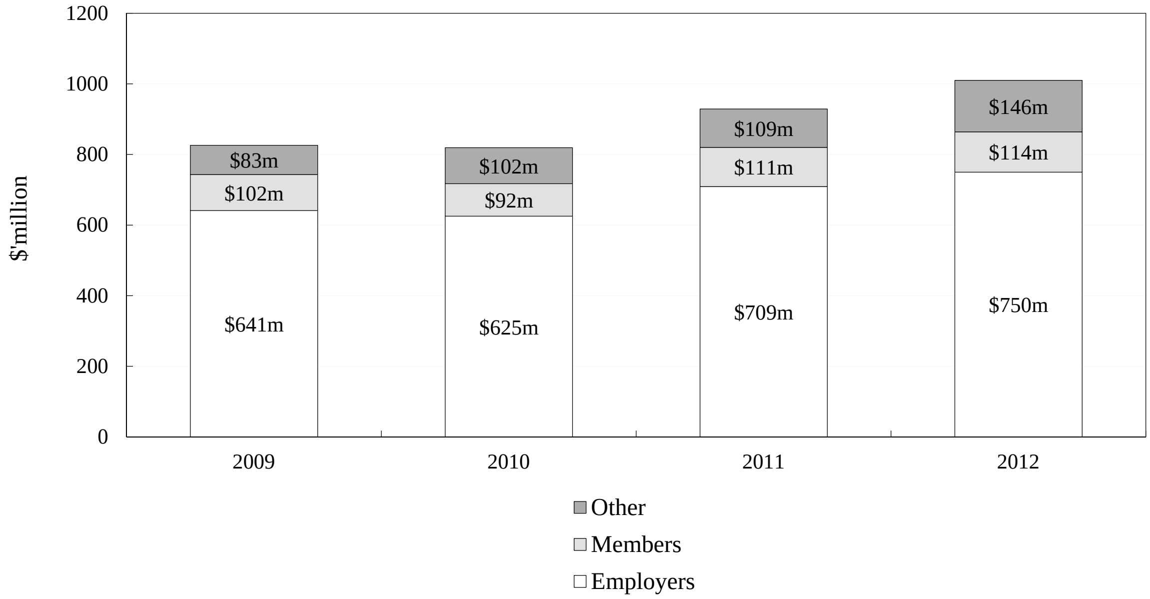


The chart shows negative returns on investments in 2008-09 as a direct result of the worldwide downturn in investment markets. This significantly reversed in 2009-10 to a large positive return. Early in 2010-11 market investments continued to improve, however this slowed in the latter part of the year. The decrease in investment revenue in 2011-12 is due to lower returns for funds under management. This mainly reflects declining economic conditions in European markets. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Revenue from contributions has risen over a number of years. However, there was a slight decrease in overall contribution revenue in 2009-10. This reflected the impact of a legislative change that abnormally affected the level of contribution revenue for 2008-09. The legislative change enabled lump sum members of the Police Superannuation Scheme to transfer to the Triple S Scheme from 1 July 2008, resulting in a transfer of $98 million to the Triple S Scheme.

Contribution revenue

Active members of the Triple S Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Triple S Scheme. An analysis of amounts contributed by members and employers for the four years to 2012 is presented in the following chart.



The chart indicates that the value of contributions by employers has increased over the four year period by $109 million (17%), although there was a decrease of $16 million in 2009-10. In the same period member contributions have increased by $12 million (12%).

Member contributions have increased despite a decrease of 1037 in the number of active (contributory) members over the four year period. This is predominantly due to salary increases and one-off contributions of $15.4 million in 2010-11.

As previously noted, contribution revenue for 2008-09 included a transfer of $98 million from the Police Superannuation Scheme ($72 million in employer contributions and $26 million in member contributions).

Membership statistics for the last three years are provided in the following table.

	2012 Number	2011 Number	2010 Number
Contributory	30 926	31 444	31 574
Non-contributory	82 041	80 350	78 917

	2012 %	2011 %	2010 %
Contributory	27.4	28.1	28.6
Non-contributory	72.6	71.9	71.4

Statement of Financial Position

There was a lack of growth in 2009 in investments reflecting negative investment returns from depressed financial markets. This has been followed by three years of positive returns resulting in an increase in the value of investments. The movement in net assets is indicative of the accumulative nature of the Triple S Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Triple S Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	2012 $'billion	2011 $'billion	2010 $'billion	2009 $'billion
Net assets available to pay benefits	8.3	7.7	6.5	5.4

Statement of Cash Flows

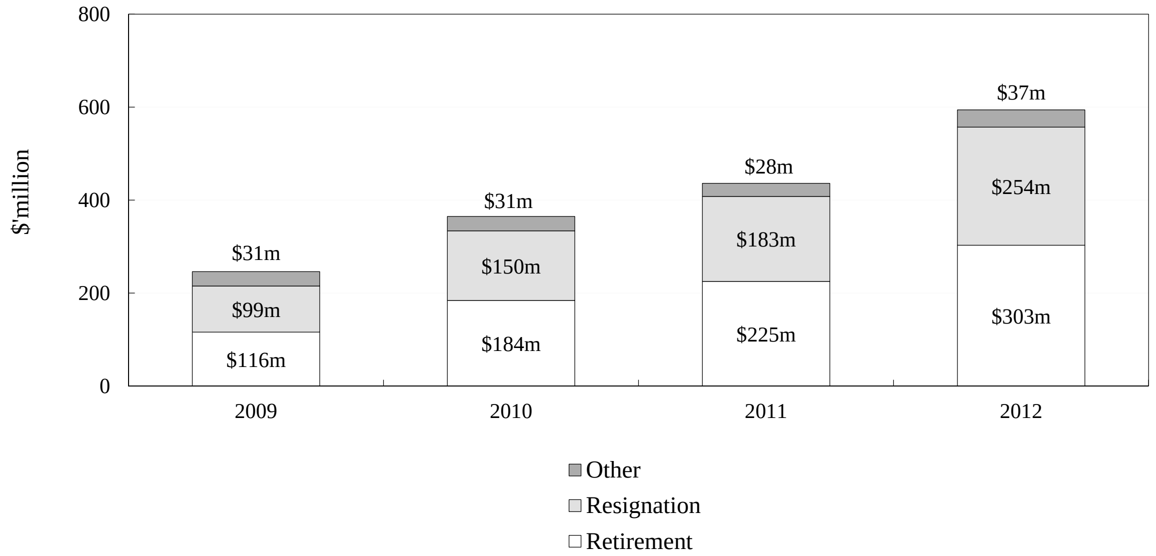
The following table summarises the net cash flows for 2012 and 2011.

	2012 $'million	2011 $'million
Net cash flows		
Operating	406	466
Investing	(403)	(459)
Change in cash	3	7
Cash at 30 June	14	11

The analysis of cash flows shows that the Triple S Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $594 million ($436 million). The following chart analyses benefits paid for the four years to 30 June 2012 and shows an increasing trend. This is expected in an open scheme that was established 17 years ago.



The large increase in benefits paid in 2010 was due mainly to:

- TVSPs being offered by the SA Government
- positive investment returns after two years of negative returns making it more attractive for members to retire.

In 2012 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 2012

	Note	2012 $'000	2011 $'000
Revenue:			
Investment revenue		270 622	758 687
Other revenue		588	655
Contribution revenue:			
Contributions by members	1(a)	113 518	110 626
Contributions by employers	1(a)	749 768	709 188
Rollovers from other schemes		139 809	102 135
Government co-contributions		6 339	7 595
Total contribution revenue		1 009 434	929 544
Total revenue		1 280 644	1 688 886
Expenses:			
Direct investment expenses	3	37 735	38 730
Transfer to board reserves		1 500	-
Insurance administration expenses	13	1 124	744
Administration expenses	4	9 238	8 922
Total expenses		49 597	48 396
Benefits accrued as a result of operations		1 231 047	1 640 490

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Investments:			
Inflation linked securities A		937 480	846 915
Property A		943 759	763 246
Australian equities A		1 685 451	2 000 023
International equities A		1 680 265	1 641 050
Long-term fixed interest		400 952	385 423
Short-term fixed interest		374 541	341 607
Diversified strategies growth A		465 161	411 148
Diversified strategies income		1 031 355	739 225
Cash		802 116	556 983
Socially responsible		6 493	6 165
		8 327 573	7 691 785
Other assets:			
Cash and cash equivalents	5	14 479	11 205
Contributions receivable	6	15 707	16 022
Sundry debtors	7	54	115
		30 240	27 342
Total assets		8 357 813	7 719 127
Current liabilities:			
Benefits payable	8	10 133	10 453
Sundry creditors	9	2 151	352
PAYG withholding tax		-	112
Total liabilities		12 284	10 917
Net assets available to pay benefits	10	8 345 529	7 708 210
Represented by:			
Liability for accrued benefits:			
Allocated to members' accounts	11,16	8 217 876	7 578 415
Not allocated to members' accounts	12	5 262	12 481
		8 223 138	7 590 896
Reserves:			
Death, invalidity and income protection insurance reserve	13	114 142	110 767
Administration fee reserve	14	8 249	6 547
		122 391	117 314
		8 345 529	7 708 210

Statement of Cash Flows
for the year ended 30 June 2012

		2012	2011
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions received:			
Contributions by members		113 521	109 455
Contributions by employers		750 061	694 361
Rollovers from other schemes		139 948	102 381
Government co-contributions		6 339	7 583
		1 009 869	913 780
GST paid/recoup received		58	61
Other revenue		593	637
Benefits paid:			
Retirement		(303 068)	(224 945)
Resignation		(254 489)	(183 160)
Invalidity		(15 575)	(9 898)
Death		(13 075)	(11 848)
Payments to unclaimed monies		(51)	(81)
Temporary disability		(7 938)	(6 350)
		(594 196)	(436 282)
Insurance administration expenses		(1 124)	(744)
Transfer to board reserves		(1 500)	-
Administration expenses		(7 525)	(8 914)
Other payments		-	(2 263)
Net cash provided by (used in) operating activities	17	406 175	466 275
Cash flows from investing activities:			
Receipts from Funds SA		219 613	93 409
Payments to Funds SA		(622 514)	(552 705)
Net cash provided by (used in) investing activities		(402 901)	(459 296)
Net increase (decrease) in cash and cash equivalents held		3 274	6 979
Cash and cash equivalents at 1 July		11 205	4 226
Cash and cash equivalents at 30 June	5	14 479	11 205

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 Southern State Superannuation Scheme is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the Act. The Southern State Superannuation Regulations 2009 provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1%, 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) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme) (continued)

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% 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 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 established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a special deposit account established for that purpose. During the current reporting period contributions were made to a special deposit account. All employer contributions are received from SA Government entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a special deposit account established for that purpose. During the current reporting period payments were made from a special deposit account.

2. Summary of significant accounting policies

(a) Basis of accounting

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 provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

(a) Basis of accounting (continued)

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).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed internal inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation at balance date was performed by an independent valuer.

(ii) Property A

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

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed interest

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified strategies growth A

The diversified strategies growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified strategies income

The diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially responsible investment

The socially responsible 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 2012, 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.

(e) Receivables and payables

Contributions receivable are contributions relating to the 2011-12 financial year received by the Scheme after 30 June 2012.

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 comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(f) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(g) Comparative information

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

(g) Comparative information (continued)

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 proceeding period.

3. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

4. Administration expenses

	2012	2011
	$'000	$'000
Administration expenses[(i)]	9 145	8 798
Other expenses[(ii)]	93	124
	9 238	8 922

(i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2012, 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 2012 the amount charged to members' employer contribution accounts was $10.6 million ($9.4 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 2012, based on actual costs of administering the Scheme, amounted to $9.1 million including GST ($8.8 million).

(ii) Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $77 990 ($76 560). No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2012	2011
	$'000	$'000
Cash and cash equivalents	14 479	11 205
6. Contributions receivable		
Contributions from members	1 178	1 182
Contributions from employers	14 529	14 840
	15 707	16 022
7. Sundry debtors		
Refund from ATO for GST	-	58
Other	54	57
	54	115
8. Benefits payable		
Benefits payable	10 133	10 453
9. Sundry creditors		
Audit fees payable	89	87
Administration fees payable	1 711	-
Bank fees payable	1	1
Rollovers payable to other scheme	350	-
Refund of overpaid contributions	-	264
	2 151	352

10. Net assets available to pay benefits

	2012	2011
	$'000	$'000
Funds held at 1 July	7 708 210	6 514 561
Contributions by members	112 172	110 141
Spouse contributions	1 346	485
Employer contributions	749 768	709 188
Rollovers from other schemes	139 809	102 135
Government co-contributions	6 339	7 595
Investment revenue	270 622	758 687
Other revenue	588	655
	1 280 644	1 688 886
Benefits paid and payable	(593 728)	(446 841)
Direct investment expenses	(37 735)	(38 730)
Administration expenses	(9 238)	(8 922)
Insurance administration expenses	(1 124)	(744)
Transfer to Board – Triple S operational risk reserve	(1 500)	-
	(643 325)	(495 237)
Total net assets available to pay benefits	8 345 529	7 708 210

11. Allocated to members' accounts

The value of funds which have been formally allocated to member accounts equals the vested benefits as per note 16. The formal allocation of earnings to members' accounts has been determined for the 2012 year.

12. Not allocated to members' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members' accounts on a cash basis.

13. Death, invalidity and income protection insurance reserve

The Scheme provides an insurance benefit based on units of cover, 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 2010. The actuary concluded that the current premiums are below the true cost of providing the insurance but there are adequate reserves to support the current premiums for over 10 years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013.

To be eligible for the income protection insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income protection payments can continue for 24 months for members employed full or part-time. Casual employees can be paid for up to 12 months.

13. Death, invalidity and income protection insurance reserve (continued)

	2012 $'000	2011 $'000
Opening balance of the death, invalidity and income protection insurance reserve	110 767	93 472
Investment earnings on insurance reserve at 3.1%(i)	3 433	10 611
Premiums and charges	22 551	21 592
	25 984	32 203
Benefit payments:		
Invalidity	6 222	3 958
Death	5 807	3 828
Disability pensions	7 956	6 350
Administration fees(ii)	1 124	744
Transfers to Triple S operational risk reserve	1 500	-
Actuarial review of insurance pool	-	28
	22 609	14 908
Net transfer value to the death, invalidity and income protection insurance reserve	3 375	17 295
Closing balance of reserve	114 142	110 767

(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.

	2012 $'000	2011 $'000
Opening balance of administration fee reserve	6 547	5 259
Investment earnings on administration fee reserve at 3.1%(i)	226	613
Premiums and charges:		
Member fees	10 610	9 466
Switching fees	11	7
	10 847	10 086
Payments:		
Administration fees(ii)	(9 145)	(8 798)
Net transfer value to the administration fee reserve	1 702	1 288
Closing balance of reserve	8 249	6 547

(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.

15. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2012 $'000	2011 $'000
Liability for accrued benefits at 1 July	7 708 210	6 514 561
Increase (Decrease) in accrued benefits	1 231 047	1 640 490
Benefits paid/payable	(593 728)	(446 841)
Liability for accrued benefits at 30 June	8 345 529	7 708 210

16. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2012 $'000	2011 $'000
Vested benefits	8 217 876	7 578 415

17. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities	2012 $'000	2011 $'000
Benefits accrued as a result of operations	1 231 047	1 640 490
Benefits paid and payable	(593 728)	(446 841)
Investment revenue	(270 622)	(758 687)
Direct investment expenses	37 735	38 730
Movements in assets/liabilities:		
Contributions receivable	315	(15 966)
Sundry debtors	61	43
Sundry creditors	1 799	(2 054)
PAYG withholding tax	(112)	110
Benefits payable	(320)	10 450
Net cash provided by (used in) operating activities	406 175	466 275

18. Benefit entitlements

Benefit entitlements are specified by the Act.

19. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

(i) Currency risk (continued)

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars
- foreign currency exposures in the international equities asset sector are 42.5% 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
2012			
High growth	Nominal standard deviation	12.7	73 068
Growth	Nominal standard deviation	10.3	23 112
Balanced	Nominal standard deviation	9.0	609 767
Moderate	Nominal standard deviation	6.9	2 342
Conservative	Nominal standard deviation	4.9	8 667
Capital defensive	Nominal standard deviation	2.5	3 684
Cash	Nominal standard deviation	1.1	4 268
Socially responsible	Nominal standard deviation	11.1	721
Total			725 629

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2011			
High growth	Nominal standard deviation	13.5	81 498
Growth	Nominal standard deviation	11.1	26 263
Balanced	Nominal standard deviation	10.0	645 900
Moderate	Nominal standard deviation	7.7	2 243
Conservative	Nominal standard deviation	5.0	6 070
Capital defensive	Nominal standard deviation	2.3	956
Cash	Nominal standard deviation	1.2	2 331
Socially responsible	Nominal standard deviation	11.6	715
Total			765 976

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 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 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	Total contractual cash flows	Carrying amount liabilities
2012	$'000	$'000	$'000
Benefits payable	10 133	10 133	10 133
Sundry creditors	2 151	2 151	2 151
Vested benefits (see below)	8 217 876	8 217 876	8 217 876
Total	8 230 160	8 230 160	8 230 160
2011			
Benefits payable	10 453	10 453	10 453
Sundry creditors	352	352	352
PAYG withholding tax	112	112	112
Vested benefits (see below)	7 578 415	7 578 415	7 578 415
Total	7 589 332	7 589 332	7 589 332

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
2012	
Unlisted managed investments schemes:	
Funds SA	8 327 573
	8 327 573
2011	
Unlisted managed investments schemes:	
Funds SA	7 691 785
	7 691 785

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

20. Related parties

Details of the members of the Board and their remuneration for the 2011-12 financial year are disclosed in the notes to the Board's financial report.

Super SA Retirement Investment Fund

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Super SA Retirement Investment Fund for each financial year.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2011-12 areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Scheme's assets is reviewed 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 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the South Australian Superannuation Board.

Interpretation and analysis of the financial report

The Super SA Retirement Investment Fund comprises transactions for the Income Stream and Flexible Rollover Product.

Highlights of the financial report	2012 $'million	2011 $'million
Revenue		
Investment revenue	34.7	57.6
Contribution revenue	469.3	353.1
Other revenue	2.3	1.7
Total revenue	506.3	412.4

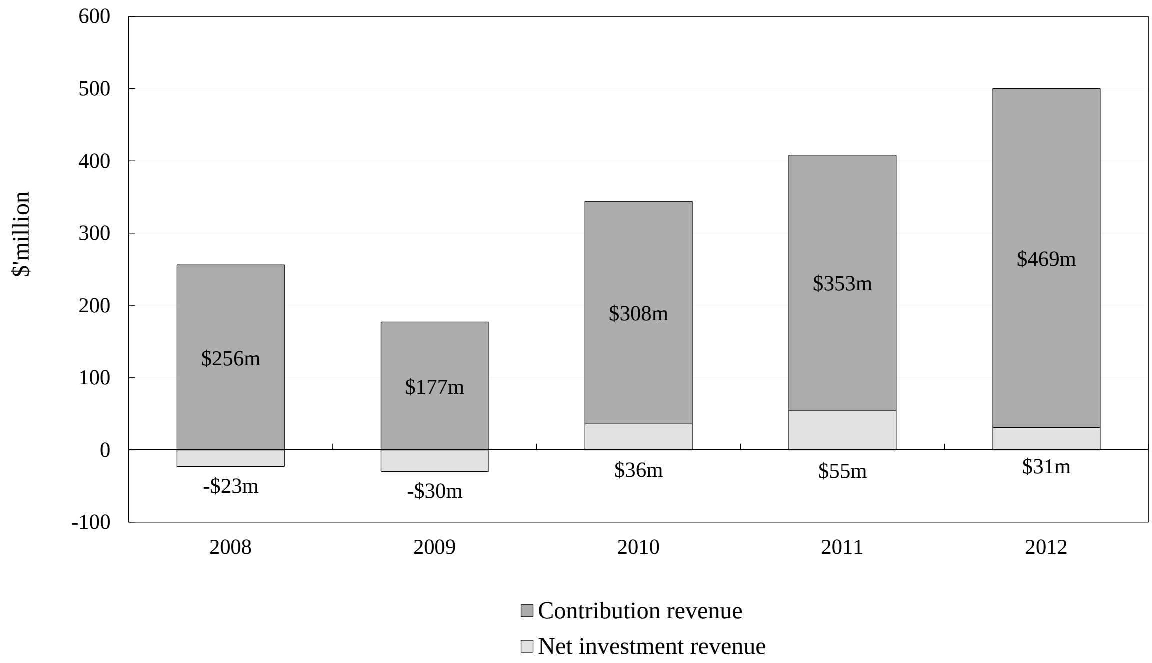
	2012 $'million	2011 $'million
Expenses		
Direct investment expenses	3.4	3.0
Income tax expense	32.3	27.6
Other expenses	0.7	1.2
Total expenses	36.4	31.8
Benefits accrued as a result of operations	469.9	380.6
Net cash provided by (used in) operating activities	240.8	190.9
Assets		
Investments	1 084.5	815.8
Other assets	21.3	15.8
Total assets	1 105.8	831.6
Liabilities		
Current liabilities	19.4	18.3
Total liabilities	19.4	18.3
Net assets available to pay benefits	1 086.4	813.3
Liability for accrued benefits	1 086.4	813.3

Operating Statement

Revenues

Total revenue increased by $93.9 million. The increase is predominantly due to an increase in rollovers from other schemes of $115.6 million offset by a decrease in investment revenue of $22.9 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Scheme for the five years to 2012 is presented in the following chart.

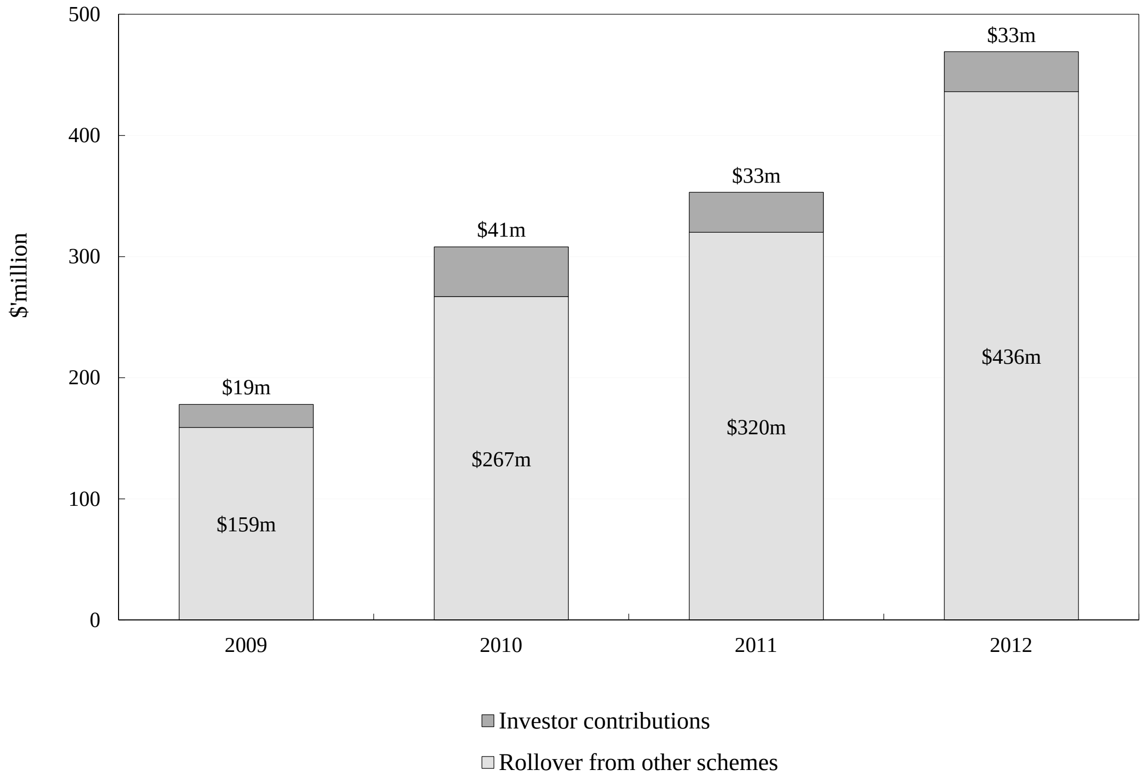


The amount of revenue from contributions has fluctuated over the last five years although membership numbers have risen rapidly. This is due to contributions consisting mainly of rollovers from other schemes, which can fluctuate significantly in dollar value. Contributions are further discussed below.

The chart also demonstrates the significant reversal in 2009-10 of prior years' negative investment returns. The negative returns on investments were a direct result of the world wide downturn in investment markets. Investment returns are discussed in the commentary for Superannuation Funds Management Corporation of South Australia elsewhere in Part B of this Report.

Contribution revenue

An analysis of contribution revenue for the four years to 2012 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.

	2012 Number	2011 Number	2010 Number	2009 Number
Flexible Rollover Product	2 793	2 434	2 113	1 530
Income Stream	3 236	2 337	1 610	994

Statement of Financial Position

There has been growth in investments and liability for accrued benefits over the seven years of the Scheme'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:

	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net assets available to pay benefits	1 086	813	578	340

Statement of Cash Flows

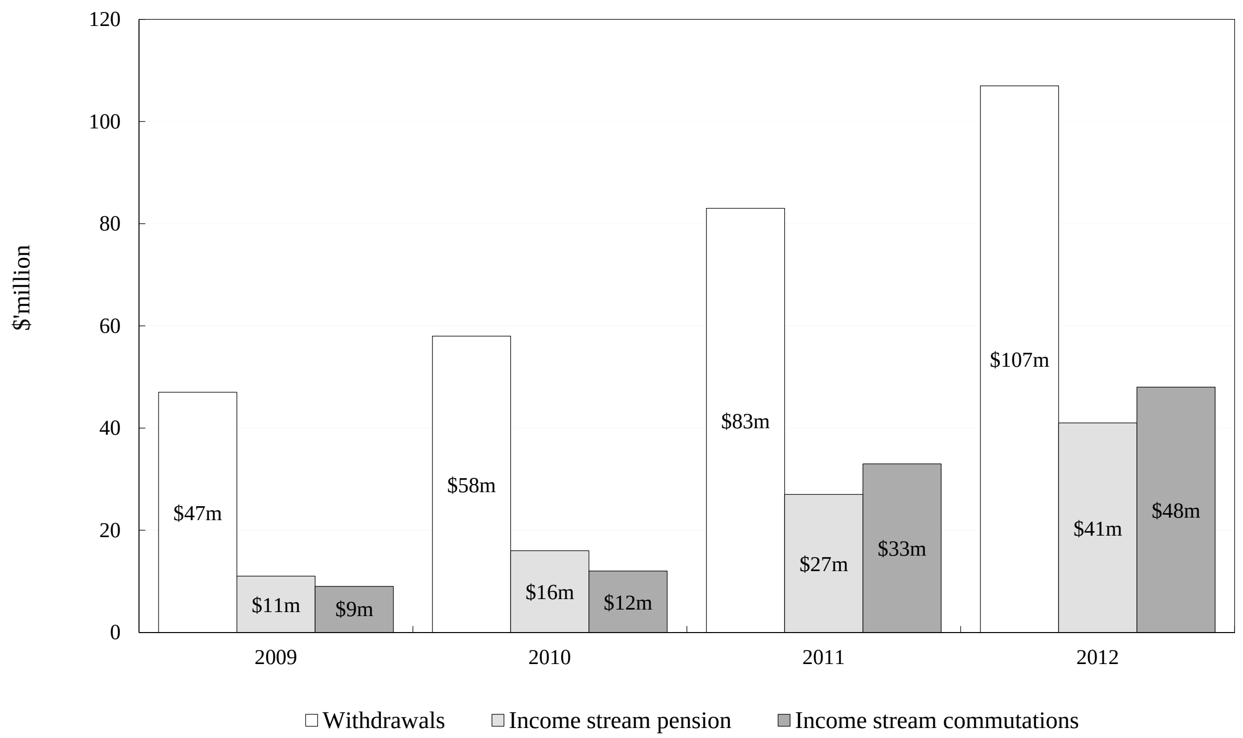
The following table summarises the net cash flows for the current and previous year.

	2012 $'million	2011 $'million
Net cash flows		
Operating	240.8	190.9
Investing	(235.9)	(186.9)
Change in cash	4.9	4.0
Cash at 30 June	17.7	12.8

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $196.3 million ($143.1 million). The following chart analyses benefits paid for the four years to 30 June 2012 and shows an increasing trend. This is expected in an open scheme which was established seven years ago and is experiencing strong membership growth.



Operating Statement
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue:			
Investment revenue		34 699	57 571
Other revenue		2 320	1 700
Contribution revenue:			
Contributions by investors	1(a)	33 550	33 051
Government co-contributions		173	211
Rollovers from other schemes		435 522	319 876
Total contribution revenue		469 245	353 138
Total revenue		506 264	412 409
Expenses:			
Direct investment expenses	3	3 459	2 971
Administration expenses	4	680	1 218
Total expenses		4 139	4 189
Income tax expense	16(a),16(b)	32 246	27 579
Benefits accrued as a result of operations		469 879	380 641

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Investments:			
Inflation linked securities B		101 894	85 526
Property B		83 812	60 823
Australian equities B		145 212	170 972
International equities B		109 239	117 771
Long-term fixed interest		41 866	34 161
Short-term fixed interest		67 705	43 389
Diversified strategies growth B		28 658	22 133
Diversified strategies income		119 639	72 981
Cash		381 744	203 095
Socially responsible		4 741	4 990
		1 084 510	815 841
Other assets:			
Cash and cash equivalents	5	17 686	12 830
Contributions receivable	6	-	1
Deferred tax assets	16(d)	2 962	2 596
Sundry debtors	11	724	331
		21 372	15 758
Total assets		1 105 882	831 599
Current liabilities:			
Benefits payable	7	3 269	2 843
Sundry creditors	12	155	1 146
PAYG withholding tax		27	19
Current tax liabilities	16(c)	15 996	14 338
Total liabilities		19 447	18 346
Net assets available to pay benefits	8	1 086 435	813 253
Represented by:			
Liability for accrued benefits:			
Allocated to investors' accounts	9,14	1 080 931	811 074
Not allocated to investors' accounts	10	5 504	2 179
		1 086 435	813 253

Statement of Cash Flows
for the year ended 30 June 2012

	Note	2012 Inflows (Outflows) $'000	2011 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions by investors		33 551	33 051
Government co-contributions		173	211
Rollovers from other schemes		434 199	320 579
		467 923	353 841
GST paid/recoup received		6	3
Other revenue		837	645
Benefits paid:			
Full withdrawal		(40 893)	(28 950)
Death		(156)	(516)
Partial withdrawal		(66 088)	(53 100)
Income Stream pension payments		(41 497)	(27 097)
Income Stream commutations		(47 628)	(33 463)
		(196 262)	(143 126)
Administration expenses		(757)	(1 028)
Income tax expense		(30 954)	(19 398)
Net cash provided by (used in) operating activities	15	240 793	190 937
Cash flows from investing activities:			
Receipts from Funds SA		185 444	111 696
Payments to Funds SA		(421 381)	(298 556)
Net cash provided by (used in) investing activities		(235 937)	(186 860)
Net increase (decrease) in cash and cash equivalents held		4 856	4 077
Cash and cash equivalents at 1 July		12 830	8 753
Cash and cash equivalents at 30 June	5	17 686	12 830

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Super SA Retirement Investment Fund (the Fund)

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*.

The Fund continues in existence under section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3, Division 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 South Australian 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) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and section 45 of the Southern State Superannuation Regulations 2009, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) Funds SA

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). 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 provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

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).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Fund have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities B

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) *Property B*

Property portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian equities B*

Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts). Pooled vehicles (unlisted unit trusts) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*

Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) *Diversified strategies growth B*

The diversified strategies growth B portfolio comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) *Diversified strategies income*

Diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) *Socially responsible*

The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) ***Income tax***

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and 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 2012, 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.

(f) Receivables and payables
Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

(g) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(h) Comparative information

The presentation and classification of items in the financial statements are consistent with prior period 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 proceeding 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.

4. Administration expenses

	2012	2011
	$'000	$'000
Administration expenses(i)	668	584
Set-up costs to board reserves	-	623
Other expenses(ii)	12	11
	680	1 218

(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 2012, based on actual costs of administering the Fund, amounted to $668 000 ($584 000) including GST.

(ii) Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Fund for the reporting period totalled $7260 ($7150) including GST. No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2012	2011
Cash and cash equivalents:	$'000	$'000
Flexible Rollover Product	6 769	6 073
Income Stream	10 917	6 757
	17 686	12 830

6. Contributions receivable

Contributions from investors	-	1

7. Benefits payable

Benefits payable by the flexible roll over product	799	1 999
Benefits payable by the income stream	2 470	844
	3 269	2 843

8. Net assets available to pay benefits

(a) Income Stream

Funds held at 1 July	500 305	318 772
Rollovers from other schemes	228 629	149 583
Internal transfers(i)	83 655	82 593
Investment income	22 631	33 365
Other revenue	1 849	1 290
	336 764	266 831

		2012	2011
(a)	***Income Stream (continued)***	$'000	$'000
	Benefits paid and payable	(90 756)	(60 861)
	Direct investment expenses	(2 244)	(1 767)
	Administration expenses	(500)	(610)
	Internal transfers[(i)]	(10 761)	(10 466)
	Income tax	(15 948)	(11 594)
		(120 209)	(85 298)
	Funds held at 30 June	716 860	500 305
(b)	***Flexible Rollover Product***		
	Funds held at 1 July	312 948	259 265
	Contributions by investors	32 887	31 666
	Government co-contributions	173	211
	Rollovers from other schemes	206 893	170 293
	Internal transfers[(i)]	10 909	10 466
	Spouse contributions	663	1 385
	Investment income	12 068	24 206
	Other revenue	471	410
		264 064	238 637
	Benefits paid and payable	(105 941)	(84 564)
	Direct investment expenses	(1 215)	(1 204)
	Administration expenses	(180)	(608)
	Internal transfers[(i)]	(83 803)	(82 593)
	Income tax	(16 298)	(15 985)
		(207 437)	(184 954)
	Funds held at 30 June	369 575	312 948
	Total net assets available to pay benefits	1 086 435	813 253

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the Products.

9. Allocated to investors' accounts

The value of funds which have been formally allocated to investor accounts equals the vested benefits as per note 14. The formal allocation of earnings to investors' accounts has been determined for the 2012 year.

10. 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.

11. Sundry debtors

	2012	2011
	$'000	$'000
Refund from ATO for GST	4	11
Bank interest receivable	65	74
Rollover receivable	655	246
	724	331

12. Sundry creditors

Prepaid rollovers	-	950
Rollover refundable to other schemes	36	-
Set-up costs to board reserves	-	188
Administration fees payable to DTF	111	-
Other	8	8
	155	1 146

13. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the amounts not allocated to accounts.

Liability for accrued benefits at 1 July	813 253	578 037
Increase in accrued benefits	469 879	380 641
Benefits paid and payable	(196 697)	(145 425)
Liability for accrued benefits at 30 June	1 086 435	813 253

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.

	2012	2011
Vested benefits:	$'000	$'000
Income Stream	713 120	498 717
Flexible Rollover Product	367 811	312 357
	1 080 931	811 074

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	469 879	380 641
Benefits paid and payable	(196 697)	(145 425)
Investment revenue	(34 699)	(57 571)
Direct investment expenses	3 459	2 971
Investors administration fee received	(1 492)	(1 049)
Movements in assets/liabilities:		
Contributions receivable	1	-
Sundry debtors	(393)	(244)
Deferred tax assets	(366)	579
Current tax liabilities	1 658	7 596
Sundry creditors	(991)	1 138
PAYG withholding tax	8	2
Benefits payable	426	2 299
Net cash provided by (used in) operating activities	240 793	190 937

16. Income tax

(a) *Major components of tax expense*

Current income tax:		
Current tax charge	35 063	27 897
Adjustment to current tax for prior periods	(2 354)	(846)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	(463)	528
Income tax expense	32 246	27 579

(b) *Income tax expense*

Benefits accrued before tax	502 124	408 220
Tax applicable at the rate of 15%	75 319	61 233
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	73	158
Tax effect of income (losses) that is not accessible in determining taxable income:		
Investment income	757	(365)
Investor contributions	(35 407)	(27 624)
Exempt pension income	(3 752)	(4 834)
Tax effect of other adjustments:		
Imputation and foreign tax credits	(2 390)	(143)
Over provision prior period	(2 354)	(846)
Income tax expense	32 246	27 579

(c) *Current tax liabilities*

Balance at 1 July	14 338	6 742
Income tax paid - current period	(19 067)	(13 559)
Income tax paid - prior periods	(11 887)	(5 844)
Current year's income tax provision	35 063	27 897
Over provision prior period	(2 451)	(898)
	15 996	14 338

(d) Deferred tax assets

	2012	2011
The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:	$'000	$'000
Realised capital losses carried forward (discounted)	3 016	2 360
Unrealised capital losses carried forward (discounted)	(54)	241
Accrued income	-	(5)
	2 962	2 596

17. Benefit entitlements

Benefit entitlements are specified by the *Southern State Superannuation Act 2009* and the Southern State Superannuation Regulations 2009.

18. Financial instruments

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 42.5% 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 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
2012			
High growth	Nominal standard deviation	12.25	4 961
Growth	Nominal standard deviation	9.95	8 856
Balanced	Nominal standard deviation	8.72	30 328
Moderate	Nominal standard deviation	6.78	5 549
Conservative	Nominal standard deviation	4.74	5 314
Capital defensive	Nominal standard deviation	2.39	3 266
Cash	Nominal standard deviation	1.02	2 777
Socially responsible	Nominal standard deviation	10.56	501
Total			61 552
2011			
High growth	Nominal standard deviation	13.00	5 618
Growth	Nominal standard deviation	10.66	10 556
Balanced	Nominal standard deviation	9.70	32 789
Moderate	Nominal standard deviation	7.58	4 537
Conservative	Nominal standard deviation	4.80	3 569
Capital defensive	Nominal standard deviation	2.29	1 170
Cash	Nominal standard deviation	1.12	1 623
Socially responsible	Nominal standard deviation	10.84	541
Total			60 403

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.

(iv) Sensitivity analysis (continued)

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 counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

2012	Less than three months $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Benefits payable	3 269	3 269	3 269
Sundry creditors	155	155	155
PAYG withholding tax	27	27	27
Current tax liabilities	15 996	15 996	15 996
Vested benefits[(i)]	1 080 931	1 080 931	1 080 931
Total	1 100 378	1 100 378	1 100 378
2011			
Benefits payable	2 843	2 843	2 843
Sundry creditors	1 146	1 146	1 146
PAYG withholding tax	19	19	19
Current tax liabilities	14 338	14 338	14 338
Vested benefits[(i)]	811 074	811 074	811 074
Total	829 420	829 420	829 420

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Fund can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2012		
Unlisted managed investments schemes:		
Funds SA	1 084 510	1 084 510
	1 084 510	1 084 510
2011		
Unlisted managed investments schemes:		
Funds SA	815 841	815 841
	815 841	815 841

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

19. Related parties

Details of the members of the Board and their remuneration for the 2011-12 financial year are disclosed in the notes to the Super SA 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 2011-12, areas of review included:

- payroll
- revenue and receipting
- expenditure
- financial accounting
- corporate governance
- financial management compliance program
- procurement and contract management - South Australian Visitor and Travel Centre (SAV&TC).

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Tourism Commission as at 30 June 2012, 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, except for the matters relating to performance agreement, expenditure - cooperative marketing, Shared Services SA - Revenue and receipting and SSSA control environments as outlined under 'Communication of audit matters', 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 Chairperson of the Commission. The main matters raised with the Commission and the related responses are detailed below.

Performance agreement

The *South Australian Tourism Commission Act 1993* requires:

- the performance agreement for a particular financial year be published in the annual report of the Commission for that financial year
- the extent to which the Commission met targets set in the performance agreement to also be included in the report.

Audit review of the 2010-11 annual report of the Commission found the performance agreement with the Minister, together with a report on actual performance, was not published in the annual report.

The Commission responded that all required information would be included in future annual reports.

Expenditure - cooperative marketing

The Commission has worked with a private travel entity for a number of years, providing cooperative funding for joint marketing campaigns. Audit was advised there was an initial agreement setting up the arrangement between the two parties. However, no formal contract documentation could be provided to Audit detailing the terms and conditions of cooperative funding. During the year the Commission has made payments to the private travel entity for joint marketing campaigns. Audit recommended the Commission sign a contract with the private entity and ensure the contract covers the terms, conditions and monetary limit of the cooperative marketing funding.

In response, the Commission accepted the recommendation and will ensure that a contract is in place for all future transactions with the private travel entity. Further, the Commission stated payment is only made once the Commission is satisfied that marketing activity is verified.

Shared Services SA- Revenue and receipting

Audit review of the follow-up spreadsheets of outstanding debtors found the controls were ineffective because:

- there is no allocated officer performing the follow-up process regularly
- the spreadsheets were not generated within the timeframe specified in the policy
- the spreadsheets were not provided to the Commission's finance team timely.

Further, the spreadsheets did not agree to the aged trial balance.

Audit recommended that SSSA:

- assign an allocated officer to review and timely follow-up outstanding debtors spreadsheets
- ensure the spreadsheets are reported to the Commission's finance team by a certain time after month end and retained as evidence of follow-up
- implement policies and procedures to ensure the follow-up spreadsheets are accurate and agree to the monthly aged trial balance.

In response, SSSA advised it is currently reviewing debtor management policies including the reporting of outstanding debtors to the Commission. SSSA will provide the Commission with evidence of debtor follow-up and retain such evidence.

Audit also found no evidence that the 'Audit Maintenance Customer' reports, used to verify updates and changes to the customer masterfiles, have been reviewed or validated by SSSA. Audit recommended that SSSA assign an allocated team member to perform the review, certify and validate all changes to the customer masterfile and follow-up any errors identified and retain the supporting documents.

SSSA responded this function will be undertaken by the Quality Assurance Leader.

Shared Services SA – e-Procurement and electronic payment control environments

The 2011-12 audit review of the Commission's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Procurement and contract management - South Australian Visitor and Travel Centre

As mentioned earlier, the scope of the audit of the Commission included the review of the procurement and contracting arrangement for the SAV&TC.

A comprehensive audit management letter communication advising the findings and recommendations from the review was forwarded to the Commission in late August 2012. In mid-September 2012, at the time of preparation of this Report, the Commission provided a response.

The matters considered and raised by Audit in the conduct of the review and the Commission's response are to be reported on in a Supplementary Report to Parliament.

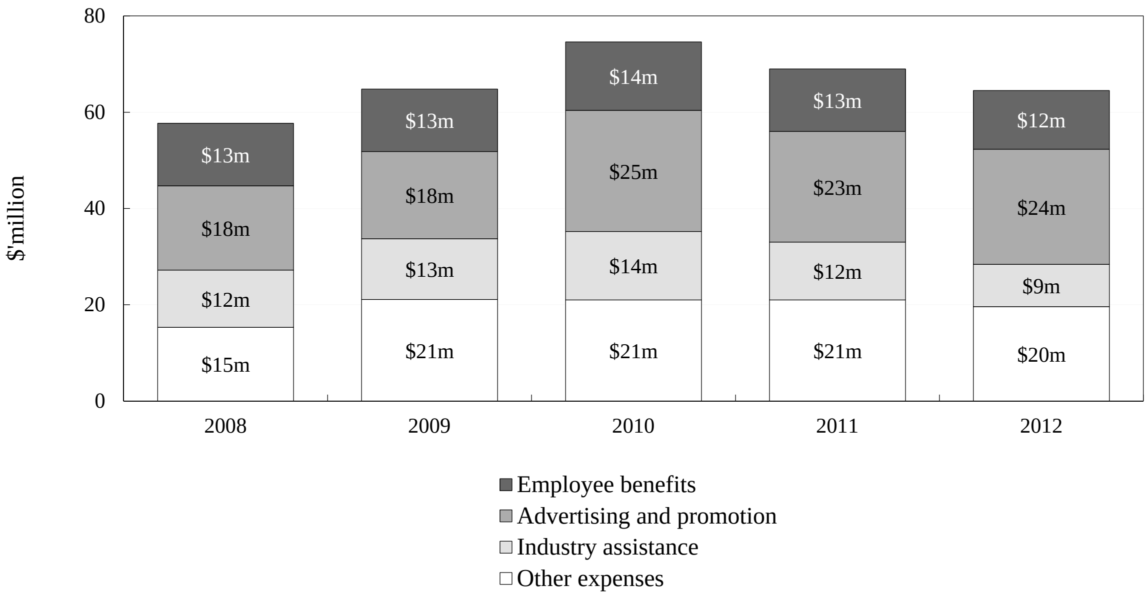
Interpretation and analysis of the financial report

Highlights of the financial report	2012 $'million	2011 $'million
Expenses		
Employee benefits expenses	12.2	12.8
Advertising and promotion	23.9	22.5
Industry assistance	8.8	11.8
Other	19.6	21.4
Total expenses	64.5	68.5
Income		
Revenues from SA Government	55.6	55.9
Other	8.6	12.5
Total income	64.2	68.4
Net result and total comprehensive result	(0.3)	(0.1)
Net cash provided by (used in) operating activities	0.6	(0.8)
Assets		
Current assets	4.8	4.7
Non-current assets	3.1	3.4
Total assets	7.9	8.1
Liabilities		
Current liabilities	5.6	5.6
Non-current liabilities	2.2	2.2
Total liabilities	7.8	7.8
Total equity	0.1	0.3

Statement of Comprehensive Income

Expenses

The following chart shows a structural analysis of the main expense items for the five years to 2012.



Total expenses decreased by $4 million to $64.5 million in 2012 including decreases in:

- industry assistance of $3 million due to a reallocation of funding in regional tourism/visitor information centre grants for the Regional Growth Plan and decreases in tourism infrastructure and access grants as well as decreases in events sponsorship
- event operations of $1 million primarily due to costs associated with running the Great Australian Outback Cattle Drive in 2010-11 which did not reoccur in 2011-12
- employee benefits expenses of $600 000 due to a reduction in full-time equivalent employees in the 2011-12 year.

These expense reductions were offset by an increase in advertising and promotion expenses of $1.4 million which includes the reallocation of funding in regional tourism/visitor information centre grants.

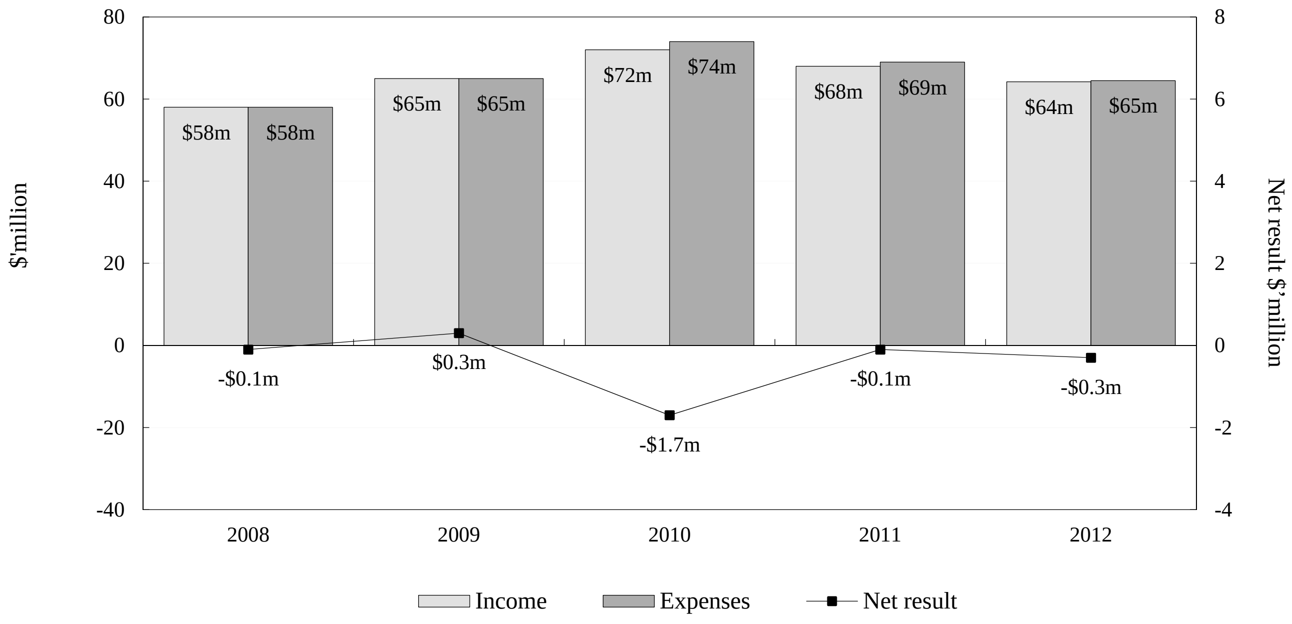
Income

Income for the year totalled $64.2 million ($68.4 million). This includes revenue predominantly appropriated from the SA Government for operating purposes of $55.6 million ($55.9 million) representing 87% (82%) of total income. The Commission is dependent on the ongoing financial support of the SA Government. Government funding is based on estimated expenses less income generated by the Commission.

Other income predominantly consists of participation fees, event entry fees and refunds/recoups of expenses. The decrease is mainly due to the Commission significantly reducing regional salaries and operating expenses in 2011-12, therefore reducing the recoup of these costs from regional marketing bodies.

Net result

The following chart shows the income, expenses and net result for the five years to 2012.



The funding from the SA Government was sufficient to cover either all or the majority of operating expenses for the last five years. This is consistent with the Commission's cash flows over this time.

Statement of Cash Flows

	2012 $'million	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows					
Operating	0.6	(0.7)	0.9	1.4	1.0
Investing	(0.1)	(0.2)	(0.5)	(1.2)	(0.5)
Financing	-	(0.1)	(0.2)	(0.1)	(0.2)
Change in cash	0.5	(1.0)	0.2	0.1	0.3
Cash at 30 June	3.3	2.8	3.8	3.6	3.5

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Expenses:			
Employee benefits expenses	5	12 214	12 836
Advertising and promotion	6	23 868	22 505
Industry assistance	7	8 817	11 814
Administration and accommodation	8	10 748	11 416
Event operations		8 385	9 390
Depreciation expense	9	510	538
Borrowing costs		-	1
Net loss from the disposal of non-current assets	12	16	8
Total expenses		64 558	68 508
Income:			
Participation fees	10	5 915	5 148
Commission on sales		64	683
Entry fees and merchandise sales		1 182	2 051
Refunds and recoups		579	3 102
Other income	11	887	1 522
Total income		8 627	12 506
Net cost of providing services		55 931	56 002
Revenues from (payments to) SA Government:			
Revenues from SA Government	13	55 630	55 935
Total revenues from (payments to) SA Government		55 630	55 935
Net result		(301)	(67)
Total comprehensive result		(301)	(67)

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

Statement of Financial Position
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets:			
Cash and cash equivalents	14	3 263	2 795
Receivables	15	1 564	1 913
Total current assets		4 827	4 708
Non-current assets:			
Plant and equipment	16	2 658	3 021
Investments	17	400	400
Total non-current assets		3 058	3 421
Total assets		7 885	8 129
Current liabilities:			
Payables	18	4 295	4 248
Other current liabilities	19	168	185
Employee benefits	20	1 114	1 138
Provisions	21	16	-
Total current liabilities		5 593	5 571
Non-current liabilities:			
Payables	18	117	100
Other non-current liabilities	19	784	938
Employee benefits	20	1 265	1 151
Provisions	21	58	-
Total non-current liabilities		2 224	2 189
Total liabilities		7 817	7 760
Net assets		68	369
Equity:			
Contributed capital	22	64	64
Retained earnings	22	4	305
Total equity		68	369

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	23		

Statement of Changes in Equity
for the year ended 30 June 2012

	Contributed capital $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2010	64	372	436
Net result for 2010-11	-	(67)	(67)
Total comprehensive result for 2010-11	-	(67)	(67)
Balance at 30 June 2011	64	305	369
Net result for 2011-12	-	(301)	(301)
Total comprehensive result for 2011-12	-	(301)	(301)
Balance at 30 June 2012	64	4	68

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

Statement of Cash Flows
for the year ended 30 June 2012

		2012 Inflows (Outflows)	2011 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(12 092)	(13 220)
Payments for supplies and services		(56 108)	(60 805)
Interest paid		-	(1)
Cash used in operations		(68 200)	(74 026)
Cash inflows:			
Fees and charges		6 895	6 211
Commission earned		111	700
GST recovered from the ATO		3 517	3 516
Other receipts		2 631	6 940
Cash generated from operations		13 154	17 367
Cash flows from SA Government:			
Receipts from SA Government		55 677	55 888
Cash generated from SA Government		55 677	55 888
Net cash provided by (used in) operating activities	26	631	(771)
Cash flows from investing activities:			
Cash outflows:			
Purchase of plant and equipment		(163)	(183)
Cash used in investing activities		(163)	(183)
Cash inflows:			
Proceeds from sale of plant and equipment		-	2
Cash generated from investing activities		-	2
Net cash provided by (used in) investing activities		(163)	(181)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		-	(50)
Cash used in financing activities		-	(50)
Net cash provided by (used in) financing activities		-	(50)
Net increase (decrease) in cash and cash equivalents		468	(1 002)
Cash and cash equivalents at 1 July		2 795	3 797
Cash and cash equivalents at 30 June	14	3 263	2 795

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

(Activities - refer note 4)	1		2	
	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	2 716	3 939	2 130	1 956
Advertising and promotion	795	1 118	2 217	1 788
Industry assistance	2 866	5 888	4 740	5 153
Administration and accommodation	1 301	1 893	3 637	3 240
Event operations	-	-	8 385	9 390
Depreciation expense	86	135	189	184
Borrowing costs	-	-	-	-
Net loss from the disposal of non-current assets	-	-	16	8
Total expenses	7 764	12 973	21 314	21 719
Income:				
Participation fees	176	44	4 853	4 421
Commission on sales	-	-	-	-
Entry fees and merchandise sales	2	8	1 166	1 997
Refunds and recoups	98	2 338	137	387
Other income	10	842	630	545
Total income	286	3 232	6 786	7 350
Net cost of providing services	7 478	9 741	14 528	14 369
Revenues from (Payments to) SA Government:				
Revenues from SA Government	7 544	9 806	14 354	13 945
Total revenues from (payments to) SA Government	7 544	9 806	14 354	13 945
Net result	66	65	(174)	(424)
Total comprehensive result	66	65	(174)	(424)

(Activities - refer note 4)	3		Total	
	2012	2011	2012	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	7 368	6 941	12 214	12 836
Advertising and promotion	20 856	19 599	23 868	22 505
Industry assistance	1 211	773	8 817	11 814
Administration and accommodation	5 810	6 283	10 748	11 416
Event operations	-	-	8 385	9 390
Depreciation expense	235	219	510	538
Borrowing costs	-	1	-	1
Net loss from the disposal of non-current assets	-	-	16	8
Total expenses	35 480	33 816	64 558	68 508
Income:				
Participation fees	886	683	5 915	5 148
Commission on sales	64	683	64	683
Entry fees and merchandise sales	14	46	1 182	2 051
Refunds and recoups	344	377	579	3 102
Other income	247	135	887	1 522
Total income	1 555	1 924	8 627	12 506
Net cost of providing services	33 925	31 892	55 931	56 002
Revenues from (Payments to) SA Government:				
Revenues from SA Government	33 732	32 184	55 630	55 935
Total revenues from (payments to) SA Government	33 732	32 184	55 630	55 935
Net result	(193)	292	(301)	(67)
Total comprehensive result	(193)	292	(301)	(67)

Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities.

A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

Notes to and forming part of the financial statements

1. Objectives of the South Australian Tourism Commission (the Commission)

Objectives

The purpose of the Commission established under the *South Australian Tourism Commission Act 1993* is, on behalf of the Government and people of South Australia, to work in partnership with the private sector in productively marketing South Australia's tourism product intrastate, interstate and internationally to ensure that South Australia is a compelling part of any Australian holiday. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a special deposit account pursuant to section 21 of the PFAA.

2. Summary of significant accounting policies

(a) Statement of compliance

The 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 provision 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 2012. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

  (c) employee TVSP information

(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 2012 and the comparative information presented.

(c) Reporting entity

The Commission is a statutory authority of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*.

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expense, assets and liabilities. As administered items are not significant in relation to the Commission's overall financial performance and position, they are disclosed in note 28. 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, when operations were transferred to a private operator. 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 28 provides the financial details of this administered arrangement for the full 2010-11 year and residual carryover items for the 2011-12 year.

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.

From 1 July 2012 the Commission terminated arrangements with the private operator and resumed control of visitor centre operations.

(d) Comparative information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

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

(f) Taxation

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

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

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

(f) Taxation (continued)

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

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

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

(g) Events after the reporting period

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

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

(h) Income

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

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

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Contributions received

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

Generally, the Commission has obtained control or the right to receive for:

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

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

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Commission obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Commission and the contribution is recorded as contributed equity.

Commission

Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items at note 28.

Participation fees
The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees.

Other income
Other income comprises event service fees, supply commissions and sundry income.

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

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

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses include all costs related to employment including salary 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.

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 leasehold improvements (fitouts) are amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

Class of asset	*Useful life (years)*
General plant and equipment	3-5
Event plant and equipment	5-10
Fitouts	5-15
Pageant plant and equipment	3-15

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

All contributions paid by the Commission have been contributions with unconditional stipulations attached.

Borrowing costs
All borrowing costs are recognised as expenses.

Net loss from the disposal of non-current assets
Net losses from the disposal of non-current assets are recognised on disposal of the asset and determined by comparing any proceeds from sale with the carrying amount.

(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 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.

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and 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.

- *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.

(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.

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

Payables

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

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

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

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

Employee benefit on-costs include payroll tax, workers compensation levies and superannuation contributions in respect to outstanding liabilities for salary and wages, LSL and annual leave.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Commission has entered into operating leases.

Operating leases

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

Lease incentives

All incentives for the operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

The lease incentive received is in the form of leasehold improvements, and as such is capitalised as an asset and depreciated over the remaining term of the lease.

Employee benefits

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

Wages, salaries, annual leave and sick leave

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

Wages, salaries, annual leave and sick leave (continued)

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

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

LSL

An actuarial assessment of the LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 20).

This calculation is consistent with the Commission's experience of employee retention and leave taken.

Provisions

Provisions are recognised when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 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 2012 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 11 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 2011-12. 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 2012. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Activities of the Commission

In achieving its objective, the Commission provides a range of services classified into the following activities:

Activity 1: Destination Development

To develop a more appealing and accessible South Australia of tomorrow.

4. Activities of the Commission (continued)

Activity 2: Tourism Events

To promote South Australia and tourism to South Australia through attracting, managing, developing and sponsoring major events in South Australia.

Activity 3: Tourism Marketing

To communicate a more appealing South Australia of today to get more people to holiday in South Australia.

The disaggregated disclosures schedule presents expenses and income information attributable to each of the activities for the years ended 30 June 2011 and 30 June 2012. 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

	2012 $'000	2011 $'000
Salaries and wages	8 660	9 824
TVSPs (refer below)	824	257
LSL	530	253
Annual leave	673	750
Employment on-costs - superannuation	827	995
Employment on-costs - other	541	588
Board fees	159	168
Other employee related expenses	-	1
Total employee benefits expenses	12 214	12 836

TVSPs

	2012	2011
Amount paid to 30 June to separated employees:		
TVSPs	824	257
Annual leave and LSL paid to those employees	225	59
Recovery from DTF	725	257
Net cost to the Commission	324	59

The number of employees who received a TVSP to 30 June was 14 (6).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$134 400 - $143 999*	-	1
$154 000 - $163 999*	-	3
$164 000 - $173 999	1	1
$174 000 - $183 999	2	-
$184 000 - $193 999	1	-
$204 000 - $213 999	-	1
$244 000 - $253 999	1	-
$304 000 - $313 999	-	1
$424 000 - $433 999	1	-
Total	6	7

* These bands have been included for the purposes of reporting comparative figures based on the executive level remuneration rate for 2010-11.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment and includes salary and wages, termination payments, 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 $1.391 million ($1.304 million).

6. Advertising and promotion

	2012	2011
Advertising and promotion paid/payable to entities external to the SA Government:	$'000	$'000
Consumer advertising	9 666	10 352
Cooperative consumer marketing	4 625	3 840
Familiarisations	1 962	1 691
Other consumer marketing	245	371
Production	3 170	1 770
Marketing research	931	1 071
Trade marketing	874	841
Other advertising and promotion	2 395	2 569
Total advertising and promotion - non-SA Government entities	23 868	22 505

7. Industry assistance

	2012	2011
Industry assistance paid/payable to entities external to the SA Government:		
Sponsorship of events	4 164	4 779
Tourism infrastructure grants	1 391	2 390
Tourism marketing boards/information centre grants	100	2 306
Marketing/Industry support	2 304	1 811
Trade show subsidies/membership of tourism industry bodies	64	74
Total industry assistance - non-SA Government entities	8 023	11 360
Industry assistance paid/payable to entities within the SA Government:		
Sponsorship of events	285	396
Marketing support	150	-
Tourism infrastructure grants	359	58
Total industry assistance - SA Government entities	794	454
Total industry assistance	8 817	11 814

8. Administration and accommodation

	2012	2011
Administration and accommodation paid/payable to entities external to the SA Government:		
Communication and computing	1 834	2 068
Stationery, postage, couriers and freight	167	163
Contractors and consultants	3 334	2 982
Taxis, hire cars and car parking	221	211
Domestic and internal travel	842	928
Seminars, courses and training	204	166
Accommodation and service costs	936	945
Bad debts and allowances for doubtful debts	44	5
Loss on foreign exchange hedges	140	418
Other	985	996
Total administration and accommodation - non-SA Government entities	8 707	8 882
Administration and accommodation paid/payable to entities within the SA Government:		
Accommodation and service costs	1 016	1 392
Motor vehicle	336	409
Computer processing	61	106
Insurance	169	163
Audit, legal and other fees	459	464
Total administration and accommodation - SA Government entities	2 041	2 534
Total administration and accommodation	10 748	11 416

Consultants

The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands:	2012 Number	2012 $'000	2011 Number	2011 $'000
Below $10 000	2	6	2	11
$10 000 - $50 000	1	28	-	-
Total paid/payable to consultants engaged	3	34	2	11

	2012	2011
9. Depreciation expense	$'000	$'000
General plant and equipment	107	129
Event plant and equipment	22	23
Fitouts	278	277
Pageant plant and equipment	103	109
Total depreciation expense	510	538

10. Participation fees		
Participation fees received/receivable from entities external to the SA Government:		
Cooperative marketing/advertising	778	568
Sponsorship revenue	3 654	3 625
Trade/Consumer show participation/workshops/training	257	104
In-kind revenue	1 100	632
Total participation fees - non-SA Government entities	5 789	4 929
Participation fees received/receivable from entities within the SA Government:		
Sponsorship and participation fees	126	219
Total participation fees - SA Government entities	126	219
Total participation fees	5 915	5 148

11. Other income		
Other income received/receivable from entities external to the SA Government:		
Service fees	8	12
Supply commissions	211	213
Gain on foreign exchange	34	-
Sundry income	634	497
Total other income - non-SA Government entities	887	722
Other income received/receivable from entities within the SA Government:		
Other grants	-	800
Total other income - SA Government entities	-	800
Total other income	887	1 522

12. Net loss from the disposal of non-current assets		
Plant and equipment:		
Proceeds from disposal	-	2
Net book value of assets disposed	(16)	(10)
Total net loss from the disposal of non-current assets	16	8

13. Revenues from SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	55 630	55 935
Total revenues from SA Government	55 630	55 935

14. Cash and cash equivalents		
Cash on hand	4	8
Cash at bank	3 259	2 787
Total cash and cash equivalents	3 263	2 795

Interest rate risk

Cash on hand and at bank is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

15. Receivables		
Current:		
Receivables	994	1 105
Allowance for doubtful debts	(44)	(5)
	950	1 100
GST input tax recoverable	486	558
Prepaid salaries and wages	-	31
Accrued revenue	49	179
Prepayments	79	45
Total receivables	1 564	1 913

15. Receivables (continued)

	2012 $'000	2011 $'000
Receivables from SA Government entities:		
Receivables	-	150
Total receivables from SA Government entities	-	150

The total receivables figure does not include non-current receivables as the Commission does not have any receivables that meet the definition of non-current. Any non-current receivables would be disclosed in this note.

Movement in the allowance for doubtful debts

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 under 'administration and accommodation' in the Statement of Comprehensive Income for specific debtors.

	2012 $'000	2011 $'000
Carrying amount at 1 July	5	2
Increase in the allowance	43	5
Amounts written off	(4)	(2)
Carrying amount at 30 June	44	5

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 27.
(b) Categorisation of financial instruments and risk exposure information - refer note 27.

16. Plant and equipment

	2012 $'000	2011 $'000
Plant and equipment at cost (deemed fair value)	5 167	5 452
Accumulated depreciation	(2 509)	(2 431)
Total plant and equipment	2 658	3 021

Carrying amount of plant and equipment

Plant and equipment includes $478 000 ($710 000) of fully depreciated plant and equipment still in use.

Impairment

There were no indications of impairment of plant and equipment at 30 June 2012.

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2011-12.

	General plant and equipment $'000	Events plant and equipment $'000	Fitouts $'000	Pageant plant and equipment $'000	Total $'000
2012					
Carrying amount at 1 July	338	91	1 919	673	3 021
Additions	-	-	-	163	163
Disposals	-	-	-	(16)	(16)
Depreciation	(107)	(22)	(278)	(103)	(510)
Carrying amount at 30 June	231	69	1 641	717	2 658
2011					
Carrying amount at 1 July	429	114	2 196	647	3 386
Additions	38	-	-	145	183
Disposals	-	-	-	(10)	(10)
Depreciation	(129)	(23)	(277)	(109)	(538)
Carrying amount at 30 June	338	91	1 919	673	3 021

17. Investments

The Australian Tourism Data Warehouse (ATDW) is a joint project of all state and territory tourism authorities working with Tourism Australia to present and market Australian tourism products to the world through Tourism Australia's website. Operators listed on the ATDW have their details uploaded onto a consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in ATDW does not give the Commission controlling interest in ATDW.

18. Payables

	2012	2011
Current:	$'000	$'000
Creditors	2 781	1 980
Accrued expenses	1 302	2 040
Employment on-costs	212	228
Total current payables	4 295	4 248
Non-current:		
Employment on-costs	117	100
Total non-current payables	117	100
Total payables	4 412	4 348
Payables to SA Government entities:		
Creditors	3	18
Accrued expenses	680	194
Employment on-costs	328	328
Total payables to SA Government entities	1 011	540

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate (35%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate (10.3%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of $8000. The estimated impact on 2013 and 2014 is $9000 and $9000 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 27.
(b) Categorisation of financial instruments and risk exposure information - refer note 27.

19. Other liabilities

	2012	2011
Current:	$'000	$'000
Lease incentive	154	154
Unclaimed monies	3	3
Unearned revenue	11	28
Total current other liabilities	168	185
Non-current:		
Lease incentive	784	938
Total non-current other liabilities	784	938
Total other liabilities	952	1 123

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

20. Employee benefits

	2012	2011
Current:		
Annual leave	714	794
LSL	307	254
Accrued salaries and wages	93	90
Total current employee benefits	1 114	1 138

20. Employee benefits (continued)

	2012	2011
Non-current:	$'000	$'000
LSL	1 265	1 151
Total non-current employee benefits	1 265	1 151
Total employee benefits	2 379	2 289

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash flows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 5.25% (2011) to 3% (2012).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of $344 000 and employee benefit expense of $376 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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.

21. Provisions

	2012	2011
Current:	$'000	$'000
Provision for workers compensation	16	-
Total current provisions	16	-
Non-current:		
Provision for workers compensation	58	-
Total non-current provisions	58	-
Total provisions	74	-
Carrying amount at 1 July	-	-
Additional provisions recognised	171	-
Reductions arising from payments/other sacrifice of future economic benefits	(5)	-
Reductions resulting from re-measurement or settlement without cost	(92)	-
Carrying amount at 30 June	74	-

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.

22. Equity

	2012	2011
	$'000	$'000
Contributed capital	64	64
Retained earnings	4	305
Total equity	68	369

23. Unrecognised contractual commitments

(a) Operating lease commitments

	2012	2011
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 553	1 515
Later than one year but not longer than five years	6 419	6 359
Later than five years	1 611	3 161
Total operating lease commitments	9 583	11 035

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**	2012	2011
	$'000	$'000
Within one year	9 629	11 868
Later than one year but not longer than five years	9 889	10 290
Later than five years	2 500	385
Total other commitments	22 018	22 543

The Commission's other commitments are for agreements for international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts. There are no purchase options available to the Commission.

***(c)* Remuneration commitments**	2012	2011
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	5 317	2 409
Later than one year but not longer than five years	3 387	2 910
Total remuneration commitments	8 704	5 319

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

24. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	109	92

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

25. Remuneration of board members

Members of the Board during the 2011-12 financial year were:

South Australian Tourism Board

M Abbott (until 30 September 2011)
J Ellison (until 31 March 2012)
R Foord (until 27 July 2011)
B Hayes (from 1 October 2011)
I Horne
J Irving (from 1 October 2011)
J Jeffreys
K Lehman (until 30 September 2011)
K Lloyd
M Tilley
L Tuit
J Turbill (from 1 October 2011)

The number of members whose total remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
$0 - $9 999	3	1
$10 000 - $19 999	6	5
$20 000 - $29 999	3	3
$30 000 - $39 999	-	1
Total	12	10

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. Total remuneration received or receivable by members was $180 000 ($191 000). Amounts paid to a superannuation plan for board members was $14 000 ($19 000).

Where government employees received remuneration for board duties during the financial year, this was in accordance with terms and conditions determined by the Governor under section 8(3) of the *South Australian Tourism Commission Act 1993*, and approved by Cabinet and the Governor in Executive Council.

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.

26. Cash flow reconciliation

	2012	2011
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	3 263	2 795
Balance as per the Statement of Cash Flows	3 263	2 795

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

	2012	2011
Net cash provided by (used in) operating activities	631	(771)
Revenues from SA Government	(55 630)	(55 935)
Non-cash items:		
Depreciation expense	(510)	(538)
Net loss from disposal of non-current assets	(16)	(8)
Movements in assets/liabilities:		
Receivables	(318)	(111)
Employee benefits	(121)	305
Provisions	(74)	-
Other liabilities	171	149
Payables	(64)	907
Net cost of providing services	(55 931)	(56 002)

27. Financial instruments/Financial risk management

27.1 Categorisation of financial instruments

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

		Carrying amount	
		2012	2011
Financial assets	Note	$'000	$'000
Cash and cash equivalents:			
Cash and cash equivalents	14	3 263	2 795
Loans and receivables:			
Receivables(1)(2)	15	1 043	1 134
Held-to-maturity investments:			
Shares	17	400	400
Total financial assets		4 706	4 329
Financial liabilities			
Financial liabilities at cost:			
Payables(1)	18	3 347	3 751
Other current liabilities	19	168	185
Total financial liabilities		3 515	3 936

(1) Receivable and payable amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/ payables etc they 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 15 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 (refer notes 2, 14, 15, 17, 18, 19 and 26).

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission does not engage in high risk hedging for its financial assets.

Credit risk (continued)
Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commission does not hold collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 15 for information on the allowance for impairment in relation to receivables.

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

	Past due by			
2012	Less than 30 days $'000	30-60 days $'000	More than 60 days $'000	Total $'000
Not impaired:				
Receivables[1]	196	85	119	400
Impaired:				
Receivables	-	-	44	44
2011				
Not impaired:				
Receivables[1]	182	2	104	288
Impaired:				
Receivables	-	-	5	5

(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 liabilities
The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year, with the exception of shares which have been assessed as having a maturity of greater than five years.

Liquidity risk
Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriation by the SA Government. The Commission works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in note 27.1 represents the Commission's maximum exposure to financial liabilities.

Market risk
The Commission does not engage in high risk hedging for its financial assets. The hedges in 2011-12 were for the payment of representation fees and marketing activity in overseas offices. In 2011-12 the Commission had 13 (16) cash flow hedging contracts mature totalling $4.734 million ($5.841 million). As at 30 June 2012 the Commission had in place 26 (23) hedging contracts to manage exchange risk for 2012-13 totalling $4.703 million ($4.821 million). As with all hedges there are financial risks. Cash flows from hedges in 2011-12 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 8 and as gains in note 11.

Sensitivity disclosure analysis
A sensitivity analysis has not been undertaken for the interest rate risk of the Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates is immaterial.

Credit standby arrangements

The Commission has a $283 000 ($283 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2012 was $230 000 ($219 000).

28. Disclosure of administered items

	SAV&TC	
	2012	2011
Administered expenses:	$'000	$'000
Commissions paid	61	662
Expenditure to tourism operators	400	4 282
Total administered expenses	461	4 944
Administered income:		
Gross sales revenue	461	4 944
Total administered income	461	4 944
Administered assets:		
Cash and cash equivalents	441	1 563
Total administered assets	441	1 563
Administered liabilities:		
Payables	437	1 526
Commissions payable	4	34
GST payable	-	3
Total administered liabilities	441	1 563

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

Australian Accounting Standards - AASB – continued

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer’s Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors’ Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

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
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

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Acronyms – continued

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
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

I

J

L

M

N

P

Q

S

T

U

V

W