

SOUTH AUSTRALIA

Report
of the
Auditor-General

Annual Report
for the
year ended 30 June 2009

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Volume V

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2009

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

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

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TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY

Establishment

The *TransAdelaide (Corporate Structure) Act 1998* (the TA Act) was proclaimed on 14 January 1999. The TA Act provided for the continuation of TransAdelaide as a statutory corporation to which the provisions of the PCA apply. TransAdelaide is responsible to the Minister for Transport.

Functions

TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers
- undertake activities which build customer support and use of the rail passenger transport system
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

TransAdelaide has a contract with the Department for Transport, Energy and Infrastructure (DTEI) for the provision of rail (ie train and tram) passenger transport services. TransAdelaide is also part of a joint venture arrangement to manage a bus contract. Details of the arrangement are provided under the heading 'Further commentary on operations'.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts of TransAdelaide in respect of each financial year.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2008-09, areas of review included:

- salaries and wages
- revenue
- non-current assets
- legal compliance
- financial accounting
- expenditure
- receipting and banking
- inventories
- capital works

Audit sought an understanding of internal audit activities to assist in:

- identifying and assessing the risks of material misstatements of the financial statements
- design and performance of audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Statements

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

Assessment of controls

In my opinion, the controls exercised by TransAdelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll and the implementation of revised TIs 2 and 28, as outlined under 'Communication of audit matters' are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive and Chairman of the Audit and Risk Committee. Responses to the management letters were generally considered to be satisfactory. Matters raised with TransAdelaide and the related responses are detailed below.

Payroll

The audit identified the need for management to ensure:

- payments made in lieu of annual leave, are appropriately approved in accordance with Commissioner's Standard 3.4
- an effective independent review is carried out of new employees on the payroll system
- all attendance records are able to be located
- an effective control is implemented and documented over all changes to pay rates processed to the payroll system
- an independent review is implemented of information entered into the payroll system
- all bona fide reports are followed up and returned on a timely basis
- all payroll reconciliations are signed by the employee processing, checking or authorising disbursement of the pays
- all manual calculations of employee pays are reviewed
- bona fide report format is improved to show leave period or days of leave taken.

Expenditure

Matters arising from the review were the need for management to:

- implement a control to ensure purchase orders are appropriately authorised before being sent to suppliers and the need for review of authorising limits within the purchase order system
- ensure the credit cards master list does not include any terminated employees with cancelled cards.

Workers compensation

Management need to implement a reconciliation between the workers compensation system and payroll system.

Capital works

A number of external capital works accounts required investigation and corrective action as they were in credit or have had no movement.

Policies and procedures

A number of policies and procedures covering purchase and procurement processes and credit card use needed to be reviewed and updated and made available to all staff.

Information technology review - centralised traffic control system

The centralised traffic control (CTC) system is used to monitor train movement throughout the rail network. It was commissioned in June 2006 and experienced ongoing significant problems with the computer system component of the system.

This required TransAdelaide to agree and work through with the system provider a project close-out plan and a monitoring plan. These plans were to ensure successful achievement and finalisation of critical tests and the resolution of issues identified. In mid 2008, both the practical and final certificate of completion of the project were granted.

TransAdelaide had also finalised post warranty and supplier maintenance support agreements. Those agreements were dependent on the satisfactory resolution of close-out plan outstanding matters.

Audit reviewed certain aspects of the CTC developments during 2007-08 and in 2008-09. This year's review found that some final outstanding matters relating to the project close-out plan remained. They relate to outstanding documentation of aspects of the system and disaster recovery room testing, reconfiguring of the CTC computers, and ongoing CTC system training. Other audit observations conveyed to TransAdelaide related to confirmation of finalisation of certain matters of the contractual arrangements with the system supplier and the benefits of advising TransAdelaide's Board of lessons learned during the project.

Responses to matters raised

Satisfactory responses have been received which indicated that action had been taken or was in progress to address the matters raised. In particular, for the CTC matters, the response from TransAdelaide advised that the remaining close-out matters are being addressed and monitored. TransAdelaide has also communicated with the Crown Solicitor's Office to seek final advice on the contractual matters. TransAdelaide intends to communicate with TransAdelaide's Board on lessons learnt after receiving final advice from the Crown Solicitor's Office.

Implementation of the revised TIs 2 and 28

During the year, Audit reported matters to TransAdelaide relating to the progress on the implementation of the requirements of TIs 2 and 28 and in particular the need for TransAdelaide to document all aspects of its compliance program. TransAdelaide has since advised that it has continued to improve its documentation of its compliance program and the following tasks have been completed:

- A legislative compliance register has been developed.
- A detailed gap analysis of financial strengths and weaknesses completed.
- An assessment on all financial risks identified within TransAdelaide with mitigating strategies noted or in development.
- A full review of all finance related policies, procedures and work instructions was undertaken.
- An external consultant was engaged to assist in assessing the key processes and controls associated with 'procure to pay' and the payroll functions.

A draft financial management compliance policy and procedure is in development which will bring together the existing compliance processes within TransAdelaide. This work is expected to be completed in the first quarter of 2009-10. TI 28 requires the development, implementation, documentation and maintenance of a robust and transparent financial management compliance program.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

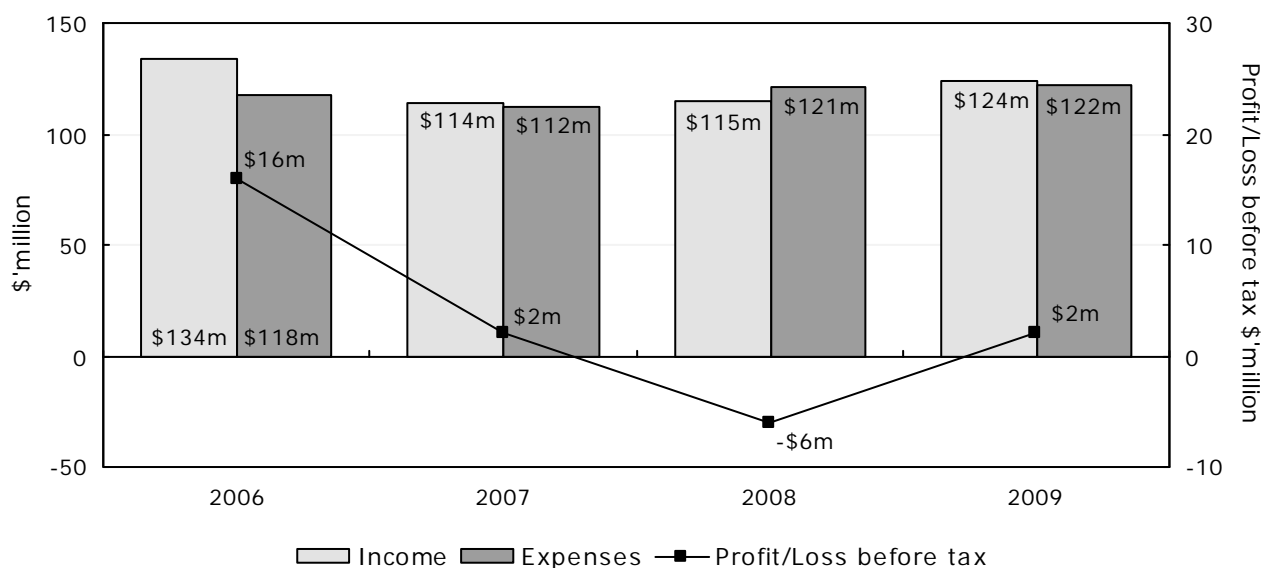
| | 2009 | 2008 |
|-----------------------|-------------------|------------|
| | \$'million | \$'million |
| INCOME | | |
| Government funding | 2.0 | 2.1 |
| Provision of services | 90.6 | 86.5 |
| Other revenue | 31.8 | 26.2 |
| Total income | 124.4 | 114.8 |

| | 2009 | 2008 |
|---|--------------|------------|
| | \$/million | \$/million |
| EXPENSES | | |
| Employee benefit expenses | 56.2 | 50.0 |
| Supplies and services | 59.9 | 55.8 |
| Depreciation and amortisation expense | 5.6 | 12.2 |
| Other expenses | 0.2 | 2.5 |
| Total expenses | 121.9 | 120.5 |
| Profit (loss) before asset transfer | 2.5 | (5.7) |
| Net asset transfer | - | (449.2) |
| Profit (loss) after asset transfer | 2.5 | (454.9) |
| Income tax equivalent expense | 0.8 | - |
| Profit (loss) after income tax equivalents | 1.7 | (454.9) |
| OTHER COMPREHENSIVE INCOME | | |
| Changes in asset revaluation reserve | 26.5 | - |
| Total comprehensive result | 28.2 | (454.9) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| | 9.6 | 1.6 |
| ASSETS | | |
| Current assets | 20.8 | 17.8 |
| Non-current assets | 146.5 | 120.9 |
| Total assets | 167.3 | 138.7 |
| LIABILITIES | | |
| Current liabilities | 19.6 | 17.5 |
| Non-current liabilities | 24.0 | 25.7 |
| Total liabilities | 43.6 | 43.2 |
| EQUITY | | |
| | 123.7 | 95.5 |

Statement of Comprehensive Income

Profit before asset transfer

The following chart shows the income, expenses and profit/loss before asset transfer and tax for the four years to 2009.



In 2009, TransAdelaide achieved a \$2 million profit before tax. Expense and income movements are discussed hereunder.

Income

As TransAdelaide's primary functions are to provide rail passenger transport services under a contract, its main operating revenue is provision of services with government funding and other revenue being less significant.

The previous table, 'Highlights of the financial statements', shows that total income increased by \$9 million over the previous year. Operating revenues for the provision of services increased by \$4 million and other revenue increased by \$5 million due to recharge of services provided to DTEI for capital works.

Contract income - DTEI contract

The DTEI contract requires TransAdelaide to provide passenger services in the specified service area in return for contract payments. All ticket revenue collected by TransAdelaide is remitted to DTEI.

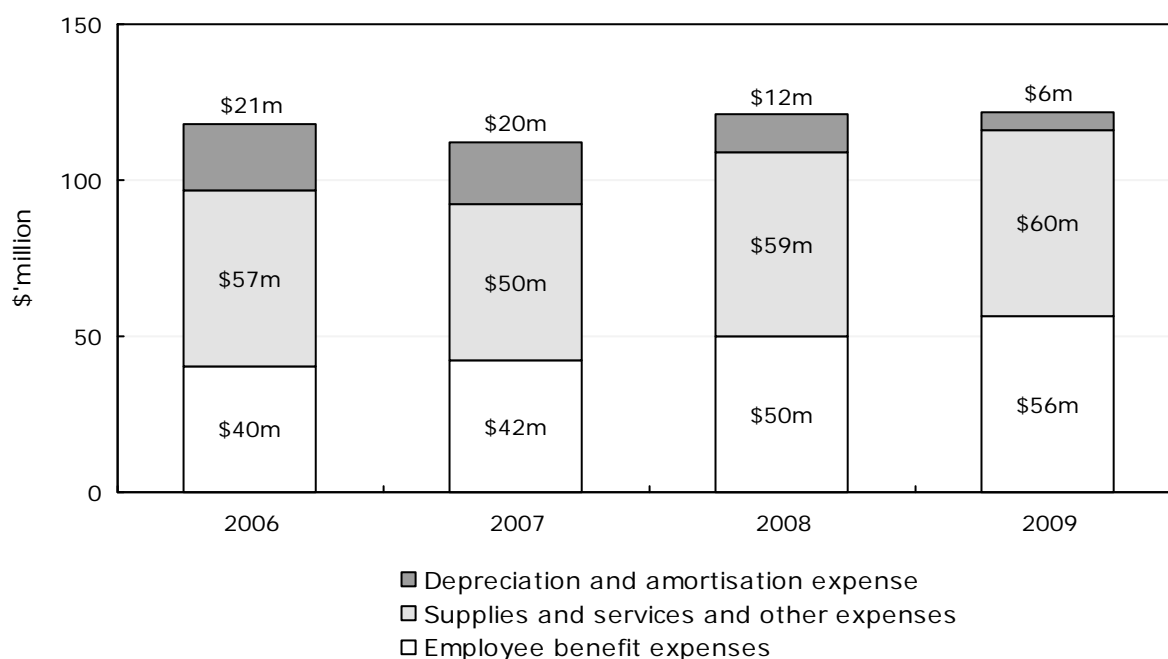
Under the contract TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Contract income - financial dependence

Income of \$87 million (\$83 million) from DTEI for the provision of passenger services represented 70 percent (72 percent) of TransAdelaide's income. A high degree of financial dependency relates to maintaining and securing future contracts of service.

Expenses

The following chart analyses the main expense items for the Department for the four years to 2009.



The chart indicates the following:

- The consistency of employee benefit costs for the years 2006 and 2007. The increases in 2008 and 2009 were due to increases in employee numbers and salary rates under the Enterprise Bargaining Agreement.
- The consistency of the depreciation charge for the years 2006 and 2007. The reduction in the depreciation and amortisation in 2008 and 2009 resulted from the transfer of the majority of non-current assets to the Minister for Transport, effective from 1 January 2008.

- An increase of \$9 million in supplies and services and other expenses in 2008. This was due mainly to increases in costs incurred on capital works services provided (and recharged) to DTEI. This expenditure remained consistent in 2009.

Net asset transfer in 2008

In 2007-08 TransAdelaide recorded a loss from asset transfer of \$449 million due to the following transactions:

| | |
|--|-----------------|
| Loss on transfer of non-current assets | (\$525) million |
| Debt forgiven | \$67 million |
| Grant funding in advance written off | \$9 million |

Loss on transfer of non-current assets

In December 2007 the Governor, by proclamation under Schedule 4 Clause 3 of the *Passenger Transport Act 1994*, transferred real and personal property from TransAdelaide to the Minister for Transport. The effective date of transfer was 1 January 2008. The written down value of the assets transferred was \$525 million. As no sale proceeds were assigned for the transfer, this resulted in a loss on transfer of \$525 million. The assets transferred included the major portion of TransAdelaide’s rolling stock, land, buildings and plant and equipment.

Debt forgiven and grant funding in advance written off

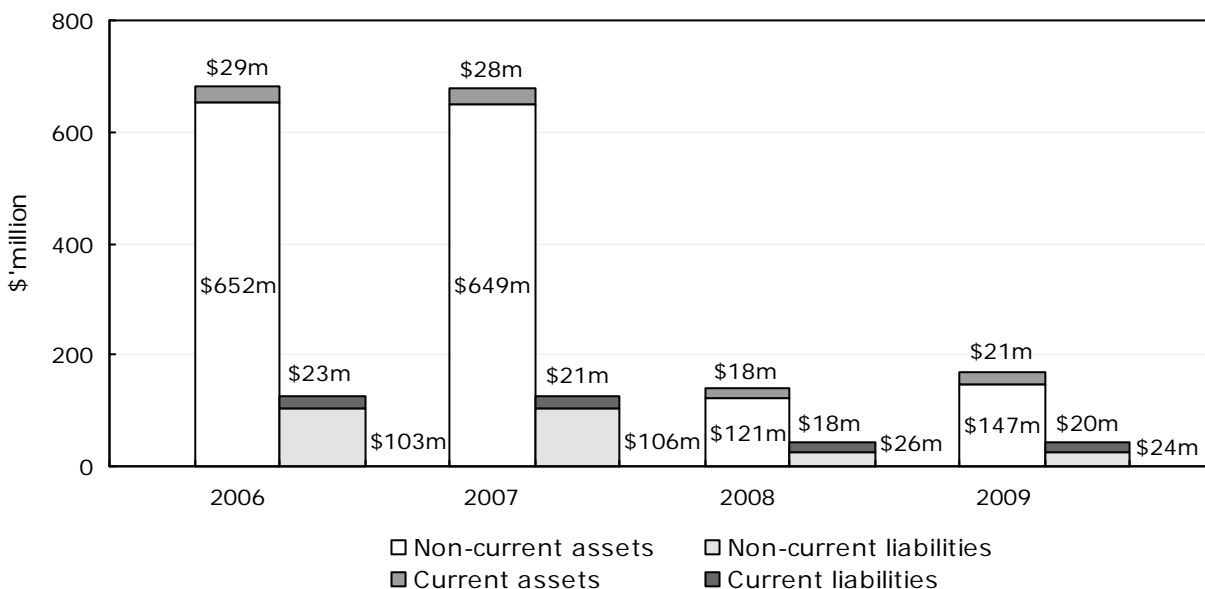
Due to the transfer of assets, the Treasurer approved the forgiveness of TransAdelaide’s debt to the Treasurer which resulted in a \$67 million credit in the Statement of Comprehensive Income.

As the majority of assets were transferred and TransAdelaide no longer controls those assets, the capital grant funding previously deferred was written back to revenue and shown as part of the net asset transfer.

No assets transfers occurred during the 2008-09 financial year.

Statement of Financial Position

The following chart analyses the assets and liabilities for TransAdelaide for the four years to 2009.



Assets and liabilities

The reduction in non-current assets from 2007 to 2008 reflects the transfer of \$525 million of non-current assets to the Minister for Transport, effective from 1 January 2008. Also regarding those years, the decrease in non-current liabilities reflects debt repayment of \$8 million and debt forgiven of \$67 million associated with the asset transfer. The increase in non-current assets in 2009 reflects the revaluation increment for non-current assets of \$26 million.

Statement of Cash Flows

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

| | 2009 | 2008 | 2007 | 2006 |
|-----------------------|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Net cash flows | | | | |
| Operating | 9.6 | 1.6 | 22.1 | 51.0 |
| Investing | (4.9) | (10.1) | (18.2) | (2.5) |
| Financing | - | (8.1) | (5.3) | (40.9) |
| Change in cash | 4.7 | (16.6) | (1.4) | 7.6 |
| Cash at 30 June | 8.8 | 4.1 | 20.7 | 22.1 |

The inflow from operating activity increased in 2009 to \$9.6 million. This was due mainly to an increase in revenues from services provided to DTEI of \$17.2 million for recharge work and \$3.3 million for transport services, offset by increases in expenditure of \$8.9 million for supplies and services and \$6.2 million for employee benefit expenses.

FURTHER COMMENTARY ON OPERATIONS

Joint venture relationship

In 1999-2000 TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the hills Metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution. In 2009, TransAdelaide has brought to account \$1.2 million (\$961 000) for its share of net profit and fees from the joint venture. Refer Note 23 to the financial statements for further information.

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

| | | 2009 | 2008 |
|---|------|----------------|------------------|
| | Note | \$'000 | \$'000 |
| INCOME: | | | |
| Revenues from the provision of services | 4 | 90 603 | 86 471 |
| Revenues from SA Government | 5 | 1 997 | 2 063 |
| Interest revenues | 6 | 537 | 673 |
| Net gain from the disposal of non-current assets | 7 | - | 265 |
| Other revenues | 8 | 30 041 | 24 412 |
| Income from joint venture | 23 | 1 233 | 961 |
| Total income | | 124 411 | 114 845 |
| EXPENSES: | | | |
| Employee benefit expenses | 9 | 56 232 | 49 970 |
| Supplies and services | 12 | 59 875 | 55 788 |
| Depreciation and amortisation expense | 13 | 5 657 | 12 204 |
| Borrowing costs | 14 | - | 2 513 |
| Other expenses | 15 | 165 | 27 |
| Total expenses | | 121 929 | 120 502 |
| Profit (loss) before asset transfer | | 2 482 | (5 657) |
| Grant funding in advance - written off | 30 | - | 9 045 |
| Debt forgiven | 26 | - | 67 134 |
| Transfer of non-current assets | 7 | - | (525 410) |
| Net asset transfer | | - | (449 231) |
| Profit (loss) before income tax equivalent | | 2 482 | (454 888) |
| Income tax equivalent expense | 16 | 744 | - |
| PROFIT (LOSS) AFTER INCOME TAX EQUIVALENTS | | 1 738 | (454 888) |
| OTHER COMPREHENSIVE INCOME: | | | |
| Changes in asset revaluation reserve | 31 | 26 461 | - |
| TOTAL COMPREHENSIVE RESULT | | 28 199 | (454 888) |

Net 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 2009**

| | | 2009 | 2008 |
|--------------------------------------|------|----------------|---------|
| ASSETS: | Note | \$'000 | \$'000 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 17 | 8 797 | 4 142 |
| Receivables | 18 | 7 555 | 8 768 |
| Inventories | 19 | 4 396 | 4 947 |
| Total current assets | | 20 748 | 17 857 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 20 | 146 204 | 120 542 |
| Intangible assets | 21 | 134 | 113 |
| Other non-current assets | 23 | 200 | 200 |
| Total non-current assets | | 146 538 | 120 855 |
| Total assets | | 167 286 | 138 712 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Payables | 24 | 7 768 | 8 391 |
| Employee benefits | 27 | 6 589 | 6 355 |
| Provisions | 28 | 1 938 | 2 013 |
| Other current liabilities | 29 | 3 277 | 702 |
| Total current liabilities | | 19 572 | 17 461 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 24 | 1 340 | 1 459 |
| Employee benefits | 27 | 14 540 | 13 398 |
| Provisions | 28 | 8 124 | 10 883 |
| Total non-current liabilities | | 24 004 | 25 740 |
| Total liabilities | | 43 576 | 43 201 |
| NET ASSETS | | 123 710 | 95 511 |
| EQUITY: | | | |
| Asset revaluation reserve | 31 | 77 631 | 51 170 |
| Retained earnings | | 46 079 | 44 341 |
| TOTAL EQUITY | | 123 710 | 95 511 |

Total equity is attributable to the SA Government as owner

Commitments for expenditure 32

Contingent assets and contingent liabilities 33

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

| | Note | Asset revaluation reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|------|---|--------------------------------|-----------------|
| Balance at 30 June 2007 | | 469 278 | 81 121 | 550 399 |
| Loss after income tax equivalent for 2007-08 | | - | (454 888) | (454 888) |
| Total comprehensive result for 2007-08 | | - | (454 888) | (454 888) |
| Transferred to retained profits amounts realised on disposal of assets | | (418 108) | 418 108 | - |
| Balance at 30 June 2008 | | 51 170 | 44 341 | 95 511 |
| Profit (loss) after income tax equivalent for 2008-09 | | - | 1 738 | 1 738 |
| Gain on revaluation of rollingstock during 2008-09 | 31 | 26 461 | - | 26 461 |
| Total comprehensive result for 2008-09 | | 26 461 | 1 738 | 28 199 |
| Balance at 30 June 2009 | | 77 631 | 46 079 | 123 710 |

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

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

| | | 2009 | 2008 |
|---|-------|-------------------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | Note | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH INFLOWS: | | | |
| Sales of goods and services | | 89 740 | 86 467 |
| Interest received | | 512 | 798 |
| Receipts from SA Government | | 1 997 | 2 793 |
| Dividends received | | 1 259 | 1 035 |
| GST recovered from the ATO | | 12 428 | 10 098 |
| Other receipts | | 34 539 | 17 368 |
| Cash generated from operations | | 140 475 | 118 559 |
| CASH OUTFLOWS: | | | |
| Employee benefit payments | | (55 351) | (49 169) |
| Payments for supplies and services | | (63 667) | (54 747) |
| Interest paid | | - | (2 955) |
| Tax equivalent paid | | - | 210 |
| GST paid to the ATO | | (6 747) | (6 274) |
| GST remitted to the ATO | | (5 132) | (3 993) |
| Cash used in operations | | (130 897) | (116 928) |
| Net cash provided by operating activities | 34(b) | 9 578 | 1 631 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| CASH INFLOWS: | | | |
| Proceeds from sale of property, plant and equipment | | - | 63 |
| Proceeds from sale of investments/maturities of investments | | - | 903 |
| Cash generated from investing activities | | - | 966 |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | (4 816) | (11 012) |
| Purchase of intangibles | | (107) | (42) |
| Cash used in investing activities | | (4 923) | (11 054) |
| Net cash used in investing activities | | (4 923) | (10 088) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Repayment of borrowings | | - | (8 071) |
| Net cash used in financing activities | | - | (8 071) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 4 655 | (16 528) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 4 142 | 20 670 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 34(a) | 8 797 | 4 142 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of TransAdelaide

TransAdelaide was established as a public authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999.

TransAdelaide is a body corporate subject to the provisions of the PCA. *The TransAdelaide (Corporate Structure) Act 1998* provides that TransAdelaide's principal activity is to operate passenger transport services, an activity that continued to be the primary focus throughout the year.

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10, which TransAdelaide has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by TransAdelaide for the reporting period ending 30 June 2009.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying TransAdelaide's accounting policies. The areas involving high degrees of judgement or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this 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 \$100 000 or more (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.
 - (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.

TransAdelaide'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 operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented for the year ended 30 June 2008.

(c) Reporting entity

The financial statements cover TransAdelaide as an individual reporting entity. TransAdelaide is a public authority pursuant to the *TransAdelaide (Corporate Structure) Act 1998*.

(d) Segment reporting

Business operations are conducted in the one business and geographical segment.

TransAdelaide operations fully relate to the provision of public transport services in the Adelaide metropolitan area.

(e) Comparative information

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

(f) Rounding

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

(g) Taxation

In accordance with TI 22, TransAdelaide is required to pay to the State Government an income tax equivalent. TransAdelaide 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
- receivable and payables, which are stated with the amount of GST included.

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

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

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

(h) Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date of 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.

No such events have occurred related to the year ended 30 June 2009.

(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 the entity 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:

- *Revenue from provision of services*
Revenues are derived from the provision of services to the public and other SA government agencies. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the entity or authority.

Services directly related to the provision of rail services are disclosed under Note 4. Other services provided on an ad hoc basis are disclosed as 'Other revenues' under Note 8.

• *Interest income*

Interest income is interest received from investments. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

• *Income from joint venture*

Income from joint venture is recognised when the right to received payment is established.

- *Revenues from SA Government*

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and TransAdelaide will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

- *Other revenue*

Other revenue from non-government entities are recognised as income when TransAdelaide obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

Other revenue includes rental income arising on properties which is accounted for on a straight-line basis over the lease term.

- *Net gain on non-current assets*

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

Expenses

The following are specific recognition criteria:

- *Employee benefit expenses*

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

- *Superannuation*

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

- *Depreciation and amortisation of non-current assets*

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to 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.

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

| <i>Class of assets</i> | <i>Depreciation method</i> | <i>Useful life (years)</i> |
|--------------------------------|----------------------------|----------------------------|
| Rollingstock - Railcars | Straight-line | 20-42 |
| Machinery, plant and equipment | Straight-line | 3-100 |
| Intangibles | Straight-line | 3 |

- *Supplies and services*

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of TransAdelaide. These items are recognised as an expense in the reporting period in which they are incurred.

- *Maintenance expenses*

TransAdelaide undertakes major cyclical maintenance on the states rail infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

- *Borrowing costs*

All borrowing costs are recognised as an expense.

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. TransAdelaide 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 have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(k) Assets

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

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand.

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.

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 the public and other government agencies. Receivables are generally due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other non-current assets

TransAdelaide measures other assets at the lower of cost or recoverable amount.

Inventories

Inventories include goods and other property held for sale in the ordinary course of business. It excludes depreciating assets.

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average cost method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value or inventory losses are recognised as an expense in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

Inventories include train, tram and infrastructure spare parts.

Non-current asset - acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

All non-current tangible assets with a value in excess of \$10 000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

Every five years, TransAdelaide revalues its rollingstock. However, if at anytime 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 valuations are held at cost until the next valuation, where they are revalued to fair value.

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

TransAdelaide uses the gross method of revaluation where the gross asset value and the accumulated depreciation are both restated to the revalued amounts of the assets.

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

Impairment

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

For revalued assets, an impairment loss is offset against the respective asset revaluation reserve.

Intangible assets

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

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

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiably, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and reliable measurement 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 TransAdelaide has been unable to attribute this expenditure to the intangible asset rather than to TransAdelaide as a whole.

(I) 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.

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

Payables

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

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

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

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

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

TransAdelaide 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. TransAdelaide has entered into operating leases.

Operating leases

Operating leases 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. Non-current employee benefits are measured at present value and current employee benefits are measured at nominal amounts.

Wages, salaries, annual leave and sick leave

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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 of sick leave.

Long service leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with TransAdelaide's experience of employee retention and leave taken.

Provisions

Provisions are recognised when TransAdelaide 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.

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

(m) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

(n) Insurance

TransAdelaide has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of TransAdelaide.

There is a standard \$100 000 excess on all insurance cover with SAICORP.

(o) Joint venture

TransAdelaide has not established any partnership or body corporate to carry out its principal business operations. However TransAdelaide has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide hills.

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Statement of Comprehensive Income from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per AASB 128.

3. Asset transfer

On 1 January 2008 TransAdelaide transferred the majority of the rail related real and personal property to the Minister for Transport. From this time, The Department of Transport, Energy and Infrastructure (DTEI) controls the majority of the rail related non-current assets and TransAdelaide provides rail passenger services using these assets which are leased back from DTEI under two leases with 'peppercorn lease' rentals. Under the lease agreements, TransAdelaide undertakes all maintenance associated with the provision of the services and is compensated under the service level agreement with DTEI.

4. Revenues from the provision of services

| | Note | 2009 \$'000 | 2008 \$'000 |
|---|------|----------------|----------------|
| Services received by entities within SA Government | | 86 783 | 82 797 |
| Services received by entities external to the SA Government | | 3 820 | 3 674 |
| Total revenues from the provision of services | | 90 603 | 86 471 |

5. Revenues from (payments to) SA Government**(a) Revenues from SA Government**

Included in the Statement of Comprehensive Income:

Appropriation from Consolidated Account pursuant to the
Appropriation Act

1 997 2 063

Included in the Statement of Financial Position movements:

Grants for capital expenditure

32

- 726

(b) Payments to SA Government

Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and TransAdelaide's Minister.

No ordinary or special dividends were paid to the Department of Treasury and Finance for 2008-09.

| | 2009 | 2008 |
|--|---------------|------------------|
| | \$'000 | \$'000 |
| 6. Interest revenues | | |
| Interest received/receivable from entities within SA Government | 537 | 673 |
| Total interest income | 537 | 673 |
| 7. Net gain (loss) from the disposal of non-current assets | | |
| Rollingstock: | | |
| Net book value of assets transferred | - | (74 542) |
| Net book value of assets disposed | - | (90) |
| Net loss from disposal of rollingstock | - | (74 632) |
| Permanent way: | | |
| Net book value of assets transferred | - | (175 741) |
| Net book value of assets disposed | - | (38) |
| Net loss from disposal of permanent way | - | (175 779) |
| Land and buildings: | | |
| Proceeds from disposal | - | 43 |
| Net book value of assets transferred | - | (221 104) |
| Net book value of assets disposed | - | (36) |
| Net loss from disposal of land and buildings | - | (221 097) |
| Other property, plant and equipment: | | |
| Proceeds from disposal | - | 20 |
| Net book value of assets transferred | - | (34 354) |
| Net book value of assets disposed | - | (296) |
| Net loss from disposal of other property, plant and equipment | - | (34 630) |
| Investment properties: | | |
| Proceeds from disposal | - | 903 |
| Net book value of assets transferred | - | (10 121) |
| Net book value of assets disposed | - | (240) |
| Net loss from disposal of investment properties | - | (9 458) |
| Assets under construction: | | |
| Net book value of assets transferred | - | (9 458) |
| Total net loss from disposal of assets under construction | - | (9 458) |
| Total non-current assets: | | |
| Total proceeds from disposal | - | 965 |
| Net book value of assets transferred | - | (525 410) |
| Total value of assets disposed | - | (700) |
| Total net loss from disposal of non-current assets | - | (525 145) |
| Total non-current assets disposals comprise: | | |
| Non-current assets disposed of in the ordinary course of business: | | |
| Total proceeds from disposal | - | 965 |
| Total value of non-current assets disposed | - | (700) |
| Total net gain from disposal of non-current assets | - | 265 |
| Non-current assets transferred to the Minister for Transport/DTEI: | | |
| Total value of non-current assets transferred | - | (525 410) |
| Net loss from transfer of non-current assets | - | (525 410) |
| Total net loss from disposal of non-current assets | - | (525 145) |
| Refer Note 3 for details of the transfer of assets in 2007-08. | | |
| 8. Other revenues | | |
| Other revenues from entities external to the SA Government: | | |
| Property rental | 1 301 | 3 183 |
| Other revenue | 2 708 | 2 548 |
| Total revenues from entities external to the SA Government | 4 009 | 5 731 |

| | | |
|--|---------------|---------------|
| 8. Other revenues (continued) | 2009 | 2008 |
| Other revenues from entities within the SA Government: | \$'000 | \$'000 |
| Other services provided to DTEI | 26 020 | 17 483 |
| Property rental | 12 | 783 |
| Amortisation of capitalised funding grants | - | 415 |
| Total revenues from entities within the SA Government | 26 032 | 18 681 |
| Total other revenues | 30 041 | 24 412 |

Future minimum payments receivable from non-cancellable operating leases of non-investment properties are:

- (i) within one year \$760 000
- (ii) between two and five years \$420 000
- (iii) later than five years \$676 000.

Leases include advertising and display sites, mobile telephone transmitters and real estate with tenancies retained by TransAdelaide on transfer of assets to the Minster for Transport in 2008.

| | | |
|--|---------------|---------------|
| 9. Employee benefit expenses | 2009 | 2008 |
| | \$'000 | \$'000 |
| Salaries and wages | 42 063 | 36 675 |
| Long service leave | 1 290 | 1 433 |
| Annual leave | 3 706 | 3 407 |
| Block book off | 708 | 585 |
| Employee on-costs - superannuation | 4 563 | 3 985 |
| Employee on-costs - payroll tax | 2 208 | 2 741 |
| Board and Committee fees | 220 | 202 |
| Other employee related expenses | 1 474 | 942 |
| Total employee benefit expenses | 56 232 | 49 970 |

TVSPs

Total TVSP payments in 2009 amounted to \$nil (\$nil).

Remuneration of employees

| | | |
|---|--------------|-------|
| Total remuneration for employees greater than \$100 000 | 8 712 | 6 616 |
|---|--------------|-------|

| | 2009 | 2008 |
|---|---------------|--------|
| | Number | Number |
| The number of employees whose remuneration received or receivable falls within the following remuneration bands were: | | |
| \$100 000 - \$109 999 | 29 | 26 |
| \$110 000 - \$119 999 | 18 | 11 |
| \$120 000 - \$129 999 | 12 | 8 |
| \$130 000 - \$139 999 | 1 | 1 |
| \$140 000 - \$149 999 | - | 1 |
| \$150 000 - \$159 999 | 4 | 2 |
| \$160 000 - \$169 999 | 1 | 3 |
| \$170 000 - \$179 999 | 2 | - |
| \$180 000 - \$189 999 | 1 | 2 |
| \$190 000 - \$199 999 | 1 | 1 |
| \$230 000 - \$239 999 | 2 | - |
| | 71 | 55 |

This table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

10. Key management personnel

(a) Board members

The following persons held the position of board member during the financial year:

| | |
|-----------------|---------------------|
| Ms V Hickey | |
| Mr K Bengler | |
| Mr R Jowett | |
| Mr J Hearsch | |
| Mr R Hook | To 21 August 2008 |
| Miss M M Starrs | |
| Mr L Di Lernia | From 21 August 2008 |

(b) Other key management personnel

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

| | | |
|-------------------|-----------------------|--|
| Robert Stobbe | From 8 September 2008 | General Manager |
| Randall Barry | To 5 September 2008 | Acting General Manager |
| | From 6 September 2008 | Executive Manager - Rail Development |
| Vi Nguyen | | Executive Manager - Infrastructure Services |
| Shaun Matters | | Executive Manager - Corporate Services |
| Philip Saunders | To 30 September 2008 | Executive Manager - Rail Development |
| Fiona Kidd | To 20 January 2009 | Executive Manager - Organisation Development |
| Richard Collett | From 6 January 2009 | |
| | To 24 April 2009 | Executive Manager - Organisation Development |
| Valdis Evele | To 19 September 2008 | Executive Manager - Rail Systems |
| James Hall | To 19 June 2009 | Executive Manager - Trams |
| Erryn Munchenberg | From 12 January 2009 | Executive Manager - Safety, Security and Environment |
| Andrea Higgs | From 8 December 2008 | Executive Manager Customer Service and Communications |
| Peter Doggett | From 3 September 2008 | Chief Operating Officer |

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2009 and 2008 is set out below.

The key management personnel are the Board members and the senior management team (including the General Manager) who have responsibility for the strategic direction and management of TransAdelaide.

| | | |
|-------------------|---------------|--------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Employee benefits | 2 042 | 1 481 |

(d) Remuneration of Board members

The number of Board members whose remuneration received or receivable falls within the following bands:

| | Number | Number |
|---------------------|----------|----------|
| \$0 - \$9 999 | - | 1 |
| \$10 000 - \$19 999 | - | 3 |
| \$20 000 - \$29 999 | 3 | 2 |
| \$30 000 - \$39 999 | 1 | - |
| \$40 000 - \$49 999 | 1 | - |
| \$50 000 - \$59 999 | - | 2 |
| \$60 000 - \$69 999 | 1 | - |
| | 6 | 8 |

The total remuneration received and receivable by those Board members was \$216 000 (\$202 000) which includes superannuation contributions.

Amounts paid to a superannuation plan for Board members was \$43 000 (\$45 000).

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

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

Remuneration of Committee members

The following Board members were also Committee members on the TransAdelaide Audit and Risk Committee:

| | |
|--------------|-----------------|
| Ms V Hickey | Miss M M Starrs |
| Mr K Bengner | |

Board members V Hickey and K Bengner were also on the Board of Transit Plus Pty Ltd in which TransAdelaide has a 50 percent interest. Board fees relating to these positions are paid to the Board members by TransAdelaide and are included in the remuneration above.

11. Related party disclosures

TransAdelaide has a 50 percent interest in a joint venture entity Transit Plus Pty Ltd. TransAdelaide received an annual management fee of \$125 600 (\$125 600) and profit distributions from the joint venture entity of \$1.107 million (\$835 000).

| | | | |
|--|---------------|---------------|---------------|
| 12. Supplies and services | | 2009 | 2008 |
| Supplies and services provided by entities external to the SA Government: | | \$'000 | \$'000 |
| Security | | 2 111 | 2 072 |
| Rollingstock maintenance | | 10 619 | 9 734 |
| Rollingstock fuel and power | | 11 215 | 11 192 |
| Materials, parts and consumables | | 27 180 | 28 458 |
| Other supplies and services | | 5 834 | 901 |
| Total supplies and services - non-SA Government entities | | 56 959 | 52 357 |
| Supplies and services provided by entities within SA Government: | | | |
| Accommodation and telecommunication | | 782 | 733 |
| Information technology expenses | | 33 | 31 |
| Legal costs | | 31 | 49 |
| Accreditation fees | | 150 | 185 |
| Contract supplies and maintenance | | 308 | 339 |
| Vehicle leasing and fuel costs | | 1 037 | 1 066 |
| Insurance | | 314 | 441 |
| Security | | 101 | 416 |
| Other supplies and services | | 160 | 171 |
| Total supplies and services - SA Government entities | | 2 916 | 3 431 |
| Total supplies and services | | 59 875 | 55 788 |
| Consultants | | | |
| The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands: | | 2009 | 2008 |
| | Number | \$'000 | Number |
| | | | \$'000 |
| Below \$10 000 | 62 | 190 | 27 |
| \$10 000 - \$50 000 | 20 | 444 | 10 |
| Above \$50 000 | 2 | 115 | 2 |
| Total paid/payable to the consultants engaged | 84 | 749 | 39 |
| | | | 621 |
| Auditor's remuneration | | 2009 | 2008 |
| Audit fees paid/payable to the Auditor-General's Department | | \$'000 | \$'000 |
| Total auditor's remuneration | | 145 | 160 |
| | | 145 | 160 |
| Other services | | | |
| No other services were provided by the Auditor-General's Department. | | | |
| 13. Depreciation and amortisation expense | | | |
| Depreciation: | | | |
| Rollingstock | | 5 334 | 6 200 |
| Permanent way | | - | 3 792 |
| Buildings | | - | 1 323 |
| Other property, plant and equipment | | 241 | 804 |
| Total depreciation | | 5 575 | 12 119 |
| Amortisation: | | | |
| Intangible assets | | 82 | 85 |
| Total amortisation | | 82 | 85 |
| Total depreciation and amortisation expense | | 5 657 | 12 204 |
| 14. Borrowing costs | | | |
| Interest on borrowings | | - | 2 302 |
| Treasury guarantee fee | | - | 211 |
| Borrowing costs - SA Government | | - | 2 513 |
| Total borrowing costs | | - | 2 513 |
| 15. Other expenses | | | |
| Other expenses paid/payable to entities external to the SA Government: | | | |
| Net bad and doubtful debts | | 52 | - |
| Write-down of inventories to net realisable value | | 113 | 27 |
| Total other expenses - non-SA Government | | 165 | 27 |
| 16. Income tax equivalent expense | | | |
| Profit (loss) before income tax expense | | 2 482 | (454 888) |
| Prima facie tax (if profit) thereon at 30 percent | | (744) | - |
| Income tax equivalent expense - SA Government | | (744) | - |

16. Income tax equivalent expense (continued)

The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate tax rate be applied to net profit. The current income tax liability relates to the income tax outstanding.

17. Cash and cash equivalents

| | 2009 | 2008 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Cash at bank | 8 761 | 4 105 |
| Imprest account/cash on hand | 36 | 37 |
| Total cash and cash equivalents | 8 797 | 4 142 |

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

| | 2009 | 2008 |
|------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Current: | | |
| Gross accrued income | 7 581 | 8 632 |
| Allowance for doubtful debts | (26) | (4) |
| Prepayments | - | 6 |
| GST receivable | - | 134 |
| Total receivables | 7 555 | 8 768 |

Receivables from SA Government Entities:

| | | |
|--|--------------|-------|
| Accrued income | 6 018 | 2 354 |
| DTEI capital works/service recharge | 538 | 5 206 |
| Prepayments | - | 6 |
| Total receivables from SA Government entities | 6 556 | 7 566 |

Receivables from non-SA Government entities:

| | | |
|--|--------------|-------|
| Accrued income | 1 025 | 1 072 |
| Allowance for doubtful debts | (26) | (4) |
| GST receivables | - | 134 |
| Total receivables from non-SA Government entities | 999 | 1 202 |
| Total receivables | 7 555 | 8 768 |

The total receivable figure does not include non-current receivables as TransAdelaide does not have any receivables that meet the definition of non-current. Any non-current receivables would be disclosed in this Note.

Allowance for doubtful debts

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

| | 2009 | 2008 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Movements in the allowance for doubtful debts: | | |
| Carrying amount at 1 July | 4 | 4 |
| Increase in the allowance | 22 | - |
| Carrying amount at 30 June | 26 | 4 |

Bad and doubtful debts

TransAdelaide has recognised a bad and doubtful debt expense of \$52 000 (\$nil) in the Statement of Comprehensive Income.

19. Inventories

| | | |
|--------------------------|--------------|-------|
| Stores inventories | 4 396 | 4 947 |
| Total inventories | 4 396 | 4 947 |

20. Property, plant and equipment

| | | |
|---------------------------------------|------------------|----------|
| Rollingstock - railcars | | |
| At independent valuation 30 June 2009 | 242 500 | 204 195 |
| Accumulated depreciation | (102 231) | (85 601) |
| Total rollingstock - railcars | 140 269 | 118 594 |

Other property, plant and equipment:

| | | |
|--|----------------|---------|
| At fair value | 2 830 | 2 465 |
| Accumulated depreciation | (1 727) | (1 653) |
| Total other property, plant and equipment | 1 103 | 812 |

| | | |
|--|----------------|---------|
| 20. Property, plant and equipment (continued) | 2009 | 2008 |
| Assets under construction: | \$'000 | \$'000 |
| Rollingstock - railcars | 4 566 | 375 |
| Other property, plant and equipment | 266 | 761 |
| Total assets under construction | 4 832 | 1 136 |
| Total property, plant and equipment | 146 204 | 120 542 |

Carrying amounts of property, plant and equipment that would have been recognised if these assets were stated at cost:

| | | |
|--|---------------|--------|
| Rollingstock - railcars | 72 813 | 75 233 |
| Other property, plant and equipment | 1 299 | 2 189 |
| Total property, plant and equipment at cost | 74 112 | 77 422 |

All major non-current assets are revalued every five years on an existing use, fair value basis in the financial statements at the revalued amounts.

The valuation of rollingstock was performed by McGees Property, an independent valuer as at 30 June 2009.

In accordance with the APF, TransAdelaide has assessed that assets recorded at cost reflect fair value where such assets have not been independently revalued.

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2009.

| | | |
|--|----------------|---------|
| 21. Intangible assets | 2009 | 2008 |
| Computer software: | \$'000 | \$'000 |
| Internally developed computer software | 107 | 107 |
| Accumulated amortisation | (99) | (76) |
| Other computer software | 1 175 | 1 110 |
| Accumulated amortisation | (1 049) | (1 028) |
| Total intangible assets | 134 | 113 |

| | | | |
|---|------------------------------------|---|----------------------------------|
| 22. Reconciliation of asset carrying amounts | Assets under const- ruction | Property plant & equip- ment | Total non- current assets |
| 2009 | Rolling- stock | Other PP&E | Intangible assets |
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July | 118 594 | 812 | 113 |
| Additions | - | - | - |
| Write-offs | - | - | - |
| Transfers | 548 | 532 | 103 |
| Revaluation - increment (decrement) | 37 758 | - | - |
| Depreciation on revaluation | (11 297) | - | - |
| Depreciation | (5 334) | (241) | (82) |
| Carrying amount at 30 June | 140 269 | 1 103 | 134 |

New assets resulting from completed assets under construction have been treated as transfers.

| | | |
|---|----------------|---------|
| 23. Other non-current assets | 2009 | 2008 |
| Ownership interest | Percent | Percent |
| Joint venture: | | |
| Transitplus Pty Ltd | 50 | 50 |
| Investment in related entities: | 2009 | 2008 |
| Transitplus Pty Ltd | \$'000 | \$'000 |
| | 200 | 200 |
| Principal activities: | 200 | 200 |
| Transitplus Pty Ltd - provision of bus services | | |
| Investment in Transitplus Pty Ltd: | 200 | 200 |
| Carrying amount at 1 July | 1 233 | 961 |
| Share of net profit | (1 233) | (961) |
| Distributions received or receivables | | |
| Carrying amount at 30 June | 200 | 200 |

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit (loss) is recognised in the Statement of Comprehensive Income from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per AASB 128.

| | | |
|---|---------------|--------|
| 24. Payables | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Creditors | 3 166 | 4 478 |
| Accrued expenses | 2 690 | 3 228 |
| Income tax equivalent payable | 744 | - |
| Accrued employment on-costs | 761 | 685 |
| GST payable | 407 | - |
| Total current payables | 7 768 | 8 391 |
| Non-current: | | |
| Employment on-costs | 1 340 | 1 459 |
| Total non-current payables | 1 340 | 1 459 |
| Payables to SA Government entities: | | |
| Creditors | 22 | 261 |
| Accrued expenses | 699 | 599 |
| Income tax equivalent payable | 744 | - |
| Employment on-costs | 2 101 | 2 144 |
| Total payables to SA Government entities | 3 566 | 3 004 |
| Payables to non-SA Government entities: | | |
| Creditors | 3 144 | 4 217 |
| Accrued expenses | 1 991 | 2 629 |
| GST payable | 407 | - |
| Total payables to non-SA Government entities | 5 542 | 6 846 |
| Total payables | 9 108 | 9 850 |

25. Financial instruments/financial risk management***Categories 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 expense are recognised with respect to each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2.

Credit risk

Credit risk arises when there is the possibility of TransAdelaide's debtors defaulting on their contractual obligations resulting in financial loss to TransAdelaide. TransAdelaide measures credit risk on a fair value basis and monitors risk on a regular basis. TransAdelaide has minimal concentration of credit risk. TransAdelaide has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In 2008-09 TransAdelaide has not engaged in any hedge activities.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently TransAdelaide does not hold any collateral as security to its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 18 for information in the allowance for impairment in relation to receivables.

Category of financial asset and liability

| | | 2009 | 2008 |
|--------------------------------------|------|--|--------------------------------|
| | | Carrying amount/ fair value | Carrying amount/ fair value |
| | | \$'000 | \$'000 |
| Financial assets | Note | | |
| Cash and cash equivalents | 17 | 8 797 | 4 142 |
| Receivables: | | | |
| Loans and receivables ⁽¹⁾ | 18 | 7 555 | 8 634 |
| Investments in Transitplus: | | | |
| Held-to-maturity investments | 23 | 200 | 200 |
| Total financial assets | | 16 552 | 12 976 |
| Financial liabilities | | | |
| Financial liabilities - at cost: | | | |
| Payables ⁽¹⁾ | 24 | 5 857 | 7 706 |
| Other financial liabilities | 29 | 3 277 | 702 |
| Total financial liabilities | | 9 134 | 8 408 |

(1) All amounts recorded are carried at cost (not materially different from amortised cost). The fair value of all financial assets and liabilities is represented by their carrying amount. Amounts disclosed exclude amounts relating to statutory receivables and payables.

Ageing analysis of financial assets

| | Past Due By | | | Total \$'000 |
|---------------|---|-------------------------------------|---|-----------------|
| | Overdue for less than 30 Days \$'000 | Overdue for 30-60 Days \$'000 | Overdue for more than 60 Days \$'000 | |
| 2009 | | | | |
| Not impaired: | | | | |
| Receivables | 7 195 | 50 | 336 | 7 581 |
| Impaired: | | | | |
| Receivables | - | - | 26 | 26 |
| 2008 | | | | |
| Not impaired: | | | | |
| Receivables | 8 314 | 27 | 291 | 8 632 |
| Impaired: | | | | |
| Receivables | - | - | 4 | 4 |

(1) Receivables 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 requirement 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. AASB132 defines contract as enforceable by law. All items above are carried at cost.

Maturity analysis of financial assets and liabilities

All financial assets and liabilities mature within one year.

Liquidity risk

Liquidity risk arises where TransAdelaide is unable to meet its financial obligations as they fall due. The continued existence of TransAdelaide is dependent on maintaining a service level agreement with the transport division of DTEI and the funding that flows.

TransAdelaide settles undisputed accounts within 30 days of the invoice date or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

Market risk

Market risk for TransAdelaide is primarily through interest rate risk. TransAdelaide has 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 agency as it has been determined that the possible impact on profit (loss) and total equity from fluctuations in interest rates is immaterial.

Credit standby arrangements

TransAdelaide has a \$757 000 (\$752 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2009 was \$683 000 (\$693 000).

| 26. Borrowings and debt forgiven | 2009 | 2008 |
|---|---------------|----------|
| Movement schedule | \$'000 | \$'000 |
| Opening balance - 1 July | - | 75 205 |
| Repayment | - | (8 071) |
| Debt forgiven | - | (67 134) |
| Balance at 30 June | - | - |

As a result of the rail specific assets transferred to the Minister for Transport/DTEI, the Treasurer approved that borrowings owed to the Department of Treasury and Finance were forgiven. The debt forgiven is shown as a revenue item and included as part of the net asset transfer.

| 27. Employee benefits | 2009 | 2008 |
|---|---------------|--------|
| Current: | \$'000 | \$'000 |
| Annual leave | 2 920 | 2 850 |
| Long service leave | 810 | 990 |
| Block book off | 901 | 899 |
| Retiring and death gratuity | 6 | 6 |
| Total current employee benefits provisions | 4 637 | 4 745 |
| Accrued wages and salaries | 1 952 | 1 610 |
| Total current employee benefits | 6 589 | 6 355 |

| | | |
|--|---------------|--------|
| 27. Employee benefits (continued) | 2009 | 2008 |
| Non-current: | \$'000 | \$'000 |
| Annual Leave | 2 270 | 2 075 |
| Retiring and death gratuity | 89 | 93 |
| Long service leave | 12 181 | 11 230 |
| Total non-current employee benefits | 14 540 | 13 398 |
| Total employee benefits | 21 129 | 19 753 |
| Employee benefits as above | 21 129 | 19 753 |
| Related on-costs included in current payables | 2 101 | 2 144 |
| Aggregate employee benefits plus related on-costs | 23 230 | 21 897 |
| 28. Provisions | | |
| Current: | | |
| Workers compensation claims | 1 143 | 1 066 |
| Third party accident damage | 730 | 671 |
| Railcar maintenance debt | 65 | 276 |
| Total current provisions | 1 938 | 2 013 |
| Non-current: | | |
| Workers compensation claims | 6 511 | 7 099 |
| Third party accident damage | 1 613 | 3 784 |
| Total non-current provisions | 8 124 | 10 883 |
| Total: | | |
| Workers compensation claims | 7 654 | 8 165 |
| Third party accident damage | 2 343 | 4 455 |
| Railcar maintenance debt | 65 | 276 |
| Total provisions | 10 062 | 12 896 |

(a) Reconciliation of provisions movements

| | Workers compensation claims \$'000 | Third party accident damage \$'000 | Railcar maintenance debt \$'000 | Total \$'000 |
|-----------------------------------|---|---|--|-------------------------|
| Carrying amount at 1 July | 8 165 | 4 455 | 276 | 12 896 |
| Amounts written off in 2008-09 | - | (1 558) | (108) | (1 666) |
| Recognised provision in 2008-09 | 681 | - | 477 | 1 158 |
| Payments made in 2008-09 | (1 192) | (554) | (580) | (2 326) |
| Movement | (511) | (2 112) | (211) | (2 834) |
| Carrying amount at 30 June | 7 654 | 2 343 | 65 | 10 062 |

Workers compensation

This liability reflects unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of outstanding claims by Brett & Watson Pty Ltd at 30 June 2009.

Third party accident damage

This liability reflects TransAdelaide's partial self insurance for this operational risk. The third party accident damage provision is based on an internal assessment of outstanding claims as at 30 June 2009. TransAdelaide has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997, exceeding \$1 million for claims between 1 July 1997 and 30 June 2008 and \$100 000 for claims post 1 July 2008.

Railcar maintenance debt

This liability relates to work being performed by Bombardier Transportation Ltd on the 2000 and 3000 class bogies for which, under the Railcar maintenance and service contract, TransAdelaide has agreed to pay a portion.

| | | |
|--|---------------|---------|
| 29. Other liabilities | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Revenue received in advance from SA Government | 522 | 702 |
| Deferred income from SA Government | 2 755 | - |
| Total current other liabilities | 3 277 | 702 |
| 30. Government grants | | |
| Non-current: | | |
| Capital grants from entities within the SA Government: | | |
| Grants received | - | 10 451 |
| Accumulated amortisation | - | (1 406) |
| Recognised on disposal of assets | - | (9 045) |
| Total non-current Government grants | - | - |

30. Government grants (continued)

The accounting policies adopted and the description of government grants received by TransAdelaide, including the conditions attached to the grants, have been disclosed in Note 2.

| | 2009 | 2008 |
|---------------------------------------|---------------|----------|
| | \$'000 | \$'000 |
| Movement in Government grants: | | |
| Carrying amount at 1 July | - | 8 735 |
| Additional capital grants received | - | 726 |
| Amortisation | - | (416) |
| Written back on disposal of asset | - | (9 045) |
| Carrying amount at 30 June | - | - |

In accordance with AASB 120, government grants received for capital expenditure are amortised over the life of the resulting asset. During the current financial year TransAdelaide received no grants for work performed.

Capital grants are deferred and amortised over the life of the non-current assets. For non-current assets transferred to the Minister for Transport/DTEI, as TransAdelaide no longer controls those assets the capital funding previously deferred (\$9.045 million) was written back to revenue and shown as part of the net asset transfer in 2007-08.

31. Reserves

| | 2009 | 2008 |
|--|---------------|-----------|
| | \$'000 | \$'000 |
| Asset revaluation reserve | 77 631 | 51 170 |
| Movements during the year | | |
| Balance at 1 July | 51 170 | 469 278 |
| Transferred to retained profits amounts realised on disposal of: | | |
| Land and buildings | - | (192 335) |
| Infrastructure | - | (158 638) |
| Rollingstock | - | (67 135) |
| Gain on revaluation of rollingstock | 26 461 | - |
| Reserves at 30 June | 77 631 | 51 170 |

Nature and purpose of reserves

The asset revaluation reserve includes the net revaluation increments (decrements) arising from the revaluation of non-current assets in accordance with AASB 116. Asset decrements are expensed where no previous revaluation reserve increment exists for that asset.

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to retained profits.

32. Commitments

| | 2009 | 2008 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Capital commitments | | |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows: | | |
| Within one year | 11 655 | 7 015 |
| Later than one year but not longer than five years | 17 103 | 28 758 |
| Total capital commitments | 28 758 | 35 773 |

TransAdelaide's capital commitments are for the refurbishment of the railcars subject to cross border leases that were retained as TransAdelaide assets and minor information systems improvements.

Remuneration commitments

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

| | | |
|---|---------------|-------|
| Within one year | 4 509 | 1 792 |
| Later than one year but not later than five years | 9 800 | 3 099 |
| Total remuneration commitments | 14 309 | 4 891 |

Amounts disclosed include commitments arising from executive and other service contracts. TransAdelaide does not offer remuneration contracts greater than five years.

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

| | | |
|---|--------------|-------|
| Not later than one year | 802 | 869 |
| Later than one year but not later than five years | 488 | 565 |
| Total operating lease commitments | 1 290 | 1 434 |

Operating lease commitments (continued)

TransAdelaide leases property under operating leases expiring from one month to four years. The leases generally provide TransAdelaide with a right of renewal at which time all terms are negotiated. Contingent rental payments are based upon either movements in the CPI or operating criteria.

33. Contingent assets and contingent liabilities

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The life of various elements of the indemnities vary between one and six years from when AUSTRICS was sold in 2004-05. As at balance date, this could not be reliably measured.

TransAdelaide has 50 3000/3100 class railcars subject to a cross border lease agreements with the head lease expiring in April 2023. Encumbrances exist within this agreement which gives rise to financial consequences in the event of loss or destruction of these leased railcar assets. The South Australian Financing Authority monitors the majority of foregoing obligations. To balance date, no event has occurred which would give rise to the encumbrances/consequences.

| 34. Cash flow reconciliation | 2009 | 2008 |
|--|----------------|---------|
| (a) Reconciliation of cash | \$'000 | \$'000 |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 8 797 | 4 142 |
| | | |
| (b) Reconciliation of profit (loss) to net cash provided by operating activities | | |
| Profit (loss) | 1 738 | (5 657) |
| Add (Less): Non-cash items: | | |
| Depreciation and amortisation | 5 657 | 12 204 |
| Gain on sale or disposal of non-current assets | - | (265) |
| Write-off on inventory | (113) | - |
| Amortisation of grant funding | - | (415) |
| Write-off of work in progress | 11 | 73 |
| Accrued non-current assets | 33 | - |
| Provision for income tax | 744 | - |
| Bad and doubtful debts | (52) | - |
| Net cash provided by operating activities before change in assets and liabilities | 8 018 | 5 940 |
| | | |
| Movements in: | | |
| Decrease (Increase) in receivables | 1 265 | (6 375) |
| Decrease (Increase) in inventories | 664 | (61) |
| (Decrease) Increase in payables | (1 486) | 1 037 |
| Increase (Decrease) in employee benefits | 1 376 | (1 032) |
| (Decrease) Increase in provisions | (2 834) | 279 |
| Increase in other liabilities | 2 575 | 1 843 |
| Net cash provided by operating activities | 9 578 | 1 631 |

The effective interest rate on cash deposits held throughout the year was 5.19 percent (6.59 percent).

35. After balance date events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of TransAdelaide, to affect significantly the operations of TransAdelaide, the results of those operations, or the state of affairs of TransAdelaide in future financial years.

DEPARTMENT FOR TRANSPORT, ENERGY AND INFRASTRUCTURE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Transport, Energy and Infrastructure (the Department) is an administrative unit established pursuant to the PSM Act.

Functions

The Department has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning for South Australia. Its functions include:

- providing leadership in the development of transport options by providing policy, planning and investment advice to assist the Government to achieve its strategic objectives
- delivering and supporting safe, sustainable and secure transport that underpins the economic and social growth of South Australia
- providing improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility to enhance the quality of life of all South Australians
- providing policy advice on energy issues, and delivering energy programs and regulatory services for the competitive, safe and reliable supply and use of energy, for the benefit of the South Australian community, including an efficient transition towards a sustainable energy future
- identifying strategic infrastructure priorities for the State, coordinating infrastructure planning and development across government and facilitating timely delivery of key projects that support the economic and social development of the State
- providing project risk management, building asset management, procurement and contract services
- delivering capital building works and major projects
- providing information technology policy, support and management services
- regulating the access, behaviour and security of transport system users
- providing land valuation, survey and registration.

For more information about the Department's objectives refer to Note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

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

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

Scope of audit

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

Specific areas of audit attention included:

- accounts payable
- bus and rail contract payments
- grants and subsidies
- payroll
- registration and licensing revenue
- Metroticket sales
- other revenue
- financial management compliance
- fixed assets including:
 - network assets
 - land, buildings and facilities
 - plant and equipment
 - capital work in progress
 - office and residential rental properties
 - Government Radio Network
 - phone and data communication.

In addition an understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's report in the financial statements

The following is an extract from the 2008-09 Independent Auditor's Report, which details the qualifications to the Department's financial statements.

Basis for Qualified Auditor's Opinion

Commonwealth Grants

In each of the three years ended 30 June 2008 the Department has recognised grants from the Commonwealth Government as liabilities representing income received in advance. The amounts are reported as Other Current and Non-Current liabilities-Deferred Income and in each year were:

- | | | |
|---|--|-----------------------|
| • | <i>for the year ended 30 June 2006</i> | <i>\$100 million</i> |
| • | <i>for the year ended 30 June 2007</i> | <i>\$11.2 million</i> |
| • | <i>for the year ended 30 June 2008</i> | <i>\$1.2 million</i> |

In my opinion, the grants meet the recognition criteria of income as specified in AASB 1004 and APF V. The grants represent contributions with unconditional stipulations and as such should be recognised as income upon receipt.

The balances of the Deferred Income liabilities are reduced by recognising amounts as income to match the expenditure of the grant funds.

As a result, the following financial statement lines have been misstated:

- *Total income and total comprehensive result have been overstated by \$43.3 million (overstated by \$14.2 million in the year ended 30 June 2008) reflecting the recognition as income of amounts previously recognised as Deferred Income.*
- *Other current liabilities have been overstated by \$53.7 million (\$46.6 million as at 30 June 2008).*
- *Other non-current liabilities were overstated by \$50.3 million as at 30 June 2008.*
- *Accumulated Surplus as at 30 June 2009 has been understated by \$53.7 million.*

The Department has disclosed its accounting treatment of the grants in Note 38 'Other Liabilities'.

Cash at bank

The audit of the Department for the year ended 30 June 2008 identified deficiencies in controls over the Department's TRUMPS system on implementation of the registration and finance components of the system and throughout the reporting period. The audit for the year ended 30 June 2009 concluded that as measures were implemented by the Department throughout the year ended 30 June 2009 an appropriate standard of control was not in place over the full 2008-09 financial period of TRUMPS financial transaction processing.

The TRUMPS system administers and records registration and licensing transactions on behalf of the Department and other parties.

The deficiencies in controls did not provide for effective reconciliation of TRUMPS system data to general ledger bank account balances and to the bank accounts used to hold registration and licence receipts before disbursement of these funds to third parties.

As a result, Audit was unable to obtain assurance that all transactions processed by the Department through the TRUMPS system during the year were accurately reflected in the Financial Statements. Transactions processed through the TRUMPS system are recognised in the Financial Statements as:

- *cash and cash equivalents*
- *fees and charges from Drivers' Licence and Motor Registrations fees*
- *Administered Income - Collections on behalf of third parties*
- *Administered Expenses - Disbursements on behalf of third parties.*

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the Department for Transport, Energy and Infrastructure as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Financial statements

For the reasons discussed below the Independent Auditor's Report with respect to the Department's financial statements for the year ended 30 June 2009 is qualified for the matter of the accounting treatment of certain Commonwealth grants received by the Department and also for the matter of the reconciliation of cash at bank and TRUMPS financial information.

Accounting for Commonwealth grants

In past years the Department has received Commonwealth grants which it has recognised as deferred income - a liability representing revenue received in advance. The grants relate to funding received in advance for projects which are planned to be completed over a number of years. The projects include capital works related to road infrastructure and a planning research project.

The accounting treatment adopted by the Department is inconsistent with the recognition criteria incorporated in AASB 1004 and APF V and resulted in understatement, in the year of receipt, of the Department's operating income by the amount of the unrecognised grants (ie deferred income).

In 2008-09 the Department has recognised as income a component of the previously deferred income to match expenditure by the Department on the funded projects.

Cash at bank - TRUMPS

My Supplementary Audit Report to Parliament for the year ended 30 June 2008, presented in June 2009, included the financial statements of the Department for the year ended 30 June 2008. The Department had delayed finalising the financial statements until it had investigated and sought to address matters associated with the reconciliation of the TRUMPS bank account.

As resolution of the matters would only occur over an extended timeframe the Department finalised its financial statements. They were subject to a qualified Independent Auditor's Report and presented in the Supplementary Audit Report. The Supplementary Audit Report also detailed the circumstances which gave rise to the qualification.

The TRUMPS system supports the Department's administration and accounting for revenue received with respect to motor vehicle and other licence and registration fees. The system became fully operational in September 2007 to replace the legacy DRIVERS system.

The reconciliation of the TRUMPS system, the general ledger and relevant bank records is a key element in the control framework exercised over TRUMPS operations. The importance of this reconciliation in the context of the DRIVERS system was recognised in prior years' Annual Reports of the Auditor-General which discussed identified weaknesses in the reconciliation of the bank account used with the DRIVERS system. The Department intended for the TRUMPS system to enhance financial transaction processing, reporting and reconciliation.

In 2007-08 work performed by Departmental staff who are responsible for the TRUMPS system and its reconciliation to bank records and the general ledger, and by the Department's internal auditors, an independent firm of accountants and Audit identified a range of matters which evidenced that the reconciliation was not effective. As a consequence Audit were unable to gain assurance for 2007-08 that:

- all payments received by the Department from the public were recognised in the TRUMPS system and in the general ledger
- funds were received and banked for all transactions recognised in the TRUMPS system and the general ledger
- payments to third parties were correctly calculated and reflected all monies due from the Department.

Follow-up by Audit for 2008-09 of action taken by the Department to address the matters associated with the reconciliation confirmed that the Department had committed resources and focussed attention to resolving these matters. Audit noted the Department has developed planned actions, which are ongoing, and has implemented specific measures, to ensure the TRUMPS cash at bank reconciliation is performed on a satisfactory basis. This review concluded that as the measures were implemented by the Department throughout the year ended 30 June 2009 an appropriate standard of control was not in place over the full 2008-09 period of TRUMPS financial transaction processing. On this basis I have concluded that it is appropriate to again provide a qualified Independent Auditor's Report with respect to cash at bank as is detailed in the extract from the Independent Auditor's Report.

Further detail of the controls over the TRUMPS bank reconciliation is discussed under 'Communication of audit matters'- below.

Assessment of controls

In my opinion, the controls exercised by the Department for Transport, Energy and Infrastructure in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to TRUMPS - financial control, network assets and capital work in progress, other fixed assets, payroll, accounts payable, revenue and accounts receivable and the Financial Management Compliance Program, as outlined under 'Communication of audit matters' were sufficient to provide assurance that the financial transactions of the Department for Transport, Energy and Infrastructure 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 officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are detailed below.

TRUMPS - financial control

The Supplementary Report to Parliament provided a detailed description of the matters arising from the external audit of the Department, work performed by an external accounting firm engaged by the Department to review the Service SA Financial Control Function and by the Department's internal auditors. The Department has provided a detailed update on the status of action which has been planned or implemented to date to address the matters arising from the reviews of controls of the TRUMPS bank reconciliation.

In responding to the matters arising from the different reviews of controls the Department has implemented comprehensive and coordinated action. As part of this process reports were provided to the Department's Audit and Governance Committee in July 2009. The following summarises the major areas of planned action and measures implemented as advised by the Department.

Governance and staffing arrangements

The Department advised it has established a governance forum and audit project to monitor progress in addressing identified issues and to ensure recommendations are implemented in a timely manner. As noted above the first report from this project was provided to the Audit and Governance Committee in July 2009.

With respect to resourcing, changes were implemented to provide additional and qualified staff to work within Service SA in coordinating the bank reconciliation process and a team from the Department's Corporate Finance area commenced a review of financial management within Service SA in May 2009.

Enhancing Service SA systems

The Department identified measures it has implemented to standardise the systems used by Service SA to process electronic receipts with the objective of strengthening systems, audit trail and reporting capabilities and to standardise the receipting system used by all Service SA customer service centres.

Training for staff and documenting system and reconciliation processes

The reviews identified limitations on training provided to Departmental staff who work with the TRUMPS system including Service SA staff who process registration and licensing transactions and receive payment of associated fees, officers with responsibility for responding to problems which emerge from transaction processing and staff who perform the cash at bank reconciliation. The Department advised that it has developed and implemented a targeted training program addressing cash handling, end of day balancing and financial control matters. The program was undertaken with metropolitan staff from March to June 2009 and is scheduled for regional customer service staff between August and October 2009.

Each of the reviews identified areas in which the Department's documentation of TRUMPS systems processes and controls were inadequate. The Department advised of progress to analyse and document system and manual processes and reports. It also identified measures to complete documentation of standard operating procedures within Service SA and to implement formal controls over the development and implementation of new procedural documentation.

Improving controls over documentation to support the reconciliation and resolution of discrepancies

The reviews highlighted that the TRUMPS bank reconciliation relied on manual spreadsheets to control discrepancies and errors and manual review processes rather than system reports and automated processes. In response to this matter the Department advised that:

- it had engaged an external service provider to review and automate reconciliation spreadsheets and associated practices
- following this work revised control arrangements were implemented including less reliance on manual processes by implementing automated data feeds and changes to protect the integrity of spreadsheets.

The monitoring arrangements discussed above include provision of enhanced reporting on discrepancies including consideration of the source and the status of addressing discrepancies.

The Department also advised it is investigating the acquisition of a commercially available, off the shelf reconciliation system.

Network assets and capital work in progress

The balance of network assets, capital work in progress and associated depreciation expense are material and have been given significant focus as part of the audit. Review by Audit and work performed by external consultants highlighted areas for improvement in the arrangements for recording and reporting of road assets which are detailed below.

Weaknesses in internal control

Over a number of years my Annual Report to Parliament has discussed areas of weakness in controls over recognising and valuing network assets and accounting for capital work in progress. Audit review in 2008-09 found that issues raised in prior years have not been addressed. The audit findings for 2008-09 included:

- projects were not capitalised on a timely basis as required by Department policy

- the Department has not implemented an effective review of project expenditure recorded in the Department Job Cost system to identify costs which should be allocated to other accounts (ie capitalised or expensed)
- instances were noted of expenditure of a capital nature which were accounted for as an 'exclusion' (ie expensed)
- the Department has yet to implement an effective reconciliation between AssetCap and the Masterpiece Fixed Asset system (MPFAS)
- assets replaced as part of the Department's capital works program were not removed from the MPFAS
- assets recorded in the Road Asset Lighting system (EARLS) were not completely reconciled to assets recorded in the MPFAS.

External consultant review

During the year, the Department engaged an external accounting firm to review its asset management systems and processes. The findings of the review were consistent with Audit's observations. The review noted that the Department's methodology was sound, however, there were few controls in place to ensure the accuracy of the data input into the AssetCap database and that staff entering and/or collating data were not necessarily well trained on how to use the system or the data it recorded.

It identified areas in which the systems functionality was limited including:

- MPFAS did not record required data and there was a lack of reporting capability from the AssetCap system to allow a meaningful and timely reconciliation of additions recorded in the two systems
- the AssetCap system is not able to provide the information required to process partial disposals of road assets.

The review also identified a need to establish clear accountability for the asset accounting processes across the Department.

Timing of critical network asset accounting processes and control activities

Consistent with Audit's observations in prior years, the Department performs important network asset accounting and control processes (for instance the review of work in progress for exclusions/completed projects) at or after balance date. The timing of these procedures impacts on Audit's ability to obtain sufficient audit evidence to support the network asset balance and my control opinion within the timeframe required for the preparation of my Annual Report.

The effectiveness of controls over network asset accounting are also affected by their timing with the Department only reviewing a sample of projects for exclusions and completion. It is Audit's view that a timely review throughout the year would enable all projects to be assessed for completion and exclusions.

In response the Department advised of actions taken to address the issues raised by Audit including:

- implementing policies and procedures to improve the timeliness of capitalisations and allow a more regular review of work in progress balances during the year
- considering opportunities to improve the review of project balances with costs below \$1 million, improve review of projects with no recorded expenditure in the current year and consider the introduction of a formal documented review of exclusions as part of improvements to the capitalisation process
- reviewing procedures relating to the exclusion of expenditure of a capital nature
- a work-around reconciliation process between AssetCap and the MPFAS to provide assurance that additions recorded in both systems since the last revaluation are not materially different
- re-assessing the accounting treatment of replacement assets as part of ongoing project work relating to network asset capitalisations
- continuing to reinforce the importance of timely resolution of reconciling items between the EARLS and the MPFAS.

Financial Management Compliance Program

The Audit review of the Department's response to the new TIs 2 and 28 found that the Department was still in the process of developing and documenting an effective, robust and transparent Financial Management Compliance Program (FMCP). Audit noted that key aspects of the framework supporting the Department's FMCP had not been documented including:

- which officer had overall responsibility for the Department's FMCP
- the nature, timing and extent of required compliance activities
- how financial management compliance issues will be addressed
- the process required to assess the adequacy of policies, procedures, systems, internal controls, financial and management reporting and risk management
- reporting requirements regarding the outcome of compliance activities
- the process required to review the design and operation of the FMCP.

The Department's internal audit completed a financial management compliance checklist in July 2009 and found that the basic elements of the financial management internal control environment were reasonably sound and documentation existed to support satisfactory operation of controls in place. Internal audit identified areas for further work including the need to review existing documentation (including policies and procedures) to ensure it is current. It also recommended the Department implement a process to ensure agreed actions to address gaps are completed.

Internal audit highlighted that the checklist is one component of a continuous assurance framework which needs to integrate all aspects of the Department's operations. It concluded that the development of a control framework which integrates the checklist with other existing assurance and monitoring tools would provide for a more comprehensive financial management compliance program.

The Department has advised that a 12 month action plan has been developed to strengthen and implement a robust and transparent FMCP which will form part of the overall governance structure. It indicated it has reviewed and updated the delegations of authority, updated policies and strengthened internal controls and is reviewing risk and fraud management arrangements.

Collections bank account reconciliation

The Department's Collections bank account is used to process receipts received by the Department from different sources. The audit of the account considered whether it was effectively reconciled to obtain assurance all transactions are appropriately accounted for and recorded in the general ledger. It also considered the requirements of TI 6 that all bank accounts must be reconciled each month.

The review found that reconciliation processes associated with the Collections bank account were ineffective and that the Department experienced difficulties in appropriately reconciling the account throughout the year. Specific findings included:

- reconciliations were not completed and certified on a timely basis
- system deficiencies with TRUMPS resulting in incorrect data processed to the Department's general ledger
- procedures for reconciling subsidiary systems (eg PALMS and the Recreational Boat Licence system) and bank records were not effective causing incomplete recording of bank deposits in subsidiary systems and the general ledger
- controls did not ensure discrepancies were investigated and resolved on a timely basis
- transaction flows and reconciliation procedures were not understood by staff.

As a consequence, at the time of finalising this report, the Department was not able to substantiate all reconciling items at the 30 June 2009.

In response the Department advised a review of the Collections account reconciliation was undertaken and a number of improvements were implemented. Following implementation of the improvements the timeliness of the bank reconciliation and supporting information was substantially improved. Further improvements in process and reporting will be implemented to ensure reconciliations are prepared on a timely basis.

Other fixed assets

Audit review of arrangements for accounting for the Department's property, plant and equipment assets identified a number of areas in which controls could be improved and where specific transactions were not appropriately processed. The more significant findings included:

- details of land and building recorded in the general ledger and subsidiary fixed asset systems were not reconciled on a timely basis and reconciling items were not resolved within reasonable timeframes
- controls did not ensure asset information is accurately and completely updated to the MPFAS
- land and building disposals were not updated to the fixed asset subsidiary systems within reasonable timeframes
- reasons for not using asset values determined by independent valuers were not documented
- there was scope to improve stocktake procedures
- instances where assets were not depreciated on a timely basis
- the reconciliation of the computer and office equipment asset register and the general ledger was not complete and the MPFAS was not able to generate acquisition and disposal reports.

In response the Department advised that the continuing management review and audit of asset information caused delays in processing new asset information. The Department also provided details of the actions taken to address the other matters raised by Audit.

Payroll

The audit noted the Department uses two payroll functions to process payroll transactions for employees. As a result, the Department uses different control processes and inconsistent procedures to process payroll transactions for different employee groups. Audit considers that the Department would benefit from integrating the two payroll functions and adopting best practice and standardised control procedures across the Department.

Breakdowns in internal control

Audit review noted the Department implemented a number of measures to address concerns raised by Audit in prior years including reporting compliance with department policies regarding certification of bona fide reports and employees with excessive balances. Notwithstanding these improvements, Audit review noted the following areas in which controls could be improved.

- Bona fide certificates were not returned within the required timeframe or, in a number of instances, were not returned at all and arrangements did not ensure all queries identified by cost centre managers were followed up and appropriately actioned.
- Controls over leave recording were not effective and instances were identified where leave recorded in attendance records was not recorded or incorrectly recorded in the payroll system.
- There was scope to improve policies and procedures.

The bona fide review process represents a key element of the Department's internal control environment and is relied on to provide the Department with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct rates and leave is correctly updated to the system.

It is considered that for this control to be effective the Department needs to achieve full compliance with the Department's bona fide policy on a consistent and ongoing basis.

Excessive recreation leave balances

In line with the requirements of the PSM Act, the Department's current policy requires the deferral of recreation leave to be approved by the Chief Executive or a delegate for balances in excess of one service year's entitlement.

Audit review in prior years found a significant number of employees had leave balances in excess of 150 hours. Follow up in 2008-09 found that there remained a significant number of leave balances in excess of 150 hours.

The Department responded to the audit findings and recommendations and indicated it is undertaking the following projects which will address the findings raised by Audit.

- Integration of the payroll system - integration of Department payroll systems to a single system is scheduled to occur by 31 December 2009.
- Audit and Governance Committee monitoring - internal audit is currently undertaking a review of payroll processes and documentation.

Accounts payable

The audit of the arrangements for processing accounts payable transactions on behalf of the Department included consideration of activities undertaken within the Department and by Shared Services SA (SSSA) on its behalf. The audit identified areas, both within the Department and SSSA, where controls could be improved including:

- review processes provided limited assurance that manual payment vouchers were authorised in accordance with the delegations of authority
- the accounts payable disbursement bank account was not always reconciled to the general ledger and reviewed on a timely basis
- there was scope to improve controls over user access to eProcurement, security over EFT payment files and segregation of duties
- there was scope to improve documented policies and procedures.

Responding to the audit findings will, in a number of areas, require coordinated responses by the Department and SSSA. The Department indicated it will liaise with SSSA to address these matters and advised of action to be taken to address the matters which are within its direct control.

Revenue and accounts receivable

Debtor follow-up procedures

Audit review of the arrangements for recovering debts identified areas in which controls could be improved and where established procedures were not followed. Specifically, the audit noted that:

- outstanding debtors were not followed up within reasonable timeframes and follow up letters were not issued to outstanding debtors
- the contract between the Department and the debt collection agency used by the Department had expired.

In response, the Department advised that it is continuing to review the credit control function which will address the matters raised by Audit.

Other matters

The audit of arrangements for raising invoices, for processing adjustments and for control of cash receipting functions established that:

- invoice request/adjustment forms were not checked to ensure they were correctly authorised
- there was no review of invoice request form numbers to ensure all invoice request forms are received for processing
- controls over the Public Transport InfoCentre cash float reconciliation were not effective.

The Department, in response, provided details of actions taken to address the matters raised by Audit.

Bus and rail contract expenditure

The Department has developed a number of processes to support management of contracts with the bus and rail operators. The Audit review of contract management arrangements noted the following areas where controls could be improved:

- Audited financial statements were not received from contractors within the timeframes specified in service contracts and, at the time of audit, the Passenger Transport Division had not analysed the audited financial statements.
- Contract obligations checklists which outline applicable contractual clauses, key milestone dates and other details were not used to manage the contract with TransAdelaide for the provision of rail services.
- There was scope to improve the review and agreement of performance benchmarks.

In response the Department advised of action taken to address the matters raised.

Metroticket revenue

The Passenger Transport Division collects revenue from the sale of tickets for use on metropolitan trains, trams and buses. The review of arrangements for collecting Metroticket revenue found that there was scope to improve internal controls including:

- audits of Metroticket revenue and reconciliation processes were not performed or not performed on a timely basis.
- the Department's processes for recovering Metroticket cash shortages from bus contractor payments did not provide assurance that this occurred on a timely basis.
- there was scope to improve policies and procedures

The Department responded to the audit findings by detailing factors contributing to the findings and detailing actions taken to address the matters raised.

Government Information, Communication and Technology Services

Audit review of financial operations of Government Information and Technology Services (GICTS) identified the following areas where internal controls could be improved:

- Existing fees and charges had not been reviewed and there was no approval for new fees and charges.
- No check was being performed to ensure all levy payments due to GICTS under information technology contracts were being received.
- There was scope to improve documented policies and procedures relating to the Telecommunications Billing system (TBS).

In response the Department advised:

- the Department will develop a pricing management framework to ensure all new fees and charges are approved and are reviewed on an annual basis. A decision has been made to conduct a full price review of GICTS services which will become effective after Cabinet approval
- subject to receiving funding, the Department intends to undertake additional third party reviews of supplier reports to ensure all levy amounts have been received
- the Department is developing a process to ensure policies and procedures are reviewed on an annual basis.

Information communication technology management and control - TRUMPS

My 2008 Supplementary Audit Report presented to Parliament in June 2009 provided specific comment on the development, implementation and operation of the TRUMPS system. The system was subject to Audit review because of its public interest importance.

Brief summary of Supplementary Report comment

The TRUMPS system was implemented in the absence of a formal sign off report to the TRUMPS Steering Committee and the Chief Executive. At the time of implementation there were a number of defects, including limitations in TRUMPS capability associated with financial control reporting and reconciliation processes and matters associated with information security controls.

An independent consultant's report completed in April 2008 also identified problems with respect to the financial controls and reporting ability of the TRUMPS system and associated reconciliation processes at the Service SA branches.

I further commented that excessive privileges had been granted to personnel which provided the possibility for users to perform unauthorised transactions, compromise the integrity of production data, and change confidential data on the system.

In addition, weaknesses were found in the arrangements in place to ensure the TRUMPS system was being managed by the private sector ICT service providers in compliance with the Government's Information Security Management Framework areas of security and control. Also the Department had not maintained a fully effective system baseline of functionality of TRUMPS documentation and regular updating of the TRUMPS test plans since implementation.

As conveyed in my Supplementary Report, these main findings and other matters arising from the audit were conveyed in audit management letters to the Department.

In response to the Audit findings the Department immediately implemented actions to consider and address the matters raised. Resolution of all matters was expected in 2009-10.

Further Audit review

At the time of preparation of this report, Audit was engaged in a follow-up review of the status of ICT matters raised previously with the Department.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS**Highlights of the financial statements**

| | 2009 \$'million | 2008 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee benefit expenses | 199 | 193 |
| Supplies and services | 724 | 699 |
| Depreciation and amortisation | 208 | 189 |
| Other expenses | 100 | 117 |
| Total expenses | 1 231 | 1 198 |
| INCOME | | |
| Fees and charges | 440 | 398 |
| Commonwealth revenues | 295 | 151 |
| Sale of goods and services | 177 | 173 |
| Rental income | 178 | 163 |
| Other income | 106 | 105 |
| Total income | 1 196 | 990 |
| Net cost of providing services | (35) | (208) |
| REVENUES FROM (PAYMENTS TO) SA GOVERNMENT | | |
| Revenues from SA Government | 440 | 375 |
| Payments to SA Government | (7) | (26) |
| Total revenues from (payments to) SA Government | 433 | 349 |
| Net result | 398 | 141 |
| OTHER COMPREHENSIVE INCOME | | |
| Changes in asset revaluation reserve | 1 017 | 441 |
| Total comprehensive result | 1 415 | 582 |

| | 2009 | 2008 |
|--|--------------|------------|
| | \$'million | \$'million |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 569 | 305 |
| ASSETS | | |
| Current assets | 547 | 487 |
| Non-current assets | 9 043 | 7 608 |
| Total assets | 9 590 | 8 095 |
| LIABILITIES | | |
| Current liabilities | 287 | 231 |
| Non-current liabilities | 155 | 188 |
| Total liabilities | 442 | 419 |
| EQUITY | 9 148 | 7 676 |

Statement of Comprehensive Income

Expenses

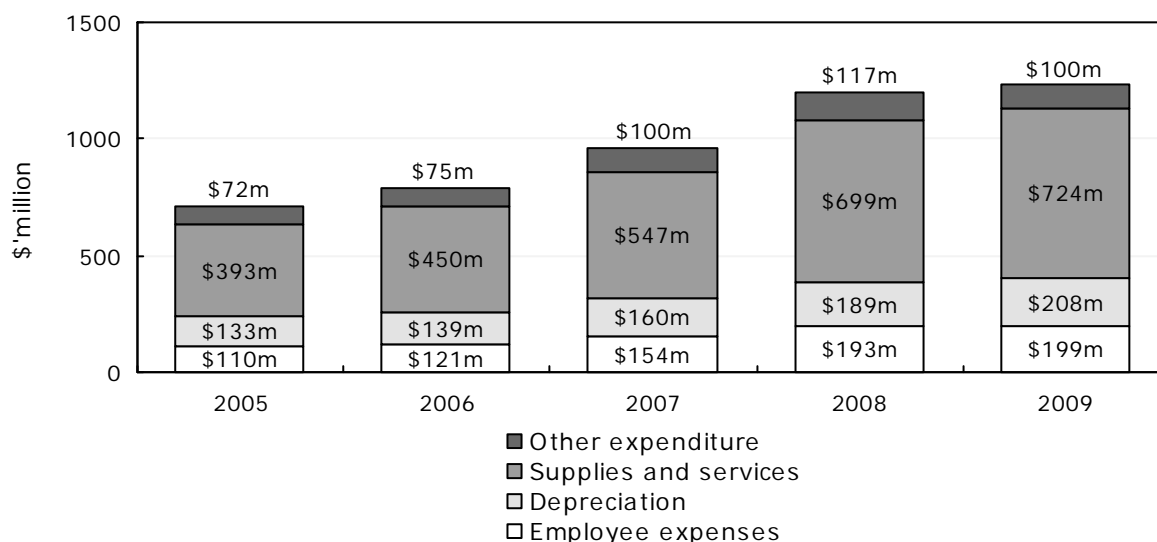
Total expenses for the year increased by \$33 million (3 percent). The increase mainly reflects a \$25 million increase in supplies and services due to an increase in bus and rail service contract payments and \$19 million increase in depreciation expense. There was an increase in rail service contract payments due to additional sustainability funding, additional services and rail car maintenance costs paid to TransAdelaide. The increase in bus service contract payments reflected payments for additional services and an increase in the cost of providing services (ie fuel, labour and maintenance costs).

The increase in depreciation expense was due mainly to an increase in depreciation expense for network assets reflecting an increase in road assets.

Expenses for the year totalled \$1231 million (\$1198 million) and are mainly attributable to:

- employee benefit expenses of \$199 million (16 percent)
- supplies and services expenses of \$724 million (59 percent) of which \$234 million (32 percent) relates to the bus and rail service contract payments and \$126 million (17 percent) to the cost of major infrastructure and other service contracts
- depreciation and amortisation expense of \$208 million (17 percent) of which \$131 million (63 percent) relates to network asset depreciation.

For the five years to 2009, a structural analysis of the major expense items for the Department is shown in the following chart.



Income

Total income (excluding revenues from SA Government and changes in asset revaluation reserves) for the year increased by \$206 million (21 percent). The increase reflected a \$144 million increase in Commonwealth funding due mainly to an increase in *AusLink (National Land Transport) Act 2005* funding.

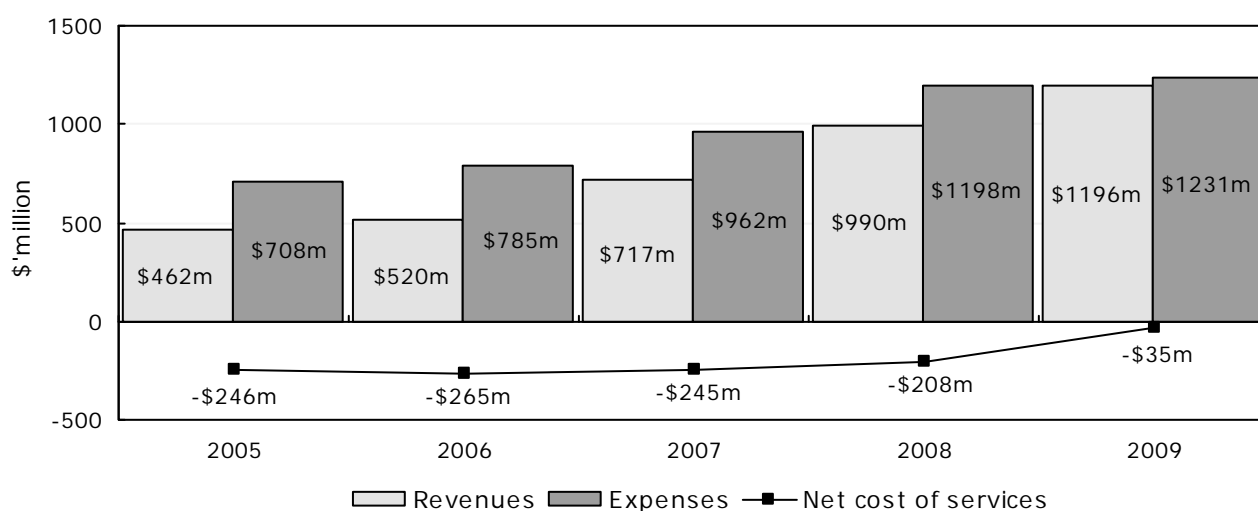
Income for the year totalled \$1196 million (\$990 million) and represents:

- fees and charges of \$440 million (37 percent) of which \$327 million (74 percent) relates to driver and vehicle registration income and \$80 million (18 percent) to Metroticket income
- Commonwealth revenues of \$295 million (25 percent) of which \$163 million relates to funding received for the Northern Expressway project (NEXY), \$43 million for road maintenance projects and \$13 million for the Sturt Highway upgrade
- sale of goods and services of \$177 million (15 percent) of which \$77 million relates to facilities maintenance services provided to government agencies and \$51 million is mainly attributable to charges for the use of the government radio, telephone and data networks
- rental income of \$178 million (15 percent) comprising \$151 million for office accommodation and \$27 million for residential accommodation.

Net cost of providing services

The net cost of providing services for the year was a deficit of \$35 million as compared to a deficit of \$208 million the previous year.

The following chart shows the income, expenses and net cost of providing services for the five years to 2009.



Revenues from/payments to SA Government

Revenues from SA Government totalled \$440 million (\$375 million). The increase mainly reflects a \$77 million increase in appropriation funding received pursuant to the *Appropriation Act*.

In addition, during the year the Department received an appropriation in the form of an equity contribution from the SA Government totalling \$58 million. As the appropriation represents an equity contribution it was not recognised in the Statement of Comprehensive Income but was recognised in the Statement of Changes in Equity.

Payments to SA Government totalled \$7 million (\$26 million). The decrease mainly reflects a return of cash totalling \$19 million made in the 2007-08 year pursuant to the SA Government cash alignment policy. No cash alignment payment was made in 2008-09.

Statement of Financial Position

Total assets of the Department as at 30 June 2009 totalled \$9.6 billion (\$8.1 billion), of which \$5.9 billion (\$5.3 billion) represents the written down value of the network assets.

Network assets

Network assets represent 66 percent (69 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of \$2.8 billion (46 percent) and earthworks with a written down value of \$1.5 billion (26 percent).

The written down value of network assets increased by \$681 million to \$5.9 billion. The increase is attributable mainly to:

- a revaluation of components of network assets during the year resulting in a revaluation increment of \$577 million which reflects mainly:
 - a revaluation increment of \$219 million for roads and signs
 - a revaluation increment of \$78 million for bridges and culverts
 - a revaluation increment of \$282 million for rail and bus track infrastructure assets.

The revaluation increment for road assets and signs and bridges and culverts reflects indexation using Australian Bureau of Statistics construction price indexes in accordance with the Department's network asset revaluation policy. The increment for rail and bus infrastructure asset mainly reflect revaluation performed by an independent valuer.

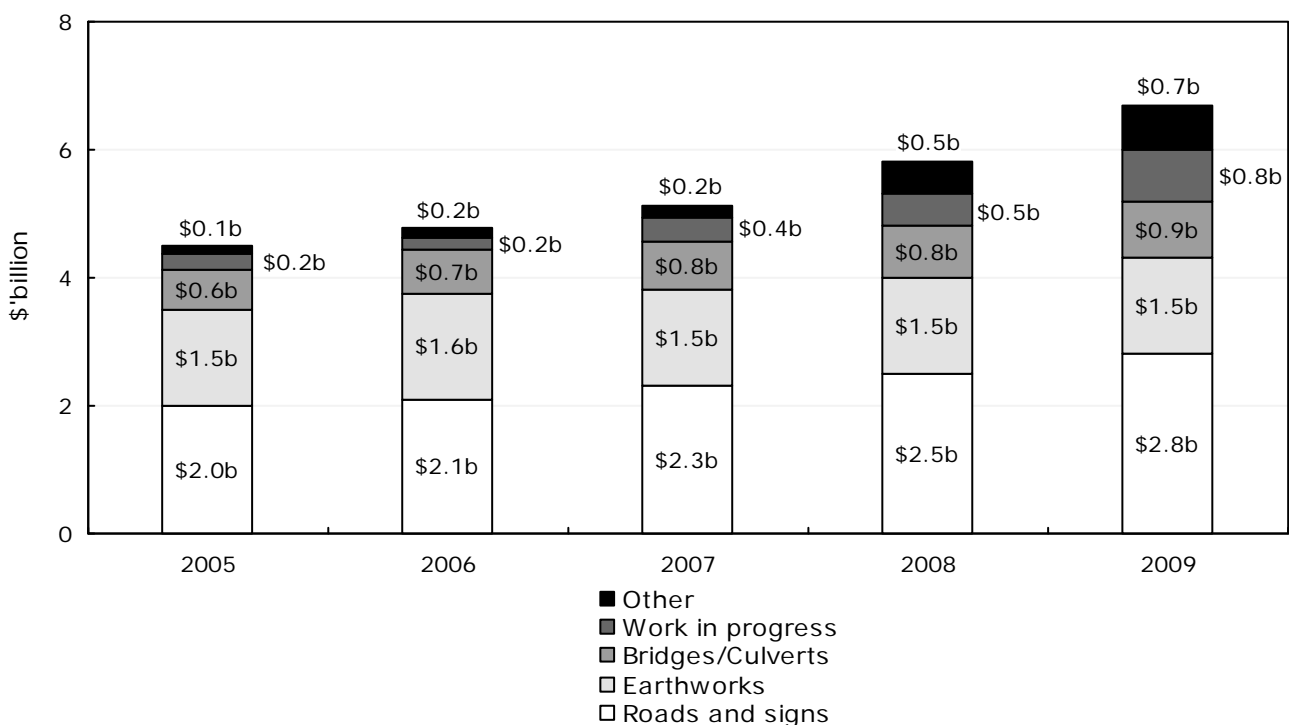
- the capitalisation of a number of key projects totalling \$236 million of which \$155 million relates to the capitalisation of the Port River Expressway project, \$22 million relates to the Hawker to Orroroo Road project and \$21 million relates to the Gawler to Argent Road - Sturt Highway project
- recognition of road shoulder assets totalling \$177 million which were incorrectly omitted as part of the network asset revaluation process undertaken in 2006-07. Refer to Note 39.

Capital works in progress

The value of capital works in progress increased by \$295 million (56 percent) to \$822 million.

The increase reflects a number of major capital projects, including the Northern Expressway project (\$276 million), the South Road/Anzac Highway underpass (\$73 million), Argent Road to Nuriootpa - Sturt Highway project (\$65 million) and the Rail Revitalisation project (\$40 million).

The following chart shows, for the five years to 30 June 2009, a structural analysis of the written down value of network assets and capital work in progress.



Consistent with previous years, sources of funding to maintain and develop network assets were from the annual collection of registration and licence fees of \$327 million (\$293 million), grants from the Commonwealth Government of \$295 million (\$151 million) and appropriations from the SA Government of \$440 million (\$375 million). This regular source of funding explains the low level of borrowings which totalled \$48 million (\$48 million).

Land, buildings and facilities

The value of land, buildings and facilities increased by \$442 million (31 percent) from \$1.4 billion to \$1.9 billion.

The increase relates mainly to:

- land purchases for current projects
- a revaluation increment of \$427 million which reflects mainly a revaluation increment for land of \$371 million and a revaluation increment for building and facilities for \$62 million. These increments were offset by a \$6 million decrement in buildings and improvements under lease.

Statement of Cash Flows

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

| | 2009 | 2008 | 2007 | 2006 |
|-----------------------|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Net cash flows | | | | |
| Operating | 569 | 305 | 338 | 341 |
| Investing | (610) | (308) | (291) | (223) |
| Financing | 56 | (37) | 14 | 19 |
| Change in cash | 15 | (40) | 61 | 137 |
| Cash at 30 June | 369 | 354 | 394 | 333 |

The analysis of cash flows shows a consistent increase in net cash outflows from investing activities reflecting an increase in payments in property, plant and equipment and network assets. The chart also highlights an increase in net cash flows from operation activities for 2009 reflecting an increase in funding from the Commonwealth (\$124 million) and the SA Government (\$65 million).

The net cash flows from financing activities for 2009 reflects an equity contribution from the SA Government (\$58 million) made in 2009 and repayment of equity contribution (\$36 million) made to SA Government in 2008.

Administered items

The Department collects money through its registration and licensing function on behalf of third parties including:

- compulsory third party insurance on motor vehicles on behalf of the Motor Accident Commission
- stamp duty on behalf of the Department of Treasury and Finance.

In 2008-09 amounts collected on behalf of third parties totalled \$762 million (\$717 million) and included \$477 million (\$432 million) for compulsory third party insurance, \$138 million (\$147 million) for stamp duty and \$30 million (\$29 million) for the Emergency Services Levy.

Collections on behalf of third parties receipts represents 84 percent (82 percent) of revenues administered by the Department.

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

| | | 2009 | 2008 |
|--|------|------------------|-----------|
| EXPENSES: | Note | \$'000 | \$'000 |
| Employee benefit expenses | 6 | 198 859 | 192 968 |
| Supplies and services | 7 | 724 141 | 699 588 |
| Depreciation and amortisation expense | 8 | 208 431 | 188 642 |
| Grants and subsidies | 9 | 68 283 | 75 207 |
| Borrowing costs | 10 | 4 400 | 4 907 |
| Other expenses | 11 | 27 413 | 36 885 |
| Total expenses | | 1 231 527 | 1 198 197 |
| INCOME: | | | |
| Fees and charges | 13 | 439 614 | 398 190 |
| Commonwealth revenues | 14 | 295 016 | 150 605 |
| Sale of goods and services | 15 | 176 939 | 173 273 |
| Rental income | 16 | 178 499 | 163 095 |
| Grants and subsidies | 17 | 46 249 | 44 557 |
| Interest | 18 | 7 051 | 11 553 |
| Commissions received | 19 | 12 785 | 11 739 |
| Net gain or loss from the disposal of non-current assets | 20 | 2 162 | 8 877 |
| Resources received free of charge | 21 | - | 2 703 |
| Other income | 22 | 37 969 | 25 962 |
| Total income | | 1 196 284 | 990 554 |
| NET COST OF PROVIDING SERVICES | | 35 243 | 207 643 |
| REVENUES FROM (PAYMENTS TO) SA GOVERNMENT: | | | |
| Revenues from SA Government | 23 | 440 049 | 375 434 |
| Payments to SA Government | 23 | (6 897) | (26 059) |
| Net revenues from (payments to) SA Government | | 433 152 | 349 375 |
| NET RESULT | | 397 909 | 141 732 |
| OTHER COMPREHENSIVE INCOME: | | | |
| Changes in property, network assets and plant and equipment asset revaluation reserve | | 1 016 854 | 441 050 |
| Other | | 2 | 4 |
| TOTAL COMPREHENSIVE RESULT | | 1 414 765 | 582 786 |

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

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

| | | 2009 | 2008 | 2007 |
|---|------|------------------|-----------|-----------|
| | Note | \$'000 | \$'000 | \$'000 |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | 24 | 369 448 | 354 671 | 394 569 |
| Receivables | 25 | 141 303 | 110 211 | 89 831 |
| Inventories | 26 | 6 661 | 9 466 | 5 489 |
| Other current assets | 27 | 26 984 | 6 182 | 6 520 |
| Non-current assets classified as held-for-sale | 28 | 3 355 | 6 766 | 15 106 |
| Total current assets | | 547 751 | 487 296 | 511 515 |
| NON-CURRENT ASSETS: | | | | |
| Receivables | 25 | 10 964 | 10 260 | 7 613 |
| Land, buildings and facilities | 29 | 1 850 049 | 1 407 579 | 952 333 |
| Plant and equipment | 30 | 398 645 | 382 405 | 281 588 |
| Network assets | 31 | 5 942 565 | 5 261 413 | 4 880 955 |
| Capital works in progress | 32 | 821 902 | 527 118 | 371 719 |
| Intangible assets | 33 | 18 760 | 19 883 | 18 491 |
| Total non-current assets | | 9 042 885 | 7 608 658 | 6 512 699 |
| Total assets | | 9 590 636 | 8 095 954 | 7 024 214 |
| CURRENT LIABILITIES: | | | | |
| Payables | 34 | 169 172 | 126 914 | 107 921 |
| Borrowings | 35 | 1 915 | 1 818 | 1 674 |
| Employee benefits | 36 | 27 451 | 25 407 | 22 100 |
| Provisions | 37 | 23 645 | 19 680 | 14 556 |
| Other current liabilities | 38 | 65 187 | 57 416 | 42 004 |
| Total current liabilities | | 287 370 | 231 235 | 188 255 |
| NON-CURRENT LIABILITIES: | | | | |
| Payables | 34 | 5 747 | 4 945 | 4 837 |
| Borrowings | 35 | 66 523 | 67 585 | 68 732 |
| Employee benefits | 36 | 57 806 | 54 165 | 50 582 |
| Provisions | 37 | 6 700 | 6 606 | 7 860 |
| Other non-current liabilities | 38 | 18 336 | 54 988 | 91 258 |
| Total non-current liabilities | | 155 112 | 188 289 | 223 269 |
| Total liabilities | | 442 482 | 419 524 | 411 524 |
| NET ASSETS | | 9 148 154 | 7 676 430 | 6 612 690 |
| EQUITY: | | | | |
| Retained earnings | | 5 817 660 | 5 420 905 | 4 762 333 |
| Asset revaluation reserve | | 3 077 980 | 2 061 126 | 1 620 354 |
| Contributed capital | | 252 514 | 194 399 | 230 003 |
| TOTAL EQUITY | | 9 148 154 | 7 676 430 | 6 612 690 |
| Total equity attributable to SA Government as owner | | | | |
| Unrecognised contractual commitments | 42 | | | |
| Contingent assets and liabilities | 43 | | | |

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

| | | Contributed | Asset revaluation | Retained | |
|---|------|----------------|----------------------|------------------|------------------|
| | | capital | reserve | earnings | Total |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2007 | | 230 003 | 1 620 354 | 4 497 028 | 6 347 385 |
| Changes in accounting policy | | - | - | - | - |
| Prior period error correction | 39 | - | - | 265 305 | 265 305 |
| Restated balance at 30 June 2007 | | 230 003 | 1 620 354 | 4 762 333 | 6 612 690 |
| Net result after restructure for 2007-08 | | - | - | 141 732 | 141 732 |
| Gain on revaluation of property during 2007-08 | | - | 256 390 | - | 256 390 |
| Gain on revaluation of network assets during 2007-08 | | - | 163 843 | - | 163 843 |
| Gain on revaluation of plant and equipment during 2007-08 | | - | 20 817 | - | 20 817 |
| Other | | - | - | 4 | 4 |
| Total comprehensive result for 2007-08 | | - | 441 050 | 141 736 | 582 786 |
| Net assets transferred as a result of an administrative restructure | | - | - | 525 410 | 525 410 |
| Equity contribution repaid | | (35 604) | - | - | (35 604) |
| Balance at 30 June 2008 | | 194 399 | 2 061 404 | 5 429 479 | 7 685 282 |
| Changes in accounting policy | | - | - | - | - |
| Prior period error correction | 39 | - | (278) | (8 574) | (8 852) |
| Restated balance at 30 June 2008 | | 194 399 | 2 061 126 | 5 420 905 | 7 676 430 |
| Net result for 2008-09 | | - | - | 397 909 | 397 909 |
| Gain on revaluation of property during 2008-09 | | - | 427 294 | - | 427 294 |
| Gain on revaluation of network assets during 2008-09 | | - | 576 897 | - | 576 897 |
| Gain on revaluation of plant and equipment during 2008-09 | | - | 12 663 | - | 12 663 |
| Other | | - | - | 2 | 2 |
| Total comprehensive result for 2008-09 | | - | 1 016 854 | 397 911 | 1 414 765 |
| Equity contribution received | | 58 115 | - | - | 58 115 |
| Dividends paid | | - | - | (1 156) | (1 156) |
| Equity contribution repaid | | - | - | - | - |
| Balance at 30 June 2009 | | 252 514 | 3 077 980 | 5 817 660 | 9 148 154 |

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

Statement of Cash Flows for the year ended 30 June 2009

| | | 2009 | 2008 |
|---|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH OUTFLOWS: | Note | \$'000 | \$'000 |
| Employee benefit payments | | (194 011) | (188 209) |
| Payments for supplies and services | | (754 121) | (759 794) |
| Payments of grants and subsidies | | (67 932) | (78 458) |
| Interest paid | | (4 397) | (4 907) |
| Construction work payments | | (163 366) | (72 277) |
| GST paid to the ATO | | 581 | (1 035) |
| Other payments | | (8 575) | (9 888) |
| Cash used in operations | | (1 191 821) | (1 114 568) |
| CASH INFLOWS: | | | |
| Fees and charges | | 436 014 | 370 275 |
| Receipts from Commonwealth | | 252 952 | 128 592 |
| Rental income | | 173 324 | 160 042 |
| Sale of goods and services | | 203 368 | 245 345 |
| Grants and subsidies | | 46 249 | 44 558 |
| Interest received | | 7 160 | 11 431 |
| Commissions | | 12 785 | 11 739 |
| Construction work reimbursements | | 159 270 | 72 266 |
| Other receipts | | 36 847 | 25 963 |
| Cash generated from operations | | 1 327 969 | 1 070 211 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Receipts from SA Government | | 440 049 | 375 434 |
| Payments to SA Government | | (6 897) | (26 059) |
| Cash generated from SA Government | | 433 152 | 349 375 |
| Net cash provided by operating activities | 44 | 569 300 | 305 018 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | (144 519) | (10 156) |
| Purchase of network assets | | (481 756) | (315 824) |
| Cash used in investing activities | | (626 275) | (325 980) |
| CASH INFLOWS: | | | |
| Proceeds from sale of property, plant and equipment | | 15 759 | 18 441 |
| Cash generated from investing activities | | 15 759 | 18 441 |
| Net cash used in investing activities | | (610 516) | (307 539) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Dividends paid to Government | | (1 156) | - |
| Repayment of equity contribution to Government | | - | (35 604) |
| Repayment of finance leases | | (966) | (1 774) |
| Repayment of borrowings | | - | - |
| Cash used in financing activities | | (2 122) | (37 378) |
| CASH INFLOWS: | | | |
| Capital contributions from Government | | 58 115 | - |
| Cash generated from financing activities | | 58 115 | - |
| Net cash provided by (used in) financing activities | | 55 993 | (37 378) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 14 777 | (39 899) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 354 671 | 394 570 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 24 | 369 448 | 354 671 |
| Non-cash transactions | 24 | | |

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

| (Activities - refer Note 5) | 1 | | 2 | | 3 | | 4 | |
|--|-----------------|-----------------|-----------------|------------------|----------------|----------------|------------------|------------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| EXPENSES: | | | | | | | | |
| Employee benefit expenses | 11 184 | 9 737 | 55 081 | 57 838 | 19 172 | 17 117 | 9 915 | 10 004 |
| Supplies and services | 4 203 | 4 716 | 124 838 | 118 000 | 8 206 | 9 022 | 256 360 | 245 196 |
| Depreciation and amortisation expense | 33 | 65 | 152 715 | 131 172 | 1 739 | 1 833 | 21 667 | 23 689 |
| Grants and subsidies | 1 831 | 510 | 3 612 | 4 136 | - | - | 20 068 | 21 104 |
| Borrowing costs | 1 | 12 | 52 | 373 | 4 | 46 | 1 958 | 3 393 |
| Other expenses | 223 | 974 | 5 072 | 17 856 | 490 | 3 527 | 257 | 1 237 |
| Total expenses | 17 475 | 16 014 | 341 370 | 329 375 | 29 611 | 31 545 | 310 225 | 304 623 |
| INCOME: | | | | | | | | |
| Fees and charges | 1 | 32 | 8 962 | 7 992 | 19 362 | 18 382 | 79 384 | 75 060 |
| Commonwealth revenue | - | - | 281 896 | 137 161 | 150 | 224 | 460 | - |
| Interest | - | - | 3 588 | 9 758 | 138 | 268 | - | - |
| Net Gain (Loss) from disposal of non-current assets | - | - | 88 | 24 | - | - | (39) | 106 |
| Commissions received | - | - | - | - | - | - | - | - |
| Grants and subsidies | - | - | 1 638 | - | - | - | 44 611 | 44 557 |
| Resources received free of charge | - | - | - | 2 056 | - | - | - | - |
| Rental income | - | - | 62 | 7 112 | - | - | 518 | 416 |
| Sale of goods and services | 17 | 25 | 4 386 | 4 048 | 3 551 | 3 098 | 1 278 | 6 421 |
| Other income | 197 | 97 | 12 677 | 7 853 | 1 586 | 1 934 | 2 550 | 1 479 |
| Total income | 215 | 154 | 313 297 | 176 004 | 24 787 | 23 906 | 128 762 | 128 039 |
| NET COST OF PROVIDING SERVICES | (17 260) | (15 860) | (28 073) | (153 371) | (4 824) | (7 639) | (181 463) | (176 584) |

| (Activities - refer Note 5) | 5 | | 6 | | 7 | |
|--|-----------------|-----------------|----------------|----------------|----------------|-----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit expenses | 6 535 | 6 570 | 2 221 | 2 810 | 11 111 | 11 288 |
| Supplies and services | 7 931 | 6 169 | 3 599 | 12 461 | 39 972 | 43 238 |
| Depreciation and amortisation expense | 206 | 256 | 11 | 16 | 12 732 | 15 198 |
| Grants and subsidies | 5 634 | 8 041 | - | 4 226 | - | 315 |
| Borrowing costs | - | - | - | - | 34 | - |
| Other expenses | 58 | 159 | 38 | 55 | 390 | 4 696 |
| Total expenses | 20 364 | 21 195 | 5 869 | 19 568 | 64 239 | 74 735 |
| INCOME: | | | | | | |
| Fees and charges | 32 | 48 | - | - | - | - |
| Commonwealth revenue | 129 | 129 | 607 | 10 417 | - | - |
| Interest | - | - | - | - | - | - |
| Net Gain (Loss) from disposal of non-current assets | - | - | - | - | (15) | - |
| Commissions received | - | - | - | - | - | - |
| Grants and subsidies | - | - | - | - | - | - |
| Resources received free of charge | - | 647 | - | - | - | - |
| Rental income | - | - | - | - | - | - |
| Sale of goods and services | 2 939 | 3 050 | 2 | 102 | 58 412 | 56 204 |
| Other income | 4 679 | 5 273 | 402 | 575 | 1 032 | 1 932 |
| Total income | 7 779 | 9 147 | 1 011 | 11 094 | 59 429 | 58 136 |
| NET COST OF PROVIDING SERVICES | (12 585) | (12 048) | (4 858) | (8 474) | (4 810) | (16 599) |

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

| (Activities - refer Note 5) | 8 | | 9 | | 10 | |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit expenses | 26 057 | 26 044 | 24 147 | 23 466 | 25 981 | 21 354 |
| Supplies and services | 222 396 | 205 167 | 21 546 | 20 870 | 27 512 | 25 616 |
| Depreciation and amortisation expense | 18 034 | 15 744 | 350 | 292 | 575 | 227 |
| Grants and subsidies | - | - | - | - | - | - |
| Borrowing costs | 2 347 | 1 045 | - | - | - | - |
| Other expenses | 20 270 | 7 774 | 130 | 106 | 67 | 81 |
| Total expenses | 289 104 | 255 774 | 46 173 | 44 734 | 54 135 | 47 278 |
| INCOME: | | | | | | |
| Fees and charges | - | 3 | 12 335 | 11 566 | 319 538 | 285 107 |
| Commonwealth revenue | - | - | - | - | - | - |
| Interest | 2 614 | 670 | - | - | 377 | 78 |
| Net Gain (Loss) from disposal of non-current assets | 2 126 | 8 746 | 1 | - | 1 | 1 |
| Commissions received | - | - | - | - | 12 785 | 11 739 |
| Grants and subsidies | - | - | - | - | - | - |
| Resources received free of charge | - | - | - | - | - | - |
| Rental income | 177 919 | 155 567 | - | - | - | - |
| Sale of goods and services | 88 547 | 83 073 | 15 188 | 15 322 | 2 611 | 1 760 |
| Other income | 13 952 | 1 091 | 698 | 4 316 | - | 1 272 |
| Total income | 285 158 | 249 150 | 28 222 | 31 204 | 335 312 | 299 957 |
| NET COST OF PROVIDING SERVICES | (3 946) | (6 624) | (17 951) | (13 530) | 281 177 | 252 679 |

| (Activities - refer Note 5) | 11 | | General/ Not applicable | | Total | |
|---|-----------------|-----------------|----------------------------|----------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit expenses | 7 455 | 6 740 | - | - | 198 859 | 192 968 |
| Supplies and services | 7 578 | 9 133 | - | - | 724 141 | 699 588 |
| Depreciation and amortisation expense | 369 | 150 | - | - | 208 431 | 188 642 |
| Grants and subsidies | 37 138 | 36 875 | - | - | 68 283 | 75 207 |
| Borrowing costs | 4 | 38 | - | - | 4 400 | 4 907 |
| Other expenses | 418 | 420 | - | - | 27 413 | 36 885 |
| Total expenses | 52 962 | 53 356 | - | - | 1 231 527 | 1 198 197 |
| INCOME: | | | | | | |
| Fees and charges | - | - | - | - | 439 614 | 398 190 |
| Commonwealth revenue | 11 774 | 2 674 | - | - | 295 016 | 150 605 |
| Interest | 334 | 779 | - | - | 7 051 | 11 553 |
| Net Gain (Loss) from disposal of non-current assets | - | - | - | - | 2 162 | 8 877 |
| Commissions received | - | - | - | - | 12 785 | 11 739 |
| Grants and subsidies | - | - | - | - | 46 249 | 44 557 |
| Resources received free of charge | - | - | - | - | - | 2 703 |
| Rental income | - | - | - | - | 178 499 | 163 095 |
| Sale of goods and services | 8 | 170 | - | - | 176 939 | 173 273 |
| Other income | 196 | 140 | - | - | 37 969 | 25 962 |
| Total income | 12 312 | 3 763 | - | - | 1 196 284 | 990 554 |
| NET COST OF PROVIDING SERVICES | (40 650) | (49 593) | - | - | (35 243) | (207 643) |

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

| (Activities - refer Note 5) | 1 | | 2 | | 3 | | 4 | |
|--|--------------|--------------|------------------|------------------|---------------|---------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Receivables | 424 | 278 | 43 919 | 31 303 | 1 168 | 1 483 | 8 259 | 9 783 |
| Inventories | - | - | 5 337 | 8 190 | - | - | 88 | 105 |
| Other current assets | 9 | - | 16 527 | 400 | 301 | 5 | - | - |
| Non-current assets classified as held-for-sale | - | - | 637 | 5 158 | - | - | - | - |
| Land, buildings and facilities | - | - | 26 119 | 714 714 | 27 | - | 71 795 | 44 581 |
| Plant and equipment | 27 | 1 | 205 699 | 183 900 | 101 | 283 | 138 706 | 135 868 |
| Network assets | - | - | 5 942 558 | 5 261 413 | - | - | - | - |
| Capital works in progress | 4 443 | 920 | 761 264 | 447 240 | 24 091 | 20 669 | 6 787 | 2 624 |
| Intangible assets | - | - | - | - | 10 428 | 11 842 | - | - |
| Total assets | 4 903 | 1 199 | 7 002 060 | 6 652 318 | 36 116 | 34 282 | 225 635 | 192 961 |

LIABILITIES:

| | | | | | | | | |
|--------------------------|--------------|--------------|----------------|----------------|---------------|---------------|---------------|--------------|
| Payables | 2 269 | 1 684 | 100 613 | 80 552 | 3 765 | 5 933 | 12 318 | 5 753 |
| Borrowings | - | - | 47 760 | 47 777 | - | - | - | - |
| Employee benefits | 4 626 | 4 135 | 27 035 | 25 883 | 9 217 | 8 346 | 2 360 | 2 365 |
| Provisions | 231 | 265 | 23 855 | 20 587 | 584 | 1 173 | 90 | 93 |
| Other liabilities | - | 13 | 55 976 | 99 108 | 71 | 116 | 755 | 1 215 |
| Total liabilities | 7 126 | 6 097 | 255 239 | 273 907 | 13 637 | 15 568 | 15 523 | 9 426 |

(Activities - refer Note 5)

| | 5 | | 6 | | 7 | |
|--|--------------|--------------|--------------|--------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - |
| Receivables | 341 | 457 | 61 | 653 | 10 342 | 10 051 |
| Inventories | - | - | - | - | 69 | 40 |
| Other current assets | - | - | - | - | 466 | 310 |
| Non-current assets classified as held-for-sale | - | - | - | - | - | - |
| Land, buildings and facilities | 622 | 649 | - | - | 527 | 616 |
| Plant and equipment | 893 | 1 038 | - | - | 52 722 | 60 442 |
| Network assets | - | - | - | - | - | - |
| Capital works in progress | 1 203 | 1 184 | 2 409 | 707 | 1 310 | 2 035 |
| Intangible assets | 206 | - | - | - | 2 979 | 1 629 |
| Total assets | 3 265 | 3 328 | 2 470 | 1 360 | 68 415 | 75 123 |

LIABILITIES:

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Payables | 901 | 1 423 | 1 696 | 1 756 | 8 110 | 7 405 |
| Borrowings | - | - | - | - | 358 | 642 |
| Employee benefits | 1 601 | 1 459 | 1 057 | 960 | 3 551 | 3 560 |
| Provisions | 53 | 61 | 1 | 1 | 17 | 62 |
| Other liabilities | - | - | - | 607 | 2 087 | 1 106 |
| Total liabilities | 2 555 | 2 943 | 2 754 | 3 324 | 14 123 | 12 775 |

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009 (continued)

| (Activities - refer Note 5) | 8 | | 9 | | 10 | |
|----------------------------------|------------------|----------------|---------------|---------------|---------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - |
| Receivables | 84 273 | 62 111 | 2 752 | 2 417 | 728 | 820 |
| Inventories | - | - | - | - | 26 | 12 |
| Other current assets | 9 280 | 5 245 | 141 | 10 | - | 2 |
| Non-current assets classified as | | | | | | |
| held-for-sale | 2 718 | 1 608 | - | - | - | - |
| Land, buildings and facilities | 1 687 733 | 584 121 | 826 | 891 | 686 | 357 |
| Plant and equipment | 168 | 188 | 194 | 295 | 72 | 261 |
| Network assets | 7 | - | - | - | - | - |
| Capital works in progress | 14 676 | 45 630 | 4 536 | 5 566 | 690 | 543 |
| Intangible assets | 4 545 | 6 154 | 54 | 113 | 548 | 145 |
| Total assets | 1 803 400 | 705 057 | 8 503 | 9 292 | 2 750 | 2 140 |
| LIABILITIES: | | | | | | |
| Payables | 36 314 | 18 701 | 3 728 | 2 992 | 2 420 | 1 996 |
| Borrowings | 16 304 | 16 945 | - | - | 2 000 | 2 000 |
| Employee benefits | 10 328 | 9 767 | 9 975 | 9 146 | 5 659 | 5 206 |
| Provisions | 4 321 | 3 236 | 198 | 218 | 545 | 72 |
| Other liabilities | 24 502 | 10 061 | 121 | 104 | - | 45 |
| Total liabilities | 91 769 | 58 710 | 14 022 | 12 460 | 10 624 | 9 319 |

| (Activities - refer Note 5) | 11 | | General/ Not applicable | | Total | |
|----------------------------------|----------|----------|----------------------------|----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | |
| Cash and cash equivalents | - | - | 369 448 | 354 671 | 369 448 | 354 671 |
| Receivables | - | - | - | 1 115 | 152 267 | 120 471 |
| Inventories | - | - | 1 141 | 1 119 | 6 661 | 9 466 |
| Other current assets | - | - | 260 | 210 | 26 984 | 6 182 |
| Non-current assets classified as | | | | | | |
| held-for-sale | - | - | - | - | 3 355 | 6 766 |
| Land, buildings and facilities | - | - | 61 714 | 61 650 | 1 850 049 | 1 407 579 |
| Plant and equipment | - | - | 63 | 129 | 398 645 | 382 405 |
| Network assets | - | - | - | - | 5 942 565 | 5 261 413 |
| Capital works in progress | - | - | 493 | - | 821 902 | 527 118 |
| Intangible assets | - | - | - | - | 18 760 | 19 883 |
| Total assets | - | - | 433 119 | 418 894 | 9 590 636 | 8 095 954 |
| LIABILITIES: | | | | | | |
| Payables | - | - | 2 785 | 3 664 | 174 919 | 131 859 |
| Borrowings | - | - | 2 016 | 2 039 | 68 438 | 69 403 |
| Employee benefits | - | - | 9 848 | 8 745 | 85 257 | 79 572 |
| Provisions | - | - | 450 | 518 | 30 345 | 26 286 |
| Other liabilities | - | - | 11 | 29 | 83 523 | 112 404 |
| Total liabilities | - | - | 15 110 | 14 995 | 442 482 | 419 524 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Transport, Energy and Infrastructure

The Department for Transport, Energy and Infrastructure (the Department) has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning and provision for South Australia.

The goal of the Department is to ensure that South Australia's future needs for the safe and efficient movement of people and freight, and safe and efficient energy, transport and other infrastructure, are met in an ecologically sustainable and cost effective way. The Department also has a leadership role in the management of public sector assets and ICT services and infrastructure to improve access to government services for all South Australians.

The Department will work to achieve this goal through the following long term directions:

- identifying strategic infrastructure priorities for the State
- promoting integrated infrastructure and land use planning and development across government
- promoting reforms to infrastructure related policies and strategies and improvements to infrastructure related business processes and capabilities across government
- providing leadership in the development of options to improve the state's transport system
- investing in the integrated transport solutions that increase the safety, effectiveness and efficiency of the state's transport infrastructure and services for all users
- providing improved public transport services
- managing and advising on state owned transport assets
- managing traffic on the arterial road network
- regulating the access, behaviour and security of transport system users
- providing South Australia's input into Commonwealth Government aviation safety regulatory change, and aligning the State's strategies for air services and airport development with national regulatory change
- enabling the transformation of the business of the Government by developing and implementing a whole of government ICT policy framework, and coordinating the provision of core ICT infrastructure services and business applications
- increasing the overall efficiency and effectiveness of the delivery of government services through current and future ICT investments
- managing the state-wide portfolio of Government office accommodation and employee housing
- providing direction, advice and services to government agencies related to the construction, maintenance and management of building and property assets
- providing policy advice on major energy market reforms and strategic issues relating to the development and performance of the electricity and gas industries
- assisting in the delivery of the Government's policy on sustainable energy and implementation of South Australia's Greenhouse Strategy
- conducting an annual review, audit and approval of energy industry safety and technical management plans and promotion of safety
- providing statutory services and information to the community in relation to land titling, survey, valuation and advice on land administration issues
- providing government services and information to the community through a choice of integrated online, phone and face to face delivery channels.

2. Departmental organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all offices and divisions and enables an open and steady flow of information between these areas. The offices and divisions of the Department are:

- Office of the Chief Information Officer
- Building Management
- Energy
- Government Relations and Reform Office
- Lands Services
- Service SA
- Office of Major Projects and Infrastructure
- Policy and Planning
- Public Transport
- Safety and Regulation
- Transport Services
- Corporate Services.

The Executive Directors of the offices and divisions within the Department report to the Chief Executive, Department for Transport, Energy and Infrastructure.

During 2008-09 there were no changes to the Department's structure.

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements are general-purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TI and APSs promulgated under the provision of the PFAA.

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2009. These are outlined in Note 4.

3.2 Basis of preparation

The preparation of the financial statements requires:

- (a) the use of certain accounting estimates and the exercise of judgement in the process of applying the Department's accounting policies. Any areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes
- (b) accounting policies have been selected and applied to ensure 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
- (c) compliance with APS issued pursuant to section 41 of the PFAA.

In the interest of public accountability and transparency the following Note disclosures are included in these financial statements:

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature
- (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
- (c) employee TVSP information
- (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (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 Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been valued in accordance with specific applicable valuation policies described under this Note.

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 with amounts presented in Australian currency.

The accounting policies set below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

3.3 Reporting entity

The Department for Transport, Energy and Infrastructure is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying Notes include all the controlled activities of the Department. Transactions and balances relating to administered items are not recognised in this departmental statement.

As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements following the controlled departmental 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 departmental transactions.

3.4 Comparative information

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

3.4 Comparative information (continued)

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg preparation of a single Statement of Comprehensive Income.

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable. Where retrospective application of changes to accounting policies and recognition of errors has occurred, relevant comparative amounts have also been amended.

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

3.5 Rounding

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

3.6 Business overheads

The Department adopts a full cost approach to the costing of its infrastructure capital and recurrent works. This methodology entails the allocation of a proportionate share of overheads to these activities based on a regime of cost drivers. Costs that are typically allocated using these cost drivers include general engineering and field related expenses, and goods or services that support the resources directly engaged in working on these activities.

Business overheads relating to those functions or areas responsible for the management and control of property, building, information and communication technology assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and outputs in line with the Department's full cost approach methodology.

Costs normally associated with the establishment and operation of governance frameworks designed to support the role of executive management are not attributed to individual specific works and are borne by the Department as a whole.

3.7 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, Emergency Services levy, income tax equivalents and local government rate equivalents.

With respect to 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.

With respect to tax equivalents, the Department is liable to pay income tax equivalents in relation to the commercial operations of the Building Management Division.

In determining its tax equivalent commitments, the Department utilises the 'accounting profits' model. Under this model, income tax expense is calculated separately for each taxable entity by applying the companies income tax rate (currently 30 percent) to the accounting profit for the year.

3.8 Events after the end of the reporting period

Where an event occurs after 30 June 2009 but provides information about conditions that existed at 30 June 2009, adjustments are made to amounts recognised in the financial statements where it is material.

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.

3.9 Transferred functions

Assets, liabilities and contributed capital transferred to or from the Department under government restructuring arrangements have been reported in accordance with APS contained within APF II, AASB 1004 and Interpretation 1038 made to wholly-owned public sector entities.

3.10 Income

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

Income has been classified 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:

Fees and charges

Revenues from the levying of fees or charges set in accordance with various legislative acts (eg vehicle registration and drivers' licence fees) are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Sale of goods and services

Revenues are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of those goods and services to the customers or by reference to the stage of completion.

Grants received

Grant revenue is recognised as income at the time the Department obtains control over the grant funds or obtains the right to receive the grant funds. For grants with unconditional stipulations, control generally occurs when the Department has been formally advised that the grant has been approved, the agreement has been signed and the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Grants received by the Department from the Commonwealth are generally monies given to fund capital or recurrent activities. Such grants are recognised as Commonwealth revenues and are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

Net gain on non-current assets

Gains or losses from the disposal of non current assets are recognised on a net basis on the face of the Statement of Comprehensive Income when control of the asset has passed to the buyer. When revalued assets are sold, the revaluation reserve is transferred to retained earnings.

Resources received free of charge

Resources received free of charge may include assets (ie land, buildings or other property) contributed to the Department at no value or minimal value. Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value when control has passed to the Department. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased if they had not been donated.

Revenues from SA Government

Revenues from SA Government include monies appropriated to the Department under the *Appropriation Act* or other Acts. These appropriations are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds. Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

3.11 Expenses

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

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

Employee benefit expenses

Employee benefit expenses include all costs related to employment of departmental staff. These costs are recognised when incurred and consist of wages and salaries, including amounts sacrificed, leave entitlements, employment on-costs such as payroll tax and superannuation, workers compensation payments, and other employee related expenses.

With respect to superannuation, the amount charged to the Statement of Comprehensive Income includes the contributions made by the Department to the superannuation plan in respect of current services provided by departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government general purpose financial statements.

Depreciation and amortisation

The useful life of an asset is generally determined on the basis of 'economic useful life to the entity'. The useful lives of all major assets held by the Department are reassessed on an annual basis.

With the exception of land, unsealed roads (graded and formed), earthworks, site preparation works and works in progress, all non current assets having a limited useful life are systematically depreciated/amortised over their estimated useful lives in a manner that reflects the consumption of their service potential.

Depreciation and amortisation (continued)

Land, unsealed roads, earthworks and work in progress are not depreciated. Buildings residing on land acquired for current road projects are not recognised and therefore are not depreciated.

The value of finance lease assets is amortised over the shorter of the lease term and the underlying asset's useful life.

Capitalised software is amortised over the useful life of the intangible asset, with a maximum period for amortisation of 25 years.

Depreciation/amortisation for non current assets are determined as follows:

| <i>Asset class</i> | <i>Method</i> | <i>Estimated useful life</i> |
|--|-------------------|--|
| Leased assets: | | |
| Computers and network printers | Straight-line | 3-4 years |
| StateNet core | Straight-line | 3-5 years |
| Buildings and facilities: | | |
| Buildings and facilities | Straight-line | 5-143 years depending on individual structure |
| Plant and equipment: | | |
| Plant and equipment | Straight-line | 3-116 years depending on individual assets |
| Buses | Diminishing Value | 25 years |
| Metro rail and trailer cars | Straight-line | 13-30 years |
| Information technology | Straight-line | 3-10 years |
| Government Radio Network towers/ masts and other structures | Straight-line | 30-40 years |
| Data and voice net equipment | Straight-line | 7-15 years |
| Other GRN equipment | Straight-line | 3-10 years |
| PABX equipment | Straight-line | 3-7 years |
| Transmission equipment | Straight-line | 5-20 years |
| Network assets: | | |
| Roads (sealed) | Straight-line | 40-58 years |
| Roads (unsealed - sheeted) | Straight-line | 15-25 years |
| Gantries (major signs) | Straight-line | 58-60 years |
| Earthworks | Non-Depreciating | N/A |
| Bridges and culverts | Straight-line | 38-149 years based upon individual structures |
| Traffic signals and road lighting | Straight-line | 15-30 years |
| Rail and bus track | Straight-line | 5-155 years depending on individual components |
| Other | Straight-line | Useful life depends upon individual items |
| Intangible assets: | | |
| Software | Straight-line | 5-25 years |

Grants and subsidies paid

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.

Grants provided by the Department to other entities are generally unconditional in nature and are recognised as expenses in the period in which they are paid.

Borrowing costs

In accordance with APF 11, APS 3.6, borrowing costs are recognised as expenses in the period in which they are incurred.

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value in the expense line items to which they relate. For example: Assets contributed by the Department to other entities at no value or minimal consideration are disclosed separately under 'Other expenses' as donated assets.

Payments to SA Government

Payments to SA Government include payment into the Consolidated Account for tax equivalents and the cash alignment policy.

3.12 Current and non-current classification

Assets and liabilities are classified as either current or non current in nature. Assets and liabilities that will be sold, consumed or realised as part of the 12 month operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non current.

3.13 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

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

Administered cash is reported separately in the administered financial statements.

Cash alignment policy

In October 2003 the Government introduced a policy with respect to aligning departmental cash balances with appropriation and expenditure authority. This policy came into effect during 2003-04 and has continued in operation through to 2008-09. The Department was not required to transfer any cash balances in 2008-09, but was required to make a payment of \$19.140 million in 2007-08 (refer Note 23).

Receivables

- *Trade receivables*
Trade receivables arise in the normal course of providing goods and services to other agencies and to the public. Trade receivables are usually receivable within 30 days after the issue of an invoice or from when the goods/services have been provided under a contractual arrangement.

If payment from a debtor has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department may be able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department determines a provision for doubtful debts based on an annual review of balances for trade receivables. The doubtful debt provision balance is calculated as that amount of specific trade receivables that have been assessed as impaired or uncollectible at reporting date. Bad debts are written off when identified.

- *Loan receivables*
In accordance with the requirements of APF IV, the Department measures financial assets such as loan receivables at their historic cost, except interest free loans which are measured at the present value of expected repayments.
- *Finance lease receivables*
The Department has entered into a number of finance lease arrangements as lessor for the purpose of providing housing and accommodation. Receivables to be derived from these lease arrangements have been brought to account in the Statement of Financial Position in accordance with the requirements of AASB 117.

Inventories

Inventories include goods and other property held either for sale, use or for distribution in the ordinary course of business and excludes depreciable assets.

Inventories held for distribution are measured at cost and may be adjusted where applicable for any loss of service potential. The basis used in assessing loss of service potential includes current replacement cost and technological or functional obsolescence. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Inventories of roadside materials are measured at historic cost and stores are measured on a weighted average historic cost basis. Inventories comprising works in progress performed for clients external to the Department are measured at cost.

Contracts in progress

The Department acts as project manager for major capital works in relation to government buildings or government accommodation and for a range of minor capital works and maintenance type activities associated with the role of facilities manager.

Profits on these contracts are brought to account on a percentage of completion basis as determined under current engineering estimates and in accordance with AASB 111. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

The expenses incurred in undertaking these capital works and/or maintenance activities and the revenue from charging the respective Government departments are transacted within the Statement of Financial Position. The net of the expenditure incurred and the revenue recovered is accounted for as a receivable.

Non-current assets (or disposal groups) held-for-sale

Non-current assets classified as held-for-sale generally consist of land and buildings that have been declared surplus to the needs of the Department for which a plan of sale has been determined, the sale is highly probable and is expected to be completed within one year from the date of classification.

Non-current assets held-for-sale are measured at the lower of carrying amount and fair value less cost to sell in accordance with AASB 5, and are presented separately from the other assets in the Statement of Financial Position and are not subject to depreciation.

Non-current assets - acquisition and recognition

The Department capitalises non-current physical assets with an individual or grouped value of \$10 000 or greater in accordance with policies that are consistent with APF III and the requirements of AASB 116. Exceptions to this policy are assets under construction, land and buildings, which are capitalised irrespective of their value.

Assets under construction are capitalised from capital works in progress from the appropriate asset classes at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed.

The Department recognises land separately from buildings, other improvements and land acquired for current road projects.

In accordance with APF III, APS 9.7 the Department has elected not to recognise in its Statement of Financial Position the value of land under water because of the inherent difficulty in the reliable measurement of all land within this category. APS 9.6 specifies that land under roads acquired before 1 July 2008 is not to be recognised by the Department as an asset. However, any land under roads acquired after 1 July 2008 has been recognised by the Department in accordance with AASB 1051, paragraph 15. As at 30 June 2009 the Department has not recognised any land under roads.

Buildings or other structures residing on land acquired for current road projects are not separately recognised in the Statement of Financial Position. The costs incurred in acquiring the buildings in these instances are deemed to be part of the costs of acquiring the land.

The Department separately recognises the components of specific assets it owns or controls only when the fair value of the asset at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Most assets acquired and recognised by the Department are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs incurred with the acquisition.

Where the Department acquires assets at no cost, or minimal cost, these items are recorded at their fair value in the Statement of Financial Position. If the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor entity prior to the transfer.

Revaluation of non-current assets

In accordance with APF III, APS 3.1 and 3.3, the Department revalues all its non-current physical assets to their estimated fair value. Revaluations are performed only in instances where the fair value of the asset or asset group at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

The Department revalues its assets every three years as a minimum, depending on the nature or purpose for which that asset is held.

When depreciable non-current assets are revalued, the Department uses the gross method in accounting for most assets with the exception of land and buildings that are subject to commercial leases and held for provision of government agency accommodation and for provision of housing of government employees in remote areas.

If at any time the carrying amount of an asset materially differs from its fair value, the Department revalues the asset regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are either held at cost until the next valuation, or revalued if the fair value is likely to be materially different from the acquisition value.

Revaluation increments are credited directly to the asset revaluation reserve. If within an asset class, an increment reverses a revaluation decrement previously recognised as an expense in the Statement of Comprehensive Income within that class, the increment is recognised as revenue but only to the extent of the decrement previously recognised in this financial statement.

Revaluation decrements are offset against any previous asset revaluation reserve increment for a particular class of asset and any remaining balance is expensed.

When assets are sold or otherwise disposed of, the revaluation increments relating to those assets are transferred to retained earnings.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

- *Land, buildings and facilities*
Land and buildings that are subject to commercial leases and held for the provision of government agency accommodation are revalued every two years based on independent valuations.

Land and buildings that are subject to residential leases and held for the provision of housing of government employees in remote areas are revalued annually using the Valuer-General's assessment.

- *Land, buildings and facilities (continued)*
All other land (except land classified as held for major current road projects which is not subject to revaluation) is valued on a three year rolling program based on Valuer-General's assessments or from independent valuations.

All other buildings and facilities are valued on a three year rolling program at written down replacement cost as determined by independent valuations or by suitably qualified valuation officers of the Department.

Where Valuer-General information is used to measure the value of buildings, that value is based on the Valuer-General's assessment of the building being the difference between the capital value and the site value of the property.

- *Road network assets*
With the exception of site preparation works (ie service relocation costs and earthworks), which are not subject to depreciation, all road network assets are valued at written down replacement cost either by independent valuers, or by suitably qualified officers of the Department. As these assets have no market they are therefore measured at written down replacement cost which is considered to be their fair value. The reasonableness of the valuation approach for road network assets was agreed upon advice from an independent engineering consultant (L B Dowling & Associates) in 2001-2002. In April 2009 the valuation methodology was again reviewed by Price Waterhouse Coopers and considered to be sound.

The Department's methodology for valuing roads includes the recognition of salvage values to ensure that depreciation expense on roads is in accordance with the treatment prescribed in AASB 116.

Road network assets are revalued every three years with indexing applied during intervening years to roads, bridges and culverts. Indexing is applied using the Australian Bureau of Statistics Road and Bridge Construction Price Index for South Australia.

- *Plant and equipment*
Plant and equipment subject to revaluation is valued at fair value which is generally the written down replacement cost either by independent valuers or qualified departmental officers. Plant and equipment, which does not meet the threshold for revaluation, is recorded at historic cost. In these instances, historic cost is deemed to be the fair value of these assets.
- *Non-current capital works in progress*
Non current works in progress are not revalued but recorded at historic cost.
- *Assets acquired under Government restructures or other changes in administrative arrangements*
Former Australian National Rail land, buildings and facilities — These assets continue to be progressively defined, valued and recorded in the Department's asset register as assets that are vested in or transferred to the Minister for Transport. Valuation of some assets has been delayed due to the need to wait for land divisions and completion of transfers to the care and control of the Minister. Whilst awaiting title and/or division values used for reporting these assets are based on net present value of future income flows (nominal only).
- *Timing of asset revaluations*
The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

| Asset class | Last valued/ revalued | By whom |
|---|----------------------------------|---|
| Network | | |
| Roads pavements, including small signs, pavement marking and median kerbing | 30 June 2007 | Amando Reyes, BSEng(Civil), Grad Dip(Project Management) ⁽¹⁾ |
| Earthworks | 30 June 2007 | Amando Reyes, BSEng(Civil), Grad Dip(Project Management) ⁽¹⁾ |
| Bridges/culverts | 30 June 2007 | Tony Nobbs, BSEng(Civil), MasterEngScience ⁽¹⁾ |
| Major signs | 30 June 2007 | Tony Nobbs, BSEng(Civil), MasterEngScience ⁽¹⁾ |
| Ferry landings | 30 June 2007 | Tony Nobbs, BSEng(Civil), MasterEngScience ⁽¹⁾ |
| Traffic signals | 30 June 2009 | Rick Burt, (Cert in Electrical Eng) ⁽¹⁾ |
| Road lighting | 30 June 2008 | Rick Burt, (Cert in Electrical Eng) ⁽¹⁾ |
| Drainage | 30 June 2009 | Rushton Values Pty Ltd |
| Weighbridges and weigh slabs | 30 June 2009 | Currie and Brown |
| Rail and track | | |
| Busway track and structures | 30 June 2007 | Tony Nobbs, BSEng(Civil), MasterEngScience ⁽¹⁾ |
| Busway interchanges | 31 August 2007 | Currie and Brown |
| Metro tram line | 30 June 2009 | McGees (NT) Pty Ltd |
| Metro rail lines track and structures | 30 June 2009 | McGees (NT) Pty Ltd |

• *Timing of asset revaluations (continued)*

| Asset class | Last valued/ revalued | By whom |
|--|----------------------------------|---|
| Land | | |
| Metro rail stations, yards and corridors | 30 June 2009 | McGees (NT) Pty Ltd |
| Other rail land | 30 June 2008 | Valuer-General |
| Marine land | 31 March 2009 | Valuer-General |
| Bus Depot land | 30 June 2009 | Liquid Pacific Holdings Pty Ltd |
| Government employee housing | 30 June 2009 | Valuer-General |
| Government agency accommodation | 30 June 2009 | Valcorp |
| Future road construction | 31 March 2009 | Valuer-General |
| Energy SA land | 30 June 2007 | Valuer-General |
| Other departmental land | 31 March 2006 | Valuer-General |
| Land under roads | Not Applicable | |
| Buildings and facilities | | |
| Marine related | 31 October 2007 | Liquid Pacific Holdings Pty Ltd/Connell Wagner Pty Ltd, Herron Todd White Pty Ltd |
| Metro Rail stations and yards | 30 June 2009 | McGees (NT) Pty Ltd |
| Other rail related | 30 June 2008 | Valuer-General |
| Bus depots | 30 June 2009 | Liquid Pacific Holdings Pty Ltd |
| Tram Depot | 30 June 2009 | McGees (NT) Pty Ltd |
| Residential Buildings: | | |
| Future road construction | 31 March 2009 | Valuer-General |
| Government employee housing | 30 June 2009 | Valuer-General |
| Commercial Buildings: | | |
| Future road construction | 30 June 2008 | Southwick Goodyear |
| Government agency accommodation | 30 June 2009 | Valcorp |
| Other Departmental buildings and facilities | 31 October 2007 | Liquid Pacific Holdings Pty Ltd |
| Plant and equipment | | |
| Buses | 30 June 2007 | Liquid Pacific Holdings Pty Ltd |
| Metro rail and trailer cars | 30 June 2009 | McGees (NT) Pty Ltd |
| Bus depot plant and equipment | 30 June 2009 | Liquid Pacific |
| Tram depot plant and equipment | 30 June 2009 | McGees (NT) Pty Ltd |
| Metro rail plant and equipment | 30 June 2009 | McGees (NT) Pty Ltd |
| Government Radio Network | 30 June 2008 | Gibson Quai |
| PABX and transmission equipment | 30 June 2008 | Gibson Quai and Ian Deefholts, Voice Network Technical Specialist |
| State Core Net (IT Infrastructure) | 30 June 2008 | Dimension Data and Phil Milsom, CPEng, BEng, MBA, GD TM |
| Towing vessel/Tall ships/Patrol boats | 30 June 2009 | Artemis Marine/Marinassess Pty Ltd/ Currie & Brown |
| Ferries (including modules) | 30 June 2008 | Artemis Marine/John Cartwright, MSc AE |
| Aids to navigation | 28 February 2008 | Spiros Dimas, BE(Hons), MIE(Aust), CPEng ⁽¹⁾ |
| Heavy Plant | 30 June 2008 | Pickles Auction |
| Energy SA power generation and other associated assets | 1 July 2007 | Valuation Property Services (VPS) |
| Crouzet ticketing system | 1 July 2007 | Australian Valuation Office |
| All other minor plant | Not Applicable | |

(1) Valuation performed by suitably qualified officers of the Department.

Non-current (capital) works in progress

The Department is a key provider of infrastructure for the State and constructs or modifies assets as part of its role in coordinating or facilitating the delivery of transport related and other key strategic or priority projects.

When capitalised, works in progress result in the recognition of non-current assets such as network assets and other items of property, plant or equipment in the Statement of Financial Position.

In accordance with AASB 116, all works in progress arising from these activities are valued at cost.

Intangible assets

Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with AASB 138 and with the guidance provided in APF III. In line with internal policy, the Department has recognised at cost significant items of corporate software applications where the amount of expenditure is greater than or equal to \$100 000.

Costs associated with the development or implementation of software applications that do not meet the criteria for asset recognition (ie training expenses, research costs, etc) are expensed.

Intangible assets (continued)

Software applications that have been specifically developed for the Department and cannot be actively traded in the market place are not revalued. These intangibles will continue to be reported at their historic cost less accumulated amortisation in accordance with AASB 138.

Impairment

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

Remediation of non-current assets

Land remediation undertaken by the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under the AASB 'Framework for the Preparation and Presentation of Financial Statements', paragraphs 89-90 'Recognition of Assets'. These costs are therefore expensed in the period in which they are incurred. Where remedial work is to be performed in response to a present obligation, either under legislation or under contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with requirements of AASB 137.

3.14 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 event.

Payables

Payables include creditors, accrued expenses and employment on-costs. All payables are measured at their nominal amount and are unsecured.

- *Creditors*
Creditors represent the amounts owed by the Department for goods and services provided by other entities that are unpaid at the end of the reporting period where an invoice has been received. Creditors are normally settled within 30 days after the Department receives an invoice in accordance with TI 11.
- *Accrued expenses*
Accrued expenses represent amounts owed by the Department for goods and services provided by other entities that are unpaid at the end of the reporting period where an invoice has not been received.
- *Employment on-costs*
Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department also makes contributions to several SA 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 these obligations have been assumed by the respective superannuation schemes. The only payable outstanding at reporting date relates to any contributions due but not yet paid.

Borrowings

Borrowings consist of loans and finance leases.

Loans are recognised when issued at the full amount received and carried at this value less any repayments until the loan is settled.

Interest charges on loans and finance leases are not added to the balance of the loan due. These costs are recognised separately as 'Borrowing costs' in the Statement of Comprehensive Income.

Leases

The Department has entered into finance leases and operating leases both as lessor and lessee and has recognised assets, liabilities, revenues and expenses associated with these business dealings in accordance with AASB 117 and the Government Leasing Guidelines as issued by the Department of Treasury and Finance.

Finance leases

Finance leases, which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

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.

Finance leases – the Department as lessor

- *Recreational jetties*

The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where jetties have been leased to Councils throughout the State. Peppercorn rentals of \$1 per annum apply over the 25 or 99-year lease term for each lease.

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets are also no longer recorded on the Department's asset register.

- *Government employee housing*

The Department provides housing services on a leasehold basis to government employees based in remote areas of the State. As lessor, the Department recognises finance lease receivables in relation to these properties at an amount equal to the net investment in the lease. Finance lease interest income is recognised based on the periodic rate of return on that net investment. Lease payments from the lessee are applied against the gross investment in the lease to reduce both the principal and the unearned interest income.

Finance leases – the Department as lessee

- *Government accommodation – Roma Mitchell Building*

The Department is responsible for the finance lease in relation to government office accommodation for Roma Mitchell House, North Terrace and has recognised assets and liabilities at the fair value of the leased property. Lease liabilities under these arrangements are classified as both current and non current, with the minimum lease payments allocated between interest expense/borrowing costs and the reduction of lease liability for the period.

The 40-year lease on Roma Mitchell House commenced in July 1987. Ownership of the building will transfer to the Department on payment of a nominal sum at the end of the lease. Under the terms and conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide CPI.

- *Computer hardware and software*

The Department has entered into various lease arrangements as lessee with respect to the use of some of its hardware and software. Under the AASs and Government Leasing Guidelines, such agreements are treated as finance leases.

Operating leases – the Department as lessor

The Department leases commercial properties to external parties through operating leases. Income derived from these leases is recognised as rental income in the Statement of Comprehensive Income in the period in which it is earned, and is representative of the patterns of benefits derived from the leased assets.

Operating leases – the Department as lessee

The Department has a number of operating lease agreements as lessee for land, motor vehicles, office equipment, other plant and commercial and residential accommodation. Operating lease payments are charged to the Statement of Comprehensive Income on a basis that is representative of the pattern of benefits derived from the leased assets.

Employee benefits

Benefits accrue to employees as a result of services provided up to reporting date and generally consist of unpaid salaries and wages, annual and long service leave.

- *Wages, salaries, annual leave and sick leave*

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June and is measured at the undiscounted amounts expected to be paid.

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

- *Long service leave*

The liability for long service leave is recognised by the Department after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of the expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

- **Employee benefit on-costs**
Related on-costs of payroll tax and superannuation are shown separately under the item 'Payables' in the Statement of Financial Position as employment on-costs.

Provisions

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

Provisions have been reported to reflect workers compensation claims not settled, amounts provided for and payable under the Tax Equivalent Regime (TER), and future remediation work required on land under the Ports Corp Business and Sale Agreement and outstanding Indenture Port payments.

The workers compensation provision is based on an actuarial assessment coordinated by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet.

The provision for TER payments is based on the income tax expense payable at the current companies' income tax rate of 30 cents (refer Note 3.7).

The land remediation provision has been calculated on the basis of revised project manager estimates of the value of future remedial work required to meet agreed environmental standards. Given that the remaining work has been scheduled to be completed in 2011-12, these estimates are discounted to net present value in accordance with the requirements of paragraph 45 of AASB 137.

The provision for Indenture Port payments represents outstanding Indenture Port payments required to be paid into Consolidated Account (refer Note 45).

Other liabilities

The Department receives monies in advance in the form of conditional grants to undertake specific infrastructure works in future periods (ie AusLink Advance Specific Projects). As these works are completed the amounts received are recognised as revenues in the Statement of Comprehensive Income. The balance of any unspent grant monies as at 30 June is recognised as a liability in the Statement of Financial Position.

The Department receives incentives from building owners in relation to leased accommodation, including accommodation occupied by other government agencies. The value of these incentives is recognised as a liability at the time the incentive is received, and the liability is amortised over the life of the relevant lease on a straight-line basis.

3.15 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are measured at their nominal amount (refer Note 42).

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 their nominal value (refer Note 43).

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the ATO.

3.16 Transactions by the Government as owner

Where monies have been appropriated to the Department under the *Appropriation Act* in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department. Monies issued or applied in this manner are therefore recorded as equity contributions from SA Government in accordance with TI 3.

4. New and revised accounting standards and policies

4.1 Restructure of administrative arrangements

In accordance with the revised AASB 1004, the Department is now required to record restructures of administrative arrangements as transactions with owners in their capacity as owners rather than recording these events as revenue and expense items.

4.2 Changes in asset capitalisation policies

In 2008-09 the Department reviewed a number of asset capitalisation (recognition) policies as a means of improving reporting associated with its Network Assets. The changes have resulted in further capitalisation of components of the road network as follows:

Service relocations

The Department has reviewed the policy with respect to service relocations. Previously, costs associated with the relocation of public utilities during construction activities were expensed. The Department has concluded that like earthworks, service relocations are a form of site preparation that should be capitalised, revalued every three years and are non-depreciable in nature.

The revised policy was applied prospectively from 1 July 2008 with no recognition of opening balances because of the inherent difficulty or practicality in reliably defining and valuing service relocation costs incurred in prior periods.

Safety barriers

The Department has recently developed a database that will enable the recording and tracking of safety barriers throughout the State. With the development of this database, the Department has chosen to amend its current exclusion policy with respect to these items. From 1 July 2008, costs incurred in installing and replacing safety barriers are now to be capitalised and safety barriers treated as another component or asset grouping under road network assets. As is the case for service relocations there has been no recognition of opening balances due to the difficulty of reliably establishing a value.

4.3 Statement of compliance

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

The Department 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 Department.

5. Activities of the Department

In achieving its objectives, the Department provides a range of services classified into the following programs:

Activity 1: Policy and Planning

Development and provision of an effective policy framework, planning and investment advice and strategic planning services surrounding legislation committed to the Minister.

Activity 2: Transport Infrastructure Services

The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities.

Activity 3: Transport Safety and Regulation Services

Provision of services that regulate access to the transport system under legislation committed to the Minister and to provide advice on transport safety matters.

Activity 4: Public Transport Services

Provision of efficient, equitable and accessible public transport services in metropolitan Adelaide and assisting regional councils and communities to deliver diverse passenger transport services to meet local needs.

Activity 5: Energy Policy and Regulation

Provision of policy advice on energy issues, energy program delivery and regulatory services for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community.

Activity 6: State Infrastructure Facilitation

Development and provision of processes to improve analysis, prioritisation and across government reporting on progress of state infrastructure projects and facilitation of infrastructure investment.

Activity 7: Information and Communication Technology Services

Management across government ICT strategy and innovation, governance and investment, security and critical infrastructure protection, and strategic sourcing.

Activity 8: Building Management

Provision of services to government agencies in relation to the construction, maintenance and management of building assets.

Activity 9: Land Services

Provides statutory services and information to the community in relation to land titling, survey, valuation and advice on land administration issues, and the development of specialist land administration policy.

Activity 10: Service SA

Government's single entry point for access to most government services and information through an integrated network of online, phone and face-to-face delivery channels.

Activity 11: Road Safety Policy, Planning and Services

Provision of policy, planning and services to improve road safety in South Australia.

6. Employee benefit expenses

| | 2009 | 2008 |
|--|----------------|---------|
| | \$'000 | \$'000 |
| Salaries and wages | 144 657 | 138 542 |
| Board and committee fees (refer below) | 90 | 73 |
| Employment on-costs ⁽¹⁾ | 27 247 | 27 162 |
| Annual leave | 14 902 | 14 124 |
| Long service leave | 9 071 | 9 204 |
| Workers compensation expenses | 1 642 | 2 969 |
| TVSP separation payments (refer below) | - | - |
| Other employee related expenses | 1 250 | 894 |
| Total employee benefit expense | 198 859 | 192 968 |

(1) Employment on-costs are made up of superannuation of \$18.046 million (\$17.596 million) and payroll tax of \$9.201 million (\$9.566 million).

TVSPs

There were no employees who were paid TVSPs during 2007-08 or 2008-09. The Department is not owed any monies in relation to TVSPs as at 30 June.

| Remuneration of employees | 2009 Number | 2008 Number |
|---|------------------------|----------------|
| The number of employees whose remuneration received or receivable falls within the following bands: | | |
| \$100 000 - \$109 999 | 128 | 90 |
| \$110 000 - \$119 999 | 55 | 36 |
| \$120 000 - \$129 999 | 16 | 10 |
| \$130 000 - \$139 999 | 14 | 14 |
| \$140 000 - \$149 999 | 16 | 11 |
| \$150 000 - \$159 999 | 10 | 11 |
| \$160 000 - \$169 999 | 5 | 7 |
| \$170 000 - \$179 999 | 7 | 6 |
| \$180 000 - \$189 999 | 6 | 4 |
| \$190 000 - \$199 999 | 4 | 4 |
| \$200 000 - \$209 999 | 1 | 3 |
| \$210 000 - \$219 999 | 6 | 2 |
| \$220 000 - \$229 999 | 3 | 3 |
| \$230 000 - \$239 999 | 1 | - |
| \$240 000 - \$249 999 | - | 2 |
| \$260 000 - \$269 999 | 1 | - |
| \$270 000 - \$279 999 | 1 | - |
| \$340 000 - \$349 999 | - | 1 |
| \$360 000 - \$369 999 | 1 | - |
| Total number of employees | 275* | 204 |

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration for the 275 employees (204 employees) was \$34.61 million (\$26.12 million) and reflects all costs of employment including salaries and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages for those with salaries over \$100 000.

* This total includes one employee who has been seconded to another Government agency. The remuneration costs paid to the employee by the Department have been reimbursed from the agency.

Remuneration of Board and Committee members

Members that received remuneration for membership during the 2008-09 financial year were:

Passenger Transport Standards Committee

| | |
|--------------------|----------------------|
| Ms Gerada Bader | Mr Ian Bassham |
| Ms Christina Birch | Mr John Evans |
| Ms Janet Gould | Ms Margaret Heylen |
| Mr John Jackson | Ms Kathleen Johnston |
| Ms Branka King | Dr David King |
| Mr John McKenzie | Ms Deborah Myhill |
| Ms Mary O'Dea | Mr Frank Pearce |
| Dr Josephine Tiddy | Mr Graeme Burton |
| Ms Jill Tideman | |

South Australian Boating Facility Advisory Committee

Mr Rodney Payze

Energy Consumers Council

| | |
|---|--------------------|
| Ms Melinda Bindle | Mr Owen Covick |
| Mr Deane Crabb (proxy for Ms Carol Vincent) | Mr Jonathon Forbes |
| Mr Anthony Moore | Mr John Pike |

Road Safety Advisory Council

| | |
|-------------------|---------------|
| Mr Alex Gallacher | Sir Eric Neal |
|-------------------|---------------|

Remuneration of Board and Committee members (continued)

| | 2009 Number | 2008 Number |
|---|----------------|----------------|
| The number of members whose remuneration received or receivable falls within the following bands: | | |
| \$1 - \$9 999 | 26 | 30 |
| \$10 000 - \$19 999 | - | - |
| Total number of members | 26 | 30 |

Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, FBT and other salary sacrifice arrangements. The total remuneration received by members was \$90 000 (\$73 000).

Unless otherwise disclosed, transactions between committee members and the Department 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.

7. Supplies and services

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Supplies and services provided by entities within the SA Government: | | |
| Bus and rail service contracts | 91 868 | 80 676 |
| Other service contracts | 4 977 | 1 710 |
| Operating leases | 13 675 | 8 895 |
| Property expenses | 6 288 | 2 117 |
| Plant, equipment and vehicle expenses | 17 | 70 |
| Information technology | 273 | 764 |
| Materials and other purchases | 69 | 36 |
| Utilities | 1 778 | 1 741 |
| Insurance | 2 839 | 2 436 |
| Legal services | 1 870 | 2 208 |
| Auditor's remuneration | 750 | 746 |
| Administrative costs | 180 | 270 |
| Other | 19 934 | 23 127 |
| Total supplies and services - SA Government entities | 144 518 | 124 796 |

Supplies and services provided by entities external to the SA Government:

| | | |
|---|----------------|----------------|
| Bus and rail service contracts | 142 119 | 135 238 |
| Major infrastructure maintenance contracts | 68 340 | 69 926 |
| Other service contracts | 52 897 | 50 911 |
| Consultants | 244 | 178 |
| Operating leases | 97 307 | 86 714 |
| Property expenses | 84 960 | 80 136 |
| Plant, equipment and vehicle expenses | 6 307 | 6 441 |
| Information technology | 28 953 | 32 788 |
| Materials and other purchases | 16 529 | 17 537 |
| Utilities | 31 708 | 31 205 |
| Insurance | 227 | 272 |
| Legal services | 108 | 255 |
| Commissions - Transaction processing | 5 883 | 5 069 |
| Administrative costs | 11 465 | 11 440 |
| Other | 32 576 | 46 682 |
| Total supplies and services - non-SA Government entities | 579 623 | 574 792 |
| Total supplies and services | 724 141 | 699 588 |

Consultancies

| | 2009 | | 2008 | |
|--|----------|------------|-----------|------------|
| The number and dollar amount of consultancies paid/payable that fell within the following bands: | Number | \$'000 | Number | \$'000 |
| Below \$10 000 | 1 | 3 | 8 | 25 |
| Between \$10 000 and \$50 000 | 7 | 136 | 8 | 153 |
| Above \$50 000 | 1 | 105 | - | - |
| Total paid/payable to the consultants engaged | 9 | 244 | 16 | 178 |

During 2008-09 the Department spent \$244 000 (\$178 000) on consultancies. Operating expenditure of \$244 000 (\$178 000) is reflected in the Statement of Comprehensive Income.

8. Depreciation and amortisation expense

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Depreciation: | | |
| Network assets | 131 134 | 115 662 |
| Plant and equipment | 46 671 | 44 203 |
| Buildings and facilities | 24 138 | 22 625 |
| Total depreciation | 201 943 | 182 490 |
| Amortisation: | | |
| Leased assets | 2 025 | 1 888 |
| Intangible assets | 4 463 | 4 264 |
| Total amortisation | 6 488 | 6 152 |
| Total depreciation and amortisation | 208 431 | 188 642 |

Change in depreciation due to a revision in accounting estimate

In 2008-09 the Department reassessed the useful life of some of its assets. This review is expected to result in an increase of \$4.180 million in the future depreciation expense. In 2008-09 the Department reassessed the salvage value of some of its assets. This review is expected to result in a decrease of \$346 000 in the future depreciation expense.

| | | |
|---|----------------|----------------|
| 9. Grants and subsidies | 2009 | 2008 |
| Grants and subsidies paid/payable to entities within the SA Government: | \$'000 | \$'000 |
| Recurrent grants: | | |
| Contribution for policing services | 34 853 | 34 865 |
| Other | - | 142 |
| Total grants and subsidies - SA Government entities | 34 853 | 35 007 |
| Grants and subsidies paid/payable to entities external to the SA Government: | | |
| Recurrent grants: | | |
| Energy rebates | 5 863 | 6 032 |
| Transport Subsidy Scheme | 13 820 | 12 555 |
| Grants to local councils | 4 393 | 4 263 |
| Transport concessions | 5 090 | 5 291 |
| Other | 4 264 | 7 889 |
| Capital grant: | | |
| Grants to local councils | - | 4 170 |
| Total grants and subsidies - non-SA Government entities | 33 430 | 40 200 |
| Total grants and subsidies | 68 283 | 75 207 |
| 10. Borrowing costs | | |
| Interest and guarantee fees | 3 029 | 3 499 |
| Finance charges on finance leases | 1 371 | 1 408 |
| Total borrowing costs | 4 400 | 4 907 |
| 11. Other expenses | | |
| Other expenses paid/payable to entities within the SA Government: | | |
| Rates, taxes and levies | 5 915 | 4 318 |
| Indenture Ports payable to Department of Treasury and Finance | 3 244 | 2 854 |
| Net losses on foreign exchange | - | 976 |
| Other | - | 95 |
| Total other expenses - SA Government entities | 9 159 | 8 243 |
| Other expenses paid/payable to entities external to the SA Government: | | |
| Rates, taxes and levies | 3 415 | 3 267 |
| Donated assets expense | 12 558 | 14 995 |
| Bad and doubtful debts expense | 335 | 1 076 |
| Write-off of an asset | 1 604 | 4 763 |
| Write-down of inventory | - | 13 |
| Revaluation decrement of non-current assets | - | 2 920 |
| Other | 342 | 1 608 |
| Total other expenses - non-SA Government entities | 18 254 | 28 642 |
| Total other expenses | 27 413 | 36 885 |
| 12. Auditor's remuneration | | |
| Audit fees paid/payable to the Auditor-General's Department | 750 | 746 |
| Total audit fees | 750 | 746 |
| Other services | | |
| No other services were provided by the Auditor-General's Department. | | |
| 13. Fees and charges | | |
| Fees and charges received/receivable from entities within the SA Government: | | |
| Metrotickets | 46 | 48 |
| Motor registrations | 3 180 | 4 790 |
| Marine related fees and charges | 1 | 1 |
| Land services fees | 8 186 | 7 780 |
| Other fees and charges | 285 | 123 |
| Total fees and charges - SA Government entities | 11 698 | 12 742 |
| Fees and charges received/receivable from entities external to the SA Government: | | |
| Driver's licence fees | 45 004 | 29 036 |
| Metrotickets | 80 336 | 76 001 |
| Motor registrations | 278 851 | 258 949 |
| Marine related fees and charges | 12 789 | 10 419 |
| Land services fees | 4 149 | 3 893 |
| Other fees and charges | 6 787 | 7 150 |
| Total fees and charges - non-SA Government entities | 427 916 | 385 448 |
| Total fees and charges | 439 614 | 398 190 |

Road safety

In accordance with the *Highways Act 1926*, \$7.501 million (\$4.839 million) being 1/6th of driver's licence collections and \$587 000 (\$564 000) being 1/100th of heavy vehicle registrations, was applied towards funding transport safety related initiatives under the Transport Safety and Regulation Services and Transport Infrastructure Services activities.

| | | |
|--|----------------|---------|
| 14. Commonwealth revenues | 2009 | 2008 |
| Commonwealth revenues received/receivable from entities external to the SA Government comprised: | \$'000 | \$'000 |
| <i>AusLink (National Land Transport) Act 2005</i> | 285 581 | 143 317 |
| <i>Interstate Road Transport Act 1985*</i> | 4 968 | 6 553 |
| <i>Roads to Recovery Act 2000</i> | 2 605 | - |
| Other Commonwealth revenues | 1 862 | 735 |
| Total Commonwealth revenues - non-SA Government entities | 295 016 | 150 605 |
| Total Commonwealth revenues | 295 016 | 150 605 |

* During the year funding arrangements with the Commonwealth Government changed. The majority of Commonwealth funding is now provided to the Department for Treasury and Finance and is subsequently transferred to the Department. As a consequence *Interstate Road Transport Act (IRTA)* funding of \$1.638 million has been recognised as revenue from SA Government (refer Note 23).

| | | |
|--|----------------|---------|
| 15. Sale of goods and services | 2009 | 2008 |
| Sale of goods and services received/receivable from entities within the SA Government: | \$'000 | \$'000 |
| IT and telecommunication services | 50 928 | 52 996 |
| Maintenance services | 77 209 | 70 383 |
| Other sale of goods | 72 | 2 340 |
| Other sale of services | 15 610 | 13 267 |
| Total sale of goods and services - SA Government entities | 143 819 | 138 986 |

| | | |
|---|----------------|---------|
| Sale of goods and services received/receivable from entities external to the SA Government: | | |
| Other sale of goods | 13 199 | 13 425 |
| Other sale of services | 19 921 | 20 862 |
| Total sale of goods and services - non-SA Government entities | 33 120 | 34 287 |
| Total sale of goods and services | 176 939 | 173 273 |

| | | |
|---|----------------|---------|
| 16. Rental income | | |
| Rental income received/receivable from entities within the SA Government: | | |
| Government accommodation | 143 591 | 122 107 |
| Property rents and recoveries | - | 29 |
| Other lease income | 514 | 406 |
| Total rental income - SA Government entities | 144 105 | 122 542 |

| | | |
|--|----------------|---------|
| Rental income received/receivable from entities external to the SA Government: | | |
| Property rents and recoveries | 5 606 | 3 238 |
| Other lease income | 28 788 | 37 315 |
| Total rental income- non-SA Government entities | 34 394 | 40 553 |
| Total rental income | 178 499 | 163 095 |

| | | |
|--|---------------|--------|
| 17. Grants and subsidies | | |
| Grants and subsidies received/receivable from entities within the SA Government: | | |
| Concessional passenger income | 46 065 | 44 392 |
| Total grants and subsidies - SA Government entities | 46 065 | 44 392 |

| | | |
|---|---------------|--------|
| Grants and subsidies received/receivable from entities external to the SA Government: | | |
| Concessional passenger income | 184 | 165 |
| Total grants and subsidies - non-SA Government entities | 184 | 165 |
| Total grants and subsidies | 46 249 | 44 557 |

Concessional passenger income

This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

| | | |
|--|--------------|--------|
| 18. Interest | | |
| Interest received/receivable from entities within the SA Government: | | |
| Interest from entities within the SA Government | 7 051 | 11 553 |
| Total interest - SA Government entities | 7 051 | 11 533 |
| Total interest | 7 051 | 11 553 |

| | | |
|---|-----------------|---------|
| 19. Commission received | 2009 | 2008 |
| | \$'000 | \$'000 |
| Commissions received from entities within SA Government | 12 785 | 11 739 |
| Total commissions received | 12 785 | 11 739 |
| 20. Net gain or loss from the disposal of non-current assets | | |
| Net gain or loss from disposal of non-current assets received/receivable from entities external to the SA Government: | | |
| Land, buildings and facilities: | | |
| Proceeds from disposal | 15 628 | 18 268 |
| Net book value of assets disposed | (13 441) | (9 389) |
| Net gain from disposal of land, buildings and facilities | 2 187 | 8 879 |
| Plant and equipment: | | |
| Proceeds from disposal | 131 | 173 |
| Net book value of assets disposed | (156) | (175) |
| Net loss from disposal of plant and equipment | (25) | (2) |
| Total assets: | | |
| Proceeds from disposal | 15 759 | 18 441 |
| Net book value of assets disposed | (13 597) | (9 564) |
| Total net gain from disposal of assets - non-SA Government entities | 2 162 | 8 877 |
| Total net gain from disposal of assets | 2 162 | 8 877 |
| 21. Resources received free of charge | | |
| Resources received/receivable free of charge from entities within the SA Government: | | |
| Land, buildings and facilities | - | 2 096 |
| Plant and equipment | - | 500 |
| Network | - | 107 |
| Total resources received free of charge - SA Government entities | - | 2 703 |
| Total resources received free of charge | - | 2 703 |
| This represents assets received by the Department for no consideration and recognised at fair value. | | |
| 22. Other income | | |
| Other income received/receivable from entities within the SA Government: | | |
| Recoveries and contributions | 4 695 | 6 800 |
| Reimbursement works and external project contributions | 2 484 | 2 295 |
| Intra-government transfers | 18 871 | 5 687 |
| Total other income - SA Government entities | 26 050 | 14 782 |
| Other income received/receivable from entities external to the SA Government: | | |
| Recoveries and contributions | 4 374 | 5 353 |
| Reimbursement works and external project contributions | 7 496 | 5 778 |
| Sundry income | 49 | 49 |
| Total other income - non-SA Government entities | 11 919 | 11 180 |
| Total other income | 37 969 | 25 962 |
| 23. Revenues from (payments to) SA Government | | |
| Revenues from SA Government: | | |
| Appropriations from consolidated account pursuant to the <i>Appropriation Act</i> | 435 690 | 358 387 |
| Transfers from contingency provisions | 2 721 | 17 047 |
| Commonwealth grants received via Treasury* | 1 638 | - |
| Total revenues from SA Government | 440 049 | 375 434 |
| Payments to SA Government: | | |
| Income tax equivalent payments (refer Note 3.7) | 5 347 | 6 073 |
| Cash alignment fund transfer | - | 19 140 |
| Other payments to Consolidated Account | 1 550 | 846 |
| Total payments to SA Government | 6 897 | 26 059 |

* Commonwealth grants received from the Department of Treasury and Finance represents IRTA funding. IRTA funding of \$4.968 million has also been recognised as Commonwealth revenues (refer Note 14).

| | | | |
|---|----------------|---------|---------|
| 24. Cash and cash equivalents | 2009 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 |
| Deposits at call - Westpac | 369 253 | 350 580 | 390 173 |
| Deposits with the Treasurer (accrual appropriation) | - | 3 641 | 3 962 |
| Imprest Account | 56 | 331 | 334 |
| Other | 139 | 119 | 100 |
| Total cash | 369 448 | 354 671 | 394 569 |

Deposits with the Treasurer (accrual appropriation)

The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Other

Includes petty cash floats, cashiers' floats and other cash on hand.

Interest rate risk

Cash and cash equivalents are both interest and non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

| | | | |
|--------------------------------------|----------------|---------|---------|
| 25. Receivables | 2009 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 |
| Current: | | | |
| Receivables | 93 417 | 76 824 | 49 427 |
| Allowance for doubtful debts | (2 692) | (2 442) | (1 489) |
| Finance lease receivables | 806 | 654 | 531 |
| GST input tax recoverable | 12 845 | 13 426 | 12 390 |
| Accrued revenues | 36 927 | 21 749 | 28 972 |
| Total current receivables | 141 303 | 110 211 | 89 831 |
| Non-current: | | | |
| Receivables | 401 | 275 | 150 |
| Finance lease receivables | 9 025 | 8 552 | 6 127 |
| Loan receivables | 1 538 | 1 433 | 1 336 |
| Total non-current receivables | 10 964 | 10 260 | 7 613 |
| Total receivables | 152 267 | 120 471 | 97 444 |

Government/non-Government receivables

Receivables from SA Government entities:

| | | | |
|--|---------------|--------|--------|
| Receivables | 44 525 | 48 539 | 27 456 |
| Allowance for doubtful debts | (322) | (34) | (49) |
| Finance lease receivables | 9 831 | 9 206 | 6 658 |
| Accrued revenues | 32 189 | 18 254 | 23 030 |
| Total receivables from SA Government entities | 86 223 | 75 965 | 57 095 |

Receivables from non-SA Government entities:

| | | | |
|--|----------------|---------|---------|
| Receivables | 49 293 | 28 560 | 22 121 |
| Allowance for doubtful debts | (2 370) | (2 408) | (1 440) |
| Loan receivables | 1 538 | 1 433 | 1 336 |
| GST input tax recoverable | 12 845 | 13 426 | 12 390 |
| Accrued revenues | 4 738 | 3 495 | 5 942 |
| Total receivables from non-SA Government entities | 66 044 | 44 506 | 40 349 |
| Total receivables | 152 267 | 120 471 | 97 444 |

Movement in the allowance for doubtful debts

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

| | | | |
|--|---------------|--------|--------|
| Movements in the allowance for doubtful debts (impairment loss) | 2009 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July | 2 442 | 1 489 | 1 113 |
| Provision acquired through restructure | - | - | 166 |
| Increase in the provision | 349 | 1 067 | 385 |
| Amounts written off | (99) | (114) | (175) |
| Carrying amount at 30 June | 2 692 | 2 442 | 1 489 |

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of \$335 000 (\$1.076 million) in the Statement of Comprehensive Income.

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 or from when goods or services have been provided under a contractual agreement. Receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that debtors will fail to discharge their obligations. The carrying amount of receivables approximates their fair value due to being receivable on demand. The carrying amount for receivables which includes an amount owing of \$16.168 million relating to the Indenture Ports (refer Note 45) reflects the most significant concentration of credit risk exposure for the Department.

- (a) Maturity analysis of receivables - refer Note 40.
 (b) Categorisation of financial instruments and risk exposure information - refer Note 40.

| | | | |
|--|---------------|--------|--------|
| 26. Inventories | 2009 | 2008 | 2007 |
| Current - held for distribution at no or nominal consideration: | \$'000 | \$'000 | \$'000 |
| Road making material and stores at costs (SA Government) | 16 | 16 | 11 |
| Road making material and stores at costs (non-SA Government) | 6 557 | 9 345 | 5 318 |
| Total inventories held for distribution at no or nominal consideration | 6 573 | 9 361 | 5 329 |
| Current - other than those held for distribution at no or nominal consideration: | | | |
| Metrotickets at cost | 88 | 105 | 160 |
| Total inventories other than those held for distribution at no or nominal consideration | 88 | 105 | 160 |
| Total current inventories | 6 661 | 9 466 | 5 489 |

Inventory write-down

The Department has recognised no inventory write-down (\$13 000) in the Statement of Comprehensive Income under 'Other expenses' due to functional obsolescence (refer Note 11).

| | | | |
|---|---------------|--------|--------|
| 27. Other current assets | 2009 | 2008 | 2007 |
| Current: | \$'000 | \$'000 | \$'000 |
| Prepayments | 26 984 | 6 182 | 6 520 |
| Total other current assets | 26 984 | 6 182 | 6 520 |
| Government/non-Government other assets | | | |
| Other assets from SA Government entities: | | | |
| Prepayments | 66 | 64 | 445 |
| Other assets from SA Government entities | 66 | 64 | 445 |
| Other assets from non-SA Government entities: | | | |
| Prepayments | 26 918 | 6 118 | 6 075 |
| Other assets from non-SA Government entities | 26 918 | 6 118 | 6 075 |
| Total other current assets | 26 984 | 6 182 | 6 520 |

| | | | |
|---|--------------|-------|--------|
| 28. Non-current assets classified as held-for-sale | | | |
| Non-current assets classified as held-for-sale: | | | |
| Land, buildings and facilities | 3 355 | 6 766 | 15 106 |
| Total non-current assets classified as held-for-sale | 3 355 | 6 766 | 15 106 |

The Department has identified \$3.355 million (\$6.766 million) of land, buildings and facilities that are surplus to the Department's requirements. The land, buildings and facilities are expected to be sold within 12 months by public tender or auction.

| | | | |
|---|------------------|-----------|---------|
| 29. Land, buildings and facilities | 2009 | 2008 | 2007 |
| Land: | \$'000 | \$'000 | \$'000 |
| Land at fair value | 932 081 | 578 038 | 381 414 |
| Total land | 932 081 | 578 038 | 381 414 |
| Land for current projects: | | | |
| Land for current projects at fair value | 4 679 | 4 014 | 6 441 |
| Land for current projects at cost | 83 113 | 47 610 | 22 417 |
| Total land for current projects | 87 792 | 51 624 | 28 858 |
| Buildings and facilities: | | | |
| Buildings and facilities at fair value | 1 277 386 | 1 100 540 | 700 261 |
| Accumulated depreciation at 30 June | 466 935 | 349 237 | 177 158 |
| Total buildings and facilities | 810 451 | 751 303 | 523 103 |

| 29. Land, buildings and facilities (continued) | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|--|------------------|------------------|----------------|
| Buildings and improvements under lease: | | | |
| Buildings and improvements under lease (deemed fair value) | 19 725 | 27 301 | 19 898 |
| Accumulated amortisation at 30 June | - | 687 | 940 |
| Total buildings and improvements under lease | 19 725 | 26 614 | 18 958 |
| Total land, buildings and facilities | 1 850 049 | 1 407 579 | 952 333 |

Valuation of land, buildings and facilities

Refer Note 3.13 for details relating to the revaluation of land, buildings and facilities.

Reconciliation of land, buildings and facilities

The following table shows the movement of land, buildings and facilities during 2008-09.

| 2009 | Land at Fair Value \$'000 | Land for Current Projects \$'000 | Buildings & Facilities \$'000 | Buildings & Improv'mts Under Lease \$'000 | Total \$'000 |
|---|---------------------------------|---|-------------------------------------|--|------------------|
| Carrying amount at 1 July | 576 882 | 51 624 | 752 244 | 25 673 | 1 406 423 |
| Prior period error correction | 1 156 | - | (941) | 941 | 1 156 |
| Adjusted opening balance | 578 038 | 51 624 | 751 303 | 26 614 | 1 407 579 |
| Additions | 3 524 | 36 358 | 8 950 | 26 | 48 858 |
| Disposals | (7 727) | - | (2 942) | - | (10 669) |
| Donated assets | (12 558) | - | - | - | (12 558) |
| Write-offs | (572) | (295) | (59) | - | (926) |
| Revaluation increment (decrement) | 371 307 | - | 62 229 | (6 242) | 427 294 |
| Transfer from works in progress | - | - | 14 976 | - | 14 976 |
| Depreciation and amortisation | - | - | (24 138) | (695) | (24 833) |
| Transfers due to reclassification of assets | (105) | 105 | 82 | - | 82 |
| Other movements | 174 | - | 50 | 22 | 246 |
| Carrying amount at 30 June | 932 081 | 87 792 | 810 451 | 19 725 | 1 850 049 |

| 30. Plant and equipment | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|-------------------------------------|------------------|----------------|----------------|
| Plant and equipment: | | | |
| Plant and equipment (at fair value) | 1 065 846 | 951 938 | 658 708 |
| Information technology (IT) | 34 396 | 28 551 | 22 423 |
| IT under lease | 5 316 | 5 129 | 4 881 |
| | 1 105 558 | 985 618 | 686 012 |
| Accumulated depreciation: | | | |
| Plant and equipment | 685 227 | 584 935 | 388 304 |
| Information technology (IT) | 16 994 | 14 109 | 12 628 |
| IT under lease | 4 692 | 4 169 | 3 492 |
| | 706 913 | 603 213 | 404 424 |
| Total plant and equipment | 398 645 | 382 405 | 281 588 |

Valuation of plant and equipment

Refer Note 3.13 for details relating to the revaluation of plant and equipment.

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2008-09:

| | Plant and equipment \$'000 | Information technology \$'000 | IT under lease \$'000 | 2009 Total \$'000 |
|---|----------------------------------|-------------------------------------|-----------------------------|-------------------------|
| Carrying amount at 1 July | 368 182 | 14 445 | 960 | 383 587 |
| Prior period error correction | (1 179) | (3) | - | (1 182) |
| Adjusted opening balance | 367 003 | 14 442 | 960 | 382 405 |
| Additions | 4 008 | (2) | 994 | 5 000 |
| Disposals | (140) | (16) | - | (156) |
| Write-offs | (144) | - | - | (144) |
| Revaluation increment (decrement) | 12 663 | - | - | 12 663 |
| Depreciation and amortisation | (43 152) | (3 685) | (1 330) | (48 167) |
| Transfers due to reclassification of assets | - | 383 | - | 383 |
| Transfer to/from works in progress | 40 517 | 6 280 | - | 46 797 |
| Other movements | (136) | - | - | (136) |
| Carrying amount at 30 June | 380 619 | 17 402 | 624 | 398 645 |

Depreciation of plant and equipment

Total depreciation associated with plant and equipment for 2008-09 was \$48.167 million. Of this amount, \$48.001 million has been reported within the Statement of Comprehensive Income as operating expenditure of the Department. The remaining \$166 000 relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2009.

| 31. Network assets | 2009 | 2008 | 2007 |
|--|-------------------|-----------|-----------|
| Network assets: | \$'000 | \$'000 | \$'000 |
| Network assets (deemed fair value) | 10 276 468 | 9 334 718 | 8 869 499 |
| Rail and bus track (deemed fair value) | 1 147 239 | 660 138 | 133 584 |
| | 11 423 707 | 9 994 856 | 9 003 083 |
| Accumulated depreciation: | | | |
| Network | 4 962 674 | 4 416 836 | 4 082 734 |
| Rail and bus track | 518 468 | 316 607 | 39 394 |
| | 5 481 142 | 4 733 443 | 4 122 128 |
| Total network assets | 5 942 565 | 5 261 413 | 4 880 955 |

Valuation of network assets

Refer Note 3.13 for details relating to the revaluation of network assets.

Reconciliation of network assets

The following table shows the movement of Network Assets during 2008-09:

| | Roads and signs \$'000 | Earthworks \$'000 | Bridges and culverts \$'000 | Traffic signals and road lighting \$'000 | Rail and bus track \$'000 | Other \$'000 | Total \$'000 |
|---|---------------------------------|----------------------|--------------------------------------|--|---------------------------------|-----------------|------------------|
| Carrying amount at 1 July | 2 344 345 | 1 511 660 | 796 475 | 79 930 | 343 531 | 5 336 | 5 081 277 |
| Prior period error correction | 170 289 | 5 250 | 1 726 | 2 933 | - | (62) | 180 136 |
| Adjusted opening balance | 2 514 634 | 1 516 910 | 798 201 | 82 863 | 343 531 | 5 274 | 5 261 413 |
| Additions | - | - | - | - | - | - | - |
| Transfers from work in progress | 116 837 | 13 722 | 81 103 | 4 519 | 14 813 | 4 536 | 235 530 |
| Write-offs | (111) | - | (160) | (75) | - | (176) | (522) |
| Revaluation increment (decrement) | 218 766 | - | 78 158 | 946 | 282 049 | (3 022) | 576 897 |
| Depreciation and amortisation | (91 911) | - | (19 781) | (7 239) | (12 003) | (200) | (131 134) |
| Transfers in due to reclassification of assets | - | - | - | - | 381 | - | 381 |
| Carrying amount at 30 June | 2 758 215 | 1 530 632 | 937 521 | 81 014 | 628 771 | 6 412 | 5 942 565 |

| 32. Capital works in progress | 2009 | 2008 | 2007 |
|--|----------------|---------|---------|
| Capital works in progress: | \$'000 | \$'000 | \$'000 |
| Buildings and facilities | 85 981 | 78 073 | 28 175 |
| Road network | 563 250 | 386 753 | 306 599 |
| Plant and equipment | 48 404 | 22 293 | 4 498 |
| Rail and bus track | 124 267 | 39 999 | 32 447 |
| Total capital works in progress | 821 902 | 527 118 | 371 719 |

Valuation of works in progress

Refer Note 3.13 for details regarding works in progress valuations.

Reconciliation of capital works in progress

The following table shows the movement of capital works in progress during 2008-09:

| | Road network \$'000 | Plant and equipment \$'000 | Buildings & facilities \$'000 | Rail and bus track \$'000 | Total \$'000 |
|---------------------------------------|---------------------------|----------------------------------|-------------------------------------|---------------------------------|-----------------|
| Carrying amount at 1 July | 411 138 | 22 298 | 78 320 | 39 999 | 551 755 |
| Prior period error correction | (24 385) | (5) | (247) | - | (24 637) |
| Adjusted opening balance | 386 753 | 22 293 | 78 073 | 39 999 | 527 118 |
| Additions | 404 464 | 75 804 | 24 478 | 99 081 | 603 827 |
| Transfer to capital | (220 717) | (46 797) | (14 996) | (14 813) | (297 323) |
| Transfer to intangibles | - | (2 817) | - | - | (2 817) |
| Transfer to operating | (7 220) | (79) | (192) | - | (7 491) |
| Transfer to finance lease receivables | - | - | (1 302) | - | (1 302) |
| Other movements | (30) | - | (80) | - | (110) |
| Carrying amount at 30 June | 563 250 | 48 404 | 85 981 | 124 267 | 821 902 |

| 33. Intangible assets | 2009 | 2008 | 2007 |
|--------------------------------|---------------|--------|--------|
| Software: | \$'000 | \$'000 | \$'000 |
| Computer software | 43 496 | 40 169 | 34 538 |
| Accumulated amortisation | 24 736 | 20 286 | 16 047 |
| Total intangible assets | 18 760 | 19 883 | 18 491 |

Valuation of intangible assets

Refer Note 3.13 for details on the valuation of intangible assets.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2008-09:

| | 2009 \$'000 |
|--|----------------|
| Carrying amount at 1 July | 19 936 |
| Prior period error correction | (53) |
| Adjusted opening balance | 19 883 |
| Additions | 904 |
| Transfer out due to reclassification of assets | (381) |
| Depreciation and amortisation | (4 463) |
| Transfer from works in progress | 2 817 |
| Carrying amount at 30 June | 18 760 |

| 34. Payables | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|-----------------------------------|----------------|----------------|----------------|
| Current: | | | |
| Creditors | 116 611 | 78 901 | 58 099 |
| Accrued expenses | 47 583 | 43 338 | 45 437 |
| Employment on-costs | 4 978 | 4 675 | 4 385 |
| Total current payables | 169 172 | 126 914 | 107 921 |
| Non-current: | | | |
| Employment on-costs | 5 747 | 4 945 | 4 837 |
| Total non-current payables | 5 747 | 4 945 | 4 837 |
| Total payables | 174 919 | 131 859 | 112 758 |

Government/non-Government payables

Payables to SA Government entities:

| | | | |
|--|---------------|--------|--------|
| Creditors | 3 967 | 1 670 | 15 469 |
| Accrued expenses | 6 903 | 592 | 6 710 |
| Employment on-costs - superannuation and payroll tax | 10 725 | 9 620 | 9 222 |
| Total payables to SA Government entities | 21 595 | 11 882 | 31 401 |

Payables to non-SA Government entities:

| | | | |
|---|----------------|---------|---------|
| Creditors | 112 644 | 77 231 | 42 630 |
| Accrued expenses | 40 680 | 42 746 | 38 727 |
| Total payables to non-SA Government entities | 153 324 | 119 977 | 81 357 |
| Total payables | 174 919 | 131 859 | 112 758 |

Interest rate and credit risk

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

Employment on-costs

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate of 35 percent to 45 percent and the average factor for the calculation of superannuation cost on-cost has changed from the 2008 rate of 11 percent to 10.5 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost liability of \$462 000 and a decrease to employment benefit expenses of \$462 000. The estimated impact on 2010 and 2011 is not expected to be materially different to the impact in 2009.

(a) Maturity analysis of payables – refer Note 40.

(b) Categorisation of financial instruments and risk exposure information - refer Note 40.

| 35. Borrowings | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|---|----------------|----------------|----------------|
| Current: | | | |
| Obligations under finance leases and plant hire contracts: ⁽¹⁾ | | | |
| Balance as at 1 July | 1 818 | 1 674 | 676 |
| Increase in lease liabilities due to: | | | |
| Transfers | 2 056 | 1 838 | 1 694 |
| Repayments | (1 959) | (1 694) | (696) |
| Balance as at 30 June | 1 915 | 1 818 | 1 674 |
| Total current borrowings | 1 915 | 1 818 | 1 674 |
| Non-current: | | | |
| Obligations under finance leases and plant hire contracts: ⁽¹⁾ | | | |
| Balance as at 1 July | 19 825 | 20 972 | 1 205 |
| Increase in lease liabilities due to: | | | |
| New leases | 641 | 771 | 1 138 |
| Transfers | (1 703) | (1 838) | 19 183 |
| Repayments | - | (80) | (554) |
| Balance as at 30 June | 18 763 | 19 825 | 20 972 |

| | | | |
|---|---------------|--------|--------|
| 35. Borrowings (continued) | 2009 | 2008 | 2007 |
| Borrowings from SA Government: ⁽²⁾ | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July | 47 760 | 47 760 | 47 760 |
| Debt received | - | - | - |
| Repayments | - | - | - |
| Balance as at 30 June | 47 760 | 47 760 | 47 760 |
| Total non-current borrowings | 66 523 | 67 585 | 68 732 |
| Total borrowings | 68 438 | 69 403 | 70 406 |

- (1) Secured by the asset leased.
(2) Unsecured loans which bear interest.

Borrowings (unsecured loans) are recognised at cost. The interest rate is determined by the Treasurer on a quarterly basis. The weighted interest rate for the 2008-09 year was 5.71 percent (6.73 percent).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

| | | | |
|--|---------------|--------|--------|
| Assets pledged as security | 2009 | 2008 | 2007 |
| The carrying amount of non-current assets pledged as security are: | \$'000 | \$'000 | \$'000 |
| Lease land and buildings: | | | |
| Buildings and improvements under lease | 19 725 | 26 614 | 18 958 |
| Leased plant and equipment: | | | |
| Computer and office equipment | 1 814 | 1 941 | 2 099 |
| Statenet Core Network equipment | 338 | 609 | 880 |
| Total assets pledged as security | 21 877 | 29 164 | 21 937 |

- (a) Maturity analysis of borrowings - refer Note 40.
(b) Categorisation of financial instruments and risk exposure information - refer Note 40.
(c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

| | | | |
|--|---------------|--------|--------|
| 36. Employee benefits | 2009 | 2008 | 2007 |
| Current: | \$'000 | \$'000 | \$'000 |
| Annual leave | 16 874 | 15 983 | 14 725 |
| Long service leave | 4 604 | 4 400 | 3 992 |
| Accrued salaries and wages | 5 973 | 5 024 | 3 383 |
| Total current employee benefits | 27 451 | 25 407 | 22 100 |
| Non-current: | | | |
| Long service leave | 57 806 | 54 165 | 50 582 |
| Total non-current employee benefits | 57 806 | 54 165 | 50 582 |
| Total employee benefits | 85 257 | 79 572 | 72 682 |

The total current and non-current employee liability (i.e. aggregate employee benefit plus related on-costs) for 2009 is \$32.430 million (\$29.342 million) and \$63.553 million (\$59.110 million) respectively.

Annual leave

Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.

Long service leave

Long service leave liability has been allocated between current and non current liabilities using the leave pattern history of the previous year.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark measurement of the long service leave liability has remained at 6.5 years.

In addition, the actuarial assessment performed by the Department of Treasury and Finance revised the salary inflation rate down by 0.5 percent to 4 percent from the 2008 rate of 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of \$82 000 and employee benefit expense of \$82 000. The estimated impact on 2010 and 2011 is not expected to be materially different to the impact in 2009.

| | | | |
|---|---------------|--------|--------|
| 37. Provisions | 2009 | 2008 | 2007 |
| Current: | \$'000 | \$'000 | \$'000 |
| Provision for workers compensation | 1 261 | 1 514 | 1 423 |
| Site remediation | 2 432 | 2 555 | 752 |
| Provision for Indentured Ports payment to the Treasurer | 16 168 | 12 924 | 10 070 |
| Other provisions (SA Government) | 3 784 | 2 687 | 2 311 |
| Total current provisions | 23 645 | 19 680 | 14 556 |

| | | | |
|-------------------------------------|---------------|--------|--------|
| 37. Provisions (continued) | 2009 | 2008 | 2007 |
| Non-current: | \$'000 | \$'000 | \$'000 |
| Site remediation | 3 090 | 2 746 | 4 462 |
| Provision for workers compensation | 3 610 | 3 860 | 3 398 |
| Total non-current provisions | 6 700 | 6 606 | 7 860 |
| Total provisions | 30 345 | 26 286 | 22 416 |

Reconciliation of workers compensation

The following table shows the movement of the workers compensation provision:

| | | | |
|--|----------------|---------|---------|
| Carrying amount at 1 July | 5 374 | 4 821 | 3 703 |
| Provision acquired on restructure | - | - | 1 185 |
| Increase in provision due to revision of estimates | 1 642 | 2 969 | 1 823 |
| Reductions resulting from payments | (2 145) | (2 416) | (1 890) |
| Carrying amount at 30 June | 4 871 | 5 374 | 4 821 |

Reconciliation of site remediation

The following table shows the movement of the site remediation provision:

| | | | |
|---|--------------|-------|-------|
| Carrying amount at 1 July | 5 301 | 5 214 | 5 942 |
| Increase (Decrease) in provision due to revision of estimates | 241 | 226 | (577) |
| Reductions resulting from payments | (20) | (139) | (151) |
| Carrying amount at 30 June | 5 522 | 5 301 | 5 214 |

Reconciliation of indentured ports

The following table shows the movement of the indentured ports provision:

| | | | |
|--|----------------|--------|--------|
| Carrying amount at 1 July | 12 924 | 10 070 | 7 900 |
| Increase in provision resulting from invoices raised | 4 262 | 3 707 | 3 100 |
| Reductions resulting from payments | (1 018) | (853) | (930) |
| Carrying amount at 30 June | 16 168 | 12 924 | 10 070 |

Reconciliation of other provisions

The following table shows the movement of other provisions:

| | | | |
|--|----------------|---------|---------|
| Carrying amount at 1 July | 2 687 | 2 311 | - |
| Provision acquired on restructure | - | - | 1 605 |
| Increase in provision due to revision of estimates | 4 539 | 5 620 | 3 914 |
| Reductions resulting from payments | (3 442) | (5 244) | (3 208) |
| Carrying amount at 30 June | 3 784 | 2 687 | 2 311 |

38. Other liabilities

Current:

| | | | |
|--|---------------|--------|--------|
| Deferred income - SA Government | 966 | 1 006 | 984 |
| Deferred income - non-SA Government | 58 055 | 51 212 | 37 417 |
| Lease incentives - non-SA Government | 2 417 | 2 582 | 1 023 |
| Other - SA Government | 3 749 | 2 616 | 2 580 |
| Total current other liabilities | 65 187 | 57 416 | 42 004 |

Non-current:

| | | | |
|--|---------------|---------|---------|
| Deferred income - non-SA Government | - | 50 315 | 85 992 |
| Lease incentives - non-SA Government | 18 336 | 4 673 | 5 266 |
| Total non-current other liabilities | 18 336 | 54 988 | 91 258 |
| Total other liabilities | 83 523 | 112 404 | 133 262 |

The Auslink Advance Specific Projects Fund includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional Programme. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on the 30 June 2006, to be expended over the four year period between 2006-2007 and 2009-10. A Commonwealth grant of \$11.190 million for works to be performed under the Auslink Strategic Regional Programme was received on 27 June 2007, to be expended over the four year period between 2006-2007 and 2009-10. A \$3 million Commonwealth grant was also received to undertake a Transport Sustainability Study to analyse urban congestion in Adelaide up to 2030. This study is required to be completed by June 2010.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12.

39. Adjustments to equity

Adjustments against retained earnings:

| | | | |
|--|----------------|-----------|----------|
| Work in progress adjustment | 14 982 | 18 278 | 24 070 |
| Asset recognition - error correction | (6 902) | (199 651) | (20 474) |
| Asset revaluation - error correction | 27 | (87 391) | - |
| Changes in accounting policy | - | - | (90 439) |
| Other | 467 | 3 459 | (629) |
| Total adjustments against retained earnings | 8 574 | (265 305) | (87 472) |

| 39. Adjustments to equity (continued) | 2009 | 2008 | 2007 |
|--|---------------|-----------|----------|
| Adjustments against asset revaluation reserve: | \$'000 | \$'000 | \$'000 |
| Other | 278 | - | - |
| Total adjustments against asset revaluation reserve | 278 | - | - |
| Total adjustments to equity | 8 852 | (265 305) | (87 472) |

Work in progress adjustment

Review of completed projects by the Department in 2008-09 identified costs of \$24.637 million which were recognised within the capital work in progress asset balance at 30 June 2008 and prior years which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital work in progress instead of as expenses in the year ended 30 June 2008 or a prior period is an error which was corrected in 2008-09 by an adjustment to retained earnings. The impact on the financial statements for 2007-08 and 2006-07 are summarised below:

| | 2007-08 | 2006-07 | Total |
|--------------------------------|---------------|--------------|---------------|
| | \$million | \$million | \$million |
| Network assets | 14.733 | 9.652 | 24.385 |
| Land, buildings and facilities | 0.244 | 0.003 | 0.247 |
| Plant and equipment | 0.005 | - | 0.005 |
| Total | 14.982 | 9.655 | 24.637 |

Asset Recognition - error correction

Asset revaluation, reconciliation and stocktake procedures in 2008-09 identified assets totalling \$180.077 million which were purchased but not recognised as assets in prior years. The value of assets not recognised as at 30 June 2009 by asset class were:

| | 2007-08 | 2006-07 | Total |
|--------------------------------|----------------|------------------|------------------|
| | \$million | \$million | \$million |
| Network assets* | (8.106) | (172.056) | (180.162) |
| Land, buildings and facilities | - | (1.156) | (1.156) |
| Plant and equipment | 1.204 | 0.008 | 1.212 |
| Intangibles | - | 0.029 | 0.029 |
| Total | (6.902) | (173.175) | (180.077) |

The errors identified were corrected in the 2008-09 financial statements by increasing the balances of relevant asset classes and retained earnings.

* During 2008-09 the Department identified shoulder road assets with a written down value of \$177.016 million which were not included in the network asset revaluation undertaken in 2006-07. In accordance with AASB 108 the error was corrected in the period the error was identified by restating comparative amounts.

40. Financial instruments**40.1 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 3.

| | | Carrying amount/ fair value | |
|------------------------------------|--------|--------------------------------|---------|
| | Note | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Financial assets: | | | |
| Cash and cash equivalents | | | |
| Cash and cash equivalents | 24 | 369 448 | 354 671 |
| Loans and receivables | | | |
| Receivables ⁽¹⁾ | 25 | 113 954 | 97 839 |
| Finance lease receivable | 25, 42 | 9 831 | 9 206 |
| Total financial assets | | 493 233 | 461 716 |
| Financial liabilities: | | | |
| Payables ⁽¹⁾ | 34 | 169 002 | 126 365 |
| Borrowings | 35 | 47 760 | 47 760 |
| Finance lease payable | 35, 42 | 20 678 | 21 643 |
| Total financial liabilities | | 237 440 | 195 768 |

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

Terms, conditions and accounting policies**Financial assets**

The carrying amount of cash and cash equivalents represents fair value. Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in accordance with the terms specified in the contract.

Financial liabilities

Creditors and accruals are recognised for all amounts unpaid equal to the value of goods and services provided. Creditors are normally settled within 30 days.

Finance leases are recorded at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments using a government borrowing rate. Lease payments are made in accordance with the schedules determined at the inception of each lease.

Borrowings (unsecured loans) are recognised at cost. The interest rate is determined by the Treasurer. The weighted interest rate for the 2008-09 year was 5.71 percent (6.73 percent in 2007-08).

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in a financial loss to the Department. The carrying amount for receivables which includes an amount owing of \$16.168 million relating to the Indenture Ports (refer Note 45) reflects the most significant concentration of credit risk exposure for the Department. The Department has credit management policies and procedures in place to ensure business transactions continue to occur with customers with appropriate credit history.

The following table discloses the ageing of financial assets that are past due.

40.2 Ageing analysis of financial assets

| | Past due by | | | Total \$'000 |
|---------------|---|--|---|-------------------------|
| | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2009 | | | | |
| Not impaired: | | | | |
| Receivables | 3 510 | 1 038 | 27 811 | 32 359 |
| 2008 | | | | |
| Not impaired: | | | | |
| Receivables | 6 031 | 4 283 | 20 784 | 31 098 |

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

40.3 Maturity analysis of financial assets and liabilities

| | Carrying amount \$'000 | Contractual maturities | | |
|------------------------------------|---------------------------------------|--|-----------------------------|---|
| | | Less than 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| 2009 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 369 448 | 369 448 | - | - |
| Receivables ⁽¹⁾ | 113 954 | 112 015 | 1 939 | - |
| Finance lease receivable | 13 672 | 1 258 | 4 000 | 8 414 |
| Total financial assets | 497 074 | 482 721 | 5 939 | 8 414 |
| Financial liabilities: | | | | |
| Payables ⁽¹⁾ | 169 002 | 166 260 | 2 742 | - |
| Borrowings | 47 760 | - | - | 47 760 |
| Finance lease payable | 31 424 | 3 146 | 8 028 | 20 250 |
| Total financial liabilities | 248 186 | 169 406 | 10 770 | 68 010 |
| 2008 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 354 671 | 354 671 | - | - |
| Receivables ⁽¹⁾ | 97 839 | 96 131 | 1 708 | - |
| Finance lease receivable | 14 688 | 1 277 | 4 490 | 8 921 |
| Total financial assets | 467 198 | 452 079 | 6 198 | 8 921 |
| Financial liabilities: | | | | |
| Payables ⁽¹⁾ | 126 365 | 124 280 | 2 085 | - |
| Borrowings | 47 760 | - | - | 47 760 |
| Finance lease payable | 33 491 | 3 138 | 8 416 | 21 937 |
| Total financial liabilities | 207 616 | 127 418 | 10 501 | 69 697 |

(1) Receivables and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. In relation to this risk, the Department's exposure is considered to be minimal. The continued existence of the Department in its present form and with its present programs is dependent on government policy, the operation of current fee and charges structures, and continuing appropriations from various acts.

Fair value (market) risk

The Department's exposure to fair value (market) risk is considered minimal. Financial instruments are disclosed at a carrying amount that approximates their net fair value.

The amount for financial assets approximates the net fair value due to the short-term to maturity of the items, or due to the assets being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

Foreign currency risk

The Department enters into business transactions that require payment for goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of forward cover contract through the South Australian Government Financing Authority (SAFA). The forward cover aims to hedge against losses arising from any foreign currency price fluctuations at the date of settlement.

Interest rate risk

The Department's exposure to interest rate risk is measured with reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

Interest revenue from interest bearing assets is calculated using the Common Public Sector Interest Rate (CPSIR) and/or other rates as determined by the Treasurer.

The interest expense implicit in any finance lease payment is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by SAFA.

Interest expense on the Department's unsecured loans is calculated using the CPSIR. Repayments on unsecured loans are negotiated with SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest or loan repayment commitments.

41. Transferred functions

In September 2006 the South Australian Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the Department of Treasury and Finance.

The business services of South Australian Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in their current state with the current employees, who have been providing these services within the Agencies. Cabinet approved the transfer of Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

As part of this reform:

- Effective 21 July 2008, accounts payable and accounts receivable services transitioned from the Department to Shared Services SA.
- Effective 4 August 2008, payroll services transitioned from the Department to Shared Services SA.

12 departmental employees, budget funding of \$1.981 million (representing net budget outflows for the period 2008-09 to 2012-13) and the following assets and liabilities were transferred to Shared Services SA.

| | 2009 |
|--------------------------------|---------------|
| | \$'000 |
| Cash | 119 |
| Total assets | 119 |
| Employee benefits: | |
| Current | 42 |
| Non-Current | 77 |
| Total employee benefits | 119 |
| Net assets transferred | - |

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount.

| | | |
|---|----------------|---------|
| 42. Unrecognised contractual commitments | 2009 | 2008 |
| Capital commitments | \$'000 | \$'000 |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows: | | |
| Within one year | 630 807 | 384 390 |
| Later than one year but no later than five years | 300 087 | 360 179 |
| Later than five years | 14 800 | 18 000 |
| Total capital commitments | 945 694 | 762 569 |

The Department's capital commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, the purchase of new public transport buses and the construction and update of Government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

| | | |
|---|---------------|--------|
| Remuneration commitments | 2009 | 2008 |
| 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 | 27 806 | 20 925 |
| Later than one year but no later than five years | 47 178 | 38 747 |
| Total remuneration commitments | 74 984 | 59 672 |

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

| | | |
|--|----------------|---------|
| Other commitments | | |
| Within one year | 302 756 | 316 804 |
| Later than one year but no later than five years | 322 014 | 509 321 |
| Later than five years | 145 720 | 137 600 |
| Total other commitments | 770 490 | 963 725 |

The Department's other commitments include major service and supply contracts for road maintenance, ferry operations and bus and rail transport services. It also includes the outsourced facilities management contract which it manages on behalf of Government. These costs are reimbursable from other agencies.

| | | |
|---|----------------|---------|
| Operating lease commitments as lessee | 2009 | 2008 |
| Commitments under operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows: | \$'000 | \$'000 |
| Within one year | 109 736 | 86 910 |
| Later than one year but no later than five years | 299 879 | 201 179 |
| Later than five years | 218 316 | 67 626 |
| Total operating lease commitments as lessee | 627 931 | 355 715 |

Representing:

| | | |
|--|----------------|---------|
| Cancellable operating leases | 9 298 | 7 355 |
| Non-cancellable operating leases | 618 633 | 348 360 |
| Total operating lease commitments as lessee | 627 931 | 355 715 |

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows

| | | |
|--|----------------|---------|
| Within one year | 103 838 | 82 433 |
| Later than one year but no later than five years | 296 479 | 198 301 |
| Later than five years | 218 316 | 67 626 |
| Total non-cancellable operating lease commitments as lessee | 618 633 | 348 360 |

The Department's operating lease commitments as lessee are for land, motor vehicles, office equipment, other plant and equipment and commercial and residential accommodation.

Commercial accommodation leases are non cancellable with terms ranging from one to ten years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for three years (or 60 000 kms whichever comes first) or five years (or 100 000 kms whichever comes first).

Photocopier leases are non cancellable with terms of four years, with rentals paid monthly.

| | | |
|--|----------------|---------|
| Operating lease commitments as lessor | 2009 | 2008 |
| Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows: | \$'000 | \$'000 |
| Within one year | 113 353 | 98 065 |
| Later than one year but no later than five years | 263 422 | 201 200 |
| Later than five years | 209 191 | 53 337 |
| Total operating lease commitments as lessor | 585 966 | 352 602 |

Operating lease commitments as lessor (continued)

The Department's operating lease commitments as lessor are for commercial properties and access rights to State owned land sites.

Commercial accommodation leases are non-cancellable with terms ranging from one to ten years. Rental is receivable in advance.

| Finance lease commitments as lessee | 2009 | 2008 |
|--|-----------------|----------|
| Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows: | \$'000 | \$'000 |
| Within one year | 3 146 | 3 138 |
| Later than one year but no longer than five years | 8 028 | 8 416 |
| Later than five years | 20 250 | 21 937 |
| Minimum lease payments | 31 424 | 33 491 |
| Future finance leases lease charges | (10 746) | (11 848) |
| Total finance lease commitments as lessee (recognised as liability) | 20 678 | 21 643 |

The present value of finance lease payable is as follows:

| | | |
|---|---------------|--------|
| Within one year | 1 915 | 1 818 |
| Later than one year but no longer than five years | 4 237 | 4 460 |
| Later than five years | 14 526 | 15 365 |
| Present value of finance lease | 20 678 | 21 643 |

Representing:

| | | |
|-------------------------------------|---------------|--------|
| Current | 1 915 | 1 818 |
| Non-current | 18 763 | 19 825 |
| Total included in borrowings | 20 678 | 21 643 |

The Department's finance leases as lessee relate to government accommodation and computer hardware and software.

The Department's computer and network printer equipment leases are non cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 13.13 percent.

Equipment for the StateNet Core network has been leased under a non-cancellable lease for a term of five years. Rentals are paid monthly and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 6.73 percent.

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rental is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. This contingent rental expense was \$1.822 million (\$1.671 million). The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease is 5.52 percent.

| Finance lease commitments as lessor | 2009 | 2008 |
|--|----------------|---------|
| Finance lease receivables contracted for at the reporting date are as follows: | \$'000 | \$'000 |
| Within one year | 1 258 | 1 277 |
| Later than one year but no longer than five years | 4 000 | 4 490 |
| Later than five years | 8 414 | 8 921 |
| Minimum lease payments | 13 672 | 14 688 |
| Unearned finance income | (3 841) | (5 482) |
| Total finance lease commitments as lessor (recognised as assets) | 9 831 | 9 206 |

The present value of finance lease receivable is as follows:

| | | |
|---|--------------|-------|
| Within one year | 806 | 654 |
| Later than one year but no longer than five years | 2 538 | 2 465 |
| Later than five years | 6 487 | 6 087 |
| Present value of finance lease | 9 831 | 9 206 |

Representing:

| | | |
|--------------------------------------|--------------|-------|
| Current | 806 | 654 |
| Non-current | 9 025 | 8 552 |
| Total included in receivables | 9 831 | 9 206 |

The Department's finance leases as lessor represent recreational jetties and residential properties (ie government employee housing). Recreational jetties provide no material reserve to the Department and have not been recognised by the Department (refer Note 3.14).

Residential property finance leases where the Department is the lessor are non cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the Department. Rental is paid one month in advance and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 4.75 percent.

43. Contingent assets and liabilities

At 30 June 2009, the Department had:

- possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury
- received notification of other cases not yet subject to Court action or formal claim, which may result in subsequent litigation in the future
- possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale.

In addition, the Department is awaiting the outcome of formal and informal proceedings which may result in possible material liabilities.

The Department believes that the extent of these contingent liabilities cannot be reliably measured at balance date.

The Department is awaiting the outcome of a formal proceeding which may result in a contingent asset, which at balance date is not quantifiable.

44. Cash flow reconciliation

| | | |
|--|----------------|---------|
| Reconciliation of cash - cash at 30 June as per: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Statement of Cash Flows | 369 448 | 354 671 |
| Statement of Financial Position | 369 448 | 354 671 |

Reconciliation of net cash provided by operating activities to net cost of providing services:

| | | |
|---|------------------|-----------|
| Net cash provided by operating activities | 569 300 | 305 018 |
| Revenues from SA Government | (440 049) | (375 434) |
| Payments to SA Government | 6 897 | 26 059 |
| <i>Add (Less):</i> Non-cash items: | | |
| Net gain on sale or disposal of non-current assets | 2 162 | 8 877 |
| Depreciation/amortisation expense of non-current assets | (208 431) | (188 642) |
| Assets written off | (1 604) | (4 763) |
| Assets donated | (12 558) | (14 995) |
| Inventory write-downs | - | (13) |
| Revaluation decrement of non-current assets | - | (2 920) |
| Fair value of assets received | - | 2 703 |
| Movements in assets and liabilities: | | |
| Increase in receivables | 30 592 | 34 458 |
| (Decrease) Increase in inventories | (2 805) | 3 978 |
| Increase (Decrease) in other assets | 4 294 | (337) |
| Increase in payables and provisions | (7 531) | (21 188) |
| Increase in employee entitlements | (4 497) | (4 106) |
| Decrease in other liabilities | 28 987 | 23 662 |
| Net cost of providing services | (35 243) | (207 643) |

45. Indenture ports

Funds in regard to cargo services and harbour services charges are collected by the Department and applied to the maintenance of indenture ports. Any remaining funds are returned to the Consolidated Account. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Consolidated Account in 2008-09 was \$336 000 (\$748 000). In addition to the amount paid, the Department has recognised a provision in 2008-09 of \$16.168 million (\$12.924 million) representing the outstanding funds to be collected by the Department and returned to the Consolidated Account.

46. Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001. Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the Fund.

| | | |
|------------------------------|---------------|----------|
| Inflows: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Receipts into the Fund | 12 202 | 8 691 |
| Total inflows | 12 202 | 8 691 |
| Outflows: | | |
| Payments from the Fund | 2 515 | 25 254 |
| Total outflows | 2 515 | 25 254 |
| Net (deficit) surplus | 9 687 | (16 563) |
| Fund balance: | | |
| Balance at 1 July | 22 755 | 39 318 |
| Net (deficit) surplus | 9 687 | (16 563) |
| Balance at 30 June | 32 442 | 22 755 |

Receipts into the Fund

The receipts into the Fund in 2008-09 results predominantly from \$1.1 million interest, \$4.3 million rental and property income, \$4.3 million land sales and \$700 000 appropriation from the Department of Treasury and Finance for the Port River Expressway - Stage 3 (Rail)

Payments from the Fund

The payments from the Fund in 2008-09 resulted predominantly from money being spent on non-metropolitan passenger rail services projects and on the Eyre Peninsula Rail Upgrade project.

47. Community Road Safety Fund

The Community Road Safety Fund has been operative since 1 July 2003, and is currently funded by an appropriation from the Department of Treasury and Finance. These funds are utilised for the purposes of road safety initiatives, including a payment to the South Australia Police Department of \$34.7 million for safety related policing expenditure. The appropriation for 2008-09 was \$77.318 million.

| | 2009 | 2008 |
|------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Inflows: | | |
| Receipts into the Fund | 78 141 | 74 006 |
| Total inflows | 78 141 | 74 006 |
| Outflows: | | |
| Payments from the Fund | 76 659 | 74 857 |
| Total outflows | 76 659 | 74 857 |
| Net surplus (deficit) | 1 482 | (851) |
| Fund balance: | | |
| Balance at 1 July | 1 894 | 2 745 |
| Net (deficit) surplus | 1 482 | (851) |
| Balance at 30 June | 3 376 | 1 894 |

48. AusLink Advance Account for specific projects

The Auslink Advance Specific Projects Fund includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional Programme. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on the 30 June 2006, to be expended over the four year period between 2006-07 and 2009-10. The Department also received a Commonwealth grant of \$11.190 million for works to be performed under the Auslink Strategic Regional Programme on 27 June 2007, to be expended over the four year period between 2006-07 and 2009-10.

The Department received \$3 million Commonwealth funding to undertake the Transport Sustainability Study, to analyse urban congestion in Adelaide up to 2030. This study is required to be completed by June 2010.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12 (refer Note 38).

| | 2009 | 2008 |
|------------------------------|-----------------|----------|
| | \$'000 | \$'000 |
| Inflows: | | |
| Receipts into the Fund | 4 196 | 10 289 |
| Total inflows | 4 196 | 10 289 |
| Outflows: | | |
| Payments from the Fund | 46 967 | 22 041 |
| Total outflows | 46 967 | 22 041 |
| Net (deficit) surplus | (42 771) | (11 752) |
| Fund balance: | | |
| Balance at 1 July | 99 488 | 111 240 |
| Net (deficit) surplus | (42 771) | (11 752) |
| Balance at 30 June | 56 717 | 99 488 |

Receipts into the Fund

The receipt into the Fund consists of interest received of \$3.6 million on Sturt Highway, \$400 000 on the Strategic Regional Programme advance and \$100 000 relating to the Transport Sustainability Study (urban congestion).

Payments from the Fund

\$38.9 million relates to expenditure associated with the Sturt Highway and \$8 million expenditure associated with the Strategic Regional Programme.

49. After balance date events

The Department is not aware of any events occurring after balance date.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|--|------|----------------|----------------|
| EXPENSES: | | | |
| Employee benefit expenses | | 408 | 404 |
| Supplies and services | A7 | 3 646 | 4 393 |
| Grants and subsidies | A8 | 3 386 | 3 920 |
| Disbursements on behalf of third parties | A9 | 773 008 | 726 734 |
| Borrowing costs | | 162 | 186 |
| Payments to Consolidated Account | A10 | 127 088 | 144 445 |
| Total expenses | | 907 698 | 880 082 |
| INCOME: | | | |
| Revenues from SA Government | A11 | 13 404 | 12 581 |
| Fees and charges | A12 | 127 924 | 144 900 |
| Collections on behalf of third parties | A13 | 761 952 | 716 561 |
| Commonwealth revenue | A14 | 3 038 | 3 619 |
| Interest | | 496 | 594 |
| Total income | | 906 814 | 878 255 |
| NET RESULT | A20 | (884) | (1 827) |
| TOTAL COMPREHENSIVE RESULT | | (884) | (1 827) |

Net result is attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|--------------------------------------|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash | A15 | 53 168 | 33 398 |
| Receivables | A16 | 533 | 1 711 |
| Total current assets | | 53 701 | 35 109 |
| NON-CURRENT ASSETS: | | | |
| Receivables | A16 | 2 169 | 2 362 |
| Total non-current assets | | 2 169 | 2 362 |
| Total assets | | 55 870 | 37 471 |
| CURRENT LIABILITIES: | | | |
| Payables | A17 | 41 158 | 21 697 |
| Borrowings | A18 | 200 | 189 |
| Employee benefits | A19 | 15 | 11 |
| Total current liabilities | | 41 373 | 21 897 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | A17 | 4 | 3 |
| Borrowings | A18 | 2 158 | 2 357 |
| Employee benefits | A19 | 42 | 37 |
| Total non-current liabilities | | 2 204 | 2 397 |
| Total liabilities | | 43 577 | 24 294 |
| NET ASSETS | | 12 293 | 13 177 |
| EQUITY: | | | |
| Accumulated surplus | A20 | 12 293 | 13 177 |
| TOTAL EQUITY | | 12 293 | 13 177 |
| Contingent assets and liabilities | A25 | | |
| Unrecognised contractual commitments | A26 | | |

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

| | Note | Accumulated | |
|--|------|-------------------|-----------------|
| | | surplus \$'000 | Total \$'000 |
| Balance at 30 June 2007 | | 15 701 | 15 701 |
| Changes in accounting policy | | - | - |
| Prior period - error correction | | (697) | (697) |
| Restated balance at 30 June 2007 | | 15 004 | 15 004 |
| Net result for 2007-08 | | (1 827) | (1 827) |
| Total comprehensive result for 2007-08 | | (1 827) | (1 827) |
| Balance at 30 June 2008 | | 13 177 | 13 177 |
| Restated balance at 30 June 2008 | A20 | 13 177 | 13 177 |
| Net result for 2008-09 | | (884) | (884) |
| Total comprehensive result for 2008-09 | | (884) | (884) |
| Balance at 30 June 2009 | A20 | 12 293 | 12 293 |

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

**Statement of Administered Cash Flows
for the year ended 30 June 2009**

| | | 2009 | 2008 |
|---|------|-------------------|------------|
| | | Inflows | Inflows |
| | | (Outflows) | (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | Note | \$'000 | \$'000 |
| CASH OUTFLOWS: | | | |
| Employee benefit costs | | (399) | (401) |
| Supplies and services | | (3 160) | (5 207) |
| Grants and subsidies | | (3 386) | (3 920) |
| Disbursements on behalf of third parties | | (754 034) | (722 025) |
| Borrowing costs | | (162) | (186) |
| Payments to Consolidated Account | | (127 088) | (146 252) |
| Total cash outflows | | (888 229) | (877 991) |
| CASH INFLOWS: | | | |
| Receipts from SA Government | | 13 404 | 12 581 |
| Receipts from fees and charges | | 127 945 | 144 828 |
| Collections on behalf of third parties | | 763 303 | 716 495 |
| Commonwealth revenue | | 3 038 | 3 619 |
| Interest | | 309 | 594 |
| Total cash inflows | | 907 999 | 878 117 |
| Net cash inflows from operating activities | A22 | 19 770 | 126 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Repayment of loans - SA Government | | (189) | (173) |
| Total cash outflows | | (189) | (173) |
| CASH INFLOWS: | | | |
| Restructuring activities | | - | - |
| Repayment of loans - Local Government | | 189 | 173 |
| Total cash inflows | | 189 | 173 |
| Net cash inflows from financing activities | | - | - |
| NET INCREASE IN CASH HELD | | 19 770 | 126 |
| CASH AT 1 JULY | | 33 398 | 33 272 |
| CASH AT 30 JUNE | A15 | 53 168 | 33 398 |

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2009**

| (Activities - refer Note A5) | Energy Policy & Regulation | | State Infrastructure Facilitation | | Public Transport Services | |
|--|----------------------------|--------------|-----------------------------------|--------------|---------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit costs | - | - | - | - | - | - |
| Supplies and services | - | 233 | - | 1 | - | - |
| Grants and subsidies | 3 375 | 3 847 | - | - | 11 | 73 |
| Disbursements on behalf of third parties | - | - | 698 | 427 | - | - |
| Borrowings costs | - | - | - | - | - | - |
| Payments to Consolidated Account | - | - | - | - | - | - |
| Total expenses | 3 375 | 4 080 | 698 | 428 | 11 | 73 |
| INCOME: | | | | | | |
| Revenues from SA Government | - | - | - | - | - | - |
| Fees and charges | - | - | - | - | - | - |
| Collections on behalf of third parties | - | - | 209 | 10 | - | - |
| Commonwealth revenue | 3 038 | 3 619 | - | - | - | - |
| Interest | - | - | - | - | 3 | 7 |
| Total income | 3 038 | 3 619 | 209 | 10 | 3 | 7 |
| NET RESULT | (337) | (461) | (489) | (418) | (8) | (66) |

| (Activities - refer Note A5) | Service SA | | Transport Infrastructure Services | | Land Services | |
|--|----------------|----------------|-----------------------------------|------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit costs | - | - | - | - | 167 | 164 |
| Supplies and services | - | - | 105 | 1 | 1 169 | 894 |
| Grants and subsidies | - | - | - | - | - | - |
| Disbursements on behalf of third parties | 772 192 | 726 280 | 118 | 27 | - | - |
| Borrowing costs | - | - | 162 | 186 | - | - |
| Payments to Consolidated Account | - | - | - | 28 | 127 088 | 144 417 |
| Total administered expenses | 772 192 | 726 280 | 385 | 242 | 128 424 | 145 475 |
| INCOME: | | | | | | |
| Revenues from SA Government | 10 673 | 9 784 | - | - | 108 | 246 |
| Fees and charges | - | - | - | - | 127 924 | 144 900 |
| Collections on behalf of third parties | 761 519 | 716 497 | 224 | 54 | - | - |
| Commonwealth revenue | - | - | - | - | - | - |
| Interest | - | - | 161 | 186 | 332 | 401 |
| Total administered income | 772 192 | 726 281 | 385 | 240 | 128 364 | 145 547 |
| NET RESULT | - | 1 | - | (2) | (60) | 72 |

| (Activities - refer Note A5) | Building Management | | Not attributed to any program | | Total | |
|--|---------------------|--------------|-------------------------------|------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit costs | - | - | 241 | 240 | 408 | 404 |
| Supplies and services | 2 372 | 3 264 | - | - | 3 646 | 4 393 |
| Grants and subsidies | - | - | - | - | 3 386 | 3 920 |
| Disbursements on behalf of third parties | - | - | - | - | 773 008 | 726 734 |
| Borrowing costs | - | - | - | - | 162 | 186 |
| Payments to Consolidated Account | - | - | - | - | 127 088 | 144 445 |
| Total administered expenses | 2 372 | 3 264 | 241 | 240 | 907 698 | 880 082 |
| INCOME: | | | | | | |
| Revenues from SA Government | 2 382 | 2 311 | 241 | 240 | 13 404 | 12 581 |
| Fees and charges | - | - | - | - | 127 924 | 144 900 |
| Collections on behalf of third parties | - | - | - | - | 761 952 | 716 561 |
| Commonwealth revenue | - | - | - | - | 3 038 | 3 619 |
| Interest | - | - | - | - | 496 | 594 |
| Total administered income | 2 382 | 2 311 | 241 | 240 | 906 814 | 878 255 |
| OPERATING (DEFICIT) SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE | 10 | (953) | - | - | (884) | (1 827) |

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

The administered financial statements include income, expenses, assets and liabilities that the Department for Transport, Energy and Infrastructure (the Department) administers on behalf of the SA Government but does not control.

A1. Objectives of the Department

The objectives of the Department, outlined in Note 1 for controlled items, apply equally to the administered financial statements.

A2. Departmental organisation

The organisational structure of the Department, outlined in Note 2 in the controlled items notes, applies to both the departmental and the administered financial statements.

During 2008-09 there were no changes to the Department's structure that resulted in a change in the nature of administrative items.

A3. Summary of significant accounting policies

The policies of the Department outlined in Note 3 for controlled items apply equally to the Administered Financial Statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Statement of Financial Position for controlled items.

A4. Changes in accounting policies

The changes in accounting policies as outlined in Note 4 for controlled items apply equally to the administered financial statements. With respect to specific policies no changes have been noted for administered functions.

A5. Activities of the Department

The activities of the Department outlined in Note 5 in the controlled items notes apply equally to the administered financial statements.

A6. Administered items of the Department

The administered items of the Department are comprised of the following:

- contractors deposits
- Emergency Services levy receipts
- expiation receipts including the Victims of Crime levy
- firearm licence receipts
- Hospital Fund – contribution
- Land Service regulatory fees
- Lincoln Cove Marina
- major administered projects
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister for Transport, Energy and Infrastructure (Special Acts salaries)
- Motor Accident Commission receipts
- Passenger Transport Research and Development Fund
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Registrar General and Surveyor General Statutory Act revenues
- Registration and Licensing collections and disbursements
- Renewable Remote Power Generation Program (RRPGP)
- Service SA collections and disbursements
- South-Western Suburbs Drainage Scheme
- Stamp duties receipts
- unclaimed salaries and wages
- Valuer-General (Special Act salaries)
- Workers Liens Trust Account

A7. Supplies and services

| | 2009 | 2008 |
|---|---------------|--------|
| Supplies and services paid/payable to entities within the SA Government: | \$'000 | \$'000 |
| Project expenditure | 2 256 | 2 838 |
| Other | - | 113 |
| Total supplies and services - SA Government entities | 2 256 | 2 951 |
| Supplies and services paid/payable to entities external to the SA Government: | | |
| Project expenditure | 1 390 | 432 |
| Other | - | 1 010 |
| Total supplies and services - non-SA Government entities | 1 390 | 1 442 |
| Total supplies and services | 3 646 | 4 393 |

A8. Grants and subsidies

| | 2009 | 2008 |
|--|---------------|--------|
| Grants and subsidies paid/payable to entities external to the SA Government: | \$'000 | \$'000 |
| Capital grants | 3 386 | 3 920 |
| Total grants and subsidies - non-SA Government entities | 3 386 | 3 920 |
| Total grants and subsidies | 3 386 | 3 920 |

| | | |
|--|----------------|---------|
| A9. Disbursement on behalf of third parties | 2009 | 2008 |
| Disbursements paid/payable to entities within the SA Government: | \$'000 | \$'000 |
| Stamp duties - Department of Treasury and Finance | 137 671 | 146 936 |
| Hospital Fund - Department of Treasury and Finance | 61 415 | 58 943 |
| Emergency Services levy - SA Fire and Emergency Services Commission | 40 748 | 38 719 |
| Expiation notices - South Australia Police | 31 231 | 27 279 |
| Firearms licences - South Australia Police | 2 380 | 2 066 |
| Expiation notices - Courts Administration Authority | 664 | 557 |
| Third party insurance - Motor Accident Commission | 477 053 | 431 623 |
| Other | 3 183 | 2 756 |
| Total disbursements on behalf of third parties paid/payable to entities within the SA Government | 754 345 | 708 879 |
| Disbursements paid/payable to entities external to the SA Government: | | |
| Refunds | 12 151 | 10 909 |
| Federal registrations | 5 498 | 6 276 |
| Other | 1 014 | 670 |
| Total disbursements on behalf of third parties paid/payable to entities external to the SA Government | 18 663 | 17 855 |
| Total disbursement on behalf of third parties | 773 008 | 726 734 |
| A10. Payments to Consolidated Account | | |
| Payments to Consolidated Account | 127 088 | 144 445 |
| Total payments to Consolidated Account | 127 088 | 144 445 |
| A11. Revenues from SA Government | | |
| Revenues from SA Government: | | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 13 055 | 12 094 |
| Special Acts | 349 | 487 |
| Total revenues from SA Government | 13 404 | 12 581 |
| A12. Fees and charges | | |
| Fees and charges received/receivable from entities external to the SA Government: | | |
| Regulatory fees | 127 924 | 144 900 |
| Total fees and charges - non-SA Government entities | 127 924 | 144 900 |
| Total fees and charges | 127 924 | 144 900 |
| A13. Collections on behalf of third parties | | |
| Collections on behalf of the SA Government: | | |
| Stamp duties - Department of Treasury and Finance | 137 671 | 146 936 |
| Hospital Fund - Department of Treasury and Finance | 61 415 | 58 943 |
| Emergency Services levy - SA Fire and Emergency Services Commission | 30 075 | 28 935 |
| Expiation notices - South Australia Police | 31 231 | 27 279 |
| Firearms licenses - South Australia Police | 2 380 | 2 066 |
| Expiation notices - Courts Administration Authority | 664 | 557 |
| Third party insurance - Motor Accident Commission | 477 053 | 431 623 |
| Other | 3 183 | 2 756 |
| Total collections on behalf of the SA Government | 743 672 | 699 095 |
| Collections on behalf of entities external to the SA Government: | | |
| Refunds | 12 151 | 10 909 |
| Federal registrations | 5 498 | 6 276 |
| Other | 631 | 281 |
| Total collections on behalf of third parties external to the SA Government | 18 280 | 17 466 |
| Total collections on behalf of third parties | 761 952 | 716 561 |
| A14. Commonwealth revenue | | |
| RRPGRP* energy rebate contribution | 3 038 | 2 862 |
| PVRP** energy rebate contribution | - | 757 |
| Total Commonwealth revenue | 3 038 | 3 619 |
| * Renewable Remote Power Generation Program | | |
| ** Photovoltaic Rebate Program | | |
| A15. Cash | | |
| Deposits at call | 53 168 | 33 398 |
| Total cash | 53 168 | 33 398 |

| | | |
|--|---------------|--------|
| A16. Receivables | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Receivables | 467 | 1 653 |
| Accrued revenues | 66 | 58 |
| Total current receivables | 533 | 1 711 |
| Non-current: | | |
| Receivables | 2 169 | 2 362 |
| Total non-current receivables | 2 169 | 2 362 |
| Total receivables | 2 702 | 4 073 |
| Government/non-Government receivables | | |
| Receivables from SA Government entities: | | |
| Receivables | 4 | 5 |
| Accrued revenues | 46 | 30 |
| Total receivables from SA Government entities | 50 | 35 |
| Receivables from non-SA Government entities: | | |
| Receivables | 2 632 | 4 010 |
| Accrued revenue | 20 | 28 |
| Total receivables from non-SA Government entities | 2 652 | 4 038 |
| Total receivables | 2 702 | 4 073 |

- (a) Maturity analysis of receivables - refer Note A21.
(b) Categorisation of financial instruments and risk exposure information - refer Note A21.

| | | |
|---|---------------|--------|
| A17. Payables | | |
| Current: | | |
| Creditors | 29 170 | 10 169 |
| Accrued expenses | 11 988 | 11 528 |
| Total current payables | 41 158 | 21 697 |
| Non-current: | | |
| Accrued expenses | 4 | 3 |
| Total non-current payables | 4 | 3 |
| Total payables | 41 162 | 21 700 |
| Government/non-Government payables | | |
| Payables to SA Government entities: | | |
| Creditors | 27 945 | 9 767 |
| Accrued expenses | 11 841 | 11 517 |
| Total payables to SA Government entities | 39 786 | 21 284 |
| Payables to non-SA Government entities: | | |
| Creditors | 1 225 | 402 |
| Accrued expenses | 151 | 14 |
| Total payables to non-SA Government entities | 1 376 | 416 |
| Total payables | 41 162 | 21 700 |

- (a) Maturity analysis of payables - refer to Note A21.
(b) Categorisation of financial instruments and risk exposure information - refer to Note A21.

| | | |
|--|--------------|-------|
| A18. Borrowings | | |
| Balance as at 1 July | 2 546 | 2 719 |
| Increases in debt due to interest | 162 | 186 |
| Repayments: | | |
| Woodville, Henley and Grange Drainage Scheme | (37) | (37) |
| South West Suburbs Drainage Scheme | (313) | (322) |
| Balance as at 30 June | 2 358 | 2 546 |
| Current | 200 | 189 |
| Non-current | 2 158 | 2 357 |
| Total borrowings | 2 358 | 2 546 |

- (a) Maturity analysis of borrowings - refer Note A21.
(b) Categorisation of financial instruments and risk exposure information - refer Note A21.
(c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

| | | |
|--|---------------|---------------|
| A19. Employee benefits | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Employee benefits | 15 | 11 |
| Total current employee benefits | 15 | 11 |
| Non-current: | | |
| Employee benefits | 42 | 37 |
| Total non-current employee benefits | 42 | 37 |
| Total employee benefits | 57 | 48 |

Remuneration of employees

Amounts received or receivable by employees relating to administered items whose remuneration is greater than \$100 000.

| | | |
|---|---------------|---------------|
| The number of employees whose remuneration received or receivable falls within the following bands: | 2009 | 2008 |
| | Number | Number |
| \$150 000 - \$159 999 | 1 | - |
| \$160 000 - \$169 999 | - | 1 |
| Total number of employees | 1 | 1 |

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration for the 1 employee (1 employee) was \$159 000 (\$167 000) and reflects all costs of employment including gross salary and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages.

| | | |
|----------------------------|---------------|----------------|
| A20. Equity | 2009 | 2008 |
| | \$'000 | \$'000 |
| Accumulated surplus | 12 293 | 13 177 |
| Total equity | 12 293 | 13 177 |
| Accumulated surplus | | |
| Balance at 1 July | 13 177 | 15 004 |
| Net result | (884) | (1 827) |
| Balance at 30 June | 12 293 | 13 177 |

A21. Financial instruments

A21.1 Categorisation of financial instruments

The financial instrument/financial risk management terms, conditions and accounting policies of the Department, outlined in Note 40 for controlled items, apply equally to the administered financial statements.

| | | | |
|--|------|--------------------------------|---------------|
| | | Carrying amount/ fair value | |
| | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Financial assets | Note | | |
| Cash and cash equivalents: | | | |
| Cash and cash equivalents | A15 | 53 168 | 33 398 |
| Loans and receivables: | | | |
| Receivables ⁽¹⁾ | A16 | 2 702 | 4 073 |
| Total financial assets - at cost | | 55 870 | 37 471 |
| Financial liabilities | | | |
| Financial liabilities - at cost: | | | |
| Payables ⁽¹⁾ | A17 | 41 162 | 21 700 |
| Borrowings | A18 | 2 358 | 2 546 |
| Total financial liabilities - at cost | | 43 520 | 24 246 |

(1) 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 Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

A21.2 Maturity analysis of financial assets and liabilities

| | Carrying amount \$'000 | Contractual maturities | | |
|------------------------------------|------------------------------|-------------------------------|---------------------|--------------------------------|
| | | Less than 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| 2009 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 53 168 | 53 168 | - | - |
| Receivables ⁽¹⁾ | 344 | 344 | - | - |
| Receivables - interest bearing | 2 358 | 200 | 933 | 1 225 |
| Total financial assets | 55 870 | 53 712 | 933 | 1 225 |
| Financial liabilities: | | | | |
| Payables ⁽¹⁾ | 41 162 | 41 162 | - | - |
| Borrowings | 2 358 | 200 | 933 | 1 225 |
| Total financial liabilities | 43 520 | 41 362 | 933 | 1 225 |
| 2008 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 33 398 | 33 398 | - | - |
| Receivables ⁽¹⁾ | 1 527 | 1 527 | - | - |
| Receivables - Interest Bearing | 2 546 | 189 | 879 | 1 478 |
| Total financial assets | 37 471 | 35 114 | 879 | 1 478 |
| Financial liabilities: | | | | |
| Payables ⁽¹⁾ | 21 700 | 21 700 | - | - |
| Borrowings | 2 546 | 189 | 879 | 1 478 |
| Total financial liabilities | 24 246 | 21 889 | 879 | 1 478 |

(1) Receivable and payable amounts disclosed have excluded amounts relating to statutory receivables and payables.

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities represents the Department's maximum exposure to liquidity risk.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk will not arise on the administered interest bearing liabilities and interest bearing assets as the interest rate is fixed over the term of the loan.

A22. Cash flow reconciliation

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Reconciliation of cash - cash at 30 June: | | |
| Statement of Cash Flows | 53 168 | 33 398 |
| Statement of Financial Position | 53 168 | 33 398 |
| Reconciliation of net cash inflows from operating activities to net result | | |
| Net cash inflows from operating activities | 19 770 | 126 |
| Movements in assets and liabilities: | | |
| Decrease in receivables | (1 371) | (36) |
| Increase in liabilities | (19 283) | (1 917) |
| Net result | (884) | (1 827) |

A23. Criminal Injuries Compensation Fund (Victims of Crime levy)

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Public Transport Division of the Department collects criminal injuries compensation levies from expiation notices issued.

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Levies collected during the year | 8 | 5 |
| Levies collected in the previous year | 2 | - |
| Amount paid to Attorney-General's Department | (6) | (5) |
| Amount payable to Attorney-General's Department | 4 | - |

A24. Passenger Transport Research and Development Fund

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Public Transport Division of the Department administers, on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The Fund may be applied by the Minister for Transport for:

- the purpose of carrying out research into the taxi-cab industry
- the purpose of promoting the taxi-cab industry; and/or
- any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

| | 2009 | 2008 |
|---------------------------|-------------------|--------------------|
| | \$'000 | \$'000 |
| Inflows: | | |
| Receipts into the Fund | <u>3</u> | <u>6</u> |
| Total inflows | <u>3</u> | <u>6</u> |
| Outflows: | | |
| Payments from the Fund | <u>11</u> | <u>(72)</u> |
| Total outflows | <u>11</u> | <u>(72)</u> |
| Net deficit | <u>(8)</u> | <u>(66)</u> |
| Fund balance: | | |
| Balance at 1 July | 59 | 125 |
| Net deficit | <u>(8)</u> | <u>(66)</u> |
| Balance at 30 June | <u>51</u> | <u>59</u> |

A25. Contingent assets and liabilities

The Department is not aware of any administered contingent assets or liabilities.

A26. Unrecognised contractual commitments

Other commitments:

| | | |
|--------------------------------|-----------------|-------------------|
| Within one year | <u>-</u> | <u>575</u> |
| Total other commitments | <u>-</u> | <u>575</u> |

A27. Transfer payments

Transfer payments to SA Government:

| | | |
|---|----------------|---------|
| Department of Treasury and Finance | 326 280 | 350 352 |
| SAFECOM (SA Fire and Emergency Services Commission) | 40 748 | 38 719 |
| South Australia Police | 33 611 | 29 346 |
| Courts Administration Authority | 664 | 557 |
| Land Development Corporation | 698 | 428 |
| Motor Accident Commission | 477 053 | 431 623 |
| Other | 3 189 | 2 756 |

Transfer payments to Federal Government:

| | | |
|--|--------------|-------|
| Department of Infrastructure, Transport, Regional Development and Local Government | 5 498 | 6 276 |
|--|--------------|-------|

Transfer payments to Local Government

| | |
|------------|-----|
| 230 | 223 |
|------------|-----|

Transfer payments to non-SA Government:

| | | |
|--------------------------------|-----------------------|-----------------------|
| Other | <u>19 157</u> | <u>19 214</u> |
| Total transfer payments | <u>907 128</u> | <u>879 494</u> |

DEPARTMENT OF TREASURY AND FINANCE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Treasury and Finance (the Department) is an administrative unit established under the PSM Act, and is responsible to the Treasurer.

Functions

The Government, through the Treasurer and the Department, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level
- managing whole-of-government financial management processes
- providing a range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA
- raising and managing the State's debt funding and managing and insuring Government risk through the South Australian Government Financing Authority (SAFA)
- administering public sector superannuation through the State Superannuation Office (Super SA)
- management of Fleet SA, whole-of-government contract services and support for the State Procurement Board
- implementing shared services reform.

For details of the Department's objectives refer to Note 1 of the financial statements.

Shared Services SA

Shared Services SA (SSSA) was created on 15 October 2007 as part of the Department and responsible to the Under Treasurer to operate as the Government's shared services provider. The first group of agency services transitioned into SSSA on 31 March 2008. Further agency services transitioned into SSSA during 2008-09 (refer Note 32).

Administered funds

The Department administers but does not control certain funds on behalf of the Treasurer. Further details are provided in the Statement of Administered Income and Expenses, Statement of Administered Assets and Liabilities, Statement of Changes in Administered Equity and Statement of Administered Cash Flows appearing in the Department's financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

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

Corporate systems

- expenditure
- payroll
- revenue
- financial accounting.

RevenueSA

- financial accounting and recording systems for tax collections
- emergency services levy collection system
- first home owners grant applications and disbursements
- compliance services for all taxes.

Fleet SA

- fleet revenue
- motor vehicle expenditure
- motor vehicle assets.

Audit review of Fleet SA has not covered a range of changes progressing from significant internal reviews and restructuring in the Department since the transfer of this activity from the former Department for Administrative and Information Services (DAIS).

Shared services

- service delivery revenue
- transitioned business processes
- review of the external service provider computer processing bureau security assessment for the CHRIS Human Resource Management System (HRMS).

Financing and insurance services

Commentary in respect of these activities is included in the section of Part B of this Report covering SAFA.

Superannuation services

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Superannuation Board.

Public finances

In addition, Audit undertakes ongoing work with respect to various aspects of the public finances. These matters are primarily reported in Part C of this Report, and the Treasurer's Statements are an Appendix to Part B of this Report.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

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

Assessment of controls

In my opinion, the controls exercised by the Department of Treasury and Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Corporate Systems, RevenueSA, Fleet SA, Government Accounting and Reporting Branch, Shared Services SA and Implementation of the revised TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Treasury and Finance 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 Under Treasurer. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and SSSA and the related responses are detailed below.

Corporate systems

Department of Treasury and Finance

Principal matters reported related to:

- timely review and certification of fortnightly bona fide reports and leave returns reports. All reports are required to be reviewed to ensure payments made to employees and leave taken are valid and accurate
- review of financial management policies and procedures. Some policies and procedures on the Department's intranet were found to have review dates that had lapsed at the time of the audit, while others had review dates beyond twelve months. TI 2 requires financial management policies and procedures be reviewed on at least an annual basis
- service level agreements with the Department of the Premier and Cabinet (DPC), Essential Services Commission of SA and the Independent Gambling Authority expired on 20 June 2008, but charges continued to be raised in 2008-09 for which supporting documentation could not be located.

In addition, a number of matters reported last year were unresolved. These related to:

- little progress in preparation of the Department's next three year Information, Communication and Technology Strategic Plan. Preparing a new plan was delayed due to significant changes in the Corporate Information and Communication Technology Services section and determining whether SSSA's needs would be included in the Plan or be the subject of a separate plan
- little progress in reviewing, updating and testing the Department's Business Recovery Plan. Delays were due to significant changes in the Corporate Information and Communication Technology Services section and pending relocation of the Department's disaster facility by the end of 2009.

In response, the Department indicated:

- all outstanding bona fide reports and leave return reports were being followed up by Financial Services
- some policies and procedures had been reviewed and submitted to the Under Treasurer for approval. Approved revised policies were not placed on the Department's intranet at the time of the audit. The remaining policies and procedures would be reviewed and submitted for approval by the end of September 2009
- all services have been reviewed, documented and costings undertaken. However, transition of accounting services to SSSA delayed finalising new agreements. It was expected that all agreements would be finalised in the near future
- a business case for the commencement of work for the next three year ICT Strategic Plan was being prepared. Approved suppliers on the whole-of-government e-Panel Contract would be invited to submit proposals. Discussions had occurred with SSSA to determine the appropriateness of jointly developing a single consolidated ICT Strategic Plan. Development of the plan is expected to commence in September 2009

Treasury and Finance

- work has commenced in relocating the current disaster recovery facility. Progress is under way to leverage the whole-of-government hosting services contract to relocate this facility to an approved service provider.

Shared Services SA

Principal matters reported to SSSA related to:

- timely purging of inactive and duplicate records in the supplier and customer masterfiles
- lack of review of changes to customer masterfile data
- lack of certification of debtor reconciliations
- the need to decommission the former DAIS general ledger. Former DAIS operations that transferred to DPC and the Department for Transport, Energy and Infrastructure (DTEI) continue to be recorded in the former DAIS general ledger maintained by SSSA.

In response, SSSA indicated:

- a project had commenced to establish and deliver a common process for purging inactive and duplicate records supplier masterfiles on an ongoing basis
- effort would be redirected towards purging of inactive and duplicate records in the customer masterfile
- a report would be produced reflecting all changes to customer masterfile data. Reports would be reviewed against input forms for completeness and accuracy of processing
- debtor reconciliations would be signed by SSSA staff as required
- SSSA had held discussions with DPC and DTEI regarding decommissioning the former DAIS general ledger. DTEI was working towards decommissioning by November 2009 and DPC by September 2009.

RevenueSA

RevenueSA is responsible for the collection of more than \$2.8 billion of taxation revenue on behalf of the Government.

Principal matters reported related to:

- instances where stamp duty general ledger journals were not independently reviewed
- the need to document procedures for:
 - monthly reconciliation between the First Home Owners Grant (FHOG) On-line system and the State Taxation Office Revenue Management System (STORMS)
 - update of land tax rates and tax free thresholds on the South Australian Land Tax (SALT) system
- timely completion of monthly FHOG On-line to STORMS reconciliations.

In response, the Department indicated:

- stamp duty general ledger processing procedures would be updated to require independent review of journals prior to processing. From 1 July 2009 all journals would be independently reviewed and journal sheets would be certified by the reviewing officer as evidence of review
- procedures for monthly reconciliation between the FHOG On-line and STORMS systems were finalised
- procedures for update of land tax rates and tax free thresholds on the SALT system would be documented

- December 2008 and January 2009 FHOG On-line to STORMS reconciliations were not finalised due to recording of newly introduced first home owners boost payments. This was corrected and all reconciliations were now up to date.

Fleet SA

Fleet SA manages the Government's fleet of passenger and light commercial motor vehicles, including policy advice, vehicle leasing services, short-term hire, vehicle maintenance, accident and fuel management, vehicle fit-out and preparation of vehicles for disposal at the Government auctions. On 1 July 2009 Fleet SA transferred to SAFA (refer Note 33).

Principal matters reported related to:

- obtaining timely formal approval for a new vehicle lease rate model implemented on 1 February 2009 and used for invoices raised from the end of February 2009
- the need for Fleet SA to review its existing policy and procedure documents against the requirements of TI 2
- lack of payment authorisation for an invoice of a material amount.

In response, SAFA indicated:

- formal approval for the new vehicle lease rate model was obtained from the Under Treasurer on 20 May 2009
- Fleet SA will integrate all work procedures and documentation into SAFA's policies and procedures manuals
- the control of ensuring that all invoices have authorisation signatures prior to batching and processing will be reinforced to staff preparing payment batches.

Government Accounting and Reporting Branch

Responsibilities of the Government Accounting and Reporting (GAR) Branch include administering the appropriation process, recording the activities of the Consolidated Account and the balances of the Treasurer's deposit accounts and Treasurer's loans.

Principal matters reported related to:

- monthly Treasurer's Contingency Fund reconciliations not being undertaken since July 2008
- monthly reconciliations between the Department's general ledger and the central general ledger not being independently reviewed
- the need for policies and procedures to be documented for key controls/processes
- maintenance of the central general ledger chart of accounts
- creation and maintenance of documented mapping rules between the Department's general ledger and central general ledger.

A number of the matters raised were a result of an officer being new to the position and not being aware of processes previously undertaken.

In response, the Department indicated:

- the Treasurer's Contingency Fund reconciliations were now being performed on a monthly basis
- monthly reconciliations between the Department's general ledger and the central general ledger were now being independently reviewed and evidenced as such
- all policies and procedures for key controls/processes have been created at a high summary level. These will be reviewed, with the intention of creating more detailed documentation where appropriate
- the central general ledger chart of accounts was updated to reflect new purpose codes in 2008-09

- discussions would take place with the Financial Applications System Team at SSSA to determine if it is possible to create a manageable report showing the mapping rules linking the two general ledgers. The report will provide a history of mapping rules to supplement the day to day use of on-line data.

Regarding the transfer of knowledge between the former and current officer, the Department advised that a comprehensive task list was being prepared to allow ongoing monitoring of all required tasks, whether monthly, annual or other basis. In some cases this may identify the need to ensure procedures are better documented.

Shared Services SA

Service delivery revenue

The audit of SSSA in 2008-09 included a review of controls over revenue from the charges levied to agencies for the provision of transaction processing services. The review indicated that, while a number of controls had been established, there was scope for improvement. Principal matters reported related to:

- the need to clarify the authorisation of invoices processed to reclaim unused budget and budget savings from agencies
- procedures for collection and input of monthly billing volumes for some service delivery areas being either in draft form or not documented
- lack of reviews to ensure that the source and composition of documentation used for billing is valid, complete, accurate and relevant.

In response SSSA indicated it has taken, or will take, appropriate action to address the issues raised. For the invoices processed to reclaim unused budget and budget savings from agencies SSSA advised that it believes that the current Under Treasurer's delegations provide it with the authority to raise these invoices. Nevertheless, SSSA indicated that it would clarify the delegations to ensure that it has the ability to raise invoices for charges not specifically covered in the service level determinations.

Transitioned business processes

Payroll, accounts payable and accounts receivable functions for over 50 government agencies transferred to SSSA in 2008-09. These are the core functions that process and record agencies' financial transactions. The transfer of these functions has had a significant impact on the control environment of agencies.

The initial transfer of functions to SSSA was on an 'as is' basis with little change in systems, processes and practices. Due to the differing range of systems, processes and procedures undertaken by SSSA and public authorities, each agency's control environment as performed by SSSA was assessed separately.

For details of control issues identified as part of the audit of the 'as is' environments reference should be made to commentary on the individual government agencies in this part of my Report.

CHRIS HRMS

Payroll/personnel functions for a significant number of government agencies and health units are processed at a bureau service managed by an external service provider. A Bureau Services Agreement was established in January 2008 between the Government and the service provider and is managed by SSSA.

In 2008, a security assessment of the bureau computer processing environment was undertaken. This was conducted by an external consulting firm and resulted in a large number of issues raised. Some of the issues identified were raised in past reviews and were not satisfactorily addressed. They related to matters including application of important software security patches and updates to servers, unfiltered access by the external service provider to production networks, and undertaking of detailed testing of the disaster recovery plan.

In last year's Report, I indicated that there were still matters requiring corrective action and for the Department to consider conducting further security assessments. In response, the Department indicated that some of the matters raised were already in the process of being addressed, while actions regarding future security assessments would be undertaken.

These matters were followed up by Audit with SSSA in mid-2009. Audit found that issues raised had not been adequately addressed with the external service provider. Audit recommended that SSSA review and revisit their position strategically and operationally with regard to responsibility for active management of the Agreement with the service provider. Audit also made recommendations regarding specific security issues, management of security review issues raised, and ongoing requirement for bureau service security assessments.

These matters were conveyed to SSSA. The response from SSSA indicated that responsibility for management of the Agreement was being actioned with the Contract Manager role being transferred to a senior Department executive and with the proposed establishment of a revised formal contract management forum. The remaining matters were also being addressed by the Department.

Implementation of the revised TIs 2 and 28

The Department has progressed the addressing of TIs 2 and 28 but has not fully implemented a Financial Management Compliance Program (FMCP) in 2008-09. This is reflected in the following gaps/actions reported to the Department:

- the Department's approach relies heavily on self assessment coordinated by the Department's Audit and Risk Management Services (ARMS). This is similar to the approach taken for the annual risk assessment, legal compliance and financial statement checklist processes
- the need for annual review of the Department's policies and procedures as required by TI 2
- the ARMS Work Plan for 2008-09 incorporated very little compliance work. ARMS proposed to introduce compliance work into the next three year work plan
- the Department's financial management and compliance framework (FMCF) and FMCP had yet to be approved
- the majority of action items in the draft FMCP had target dates beyond 30 June 2009
- the draft FMCF is at a high level supported, by among other things, the ARMS Work Plan. The ARMS Work Plan for 2009-12 is also at a high level. Detailed audit plans need to be developed after 30 June 2009
- SSSA was developing a separate framework and had yet to report to the Department Audit Committee on the final status of their implementation of TIs 2 and 28.

In response, the Department indicated:

- given the strong compliance culture of the Department and the historical evidence of such, self assessment processes in these circumstances were considered appropriate and consistent with the risk profile of the Department. Going forward, responses provided to the financial management and legal compliance self assessment questionnaires would be verified by ARMS when undertaking internal audits/reviews
- it is the Department's expectation that all Department policies and procedures would be reviewed as circumstances require, which may be annually or more frequently where deficiencies or risks are identified
- the compliance work undertaken pursuant to the ARMS Work Plan is only one of the activities to verify compliance with financial management processes and controls. Other activities underlying the Department's draft FMCP operate throughout the year. The amount of compliance work undertaken during 2008-09 was consistent with the risk profile of the Department assessed through annual and ongoing risk management processes
- the Department has developed a draft FMCP and FMCF which were endorsed by the Department Audit Committee in March 2009. These documents were presented to the Under Treasurer for approval. However, some revisions were requested prior to approval. There was some delay in completing this task due to the recent departure of the Manager, ARMS. Once this position is filled, the documents would be finalised
- relevant action items for specific requirements of TIs 2 and 28 had already been actioned. Actions for other areas where there is scope for improvement were considered low risk and had been prioritised in the ARMS Work Plan. The majority of these items were scheduled for completion in the first half of 2009-10. Internal audits/reviews would be revisited each year based on the outcome of the Department's annual and ongoing risk management process and take into account operational timeframes and processes

- the ARMS Work Plan 2009-10 and, in particular, the internal audit program, would be revisited each year in light of the outcome of the Department's annual and ongoing risk management processes. Detailed audit programs would be developed after 30 June 2009
- SSSA as a branch of the Department is covered under the draft FMCP and FMCF. SSSA has also developed and implemented a separate framework for its service delivery areas (employee services, procure to pay and accounting services) due to the complexity and nature of SSSA business. This framework was approved by the Executive Director, SSSA. SSSA had also undertaken a review of the level of compliance with TI 2 and TI 28 across its service delivery areas. The findings of this review were tabled at the August 2009 Department Audit Committee meeting.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the Department's financial statements

| | 2009 \$'million | 2008 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee benefit expenses | 107.8 | 85.0 |
| Supplies and services | 103.6 | 99.3 |
| Other expenses | 69.2 | 61.2 |
| Total expenses | 280.6 | 245.5 |
| INCOME | | |
| Revenue from fees and charges | 195.5 | 166.3 |
| Other revenue | - | 3.4 |
| Total income | 195.5 | 169.7 |
| Net cost of providing services | (85.1) | (75.8) |
| REVENUES FROM (PAYMENTS TO) SA GOVERNMENT | | |
| Revenues from SA Government | 94.2 | 83.2 |
| Payments to SA Government | (0.5) | (6.5) |
| Income tax equivalent paid | (0.3) | (0.4) |
| Net result and comprehensive result | 8.3 | 0.5 |
| ASSETS | | |
| Current assets | 159.6 | 137.0 |
| Non-current assets | 155.0 | 154.5 |
| Total assets | 314.6 | 291.5 |
| LIABILITIES | | |
| Current liabilities | 101.5 | 85.6 |
| Non-current liabilities | 186.0 | 187.5 |
| Total liabilities | 287.5 | 273.1 |
| EQUITY | 27.1 | 18.4 |

Statement of Comprehensive Income

There is a significant change in the level of financial activity in the Department since 2006 as it is significantly involved in various Government restructures and reforms in recent years.

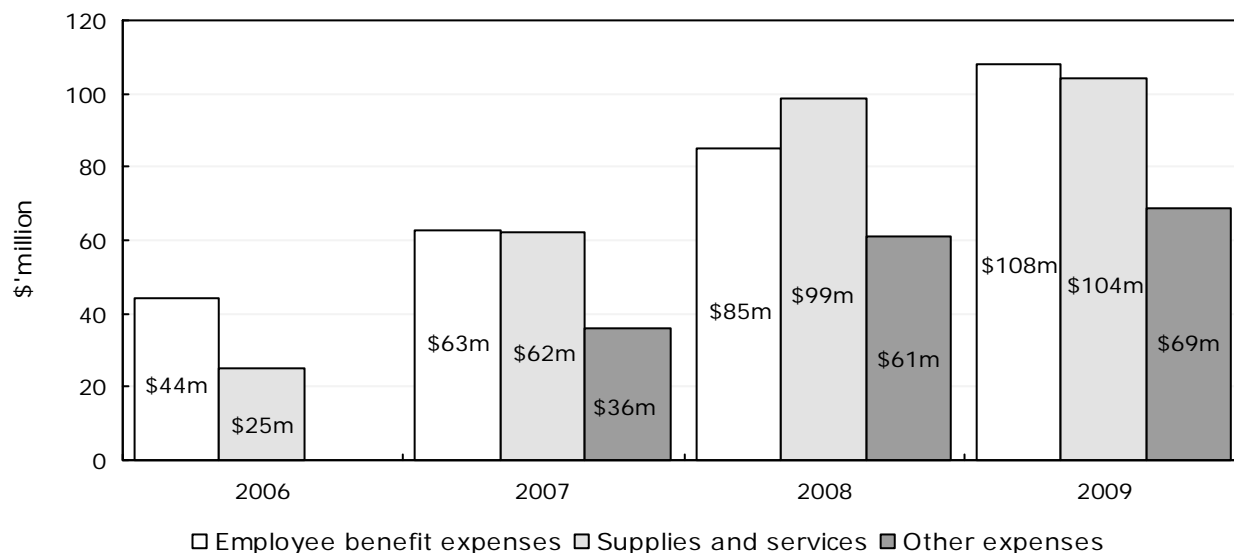
The changes have moved the Department from primarily policy administration to include significant service operations.

The Disaggregated Disclosure – Expenses and Income for the year ended 30 June 2009 highlights financial activity for the Department's programs.

Expenses

Total expenses increased by \$35.1 million (41 percent) to \$280.6 million (\$245.5 million). This was due mainly to a \$22.8 million (27 percent) increase in employee benefit expenses reflecting the transfer of 642.8 FTEs to SSSA (refer Note 32).

The following chart shows the main expense items for the Department for the four years to 2009.



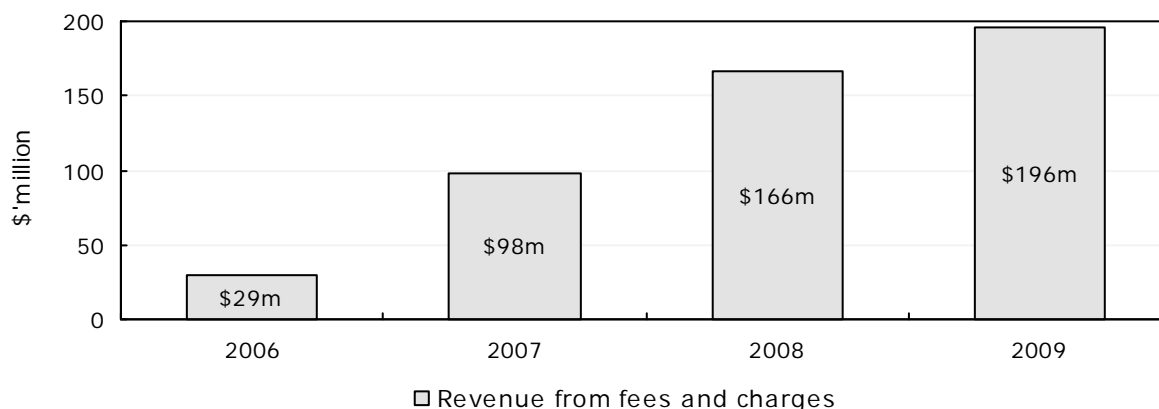
The chart demonstrates the significant change in the activity level since 2006.

The increase in all expense categories in 2007 reflects the transfer on 1 January 2007 of business units from the former DAIS. Further increases in 2008 reflect the full year effect of the DAIS administrative restructure. The increase in employee benefit expenses in 2009 is due to the transfer of staff from other agencies to SSSA.

Income

Total income increased by \$25.8 million (15 percent) to \$195.5 million (\$169.7 million). This was due mainly to a \$32.9 million increase in fees received by SSSA offset by a \$13.4 million decrease in sale of goods because of the closure of the Supply SA warehouse operations in March 2008.

The following chart shows revenues from fees and charges for the Department for the four years to 2009.



The increase in revenues from fees and charges in 2007 reflects the transfer of business units from the former DAIS. Further increase in fees and charges in 2008 reflect the full year effect of the DAIS administrative restructure. The increase in fees and charges in 2009 is due to an increase in fees received by SSSA offset by a decrease in sale of goods, as previously discussed.

Net cost of providing services

The net cost of providing services increased by 12 percent to \$85.1 million (\$75.8 million). This increase reflects increases in all expense categories offset by the increase in revenue from fees and charges, as previously discussed.

Statement of Financial Position

Assets and liabilities

Total assets increased by 8 percent to \$315 million (\$292 million). This increase is due mainly to an \$11 million increase in receivables, the majority of which relates to SSSA.

Total liabilities increased by 5 percent to \$288 million (\$273 million). This increase is due mainly to:

- a \$10 million increase in employee benefits, reflecting the transfer of 642.8 FTEs to SSSA (refer Note 32)
- a \$3 million increase in borrowings from SAFA to fund Fleet SA motor vehicle purchases.

The following chart shows the assets and liabilities for the Department for the four years to 2009.



The significant increase in assets and liabilities in 2007 reflects the transfer on 1 January 2007 of Fleet SA from the former DAIS. Fleet SA motor vehicle assets and borrowings of \$206 million and \$235 million transferred to SAFA on 1 July 2009. As a consequence, the Department's assets and liabilities will reduce back to much lower levels as showing for 2006 in the chart, reflecting essentially employee entitlements and SSSA receivables to manage.

Statement of Cash Flows

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

| | 2009 \$'million | 2008 \$'million | 2007 \$'million | 2006 \$'million |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| Net cash flows | | | | |
| Operating | 53.2 | 39.9 | 50.3 | 1.6 |
| Investing | (61.4) | (37.0) | (28.0) | (0.8) |
| Financing | 12.4 | 24.3 | (2.1) | - |
| Change in cash | 4.2 | 27.2 | 20.2 | 0.8 |
| Cash at 30 June | 63.0 | 58.8 | 31.6 | 11.4 |

The analysis of cash flows shows that the Department's cash position has grown steadily over the four years in line with the transfer of business units from the former DAIS and implementing shared services reforms in 2008-09. Strong cash balances were maintained to meet liquidity needs of the Department's new business activities.

Highlights of the Department's administered financial statements

The administered financial statements mainly reflect the Department's transactions on behalf of the SA Government for the Consolidated Account.

| | 2009 | 2008 |
|-----------------------------|-------------------|------------|
| | \$'million | \$'million |
| <i>INCOME</i> | | |
| Taxation | 3 120 | 3 288 |
| Commonwealth revenues | 4 919 | 3 960 |
| Revenues from SA Government | 1 609 | 1 204 |
| Other revenue | 978 | 1 139 |
| Total income | 10 626 | 9 591 |
| <i>EXPENSES</i> | | |
| Payments to SA Government | 7 779 | 8 134 |
| Other expenses | 2 590 | 1 433 |
| Total expenses | 10 369 | 9 567 |
| Net result | 257 | 24 |
| <i>ASSETS</i> | | |
| Current assets | 1 215 | 1 138 |
| Non-current assets | 4 | 1 |
| Total assets | 1 219 | 1 139 |
| <i>LIABILITIES</i> | | |
| Current liabilities | 855 | 1 029 |
| Non-current liabilities | 492 | 495 |
| Total liabilities | 1 347 | 1 524 |
| <i>EQUITY</i> | (128) | (385) |

The Consolidated Account result for 2008-09 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

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

| | Note | 2009 \$'000 | 2008 \$'000 |
|---|------|-----------------|----------------|
| EXPENSES: | | | |
| Employee benefit expenses | 5 | 107 815 | 85 036 |
| Supplies and services | 6 | 103 631 | 99 255 |
| Depreciation and amortisation expense | 7 | 49 641 | 45 467 |
| Borrowing costs | 8 | 15 287 | 13 625 |
| Other expenses | 9 | 4 237 | 2 081 |
| Total expenses | | 280 611 | 245 464 |
| INCOME: | | | |
| Revenues from fees and charges | 11 | 195 501 | 166 309 |
| Interest revenues | 12 | 173 | 129 |
| Net (loss) gain from disposal of non-current assets | 13 | (1 015) | 2 746 |
| Other revenues | 14 | 903 | 486 |
| Total income | | 195 562 | 169 670 |
| NET COST OF PROVIDING SERVICES | | (85 049) | (75 794) |
| REVENUES FROM (PAYMENTS TO) SA GOVERNMENT | | | |
| Revenues from SA Government | 15 | 94 184 | 83 196 |
| Payments to SA Government | 15 | (455) | (6 466) |
| Income tax equivalent paid | 15 | (346) | (450) |
| NET RESULT | | 8 334 | 486 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE RESULT | | 8 334 | 486 |

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

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

| | | 2009 | 2008 |
|---|------|----------------|---------|
| | Note | \$'000 | \$'000 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 16 | 62 976 | 58 775 |
| Receivables | 17 | 29 972 | 18 937 |
| Property, plant and equipment | 19 | 59 755 | 55 119 |
| | | 152 703 | 132 831 |
| Non-current assets classified as held-for-sale | 18 | 6 911 | 4 133 |
| Total current assets | | 159 614 | 136 964 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 17 | 21 | - |
| Property, plant and equipment | 19 | 146 055 | 149 896 |
| Intangible assets | 20 | 8 899 | 4 651 |
| Total non-current assets | | 154 975 | 154 547 |
| Total assets | | 314 589 | 291 511 |
| CURRENT LIABILITIES: | | | |
| Payables | 21 | 11 373 | 11 974 |
| Borrowings | 22 | 73 054 | 62 462 |
| Employee benefits | 23 | 12 186 | 7 901 |
| Provisions | 24 | 1 159 | 616 |
| Other current liabilities | 25 | 770 | 896 |
| | | 98 542 | 83 849 |
| Liabilities directly associated with non-current assets held-for-sale | | 2 951 | 1 768 |
| Total current liabilities | | 101 493 | 85 617 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 21 | 2 244 | 1 571 |
| Borrowings | 22 | 158 962 | 165 823 |
| Employee benefits | 23 | 22 654 | 17 375 |
| Provisions | 24 | 452 | 410 |
| Other non-current liabilities | 25 | 1 674 | 2 360 |
| Total Non-Current Liabilities | | 185 986 | 187 539 |
| Total Liabilities | | 287 479 | 273 156 |
| NET ASSETS | | 27 110 | 18 355 |
| EQUITY: | | | |
| Contributed capital | 26 | 547 | - |
| Retained earnings | 26 | 26 455 | 18 247 |
| Asset revaluation reserve | 26 | 108 | 108 |
| TOTAL EQUITY | | 27 110 | 18 355 |
| Total equity is attributable to the SA Government as owner | | | |
| Unrecognised contractual commitments | 27 | | |
| Contingent assets and liabilities | 28 | | |

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

| | | Contributed capital | Asset revaluation reserve | Retained earnings | Total |
|--|------|------------------------|---------------------------------|----------------------|---------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2007 | | - | 108 | 18 749 | 18 857 |
| Error Correction | | - | - | (988) | (988) |
| Restated balance at 30 June 2007 | | - | 108 | 17 761 | 17 869 |
| Net result for 2007-08 | | - | - | (223) | (223) |
| Total comprehensive result for 2007-08 | | - | - | (223) | (223) |
| Balance at 30 June 2008 | 26 | - | 108 | 17 538 | 17 646 |
| Error Correction | | - | - | 709 | 709 |
| Restated balance at 30 June 2008 | | - | 108 | 18 247 | 18 355 |
| Net result for 2008-09 | | - | - | 8 334 | 8 334 |
| Total comprehensive result for 2008-09 | | - | - | 8 334 | 8 334 |
| Transactions with SA Government as owner | | | | | |
| Equity contribution received | | 5 087 | - | - | 5 087 |
| Equity contribution repaid | | (4 540) | - | - | (4 540) |
| Net assets transferred as a result of an administrative restructure | 32 | - | - | (126) | (126) |
| Balance at 30 June 2009 | 26 | 547 | 108 | 26 455 | 27 110 |

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

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

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| | Inflows (Outflows) | Inflows (Outflows) |
| | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| CASH OUTFLOWS: | Note | |
| Employee benefit payments | (104 908) | (82 893) |
| Payments for supplies and services | (107 513) | (103 376) |
| Interest paid | (15 287) | (13 625) |
| GST payments on purchases | (21 826) | (19 587) |
| GST remitted to ATO | (23 311) | (22 986) |
| Cash used in operations | (272 845) | (242 467) |
| CASH INFLOWS: | | |
| Fees and charges | 188 568 | 162 192 |
| Interest received | 152 | 123 |
| GST receipts on receivables | 22 291 | 22 297 |
| GST recovered from ATO | 21 867 | 20 738 |
| Other receipts | 351 | 293 |
| Cash generated from operations | 233 229 | 205 643 |
| CASH FLOWS FROM SA GOVERNMENT: | | |
| Receipts from SA Government | 94 184 | 83 196 |
| Payments to SA Government | (455) | (6 466) |
| Income tax equivalents paid | (851) | - |
| Cash generated from SA Government | 92 878 | 76 730 |
| Net cash provided by operating activities | 30(b) 53 262 | 39 906 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| CASH OUTFLOWS: | | |
| Purchase of property, plant and equipment | (102 281) | (80 411) |
| Purchase of intangible assets | (6 316) | (807) |
| Cash used in investing activities | (108 597) | (81 218) |
| CASH INFLOWS: | | |
| Proceeds from sale of property, plant and equipment | 47 162 | 44 214 |
| Cash generated from investing activities | 47 162 | 44 214 |
| Net cash used by investing activities | (61 435) | (37 004) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| CASH OUTFLOWS: | | |
| Repayment of borrowings | (95 801) | (59 644) |
| Repayment of financial leases | (349) | (349) |
| Repayment of capital contribution to SA Government | (4 540) | - |
| Cash used in financing activities | (100 690) | (59 993) |
| CASH INFLOWS: | | |
| Cash received as a result of restructuring activities | 6 855 | - |
| Proceeds from borrowing | 101 122 | 84 276 |
| Capital contribution from SA Government | 5 087 | - |
| Cash generated from financing activities | 113 064 | 84 276 |
| Net cash provided by financing activities | 12 374 | 24 283 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 4 201 | 27 185 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | 58 775 | 31 590 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 30(a) 62 976 | 58 775 |

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

| | (Activities - Refer Note 4) | | | | | |
|---|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit expenses | 17 515 | 14 305 | 37 284 | 32 539 | 35 942 | 10 729 |
| Supplies and services | 7 395 | 4 730 | 23 235 | 20 145 | 19 782 | 7 893 |
| Depreciation and amortisation expense | 834 | 718 | 1 532 | 1 873 | 680 | 118 |
| Borrowing costs | - | - | - | - | - | - |
| Other expenses | 79 | - | 163 | - | - | - |
| Total expenses | 25 823 | 19 753 | 62 214 | 54 557 | 56 404 | 18 740 |
| INCOME: | | | | | | |
| Revenues from fees and charges | 3 353 | 1 643 | 33 811 | 29 944 | 34 720 | 1 118 |
| Interest revenues | - | - | - | - | 166 | 22 |
| Net gain (loss) from disposal of non-current assets | - | - | - | - | - | - |
| Other revenues | 223 | 86 | 259 | 342 | 25 | 13 |
| Total income | 3 576 | 1 729 | 34 070 | 30 286 | 34 911 | 1 153 |
| NET COST OF PROVIDING SERVICES | (22 247) | (18 024) | (28 144) | (24 271) | (21 493) | (17 587) |
| REVENUES FROM (PAYMENT TO) | | | | | | |
| SA GOVERNMENT: | | | | | | |
| Revenues from SA Government | 21 164 | 20 434 | 27 135 | 27 404 | 33 360 | 19 898 |
| Payments to SA Government | - | (1 941) | - | (2 604) | - | (1 890) |
| Income tax equivalent paid | - | - | - | - | - | - |
| NET RESULT | (1 083) | 469 | (1 009) | 529 | 11 867 | 421 |

| | (Activities - Refer Note 4) | | | | Total | |
|---|-----------------------------|-----------------|--------------|--------------|-----------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | |
| Employee benefit expenses | 16 715 | 27 192 | 359 | 271 | 107 815 | 85 036 |
| Supplies and services | 53 164 | 66 469 | 55 | 18 | 103 631 | 99 255 |
| Depreciation and amortisation expense | 46 592 | 42 757 | 3 | 1 | 49 641 | 45 467 |
| Borrowing costs | 15 287 | 13 625 | - | - | 15 287 | 13 625 |
| Other expenses | 3 994 | 2 081 | 1 | - | 4 237 | 2 081 |
| Total expenses | 135 752 | 152 124 | 418 | 290 | 280 611 | 245 464 |
| INCOME: | | | | | | |
| Revenues from fees and charges | 123 517 | 133 603 | 100 | 1 | 195 501 | 166 309 |
| Interest revenues | 7 | 107 | - | - | 173 | 129 |
| Net gain (loss) from disposal of non-current assets | (1 015) | 2 746 | - | - | (1 015) | 2 746 |
| Other revenues | 396 | 45 | - | - | 903 | 486 |
| Total income | 122 905 | 136 501 | 100 | 1 | 195 562 | 169 670 |
| NET COST OF PROVIDING SERVICES | (12 847) | (15 623) | (318) | (289) | (85 049) | (75 794) |
| REVENUES FROM (PAYMENT TO) | | | | | | |
| SA GOVERNMENT: | | | | | | |
| Revenues from SA Government | 12 223 | 15 133 | 302 | 327 | 94 184 | 83 196 |
| Payments to SA Government | (455) | - | - | (31) | (455) | (6 466) |
| Income tax equivalent paid | (346) | (450) | - | - | (346) | (450) |
| NET RESULT | (1 425) | (940) | (16) | 7 | 8 334 | 486 |

The allocations to programs are indicative and are based on broad costing methodologies.

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

| (Activities - Refer Note 4) | 1 | | 2 | | 3 | |
|---|--------------|--------------|--------------|--------------|---------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - |
| Receivables | 452 | 483 | 1 860 | 1 184 | 12 108 | 621 |
| Property, plant and equipment | 94 | 91 | 1 420 | 826 | 2 871 | 939 |
| Intangible assets | 1 223 | 1 840 | 6 448 | 1 491 | 24 | 53 |
| Non-current assets classified as held-for-sale | - | - | - | - | - | - |
| Total assets | 1 769 | 2 414 | 9 728 | 3 501 | 15 003 | 1 613 |
| LIABILITIES: | | | | | | |
| Payables | 692 | 911 | 1 976 | 1 567 | 4 450 | 2 072 |
| Borrowings | - | - | - | - | - | - |
| Employee benefits | 4 584 | 4 173 | 7 544 | 7 101 | 13 529 | 4 584 |
| Provisions | 62 | 54 | 161 | 138 | 234 | 55 |
| Other liabilities | - | - | - | 45 | 2 343 | 3 013 |
| Liabilities directly associated with non-current assets held-for-sale | - | - | - | - | - | - |
| Total liabilities | 5 338 | 5 138 | 9 681 | 8 851 | 20 556 | 9 724 |

| (Activities - Refer Note 4) | 4 | | 5 | |
|---|----------------|----------------|----------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | |
| Cash and cash equivalents | - | - | - | - |
| Receivables | 14 809 | 16 379 | - | - |
| Property, plant and equipment | 200 716 | 200 092 | - | - |
| Intangible assets | 295 | 677 | - | - |
| Non-current assets classified as held-for-sale | 6 911 | 4 133 | - | - |
| Total assets | 222 731 | 221 281 | - | - |
| LIABILITIES: | | | | |
| Payables | 5 075 | 7 407 | 1 | 26 |
| Borrowings | 232 016 | 228 285 | - | - |
| Employee benefits | 3 922 | 4 864 | 4 | 5 |
| Provisions | 1 072 | 726 | - | - |
| Other liabilities | 76 | 108 | - | - |
| Liabilities directly associated with non-current assets held-for-sale | 2 951 | 1 768 | - | - |
| Total liabilities | 245 112 | 243 158 | 5 | 31 |

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009 (continued)

| | (Activities - Refer Note 4) | | General/Not attributable | | Total | |
|---|-----------------------------|---------------|--------------------------|----------------|--------|--------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS: | | | | | | |
| Cash and cash equivalents | 62 976 | 58 775 | 62 976 | 58 775 | | |
| Receivables | 764 | 270 | 29 993 | 18 937 | | |
| Property, plant and equipment | 709 | 3 067 | 205 810 | 205 015 | | |
| Intangible assets | 909 | 590 | 8 899 | 4 651 | | |
| Non-current assets classified as held-for-sale | - | - | 6 911 | 4 133 | | |
| Total assets | 65 358 | 62 702 | 314 589 | 291 511 | | |
| LIABILITIES: | | | | | | |
| Payables | 1 423 | 1 562 | 13 617 | 13 545 | | |
| Borrowings | - | - | 232 016 | 228 285 | | |
| Employee benefits | 5 257 | 4 549 | 34 840 | 25 276 | | |
| Provisions | 82 | 53 | 1 611 | 1 026 | | |
| Other liabilities | 25 | 90 | 2 444 | 3 256 | | |
| Liabilities directly associated with non-current assets held-for-sale | - | - | 2 951 | 1 768 | | |
| Total liabilities | 6 787 | 6 254 | 287 479 | 273 156 | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Treasury and Finance

The Department of Treasury and Finance (the Department) provides policy advice and financial management services to the Government of South Australia in order to strengthen state finances and contribute to community well being through supporting the objectives of South Australia's Strategic Plan (SASP). This is achieved by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole -of-government financial processes and by providing financial services.

The Department is the lead agency supporting the government's key economic, social and financial policy outcomes through the provision of advice and coordination of resource allocation for government programs. The Department also provides financial services to the government and the community, covering asset and liability management, collection of state taxes, insurance and superannuation.

The Department also supports the Government's target for improved administrative efficiency within the public sector through implementation and provision of shared services and provision of procurement and fleet management further across the South Australian Government.

The Department provides the government with policy and financial advice on achieving the SASP through the following departmental priorities:

Strengthen state finances including maintaining the AAA credit rating

Related SASP objective: Growing prosperity
Target area: Credit rating; Strategic infrastructure

Achieve performance improvements in the South Australian public sector

Related SASP objective: Growing prosperity
Target area: Performance in the public sector – administrative efficiency; Government decision-making

Improve budget and financial management processes

Related SASP objective: Growing prosperity
Target area: Performance in the public sector – Government decision making; Strategic infrastructure

Improve service delivery

Related SASP objective: Growing prosperity
Target area: Performance in the public sector – customer and client satisfaction with Government services; Government decision making

Effective industry regulation

Related SASP objective: Growing prosperity

Target area: Performance in the public sector – Government decision making

Corporate priorities

Related SASP objective: Growing prosperity

Target area: Performance in the public sector – productivity; Government decision making

To achieve these objectives, the Department delivers a number of activities for the Government. The activity information is summarised in Note 4.

2. Summary of significant accounting policies**2.1 Statement of compliance**

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

Except for the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Department has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2009. These are outlined in Note 3.

Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APS require the following Note disclosures, which have been included in these financial statements:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
 - (b) Expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income).
 - (c) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.
 - (d) Board/Committee member and remuneration information, where a Board/Committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

2.2 Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial statements include all the controlled activities of the Department. 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 the Department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

2.3 Administrative restructure

Supply SA

On 1 July 2008, SA Health assumed the responsibility of Supply SA Camden Park site. This resulted in the transfer of 21 FTEs, employee liabilities, lease for the premises and associated assets of the Camden Park warehouse. Refer to Note 32.

Shared Services SA

Certain business services of SA Government agencies transferred in to Shared Services SA in a series of transition programs known as Tranches during 2008-09. In most cases, these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

The next Tranche of services to transition was approved by Cabinet on 8 December 2008 and comprised of certain financial services, ICT services and support, contract services and purchase card administration. The first group of Tranche 2 transferred into Shared Services SA in June 2009. Refer to Note 32.

2.4 Comparative information

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

2.5 Rounding

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

2.6 Taxation

In accordance with TI 22, Fleet SA is required to pay to the State Government income tax equivalents. The income tax liability is based on the Treasurer's accounting profit method, which requires the corporate tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

The Department 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 creditors 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 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 result of subsequent years.

2.8 Income

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

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

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

Transactions with SA Government entities and non-SA Government entities are classified according to their nature.

The following are specific recognition criteria:

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 clients or by reference to the stage of completion.

Contributions received

Contributions are recognised as an asset and income when the Department 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 Department 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 Department 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.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department 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 Department and the appropriation is recorded as contributed equity.

Net gain on disposal of non-current assets

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

2.9 Expenses

Expense are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

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

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

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses includes all cost 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 Department to the superannuation plan in respect of current services of current departmental staff. The superannuation liability of the government is recognised in the whole-of-government general purpose financial statements.

Depreciation and amortisation

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

The 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 change to the time period or method, as appropriate, which is a change in accounting estimate.

The value of fitouts for leased buildings is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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:

| <i>Class of asset</i> | <i>Depreciation/amortisation method</i> | <i>Useful life (years)</i> |
|----------------------------------|---|----------------------------|
| Buildings | Straight-line | 20-40 |
| Fitouts - owned buildings | Straight-line | 3-10 |
| Fitouts - leased buildings | Straight-line | Remaining life of lease |
| Furniture | Straight-line | 10 |
| Information technology equipment | Straight-line | 3-5 |
| Intangibles | Straight-line | 3-10 |
| Motor vehicles | Straight-line | 1-5 |
| Office equipment | Straight-line | 3-5 |
| Plant and equipment | Straight-line | 5-10 |

Grants and contributions

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

Borrowing costs

All borrowing costs are recognised as expenses.

Payments to SA Government

Payments to the SA Government represent the return of surplus cash pursuant to the cash alignment policy and is paid directly to the Consolidated Account.

2.10 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 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

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.

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand and deposits at call that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services provided, 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 receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other financial assets

The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) 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 and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities 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 assets assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value 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) and revaluation of non-current assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, the Department revalues its land, buildings and fitouts over \$1 million. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

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

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

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

Impairment

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

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

Intangible assets

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

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

The acquisition of software 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 that includes upgrades or enhancements to existing software systems that result in additional functionality or performance is capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality is expensed.

2.12 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.

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

Payables

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

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

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

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

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

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

Borrowings/financial liabilities

The Department measures financial liabilities including borrowings/debt at historical cost.

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled.

Light motor vehicles - loan arrangements with the South Australian Government Financing Authority

Arrangements for the ongoing acquisition of motor vehicles have existed with the South Australian Government Financing Authority (SAFA) since 2003. Funding has been provided through a loan facility direct to Fleet SA. The vehicle purchases are financed on a credit foncier basis of three year fixed periods. As at 30 June 2009 loans outstanding represent those settled in July 2006 onwards. During the reporting period an amount of \$101.091 million was borrowed.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into finance leases and operating leases.

Finance leases

Finance leases, which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated between borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

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 agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and amortised over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

Employee benefits

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

Salaries and wages, annual leave and sick leave

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

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

The current/non-current classification of Department's long service leave liabilities has been calculated based on historical usage patterns consistent with paragraph 5.15 of the APF IV.

Provisions

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

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

Workers compensation

The Department is responsible for workers compensation with an actuarial estimate of the outstanding liability as at June 2009 provided by a consulting actuary through the Department of the Premier and Cabinet.

Procurement of testing services - removal of underground fuel tanks and site remediation

A provision is recognised for the procurement of testing services (relating to the costs associated with the removal of underground fuel tanks previously owned by Mobil Australia including the remediation of sites). The provision specifically includes the procurement of assessment, drilling and analytical services.

2.13 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. New and revised accounting standards and policies

The Department has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

Issued or amended but not yet effective

Except for the amendments to AASB 101, which the Department has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2009. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

4. Activities of the Department

In achieving its objectives, the Department provides a range of services classified into the following activities:

Activity 1: Accountability for Public Sector Resources

The Department has the role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the government and coordinating resource allocations for government programs and priorities at the whole-of-government level.

Activity 2: Financial Services Provision

The Department has a role of providing a range of whole-of-government services including liability management, collection of taxes, and insurance and superannuation administration.

Activity 3: Shared Services

Design, development and implementation of shared services across government.

Activity 4: State Procurement and Fleet Operations

The Department has a role of providing a range of services (in addition to those provided by Shared Services SA) to other government agencies including contract and procurement management, fleet management and a range of corporate services.

Activity 5: Gambling Policy

The Department provides policy advice to the government on economic, social and regulatory issues associated with gambling.

| 5. Employee benefit expenses | 2009 | 2008 |
|--|----------------|--------|
| | \$'000 | \$'000 |
| Salaries and wages | 78 364 | 59 978 |
| Long service leave | 2 924 | 3 396 |
| Annual leave | 7 493 | 5 676 |
| Employment on-costs - superannuation | 10 477 | 8 444 |
| Employment on-costs - other | 5 296 | 4 304 |
| Board fees | 292 | 206 |
| Other employee related expenses | 2 969 | 3 032 |
| Total employee benefit expenses | 107 815 | 85 036 |

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:

| | 2009 | 2008 |
|----------------------------------|---------------|--------|
| | Number | Number |
| \$100 000 - \$109 999 | 54 | 34 |
| \$110 000 - \$119 999 | 14 | 10 |
| \$120 000 - \$129 999 | 5 | 8 |
| \$130 000 - \$139 999 | 6 | 11 |
| \$140 000 - \$149 999 | 9 | 9 |
| \$150 000 - \$159 999 | 15 | 13 |
| \$160 000 - \$169 999 | 4 | 7 |
| \$170 000 - \$179 999 | 7 | 3 |
| \$180 000 - \$189 999 | 5 | 1 |
| \$190 000 - \$199 999 | 4 | 4 |
| \$200 000 - \$209 999 | 2 | 2 |
| \$210 000 - \$219 999 | 2 | 1 |
| \$220 000 - \$229 999 | 2 | - |
| \$230 000 - \$239 999 | 1 | 4 |
| \$240 000 - \$249 999 | 1 | 1 |
| \$250 000 - \$259 999 | 1 | - |
| \$260 000 - \$269 999 | 2 | - |
| \$280 000 - \$289 999 | 1 | 1 |
| \$290 000 - \$299 999 | 1 | - |
| \$370 000 - \$379 999 | - | 1 |
| \$380 000 - \$389 999 | 1 | - |
| Total number of employees | 137 | 110 |

The table includes all employees who received remuneration of \$100 000 or more during the year, of which 61 (65) are executive and 76 (55) staff. 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 \$19.329 million (\$15.559 million).

| 6. Supplies and services | 2009 | 2008 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Supplies and services provided by entities within the SA Government: | | |
| Accommodation and telecommunication | 12 309 | 8 955 |
| Information technology expenses | 5 569 | 3 379 |
| Cost of goods | 3 238 | 3 474 |
| Motor vehicle expenses | 2 822 | 3 072 |
| Minor works, maintenance and equipment | 66 | 1 756 |
| Legal costs | 563 | 1 053 |
| Valuation fees | 4 406 | 4 180 |
| General administration and consumables | 97 | 87 |
| Other | 6 447 | 3 170 |
| Total supplies and services - SA Government entities | 35 517 | 29 126 |

| | | |
|---|----------------|--------|
| 6. Supplies and services (continued) | 2009 | 2008 |
| Supplies and services provided by entities external to the SA Government: | \$'000 | \$'000 |
| Accommodation and telecommunication | 395 | 357 |
| Information technology expenses | 15 287 | 13 675 |
| Cost of goods | 11 | 9 846 |
| Motor vehicle expenses | 27 999 | 27 381 |
| Minor works, maintenance and equipment | 1 701 | 727 |
| Legal costs | 54 | 52 |
| Consultants | 1 312 | 1 442 |
| Contractors | 9 190 | 7 673 |
| General administration and consumables | 4 716 | 4 381 |
| Other | 7 449 | 4 595 |
| Total supplies and services - non-SA Government entities | 68 114 | 70 129 |
| Total supplies and services | 103 631 | 99 255 |

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Department not holding a valid tax invoice for payment.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

| | 2009 | 2008 | 2009 | 2008 |
|--|---------------|--------|---------------|--------|
| | Number | Number | \$'000 | \$'000 |
| Below \$10 000 | 13 | 19 | 46 | 64 |
| Between \$10 000 and \$50 000 | 16 | 15 | 430 | 442 |
| Above \$50 000 | 8 | 9 | 836 | 936 |
| Total paid/payable to the Consultants engaged | 37 | 43 | 1 312 | 1 442 |

| | | |
|--|---------------|--------|
| 7. Depreciation and amortisation expense | 2009 | 2008 |
| Depreciation: | \$'000 | \$'000 |
| Buildings | - | 10 |
| Plant and equipment | 10 | 11 |
| Motor vehicles | 45 354 | 41 056 |
| Furniture | 20 | 16 |
| Information technology equipment | 551 | 606 |
| Office equipment | 225 | 128 |
| Total depreciation | 46 160 | 41 827 |
| Amortisation: | | |
| Intangible assets | 2 133 | 2 328 |
| Building fitouts | 1 085 | 998 |
| Leased plant and equipment | 263 | 314 |
| Total amortisation | 3 481 | 3 640 |
| Total depreciation and amortisation expense | 49 641 | 45 467 |

| | | |
|---|---------------|--------|
| 8. Borrowing costs | | |
| Borrowing costs paid/payable to entities within the SA Government: | | |
| Interest paid/payable on short term and long term borrowings | 15 287 | 13 623 |
| Total borrowing costs - SA Government entities | 15 287 | 13 623 |
| Borrowing costs paid/payable to entities external to the SA Government: | | |
| Finance lease costs | - | 2 |
| Total borrowing costs - non-SA Government entities | - | 2 |
| Total borrowing costs | 15 287 | 13 625 |

| | | |
|--|--------------|-------|
| 9. Other expenses | | |
| Other expenses paid/payable to entities external to the SA Government: | | |
| Inventory write-offs | - | 597 |
| Derecognition of assets | 160 | - |
| Bad and doubtful debts expenses | 173 | 40 |
| Impairment loss | 3 904 | 1 444 |
| Total other expenses - non-SA Government entities | 4 237 | 2 081 |
| Total other expenses | 4 237 | 2 081 |

| | | |
|---|------------|-----|
| 10. Auditor's remuneration | | |
| Audit fees paid/payable to the Auditor-General's Department | 537 | 512 |
| Total audit fees | 537 | 512 |

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

| | | |
|--|-----------------|----------|
| 11. Revenue from fees and charges | 2009 | 2008 |
| Fees and charges received/receivable from entities within the SA Government: | \$'000 | \$'000 |
| Agencies for the provision of corporate services | 2 247 | 2 398 |
| SAFA | 8 058 | 7 942 |
| Community Emergency Services Fund | 5 348 | 5 884 |
| Land tax certificates | 459 | 511 |
| Shared Services SA | 33 794 | 928 |
| Service provision | 25 583 | 25 276 |
| Fleet management | 100 659 | 92 100 |
| Sale of goods | 77 | 10 514 |
| Other recoveries | 1 042 | 1 549 |
| Total fees and charges - SA Government entities | 177 267 | 147 102 |
| Fees and charges received/receivable from entities external to the SA Government: | | |
| South Australian Superannuation Board | 13 099 | 12 140 |
| Land tax certificates | 278 | 238 |
| Regulatory fees | 137 | 167 |
| Service provision | 1 990 | 1 836 |
| Fleet management | 1 854 | 1 029 |
| Sale of goods | 258 | 3 181 |
| Other recoveries | 618 | 616 |
| Total fees and charges - non-SA Government entities | 18 234 | 19 207 |
| Total fees and charges | 195 501 | 166 309 |
| Correction of errors | | |
| During 2007-08, accounting adjustments were made to reflect the closure of the Supply SA warehouse. These adjustments included an error for the sale of goods resulting in sale of goods in fees and charges and receivables both being understated by \$678 000 in 2007-08. | | |
| These errors have been corrected by restating each of the affected financial statement line items for the prior year. | | |
| 12. Interest revenues | 2009 | 2008 |
| | \$'000 | \$'000 |
| Interest from entities within the SA Government | 173 | 129 |
| Total interest revenues | 173 | 129 |
| 13. Net (loss) gain from disposal of non-current assets | | |
| Plant and Equipment: | | |
| Proceeds from disposal | 47 162 | 44 214 |
| Net book value of assets disposed | (48 177) | (41 468) |
| Total net (loss) gain from disposal of non-current assets | (1 015) | 2 746 |
| 14. Other revenues | | |
| Other revenues received/receivable from entities within the SA Government: | | |
| Other reimbursements | 116 | 156 |
| Total other revenues - SA Government entities | 116 | 156 |
| Other revenues received/receivable from entities external to SA Government: | | |
| Commissions | 157 | 149 |
| Banking recoveries | 84 | 67 |
| Other revenue | 168 | 114 |
| Derecognition liabilities | 378 | - |
| Total other revenues - non-SA Government entities | 787 | 330 |
| Total other revenues | 903 | 486 |
| 15. Revenues from (payments to) SA Government | | |
| Revenues from SA Government: | | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 94 184 | 83 196 |
| Total revenues from SA Government | 94 184 | 83 196 |
| Payments to SA Government: | | |
| Return of surplus cash pursuant to Cash Alignment Policy | 455 | 6 466 |
| Total payments to SA Government | 455 | 6 466 |
| Income tax equivalent: | | |
| Income tax equivalent payment - Fleet SA | 346 | 450 |
| Total income tax equivalent | 346 | 450 |

15. Revenues from (payments to) SA Government (continued)

Appropriations from SA Government consists of \$75.515 million for operational funding, \$10 million of working capital for Shared Services SA and \$8.669 million for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer to Notes 5 to 10 and 32. There was no material variations between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to the Department under the annual *Appropriation Act* was decreased by \$15.921 million mainly due to reduced acquisitions for the Taxation Revenue Replacement System (RISTEC) project, funding requirements for Shared Services SA's accommodation and delayed expenditure for Shared Services reform.

| | | |
|--|---------------|--------|
| 16. Cash and cash equivalents | 2009 | 2008 |
| | \$'000 | \$'000 |
| Deposits with the Treasurer | 62 969 | 58 654 |
| Cash on hand | 7 | 121 |
| Total cash and cash equivalents | 62 976 | 58 775 |

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use.

Interest rate risk

From 1 April 2008, the Shared Services SA component of Deposits with the Treasurer earned a floating interest rate based on daily bank deposit rates. The Shared Services SA balance at 30 June 2009 was \$15.063 million. Other deposits with the Treasurer were non-interest bearing. Cash on hand is non-interest bearing. The carrying amount of cash approximates net fair value.

| | | |
|--------------------------------------|---------------|--------|
| 17. Receivables | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Receivables | 20 589 | 16 444 |
| Allowance for doubtful debts | (222) | (49) |
| Accrued revenues | 7 917 | 1 469 |
| Prepayments | 1 688 | 1 016 |
| GST input tax recoverable | - | 57 |
| Total current receivables | 29 972 | 18 937 |
| Non-current: | | |
| Receivables | 19 | - |
| Prepayments | 2 | - |
| Total non-current receivables | 21 | - |
| Total receivables | 29 993 | 18 937 |

SA Government/non-SA Government entities receivables

| | | |
|--|---------------|--------|
| Receivables from SA Government entities: | | |
| Receivables | 18 912 | 15 212 |
| Accrued revenues | 7 775 | 918 |
| Prepayments | 11 | 45 |
| Total receivables from SA Government entities | 26 698 | 16 175 |

Receivables from non-SA Government entities:

| | | |
|--|---------------|--------|
| Receivables | 1 474 | 1 183 |
| Accrued revenues | 142 | 551 |
| Prepayments | 1 679 | 971 |
| GST receivable | - | 57 |
| Total receivables from non-SA Government entities | 3 295 | 2 762 |
| Total receivables | 29 993 | 18 937 |

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. 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.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

| | | |
|-----------------------------------|---------------|--------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Carrying amount at 1 July | 49 | 72 |
| Increase (Decrease) in provision | 173 | (23) |
| Carrying amount at 30 June | 222 | 49 |

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables - refer Note 31.3.

Categorisation of financial instruments and risk exposure information - refer Note 31.

| | | |
|---|---------------|--------|
| 18. Non-current assets classified as held-for-sale | 2009 | 2008 |
| | \$'000 | \$'000 |
| Motor vehicles | 6 911 | 3 898 |
| Buildings | - | 190 |
| Land | - | 45 |
| Total non-current assets classified as held-for-sale | 6 911 | 4 133 |

Non-current assets classified as held-for-sale comprise Fleet SA motor vehicles which are available for sale.

19. Property, plant and equipment

Current:

Motor vehicles:

| | | |
|--------------------------|-----------------|----------|
| At cost | 99 831 | 86 779 |
| Accumulated depreciation | (36 281) | (28 804) |
| Impairment loss | (3 795) | (2 856) |

Total current property, plant and equipment

59 755 55 119

Non-current:

Buildings:

| | | |
|--------------------------|---|------|
| At valuation | - | 75 |
| Accumulated depreciation | - | (11) |
| Total buildings | - | 64 |

Building fitouts:

| | | |
|-------------------------------|----------------|---------|
| At valuation | 9 001 | 9 629 |
| Accumulated amortisation | (5 219) | (4 575) |
| Total building fitouts | 3 782 | 5 054 |

Assets under finance lease:

| | | |
|---|----------------|---------|
| At valuation | 2 446 | 3 475 |
| Accumulated amortisation | (2 446) | (3 169) |
| Total assets under finance lease | - | 306 |

Plant and equipment:

| | | |
|----------------------------------|--------------|------|
| At cost | 151 | 287 |
| Accumulated depreciation | (105) | (95) |
| Total plant and equipment | 46 | 192 |

Motor vehicles:

| | | |
|-----------------------------|----------------|---------|
| At cost | 151 727 | 153 484 |
| Accumulated depreciation | (9 385) | (8 367) |
| Impairment loss | (2 806) | (2 478) |
| Total motor vehicles | 139 536 | 142 639 |

Furniture:

| | | |
|-----------------------------|--------------|-------|
| At cost (deemed fair value) | 276 | 168 |
| Accumulated depreciation | (130) | (110) |
| Total furniture | 146 | 58 |

Information technology equipment:

| | | |
|---|----------------|---------|
| At cost (deemed fair value) | 3 956 | 3 235 |
| Accumulated depreciation | (1 884) | (2 103) |
| Total information technology equipment | 2 072 | 1 132 |

Office equipment:

| | | |
|-------------------------------|--------------|-------|
| At cost (deemed fair value) | 1 127 | 949 |
| Accumulated depreciation | (654) | (498) |
| Total office equipment | 473 | 451 |

Total non-current property, plant and equipment

146 055 149 896

Total property, plant and equipment

205 810 205 015

Correction of errors

During 2007-08, current motor vehicles at cost were incorrectly overstated by \$31.66 million (the total of accumulated depreciation and impairment loss) and non-current motor vehicles at cost were understated by the same amount.

Correction of errors (continued)

During 2007-08, information technology costs of \$85 000 were incorrectly recorded as information technology equipment at cost, instead of information technology expenses under supplies and services.

During 2007-08, information technology costs of \$11 000 were incorrectly recorded as supplies and services, instead of information technology equipment at cost.

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

Valuation

The valuation of Supply SA warehouse was performed by an independent valuer from CWM Market Line Pty Ltd as at 7 August 2008. The value arrived at fair value based on recent market transactions for similar buildings in the area taking into account zoning and restricted use.

Impairment

There were indications of impairment of motor vehicles at 30 June 2009. The value by which the asset's carrying amount exceeded the recoverable amount has been recorded as an impairment loss in the Statement of Comprehensive Income.

There were no indications of impairment for the remaining property, plant and equipment at 30 June 2009.

Resources received free of charge

There were no resources received free of charge.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2008-09:

| 2009 | Carrying Amount at 1 July \$'000 | Additions \$'000 | Assets classified as held-for-sale \$'000 | Disposals through admin restructure \$'000 | Other disposals \$'000 | Impairment loss \$'000 | Depreciation expense \$'000 | Carrying Amount at 30 June \$'000 |
|----------------------------|----------------------------------|------------------|---|--|------------------------|------------------------|-----------------------------|-----------------------------------|
| Buildings | 64 | - | - | (64) | - | - | - | - |
| Building fitouts | 5 054 | 158 | - | (321) | (24) | - | (1 085) | 3 782 |
| Assets under finance lease | 306 | - | - | - | (43) | - | (263) | - |
| Plant and equipment | 192 | - | - | - | (136) | - | (10) | 46 |
| Motor vehicles | 197 758 | 102 430 | (3 013) | - | (48 626) | (3 904) | (45 354) | 199 291 |
| Furniture | 58 | 108 | - | - | - | - | (20) | 146 |
| IT equipment | 1 132 | 1 491 | - | - | - | - | (551) | 2 072 |
| Office equipment | 451 | 247 | - | - | - | - | (225) | 473 |
| Total | 205 015 | 104 434 | (3 013) | (385) | (48 829) | (3 904) | (47 508) | 205 810 |

20. Intangible assets

| | 2009 \$'000 | 2008 \$'000 |
|--|--------------|--------------|
| Internally developed computer software | 16 397 | 10 809 |
| Accumulated amortisation | (10 228) | (9 124) |
| Other computer software | 7 417 | 6 675 |
| Accumulated amortisation | (4 687) | (3 709) |
| Total intangible assets | 8 899 | 4 651 |

Correction of errors

The Pension system software was incorrectly amortised four months in advance in 2007-08, resulting in a \$37 000 overstatement of amortisation expense and accumulated amortisation.

Nine software items were incorrectly amortised in 2007-08 due to incorrect details in the fixed asset register. This resulted in a \$60 000 overstatement of amortisation expense and accumulated amortisation.

During 2007-08, amortisation of \$10 000 was incorrectly recognised for a software project still in progress, resulting in an overstatement of amortisation expense and accumulated amortisation.

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2008-09:

| | 2009 \$'000 |
|-----------------------------------|--------------|
| Carrying amount at 1 July | 4 651 |
| Additions | 6 381 |
| Amortisation expense | (2 133) |
| Carrying amount at 30 June | 8 899 |

The internally developed computer software primarily relates to the Department's Revenue SA databases and State Superannuation Office (Super SA) projects, one of which is operational from 1 July 2009, ie Enhancements to Capital Pension Payroll System.

There are contractual arrangements for the RISTEC project but expenditure commitments are not measurable.

| | | |
|-----------------------------------|---------------|--------|
| 21. Payables | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Creditors | 220 | 3 161 |
| Accrued expenses | 8 460 | 6 468 |
| Employment on-costs | 2 591 | 1 789 |
| Income tax equivalents | - | 506 |
| GST payable | 102 | - |
| Funds held in trust | - | 50 |
| Total current payables | 11 373 | 11 974 |
| Non-current: | | |
| Employment on-costs | 2 244 | 1 571 |
| Total non-current payables | 2 244 | 1 571 |
| Total payables | 13 617 | 13 545 |

SA Government/non-SA Government entities payables

| | | |
|---|--------------|-------|
| Payables to SA Government entities: | | |
| Creditors | 216 | 400 |
| Accrued expenses | 5 399 | 2 817 |
| Employment on-costs | 1 898 | 1 693 |
| Income tax equivalents | - | 506 |
| Total payables to SA Government entities | 7 513 | 5 416 |

Payables to non-SA Government entities:

| | | |
|---|---------------|--------|
| Creditors | 4 | 2 811 |
| Accrued expenses | 3 061 | 3 651 |
| Employment on-costs | 2 937 | 1 667 |
| GST payable | 102 | - |
| Total payables to non-SA government entities | 6 104 | 8 129 |
| Total payables | 13 617 | 13 545 |

As a result of an actuarial assessment performed by the Department, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate 35 percent to 45 percent and the average factor for the calculation of employer superannuation cost has changed from the 2008 rate 11 percent to 10.5 percent.

The employer superannuation cost for salaries and wages and annual leave changed from the 2008 rate of 12.5 percent to 10.5 percent as this rate is determined using the same basis for calculation as for each pay period in respect of salaries and wages.

Under the *Payroll Tax Act 2009*, the payroll tax rate reduced on 1 July 2009 from 5 percent to 4.95 percent. The reduced rate is used in the payroll tax cost calculation for long service leave and annual leave.

The net financial effect of the changes for the employer superannuation costs and payroll tax in the current financial year is an increase in the employment on-cost of \$26 000.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer Note 31.3.

Categorisation of financial instruments and risk exposure information - refer Note 31.

| | | |
|-------------------------------------|----------------|---------|
| 22. Borrowings | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Finance leases ⁽¹⁾ | - | 375 |
| Borrowings from SAFA ⁽²⁾ | 73 054 | 62 087 |
| Total current borrowings | 73 054 | 62 462 |
| Non-current: | | |
| Finance leases ⁽¹⁾ | - | 32 |
| Borrowings from SAFA ⁽²⁾ | 158 962 | 165 791 |
| Total non-current borrowings | 158 962 | 165 823 |
| Total borrowings | 232 016 | 228 285 |

(1) Secured by the asset leased.

(2) These are unsecured loans which bear interest. The terms of the loan are agreed by the Department at the time the loan was provided.

22. Borrowings

Borrowings are recognised at cost in accordance with APF IV, APS 2.1 and have a maturity date. The interest rate is determined by the Treasurer. The interest rate was 6.39 percent (6.62 percent). The interest rates reported are average interest rates for loans outstanding as at 30 June 2009 and 2008.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Maturity Analysis of Borrowings - refer Note 31.3.

Categorisation of financial instruments and risk exposure information - refer Note 31.

Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

23. Employee benefits

| | 2009 | 2008 |
|--|---------------|--------|
| Current: | \$'000 | \$'000 |
| Accrued salaries and wages | 2 437 | 1 449 |
| Annual leave | 8 144 | 5 175 |
| Long service leave | 1 605 | 1 277 |
| Total current employee benefits | 12 186 | 7 901 |
| Non-current: | | |
| Long service leave | 22 654 | 17 375 |
| Total non-current employee benefits | 22 654 | 17 375 |
| Total employee benefits | 34 840 | 25 276 |

The total current and non-current employee benefit plus related on-costs for 2009 is \$14.777 million and \$24.898 million respectively.

The actuarial assessment performed by the Department revised the salary inflation rate down by 0.5 percent from the 2008 rate 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability and employee benefit expense of \$39 000.

The actuarial assessment did not change the benchmark for the measurement of the long service leave liability from the 2008 benchmark (6.5 years).

24. Provisions

| | 2009 | 2008 |
|---|---------------|--------|
| Current: | \$'000 | \$'000 |
| Provision for workers compensation | 155 | 152 |
| Procurement of testing services for underground fuel tanks and site remediation | 1 004 | 464 |
| Total current provisions | 1 159 | 616 |
| Non-current: | | |
| Provision for workers compensation | 452 | 410 |
| Total non-current provisions | 452 | 410 |
| Total provisions | 1 611 | 1 026 |
| Reconciliation of provisions | | |
| Carrying amount at 1 July | 1 026 | 1 053 |
| Payments/other sacrifices of future economic benefits | (301) | (362) |
| Additional provisions recognised | 886 | 335 |
| Carrying amount at 30 June | 1 611 | 1 026 |

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

25. Other liabilities

| | 2009 | 2008 |
|--|---------------|--------|
| Current: | \$'000 | \$'000 |
| Unearned revenue | 100 | 226 |
| Lease incentives | 670 | 670 |
| Total current other liabilities | 770 | 896 |
| Non-current: | | |
| Unearned revenue | - | 17 |
| Lease incentives | 1 674 | 2 343 |
| Total non-current other liabilities | 1 674 | 2 360 |
| Total other liabilities | 2 444 | 3 256 |

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

| | | | |
|---------------------------|--|---------------|--------|
| 26. Equity | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Capital contribution | | 547 | - |
| Asset revaluation reserve | | 108 | 108 |
| Retained earnings | | 26 455 | 18 247 |
| Total equity | | 27 110 | 18 355 |

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

27. Unrecognised and contractual commitments

(a) Remuneration commitments

| | | | |
|--|--|---------------|--------|
| Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows: | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Not later than one year | | 12 139 | 11 296 |
| Later than one year but not later than five years | | 25 116 | 29 071 |
| Later than five years | | - | 106 |
| Total remuneration commitments | | 37 255 | 40 473 |

Amounts disclosed include commitments arising from executive and other employment contracts.

(b) Operating lease commitments

The department as lessee

At the reporting date, the Department has operating leases for office accommodation.

Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

| | | | |
|--|--|---------------|--------|
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Not later than one year | | 10 281 | 10 421 |
| Later than one year but not later than five years | | 16 082 | 22 935 |
| Later than five years | | 2 141 | - |
| Total non-cancellable operating lease commitments | | 28 504 | 33 356 |

The Department as lessor

Leases receivable contracted for at the reporting date but not recognised as assets:

Motor vehicle hire:

| | | | |
|--|--|----------------|---------|
| Not later than one year | | 61 469 | 58 419 |
| Later than one year but not later than five years | | 49 120 | 42 154 |
| Total non-cancellable operating lease receivables | | 110 589 | 100 573 |

(c) Other commitments

The Department's other commitments are primarily agreements for software licence and development. The Department also has commitments to provide advisory and planning services to Super SA members.

| | | | |
|---|------|---------------|--------|
| | | 2009 | 2008 |
| | Note | \$'000 | \$'000 |
| Not later than one year | | 1 926 | 1 724 |
| Later than one year but not later than five years | | 2 347 | 3 544 |
| Total other commitments | | 4 273 | 5 268 |

(d) Finance lease commitments

The Department as lessee

Plant and equipment:

| | | | |
|---|--|----------|------|
| Not later than one year | | - | 403 |
| Later than one year but not later than five years | | - | 32 |
| | | - | 435 |
| Future finance charges and contingent rentals | | - | (28) |
| Total lease liabilities | | - | 407 |

Present value of finance leases payable as follows:

| | | | |
|--|--|----------|-----|
| Not later than one year | | - | 375 |
| Later than one year but not later than five years | | - | 32 |
| Total non-cancellable finance lease commitments | | - | 407 |

Included in the financial statements as:

| | | | |
|------------------------|----|----------|-----|
| Current borrowings | 22 | - | 375 |
| Non-current borrowings | 22 | - | 32 |
| | | - | 407 |

28. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

29. Remuneration of Board and Committee members

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

SAFA Advisory Board

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

SAFA Audit Committee

| | |
|--------------|-------------|
| Ms Y Sneddon | Mr P Mendo* |
| Mr L Foster | |

South Australian Superannuation Board

| | |
|---------------|--------------|
| Mr H Bachmann | Ms J McMahon |
| Mr K Cantley* | Ms R Sumner |
| Ms V Deegan | Ms L York** |

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

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

| The number of members whose remuneration received or receivable falls within the following bands: | 2009 Number | 2008 Number |
|---|----------------|----------------|
| \$0 | 4 | 7 |
| \$1 - \$9 999 | 1 | 1 |
| \$20 000 - \$29 999 | 2 | 4 |
| \$30 000 - \$39 999 | 5 | 3 |
| \$40,000 - \$49 999 | 2 | - |
| Total number of members | 14 | 15 |

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 \$312 000 (\$218 000).

Amounts paid to a superannuation plan for Board/Committee members was \$24 000 (\$17 000).

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.

30. Cash flow reconciliation

| | 2009 \$'000 | 2008 \$'000 |
|--|-----------------|-----------------|
| (a) Reconciliation of cash and cash equivalents - cash at 30 June as per: | | |
| Statement of Cash Flows | 62 976 | 58 775 |
| Statement of Financial Position | 62 976 | 58 775 |
| (b) Reconciliation of net cash provided by operating activities to net cost of providing services | | |
| Net cash provided by operating activities | 53 262 | 39 906 |
| Revenues from SA Government | (94 184) | (83 196) |
| Payments to SA Government | 455 | 6 466 |
| Income tax equivalent | 346 | - |
| Cash on restructure | 6 855 | - |
| Non-cash items: | | |
| Depreciation and amortisation expense | (49 641) | (45 467) |
| Inventory write-offs | - | (597) |
| Derecognition of assets | (160) | - |
| Bad and doubtful debt expenses | (173) | (40) |
| Derecognition of liabilities | 378 | - |
| Building fitouts recognised through lease incentive | - | 2 442 |
| Non-current assets accrual in payables | 1 397 | 965 |
| Non-current assets classified as held-for-sale | - | 1 034 |
| Net assets on restructure impacting operating cash flows | (312) | - |
| (Loss) Gain on disposal of non-current assets | (1 015) | 2 854 |
| Impairment loss of non-current assets | (3 904) | (1 444) |
| Changes in assets/liabilities: | | |
| Increase in receivables | 11 056 | 2 057 |
| (Increase) Decrease in payables | (72) | 5 805 |
| Increase in employee benefits | (9 564) | (1 726) |
| (Increase) Decrease in provisions | (585) | 27 |
| Decrease (Increase) in other liabilities | 812 | (2 480) |
| Decrease in inventories | - | (2 400) |
| Net cost of providing services | (85 049) | (75 794) |

31. Financial instruments/financial risk management**31.1 Categorisation of financial instruments**

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

| | Note | 2009 | | 2008 | |
|------------------------------------|-------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents: | | | | | |
| Cash and cash equivalents | 16,30 | 62 976 | 62 976 | 58 775 | 58 775 |
| Loans and receivables: | | | | | |
| Receivables ⁽¹⁾ | 17 | 29 993 | 29 993 | 18 880 | 18 880 |
| Total financial assets | | 92 969 | 92 969 | 77 655 | 77 655 |
| Financial liabilities | | | | | |
| Financial liabilities - at cost: | | | | | |
| Payables ⁽¹⁾ | 21 | 13 515 | 13 515 | 13 039 | 13 039 |
| Borrowings | 22 | 232 016 | 232 016 | 227 878 | 227 878 |
| Finance lease | 25 | - | - | 407 | 407 |
| Other financial liabilities | 25 | 2 444 | 2 444 | 3 256 | 3 256 |
| Total financial liabilities | | 247 975 | 247 975 | 224 580 | 244 580 |

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

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 17 for information on the allowance for impairment in relation to receivables.

31.2 Ageing analysis of financial assets

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

| | Past due by | | | Total \$'000 |
|----------------------------|---|-------------------------------------|---|-----------------|
| | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2009 | | | | |
| Not impaired: | | | | |
| Receivables ⁽¹⁾ | 26 094 | 2 816 | 1 305 | 30 215 |
| Impaired: | | | | |
| Receivables ⁽¹⁾ | - | - | (222) | (222) |
| 2008 | | | | |
| Not impaired: | | | | |
| Receivables ⁽¹⁾ | 17 926 | 592 | 411 | 18 929 |
| Impaired: | | | | |
| Receivables ⁽¹⁾ | - | - | (49) | (49) |

- (1) Receivable 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.' They are carried at cost.

31.3 Maturity analysis of financial assets and liabilities

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

| | Carrying amount \$'000 | Contractual maturity | | |
|------------------------------------|------------------------------|-------------------------------|---------------------|--------------------------------|
| | | Less than 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| 2009 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 62 976 | 62 976 | - | - |
| Receivables | 29 993 | 29 993 | - | - |
| Total financial assets | 92 969 | 92 969 | - | - |
| Financial liabilities: | | | | |
| Payables | 13 515 | 10 734 | 452 | 2 329 |
| Borrowings | 232 016 | 73 054 | 158 962 | - |
| Other financial liabilities | 2 444 | 770 | 1 674 | - |
| Total financial liabilities | 247 975 | 84 558 | 161 088 | 2 329 |
| 2008 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 58 775 | 58 775 | - | - |
| Receivables | 18 880 | 18 880 | - | - |
| Total financial assets | 77 655 | 77 655 | - | - |
| Financial liabilities: | | | | |
| Payables | 13 039 | 11 468 | 452 | 1 119 |
| Borrowings | 227 878 | 62 087 | 165 791 | - |
| Finance lease liability | 407 | 375 | 32 | - |
| Other financial liabilities | 3 256 | 424 | 2 832 | - |
| Total financial liabilities | 244 580 | 74 354 | 169 107 | 1 119 |

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Note 31.3 represents the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in 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 Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

32. Net revenue from administrative restructure**Transferred out**

On 1 July 2008, SA Health assumed the responsibility of Supply SA Camden Park site. This resulted in the transfer of 21 FTEs, employee liabilities, lease for the premises and associated assets of the Camden Park warehouse.

On transfer of the Supply SA facilities to SA Health, the Department recognised the following assets and liabilities:

| | |
|-------------------------------|---------------|
| | 2009 |
| | \$'000 |
| Property, plant and equipment | 385 |
| Total assets | 385 |
| Payables | 30 |
| Employee benefits | 229 |
| Total Liabilities | 259 |
| Net Assets | 126 |

Transferred in

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the Department of Treasury and Finance.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in their current state with the current employees.

As part of Tranche 1, the accounts payable, accounts receivable and payroll services from the following agencies were transitioned to Shared Services SA over the period from 14 July 2008 to 16 February 2009. This resulted in the transfer of 586.1 FTEs.

Name of agency

- South Australian Certificate Education of Australian Board - SACE Board
- Attorney-General's Department - AGD
- Department for Correctional Services - DCS
- Department for Environment and Heritage - DEH
- Department of the Premier and Cabinet - DPC
- Department of Primary Industries and Resources - PIRSA
- Department for Transport, Energy and Infrastructure - DTEI
- Department of Families and Communities - DFC
- South Australian Tourism Commission - SATC
- Auditor-General's Department - Aud Gen
- South Australia Police - SAPOL
- South Australian Fire and Emergency Services Commission - SAFECOM
- Department of Further Education, Employment and Science - DFEEST
- Department of Education and Children's Services - DECS
- Southern Adelaide Health Service - SAHS
- Children, Youth and Women's Health Service - CYWHS
- Country Health SA
- Central Northern Adelaide Health Service - CNAHS
- South Australian Ambulance Service Inc - SAAS

From 9 June 2009, financial services and purchase card administration from the following agencies were transitioned to Shared Services SA as part of Tranche 2. This resulted in the transfer of 56.7 FTEs.

Name of agency

- Department for Environment and Heritage - DEH
- Department of the Premier and Cabinet - DPC
- Department of Primary Industries and Resources - PIRSA
- Department for Families and Communities - DFC
- Department of Education and Children's Services - DECS
- South Australian Housing Trust - SAHT

The following table shows income and expenses associated with the functions transferred as part of Tranche 1 and 2 for 2008-09. The income and expense in the transferor agencies column were supplied by the respective transferor entities and as such have been relied upon by the Department.

| | SACE Board \$'000 | AGD \$'000 | DCS \$'000 | DEH \$'000 | DPC \$'000 | PIRSA \$'000 |
|-------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Appropriation | - | - | - | - | 854 | 487 |
| Interest | - | - | - | - | - | - |
| Revenue from services | - | - | - | 126 | 46 | 115 |
| Other income | - | 9 | - | - | 1 | - |
| Total income | - | 9 | - | 126 | 901 | 602 |
| Employee benefit expenses | 33 | 72 | 116 | 1 547 | 898 | 563 |
| Supplies and services | 6 | 30 | 30 | 415 | 135 | 39 |
| Depreciation and amortisation | - | - | - | - | - | - |
| Other expenses | - | - | - | 213 | - | - |
| Total expenses | 39 | 102 | 146 | 2 175 | 1 033 | 602 |
| NET RESULT | (39) | (93) | (146) | (2 049) | (132) | - |

Transferred in (continued)

| | DTEI \$'000 | DFC \$'000 | SATC \$'000 | AUD GEN \$'000 | SAPOL \$'000 | SAFECOM \$'000 |
|-------------------------------|----------------|---------------|----------------|-------------------|-----------------|-------------------|
| Appropriation | - | - | - | - | 214 | 177 |
| Interest | - | - | - | - | - | - |
| Revenue from services | - | 937 | - | - | - | - |
| Other income | - | 28 | - | - | - | - |
| Total income | - | 965 | - | - | 214 | 177 |
| Employee benefit expenses | 69 | 1 557 | 21 | 15 | 207 | 88 |
| Supplies and services | 84 | 1 127 | - | 4 | 7 | 20 |
| Depreciation and amortisation | - | 15 | - | - | - | - |
| Other expenses | 45 | 5 | - | - | - | - |
| Total expenses | 198 | 2 704 | 21 | 19 | 214 | 108 |
| NET RESULT | (198) | (1 739) | (21) | (19) | - | 69 |

| | DFEEST \$'000 | DECS \$'000 | SAHT \$'000 | SAHS \$'000 | CHSA \$'000 | CYWHS \$'000 |
|-------------------------------|------------------|----------------|----------------|----------------|----------------|-----------------|
| Appropriation | 578 | - | - | 1 520 | 1 977 | 797 |
| Interest | - | - | - | - | - | - |
| Revenue from services | - | - | - | - | - | - |
| Other income | - | - | 101 | - | - | - |
| Total income | 578 | - | 101 | 1 520 | 1 977 | 797 |
| Employee benefit expenses | 358 | 1 419 | 95 | 1 217 | 1 754 | 614 |
| Supplies and services | 220 | 54 | 6 | 303 | 223 | 183 |
| Depreciation and amortisation | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total expenses | 578 | 1 473 | 101 | 1 520 | 1 977 | 797 |
| NET RESULT | - | (1 473) | - | - | - | - |

| | CNAHS \$'000 | SAAS \$'000 | Shared Services SA \$'000 | Total \$'000 |
|-------------------------------|-----------------|----------------|------------------------------------|-----------------|
| Appropriation | 3 287 | 418 | - | 10 309 |
| Interest | - | - | 166 | 166 |
| Revenue from services | - | - | 35 073 | 36 297 |
| Other income | - | - | 23 | 162 |
| Total income | 3 287 | 418 | 35 262 | 46 934 |
| Employee benefit expenses | 2 859 | 363 | 22 937 | 36 802 |
| Supplies and services | 428 | 55 | 11 197 | 14 566 |
| Depreciation and amortisation | - | - | - | 15 |
| Other expenses | - | - | 59 | 322 |
| Total expenses | 3 287 | 418 | 34 193 | 51 705 |
| NET RESULT | - | - | 1 069 | (4 771) |

The following assets and liabilities were transferred to Shared Services SA as part of Tranche 1 and 2.

| | SACE Board \$'000 | AGD \$'000 | DCS \$'000 | DEH \$'000 | DPC \$'000 | PIRSA \$'000 |
|-------------------------------|-------------------------|---------------|---------------|---------------|---------------|-----------------|
| Cash | 16 | 118 | 129 | 401 | 361 | 519 |
| Total assets | 16 | 118 | 129 | 401 | 361 | 519 |
| Payables | 2 | 12 | 13 | 38 | 36 | 50 |
| Employee benefits | 14 | 106 | 116 | 363 | 325 | 469 |
| Total liabilities | 16 | 118 | 129 | 401 | 361 | 519 |
| NET ASSETS TRANSFERRED | - | - | - | - | - | - |

| | DTEI \$'000 | DFC \$'000 | SATC \$'000 | AUD GEN \$'000 | SAPOL \$'000 | SAFECOM \$'000 |
|-------------------------------|----------------|---------------|----------------|-------------------|-----------------|-------------------|
| Cash | 124 | 1 547 | 31 | 14 | 172 | 89 |
| Total assets | 124 | 1 547 | 31 | 14 | 172 | 89 |
| Payables | 12 | 150 | 3 | 1 | 17 | 8 |
| Employee benefits | 112 | 1 397 | 28 | 13 | 155 | 81 |
| Total liabilities | 124 | 1 547 | 31 | 14 | 172 | 89 |
| NET ASSETS TRANSFERRED | - | - | - | - | - | - |

Transferred in (continued)

| | DFEEST \$'000 | DECS \$'000 | SAHT \$'000 | SAHS \$'000 | CHSA \$'000 | CYWHS \$'000 |
|-------------------------------|------------------|----------------|----------------|----------------|----------------|-----------------|
| Cash | 462 | 1 308 | 84 | 501 | 227 | 341 |
| Total assets | 462 | 1 308 | 84 | 501 | 227 | 341 |
| Payables | 47 | 128 | 7 | 27 | 13 | 20 |
| Employee benefits | 415 | 1 180 | 77 | 474 | 214 | 321 |
| Total liabilities | 462 | 1 308 | 84 | 501 | 227 | 341 |
| NET ASSETS TRANSFERRED | - | - | - | - | - | - |

| | CNAHS \$'000 | SAAS \$'000 | Total \$'000 |
|-------------------------------|-----------------|----------------|-----------------|
| Cash | 1 512 | 122 | 8 078 |
| Total assets | 1 512 | 122 | 8 078 |
| Payables | 95 | 10 | 689 |
| Employee benefits | 1 417 | 112 | 7 389 |
| Total liabilities | 1 512 | 122 | 8 078 |
| NET ASSETS TRANSFERRED | - | - | - |

Transfer of assets and liabilities to Shared Services SA were to be fully funded by cash. Cash of \$1.223 million was not transferred from agencies to Shared Services SA for employee benefits and associated payables as at the reporting date, but reflected in receivables in the Department's Statement of Financial Position.

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer. For details of assets and liabilities transferred by agencies, please refer to the financial statements of the transferor agency. The net assets transferred were treated as a contribution by the Government as owner.

33. Events after the end of the reporting period

Fleet SA

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

Shared Services SA

The shared services reform program continues in 2009-10 with the current focus on the migration of financial services including general accounting, external reporting, tax compliance, fixed assets accounting, cash management, system generated reporting and financial systems support. The second Tranche of services is structured around three transition groups comprising a mixture of agencies with the first group transferring in June 2009 and the subsequent groups transferring in October and November 2009.

As part of the transition of employees to Shared Services SA, the Statement of Financial Position liabilities for accrued employee entitlements as at the date of transition, together with a corresponding amount of cash to support that entitlement will transfer from the transferor agency to Shared Services SA.

There were no further events occurring after the end of the reporting period that had material financial implications on these financial statements.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|-----------------------------------|------|-------------------|----------------|
| INCOME: | | | |
| Taxation | 35 | 3 120 152 | 3 288 437 |
| Commonwealth revenues | 36 | 4 918 557 | 3 959 666 |
| Dividends | 37 | 253 154 | 278 408 |
| Interest revenues | 38 | 136 978 | 174 525 |
| Revenues from SA Government | 39 | 1 609 430 | 1 203 859 |
| Grants and contributions | 40 | 165 657 | 190 190 |
| Revenues from fees and charges | 41 | 42 594 | 45 409 |
| Other revenues | 42 | 379 109 | 450 858 |
| Total income | | 10 625 631 | 9 591 352 |
| EXPENSES: | | | |
| Payments to SA Government | 39 | 7 778 893 | 8 134 245 |
| Employee benefit expenses | 43 | 304 858 | 247 963 |
| Supplies and services | 44 | 73 373 | 75 672 |
| Borrowing costs | 45 | 197 304 | 234 448 |
| Grants, subsidies and transfers | 46 | 1 803 639 | 748 990 |
| Depreciation expense | 47 | 159 | 185 |
| Other expenses | 48 | 210 464 | 125 529 |
| Total expenses | | 10 368 690 | 9 567 032 |
| NET RESULT | | 256 941 | 24 320 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE RESULT | | 256 941 | 24 320 |

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

**Statement of Administered Financial Position
as at 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|--|------|------------------|------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 49 | 1 157 994 | 1 119 103 |
| Receivables | 50 | 55 164 | 18 787 |
| Other financial assets | 51 | 1 537 | 411 |
| Total current assets | | 1 214 695 | 1 138 301 |
| NON-CURRENT ASSETS: | | | |
| Receivables | 50 | 2 | - |
| Other financial assets | 51 | 3 585 | 499 |
| Property, plant and equipment | 52 | 690 | 849 |
| Total non-current assets | | 4 277 | 1 348 |
| Total assets | | 1 218 972 | 1 139 649 |
| CURRENT LIABILITIES: | | | |
| Payables | 53 | 850 469 | 1 024 308 |
| Employee benefits | 54 | 1 115 | 1 078 |
| Provisions | 55 | 14 | 12 |
| Other current liabilities | 56 | 3 351 | 4 040 |
| Total current liabilities | | 854 949 | 1 029 438 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 53 | 490 585 | 493 938 |
| Employee benefits | 54 | 521 | 281 |
| Provisions | 55 | 42 | 33 |
| Other non-current liabilities | 56 | 830 | 855 |
| Total non-current liabilities | | 491 978 | 495 107 |
| Total liabilities | | 1 346 927 | 1 524 545 |
| NET ASSETS | | (127 955) | (384 896) |
| EQUITY: | | | |
| Accumulated deficit | | (127 955) | (384 896) |
| TOTAL EQUITY | | (127 955) | (384 896) |
| Total equity is attributable to the SA Government as owner | | | |
| Unrecognised and contractual commitments | 57 | | |
| Contingent assets and liabilities | 59 | | |

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

| | Note | Accumulated deficit \$'000 |
|--|------|----------------------------------|
| Balance at 30 June 2007 | | (412 648) |
| Net result for 2007-08 | | 24 320 |
| Total comprehensive result for 2007-08 | | 24 320 |
| Transactions with SA Government as owner | | |
| Net assets transferred as a result of an administered restructure | 58 | 3 432 |
| Balance at 30 June 2008 | | (384 896) |
| Net result for 2008-09 | | 256 941 |
| Total comprehensive result for 2008-09 | | 256 941 |
| Balance at 30 June 2009 | | (127 955) |

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

**Statement of Administered Cash Flows
for the year ended 30 June 2009**

| | | 2009 | 2008 |
|--|-------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH INFLOWS: | Note | | |
| Taxation received | | 3 120 153 | 3 288 437 |
| Receipts from Commonwealth | | 4 919 390 | 3 959 666 |
| Dividends | | 253 154 | 278 408 |
| Interest received | | 137 124 | 174 184 |
| Receipts from SA Government | | 1 609 430 | 1 203 859 |
| Grants and contributions | | 167 016 | 195 308 |
| Fees and charges | | 62 591 | 45 741 |
| GST receipts on receivables | | 5 220 | 13 910 |
| GST recovered from ATO | | 3 287 | 3 235 |
| Other receipts | | 375 013 | 447 281 |
| Cash generated from operating activities | | 10 652 378 | 9 610 029 |
| CASH OUTFLOWS: | | | |
| Payments to SA Government | | (8 019 195) | (8 072 378) |
| Employee benefit payments | | (304 553) | (247 754) |
| Payments for supplies and services | | (94 910) | (75 318) |
| Interest payments | | (166 292) | (276 746) |
| Grants, subsidies and transfers | | (1 806 032) | (759 460) |
| GST payments on purchases | | (3 970) | (4 629) |
| GST remitted to ATO | | (4 530) | (4 069) |
| Other payments | | (210 827) | (130 321) |
| Cash used in operating activities | | (10 610 309) | (9 570 675) |
| Net cash provided by operating activities | 61(b) | 42 069 | 39 354 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | - | (64) |
| Cash used in investing activities | | - | (64) |
| Net cash used in investing activities | | - | (64) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| CASH INFLOWS: | | | |
| Proceeds from other financial assets | | 476 | 6 584 |
| Proceeds from restructure activities | | - | 2 799 |
| Cash generated from financing activities | | 476 | 9 383 |
| CASH OUTFLOWS: | | | |
| Other financial assets granted | | (3 644) | (6) |
| Repayment of interest bearing liabilities | | (10) | (29) |
| Cash used in financing activities | | (3 654) | (35) |
| Net cash (used in) provided by financing activities | | (3 178) | 9 348 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 38 891 | 48 638 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 1 119 103 | 1 070 465 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 61(a) | 1 157 994 | 1 119 103 |

**Schedule of Income and Expenses
attributable to Administered Activities
for the year ended 30 June 2009**

| | Admin items on behalf of the Consolidated Account \$'000 | Commonwealth mirror taxes on Commonwealth Places Revenue Account \$'000 | Community Development Fund \$'000 | Community Emergency Services Fund \$'000 | ETSA Sales/Lease Proceeds Account \$'000 | Hospitals Fund \$'000 |
|---------------------------------|---|--|--|--|--|-----------------------------|
| INCOME: | | | | | | |
| Taxation | 3 033 439 | - | - | 86 713 | - | - |
| Commonwealth revenues | 3 936 609 | 20 901 | - | - | - | - |
| Dividends | 253 154 | - | - | - | - | - |
| Interest revenues | 133 853 | - | - | 129 | - | - |
| Revenues from SA Government | 87 847 | - | - | - | - | - |
| Grants and contributions | - | - | 20 000 | 90 502 | - | - |
| Fees and charges | 20 183 | - | - | 373 | - | - |
| Other revenues | 220 631 | - | - | - | 3 076 | 146 229 |
| Total income | 7 685 716 | 20 901 | 20 000 | 177 717 | 3 076 | 146 229 |
| EXPENSES: | | | | | | |
| Payments to SA Government | 7 597 870 | 20 901 | - | - | - | 146 229 |
| Employee benefit expenses | 271 | - | - | - | - | - |
| Supplies and services | - | - | - | - | - | - |
| Borrowing Costs | - | - | - | - | - | - |
| Grants, subsidies and transfers | 87 575 | - | 20 000 | 177 628 | - | - |
| Depreciation | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Total expenses | 7 685 716 | 20 901 | 20 000 | 177 628 | - | 146 229 |
| NET RESULT | - | - | - | 89 | 3 076 | - |

| | Industry Financial Assistance Account \$'000 | Inter-Gov Agreement on Federal Relations \$'000 | Local Government Disaster Fund \$'000 | State Government Auctions \$'000 | State Supply Board - Gaming Machines \$'000 | Support Services to Parliament- arians \$'000 |
|---------------------------------|--|---|---|---|---|---|
| INCOME: | | | | | | |
| Taxation | - | - | - | - | - | - |
| Commonwealth revenues | - | 961 047 | - | - | - | - |
| Dividends | - | - | - | - | - | - |
| Interest revenues | 169 | - | 2 113 | - | 58 | - |
| Revenues from SA Government | - | - | - | - | - | - |
| Grants and contributions | 33 827 | - | - | - | - | 18 457 |
| Fees and charges | - | - | - | 4 178 | 16 341 | 1 519 |
| Other revenues | 999 | - | - | - | - | 7 |
| Total income | 34 995 | 961 047 | 2 113 | 4 178 | 16 399 | 19 983 |
| EXPENSES: | | | | | | |
| Payments to SA Government | - | - | - | - | - | - |
| Employee benefit expenses | - | - | - | - | - | 12 965 |
| Supplies and services | - | - | 40 | 4 178 | 16 399 | 5 247 |
| Borrowing costs | - | - | - | - | - | - |
| Grants, subsidies and transfers | 9 521 | 737 292 | 535 | - | - | - |
| Depreciation | - | - | - | - | - | 146 |
| Other expenses | 8 | - | - | - | - | - |
| Total expenses | 9 529 | 737 292 | 575 | 4 178 | 16 399 | 18 358 |
| NET RESULT | 25 466 | 223 755 | 1 538 | - | - | 1 625 |

**Schedule of Income and Expenses
attributable to Administered Activities
for the year ended 30 June 2009 (continued)**

| | Treasurer's | | Treasury Working Account | Other ⁽¹⁾ \$'000 | 2009 Total \$'000 |
|---------------------------------|--|---|--------------------------------|--------------------------------|-------------------------|
| | Treasury & Finance administered items \$'000 | Interest in the National Wine Centre Account \$'000 | | | |
| INCOME: | | | | | |
| Taxation | - | - | - | - | 3 120 152 |
| Commonwealth revenues | - | - | - | - | 4 918 557 |
| Dividends | - | - | - | - | 253 154 |
| Interest revenues | - | - | - | 656 | 136 978 |
| Revenues from SA Government | 1 521 583 | - | - | - | 1 609 430 |
| Grants and contributions | - | - | - | 2 871 | 165 657 |
| Fees and charges | - | - | - | - | 42 594 |
| Other revenues | - | 25 | 8 142 | - | 379 109 |
| Total income | 1 521 583 | 25 | 8 142 | 3 527 | 10 625 631 |
| EXPENSES: | | | | | |
| Payments to SA Government | 13 893 | - | - | - | 7 778 893 |
| Employee benefit expenses | 291 622 | - | - | - | 304 858 |
| Supplies and services | 47 482 | 27 | - | - | 73 373 |
| Borrowing costs | 197 304 | - | - | - | 197 304 |
| Grants, subsidies and transfers | 768 968 | - | - | 2 120 | 1 803 639 |
| Depreciation | - | 13 | - | - | 159 |
| Other expenses | 202 314 | - | 8 142 | - | 210 464 |
| Total expenses | 1 521 583 | 40 | 8 142 | 2 120 | 10 368 690 |
| NET RESULT | - | (15) | - | 1 407 | 256 941 |

(1) Includes Country Equalisation Scheme Account, Local Government Concessions Senior Card Holders and Responsible Gambling Working Party.

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

The administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants and subsidies to public sector agencies, the private sector, and the community and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

From 1 January 2009, the administered financial statements include the Intergovernmental Agreement on Federal Financial Relations Account. The purpose of the account is to receive monies from the Commonwealth Government and disburse the monies to agencies pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National SPP purposes listed in Schedule F of that Agreement and for the NPP payments for the purposes listed in Schedule G of that Agreement. Prior to 1 January 2009, the Commonwealth monies were paid directly to agencies.

The administered financial statements also include the fixed property component of the Emergency Services Levy collected by Revenue SA and transferred to the Community Emergency Services Fund and all the transactions for the special deposit accounts established under section 8 of the PFAA that are administered by the Department listed below:

- Community Development Fund
- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Home Purchases Assistance Account
- Hospitals Fund
- Industry Financial Assistance Account
- Intergovernmental Agreement on Federal Financial Relations (from 1 January 2009)

- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- Responsible Gambling Working Party (from 16 June 2009)
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account
- Support Services to Parliamentarians
- State Procurement Board - Gaming Machines Account
- State Government Auctions Account

34. Summary of significant accounting policies

The Department's significant accounting policies are contained in Note 2. The policies outlined in Note 2 apply to both the Department and administered financial statements.

The following policies are only applicable to the administered financial statements.

34.1 Administrative restructure

The responsibility for the administration of contracts arising from the Regional Development Infrastructure Fund, the Upper Spencer Gulf & Outback Enterprise Zone fund and the Rural Towns Development Fund were transferred from the Department of Trade and Economic Development to the Department of Treasury and Finance effective 1 November 2007 (refer to Note 58). These transferred functions form part of the Industry Financial Assistance Account.

35. Taxation

| | 2009 | 2008 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Taxation received/receivable from Entities within the SA Government: | | |
| Stamp duties | 3 717 | 3 766 |
| Payroll tax | 193 235 | 195 965 |
| Land tax | 170 307 | 153 799 |
| Emergency Services Levy | 2 447 | 2 384 |
| Local government rate equivalents | 3 880 | 2 232 |
| Income tax equivalents | 128 225 | 159 378 |
| Contributions from Lotteries Commission | 81 425 | 81 820 |
| Total taxation - SA Government entities | 583 236 | 599 344 |
| Taxation received/receivable from entities external to the SA Government: | | |
| Stamp duties | 1 214 129 | 1 466 350 |
| Commonwealth places mirror - stamp duties | 545 | 606 |
| Payroll tax | 896 116 | 889 938 |
| Commonwealth places mirror - payroll tax | 19 059 | 19 004 |
| Land tax | 296 275 | 212 091 |
| Commonwealth places mirror - land tax | 1 296 | 1 013 |
| Emergency Services levy | 84 266 | 74 682 |
| Local government rate equivalents | 1 744 | 3 373 |
| Save the River Murray levy | 23 306 | 22 003 |
| Hindmarsh Island Bridge levy | 180 | 33 |
| Total taxation - non-SA Government entities | 2 536 916 | 2 689 093 |
| Total taxation | 3 120 152 | 3 288 437 |
| 36. Commonwealth revenues | | |
| Commonwealth general purpose grants: | | |
| GST revenue grants | 3 786 481 | 3 913 622 |
| Competition grants | - | 3 024 |
| Transitional assistance | 36 711 | - |
| Commonwealth places mirror taxes | 20 901 | 20 623 |
| Total Commonwealth general purpose grants | 3 844 093 | 3 937 269 |
| Commonwealth specific purpose grants: | | |
| Concessions to pensioners and others | 10 867 | 20 378 |
| Council of Australian Governments Funding arrangements | 36 834 | - |
| Inter-governmental Agreement on Federal Financial Relations - recurrent | 956 846 | - |
| Inter-governmental Agreement on Federal Financial Relations - capital | 4 201 | - |
| First Home Owners Boost | 65 716 | - |
| National relief and recovery arrangements | - | 2 019 |
| Total Commonwealth specific purpose grants | 1 074 464 | 22 397 |
| Total Commonwealth revenues | 4 918 557 | 3 959 666 |

| | | |
|---|------------------|------------------|
| 37. Dividends | 2009 | 2008 |
| | \$'000 | \$'000 |
| Forestry SA | 15 231 | 22 671 |
| Generation Lessor Corporation | 227 | - |
| HomeStart | 5 311 | 2 240 |
| Land Management Corporation | 47 410 | 61 355 |
| Public Trustee Office | 541 | 1 290 |
| SA Water Corporation | 161 296 | 186 054 |
| South Australian Asset Management Corporation | 4 000 | 4 000 |
| South Australian Government Employee Residential Property | 1 156 | - |
| South Australian Government Financing Authority | 10 738 | - |
| Transmission Lessor Corporation | 6 880 | - |
| Transport SA | 364 | 798 |
| Total dividends | 253 154 | 278 408 |
| 38. Interest revenues | | |
| Interest from entities within the SA Government | 131 060 | 168 353 |
| Other | 5 918 | 6 172 |
| Total interest revenues | 136 978 | 174 525 |
| 39. Revenues from (payments to) SA Government | | |
| Revenues from SA Government: | | |
| Appropriations from consolidated account pursuant to the <i>Appropriation Act</i> | 1 521 583 | 1 135 231 |
| Appropriations under other Acts | 87 847 | 68 628 |
| Total revenues from SA Government | 1 609 430 | 1 203 859 |
| Payments to SA Government: | | |
| Transfer of revenue received on behalf of Consolidated Account | 7 611 763 | 7 928 239 |
| Other payments to the Consolidated Account | 167 130 | 206 006 |
| Total payments to SA Government | 7 778 893 | 8 134 245 |
| 40. Grants and contributions | | |
| SA Government entities | 162 016 | 153 902 |
| Non-SA Government entities | 3 641 | 36 288 |
| Total grants and contributions | 165 657 | 190 190 |
| 41. Revenues from fees and charges | | |
| Fees and charges received/receivable from entities within the SA Government: | | |
| Guarantee fees | 20 183 | 19 254 |
| Support services to Parliamentarians | 1 402 | 1 193 |
| Total fees and charges - SA Government entities | 21 585 | 20 447 |
| Fees and charges received/receivable from entities external to the SA Government: | | |
| State Government auctions | 4 178 | 5 098 |
| State Supply Board - Gaming machines | 16 341 | 19 037 |
| Support services to Parliamentarians | 117 | 132 |
| Other | 373 | 695 |
| Total fees and charges - non-SA Government entities | 21 009 | 24 962 |
| Total fees and charges | 42 594 | 45 409 |
| 42. Other revenues | | |
| Other revenues received/receivable from entities within the SA Government: | | |
| Contributions towards public hospital costs | 146 229 | 150 381 |
| Repayment of advances | 34 919 | 70 546 |
| Return of cash to consolidated account - cash alignment policy | 80 102 | 74 475 |
| Return of capital | - | 35 604 |
| Return of deposit account balances | 247 | 22 430 |
| Essential Services Commission of SA | 6 838 | 6 881 |
| Support services to Parliamentarians | 3 | - |
| Other | 5 907 | 10 682 |
| Total other revenues - SA Government entities | 274 245 | 370 999 |
| Other revenues received/receivable from entities external to the SA Government: | | |
| Repayment of advances | 210 | 10 |
| Return of deposit account balances | 91 500 | 30 000 |
| Mitsubishi Limited grant repayment | - | 35 000 |
| Hindmarsh site recoveries | - | 3 725 |
| Support services to Parliamentarians | 4 | 1 |
| Discounted cash flow valuations for financial assistance loans | 999 | 233 |
| Other | 12 151 | 10 890 |
| Total other revenues - non-SA Government entities | 104 864 | 79 859 |
| Total other revenues | 379 109 | 450 858 |

| | | | | |
|---|------------------|---------|---------------|--------|
| 43. Employee benefit expenses | 2009 | 2008 | | |
| | \$'000 | \$'000 | | |
| Superannuation contributions to various schemes | 291 622 | 235 098 | | |
| Salaries and wages | 10 114 | 9 927 | | |
| Long service leave | 297 | 217 | | |
| Annual leave | 774 | 747 | | |
| Employment on-costs - superannuation | 1 012 | 986 | | |
| Employment on-costs - other | 617 | 626 | | |
| Minister's salary, electorate and expense allowance | 271 | 272 | | |
| Other employee related expenses | 151 | 90 | | |
| Total employee benefit expenses | 304 858 | 247 963 | | |
| Remuneration of employees | 2009 | 2008 | | |
| The number of employees whose remuneration received or receivable falls within the following bands: | Number | Number | | |
| \$101 000 - \$109 999 | 1 | 1 | | |
| \$110 000 - \$119 999 | 1 | 2 | | |
| \$130 000 - \$139 999 | 1 | 2 | | |
| \$140 000 - \$149 999 | 1 | - | | |
| Total number of employees | 4 | 5 | | |
| The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$496 000 (\$605 000). | | | | |
| 44. Supplies and services | 2009 | 2008 | | |
| Supplies and services provided by entities within the SA Government: | \$'000 | \$'000 | | |
| Support services to Parliamentarians | 2 769 | 3 391 | | |
| Gaming machines | 133 | 202 | | |
| State Government auctions | 3 158 | 5 375 | | |
| Unclaimed monies | 94 | 13 | | |
| General administration | 67 | 68 | | |
| Total supplies and services - SA Government entities | 6 221 | 9 049 | | |
| Supplies and services provided by entities external to the SA Government: | | | | |
| State's share of GST administration | 46 962 | 45 103 | | |
| Support services to Parliamentarians | 2 477 | 2 293 | | |
| Gaming machines | 16 266 | 18 933 | | |
| State Government auctions | 1 020 | 50 | | |
| Unclaimed monies | 425 | 243 | | |
| Consultants | 1 | - | | |
| General administration | 1 | 1 | | |
| Total supplies and services - non-SA Government entities | 67 152 | 66 623 | | |
| Total supplies and services | 73 373 | 75 672 | | |
| The number and dollar amount of consultancies paid/payable that fell within the following bands: | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | Number | Number |
| Below \$10 000 | 1 | - | 2 | - |
| Total paid/payable to the consultants engaged | 1 | - | 2 | - |
| 45. Borrowing costs | 2009 | 2008 | | |
| Interest paid/payable to entities within the SA Government: | \$'000 | \$'000 | | |
| Interest on borrowings | 157 877 | 184 574 | | |
| Interest paid on deposit accounts and other monies | 36 214 | 46 964 | | |
| Total borrowing costs - SA Government entities | 194 091 | 231 538 | | |
| Interest paid/payable to entities external to the SA Government: | | | | |
| Interest paid on deposit accounts and other monies | 3 213 | 2 910 | | |
| Total borrowing costs - non-SA Government entities | 3 213 | 2 910 | | |
| Total borrowing costs | 197 304 | 234 448 | | |
| 46. Grants, subsidies and transfers | | | | |
| Grants, subsidies and transfers paid to entities within the SA Government: | | | | |
| Recurrent grants, subsidies and transfers | 1 571 962 | 643 540 | | |
| Capital grants, subsidies and transfers | 4 201 | - | | |
| Total grants, subsidies and transfers - SA Government entities | 1 576 163 | 643 540 | | |
| Grants, subsidies and transfers paid to entities external to the SA Government: | | | | |
| Recurrent grants | 227 476 | 105 450 | | |
| Total grants, subsidies and transfers - non-SA Government entities | 227 476 | 105 450 | | |
| Total grants, subsidies and transfers | 1 803 639 | 748 990 | | |

| | | |
|--|------------------|------------------|
| 47. Depreciation expense | 2009 | 2008 |
| | \$'000 | \$'000 |
| Buildings | 13 | 13 |
| Building fitouts | 142 | 172 |
| Office equipment | 4 | - |
| Total depreciation expense | 159 | 185 |
| 48. Other expenses | | |
| Other expenses paid/payable to entities within SA Government: | | |
| Repayment of borrowings | 2 641 | 3 095 |
| Equity capital contribution | 1 500 | 35 000 |
| Other | 1 212 | 1 220 |
| Total other expenses - SA Government entities | 5 353 | 39 315 |
| Other expenses paid/payable to entities external to the SA Government: | | |
| Refunds and remissions | 21 672 | 54 547 |
| Payments to the South Australian Superannuation Fund | 91 500 | 30 000 |
| Payments to Commonwealth Government | 74 600 | - |
| Working capital facility - Shared Services SA | 10 000 | - |
| Bad debts | 1 490 | 2 899 |
| Doubtful debts | (1 775) | (2 328) |
| Discounted cash flow valuations for financial assistance loans | 293 | (5 717) |
| Other | 7 331 | 6 813 |
| Total other expenses - non-SA Government entities | 205 111 | 86 214 |
| Total other expenses | 210 464 | 125 529 |
| 49. Cash and cash equivalents | | |
| Deposits with the Treasurer | 1 116 494 | 1 078 703 |
| Promissory notes | 41 500 | 40 400 |
| Total cash and cash equivalents | 1 157 994 | 1 119 103 |

Interest rate risk

Deposits 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. Promissory notes have been issued by the Local Government Financing Authority of SA and earned a floating interest rate between 2.28 percent and 7.79 percent during the financial year.

| | | |
|---|---------------|---------------|
| 50. Receivables | 2009 | 2008 |
| | \$'000 | \$'000 |
| Current: | | |
| Receivables | 36 401 | 10 810 |
| Allowance for doubtful debts | (462) | (1 022) |
| Accrued revenues | 18 864 | 8 781 |
| GST receivables | 361 | 218 |
| Total current receivables | 55 164 | 18 787 |
| Non-current: | | |
| Receivables | 2 | - |
| Total non-current receivables | 2 | - |
| Total receivables | 55 166 | 18 787 |
| SA Government/non-SA Government entities receivables | | |
| Receivables from SA Government entities: | | |
| Receivables | 35 620 | 9 718 |
| Accrued revenues | 18 699 | 8 358 |
| Total receivables from SA Government entities | 54 319 | 18 076 |
| Receivables from non-SA Government entities: | | |
| Receivables | 321 | 70 |
| Accrued revenues | 165 | 423 |
| GST receivables | 361 | 218 |
| Total receivables from non-SA Government entities | 847 | 711 |
| Total receivables | 55 166 | 18 787 |

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. 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.

Movement in the allowance for doubtful debts (continued)

The following shows the movements in the allowance for doubtful debts (impairment loss):

| | 2009 | 2008 |
|-----------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Carrying amount at 1 July | 1 022 | 1 902 |
| Decrease in provision | (560) | (880) |
| Carrying Amount at 30 June | 462 | 1 022 |

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally due within 30 days. Receivables and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables - refer Note 62.3.

Categorisation of financial instruments and risk exposure information - refer Note 62.

| | | |
|---|----------------|---------|
| 51. Other financial assets | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Loans for financial assistance | 1 580 | 548 |
| Provision for doubtful debts | (43) | (137) |
| Total current other financial assets | 1 537 | 411 |
| Non-current: | | |
| Loans for financial assistance | 5 060 | 3 096 |
| Provision for doubtful debts | (1 475) | (2 597) |
| Total non-current other financial assets | 3 585 | 499 |
| Total other financial assets | 5 122 | 910 |

SA Government/non-SA Government entities other financial assets

Other financial assets with SA Government entities:

| | | |
|---|------------|-----|
| Loans for financial assistance | 231 | 161 |
| Total other financial assets with SA Government entities | 231 | 161 |

Other financial assets with non-SA Government entities:

| | | |
|---|----------------|---------|
| Loans for financial assistance | 6 409 | 3 483 |
| Provision for doubtful debts | (1 518) | (2 734) |
| Total other financial assets with non-SA Government entities | 4 891 | 749 |
| Total other financial assets | 5 122 | 910 |

Maturity analysis of other financial assets - refer Note 62.3.

Categorisation of financial instruments and risk exposure information - refer Note 62.

| | | |
|--|---------------|--------|
| 52. Property, plant and equipment | 2009 | 2008 |
| Buildings: | \$'000 | \$'000 |
| At fair value | 539 | 539 |
| Accumulated depreciation | (67) | (54) |
| Total buildings | 472 | 485 |
| Building fitouts: | | |
| At cost | 651 | 651 |
| Accumulated depreciation | (462) | (320) |
| Total building fitouts | 189 | 331 |
| Land: | | |
| At fair value | 13 | 13 |
| Total land | 13 | 13 |
| Office equipment: | | |
| At cost | 20 | 20 |
| Accumulated depreciation | (4) | - |
| Total office equipment | 16 | 20 |
| Total property, plant and equipment | 690 | 849 |

Valuation of non-current assets

On 21 August 2003 the National Wine Centre was dissolved and its assets vested in the Treasurer. Centre land and buildings were initially recognised by the Department at the same value recorded in the Centre's financial statements.

An independent valuation of Centre land and buildings was performed by Valcorp Australia Pty Ltd as at 30 June 2004. The valuation involved discounting to net present value the projected fair value of land and buildings at the termination of the 40 year lease arrangement with the University of Adelaide. The valuation resulted in land and buildings being revalued downwards to \$552 000.

An internal assessment of the valuation of Centre land and buildings was performed as at 30 June 2007. That assessment concluded that there had not been any material change in projected fair value and the discount rate used in the net present value calculation was still reasonable. Accordingly, land the buildings continues to be valued at independent valuation performed by Valcorp.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2008-09:

| 2009 | Carrying Amount at 1 July \$'000 | Depreciation Expense \$'000 | Carrying Amount at 30 June \$'000 |
|------------------|---|-----------------------------------|--|
| Buildings | 485 | (13) | 472 |
| Building fitouts | 331 | (142) | 189 |
| Land | 13 | - | 13 |
| Office equipment | 20 | (4) | 16 |
| Total | 849 | (159) | 690 |

| 53. Payables | 2009 \$'000 | 2008 \$'000 |
|---|------------------|------------------|
| Current: | | |
| Creditors - electricity entities lease proceeds | 3 379 | 3 076 |
| Creditors - revenue on behalf of the Consolidated Account | 731 401 | 959 750 |
| Creditors - other | 96 559 | 51 499 |
| Accrued expenses | 18 801 | 9 802 |
| Employment on-costs | 175 | 181 |
| GST payable | 154 | - |
| Total current payables | 850 469 | 1 024 308 |
| Non-current: | | |
| Creditors - electricity entities lease proceeds | 490 533 | 493 912 |
| Employment on-costs | 52 | 26 |
| Total non-current payables | 490 585 | 493 938 |
| Total payables | 1 341 054 | 1 518 246 |

SA Government/non-SA Government entities payables

| | | |
|---|------------------|------------------|
| Payables to SA Government entities: | | |
| Creditors - electricity entities lease proceeds | 493 912 | 496 988 |
| Creditors - revenue on behalf of the consolidated account | 731 401 | 960 055 |
| Creditors - other | 92 265 | 51 159 |
| Accrued expenses | 18 436 | 8 628 |
| Employment on-costs | 88 | 74 |
| Total payables to SA Government entities | 1 336 102 | 1 516 904 |
| Payables to non-SA Government entities: | | |
| Creditors - other | 4 294 | 35 |
| Accrued expenses | 365 | 1 174 |
| Employment on-costs | 139 | 133 |
| GST payable | 154 | - |
| Total payables to non-SA Government entities | 4 952 | 1 342 |
| Total payables | 1 341 054 | 1 518 246 |

As a result of an actuarial assessment performed by the Department, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate, 35 percent to 45 percent and the average factor for the calculation of employer superannuation cost has changed from the 2008 rate, 11 percent to 10.5 percent.

The employer superannuation cost for salaries and wages and annual leave changed from the 2008 rate of 12.5 percent to 10.5 percent as this rate is determined using the same basis for calculation as for each pay period in respect of salaries and wages.

Under the *Payroll Tax Act 2009*, the payroll tax rate reduced on 1 July 2009 from 5 percent to 4.95 percent. The reduced rate is used in the payroll tax cost calculation for long service leave and annual leave.

The net financial effect of the changes for the employer superannuation costs and payroll tax in the current financial year is an increase in the employment on-cost of \$14 000.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors - electricity entities lease proceeds are normally settled annually in June. Creditors - revenue on behalf of the Consolidated Account are normally settled by the 15th day of each month. Other creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer Note 62.3.

Categorisation of financial instruments and risk exposure information - refer Note 62.

| | | |
|--|---------------|--------|
| 54. Employee benefits | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Accrued salaries and wages | 287 | 234 |
| Annual leave | 653 | 550 |
| Long service leave | 175 | 294 |
| Total current employee benefits | 1 115 | 1 078 |
| Non-current: | | |
| Long service leave | 521 | 281 |
| Total non-current employee benefits | 521 | 281 |
| Total employee benefits | 1 636 | 1 359 |

The total current and non-current employee benefit plus related on costs for 2009 is \$1.29 million and \$573 000 respectively.

The actuarial assessment performed by the Department revised the salary inflation rate down by 0.5 percent from the 2008 rate 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability and employee benefit expense of \$3000.

The actuarial assessment did not change the benchmark for the measurement of the long service leave liability from the 2008 benchmark (6.5 years).

| | | |
|-------------------------------------|---------------|--------|
| 55. Provisions | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Provision for workers compensation | 14 | 12 |
| Total current provisions | 14 | 12 |
| Non-current: | | |
| Provision for workers compensation | 42 | 33 |
| Total non-current provisions | 42 | 33 |
| Total provisions | 56 | 45 |
| Reconciliation of provisions | | |
| Carrying amount at 1 July | 45 | 38 |
| Additional provisions recognised | 11 | 7 |
| Carrying amount at 30 June | 56 | 45 |

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Department of the Premier and Cabinet. These claims are expected to be settle within the next financial year.

| | | |
|--|---------------|--------|
| 56. Other liabilities | 2009 | 2008 |
| Current: | \$'000 | \$'000 |
| Unearned revenue | 3 351 | 4 040 |
| Total current other liabilities | 3 351 | 4 040 |
| Non-current: | | |
| Unearned revenue | 830 | 855 |
| Total non-current other liabilities | 830 | 855 |
| Total other liabilities | 4 181 | 4 895 |

| | | |
|---|---------------|--------|
| 57. Unrecognised and contractual commitments | | |
| (a) Remuneration commitments | | |
| Commitments for the payment of salaries and other remuneration under employment fixed-term contracts in existence at the reporting date but not recognised as liabilities are payable as follows: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Not later than one year | 1 075 | 1 189 |
| Later than one year but not later than five years | - | 665 |
| Total remuneration commitments | 1 075 | 1 854 |

Amounts disclosed include commitments arising from employment contracts for the support services to Parliamentarians. No remuneration contracts greater than five years are offered.

(b) Operating lease commitments

At the reporting date, the Support Services for Parliamentarians had operating leases for the lease of office accommodation.

Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to six years.

| | | |
|---|---------------|--------|
| Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Not later than one year | 1 610 | 1 420 |
| Later than one year but not later than five years | 767 | 1 849 |
| Later than five years | 21 | - |
| Total operating lease commitments | 2 398 | 3 269 |

(c) Other commitments

Other commitments are with various SA Government agencies to fulfil requirements under the Intergovernmental Agreement on Federal Financial Relations agreements and are as follows:

| | | |
|---|----------------|--------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Not later than one year | 100 682 | - |
| Later than one year but not later than five years | 123 800 | - |
| Total other commitments | 224 482 | - |

58. Net revenue from administrative restructure

As a result of the transfer of functions from Department of Trade and Economic Development effective 1 November 2007, the Department recognised the following assets and liabilities:

| | |
|--|--------------|
| | 2008 |
| | Total |
| | \$'000 |
| Cash | 2 799 |
| Financial assistance loans and receivables | 646 |
| Provision for doubtful debts | (13) |
| Net Assets | 3 432 |

Total income and expenditure attributable to this transfer of functions for 2007-08 were:

| | DTED 01.07.07 to 31.10.07 \$'000 | DTF 01.11.07 to 30.06.08 \$'000 | Total \$'000 |
|--|---|--|-----------------|
| Grants and contribution | - | 23 | 23 |
| Interest | - | 4 | 4 |
| Total income | - | 27 | 27 |
| Supplies and services | 641 | - | 641 |
| Doubtful debts | - | 129 | 129 |
| Discounted cash flow valuation for loans | - | 210 | 210 |
| Total expenses | 641 | 339 | 980 |
| Net result | (641) | (312) | (953) |

59. Contingent assets and liabilities

The following contingent liabilities and assets exist for the administered items:

- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.
- Under an agreement, dated 9 May 1996, with the Australian Energy Market Operator (AEMO), previously known as National Electricity Market Management Company (NEMMCO), the Treasurer may be required to contribute to the winding up of AEMO. The maximum exposure of the contingent liability at 30 June 2009 is capped at \$1.5 million.
- Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two Origin Energy subsidiaries. SAFA in turn, is indemnified by Origin Energy for the performance of its subsidiaries and by the Treasurer for the performance of Origin Energy under this arrangement. The maximum exposure of the guarantee is estimated at \$150 million - \$200 million.
- Under an agreement with the South Australian Netball Association, the Treasurer has guaranteed the repayment of a loan, which the South Australian Netball Association has with an external banking institution with a total exposure value of \$1.7 million.

59. Contingent assets and liabilities (continued)

- Financial obligations under various assistance agreements with the Treasurer relating to the Industry Investment Attraction Fund, the Structural Adjustment Fund for South Australia, the Strategic Industry Support Fund, the Innovation and Investment Fund for South Australia, the Regional Development Infrastructure Fund, the Upper Spencer Gulf & Outback Enterprise Zone Fund, the Rural Towns Development Fund, the South Australian Innovation and Investment Fund, and the Small Business Development Fund. In addition to a number of one-off industry assistance projects that are funded by individual funding submissions. Agreements are subject to performance criteria by those entities receiving assistance.

60. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 million. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with AASB 117. The consideration of \$1 million has been recorded as unearned revenue and is being apportioned over the life of the lease.

61. Cash flow reconciliation

| | 2009 | 2008 |
|--|------------------|-----------|
| | \$'000 | \$'000 |
| (a) Reconciliation of cash and cash equivalents - cash at 30 June as per: | | |
| Statement of Administered Cash Flows | 1 157 994 | 1 119 103 |
| Statement of Administered Financial Position | 1 157 994 | 1 119 103 |
| (b) Reconciliation of net cash provided by operating activities to net result | | |
| Net cash provided by operating activities | 42 069 | 39 354 |
| Non-cash items: | | |
| Depreciation expense | (159) | (185) |
| Bad debts | (1 490) | (2 899) |
| Doubtful debts | 1 775 | 2 328 |
| Discounted cash flow adjustment | 707 | 5 950 |
| Loans converted to grants | - | (547) |
| Non-current assets accrual in payables | - | (23) |
| Interest written off | 154 | 181 |
| Interest on restructure of loans | - | 115 |
| Change in assets and liabilities: | | |
| Increase in receivables | 36 267 | 1 004 |
| Decrease in other financial assets | - | (39) |
| Decrease (Increase) in payables | 177 192 | (21 245) |
| Increase in employee benefits | (277) | (174) |
| Increase in provisions | (11) | (7) |
| Decrease in interest bearing liabilities | - | 39 |
| Decrease in other liabilities | 714 | 468 |
| Net result | 256 941 | 24 320 |

62. Financial instruments/financial risk management**62.1 Categorisation of financial instruments**

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

| | Note | 2009 | | 2008 | |
|------------------------------------|-------|------------------------|-------------------|------------------------|-------------------|
| | | Carrying Amount \$'000 | Fair Value \$'000 | Carrying Amount \$'000 | Fair Value \$'000 |
| Financial assets | | | | | |
| Cash: | | | | | |
| Cash and cash equivalents | 49,61 | 1 157 994 | 1 157 994 | 1 119 103 | 1 119 103 |
| Loans and receivables: | | | | | |
| Receivables ⁽¹⁾ | 50 | 54 805 | 54 805 | 18 569 | 18 569 |
| Investments - held to maturity: | | | | | |
| Other financial assets | 51 | 5 122 | 4 567 | 910 | 1 082 |
| Total financial assets | | 1 217 921 | 1 217 366 | 1 138 582 | 1 138 754 |
| Financial liabilities | | | | | |
| Financial liabilities - at cost: | | | | | |
| Payables ⁽¹⁾ | 53 | 1 340 900 | 1 340 900 | 1 518 246 | 1 518 246 |
| Total financial liabilities | | 1 340 900 | 1 340 900 | 1 518 246 | 1 518 246 |

- (1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 50 for information on the allowance for impairment in relation to receivables.

62.2 Ageing analysis of financial assets

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

| | Past Due By | | | Total \$'000 |
|----------------------------|---|-------------------------------------|---|-----------------|
| | Overdue for less than 30 Days \$'000 | Overdue for 30-60 Days \$'000 | Overdue for more than 60 Days \$'000 | |
| 2009 | | | | |
| Not impaired: | | | | |
| Receivables ⁽¹⁾ | 54 578 | 7 | 682 | 55 267 |
| Impaired: | | | | |
| Receivables ⁽¹⁾ | (7) | (7) | (448) | (462) |
| 2008 | | | | |
| Not impaired: | | | | |
| Receivables ⁽¹⁾ | 18 522 | 20 | 1 049 | 19 591 |
| Impaired: | | | | |
| Receivables ⁽¹⁾ | (4) | (9) | (1 009) | (1 022) |

(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 would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. They are carried at cost.

62.3 Maturity analysis of financial assets and liabilities

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

| | Contractual Maturity | | | |
|------------------------------------|------------------------------|-------------------------------|---------------------|--------------------------------|
| | Carrying Amount \$'000 | Less than 1 Year \$'000 | 1-5 Years \$'000 | More than 5 Years \$'000 |
| 2009 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 1 157 994 | 1 157 994 | - | - |
| Receivables | 54 805 | 54 805 | - | - |
| Other financial assets | 5 122 | 1 537 | 3 037 | 548 |
| Total financial assets | 1 217 921 | 1 214 336 | 3 037 | 548 |
| Financial liabilities: | | | | |
| Payables | 1 340 900 | 850 279 | 15 739 | 474 882 |
| Total financial liabilities | 1 340 900 | 850 279 | 15 739 | 474 882 |
| 2008 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 1 119 103 | 1 119 103 | - | - |
| Receivables | 18 569 | 18 569 | - | - |
| Other financial assets | 910 | 411 | 45 | 454 |
| Total financial assets | 1 138 582 | 1 138 083 | 45 | 454 |
| Financial liabilities: | | | | |
| Payables | 1 518 246 | 1 024 260 | 15 725 | 478 261 |
| Total financial liabilities | 1 518 246 | 1 024 260 | 15 725 | 478 261 |

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Note 62.1 represent the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in 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 Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

63. Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY

Establishment

The University of Adelaide (the University) is established by the *University of Adelaide Act 1971*.

Functions

The University has the objective of advancing learning and knowledge which it achieves through the provision of university education and the conduct of research activities.

The University has financial interests in a number of entities as detailed in Notes 2, 31, 32 and 33 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of controls

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

Scope of audit

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

During 2008, specific areas of audit attention included:

- procurement and accounts payable
- payroll
- revenue including government financial assistance, student fees, research revenue and other revenue
- fixed assets including capital works in progress
- financial assets
- liabilities, including provisions
- general ledger
- corporate governance arrangements
- capital works project management
- monitoring of controlled entity operations
- information and communication technology and control.

Internal audit activities and reports were also reviewed.

The audits of the controlled entities for the year ending 31 December 2008 were carried out by private accounting firms.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the University of Adelaide and the Consolidated entity as at 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of controls

In my opinion, the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to corporate governance - frameworks and payroll as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide 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 Vice-Chancellor. The response to the management letter was considered to be generally satisfactory. Major matters raised with the University of Adelaide and the related responses are detailed below.

Administration and financial management and control

Audit has continued to follow up and report on progress made by the University to address issues reported on in previous years. The key issues were the need to implement:

- a Risk Management Framework
- a Legal Compliance Framework
- a Contract Management Framework
- documented policies and procedures
- effective payroll controls.

Corporate governance - frameworks

The continued Audit focus on the University's progress in implementing the Risk Management, Legal Compliance and Contract Management Frameworks reflects an appreciation that the frameworks are important elements in its governance arrangements which both support achieving of success and protecting against unfavourable outcomes. Audit's review is framed both within the context of their importance and an appreciation that there are significant challenges in developing relevant and effective frameworks within an institution which is as large, complex and diverse as the University.

The review of progress in implementing frameworks in 2008 concluded that the University has continued to have a management focus and dedicate resources to these initiatives and has achieved good progress. The review in 2008 has highlighted that the University proposes to pilot a number of frameworks in 2009 and move to fully implement the frameworks in late 2009 or 2010 subject to the outcomes of the pilot implementation.

Audit recommended that the University review the approach adopted to developing and implementing the frameworks to seek to identify any lessons it can learn for future governance initiatives.

Documented policies and procedures

The audit for 2009 confirmed the University has continued to commit resources to this matter and is working to address policies and procedures.

Payroll

The audit of the payroll control environment has highlighted that changes to payroll controls which respond to previous Audit findings have been delayed until the University implements a new payroll system which is planned for October 2009. Audit will undertake a detailed review of the new payroll system following its implementation.

The 2008 payroll audit identified the following issues which are relevant to the design of controls associated with the new payroll system:

- Documentation to support payments to casual employees, including contracts of employment, is not provided to the central payroll staff. Currently all relevant documentation is retained by the schools/faculties who determine the value and validity of payments before forwarding timesheets to payroll for processing.
- There were delays in processing payroll payments and some payments occurred in 2008 which related to 2007.

The University advised that it would address the issues raised by Audit.

Information communication and technology review

The previous Report provided comment on an audit conducted in 2008 of the management and control arrangements for information communication and technology (ICT) across the University, and an assessment of specific ICT controls covering the personnel and payroll and accounts payable systems and their computer processing environments.

The Report referred to various elements of planning and management control being progressed by the University (ICT planning and management committees, ICT strategy and plan development, business continuity planning). The comment in the Report also advised that the University was taking or proposing actions for systems and computer processing environment issues that were identified in the 2008 audit.

At the time of preparation of this Report, Audit was carrying out a follow-up review to assess the status of corrective actions taken on the 2008 audit issues.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT (CONSOLIDATED)

The revenue and expense items for the interpretation and analysis of the financial report has been sourced from Note 35 as this has been prepared in accordance with the Department of Education, Employment and Workplace Relations reporting guidelines and provides consistency and comparability with the other Universities.

Highlights of the financial report (Consolidated)

| | 2008 \$'million | 2007 \$'million |
|--|--------------------|--------------------|
| REVENUE | | |
| Australian Government grants and FEE-HELP | 303 | 244 |
| HECS-HELP (Australian Government and student) | 67 | 60 |
| Fees and charges | 109 | 97 |
| Other | 158 | 135 |
| Total revenue | 637 | 536 |
| EXPENSES | | |
| Employment benefits | 319 | 280 |
| Other expenses | 286 | 223 |
| Total expenses | 605 | 503 |
| Operating result from continuing operations | 32 | 33 |
| NET CASH FLOWS FROM OPERATIONS | 88 | 37 |
| ASSETS | | |
| Current assets | 116 | 120 |
| Non-current assets | 955 | 906 |
| Total assets | 1 071 | 1 026 |
| LIABILITIES | | |
| Current liabilities | 85 | 82 |
| Non-current liabilities | 111 | 78 |
| Total liabilities | 196 | 160 |
| EQUITY | 875 | 866 |

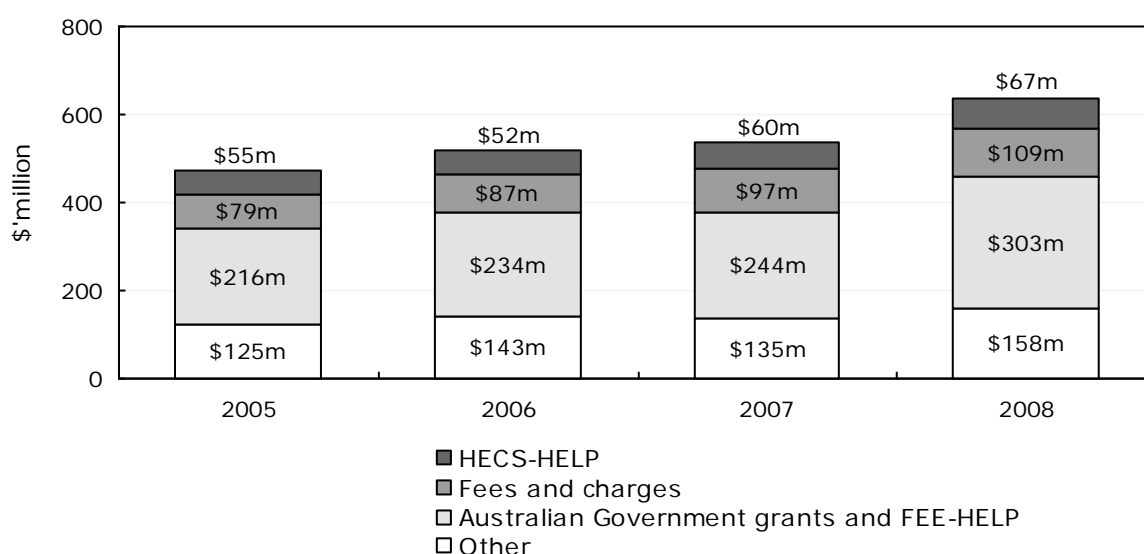
Income Statement (Consolidated)

Revenue

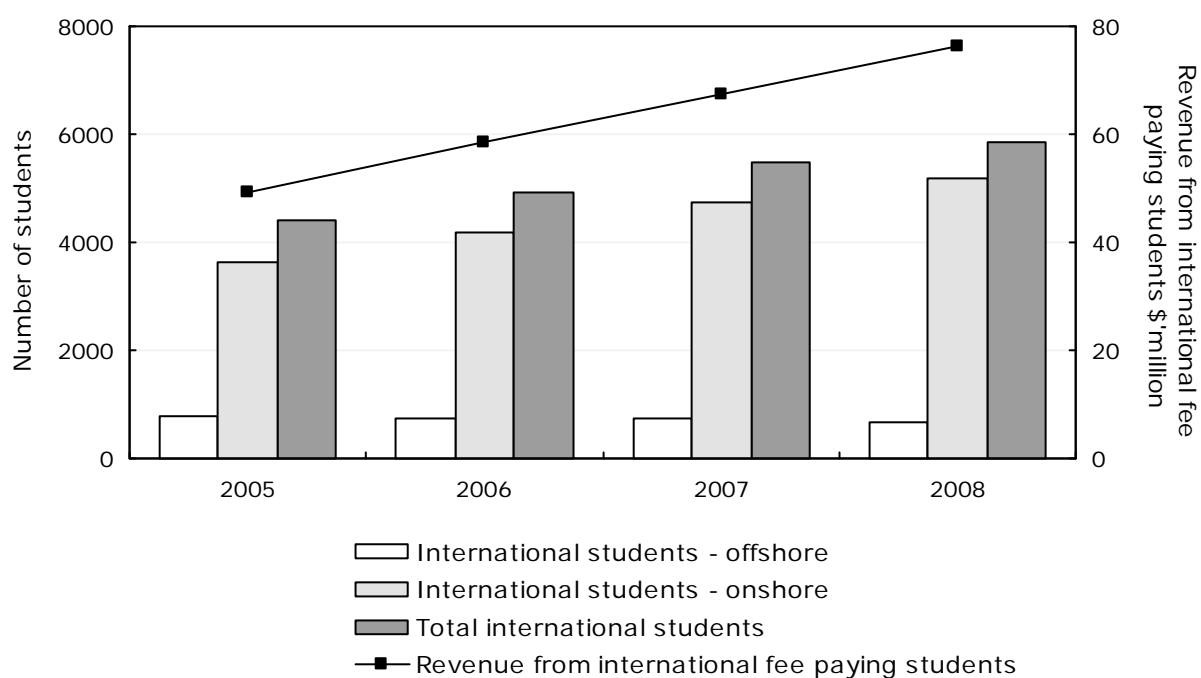
Revenue increased by \$101 million to \$637 million mainly as a result of:

- an increase in Australian Government financial assistance of \$66 million of which \$13 million was to support new places which were primarily in the engineering and health sciences disciplines, and \$31 million for capital expenditure related funding
- an increase in fees and charges of \$12 million which was attributable mainly to an increase in student fee income of \$10 million including \$9 million related to international fee paying students
- a decrease in investment revenue of \$8 million which reflects mainly the decline in the composite fund performance in 2008 as compared to 2007.

A structural analysis of operating revenues for the University in the four years to 2008 is presented in the following chart.



The following chart highlights the general upward trend in the revenue received from international fee paying students and the increase in international fee paying students.

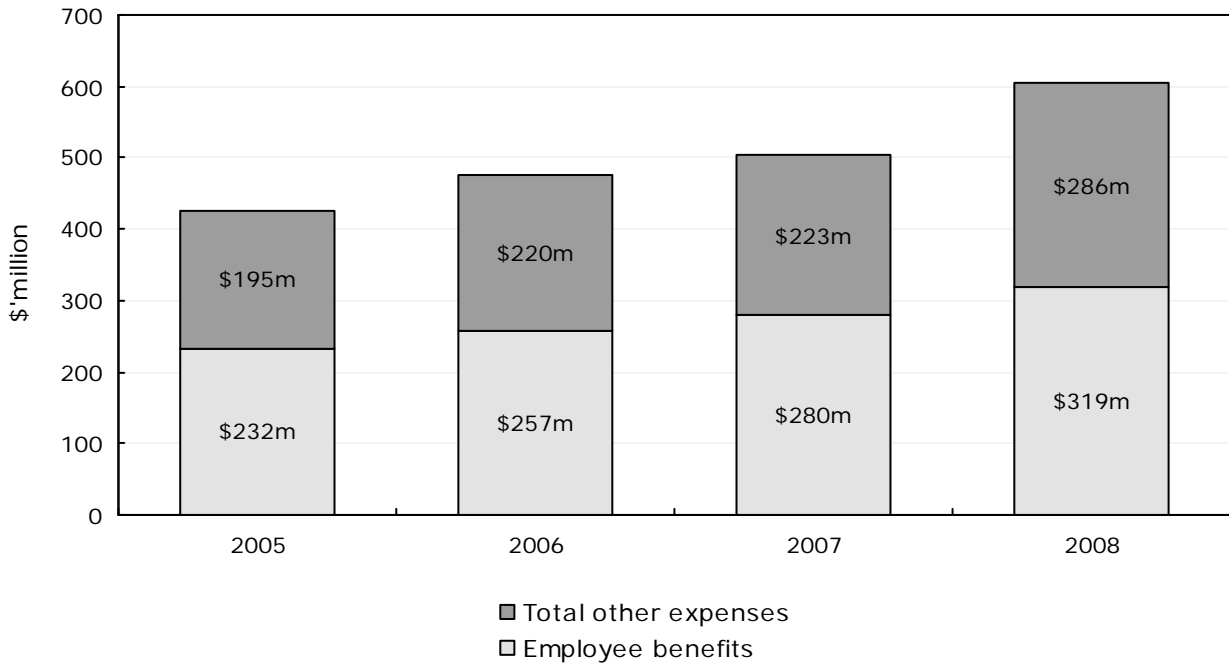


Expenses

Expenditure from continuing operations rose by \$102 million to \$605 million and is attributed mainly to:

- an increase in employee benefits of \$39 million. This increase included \$8 million for enterprise bargaining wage increases, an \$8 million increase in annual and long service leave liabilities of which \$5 million relates to a reduction in the 10 year bond rate as a result of the global financial crisis and \$3 million relates to the recognition of salary loadings for the first time in 2008
- a loss of \$34 million on the market valuation of general and composite fund investments.

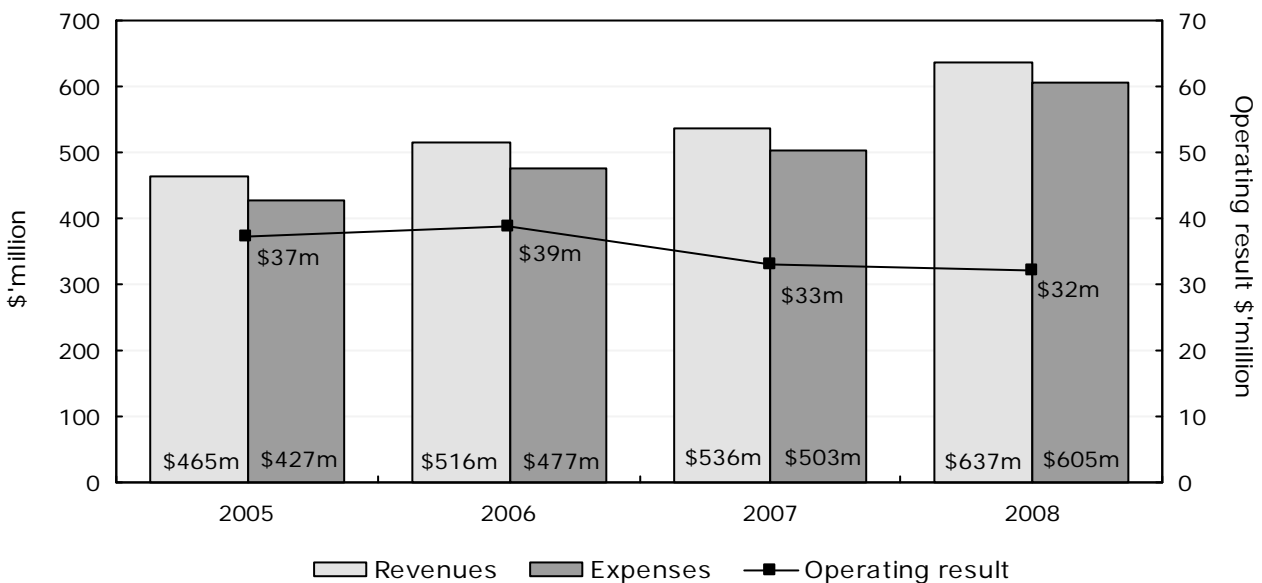
The following chart shows the growth in employee expenses in relation to total other expenses over the four years to 2008.



Operating result from continuing operations

The consolidated operating result for the year was a surplus of \$32 million (\$33 million).

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2008.



Balance Sheet (Consolidated)

The consolidated net assets of the University at 31 December 2008 totalled \$875 million (\$866 million), an increase of \$9 million.

Assets

The value of the University's assets increased by \$45 million to \$1071 million. While the value of property, plant and equipment increased by \$81 million, the value of other financial assets decreased by \$52 million.

The increase in the value of property, plant and equipment reflects the work in progress for the various capital redevelopment projects.

The decrease in the value of financial assets reflects both the redemption of bank bills to meet the cost of the capital works program and the unrealised loss in the market value of the composite fund investments.

Liabilities

The value of the University's liabilities increased by \$36 million to \$196 million. The increase is due mainly to:

- an increase in provisions of \$20 million
- the recognition of a \$16 million non-current liability to reflect the fair value of an interest rate swap entered into by the University in 2007. Refer Note 9.

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2008.

| | 2008 | 2007 | 2006 | 2005 |
|--|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Net cash flows | | | | |
| Operating | 88.3 | 36.7 | 51.8 | 49.6 |
| Investing | (81.3) | (136) | (17.3) | (37.7) |
| Financing | (0.1) | (0.3) | (0.1) | (0.1) |
| Change in cash (including the effect of exchange rate movements) | 6.8 | (99.6) | 34.3 | 11.7 |
| Cash at 31 December | 28.0 | 21.2 | 120.8 | 86.6 |

The net cash flows from operations increased by \$52 million due mainly to the increased financial assistance received from the Australian Government in 2008. The University received \$355 million in 2008 compared to \$290 million in 2007.

The decrease of \$55 million in the net cash flows used in investing activities reflects mainly:

- the purchase of investments totalling \$6 million in 2008 compared to \$79 million in 2007
- payments for property, plant and equipment of \$97 million in 2008 compared to \$65 million in 2007.

Income Statement for the year ended 31 December 2008

| | Note | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| REVENUE FROM CONTINUING OPERATIONS: | | | | | |
| Received under <i>Higher Education Support Act</i> : | | | | | |
| Base operating financial assistance | 4 | 144 563 | 130 495 | 144 563 | 130 495 |
| Other operating financial assistance | 4 | 40 698 | 9 443 | 40 698 | 9 443 |
| Higher Education Contribution Scheme | 4 | 67 576 | 59 707 | 67 576 | 59 707 |
| | | 252 837 | 199 645 | 252 837 | 199 645 |
| Learning and teaching: | | | | | |
| Student fees | 4 | 97 178 | 87 370 | 97 178 | 87 370 |
| Grants | | 35 292 | 18 104 | 35 292 | 18 104 |
| | | 132 470 | 105 474 | 132 470 | 105 474 |
| Research grants and fees: | | | | | |
| National competitive grants | | 69 976 | 61 076 | 69 976 | 61 076 |
| Public sector - other | | 38 604 | 28 830 | 35 958 | 25 867 |
| Industry and other | | 20 632 | 16 282 | 16 610 | 13 497 |
| | | 129 212 | 106 188 | 122 544 | 100 440 |
| Research - other: | | | | | |
| Cooperative Research Centres direct funding | | 5 881 | 6 489 | 5 881 | 6 489 |
| Research infrastructure program | | 14 341 | 14 771 | 14 341 | 14 771 |
| | | 20 222 | 21 260 | 20 222 | 21 260 |
| Other: | | | | | |
| Investment revenue | 4 | 9 296 | 18 401 | 12 187 | 23 337 |
| Property revenue | 4 | 11 547 | 11 957 | 12 020 | 11 970 |
| Specialist services and trading | 4 | 56 574 | 53 658 | 17 070 | 15 494 |
| Deferred government superannuation contributions | | 1 400 | (1 200) | 1 400 | (1 200) |
| Other | 4 | 24 230 | 21 551 | 22 482 | 20 372 |
| | | 103 047 | 104 367 | 65 159 | 69 973 |
| Total operating revenue from continuing operations | | | | | |
| | | 637 788 | 536 934 | 593 232 | 496 792 |
| Share of operating results of associates and joint ventures accounted for using the equity method | | | | | |
| | 4 | (269) | (797) | - | - |
| Total revenue from continuing operations | | | | | |
| | | 637 519 | 536 137 | 593 232 | 496 792 |
| EXPENSES FROM CONTINUING OPERATIONS: | | | | | |
| Salaries and related expenses | 5 | 315 599 | 277 348 | 303 784 | 268 026 |
| Student services | | 27 921 | 25 600 | 27 921 | 25 600 |
| Teaching and research | 5 | 55 840 | 49 595 | 56 575 | 50 221 |
| Buildings and grounds | 5 | 34 250 | 33 005 | 32 800 | 31 894 |
| Finance costs | 5 | 212 | 120 | 1 188 | 466 |
| Administration, communication and travel | 5 | 97 691 | 82 619 | 63 075 | 52 511 |
| Finance and fund administration | 5 | 36 646 | 2 509 | 36 737 | 2 526 |
| Miscellaneous equipment, depreciation and net loss on disposal of assets | 5 | 32 844 | 30 589 | 32 050 | 29 991 |
| Deferred government employee benefits for superannuation | | 4 310 | 1 684 | 4 310 | 1 684 |
| Total expenses from continuing operations | | | | | |
| | | 605 313 | 503 069 | 558 440 | 462 919 |
| OPERATING RESULT FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST | | | | | |
| | | 32 206 | 33 068 | 34 792 | 33 873 |
| Operating result attributable to minority interest | | | | | |
| | | 39 | (373) | - | - |
| NET OPERATING RESULT FOR THE YEAR | | | | | |
| | | 32 245 | 32 695 | 34 792 | 33 873 |

Balance Sheet as at 31 December 2008

| | Note | Consolidated | | University | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 6 | 28 095 | 21 241 | 23 456 | 14 825 |
| Receivables | 7 | 33 340 | 25 663 | 29 900 | 21 999 |
| Other financial assets | 8 | 40 530 | 60 314 | 40 172 | 60 314 |
| Derivative financial instruments | 9 | 327 | - | 327 | - |
| Inventories | 10 | 7 218 | 8 056 | 1 132 | 1 245 |
| Other non-financial assets | 11 | 6 718 | 4 604 | 6 606 | 4 554 |
| Total current assets | | 116 228 | 119 878 | 101 593 | 102 937 |
| NON-CURRENT ASSETS: | | | | | |
| Other financial assets | 8 | 88 965 | 120 750 | 89 407 | 121 299 |
| Derivative financial instruments | 9 | - | 1 637 | - | 1 637 |
| Investments accounted for using the equity method | 12 | 2 473 | 2 672 | 643 | 573 |
| Available-for-sale financial assets | 13 | - | - | 46 634 | 48 007 |
| Property, plant and equipment | 14 | 796 406 | 715 868 | 754 698 | 674 601 |
| Investment property | 15 | 21 027 | 21 307 | 21 027 | 21 307 |
| Intangible assets | 16 | 1 225 | 379 | 1 225 | 379 |
| Other non-financial assets | 11 | 1 144 | 1 172 | 1 138 | 1 172 |
| Deferred government superannuation contribution | 26 | 43 700 | 42 300 | 43 700 | 42 300 |
| Total non-current assets | | 954 940 | 906 085 | 958 472 | 911 275 |
| Total assets | | 1 071 168 | 1 025 963 | 1 060 065 | 1 014 212 |
| CURRENT LIABILITIES: | | | | | |
| Payables | 17 | 49 501 | 52 694 | 35 403 | 36 936 |
| Borrowings | 18 | 6 | 59 | 6 | 6 |
| Provisions | 19 | 24 429 | 19 478 | 23 747 | 18 928 |
| Deferred employee benefits for superannuation | 26 | 3 300 | 3 200 | 3 300 | 3 200 |
| Other | 20 | 8 081 | 6 996 | 19 804 | 20 947 |
| Total current liabilities | | 85 317 | 82 427 | 82 260 | 80 017 |
| NON-CURRENT LIABILITIES: | | | | | |
| Payables | 17 | 5 270 | 4 814 | 5 260 | 4 798 |
| Borrowings | 18 | 56 | 7 | 56 | 62 |
| Provisions | 19 | 49 022 | 34 048 | 48 842 | 33 859 |
| Derivative financial instruments | 9 | 16 067 | - | 16 067 | - |
| Deferred employee benefits for superannuation | 26 | 40 400 | 39 100 | 40 400 | 39 100 |
| Total non-current liabilities | | 110 815 | 77 969 | 110 625 | 77 819 |
| Total liabilities | | 196 132 | 160 396 | 192 885 | 157 836 |
| NET ASSETS | | 875 036 | 865 567 | 867 180 | 856 376 |
| EQUITY: | | | | | |
| Capital reserves | 22 | 513 980 | 511 507 | 527 678 | 526 617 |
| Specific purpose reserves | 22 | 205 275 | 205 155 | 205 275 | 205 155 |
| Retained surplus | 22 | 154 124 | 147 103 | 134 227 | 124 604 |
| Total University interest | | 873 379 | 863 765 | 867 180 | 856 376 |
| Minority interest | | 1 657 | 1 802 | - | - |
| TOTAL EQUITY | | 875 036 | 865 567 | 867 180 | 856 376 |

**Statement of Recognised Income and Expenses
for the year ended 31 December 2008**

| | Consolidated | | University | |
|--|-----------------|---------|-----------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total Equity at 1 January | 865 567 | 787 043 | 856 376 | 777 445 |
| Minority equity interest distribution paid | (108) | (260) | - | - |
| Defined benefits fund actuarial (loss) gain | (7 672) | 212 | (7 672) | 212 |
| Gain on revaluation of land and buildings | - | 43 719 | - | 40 400 |
| Gain (Loss) on revaluation of available-for-sale financial assets | - | 100 | (1 373) | 2 819 |
| Gain on revaluation of works of art | 2 434 | - | 2 434 | - |
| (Loss) Gain on interest rate swap contracts | (17 377) | 1 637 | (17 377) | 1 637 |
| Other adjustments recognised directly in equity | (14) | 48 | - | (10) |
| Net income recognised directly in equity | (22 737) | 45 456 | (23 988) | 45 058 |
| Operating result for the year | 32 206 | 33 068 | 34 792 | 33 873 |
| Total recognised income and expense for the year | 9 469 | 78 524 | 10 804 | 78 931 |
| Total equity at 31 December | 875 036 | 865 567 | 867 180 | 856 376 |
| Total recognised income and expense for the year attributable to: | | | | |
| Members of the University of Adelaide | 32 245 | 32 695 | 34 792 | 33 873 |
| Minority interest | (39) | 373 | - | - |
| | 32 206 | 33 068 | 34 792 | 33 873 |

Cash Flow Statement for the year ended 31 December 2008

| | | Consolidated | | University | |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | Inflows (Outflows) | Inflows (Outflows) | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INFLOWS: | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Australian Government financial assistance | 36(h) | 355 117 | 290 447 | 355 117 | 290 447 |
| State Government financial assistance | | 34 834 | 19 191 | 34 538 | 18 936 |
| HECS-HELP - student upfront payments | | 11 307 | 10 236 | 11 307 | 10 236 |
| Fee paying student revenue received | | 92 962 | 83 209 | 92 962 | 83 209 |
| Fees and charges | | 17 435 | 16 070 | 17 435 | 16 070 |
| Donations and bequests | | 7 345 | 7 023 | 7 345 | 7 023 |
| Interest and dividends received | | 8 720 | 10 253 | 7 276 | 7 471 |
| Consultancy and contract research | | 54 798 | 48 967 | 29 856 | 27 639 |
| Specialist services and produce trading | | 16 727 | 16 960 | 5 029 | 4 867 |
| GST received | | 22 975 | 20 377 | 21 387 | 19 101 |
| Other | | 37 026 | 16 335 | 28 818 | 16 498 |
| Total inflows | | 659 246 | 539 067 | 611 070 | 501 496 |
| OUTFLOWS: | | | | | |
| Salaries and related expenses | | (314 177) | (269 565) | (302 947) | (260 639) |
| Student services | | (28 015) | (25 659) | (27 929) | (25 612) |
| Goods and services | | (204 504) | (183 253) | (168 164) | (156 464) |
| Interest and other costs of finance | | (212) | (466) | (212) | (466) |
| GST paid | | (24 047) | (23 456) | (20 417) | (20 363) |
| Total outflows | | (570 955) | (502 399) | (519 669) | (463 544) |
| Net cash provided by operating activities | 23 | 88 291 | 36 668 | 91 401 | 37 952 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 405 | 807 | 375 | 663 |
| Proceeds from sale of financial assets | | 2 180 | 7 019 | 2 180 | 7 517 |
| Proceeds from sale of available-for-sale financial assets | | - | 860 | - | - |
| Sale of investments - held-to-maturity | | 20 173 | - | 20 173 | - |
| Increase in loans | | - | 44 | - | 8 |
| Repayment of loans by related parties | | 86 | 103 | 141 | 2 503 |
| Increase in funds held on deposit | | - | - | - | 14 233 |
| Total inflows | | 22 844 | 8 833 | 22 869 | 24 924 |
| OUTFLOWS: | | | | | |
| Payments for property, plant and equipment | | (97 278) | (64 888) | (96 061) | (63 596) |
| Payments for intangible assets | | (729) | (307) | (729) | (307) |
| Purchase of investments - held-for-trading | | (6 025) | (19 264) | (5 675) | (18 802) |
| Purchase of investments - held-to-maturity | | - | (60 173) | - | (60 173) |
| Decrease in loans | | (81) | (149) | (81) | (77) |
| Increase in loans to related parties | | (68) | (34) | (100) | (450) |
| Decrease in funds held on deposit | | - | - | (3 000) | - |
| Total outflows | | (104 181) | (144 815) | (105 646) | (143 405) |
| Net cash used in investing activities | | (81 337) | (135 982) | (82 777) | (118 481) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| OUTFLOWS: | | | | | |
| Dividends paid to minority interests | | (107) | (260) | - | - |
| Total outflows | | (107) | (260) | - | - |
| Net cash used in financing activities | | (107) | (260) | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 6 847 | (99 574) | 8 624 | (80 529) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 21 241 | 120 805 | 14 825 | 95 344 |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | 7 | 10 | 7 | 10 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 6 | 28 095 | 21 241 | 23 456 | 14 825 |

The University invests its surplus working capital into bank bills. These bank bills are reported as financial assets held-to-maturity within Note 8 (2008: \$40 million, 2007: \$60.2 million). As a consequence these amounts are not reported within cash and cash equivalents and the movement in these assets are not reported within the Cash Flow Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with AASs, Australian Accounting Standards Board (AASB) Interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR) and South Australian TIs and the APF issued under the provisions of the PFAA (except where in conflict with DEEWR requirements).

(a) Compliance with IFRSs

The financial statements and notes of the University comply with AASs, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical accounting estimates

Preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable, in the relevant notes to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

2. Scope of reporting

The financial statements and Notes disclose the 2008 operating results and 2007 comparative results of The University of Adelaide as follows:

University — refers to all aspects of operation of The University of Adelaide only.

Consolidated — refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer to Note 31). It includes the University's interests in associated entities (Note 32) and its joint venture operations (Note 33), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust:
 - ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd)
- Adelaide Unicore Pty Ltd as trustee for the Unihealth Research & Development Trust
- Martindale Holdings Pty Ltd as trustee for:
 - JS Davies Estate
 - JAT Mortlock Trust
 - The Roseworthy Farm
- National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust
- Roseworthy Piggery Pty Ltd.

3. Statement of significant accounting policies

(a) Basis of accounting

This general purpose financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

(b) Principles of consolidation

The consolidated financial statements of the Consolidated entity include the financial statements of the University, being the parent entity, and its controlled entities (the Consolidated entity). All entities have a 31 December reporting period. Martindale Holdings Pty Ltd changed its reporting period from 31 March to 31 December during 2007.

(b) Principles of consolidation (continued)

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

Minority interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign currency

The University and its controlled entities' financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Income Statement. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Revenue recognition

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Grant revenue

Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received.

Student tuition fees and charges

Student tuition fees and charges are recognised in the accounting period in which the service is provided.

Consultancy, contract and industry research

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

Bequests and donations

Bequests and donations are recognised as income in the accounting period they are received.

Interest and investment income

Interest and income from investments are recognised as they accrue (refer to Note 3(j)).

Asset sales

The net gain/loss from asset sales is included in the Consolidated entity Income Statement. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) GST

Revenues, expenses, assets and liabilities 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

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

(f) Intangible assets

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Any intangible assets arising from development (or from the development phase of an internal project) are recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(f) Intangible assets (continued)

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment, whereby impairment is tested annually (refer to Note 16).

(g) Employee benefits

Wages and salaries

The employees' entitlements to wages and salaries represent the amount which the Consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary rates as at the balance date and have been recognised in payables.

Annual leave

The employees' entitlements to annual leave expected to be settled within 12 months of the balance date have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the balance date, the provision has been discounted to present value using the Australian Government 10 year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

Long service leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employees' entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Australian Government securities at balance date, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated entity's experience with staff departures. Related on-costs have been recognised in payables.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Income Statement. For defined benefit plans, the actuarial gains and losses are recognised immediately in the Statement of Changes in Equity in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Balance Sheet. Refer to Note 26 for details relating to the individual schemes.

(h) Receivables

The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Other financial assets

The Consolidated entity classifies its investment into the following categories: financial assets held for trading, financial assets held-to-maturity, available for sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at each balance date.

Financial assets held-for-trading

The financial assets are classified in this category if acquired for the purpose of selling in the short-term and the assets are subject to frequent changes in fair value. Financial assets held for trading purposes are recorded at fair value in the Balance Sheet, with any realised and unrealised gains or losses recognised in the Income Statement.

• *Composite Fund*

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the composite fund represents a long term investment holding. As a consequence, these investments are reported in non-current financial assets in the Balance Sheet at market values obtained from the investment managers.

Financial assets held-to-maturity

During 2007 the University transferred funds held in deposits at call into bank bills with fixed maturity dates. The bank bills held at balance date had original maturities of between 90 days to 180 days. Financial assets held to maturity are recognised at cost.

Available-for-sale financial assets

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading. Available for sale financial assets are recorded at fair value less impairment in the Balance Sheet. Unrealised gains and losses arising from changes in fair value are recognised directly in the revaluation reserve, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the Income Statement for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

Loans and receivables

The financial assets are classified in this category when the Consolidated entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes (refer to Note 30). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. Financial instruments that are not traded in an active market are recognised at the lower of cost or net realisable value. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

(k) Derivative financial instruments

The Consolidated entity enters into interest rate swaps (derivative financial instruments) to manage its exposure to movements in interest rates on its future borrowings.

In addition, the Consolidated entity enters into foreign currency swaps (derivative financial instruments) to manage its exposure to movements in exchange rates on its capital expenditure.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the interest rates swaps are effective hedging instruments.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge accounting

The Consolidated entity has designated the interest rate and foreign currency swaps as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designed and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. As at 31 December 2008 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the Income Statement in the periods when the hedged item is recognised in the Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

(l) Investments in business undertakings

Controlled entities

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Income Statement when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated entity exercises a significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at cost.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. The Consolidated entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Income Statement after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated entity or another associate of the Consolidated entity.

Joint venture operations

The University derives income as part of its participation in Cooperative Research Centres (CRCs), as listed in Note 33 (a)(i). In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at the balance date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The University's interest in other joint ventures, as described in Note 33(a)(ii), are accounted for using the equity method of accounting.

Other business undertakings

The Consolidated entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non-publicly listed investments, these have been valued at lower of cost or net realisable value (refer to Note 3(j)).

(m) Inventories

Consumable materials and trading stock

The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.

Livestock

The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Balance Sheet. Where controlled entities have reported livestock, this is included at the lower of cost or net realisable value.

(n) Property, plant and equipment

Acquisitions

Items of property, plant and equipment are initially recorded at cost in the Balance Sheet (unless otherwise indicated) and depreciated in accordance with Note 3(p).

Revaluations

During 2007 land and buildings were independently valued on a fair value basis in accordance with AASs.

Increases in the carrying amounts arising on revaluation of each class of assets, being land and buildings, library collection and works of art are credited to capital reserves in equity within the Balance Sheet except to the extent that they reverse previous reductions in the carrying amounts which were charged to the Income Statement. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the Income Statement.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and buildings

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of land and buildings has been carried out by Mr N Satchell, AAPI, BAppSc(Val), Mr Greg McCloud, AAPI, BAppSc(Val), Mrs Kate Tynan, AAPI, BBus Prop(Val) of Rushton Valuers Pty Ltd on 31 December 2007.

Other collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Balance Sheet. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library collection

The Library collection was revalued on 31 December 2007 using an internal valuation based on the annual price movement of books. The additions to the library collection during 2008 have been recognised at cost.

Works of art

Works of art greater than \$2000, are recorded at fair value on the basis of an independent valuation carried out by Mr J F B Bruce, Valuer (MSAV) of Bonhams & Goodman on 31 December 2008. No provision for depreciation is made for works of art.

Leased property, plant and equipment

Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis, over the period of the lease.

(o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Depreciation and amortisation

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land and works of art, on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

| | <i>Range</i> |
|--|--------------|
| Buildings | 20-160 years |
| Leasehold improvements | 10-50 years |
| Library | 10 years |
| Plant and equipment including motor vehicles | 5-10 years |
| Leased plant and equipment | 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(q) Investment properties

Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, which is based on active market prices, with changes in the fair value recognised in the Income Statement in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

An independent valuation of investment properties has been carried out by Mr N Satchell, AAPI, BAppSc(Val) of Rushton Valuers Pty Ltd on 31 December 2008.

(r) Workers compensation

The University is responsible for payments of workers compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements were in place until 30 September 2008 with the associated entity Unisure Pty Ltd incorporating the management of claims and funds invested. The management of claims was transferred to a new service provider from 7 October 2008.

(r) Workers compensation (continued)

The provision for workers compensation claims has been prepared by Mercer Human Resource Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development of the case estimated incurred cost (case estimates plus paid to date) is calculated and development factors adopted based on past experience. These development factors are used, together with the adopted payment rates, to project payments and estimates for future payment years.

(s) Salaries and related expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and FBT.

(t) Operating revenue -other

The classification 'other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges.

(u) Borrowings and finance costs

All borrowing and finance costs are expensed in the period in which they are incurred.

(v) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

4. Revenue from continuing operations

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Received under <i>Higher Education Support Act</i> : | | | | |
| Base operating financial assistance: | | | | |
| Commonwealth Grants Scheme (Commonwealth supported places) | 100 204 | 85 006 | 100 204 | 85 006 |
| Institutional Grants Scheme | 16 232 | 16 500 | 16 232 | 16 500 |
| Research Training Scheme | 28 127 | 28 989 | 28 127 | 28 989 |
| | 144 563 | 130 495 | 144 563 | 130 495 |
| Other operating financial assistance: | | | | |
| Capital development pool and renewal funding | 31 776 | 2 000 | 31 776 | 2 000 |
| Other operating financial assistance | 8 922 | 7 443 | 8 922 | 7 443 |
| | 40 698 | 9 443 | 40 698 | 9 443 |
| Higher Education Contribution Scheme: | | | | |
| HECS-HELP student upfront payments | 11 307 | 10 236 | 11 307 | 10 236 |
| Australian Government financial assistance | 56 269 | 49 471 | 56 269 | 49 471 |
| | 67 576 | 59 707 | 67 576 | 59 707 |
| | 252 837 | 199 645 | 252 837 | 199 645 |
| Student fee income includes: | | | | |
| Fee paying student revenue received | | | | |
| Award Courses: | | | | |
| Australian fee paying undergraduate students | 2 743 | 2 680 | 2 743 | 2 680 |
| Australian fee paying postgraduate students | 3 416 | 3 258 | 3 416 | 3 258 |
| International fee paying students | 76 117 | 67 287 | 76 117 | 67 287 |
| | 82 276 | 73 225 | 82 276 | 73 225 |
| Non-award courses: | | | | |
| Continuing education | 543 | 444 | 543 | 444 |
| Australian fee paying | 3 910 | 3 072 | 3 910 | 3 072 |
| Other teaching service fees | 4 063 | 4 319 | 4 063 | 4 319 |
| | 8 516 | 7 835 | 8 516 | 7 835 |
| | 90 792 | 81 060 | 90 792 | 81 060 |
| Australian Government financial assistance: | | | | |
| FEE-HELP | 5 733 | 5 378 | 5 733 | 5 378 |
| Overseas postgraduate research scholarship | 653 | 932 | 653 | 932 |
| | 97 178 | 87 370 | 97 178 | 87 370 |
| Investment revenue: | | | | |
| General fund earnings | 6 826 | 9 209 | 6 330 | 7 926 |
| Net realised gains on composite fund investments | 1 330 | 4 471 | 1 330 | 4 471 |
| General and composite fund investment market valuation adjustment | - | 1 019 | - | 1 019 |
| Unrealised gains on investment properties | - | 2 324 | - | 2 324 |
| Royalty, trademarks and licences | 922 | 1 126 | 488 | 526 |
| Dividends received | 218 | 252 | 218 | 216 |
| Distributions from controlled entities | - | - | 3 821 | 6 855 |
| | 9 296 | 18 401 | 12 187 | 23 337 |

| 4. Revenue from continuing operations (continued) | Note | Consolidated | | University | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Property revenue: | | | | | |
| Rental charges/accommodation fees | | 9 784 | 8 976 | 10 173 | 8 989 |
| Parking fees | | 945 | 978 | 945 | 978 |
| Building development and maintenance recovery | | 324 | 1 210 | 324 | 1 210 |
| Other property revenue | | 494 | 793 | 578 | 793 |
| | | 11 547 | 11 957 | 12 020 | 11 970 |
| Other revenue: | | | | | |
| Specialist services and trading: | | | | | |
| Consultancy fees | | 24 121 | 21 321 | 7 202 | 6 652 |
| Library charges and fines | | 813 | 936 | 813 | 936 |
| Sale of services | | 20 400 | 15 889 | 6 549 | 5 704 |
| Sale of goods | | 7 750 | 11 534 | 810 | 892 |
| Sponsorship and conference income | | 692 | 566 | 692 | 566 |
| Other specialist services and trading | | 2 798 | 3 412 | 1 004 | 744 |
| | | 56 574 | 53 658 | 17 070 | 15 494 |
| Bequests and donations received for: | | | | | |
| Research | | 4 237 | 1 964 | 4 237 | 1 964 |
| General operational purposes | | 4 592 | 5 039 | 4 592 | 5 039 |
| | | 8 829 | 7 003 | 8 829 | 7 003 |
| Prizes and scholarships | | 1 414 | 1 314 | 1 414 | 1 314 |
| Recharge of costs to other organisations | | 433 | 218 | 433 | 218 |
| Application management and late fee | | 1 066 | 660 | 1 066 | 660 |
| Franchise fees | | 1 074 | 917 | 1 074 | 917 |
| Bad debts recoveries | | 5 | 50 | 5 | 50 |
| Insurance claim recovery | | 4 | 4 498 | 4 | 4 498 |
| Salary recharges | | 1 002 | 1 177 | 1 002 | 1 177 |
| AusAid scholarships and stipends | | 1 540 | 810 | 1 540 | 810 |
| Net foreign exchange gain | | 7 | 10 | 7 | 10 |
| Other revenue | | 8 856 | 4 894 | 7 108 | 3 715 |
| | | 24 230 | 21 551 | 22 482 | 20 372 |
| Share of operating results of associates and joint ventures accounted for using the equity method: | | | | | |
| Joint venture operations | 33 | (96) | (855) | - | - |
| Associates | 32 | (173) | 58 | - | - |
| | | (269) | (797) | - | - |
| 5. Expenses from continuing operations | | | | | |
| Salaries and related expenses | | | | | |
| Salaries and related expenses - academic: | | | | | |
| Salaries | | 121 376 | 108 298 | 121 376 | 108 298 |
| Contributions to superannuation schemes: | | | | | |
| Emerging cost | | 1 621 | 1 604 | 1 621 | 1 604 |
| Funded | | 16 586 | 14 648 | 16 586 | 14 648 |
| | | 18 207 | 16 252 | 18 207 | 16 252 |
| Payroll tax | | 6 765 | 6 314 | 6 765 | 6 314 |
| Annual leave | | 12 480 | 10 970 | 12 480 | 10 970 |
| Long service leave | | 6 797 | 3 339 | 6 797 | 3 339 |
| Workers compensation | | 571 | 506 | 571 | 506 |
| Other | | 4 860 | 4 656 | 4 860 | 4 656 |
| Total academic salaries and related expenses | | 171 056 | 150 335 | 171 056 | 150 335 |
| Salaries and related expenses - non-academic: | | | | | |
| Salaries | | 106 248 | 94 138 | 96 479 | 86 415 |
| Contributions to superannuation schemes: | | | | | |
| Emerging cost | | 1 289 | 1 279 | 1 289 | 1 279 |
| Funded | | 13 061 | 11 728 | 12 119 | 10 970 |
| | | 14 350 | 13 007 | 13 408 | 12 249 |
| Payroll tax | | 5 642 | 5 388 | 5 188 | 4 895 |
| Annual leave | | 9 354 | 8 658 | 9 037 | 8 487 |
| Long service leave | | 5 276 | 2 534 | 5 263 | 2 583 |
| Workers compensation | | 725 | 589 | 435 | 391 |
| Other | | 5 858 | 5 583 | 5 828 | 5 555 |
| Total non-academic salaries and related expenses | | 147 453 | 129 897 | 135 638 | 120 575 |
| | | 318 509 | 280 232 | 306 694 | 270 910 |
| Deferred government employee benefits for superannuation | | 1 400 | (1 200) | 1 400 | (1 200) |
| Total salaries and related expenses | | 319 909 | 279 032 | 308 094 | 269 710 |

Salaries and related expenses (continued)

| | Note | Consolidated | | University | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Total salaries and related expenses | | 319 909 | 279 032 | 308 094 | 269 710 |
| Emerging cost | | (2 910) | (2 884) | (2 910) | (2 884) |
| Deferred government employee benefits for superannuation | | (1 400) | 1 200 | (1 400) | 1 200 |
| Salaries and related expenses | | 315 599 | 277 348 | 303 784 | 268 026 |
| Teaching and research: | | | | | |
| Agriculture, animals and cropping | | 844 | 1 011 | 844 | 1 011 |
| Books, subscriptions and printed material | | 4 061 | 4 145 | 4 061 | 4 145 |
| Laboratory expenses | | 12 532 | 13 519 | 12 532 | 13 519 |
| Research transfer to other institutions | | 25 604 | 19 448 | 25 604 | 19 448 |
| Other teaching and research | | 12 799 | 11 472 | 13 534 | 12 098 |
| | | 55 840 | 49 595 | 56 575 | 50 221 |
| Buildings and grounds: | | | | | |
| Cleaning and security | | 6 134 | 5 319 | 5 711 | 5 056 |
| Property maintenance | | 10 253 | 10 271 | 9 551 | 9 764 |
| Building leases and rent | | 11 153 | 11 262 | 11 099 | 11 203 |
| Utilities | | 6 710 | 6 153 | 6 439 | 5 871 |
| | | 34 250 | 33 005 | 32 800 | 31 894 |
| Finance costs: | | | | | |
| Interest | | - | - | 976 | 346 |
| Finance charges | | 212 | 120 | 212 | 120 |
| | | 212 | 120 | 1 188 | 466 |
| Administration, communication and travel: | | | | | |
| Consultants and specialist services | | 22 325 | 17 132 | 20 230 | 15 002 |
| Fees and licences | | 7 723 | 6 084 | 7 690 | 6 053 |
| Insurance | | 3 107 | 2 659 | 2 840 | 2 431 |
| Administration and communication | | 45 656 | 39 684 | 13 776 | 12 093 |
| Publicity and fundraising | | 3 672 | 3 289 | 3 447 | 3 234 |
| Travel, accommodation and entertainment | | 15 208 | 13 771 | 15 092 | 13 698 |
| | | 97 691 | 82 619 | 63 075 | 52 511 |
| Finance and fund administration: | | | | | |
| Bad and doubtful debts: | | | | | |
| Student loans | | 77 | 40 | 77 | 40 |
| Student tuition | | 167 | 222 | 167 | 222 |
| Other debtors | | 376 | 50 | 267 | 72 |
| | | 620 | 312 | 511 | 334 |
| General and composite fund investment market valuation adjustment | | 33 795 | - | 33 795 | - |
| Unrealised losses on investment properties | | 280 | - | 280 | - |
| Management and merchant fees | | 794 | 1 136 | 994 | 1 136 |
| FBT payments | | 1 110 | 897 | 1 110 | 897 |
| Other | | 47 | 164 | 47 | 159 |
| | | 36 646 | 2 509 | 36 737 | 2 526 |
| Miscellaneous equipment, depreciation and net loss on disposal of assets includes: | | | | | |
| Amortisation of intangible assets: | | | | | |
| Software | | 190 | 194 | 190 | 194 |
| Amortisation: | 3(p) | | | | |
| Leasehold improvements | | 2 645 | 909 | 2 641 | 909 |
| | | 2 835 | 1 103 | 2 831 | 1 103 |
| Depreciation: | 3(p) | | | | |
| Buildings | | 10 843 | 9 376 | 10 734 | 9 268 |
| Plant, equipment and motor vehicles | | 6 997 | 6 660 | 6 346 | 5 992 |
| Library collection | | 3 474 | 4 493 | 3 474 | 4 493 |
| | | 21 314 | 20 529 | 20 554 | 19 753 |
| | | 24 149 | 21 632 | 23 385 | 20 856 |
| Non-capitalised equipment | | 8 289 | 8 690 | 8 259 | 8 690 |
| Net loss on disposal of assets | | 406 | 267 | 406 | 445 |
| | | 32 844 | 30 589 | 32 050 | 29 991 |
| 6. Cash and cash equivalents | 3(i) | | | | |
| Cash at bank or on hand | | 10 658 | 12 278 | 6 456 | 6 369 |
| Deposits at call | | 17 437 | 8 963 | 17 000 | 8 456 |
| | | 28 095 | 21 241 | 23 456 | 14 825 |

6. Cash and cash equivalents (continued)

The University invested its surplus working capital into bank bills (2008: \$40 million, 2007: \$60.2 million). These bank bills have been reported as financial assets held-to-maturity in Note 8. As a result these funds are not reported within cash and cash equivalents or within the Cash Flow Statement.

| | Note 3(h) | Consolidated | | University | |
|------------------------------------|--------------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| 7. Receivables | | | | | |
| Current: | | | | | |
| Student tuition fees | | 1 344 | 2 006 | 1 344 | 2 006 |
| Provision for impaired receivables | | (248) | (499) | (248) | (499) |
| | | 1 096 | 1 507 | 1 096 | 1 507 |
| Trade debtors | | 19 784 | 16 699 | 16 283 | 12 931 |
| Provision for impaired receivables | | (817) | (759) | (756) | (655) |
| | | 18 967 | 15 940 | 15 527 | 12 276 |
| Sundry debtors and accrued income | | 13 123 | 8 166 | 13 123 | 8 166 |
| Provision for impaired receivables | | - | - | - | - |
| | | 13 123 | 8 166 | 13 123 | 8 166 |
| Student loans | | 384 | 203 | 384 | 203 |
| Provision for impaired receivables | | (230) | (153) | (230) | (153) |
| | | 154 | 50 | 154 | 50 |
| | | 33 340 | 25 663 | 29 900 | 21 999 |

(a) Impaired receivables

As at 31 December 2008 current receivables of the group with a nominal value of \$1.9 million (\$2.5 million) were impaired. The amount of the provision was \$1.3 million (\$1.4 million). The individually impaired receivables relate mainly to outstanding trade and student debtors. It was assessed that a portion of these receivables is expected to be recovered.

The ageing of impaired receivables is as follows:

| | Consolidated | | University | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Zero to three months | 50 | 324 | 50 | 324 |
| Three to six months | 445 | 127 | 445 | 127 |
| Over six months | 1 389 | 2 025 | 1 318 | 1 921 |
| | 1 884 | 2 476 | 1 813 | 2 372 |

As at 31 December 2008 current receivables of the group of \$32.8 million (\$24.6 million) were not impaired. The majority of these receivables are current and relate mainly to a number of government agencies and independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

| | Consolidated | | University | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Zero to three months | 29 731 | 22 787 | 27 165 | 19 472 |
| Three to six months | 1 823 | 894 | 1 002 | 679 |
| Over six months | 1 197 | 917 | 1 154 | 783 |
| | 32 751 | 24 598 | 29 321 | 20 934 |

The movement in the provision for impaired receivables is as follows:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| At 1 January | 1 411 | 1 818 | 1 307 | 1 789 |
| Net provision for impairment recognised (reversed) during the year | 520 | 174 | 541 | 109 |
| Receivables written off during the year as uncollectable | (636) | (581) | (614) | (591) |
| | 1 295 | 1 411 | 1 234 | 1 307 |

The creation and release of the provision for impaired receivables has been included in 'Finance and fund administration' in the Income Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

Bad and doubtful debts

The University has recognised a loss of \$500 000 (\$300 000) in respect of bad and doubtful receivables during the year ended 31 December 2008. The loss has been included in 'Finance and fund administration' expenses in the Income Statement.

8. Other financial assets

| | Note | Consolidated | | University | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Current: | | | | | |
| Other loans | | 172 | 141 | 172 | 141 |
| Held-to-maturity - bank bills | | 40 000 | 60 173 | 40 000 | 60 173 |
| Term deposits | | 358 | - | - | - |
| | | 40 530 | 60 314 | 40 172 | 60 314 |
| Non-current: | | | | | |
| Held-for-trading | | | | | |
| Composite fund at fair value | 3(j) | | | | |
| Australian fixed interest securities | | 11 984 | 16 115 | 11 984 | 16 115 |
| Overseas fixed interest securities | | 6 325 | 8 056 | 6 325 | 8 056 |
| Australian equities | | 26 398 | 35 174 | 26 398 | 35 174 |
| Overseas equities | | 25 214 | 31 803 | 25 214 | 31 803 |
| Property trusts | | 4 156 | 6 982 | 4 156 | 6 982 |
| Cash and liquid assets | | 3 720 | 3 808 | 3 720 | 3 808 |
| Alternative strategies | | 744 | 1 318 | 744 | 1 318 |
| Global Listed Infrastructure | | 1 998 | 2 759 | 1 998 | 2 759 |
| Commodities | | 1 258 | 1 602 | 1 258 | 1 602 |
| | | 81 797 | 107 617 | 81 797 | 107 617 |
| Managed investment held by Unisure Pty Ltd | | 1 175 | 7 048 | 1 175 | 7 048 |
| Other shares | | 5 144 | 5 121 | 5 094 | 5 121 |
| Total non-current other financial assets Held-for-trading | | 88 116 | 119 786 | 88 066 | 119 786 |
| Other loans | | 849 | 964 | 1 341 | 1 513 |
| Total non-current other financial assets | | 88 965 | 120 750 | 89 407 | 121 299 |

Held-to-maturity - bank bills

The University invests its surplus working capital into bank bills and these bank bills have been reported as Financial Assets held-to-maturity. As a result these funds are not reported within cash and cash equivalents in Note 6 or within the Cash Flow Statement.

9. Derivative Financial Instruments

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Current assets: | | | | |
| Foreign currency swap contracts - cash flow hedges | 327 | - | 327 | - |
| Non-current assets: | | | | |
| Interest rate swap contracts - cash flow hedges | - | 1 637 | - | 1 637 |
| Non-current liabilities: | | | | |
| Interest rate swap contracts - cash flow hedges | 16 067 | - | 16 067 | - |

During 2007 the University entered into nine \$10 million forward start interest rate swaps (totalling \$90 million), to manage its interest rate exposures on planned borrowings for its North Terrace Development Strategy. The swaps are due to commence in February 2010 and amortise on a straight-line basis over 20 years. The University is obligated to pay a fixed interest rate of 6.65 percent. These interest rate swaps are effective hedges and the fair value of these hedges were recorded as a non-current asset in 2007 and a non-current liability in 2008.

During 2008 the University entered into foreign currency swaps totalling \$4.4 million to manage Euro foreign currency exposures on capital expenditure for the Plant Accelerator Project. As at 31 December 2008, €1 million remained with maturities out to December 2009 at a weighted average exchange rate of 0.5759. These foreign currency swaps are effective hedges and the fair value of these hedges have been recorded as a current asset.

| | Note 3(m) | Consolidated | | University | |
|--|--------------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Consumable materials and trading stock | | 5 373 | 6 012 | 1 332 | 1 345 |
| Livestock | | 2 045 | 2 144 | - | - |
| Provisions for obsolescence | | (200) | (100) | (200) | (100) |
| | | 7 218 | 8 056 | 1 132 | 1 245 |

10. Inventories (continued)

The University has written down inventories of \$8000 (\$94 000) during the year ended 31 December 2008. The loss has been included in 'Teaching and research' expenses in the Income Statement.

As noted in the 'Statement of significant accounting policies - principles of consolidation' (Note 3(b)), Martindale Holdings Pty Ltd has changed its reporting period from 31 March to 31 December during 2007. As a consequence, inventory in the nature of crops has been recognised for the first time on consolidation.

11. Other non-financial assets

| | Note | Consolidated | | University | |
|----------------|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Current: | | | | | |
| Prepayments | | 5 907 | 3 491 | 5 867 | 3 476 |
| Accrued income | | 811 | 1 113 | 739 | 1 078 |
| | | 6 718 | 4 604 | 6 606 | 4 554 |
| Non-current: | | | | | |
| Prepayments | | 1 144 | 1 172 | 1 138 | 1 172 |

12. Investments accounted for using the equity method

| | Note | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
|------------------------------|------------|----------------|----------------|----------------|----------------|
| Investments in associates: | 3(l) 32 | | | | |
| At cost | | - | - | 298 | 298 |
| Equity accounted | | 391 | 564 | - | - |
| Interests in joint ventures: | 33 | | | | |
| At cost | | - | - | 345 | 275 |
| Equity accounted | | 2 082 | 2 108 | - | - |
| | | 2 473 | 2 672 | 643 | 573 |

13. Available-for-sale financial assets

| | | | | | |
|------------------------------------|----|---|---|--------|--------|
| Non-current: | | | | | |
| Investments in controlled entities | 31 | - | - | 46 634 | 48 007 |

14. Property, plant and equipment

| | Trust land \$'000 | Other land \$'000 | Trust buildings \$'000 | Other buildings \$'000 | WIP buildings \$'000 |
|---------------------------------------|--|----------------------------------|------------------------------|----------------------------------|----------------------------|
| As at 1 January 2007: | | | | | |
| Cost | - | - | 29 684 | 3 861 | 8 846 |
| Valuation | 112 135 | 72 673 | 286 501 | 27 306 | - |
| Accumulated depreciation/amortisation | - | - | (7 870) | (962) | - |
| Net book amount | 112 135 | 72 673 | 308 315 | 30 205 | 8 846 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 112 135 | 72 673 | 308 315 | 30 205 | 8 846 |
| Revaluation increments (decrements) | 23 459 | 12 010 | 12 780 | (4 232) | - |
| Additions | - | 2 107 | - | 4 824 | 61 610 |
| Disposals | - | - | (191) | - | - |
| Transfers | - | 313 | 22 240 | 6 138 | (36 803) |
| Depreciation/amortisation | - | - | (8 391) | (985) | - |
| Closing net book amount | 135 594 | 87 103 | 334 753 | 35 950 | 33 653 |
| As at 31 December 2007: | | | | | |
| Cost | 4 | 2 562 | 864 | 6 634 | 33 653 |
| Valuation | 135 590 | 84 541 | 333 921 | 29 383 | - |
| Accumulated depreciation/amortisation | - | - | (32) | (67) | - |
| Net book amount | 135 594 | 87 103 | 334 753 | 35 950 | 33 653 |
| | Leasehold Improve- ments \$'000 | Library Collections \$'000 | Works of Art \$'000 | Plant and Equipment \$'000 | Total \$'000 |
| As at 1 January 2007: | | | | | |
| Cost | 6 227 | 5 476 | - | 101 787 | 155 881 |
| Valuation | - | 39 458 | 4 996 | - | 543 069 |
| Accumulated depreciation/amortisation | (1 585) | (8 190) | - | (67 662) | (86 269) |
| Net book amount | 4 642 | 36 744 | 4 996 | 34 125 | 612 681 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 4 642 | 36 744 | 4 996 | 34 125 | 612 681 |
| Revaluation increments (decrements) | - | (298) | - | - | 43 719 |
| Additions | 80 | 3 019 | 104 | 10 383 | 82 127 |
| Disposals | - | (228) | - | (794) | (1 213) |
| Transfers | 8 112 | - | - | - | - |
| Depreciation/amortisation | (909) | (4 493) | - | (6 668) | (21 446) |
| Closing net book amount | 11 925 | 34 744 | 5 100 | 37 046 | 715 868 |

| 14. Property, plant and equipment (continued) | Consolidated | | | | |
|--|--|----------------------------------|------------------------------|----------------------------------|----------------------------|
| | Leasehold improve- ments \$'000 | Library collections \$'000 | Works of art \$'000 | Plant and equipment \$'000 | Total \$'000 |
| As at 31 December 2007: | | | | | |
| Cost | 14 419 | - | 104 | 110 215 | 168 455 |
| Valuation | - | 34 744 | 4 996 | - | 623 175 |
| Accumulated depreciation/amortisation | (2 494) | - | - | (73 169) | (75 762) |
| Net book amount | 11 925 | 34 744 | 5 100 | 37 046 | 715 868 |
| | Trust land \$'000 | Other land \$'000 | Trust buildings \$'000 | Other buildings \$'000 | WIP buildings \$'000 |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | 135 594 | 87 103 | 334 753 | 35 950 | 33 653 |
| Revaluation increments (decrements) | - | - | - | - | - |
| Additions | - | - | 1 015 | 509 | 92 609 |
| Disposals | - | (50) | - | - | - |
| Transfers | - | - | 53 679 | 20 467 | (75 403) |
| Depreciation/amortisation | - | - | (9 123) | (1 720) | - |
| Closing net book amount | 135 594 | 87 053 | 380 324 | 55 206 | 50 859 |
| As at 31 December 2008: | | | | | |
| Cost | 4 | 2 512 | 54 543 | 27 610 | 50 859 |
| Valuation | 135 590 | 84 541 | 334 936 | 29 383 | - |
| Accumulated depreciation/amortisation | - | - | (9 155) | (1 787) | - |
| Net book amount | 135 594 | 87 053 | 380 324 | 55 206 | 50 859 |
| | Leasehold improve- ments \$'000 | Library collections \$'000 | Works of art \$'000 | Plant and equipment \$'000 | Total \$'000 |
| Year Ended 31 December 2008: | | | | | |
| Opening net book amount | 11 925 | 34 744 | 5 100 | 37 046 | 715 868 |
| Revaluation increments (decrements) | - | - | 2 434 | - | 2 434 |
| Additions | - | 2 557 | - | 6 503 | 103 193 |
| Disposals | - | (288) | - | (485) | (823) |
| Transfers | 1 011 | - | - | (61) | (307) |
| Depreciation/amortisation | (2 645) | (3 474) | - | (6 997) | (23 959) |
| Closing net book amount | 10 291 | 33 539 | 7 534 | 36 006 | 796 406 |
| As at 31 December 2008: | | | | | |
| Cost | 15 430 | 2 269 | - | 113 874 | 267 101 |
| Valuation | - | 34 744 | 7 534 | - | 626 728 |
| Accumulated depreciation/amortisation | (5 139) | (3 474) | - | (77 868) | (97 423) |
| Net book amount | 10 291 | 33 539 | 7 534 | 36 006 | 796 406 |
| University | Trust land \$'000 | Other land \$'000 | Trust buildings \$'000 | Other buildings \$'000 | WIP buildings \$'000 |
| As at 1 January 2007: | | | | | |
| Cost | - | - | 29 684 | 3 623 | 8 846 |
| Valuation | 112 135 | 40 152 | 286 501 | 24 964 | - |
| Accumulated depreciation/amortisation | - | - | (7 870) | (875) | - |
| Net book amount | 112 135 | 40 152 | 308 315 | 27 712 | 8 846 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 112 135 | 40 152 | 308 315 | 27 712 | 8 846 |
| Revaluation increments (decrements) | 23 459 | 8 910 | 12 780 | (4 451) | - |
| Additions | - | 2 000 | - | 4 462 | 61 610 |
| Disposals | - | - | (191) | - | - |
| Transfers | - | - | 22 240 | 6 451 | (36 803) |
| Depreciation/amortisation | - | - | (8 391) | (877) | - |
| Closing net book amount | 135 594 | 51 062 | 334 753 | 33 297 | 33 653 |
| As at 31 December 2007: | | | | | |
| Cost | 4 | 2 562 | 864 | 6 634 | 33 653 |
| Valuation | 135 590 | 48 500 | 333 921 | 26 730 | - |
| Accumulated depreciation/amortisation | - | - | (32) | (67) | - |
| Net book amount | 135 594 | 51 062 | 334 753 | 33 297 | 33 653 |

| 14. Property, plant and equipment (continued) | Leasehold improve- ments \$'000 | Library collections \$'000 | Works of art \$'000 | Plant and equipment \$'000 | Total \$'000 |
|---|--|----------------------------------|---------------------------|----------------------------------|-----------------|
| | | | | | |
| As at 1 January 2007: | | | | | |
| Cost | 6 227 | 5 476 | - | 94 676 | 148 532 |
| Valuation | - | 39 458 | 4 996 | - | 508 206 |
| Accumulated depreciation/amortisation | (1 585) | (8 190) | - | (62 800) | (81 320) |
| Net book amount | 4 642 | 36 744 | 4 996 | 31 876 | 575 418 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 4 642 | 36 744 | 4 996 | 31 876 | 575 418 |
| Revaluation increments (decrements) | - | (298) | - | - | 40 400 |
| Additions | - | 3 019 | 104 | 9 305 | 80 500 |
| Disposals | - | (228) | - | (636) | (1 055) |
| Transfers | 8 112 | - | - | - | - |
| Depreciation/amortisation | (909) | (4 493) | - | (5 992) | (20 662) |
| Closing net book amount | 11 845 | 34 744 | 5 100 | 34 553 | 674 601 |
| As at 31 December 2007: | | | | | |
| Cost | 14 339 | - | 104 | 102 591 | 160 751 |
| Valuation | - | 34 744 | 4 996 | - | 584 481 |
| Accumulated depreciation/amortisation | (2 494) | - | - | (68 038) | (70 631) |
| Net book amount | 11 845 | 34 744 | 5 100 | 34 553 | 674 601 |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | 135 594 | 51 062 | 334 753 | 33 297 | 33 653 |
| Revaluation increments (decrements) | - | - | - | - | - |
| Additions | - | - | 1 015 | - | 92 609 |
| Disposals | - | (50) | - | - | - |
| Transfers | - | - | 53 679 | 20 467 | (75 403) |
| Depreciation/amortisation | - | - | (9 123) | (1 611) | - |
| Closing net book amount | 135 594 | 51 012 | 380 324 | 52 153 | 50 859 |
| As at 31 December 2008: | | | | | |
| Cost | 4 | 2 512 | 54 543 | 27 101 | 50 859 |
| Valuation | 135 590 | 48 500 | 334 936 | 26 730 | - |
| Accumulated depreciation/amortisation | - | - | (9 155) | (1 678) | - |
| Net book amount | 135 594 | 51 012 | 380 324 | 52 153 | 50 859 |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | 11 845 | 34 744 | 5 100 | 34 553 | 674 601 |
| Revaluation increments (decrements) | - | - | 2 434 | - | 2 434 |
| Additions | - | 2 557 | - | 5 795 | 101 976 |
| Disposals | - | (288) | - | (473) | (811) |
| Transfers | 1 011 | - | - | (61) | (307) |
| Depreciation/amortisation | (2 641) | (3 474) | - | (6 346) | (23 195) |
| Closing net book amount | 10 215 | 33 539 | 7 534 | 33 468 | 754 698 |
| As at 31 December 2008: | | | | | |
| Cost | 15 350 | 2 269 | - | 105 693 | 258 331 |
| Valuation | - | 34 744 | 7 534 | - | 588 034 |
| Accumulated depreciation/amortisation | (5 135) | (3 474) | - | (72 225) | (91 667) |
| Net book amount | 10 215 | 33 539 | 7 534 | 33 468 | 754 698 |
| 15. Investment property | Consolidated | | University | | |
| | 2008 | 2007 | 2008 | 2007 | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Balance at 1 January | 21 307 | 18 890 | 21 307 | 18 890 | |
| Additions from subsequent expenditure | - | 93 | - | 93 | |
| Net (loss) gain from fair value adjustments | (280) | 2 324 | (280) | 2 324 | |
| Balance at 31 December | 21 027 | 21 307 | 21 027 | 21 307 | |

(a) Amount recognised in income statement for investment property

The University has recognised \$1.5 million (\$1.4 million) of rental income from investment properties within the Income Statement. Any direct operating expenses from generating rental income are included within the Income Statement and are immaterial.

(b) Valuation basis

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar leases.

An independent valuation of investment properties has been carried out by Mr N Satchell, AAPI, BAppSc(Val) of Rushton Valuers Pty Ltd on 31 December 2008.

(c) Non-current assets pledged as security

No non-current assets have been pledged.

(d) Contractual obligations

There are no capital commitments for investment properties.

(e) Leasing Arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on investment properties are as follows:

| | | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Within one year | | 1 141 | 697 | 1 141 | 697 |
| Later than one year but not later than five years | | 3 133 | 557 | 3 133 | 557 |
| Later than five years | | 24 | 78 | 24 | 78 |
| | | 4 298 | 1 332 | 4 298 | 1 332 |

16. Intangible assets

3(f)

Non-current:

As at 1 January 2007:

| | | | | |
|---|---|----------|---|----------|
| Cost | - | 11 180 | - | 11 180 |
| Accumulated depreciation and impairment | - | (10 545) | - | (10 545) |
| Net book amount | - | 635 | - | 635 |

Year ended 31 December 2007:

| | | | | |
|--------------------------------|---|-------|---|-------|
| Opening net book amount | - | 635 | - | 635 |
| Disposals | - | (62) | - | (62) |
| Amortisation charge | - | (194) | - | (194) |
| Closing net book amount | - | 379 | - | 379 |

As at 1 January 2008:

| | | | | |
|---|----------|---|----------|---|
| Cost | 11 050 | - | 11 050 | - |
| Accumulated amortisation and impairment | (10 671) | - | (10 671) | - |
| Net book amount | 379 | - | 379 | - |

Year ended 31 December 2008:

| | | | | |
|--------------------------------|-------|---|-------|---|
| Opening net book amount | 379 | - | 379 | - |
| Additions | 729 | - | 729 | - |
| Transfer from WIP | 307 | - | 307 | - |
| Amortisation charge | (190) | - | (190) | - |
| Closing net book amount | 1 225 | - | 1 225 | - |

As at 31 December 2008

| | | | | |
|---|----------|---|----------|---|
| Cost | 12 086 | - | 12 086 | - |
| Accumulated amortisation and impairment | (10 861) | - | (10 861) | - |
| Net book amount | 1 225 | - | 1 225 | - |

17. Payables

Current:

| | | | | |
|---|---------------|--------|---------------|--------|
| Accounts payable | 41 233 | 40 439 | 28 694 | 29 736 |
| Accruals | 2 750 | 5 553 | 1 194 | 501 |
| Salary and wage deductions | 5 428 | 4 673 | 5 425 | 4 670 |
| Unspent Commonwealth financial assistance | 90 | 29 | 90 | 29 |
| Deferred liability | - | 2 000 | - | 2 000 |
| | 49 501 | 52 694 | 35 403 | 36 936 |

| 17. Payables (continued) | Consolidated | | University | |
|--------------------------|--------------|--------|------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| Non-current: | \$'000 | \$'000 | \$'000 | \$'000 |
| Accounts payable | 5 270 | 4 814 | 5 260 | 4 798 |
| 18. Borrowings | | | | |
| Current: | | | | |
| Other - unsecured | 6 | 59 | 6 | 6 |
| Non-Current: | | | | |
| Other - unsecured | 56 | 7 | 56 | 62 |

The University maintains an unsecured \$20 million bill acceptance and discount facility (as a standby working capital facility) and an unsecured \$100 million multi-option facility (to part fund the North Terrace Development Strategy). As at 31 December 2008, these facilities have not been drawn down.

| 19. Provisions | Consolidated | | University | |
|------------------------------------|--------------|--------|------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| Current: | \$'000 | \$'000 | \$'000 | \$'000 |
| Workers compensation provision | 955 | 739 | 955 | 739 |
| Annual and long service leave | 21 587 | 17 314 | 20 905 | 16 764 |
| Insurance provision | 1 887 | 1 425 | 1 887 | 1 425 |
| | 24 429 | 19 478 | 23 747 | 18 928 |
| Non-current: | | | | |
| Workers compensation provision | 2 653 | 1 903 | 2 653 | 1 903 |
| Annual and long service leave | 36 457 | 28 858 | 36 277 | 28 669 |
| Defined benefit fund net liability | 9 912 | 3 287 | 9 912 | 3 287 |
| | 49 022 | 34 048 | 48 842 | 33 859 |

Movements in provisions

| | Workers compensation provision | Annual and long service leave | Insurance provision | Defined Benefit Fund net liability |
|---------------------------------------|--------------------------------|-------------------------------|---------------------|------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated - current: | | | | |
| Carrying amount at 1 January | 739 | 17 314 | 1 425 | - |
| Additional provisions recognised | 216 | 4 273 | 462 | - |
| Carrying amount at 31 December | 955 | 21 587 | 1 887 | - |
| Consolidated - non-current: | | | | |
| Carrying amount at 1 January | 1 903 | 28 858 | - | 3 287 |
| Additional provisions recognised | 750 | 7 599 | - | 6 625 |
| Carrying amount at 31 December | 2 653 | 36 457 | - | 9 912 |

Workers compensation provision

Provision is made based on an actuarial assessment of workers compensation estimated claims liability for future years. Refer to policy Note 3(r) 'Workers compensation'.

Annual and long service leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy Note 3(g) 'Employee benefits'.

During 2008 the provisions for annual leave and long service leave were calculated using salary loadings for the first time and the comparatives have not been adjusted. The impact of the inclusion of salary loadings in the calculation were \$1.1 million increase for annual leave and \$2 million increase for long service leave.

Insurance provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2008 that were expected to be paid subsequent to 1 January 2009 and are below the University deductible in the University insurance policies.

Defined Benefit Fund net liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119. Refer to Note 3(g) 'Employee benefits' and Note 26(c) 'The University of Adelaide Super Scheme A 1985'.

| 20. Other liabilities | Consolidated | | University | |
|---|--------------|--------|------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| Current: | \$'000 | \$'000 | \$'000 | \$'000 |
| Outside funded positions | 1 699 | 2 074 | 1 699 | 2 074 |
| Income in advance | 703 | 258 | 255 | 25 |
| Student tuition fees received in advance | 4 897 | 3 411 | 4 897 | 3 411 |
| Residential bonds | 321 | 326 | 321 | 326 |
| Employee benefits - redundancy | 27 | 300 | 27 | 300 |
| Funds held on deposit for controlled entities | - | - | 12 209 | 14 233 |
| Other | 434 | 627 | 396 | 578 |
| | 8 081 | 6 996 | 19 804 | 20 947 |

21. Employee benefits and related on-cost liabilities

In accordance with the requirements of AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as 'Employee benefits'. Below is a composite note disclosure showing the total liabilities the Consolidated entity has as at 31 December 2008 relating to employee benefits:

| | Note | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Annual leave: | | | | | |
| On-costs included in payables - current | 17 | 2 469 | 2 261 | 2 441 | 2 241 |
| Employee benefits - current | 19 | 13 998 | 10 519 | 13 639 | 10 249 |
| | | 16 467 | 12 780 | 16 080 | 12 490 |
| On-costs included in payables - non-current | 17 | 697 | 651 | 695 | 649 |
| Employee benefits - non-current | 19 | 3 932 | 2 999 | 3 882 | 2 971 |
| | | 4 629 | 3 650 | 4 577 | 3 620 |
| Long service leave: | | | | | |
| On-costs included in payables - current | 17 | 755 | 790 | 729 | 769 |
| Employee benefits - current | 19 | 7 589 | 6 795 | 7 266 | 6 515 |
| | | 8 344 | 7 585 | 7 995 | 7 284 |
| On-costs included in payables - non-current | 17 | 4 579 | 4 158 | 4 565 | 4 148 |
| Employee benefits - non-current | 19 | 32 525 | 25 859 | 32 395 | 25 698 |
| | | 37 104 | 30 017 | 36 960 | 29 846 |
| | | 66 544 | 54 032 | 65 612 | 53 240 |

22. Retained surplus and reserves**(a) Summary**

| | | | | | |
|--|--|----------------|---------|----------------|---------|
| Capital reserves: | | | | | |
| Capital reserve | | 2 971 | 2 971 | - | - |
| Capital profits reserve | | 1 481 | 1 481 | - | - |
| Asset revaluation reserve | | 228 951 | 226 478 | 201 920 | 199 486 |
| Initial asset recognition reserve | | 279 124 | 279 124 | 279 124 | 279 124 |
| Available-for-sale investments revaluation reserve | | 1 453 | 1 453 | 46 634 | 48 007 |
| | | 513 980 | 511 507 | 527 678 | 526 617 |
| Specific purpose reserves: | | | | | |
| Special reserve | | 107 377 | 80 102 | 107 377 | 80 102 |
| Bequests/donations unspent income reserve | | 13 301 | 17 199 | 13 301 | 17 199 |
| Restricted purpose bequest capital reserve | | 77 188 | 71 832 | 77 188 | 71 832 |
| Composite fund revaluation reserve | | 7 409 | 36 022 | 7 409 | 36 022 |
| | | 205 275 | 205 155 | 205 275 | 205 155 |
| Retained surplus | | 154 124 | 147 103 | 134 227 | 124 604 |

(b) Movements in reserves

| | | | | | |
|--|--|----------------|---------|----------------|---------|
| Capital reserve: | | | | | |
| Opening balance | | 2 971 | 3 020 | - | - |
| Current year movement | | - | (49) | - | - |
| Closing balance | | 2 971 | 2 971 | - | - |
| Capital profits reserve: | | | | | |
| Opening balance | | 1 481 | 1 249 | - | - |
| Current year movement | | - | 232 | - | - |
| Closing balance | | 1 481 | 1 481 | - | - |
| Asset revaluation reserve: | | | | | |
| Opening balance | | 226 517 | 182 759 | 199 486 | 159 086 |
| Add revaluation increment on property, plant and equipment | | 2 434 | 43 719 | 2 434 | 40 400 |
| Closing balance | | 228 951 | 226 478 | 201 920 | 199 486 |
| Initial asset recognition reserve: | | | | | |
| Opening balance | | 279 124 | 279 124 | 279 124 | 279 124 |
| Current year movement | | - | - | - | - |
| Closing balance | | 279 124 | 279 124 | 279 124 | 279 124 |
| Available-for-sale financial assets revaluation reserve: | | | | | |
| Opening balance | | 2 750 | 1 665 | 48 007 | 45 188 |
| Current year movement | | (1 297) | (212) | (1 373) | 2 819 |
| Closing balance | | 1 453 | 1 453 | 46 634 | 48 007 |

(b) Movements in reserves (continued)

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Special reserve: | | | | |
| Opening balance | 80 102 | 73 716 | 80 102 | 73 716 |
| Transfer from retained surplus | 27 275 | 6 386 | 27 275 | 6 386 |
| Closing balance | 107 377 | 80 102 | 107 377 | 80 102 |
| Bequests/donations unspent income reserve: | | | | |
| Opening balance | 17 199 | 16 367 | 17 199 | 16 367 |
| Transfer (to) from retained surplus | (3 898) | 832 | (3 898) | 832 |
| Closing balance | 13 301 | 17 199 | 13 301 | 17 199 |
| Restricted purpose bequest capital reserve: | | | | |
| Opening balance | 71 832 | 61 246 | 71 832 | 61 246 |
| Transfer from retained surplus | 5 356 | 10 586 | 5 356 | 10 586 |
| Closing balance | 77 188 | 71 832 | 77 188 | 71 832 |
| Composite Fund revaluation reserve: | | | | |
| Opening balance | 36 022 | 35 612 | 36 022 | 35 612 |
| Transfer (to) from retained surplus | (28 613) | 410 | (28 613) | 410 |
| Closing balance | 7 409 | 36 022 | 7 409 | 36 022 |

(c) Nature and purpose of reserves*Capital reserve*

Represents capital accounts held within controlled entities of the University.

Capital profits reserve

Represents the accumulation of realised revalued increments of assets sold.

Asset revaluation reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3(n).

Initial asset recognition reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Available-for-sale financial assets revaluation reserve

Is used to record increments and decrements on the revaluation of available-for-sale financial assets. Refer accounting policy Note 3(j).

Specific purpose reserves

Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

23. Reconciliation of net cash provided by operating activities to operating result

| | Note | Consolidated | | University | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Operating result | | 32 206 | 33 068 | 34 792 | 33 873 |
| Add (Less): Non-cash items: | | | | | |
| Amortisation | 5 | 2 835 | 1 103 | 2 831 | 1 103 |
| Depreciation | 5 | 21 314 | 20 529 | 20 554 | 19 753 |
| Write-down (up) of investments | | 29 254 | (8 641) | 29 254 | (8 641) |
| Superannuation expense | | 1 400 | (1 200) | 1 400 | (1 200) |
| Superannuation revenue | | (1 400) | 1 200 | (1 400) | 1 200 |
| Other revenue/expenses | | (7 072) | (15 554) | (7 218) | (17 428) |
| Funds held on deposit | | - | - | 3 000 | (14 233) |
| Loss on sale of property, plant and equipment | | 406 | 267 | 406 | 445 |
| Changes in assets/liabilities: | | | | | |
| Decrease (Increase) in inventories | | 838 | (4 371) | 113 | 138 |
| Increase in receivables | | (7 677) | (5 154) | (7 901) | (4 711) |
| Increase in other assets | | (2 086) | (156) | (2 018) | (220) |
| (Decrease) Increase in payables | | (2 737) | 12 852 | (1 071) | 11 040 |
| Increase (Decrease) in other current liabilities | | 1 085 | 449 | (1 143) | 14 561 |
| Increase in provisions | | 19 925 | 2 276 | 19 802 | 2 272 |
| Net cash provided by operating activities | | 88 291 | 36 668 | 91 401 | 37 952 |

| 24. Commitments | | Consolidated | | University | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Operating expenditure | | | | | |
| Contracted but not provided for and payable: | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Not later than one year | | 12 541 | 13 147 | 12 541 | 13 147 |
| Later than one year, but not later than five years | | 29 162 | 30 213 | 29 162 | 30 213 |
| Later than five years | | 388 | 1 238 | 388 | 1 238 |
| | | 42 091 | 44 598 | 42 091 | 44 598 |
| Capital expenditure | | | | | |
| <i>Property, plant and equipment</i> | | | | | |
| Contracted but not provided for and payable: | | | | | |
| Not later than one year | | 94 004 | 81 876 | 94 004 | 81 876 |
| Later than one year, but not later than five years | | - | 1 734 | - | 1 734 |
| Later than five years | | - | - | - | - |
| | | 94 004 | 83 610 | 94 004 | 83 610 |
| Operating lease commitments | | | | | |
| Future operating base rental not provided for and payable: | | | | | |
| Not later than one year | | 8 335 | 5 633 | 8 335 | 5 633 |
| Later than one year, but not later than five years | | 16 039 | 11 058 | 16 039 | 11 058 |
| Later than five years | | 65 | 641 | 65 | 641 |
| | | 24 439 | 17 332 | 24 439 | 17 332 |
| Representing: | | | | | |
| Cancellable operating leases | | 24 439 | 17 332 | 24 439 | 17 332 |
| Non-cancellable operating leases | | - | - | - | - |
| | | 24 439 | 17 332 | 24 439 | 17 332 |

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

25. Contingencies

(a) Guarantees

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

On July 1 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with WorkCover and provide a bank guarantee to cover projected workers compensation outstanding claims liabilities. The University provided a \$4.3 million bank guarantee to WorkCover which matures on 30 April 2009. The amount of the guarantee was based on an actuarial assessment of the projected workers compensation claims liabilities. In June 2007 the University was advised by WorkCover Corporation that its Self-Insurer Licence will be renewed for a period of three years from 1 July 2007.

(b) Superannuation

(i) *The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)*

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. In addition the University has agreed to a contribution program to finance the current deficit whereby the University contributes \$600 000 annually over the next two years. Refer to Note 26(c).

(ii) *UniSuper Limited Superannuation Schemes*

Refer to Note 26(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities became involved in legal disputes. At the date of adoption of these financial statements, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$1.9 million under the self insurance component of the University programme. Refer Note 19.

26. Superannuation schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) *Those operative and open to membership*

- UniSuper Defined Benefit Plan or Accumulation Super 2 (formerly Investment Choice Plan)
- Accumulation Super 1 (formerly UniSuper Award Plus Plan)

- (ii) *Those operative but closed to future membership*
- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)
- (iii) *State Government Schemes closed to future membership by University employees*
- State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2008 for employees in either the Defined Benefit Division or Accumulation Super 2 (formerly Investment Choice Plan) was 14 percent of salaries plus 3 percent of salaries contribution to the Accumulation Super 1 (formerly Award Plus Plan) and for employees only in the Accumulation Super 1 was 9 percent of salaries.

The operation of Clause 34 of the Trust Deed (as amended in 2006) means that the UniSuper Defined Benefit Division is a defined contribution fund for the purpose of AASB 119, allowing participating employers to treat the UniSuper Defined Benefit Division as a defined contribution fund.

Clause 34 states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits of its members on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2008 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2008 the assets of the Defined Benefit Division in aggregate were estimated to be \$323 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving service of the participating institution) and include the value of CPI indexed pensions being provided by the Defined Benefit Division.

As at 30 June 2008 the assets of the Defined Benefit Division in aggregate were estimated to be \$1.5 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the Defined Benefit Division as at 31 December 2005. The financial assumptions used were:

| | Vested Benefits | Accrued Benefits |
|--|-----------------|------------------|
| Gross of tax investment return | 7.25% p.a. | 8.5% p.a. |
| Net of tax investment return | 6.75% p.a. | 8.0% p.a. |
| CPI | 2.75% p.a. | 2.75% p.a. |
| Inflationary salary increases long-term | 3.75% p.a. | 3.75% p.a. |
| Inflationary salary increases next three years | 5.0% p.a. | 5.0% p.a. |

(Additional promotional salary increases are assumed to apply based on past experience).

Assets have been included at their net market value, ie allowing for realisation costs.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) is a defined benefit plan in accordance with AASB 119 that provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by Tidswell Financial Services Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). The Scheme is closed to new members.

| <i>Reconciliation of the present value of the Defined Benefit Obligation</i> | 2008 | 2007 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Present value of Defined Benefit Obligations at 1 January | 15 362 | 15 366 |
| Current service costs | 396 | 364 |
| Interest cost | 813 | 736 |
| Contributions by scheme participants | 57 | 53 |
| Actuarial (gains) losses | 4 036 | (2) |
| Benefits paid | (659) | (701) |
| Taxes, premiums and expenses paid | (383) | (454) |
| Present value of Defined Benefit Obligations at 31 December | 19 622 | 15 362 |

Expected contributions

The expected employer contributions for the year ended 31 December 2009 are \$1 million, which includes the \$600 000 annual payment to finance the current deficit.

(d) State Government Superannuation Schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the South Australia Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2008 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2008, there is an unfunded liability of \$43.7 million (\$42.3 million). This represents an increase in liability of \$1.4 million since 31 December 2007. This is recognised as expenditure in the 2008 Income Statement, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant. Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Financial Statement Guidelines for Australian Higher Education Providers for 2008 Reporting Period' provided by DEEWR. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$43.7 million have been recorded as a 'deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'deferred employee benefits for superannuation'.

| Summary | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Deferred Government Superannuation contribution: | | | | |
| Non-current asset | 43 700 | 42 300 | 43 700 | 42 300 |
| Deferred employee benefits for superannuation: | | | | |
| Current liability | 3 300 | 3 200 | 3 300 | 3 200 |
| Non-current liability | 40 400 | 39 100 | 40 400 | 39 100 |
| | 43 700 | 42 300 | 43 700 | 42 300 |

(e) Contributions

The total employer contributions were:

| | | |
|--|---------------|--------|
| UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2 (formerly Investment Choice Plan) | 22 537 | 20 538 |
| Accumulation Super 1 (formerly UniSuper Award Plus Plan) | 10 014 | 8 913 |
| State Government Superannuation Schemes (3 percent) | 21 | 20 |
| The University of Adelaide Superannuation Scheme A 1985 | 102 | 112 |
| | 32 674 | 29 583 |

27. Disaggregation information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not significant so as to warrant disaggregation information disclosure.

28. Auditors' remuneration

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Amounts paid or payable for assurance services were: | | | | |
| South Australian Auditor-General | 210 | 207 | 210 | 207 |
| Other auditors of controlled entities | 94 | 115 | - | - |
| | 304 | 322 | 210 | 207 |
| Amounts paid or payable for other services were: | | | | |
| Other auditors of controlled entities | 22 | 24 | - | - |
| | 326 | 346 | 210 | 207 |

Amounts paid or payable for advisory services relate to the provision of accounting services.

29. The University Council members and senior management**(a) Names of the University Council members and senior management***University Council members*

| | | |
|-------------------|--|---|
| Ex officio | von Doussa QC, the Hon John William McWha, Professor James Alexander Hill, Professor Robert | ceased 31.12.2008 |
| Co-opted | vacant | |
| Appointed | Adler AC, Mr Norman Ross Bagot, Mr Charles Castine, Ms Kathryn Davidson, Ms Dianne Kowalick, Mr Ian John Martin, Ms Pamela June Young, Mr Stephen Elliot | |
| Elected staff | Cecchin, Mr John Crewther, Dr Rodney James Linton, Professor Valerie Margaret Percival, Ms Kylie Joy | |
| Elected graduates | Anderson, Ms Carolyn Yvette Maddocks, Professor Simon Penniment, Dr Michael Radcliffe AM, Dr John Clive | commenced 06.09.2008 ceased 05.09.2008 |
| Student | Cronin, Ms Jessica Harron, Mr Trent Ji, Mr Zhen Plagakis, Ms Sophie Russell, Mr Aaron Swaine, Mr Philip Dalway | ceased 05.03.2008 commenced 06.03.2008 commenced 06.03.2008 commenced 06.03.2008 ceased 05.03.2008 ceased 05.03.2008 |

University senior management

McWha, Professor James
Brooks, Professor Mike
Duldig, Mr Paul
McDougall, Professor Fred
Beilby, Professor Justin
Dowd, Professor Peter
Harvey, Professor Nicholas
Hill, Professor Robert
Quester, Professor Pascale
Lohmann, Professor Birgit
Russel AM, Professor Richard
Taplin, Professor John

(b) Remuneration of the University Council members and senior management*University Council members*

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

University senior management

| | 2008 | 2007 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Amounts paid or payable to University Senior Management | 3 517 | 3 118 |
| | 2008 | 2007 |
| | Number | Number |
| \$100 000 - \$114 999 | - | 2 |
| \$115 000 - \$129 999 | - | 1 |
| \$175 000 - \$189 999 | - | 1 |
| \$205 000 - \$219 999 | 5 | - |
| \$220 000 - \$234 999 | - | 1 |
| \$235 000 - \$249 999 | 1 | 1 |
| \$250 000 - \$264 999 | 1 | 1 |
| \$265 000 - \$279 999 | 2 | - |
| \$295 000 - \$309 999 | - | 1 |
| \$310 000 - \$324 999 | - | 1 |
| \$325 000 - \$339 999 | 2 | - |
| \$340 000 - \$354 999 | - | 1 |
| \$715 000 - \$729 999 | - | 1 |
| \$745 000 - \$759 999 | 1 | - |
| | 12 | 11 |

University senior management (continued)

Following a review of the DEEWR Guidelines in 2008, the above information for 2007 and 2008 relates to executives which are defined as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

30. Financial instruments**(a) Interest rate risk**

The Consolidated entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

The Consolidated entity has entered into forward start interest rate swaps to manage its interest rate exposures on borrowings for its North Terrace Development Strategy. Further details are contained in Note 9.

| | | 2008 | | | | | |
|-----------------------------------|------|---|--|-----------------------------------|---------------------------------------|---------------------------|---------------------------|
| | | Weighted average effective rate Percent | Floating interest rate \$'000 | Fixed maturity dates | | | |
| | | | | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 |
| Financial assets: | Note | | | | | | |
| Cash and cash equivalents | 6 | 4.01 | 27 419 | - | - | - | - |
| Receivables | 7 | - | - | - | - | - | - |
| Financial assets held-for-trading | 8 | - | - | - | - | - | - |
| Financial assets held-to-maturity | 8 | 6.74 | - | 40 358 | - | - | - |
| Other financial assets | 8,12 | 1.91 | - | 117 | 117 | 117 | 117 |
| Derivative financial instruments | 9 | - | - | - | - | - | - |
| | | | 27 419 | 40 475 | 117 | 117 | 117 |
| Weighted average interest rate | | | 4.01% | 6.74% | 6.41% | 6.41% | 6.41% |
| Financial liabilities: | | | | | | | |
| Derivative financial instruments | 9 | - | - | - | - | - | - |
| Payables | 17 | - | - | - | - | - | - |
| Borrowings | 18 | - | - | - | - | - | - |
| | | | - | - | - | - | - |
| Weighted average interest rate | | | - | - | - | - | - |
| | | Fixed maturity dates | | | | | |
| | | | 4 to 5 years \$'000 | More than 5 years \$'000 | Non- interest bearing \$'000 | Total \$'000 | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 6 | | - | - | 676 | 28 095 | |
| Receivables | 7 | | - | - | 33 340 | 33 340 | |
| Financial assets held-for-trading | 8 | | - | - | 88 116 | 88 116 | |
| Financial assets held-to-maturity | 8 | | - | - | - | 40 358 | |
| Other financial assets | 8,12 | | 117 | 436 | 2 473 | 3 494 | |
| Derivative financial instruments | 9 | | - | - | 327 | 327 | |
| | | | 117 | 436 | 124 932 | 193 730 | |
| Weighted average interest rate | | | 6.41% | 6.76% | | | |
| Financial liabilities: | | | | | | | |
| Derivative financial instruments | 9 | | - | - | 16 067 | 16 067 | |
| Payables | 17 | | - | - | 54 771 | 54 771 | |
| Borrowings | 18 | | - | - | 62 | 62 | |
| | | | - | - | 70 900 | 70 900 | |
| Weighted average interest rate | | | - | - | | | |

(a) Interest rate risk (continued)

| | | | 2007 | | | | | |
|-----------------------------------|------|------|---|--|----------------------------------|---------------------------|---------------------------|---------------------------|
| | | | Weighted average effective rate Percent | Floating interest rate \$'000 | Fixed maturity dates | | | |
| | | | | | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 |
| Financial assets: | Note | | | | | | | |
| Cash and cash equivalents | 6 | 6.22 | 13 379 | 7 862 | - | - | - | - |
| Receivables | 7 | - | - | - | - | - | - | - |
| Financial assets held-for-trading | 8 | - | - | - | - | - | - | - |
| Financial assets held-to-maturity | 8 | 7.08 | - | 60 173 | - | - | - | - |
| Other financial assets | 8,12 | 1.66 | - | 86 | 117 | 117 | 117 | 117 |
| | | | | <u>13 379</u> | <u>68 121</u> | <u>117</u> | <u>117</u> | <u>117</u> |
| Weighted average interest rate | | | | 5.94% | 7.03% | 6.36% | 6.36% | 6.36% |
| Financial liabilities: | | | | | | | | |
| Payables | 17 | - | - | - | - | - | - | - |
| Borrowings | 18 | - | - | - | - | - | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Weighted average interest rate | | | | - | - | - | - | - |

| | | | Fixed maturity dates | | | | Total \$'000 |
|-----------------------------------|------|--|---------------------------|-----------------------------------|---------------------------------------|----------------|-----------------|
| | | | 4 to 5 years \$'000 | More than 5 years \$'000 | Non- interest bearing \$'000 | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 6 | | - | - | - | 21 241 | |
| Receivables | 7 | | - | - | 25 663 | 25 663 | |
| Financial assets held-for-trading | 8 | | - | - | 119 786 | 119 786 | |
| Financial assets held-to-maturity | 8 | | - | - | - | 60 173 | |
| Other financial assets | 8,12 | | 117 | 551 | 2 672 | 3 777 | |
| | | | <u>117</u> | <u>551</u> | <u>148 121</u> | <u>230 640</u> | |
| Weighted average interest rate | | | 6.36% | 6.66% | | | |
| Financial liabilities: | | | | | | | |
| Payables | 17 | | - | - | 57 508 | 57 508 | |
| Borrowings | 18 | | - | - | 66 | 66 | |
| | | | <u>-</u> | <u>-</u> | <u>57 574</u> | <u>57 574</u> | |
| Weighted average interest rate | | | - | - | | | |

(b) Foreign exchange risk

The Consolidated entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

The Consolidated entity has entered into foreign currency swaps to manage foreign currency exposures on capital expenditure. Further details are contained in Note 9.

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) On Balance Sheet financial instruments

The credit risk on financial assets recognised in the Balance Sheet is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from government customers with minimal credit risk. The credit risk relating to cash holdings and investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit-rating agencies.

(ii) Off Balance Sheet financial instruments

The reporting entity and its controlled entities do not possess or trade any off Balance Sheet financial instruments.

(d) Liquidity risk

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's Liquidity Risk Management Policy.

(e) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities are determined by the Consolidated entity on the following basis:

(i) On Balance Sheet financial instruments

The Consolidated entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers. Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value. The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) Off Balance Sheet financial instruments

The reporting entity and its controlled entities do not possess or trade any off Balance Sheet financial instruments.

31. Investments in controlled entities

Controlled entities and contribution to operating result before elimination of consolidation items:

| | Holding | | Investment at fair value | | Investment at cost | | Contribution to operating result | |
|---|-----------------|-----------------|--------------------------|----------------|--------------------|----------------|----------------------------------|----------------|
| | 2008 Percent | 2007 Percent | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| <i>Controlled entity</i> | | | | | | | | |
| The Adelaide Research and Innovation Investment Trust | 100 | 100 | 1 208 | 1 317 | - | - | 684 | (2 157) |
| Adelaide Unicare Pty Ltd | 100 | 100 | 1 877 | 2 043 | - | - | 51 | 217 |
| Martindale Holdings Pty Ltd as trustee for: | | | | | | | | |
| JS Davies Estate | 83 | 83 | 17 337 | 18 066 | - | - | (193) | 2 236 |
| JAT Mortlock Trust | 100 | 100 | 24 681 | 25 258 | - | - | 623 | 2 734 |
| Roseworthy Farm | 100 | 100 | 1 225 | 955 | - | - | 270 | 633 |
| National Wine Centre Pty Ltd | 100 | 100 | 306 | 301 | - | - | 5 | 159 |
| Roseworthy Piggery Pty Ltd | 100 | 100 | - | 67 | 100 | 100 | 83 | (139) |
| | | | 46 634 | 48 007 | 100 | 100 | 1 523 | 3 683 |

All of the above controlled entities are incorporated in Australia.

The operating deficit for the Adelaide Research & Innovation Investment Trust in 2007, is a result of a donation by its controlled entity, ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd) to the University out of the residual proceeds from the sale of the reproductive medicine business in 2006.

The operating surplus for JAT Mortlock Trust and JS Davies Estate in 2007, is a result of the first time recognition of inventory in the nature of crops due to their change in reporting date from 31 March to 31 December. Refer to Note 10.

JS Davies Estate

The University holds a 5/6th interest in a joint venture named JS Davies Estate, the principal activity of which is farming. The venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated entity. The remaining 1/6th is recognised as an outside equity interest.

32. Investments in associates**(a) Equity and contribution to operating result**

| Associate entity | Principal activity | Holding | | Consolidated carrying amount | | Investment at cost | |
|--|---|-----------------|-----------------|------------------------------|----------------|--------------------|----------------|
| | | 2008 Percent | 2007 Percent | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Held by the University | | | | | | | |
| <i>Unisure Pty Ltd</i> | Responsible for processing of Tertiary Institution Workers compensation insurance. | 33 | 33 | - | - | - | - |
| <i>Ngee Ann Adelaide Education Centre Pte Ltd</i> | Operates a graduate education centre in Singapore. | 50 | 50 | 347 | 401 | 298 | 298 |
| <i>Australian Centre for Plant Functional Genomics Pty Ltd</i> | Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia. | 42 | 38 | 44 | 26 | - | - |

(a) Equity and contribution to operating result (continued)

| Associate entity | Principal activity | Holding | | Consolidated carrying amount | | Investment at cost | |
|-------------------------------------|--|-----------------|-----------------|------------------------------|----------------|--------------------|----------------|
| | | 2008 Percent | 2007 Percent | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Held by the University | | | | | | | |
| Reproductive Health Science Pty Ltd | Development of a diagnostic for the reproductive market. | - | 23 | - | 137 | - | - |
| | | | | 391 | 564 | 298 | 298 |

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

Reproductive Health Science Pty Ltd ceased to be an associate in 2008 as the University share holdings were reduced to below 20 percent.

The University has a 25 percent interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity.

(b) Movements in carrying amounts of investments in associates

| | Consolidated | | University | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| At 1 January | 564 | 506 | - | - |
| Additional investment in associates | - | - | - | - |
| Share of operating result | (173) | 58 | - | - |
| | 391 | 564 | - | - |

(c) Results attributed to associates

| | | | | |
|---|------------|------------|----------|----------|
| Operating result | (173) | 58 | - | - |
| Additional investment in associates | - | - | - | - |
| Retained surplus attributable to associates at 1 January | 564 | 506 | - | - |
| Retained surplus attributable to associates at 31 December | 391 | 564 | - | - |

(d) Accounting for associates**(i) Capital and other expenditure commitments**

There are no material capital and other expenditure commitments relating to associated entities.

(ii) Contingent liabilities

There are no material contingent liabilities relating to associated entities.

(iii) Post-balance date events

There are no material post balance date events to report for associated entities.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the Consolidated entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Balance Sheet financial instruments

Neither the Consolidated entity, nor any of its associated entities, have any off Balance Sheet financial instruments.

(e) Unisure Pty Ltd

The University of Adelaide is a shareholder along with the University of South Australia and Flinders University in Unisure Pty Ltd. The University's interest (33.3 percent) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investments in the associates has not been accounted for using the equity method as per AASB 128.

Unisure Pty Ltd is the trustee of the Unisure Unit trust which managed the University's workers compensation claims until 30 September 2008. The University's workers compensation liabilities were transferred to the University from the Unisure Unit Trust during 2008. The Unisure Unit Trust investments were transferred to the University in January 2009.

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

33. Interests in joint ventures

(a) Groups

The University participates in a number of joint ventures. For reporting purposes these have been segregated into three groups as follows:

(i) Cooperative Research Centres

CRCs have the characteristics of joint ventures. These operations are not material to the University and there is no separate disclosure for 2008 in accordance with AASB 131.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, government agencies, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest based on their contribution proportion. The funding of the CRC is coordinated through either a company formed by the core participants or by a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

| | | | Participation Percent |
|--|-----|-----|--------------------------|
| CRC for Greenhouse Gas Technologies | (U) | (C) | 9 |
| CRC for Molecular Plant Breeding | (U) | - | 21 |
| CRC for Water Quality and Treatment (finished June 2008) | (U) | (C) | 4 |
| CRC for Australian Weed Management (finished December 2008) | (U) | (C) | 7 |
| CRC for Landscape Environments and Mineral Exploration (finished June 2008) | (U) | (C) | 8 |
| CRC for Aquafin (finished June 2008) | (U) | (C) | - |
| CRC for NPB Ltd | (I) | (C) | - |
| Beef CRC Ltd | (I) | (C) | 8 |
| Pork CRC Ltd | (I) | - | 27 |
| eWater Ltd | (I) | (C) | 2 |
| Desert Knowledge | (U) | (C) | - |
| Future Farm Industries | (I) | (C) | 2 |
| Seafood CRC | (I) | - | - |

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

The University was a supporting participant (but not a signatory) for the CRC for Aquafin, is a supporting participant for the CRC for NPB Ltd and Seafood CRC, and is an associate participant for the Desert Knowledge CRC under the terms of an Associate Agreement entered into with Ninti One Limited the CRC management company acting as centre agent.

The University over the next six years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, \$900 000 in cash (\$1.4 million) and \$14.8 million in-kind (\$20.8 million).

(ii) Joint ventures accounted for using the equity method

| Name | Principal activity | | Participation Percent |
|--|--|-----|--------------------------|
| Middleback Field Centre | To provide pastoral-zone courses and range land ecology research programmes. | (U) | 33 |
| Professional Certificate in Arbitration (previously - National Course in General Arbitration and Dispute Resolution) | To develop and deliver tertiary courses in arbitration. | (U) | 50 |
| South Australian Centre for Economic Studies | To obtain quality research regarding regional economic development with particular application to South Australia. | (U) | 50 |
| South Australian Tertiary Admissions Centre | Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students. | (U) | 25 |

(ii) *Joint ventures accounted for using the equity method (continued)*

| Name | Principal activity | | Participation Percent |
|---|--|-----|----------------------------------|
| South Australian Consortium for Information Technology and Telecommunications | Represents the three South Australian Universities by providing a focal point for the State in pursuing and winning major research funding in IT&T. | (I) | 33 |
| Ethics Centre of South Australia (ECSA) | ECSA draws on expertise from the three South Australian Universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the South Australian community. | (U) | 33 |
| Water Ed Australia Pty Ltd | A centre of leadership and innovation in collaborative water resources management education and training. | (I) | 20 |
| Monoclonal Antibodies South Australia (MAbSA) | Responsible for the development of monoclonal antibodies for the research market. | (U) | 50 |
| Adelaide Proteomics Centre (APC) | Provision of cost effective and high quality proteomic analysis to researchers conducting basic and applied research. | (U) | 50 |
| Defence Systems Innovation Centre | A centre to conduct contract-based studies and consultancies, post-graduate and under-graduate education programs, and collaborative research projects, focussed on the needs of the defence community. | (U) | 48 |
| eResearchSA | To provide expertise, facilities and advice to the South Australian research community for research collaboration, data management, high performance computing and visualisation technologies. | (U) | 33 |

(I) Incorporated

(U) Unincorporated

All joint ventures have a 31 December reporting period, except for South Australian Tertiary Admissions Centre and Water Ed Australia Pty Ltd, which have a 30 June reporting period.

The Consolidated entity's reported interest in the assets employed in the joint ventures totals \$2.1 million (\$2.1 million). These are included in the consolidated Balance Sheet, in accordance with the accounting policy described in Note 3(I).

(b) Equity and contribution to operating result

| <i>Joint venture entity</i> | 2008 Percent | 2007 Percent | Carrying amount | | Investment at cost | |
|--|-------------------------|-----------------|------------------------|----------------|------------------------|----------------|
| | | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Held by the University: | | | | | | |
| Middleback Field Centre | 33 | 33 | 22 | 27 | - | - |
| Professional Certificate in Arbitration | 50 | 50 | 33 | 2 | 65 | 65 |
| South Australian Centre for Economic Studies | 50 | 50 | 151 | 87 | - | - |
| South Australian Tertiary Admissions Centre | 25 | 25 | 204 | 197 | - | - |

(b) Equity and contribution to operating result (continued)

| | 2008 Percent | 2007 Percent | Carrying amount | | Investment at cost | |
|--|-----------------|-----------------|-----------------|----------------|--------------------|----------------|
| | | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| South Australian Consortium for Information Technology and Telecommunications Ethics Centre of South Australia | 33 | 33 | 200 | 657 | - | - |
| Water Ed Australia Pty Ltd | 20 | 20 | 1 277 | 1 085 | 280 | 210 |
| Monoclonal Antibodies South Australia (MABSA) | 50 | 50 | - | 9 | - | - |
| Adelaide Proteomics Centre (APC) | 50 | - | - | - | - | - |
| Defence Systems Innovation Centre | 48 | - | - | - | - | - |
| eResearchSA | 33 | - | 153 | - | - | - |
| | | | 2 082 | 2 108 | 345 | 275 |

(c) Movements in carrying amounts of joint ventures

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| At 1 January | 2 108 | 2 823 | - | - |
| Share of operating result | (96) | (855) | - | - |
| Additional investment in joint ventures | 70 | 140 | - | - |
| | 2 082 | 2 108 | - | - |

(d) Results attributed to joint ventures

| | | | | |
|---|--------------|--------------|----------|----------|
| Operating result | (96) | (855) | - | - |
| Additional investment in joint ventures | 70 | 140 | - | - |
| Retained surplus attributable at 1 January | 2 108 | 2 823 | - | - |
| Retained surplus attributable at 31 December | 2 082 | 2 108 | - | - |

(e) Accounting for joint ventures**(i) Capital and other expenditure commitments**

There are no material capital and other expenditure commitments relating to joint ventures.

(ii) Contingent liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) Post-balance date events

There are no material post balance date events to report for joint ventures.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Balance Sheet financial instruments

Neither the reporting entity, nor any of its joint ventures, have any off Balance Sheet financial instruments.

34. Related parties**(a) Parent entity**

The ultimate parent entity within the group is The University of Adelaide.

(b) Controlled entities, joint ventures and associated entities

Investments in controlled entities are detailed in Note 31, investments in associates are detailed in Note 32 and interests in joint ventures are detailed in Note 33.

(c) Council members and senior management

Disclosures relating to the University Council members and senior management are detailed in Note 29.

(d) Councillor related transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members, are trivial and domestic in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) Property leases

The University is the lessor of long term leases at peppercorn rents to the CSIRO and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of CRCs. (Refer to Note 33).

(f) Fees paid to members of Council

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

(g) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 35 to Note 40 has been prepared in accordance with the DEEWR reporting guidelines.

35. Income Statement for the year ended 31 December 2008

| | Note | Consolidated | | University | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| REVENUE FROM CONTINUING OPERATIONS: | | | | | |
| Australian Government financial assistance | 36 | 359 414 | 293 811 | 359 414 | 293 811 |
| State and local government financial assistance | 38 | 35 096 | 17 705 | 34 800 | 17 450 |
| HECS-HELP - student upfront payments | 4 | 11 307 | 10 236 | 11 307 | 10 236 |
| Fees and charges | 39 | 108 520 | 96 902 | 108 909 | 96 915 |
| Investment income | | 10 112 | 17 813 | 11 699 | 22 811 |
| Royalties, trademarks and licences | 4 | 922 | 1 126 | 488 | 526 |
| Consultancy and contract revenue | 40 | 54 778 | 47 724 | 31 172 | 27 409 |
| Other revenue | | 56 239 | 52 817 | 34 043 | 28 834 |
| Subtotal | | 636 388 | 538 134 | 591 832 | 497 992 |
| Deferred government superannuation contributions | | 1 400 | (1 200) | 1 400 | (1 200) |
| Total operating revenue from continuing operations | | 637 788 | 536 934 | 593 232 | 496 792 |
| Share of operating results of associates and joint ventures accounted for using the equity method | | (269) | (797) | - | - |
| Total revenue from continuing operations | | 637 519 | 536 137 | 593 232 | 496 792 |
| EXPENSES FROM CONTINUING OPERATIONS: | | | | | |
| Salaries and related expenses | 5 | 318 509 | 280 232 | 306 694 | 270 910 |
| Depreciation and amortisation | 5 | 24 149 | 21 632 | 23 385 | 20 856 |
| Building and grounds | 5 | 34 250 | 33 005 | 32 800 | 31 894 |
| Bad and doubtful debts | 5 | 620 | 312 | 511 | 334 |
| Finance costs | 5 | 212 | 466 | 1 188 | 466 |
| General and composite fund investment market valuation adjustment | 5 | 33 795 | - | 33 795 | - |
| Scholarships, grants and prizes | | 25 369 | 23 702 | 25 369 | 23 702 |
| Non-capitalised equipment | 5 | 8 289 | 8 690 | 8 259 | 8 690 |
| Advertising, marketing and promotional expenses | | 3 447 | 3 254 | 3 447 | 3 234 |
| Net losses on disposal of assets | 5 | 406 | 267 | 406 | 445 |
| Other expenses | | 154 867 | 132 709 | 121 186 | 103 588 |
| Subtotal | | 603 913 | 504 269 | 557 040 | 464 119 |
| Deferred government employee benefits for superannuation | | 1 400 | (1 200) | 1 400 | (1 200) |
| Total expenses from continuing operations | | 605 313 | 503 069 | 558 440 | 462 919 |
| NET OPERATING RESULT FOR THE YEAR | | 32 206 | 33 068 | 34 792 | 33 873 |

36. Australian Government financial assistance

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| (a) DEEWR - Commonwealth Grants Scheme and other DEEWR grants | | | | |
| Commonwealth Grants Scheme | 100 204 | 85 006 | 100 204 | 85 006 |
| Teaching hospitals grant | 644 | 617 | 644 | 617 |
| Indigenous Support Fund | 583 | 546 | 583 | 546 |
| Equity programmes | 201 | 193 | 201 | 193 |
| Workplace Reform Programme | 1 166 | 1 143 | 1 166 | 1 143 |
| Learning and Teaching Performance Fund | 500 | 1 342 | 500 | 1 342 |
| Capital development pool | 16 300 | 2 000 | 16 300 | 2 000 |
| Superannuation Programme | 2 820 | 2 688 | 2 820 | 2 688 |
| Collaboration and Structural Reform Programme | 220 | 50 | 220 | 50 |
| Workplace Productivity Programme | 600 | 209 | 600 | 209 |
| Improving the practical component of teacher education initiative | 70 | - | 70 | - |
| Transitional Cost Program | 1 114 | - | 1 114 | - |
| | 124 422 | 93 794 | 124 422 | 93 794 |
| (b) Higher Education Loan Programmes | | | | |
| HECS-HELP (Australian Government payments only) | 56 269 | 49 471 | 56 269 | 49 471 |
| FEE-HELP | 5 733 | 5 378 | 5 733 | 5 378 |
| OS-HELP | 571 | 428 | 571 | 428 |
| | 62 573 | 55 277 | 62 573 | 55 277 |
| (c) Learning scholarships | | | | |
| Australian postgraduate awards | 4 210 | 4 301 | 4 210 | 4 301 |
| International postgraduate research scholarships | 653 | 932 | 653 | 932 |
| Commonwealth education costs scholarships | 1 109 | 801 | 1 109 | 801 |
| Commonwealth accommodation scholarships | 1 462 | 1 225 | 1 462 | 1 225 |
| Indigenous access scholarships | 188 | - | 188 | - |
| | 7 622 | 7 259 | 7 622 | 7 259 |
| (d) DIISR Research | | | | |
| Institutional Grants Scheme | 16 232 | 16 500 | 16 232 | 16 500 |
| Research Training Scheme | 28 127 | 28 989 | 28 127 | 28 989 |
| Research infrastructure block grants | 13 641 | 13 820 | 13 641 | 13 820 |
| Implementation Assistance Programme | 169 | 82 | 169 | 82 |
| Australian Scheme for Higher Education Repositories | 264 | 145 | 264 | 145 |
| | 58 433 | 59 536 | 58 433 | 59 536 |
| (e) Better Universities Renewal Funding | 15 476 | - | 15 476 | - |
| (f) Australian Research Council | | | | |
| (i) Discovery: | | | | |
| Projects | 12 416 | 10 724 | 12 416 | 10 724 |
| Fellowships | 231 | 911 | 231 | 911 |
| Indigenous researchers development | 37 | 38 | 37 | 38 |
| | 12 684 | 11 673 | 12 684 | 11 673 |
| (ii) Linkages: | | | | |
| Infrastructure | 700 | 951 | 700 | 951 |
| International | 182 | 137 | 182 | 137 |
| Projects | 4 768 | 3 879 | 4 768 | 3 879 |
| | 5 650 | 4 967 | 5 650 | 4 967 |
| (iii) Networks and centres: | | | | |
| Networks | 650 | 637 | 650 | 637 |
| Centres | 3 699 | 2 071 | 3 699 | 2 071 |
| | 4 349 | 2 708 | 4 349 | 2 708 |
| (g) Other Australian Government financial assistance received | | | | |
| AusAID | 419 | - | 419 | - |
| Australian Centre for International Agricultural Research | 1 429 | 522 | 1 429 | 522 |
| Australian Institute of Health and Welfare | 660 | 598 | 660 | 598 |
| CSIRO | 1 219 | 2 276 | 1 219 | 2 276 |
| Defence, Science and Technology Organisation | 1 762 | 2 137 | 1 762 | 2 137 |
| Department of Agriculture, Fisheries and Forestry | 12 514 | 13 583 | 12 514 | 13 583 |
| Department of Communications, IT and Arts | 4 | 224 | 4 | 224 |
| Department of Defence | 7 | 90 | 7 | 90 |
| Department of Education, Employment and Workplace Relations | 1 069 | 3 163 | 1 069 | 3 163 |
| Department of Environment, Water, Heritage and the Arts | 239 | 224 | 239 | 224 |
| Department of Health and Ageing | 42 070 | 35 075 | 42 070 | 35 075 |
| Department of Immigration and Citizenship | 30 | - | 30 | - |

| (a) DEEWR - Commonwealth Grants Scheme and other DEEWR grants (continued) | Note | Total | |
|--|-------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 121 586 | 93 794 |
| Net accrual adjustments | | 2 836 | - |
| Revenue for the period | 36(a) | 124 422 | 93 794 |
| Surplus (Deficit) from the previous year | | - | - |
| Total revenue including accrued revenue | | 124 422 | 93 794 |
| Expenses including accrued expenses | | 110 872 | 93 794 |
| Surplus (Deficit) for the reporting period | | 13 550 | - |

| (b) Higher Education Loan Programmes | Note | Parent entity (University) only | | | |
|---|-------|--|----------------|----------------|----------------|
| | | HECS-HELP (Australian Government payments only) | | FEE-HELP | |
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 55 130 | 46 253 | 5 412 | 4 500 |
| Net accrual adjustments | | 1 139 | 3 218 | 321 | 878 |
| Revenue for the period | 36(b) | 56 269 | 49 471 | 5 733 | 5 378 |
| Surplus (Deficit) from the previous year | | - | - | - | - |
| Total revenue including accrued revenue | | 56 269 | 49 471 | 5 733 | 5 378 |
| Expenses including accrued expenses | | 56 269 | 49 471 | 5 733 | 5 378 |
| Surplus (Deficit) for the reporting period | | - | - | - | - |

| | 36(b) | OS-HELP | | Total | |
|---|-------|---|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| | | Financial assistance received in cash during the reporting period | | 632 | 457 |
| Net accrual adjustments | | (61) | (29) | 1 399 | 4 067 |
| Revenue for the period | | 571 | 428 | 62 573 | 55 277 |
| Surplus (Deficit) from the previous year | | - | - | - | - |
| Total revenue including accrued revenue | | 571 | 428 | 62 573 | 55 277 |
| Expenses including accrued expenses | | 571 | 428 | 62 573 | 55 277 |
| Surplus (Deficit) for the reporting period | | - | - | - | - |

| (c) Learning scholarships | 36(c) | Parent entity (University) only | | | |
|---|-------|---------------------------------|----------------|--|----------------|
| | | Australian Postgraduate Awards | | International Postgraduate Research Scholarships | |
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 4 210 | 4 301 | 770 | 815 |
| Net accrual adjustments | | - | - | (117) | 117 |
| Revenue for the period | | 4 210 | 4 301 | 653 | 932 |
| Surplus (Deficit) from the previous year | | 925 | 572 | - | - |
| Total revenue including accrued revenue | | 5 135 | 4 873 | 653 | 932 |
| Expenses including accrued expenses | | 4 257 | 3 948 | 653 | 932 |
| Surplus (Deficit) for the reporting period | | 878 | 925 | - | - |

(c) Learning scholarships (continued)

| | Note | Commonwealth Education Costs Scholarships | | Commonwealth Accommodation Scholarships | |
|---|-------|---|----------------|---|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 1 109 | 801 | 1 462 | 1 225 |
| Net accrual adjustments | | - | - | - | - |
| Revenue for the period | 36(c) | 1 109 | 801 | 1 462 | 1 225 |
| Surplus (Deficit) from the previous year | | 222 | 74 | 577 | 254 |
| Total revenue including accrued revenue | | 1 331 | 875 | 2 039 | 1 479 |
| Expenses including accrued expenses | | 791 | 653 | 1 057 | 902 |
| Surplus (Deficit) for the reporting period | | 540 | 222 | 982 | 577 |

| | 36(c) | Indigenous Access Scholarships | | Total | |
|---|-------|-----------------------------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 188 | - | 7 739 | 7 142 |
| Net accrual adjustments | | - | - | (117) | 117 |
| Revenue for the period | | 188 | - | 7 622 | 7 259 |
| Surplus (Deficit) from the previous year | | - | - | 1 724 | 900 |
| Total revenue including accrued revenue | | 188 | - | 9 346 | 8 159 |
| Expenses including accrued expenses | | 174 | - | 6 932 | 6 435 |
| Surplus (Deficit) for the reporting period | | 14 | - | 2 414 | 1 724 |

(d) DIISR Research

| | 36(d) | Parent entity (University) only | | | |
|---|-------|---------------------------------|----------------|-----------------------------|----------------|
| | | Institutional Grants Scheme | | Research Training Scheme | |
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 16 232 | 16 500 | 28 127 | 28 989 |
| Net accrual adjustments | | - | - | - | - |
| Revenue for the period | | 16 232 | 16 500 | 28 127 | 28 989 |
| Surplus (Deficit) from the previous year | | - | - | - | - |
| Total revenue including accrued revenue | | 16 232 | 16 500 | 28 127 | 28 989 |
| Expenses including accrued expenses | | 16 232 | 16 500 | 28 127 | 28 989 |
| Surplus (Deficit) for the reporting Period | | - | - | - | - |

| | Note | Research Infrastructure Block Grants | | Implementation Assistance Programme | |
|---|-------|---|----------------|---|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | | 13 641 | 13 820 | 169 | 82 |
| Net accrual adjustments | | - | - | - | - |
| Revenue for the period | 36(d) | 13 641 | 13 820 | 169 | 82 |
| Surplus (Deficit) from the previous year | | - | - | - | - |
| Total revenue including accrued revenue | | 13 641 | 13 820 | 169 | 82 |
| Expenses including accrued expenses | | 13 641 | 13 820 | 169 | 82 |
| Surplus (Deficit) for the reporting period | | - | - | - | - |

(d) DIISR Research (continued)

| Note | Australian Scheme for Higher Education Repositories | | Total | |
|---|---|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | 264 | 145 | 58 433 | 59 536 |
| Net accrual adjustments | - | - | - | - |
| Revenue for the period | 264 | 145 | 58 433 | 59 536 |
| Surplus (Deficit) from the previous year | - | - | - | - |
| Total revenue including accrued revenue | 264 | 145 | 58 433 | 59 536 |
| Expenses including accrued expenses | 264 | 145 | 58 433 | 59 536 |
| Surplus (Deficit) for the reporting period | - | - | - | - |

(e) Better Universal Renewal Funding

| Note | Parent entity (University) only Better Universities Renewal Funding | |
|---|--|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | 15 476 | - |
| Net accrual adjustments | - | - |
| Revenue for the period | 15 476 | - |
| Surplus (Deficit) from the previous year | - | - |
| Total revenue including accrued revenue | 15 476 | - |
| Expenses including accrued expenses | - | - |
| Surplus (Deficit) for the reporting period | 15 476 | - |

**(f) Australian Research Council grants -
Discovery**

| Note | Parent entity (University) only | | | |
|---|---------------------------------|----------------|----------------|----------------|
| | Projects | | Fellowships | |
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | 12 362 | 10 724 | 496 | 911 |
| Net accrual adjustments | 54 | - | (265) | - |
| Revenue for the period | 12 416 | 10 724 | 231 | 911 |
| Surplus (Deficit) from the previous year | 4 582 | 4 603 | 569 | 503 |
| Total revenue including accrued revenue | 16 998 | 15 327 | 800 | 1 414 |
| Expenses including accrued expenses | 11 664 | 10 745 | 800 | 845 |
| Surplus (Deficit) for the reporting period | 5 334 | 4 582 | - | 569 |

| Note | Indigenous Researchers Development | | Total | |
|---|--|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | 37 | 38 | 12 895 | 11 673 |
| Net accrual adjustments | - | - | (211) | - |
| Revenue for the period | 37 | 38 | 12 684 | 11 673 |
| Surplus (Deficit) from the previous year | 3 | 5 | 5 154 | 5 111 |
| Total revenue including accrued revenue | 40 | 43 | 17 838 | 16 784 |
| Expenses including accrued expenses | 29 | 40 | 12 493 | 11 630 |
| Surplus (Deficit) for the reporting period | 11 | 3 | 5 345 | 5 154 |

(g) Australian Research Council grants - Linkages

| | Parent entity (University) only | | | |
|---|---------------------------------|----------------|----------------|----------------|
| | Special Research Initiatives | | Infrastructure | |
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | - | - | 700 | 951 |
| Net accrual adjustments | - | - | - | - |
| Revenue for the period | - | - | 700 | 951 |
| Surplus (Deficit) from the previous year | - | 12 | 499 | 613 |
| Total revenue including accrued Revenue | - | 12 | 1 199 | 1 564 |
| Expenses including accrued expenses | - | 12 | 1 199 | 1 065 |
| Surplus (Deficit) for the reporting period | - | - | - | 499 |

| | International | | Projects | |
|---|---|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| | Financial assistance received in cash during the reporting period | 182 | 137 | 4 510 |
| Net accrual adjustments | - | - | 258 | - |
| Revenue for the period | 182 | 137 | 4 768 | 3 879 |
| Surplus (Deficit) from the previous year | 114 | 91 | 1 684 | 2 234 |
| Total revenue including accrued revenue | 296 | 228 | 6 452 | 6 113 |
| Expenses including accrued expenses | 207 | 114 | 4 464 | 4 429 |
| Surplus (Deficit) for the reporting period | 89 | 114 | 1 988 | 1 684 |

| | Total | |
|---|---|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| | Financial assistance received in cash during the reporting period | 5 392 |
| Net accrual adjustments | 258 | - |
| Revenue for the period | 5 650 | 4 967 |
| Surplus (Deficit) from the previous year | 2 297 | 2 950 |
| Total revenue including accrued revenue | 7 947 | 7 917 |
| Expenses including accrued expenses | 5 870 | 5 620 |
| Surplus (Deficit) for the reporting period | 2 077 | 2 297 |

(h) Australian Research Council grants - Networks and Centres

| | Parent entity (University) only | | | |
|---|---------------------------------|----------------|----------------|----------------|
| | Networks | | Centres | |
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during the reporting period | 650 | 637 | 3 699 | 2 071 |
| Net accrual adjustments | - | - | - | - |
| Revenue for the period | 650 | 637 | 3 699 | 2 071 |
| Surplus (Deficit) from the previous year | 552 | 618 | - | - |
| Total revenue including accrued revenue | 1 202 | 1 255 | 3 699 | 2 071 |
| Expenses including accrued expenses | 757 | 703 | 3 699 | 2 071 |
| Surplus (Deficit) for the reporting period | 445 | 552 | - | - |

| | Total | |
|---|---|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| | Financial assistance received in cash during the reporting period | 4 349 |
| Net accrual adjustments | - | - |
| Revenue for the period | 4 349 | 2 708 |
| Surplus (Deficit) from the previous year | 552 | 618 |
| Total revenue including accrued revenue | 4 901 | 3 326 |
| Expenses including accrued expenses | 4 456 | 2 774 |
| Surplus (Deficit) for the reporting period | 445 | 552 |

| 38. State and local government financial assistance | | Consolidated | | University | |
|---|------|----------------|---------------|----------------|---------------|
| | | 2008 | 2007 | 2008 | 2007 |
| (a) SA Government and local government financial assistance | | \$'000 | \$'000 | \$'000 | \$'000 |
| Arts SA | | 128 | 123 | 128 | 123 |
| Bio Innovation SA | | 1 853 | 895 | 1 853 | 895 |
| Central Northern Adelaide Health Service | | 2 570 | 2 543 | 2 570 | 2 543 |
| Children, Youth and Women's Health Service | | 365 | 402 | 365 | 402 |
| Department for Environment and Heritage | | 489 | 626 | 489 | 626 |
| Department for Families and Communities | | 92 | 17 | 92 | 17 |
| Department of Further Education, Employment, Science and Technology | | 14 699 | 3 715 | 14 699 | 3 715 |
| Department of Health | | 2 331 | 1 112 | 2 331 | 1 112 |
| Department of the Premier and Cabinet | | 296 | 289 | 296 | 289 |
| Department of Primary Industries and Resources | | 1 291 | 1 528 | 1 291 | 1 528 |
| Department of Education and Children's Services | | 73 | 11 | 73 | 11 |
| Department for Trade and Economic Development | | 95 | 97 | 95 | 97 |
| Department for Transport, Energy and Infrastructure | | 637 | 607 | 637 | 607 |
| Department of Water, Land and Biodiversity Conservation | | 668 | 733 | 668 | 733 |
| Institute of Medical and Veterinary Science | | 281 | 91 | 281 | 91 |
| Motor Accident Commission | | 655 | 674 | 655 | 674 |
| Police Department SA | | 361 | 105 | 361 | 105 |
| Public Trustee Office | | 52 | 26 | 52 | 26 |
| Repatriation General Hospital | | - | 25 | - | 25 |
| Royal Adelaide Hospital | | 4 902 | 2 413 | 4 902 | 2 413 |
| SafeWork SA | | 89 | - | 89 | - |
| South Australian Dental Service | | 170 | 126 | 170 | 126 |
| South Australian Government Financing Authority | | 750 | - | 750 | - |
| South Australian Museum | | 412 | 223 | 412 | 223 |
| Southern Adelaide Health Service | | 10 | - | 10 | - |
| Southern Yorke Peninsula Health Service | | 296 | 255 | - | - |
| WorkCover Corporation | | 136 | - | 136 | - |
| Other | | 710 | 714 | 710 | 714 |
| Total SA Government and local government financial assistance | | 34 411 | 17 352 | 34 115 | 17 097 |
| (b) Other State Government and local government financial assistance | | 685 | 353 | 685 | 353 |
| Total SA Government and local government financial assistance | | 35 096 | 17 705 | 34 800 | 17 450 |
| 39. Fees and charges | | | | | |
| Fees and charges were collected from the following sources during the reporting period: | | | | | |
| | | Consolidated | | University | |
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Student fee income | 4 | 90 792 | 81 060 | 90 792 | 81 060 |
| Library charges and fines | 4 | 813 | 936 | 813 | 936 |
| Application management and late fees | 4 | 1 066 | 660 | 1 066 | 660 |
| Parking fees | 4 | 945 | 978 | 945 | 978 |
| Rental charges/accommodation fees | 4 | 9 784 | 8 976 | 10 173 | 8 989 |
| Recharge of costs to other organisations | 4 | 433 | 218 | 433 | 218 |
| Franchise fees | 4 | 1 074 | 917 | 1 074 | 917 |
| Other | | 3 613 | 3 157 | 3 613 | 3 157 |
| Total | | 108 520 | 96 902 | 108 909 | 96 915 |
| 40. Consultancy and contract revenue | | | | | |
| Consultancy | | 14 621 | 14 299 | 7 202 | 6 652 |
| Contract research | | 40 157 | 33 425 | 23 970 | 20 757 |
| Total | | 54 778 | 47 724 | 31 172 | 27 409 |

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The University of South Australia (the University) is established under the *University of South Australia Act 1990*.

Functions

To provide tertiary education programs, preserve, extend and disseminate knowledge through teaching, research, scholarship and consultancy and to provide educational programs for the benefit of the wider community or the enhancement of its cultural life.

The University has a financial interest in a number of entities as detailed in Notes 1(b), 34, 35 and 36 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the Financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each year of operation.

Assessment of controls

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

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.

For the year ended 31 December 2008, areas reviewed included:

- expenditure
- payroll
- revenue
- fixed assets
- financial accounting
- cash at bank
- intellectual property.

Internal Audit activities were also reviewed.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

The following is an extract from the 2008 Independent Auditor's Report, which details the qualification to the University's financial report.

Basis for Qualified Auditor's Opinion

The University has recognised \$10.2 million of unspent government grants as a liability for the year ended 31 December 2008. This amount has been accounted for as income received in advance and included in 'Other Liabilities - Commonwealth and State Government grants' and 'Other Liabilities - Income in advance on incomplete projects' in Note 27 to the financial statements. The University has disclosed its accounting treatment of these grants in Note 1(d) to the financial statements.

In my opinion, the government grants represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with grant conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such grant funds received, including any unspent portion should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2008 Financial Report:

- *the revenue recognised as State Government Financial Assistance is overstated by \$1.5 million (\$2.2 million understated in 2007)*
- *the revenue recognised as Australian Government Grants is understated by \$1.1 million (\$502 000 overstated in 2007)*
- *Operating result after income tax is overstated by \$416 000 (\$1.7 million understated in 2007)*
- *Retained Surplus is understated by \$10.6 million (\$8.9 million understated in 2007)*
- *Other Liabilities is overstated by \$10.2 million (\$10.6 million overstated in 2007).*

Qualified Auditor's Opinion

In my opinion, except for the effect of the matter referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the University of South Australia and the consolidated entity as at 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Support Act 2003 and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of controls

In my opinion, the controls exercised by the University over the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll and expenditure as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the University 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 Vice Chancellor. Responses to the management letter were generally considered to be satisfactory. Major matters raised with the University and related responses are detailed below.

Government grant funding

As occurred in past years, the University has recognised a liability for some grants which were unspent as at 31 December 2008.

In my opinion, these grants represent contributions which are non-reciprocal and the University obtains control of the grant funding on receipt. As a consequence, in accordance with AASB 1004, these grants should be recognised as revenue in the year of receipt.

As a result the Independent Auditor's Report on the University's financial report for 2008 (and 2007) was qualified on the treatment of certain government grants. The financial effect of the non-compliance with the accounting standard is provided above under the heading 'Auditor's report on the financial report'.

Payroll

In recent years Audit has reported limitations in aspects of the University's payroll controls. Our 2008 review revealed that, although there had been some change to processes, risks remain in the following areas.

Leave recording

Management's review of leave payment records is not sufficient to enable adequate follow up of missing leave forms ensuring correct payment of leave. It is acknowledged that other controls employed by the University mitigate the risk of individually large errors. However, review of leave payment records is considered an important control due to the potential cost impact of missed leave.

The University responded that an online HR Service portal has been developed in 2009, where managers are able to access leave information in 'real time'. The University commented that while they will continue to improve controls where possible, they consider they are managing the risks appropriately.

Validity of casual employment payments

Audit noted that management's review of payroll reports was not always consistent or comprehensive enough to ensure the validity and accuracy of casual employee payments.

The University agreed and responded that they will reinforce the matter with the relevant staff and look to improve the effectiveness of controls through a number of initiatives.

Expenditure

Financial delegations

Consistent with past year findings, the University's current control environment is limited in its capacity to ensure adherence to the Vice-Chancellor's expenditure delegations. Most payments made through the central expenditure system are not checked for correct authorisation. Audit recommended the University implement a compliance process that ensures that expenditure can only be paid when approved by an authorised delegate.

The University advised that this matter will be addressed by the introduction of an automated workflow system for approvals which is intended to be rolled out across the University by the end of 2009 or early 2010.

Segregation of duties – purchasing and receipt of goods

Consistent with prior years, Audit noted instances where there was no independence between purchasing, receiving goods and approving the payment for such goods.

The University agreed and indicated that the introduction of an automated workflow system as discussed above will address this matter. It also indicated an intention to undertake a review of purchasing processes.

Independent contractor vs employee

The University employs services of many individuals; most through employment contracts, however, others are employed as independent contractors. The distinction between these contracts is important as a range of legislation underpins all employer-employee relationships. Audit noted that while independent contractors were assessed for indicators of employer-employee relationship this did not always occur prior to the person being engaged as a contractor. This presents an increased risk of unintentional non-compliance with legislation.

The University responded that they are conscious of the potential risks and have undertaken various actions to manage them including increasing staff awareness through education and the use of a specific resource in the Finance Unit to review payments.

Capital works

While a review of capital works found project management to be satisfactory, recommendations were made for potential improvements including the consistent use of project management checklists and the timeliness of signing building contracts.

The University agreed and indicated its intent to meet these recommendations.

Intellectual property

Actions taken by the University in 2008 reflect an intent to improve its intellectual property (IP) policies. At the time of the audit a draft IP management framework had been prepared and policy formulation was scheduled for completion in 2009. Audit considers that adequate IP and associated risk management is dependent on the timely finalisation and implementation of the framework and the proposed policy. The University acknowledged the audit comments.

Foreign exchange

During the year the University undertook a small number of hedging arrangements involving the purchase of US dollars. These arrangements were successful in saving the University money for its US dollar purchases. Audit noted that the University did not have a specific policy or internal delegation regarding these types of transactions and recommended that they be established.

The University agreed and has indicated it will incorporate specific authority into revisions of the Vice Chancellor's Authorisations which are expected to be implemented later in 2009.

Treasury risk management

During 2008 the University maintained substantial cash balances. While allocation of cash investments is at the discretion of the senior finance officers, the University is currently developing treasury and investment policies and guidelines. In this respect, Audit provided the University with a list of principles that should be considered when establishing treasury risk management policies and procedures.

The University agreed, and will consider the introduction of appropriate policies and procedures.

Information communications technology review

The 2007-08 Report included comment on an audit undertaken of aspects of the University's management and control of information communications technology. The audit also covered the review of specific ICT controls for the personnel and payroll and accounts payable functions and their computer processing environments.

It was conveyed in that Report that the University's high level governance arrangements for the control of ICT were satisfactory. In addition, the University had provided an appropriate response to address certain matters, including improvements to security documentation, systems activity logging, access security for electronic funds transfers, and to review its approach to the process of information security classification which impacts on how information is handled or secured.

At the time of preparation of this Report a follow-up audit of corrective actions taken by the University was in progress.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The following analysis has been prepared from the financial report and should be read in conjunction with the 'Qualified Auditor's Opinion' as provided under the heading 'Auditor's report on the financial report'. The qualification expresses that the University has not applied AASs and mandatory APFs when reporting grant revenues.

The Income Statement includes revenue and expense disclosures relating to superannuation (Commonwealth supplementation, \$26.8 million, and deferred government contributions, \$4.5 million). As these disclosures do not have an affect on the overall operating result for the year they have been excluded from the interpretation and analysis of the financial report.

Highlights of the financial report (Consolidated)

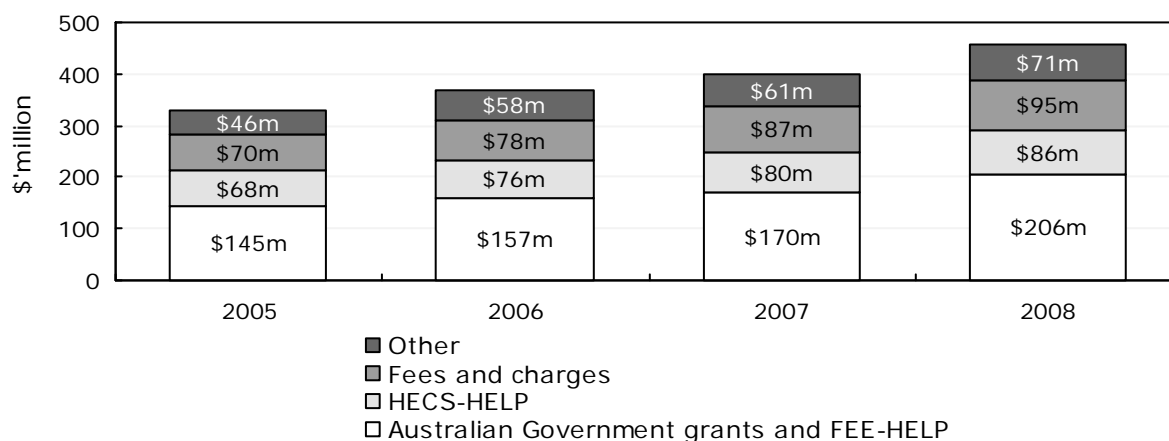
| | 2008 | 2007 |
|---|-------------------|------------|
| | \$'million | \$'million |
| <i>INCOME</i> | | |
| Australian Government grants and FEE-HELP | 206 | 170 |
| HECS-HELP (Australian Government and student) | 86 | 80 |
| Fees and charges | 95 | 87 |
| Other | 71 | 61 |
| Total income | 458 | 398 |

| | 2008 \$'million | 2007 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee related expenses | 257 | 235 |
| Other expenses | 158 | 139 |
| Total expenses | 415 | 374 |
| Operating result before income tax | 43 | 24 |
| NET CASH INFLOWS FROM OPERATING ACTIVITIES | 78 | 53 |
| NET CASH OUTFLOWS FROM INVESTING ACTIVITIES | (44) | (46) |
| ASSETS | | |
| Current assets | 174 | 134 |
| Non-current assets | 876 | 860 |
| Total assets | 1 050 | 994 |
| LIABILITIES | | |
| Current liabilities | 91 | 83 |
| Non-current liabilities | 315 | 308 |
| Total liabilities | 406 | 391 |
| EQUITY | 644 | 603 |

Income Statement (Consolidated)

Income

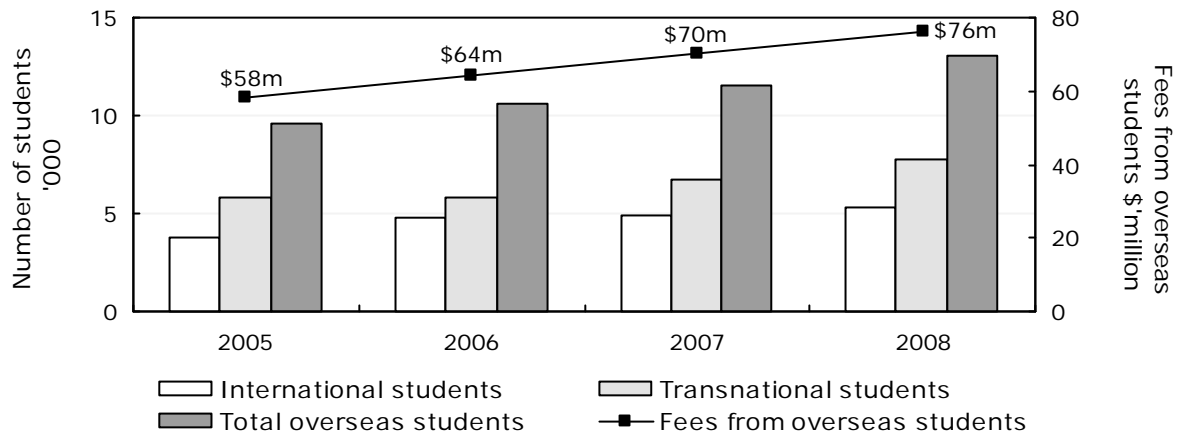
A structural analysis of the University's income for the four years to 2008 is presented in the following chart.



The chart demonstrates that revenues across all categories have continued to grow. Of particular note is the increase in Australian Government grants and FEE-HELP of \$36 million to \$206 million reflecting increased funding for specific projects together with indexation and increased student activity, including:

- \$7.7 million increase in the base operating grant reflecting a 2.1 percent indexation rate and increased student activity
- \$5.9 million increase in funding for new projects in the Collaboration and Structural Reform Program (project related funding)
- \$13.3 million increase relating to Better Universities Renewal Funding (project related funding)
- \$3.9 million increase relating to Capital Development Pool Funding (project related funding).

The following chart highlights the upward trend in fees from overseas students (both international and transnational). This trend is due mainly to an increase in student enrolments.



Source: Student numbers were obtained from the University's annual reports and are unaudited figures.

Fees from overseas students increased by \$6 million to \$76 million. Over the four year period, overseas student numbers have increased by 36 percent. Revenue from fee paying overseas students represents 17 percent of total revenue, a ratio which has been relatively consistent over recent years.

Expenses

Expenses increased by \$41 million, totalling \$415 million. The main expense of the University is employee benefits. This item increased by \$22 million to \$257 million. This was due mainly to wage rate increases and an increase in staff numbers.

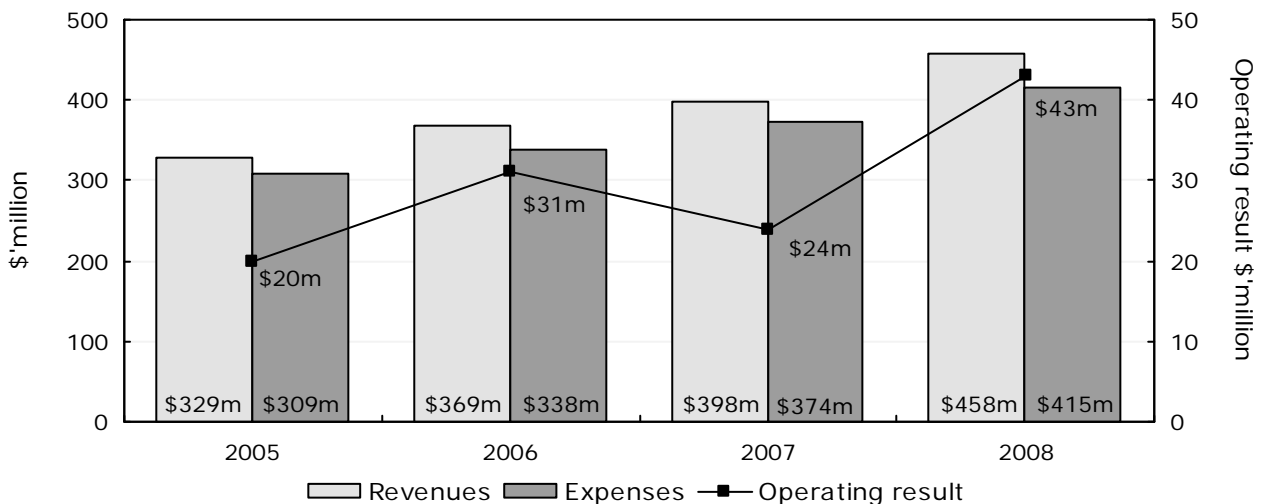
Other expenses increased by \$19 million to \$158 million. Of note were increases in:

- external services, \$4 million
- scholarships, grant and prizes, \$3.5 million
- IT hardware and software, \$1.8 million
- travel, staff development and entertainment, \$1.4 million
- advertising, marketing and promotion, \$1.3 million.

Operating result

The result of operations for the year was a surplus of \$43 million (\$24 million), an increase of \$19 million. The major contributor to this increase was project related funding from the Australian Government including \$13.3 million Better Universities Renewal Funding.

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



Balance Sheet (Consolidated)

The main item of the University's Balance Sheet is property, plant and equipment, representing 56 percent of total assets. The carrying value of property, plant and equipment increased by \$13 million, to \$586 million. The increase was due mainly to the continuation of major capital development projects, \$25.5 million and other asset additions, \$13.4 million. These increases were offset by depreciation charges of \$24 million.

The University has continued to maintain substantial cash balances. As at 31 December cash and at call deposits were \$111.4 million (\$77.9 million).

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2008.

| | 2008 | 2007 | 2006 | 2005 |
|-----------------------|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Net cash flows | | | | |
| Operating | 77 | 53 | 54 | 45 |
| Investing | (44) | (46) | (46) | (12) |
| Financing | - | (1) | (16) | (1) |
| Change in Cash | 33 | 6 | (9) | 32 |
| Cash at 31 December | 111 | 78 | 72 | 81 |

A significant portion of the University's net operating inflows continue to be offset by investing outflows, which primarily comprise payments for property, plant and equipment.

Income Statement for the year ended 31 December 2008

| | Note | Consolidated | | University | |
|--|---------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| REVENUE FROM CONTINUING OPERATIONS: | | | | | |
| Australian Government financial assistance: | | | | | |
| Australian Government grants | 3,42 | 202 884 | 165 634 | 202 884 | 165 634 |
| HECS-HELP Australian Government payments | 3,42(b) | 73 295 | 68 152 | 73 295 | 68 152 |
| FEE-HELP | 3,42(b) | 2 954 | 4 527 | 2 954 | 4 527 |
| State and Local Government financial assistance | 4 | 11 580 | 9 676 | 11 632 | 9 676 |
| HECS-HELP student payments | | 12 758 | 11 776 | 12 758 | 11 776 |
| Fees and charges | 5 | 94 641 | 86 826 | 94 641 | 86 826 |
| Investment income | 6 | 8 662 | 6 839 | 9 329 | 7 676 |
| Royalties | | 421 | 591 | 300 | 534 |
| Consultancy and contract research | 7 | 27 011 | 23 274 | 27 029 | 23 400 |
| Other revenue | 8 | 23 513 | 21 687 | 15 170 | 14 259 |
| | | 457 719 | 398 982 | 449 992 | 392 460 |
| Superannuation: | | | | | |
| Commonwealth supplementation | 3,33 | 26 771 | 22 074 | 26 771 | 22 074 |
| Deferred government contributions | 33 | 4 500 | (8 700) | 4 500 | (8 700) |
| Total revenue from continuing operations | | 488 990 | 412 356 | 481 263 | 405 834 |
| Other income (loss) | 9 | 127 | (349) | (457) | (347) |
| Total income | | 489 117 | 412 007 | 480 806 | 405 487 |
| EXPENSES FROM CONTINUING OPERATIONS: | | | | | |
| Employee related expenses | 11 | 256 852 | 235 085 | 251 705 | 230 751 |
| Depreciation and amortisation | 12 | 24 486 | 23 453 | 24 293 | 23 260 |
| Repairs and maintenance | 13 | 7 582 | 6 756 | 7 564 | 6 740 |
| Finance costs | 14 | - | 40 | - | 40 |
| Bad and doubtful debts | 15 | 535 | (457) | 535 | (457) |
| Other expenses | 16 | 125 223 | 109 372 | 122 669 | 107 316 |
| | | 414 678 | 374 249 | 406 766 | 367 650 |
| Superannuation: | | | | | |
| Commonwealth supplementation | 11,33 | 26 771 | 22 074 | 26 771 | 22 074 |
| Deferred employee benefits | 33 | 4 500 | (8 700) | 4 500 | (8 700) |
| Total expenses from continuing operations | | 445 949 | 387 623 | 438 037 | 381 024 |
| OPERATING RESULT BEFORE INCOME TAX | | 43 168 | 24 384 | 42 769 | 24 463 |
| Income tax expense | | 148 | - | 148 | - |
| OPERATING RESULT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF THE UNIVERSITY OF SOUTH AUSTRALIA | | 43 020 | 24 384 | 42 621 | 24 463 |

Balance Sheet as at 31 December 2008

| | Note | Consolidated | | University | |
|---|-------|------------------|----------------|------------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 17 | 111 379 | 77 933 | 108 565 | 75 698 |
| Receivables | 18 | 25 152 | 23 356 | 23 367 | 21 885 |
| Other financial assets | 20 | 1 790 | 420 | 1 790 | 420 |
| Other non-financial assets | 23 | 10 513 | 7 350 | 10 495 | 7 333 |
| Deferred government superannuation contribution | 33 | 25 300 | 24 600 | 25 300 | 24 600 |
| Total current assets | | 174 134 | 133 659 | 169 517 | 129 936 |
| NON-CURRENT ASSETS: | | | | | |
| Other financial assets | 20 | 5 214 | 9 571 | 5 844 | 10 291 |
| Property, plant and equipment | 21 | 585 652 | 572 732 | 585 222 | 572 333 |
| Intangible assets | 22 | 5 638 | 2 378 | 5 638 | 2 378 |
| Deferred government superannuation contribution | 33 | 279 100 | 275 300 | 279 100 | 275 300 |
| Total non-current assets | | 875 604 | 859 981 | 875 804 | 860 302 |
| Total assets | | 1 049 738 | 993 640 | 1 045 321 | 990 238 |
| CURRENT LIABILITIES: | | | | | |
| Payables | 24 | 23 488 | 19 496 | 22 837 | 19 058 |
| Provisions | 26 | 17 389 | 16 479 | 16 893 | 16 139 |
| Other liabilities | 27 | 24 251 | 21 481 | 24 226 | 21 703 |
| Current tax liabilities | | 644 | 632 | 644 | 632 |
| Provision for superannuation | 33 | 25 300 | 24 600 | 25 300 | 24 600 |
| Total current liabilities | | 91 072 | 82 688 | 89 900 | 82 132 |
| NON-CURRENT LIABILITIES: | | | | | |
| Payables | 24 | 4 128 | 3 918 | 4 128 | 3 918 |
| Provisions | 26 | 31 909 | 28 377 | 31 909 | 28 377 |
| Provision for superannuation | 33 | 279 100 | 275 300 | 279 100 | 275 300 |
| Total non-current liabilities | | 315 137 | 307 595 | 315 137 | 307 595 |
| Total liabilities | | 406 209 | 390 283 | 405 037 | 389 727 |
| NET ASSETS | | 643 529 | 603 357 | 640 284 | 600 511 |
| EQUITY: | | | | | |
| Reserves | 28(a) | 125 135 | 127 983 | 125 135 | 127 983 |
| Retained surplus | 28(b) | 518 394 | 475 374 | 515 149 | 472 528 |
| TOTAL EQUITY | | 643 529 | 603 357 | 640 284 | 600 511 |

**Statement of Changes in Equity
for the year ended 31 December 2008**

| | Note | Consolidated | | University | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Total equity at 1 January | | 603 357 | 506 153 | 600 511 | 503 228 |
| Correction of prior period error | 10 | - | 1 223 | - | 1 223 |
| Restated total equity at 1 January | | 603 357 | 507 376 | 600 511 | 504 451 |
| Property, plant and equipment revaluation reserve: | | | | | |
| Gain on revaluation of land and buildings | 28(a) | - | 70 203 | - | 70 203 |
| (Loss) Gain on revaluation of library | 28(a) | (1 526) | 940 | (1 526) | 940 |
| Available-for-sale investments reserve: | | | | | |
| (Loss) Gain on revaluation available-for-sale financial assets | 28(a) | (1 322) | 454 | (1 322) | 454 |
| Net income recognised directly in equity | | (2 848) | 71 597 | (2 848) | 71 597 |
| Operating result for the year | | 43 020 | 24 384 | 42 621 | 24 463 |
| Total recognised income and expense for the year | | 40 172 | 95 981 | 39 773 | 96 060 |
| Total equity at 31 December | | 643 529 | 603 357 | 640 284 | 600 511 |
| Total recognised income and expense for the year attributable to the University of South Australia | | 40 172 | 95 981 | 39 773 | 96 060 |

Cash Flow Statement for the year ended 31 December 2008

| | | Consolidated | | University | |
|---|------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | Inflows (Outflows) | Inflows (Outflows) | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INFLOWS: | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Australian Government grants received | 3(i) | 301 989 | 262 484 | 301 989 | 262 484 |
| State and Local Government grants | | 10 144 | 10 704 | 10 196 | 10 704 |
| HECS-HELP - student payments | | 12 758 | 12 284 | 12 758 | 12 284 |
| Receipts from student fees and other customers | | 104 299 | 92 556 | 103 441 | 91 813 |
| Dividends received | | 191 | 343 | 1 020 | 1 352 |
| Interest received | | 7 939 | 6 201 | 7 777 | 6 029 |
| Royalties | | 421 | 591 | 300 | 534 |
| Consultancy and contract research | | 29 250 | 22 111 | 29 583 | 22 540 |
| Other receipts | | 23 786 | 21 416 | 14 859 | 13 990 |
| Taxes recovered (GST) | | 5 670 | 5 772 | 6 223 | 6 247 |
| OUTFLOWS: | | | | | |
| Payments to suppliers and employees (inclusive of GST) | | (418 681) | (381 678) | (411 273) | (375 099) |
| Interest paid | | - | (40) | - | (40) |
| Net cash inflows from operating activities | 38 | 77 766 | 52 744 | 76 873 | 52 838 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 56 | 119 | 56 | 119 |
| Proceeds from sale of investments | | 78 | 314 | 8 | 260 |
| OUTFLOWS: | | | | | |
| Payments for property, plant and equipment | | (43 684) | (45 599) | (43 460) | (45 389) |
| Payments for investments | | (770) | (1 119) | (610) | (929) |
| Net cash outflows from investing activities | | (44 320) | (46 285) | (44 006) | (45 939) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| OUTFLOWS: | | | | | |
| Principal repayments under finance lease | | - | (1 005) | - | (1 005) |
| Net cash outflows from financing activities | | - | (1 005) | - | (1 005) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 33 446 | 5 454 | 32 867 | 5 894 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 77 933 | 72 479 | 75 698 | 69 804 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 17 | 111 379 | 77 933 | 108 565 | 75 698 |
| Non-cash investing and financing activities | 39 | | | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

(a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with applicable AASs, AAS Interpretations and the Department of Education, Employment and Workplace Relations (DEEWR) requirements.

Except where in conflict with the DEEWR requirements, the financial report is prepared in accordance with the South Australian TIs and APSs issued under the provisions of the PFAA.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian currency.

Historical cost convention

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities that were valued in accordance with the applicable valuation policy.

Critical accounting estimates

Compliance with AASB requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, valuation and depreciation of property, plant and equipment and long service leave. Further details are disclosed in the relevant Notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2008 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 34.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights.

With the exception of Unisure Pty Ltd, the Group has no material investments in associates. The investment in Unisure Pty Ltd has not been accounted for using the equity method however the University has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the Group.

Details of associates are set out in Note 35.

(iii) Joint venture operations

If material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation are incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in Note 36. The University's interests in these joint ventures are not considered to be material to the University's core activities.

(iv) Joint venture entities

If material, the interest in a joint venture entity are accounted for in the consolidated financial statements using the equity method and are carried at cost by the University.

Under the equity method the Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Details of joint venture entities are set out in Note 36(b). The University's interests in these joint ventures are not considered to be material to the University's core activities.

(c) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Financial assistance

- *DEEWR financial assistance (including Commonwealth Grant Scheme, Higher Education Loan Programs, Scholarships and DIISR – Research)*

The University recognises DEEWR financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other financial assistance (including ARC, NHMRC, Australian Government and State Government)*

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) Fees and charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for impairment. Trade receivables are normally due for settlement no more than 14 days from the date of recognition.

Student fees receivables are recognised initially at fair value as at census date and are collectable at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Income Statement in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

(h) Available-for-sale financial assets (continued)

Purchases and sales of investments are recognised on trade-date (the date on which the University commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

If the market for a financial asset is not active (eg unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement.

During 2008 the global financial crisis caused financial markets to significantly decline. The University has investments in shares, property trusts and managed funds, which are classified as available-for-sale financial assets and are measured at fair value. The University has assessed its investments for objective evidence of impairment, and concluded that they are impaired. The amount of the impairment loss is \$1.91 million and this has been recognised by way of a reduction to the available-for-sale investments revaluation reserve in equity (\$1.46 million) and an impairment loss in the Income Statement (\$450 000).

(i) Property, plant and equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Revaluation increments are credited directly to the asset revaluation reserve except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Income Statement.

Revaluation decrements are debited directly to the asset revaluation reserve to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Income Statement.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2007 and was performed by P Lornie, BComm(VFM), AAPI and R Wood, BAppSc, PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(k).

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which Management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2007, the entire buildings portfolio was revalued independently by P Lornie, BComm(VFM), AAPI and R Wood, BAppSc, PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the 'written down current cost' for the buildings based upon the 'new replacement cost' having regard to the estimated useful and remaining life for each structure.

Buildings under construction are measured at cost.

(iii) Library collection

The library collection is valued at fair value. The University has concluded that the collection's fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2008 valuation resulted in a decrease of \$1.53 million. The full amount of the devaluation was debited to the Library Revaluation Reserve.

(iv) Plant and equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

(v) Art collection

As at 31 December 2007, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation reserve. The 2007 valuation resulted in no change to the valuation of the art collection. The art collection will be internally revalued every three years.

(vi) Leased assets

Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases (Note 32). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to Note 32 for details on operating leases.

(j) Depreciation and amortisation

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The University does not depreciate the art collection because it believes that the collection does not diminish in value over time. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

| <i>Asset class</i> | <i>Useful life</i> |
|-----------------------------|--------------------|
| Property: | |
| Buildings | 50-150 years |
| Leasehold improvements | Lease term |
| Library collection: | |
| Books | 10 years |
| Journals | 15 years |
| Electronic materials | 10 years |
| Plant and equipment: | |
| IT infrastructure | 5 years |
| IT systems | 7 years |
| IT other | 3 years |
| Motor vehicles | 5 years |
| Other | 10 years |
| Leased plant and equipment: | |
| IT infrastructure | 5 years |
| IT other | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

(k) Restrictions on assets

Land includes \$42.13 million (\$42.13 million) of Crown Lands and \$19.61 million (\$19.61 million) of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990* section 6(3).

(l) Intangible assets

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently between five and seven years.

(l) Intangible assets (continued)

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure is transferred to Intangibles upon the completion of the project.

(m) Unfunded superannuation

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs (DETYA), now DEEWR, the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Income Statement and the Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a Note to the financial statements. Refer to Note 33.

An arrangement exists between the Australian Government and the South Australian State Government to meet the unfunded liability of the University's beneficiaries of the South Australian State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Balance Sheet as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the University prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Wages, salaries, non-monetary benefits and annual leave

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(ii) Sick leave

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.

(iii) Long service leave

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2008 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd.

The current portion represents the amount expected to be paid in the following 12 months.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and, on an emerging cost basis, to the unfunded schemes by the University are expensed in the Income Statement. Note 33 provides details in respect of the individual schemes.

(p) Workers compensation

The University is responsible for payments of workers compensation. During the year Unisure Pty Ltd was replaced with Lawson Risk Management Services to administer workers compensation arrangements on behalf of the University. Note 35 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

The provision for workers compensation is independently actuarially estimated each year. The last update was performed at 31 December 2008 by Tania Muller, FIAA, of Mercer Finance and Risk Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development factors for the case estimated incurred costs are determined based on past experience. These factors are used, together with the assumed payment rates, to project claim payments in future years.

(q) Funds held on behalf of external entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash assets and a corresponding liability is included in other liabilities (refer Note 27).

(r) GST

Revenues, expenses and assets other than receivables 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 (excluding accruals) are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the Balance Sheet.

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

(s) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

(t) Changes in accounting policy note

AASs and Australian Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the University for the reporting period ending 31 December 2008. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be insignificant, but notes that AASB 101 may require restructuring of the financial statements.

2. Disaggregated information (Consolidated)

| | Revenue | | Results | | Total assets | |
|---------------------|----------------|----------------|----------------|----------------|------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| <i>Geographical</i> | | | | | | |
| Australia | 438 659 | 381 123 | 42 163 | 23 580 | 1 409 738 | 993 640 |
| Asia | 19 055 | 17 638 | 857 | 794 | - | - |
| Other | 5 | 221 | - | 10 | - | - |
| | 457 719 | 398 982 | 43 020 | 24 384 | 1 049 738 | 993 640 |

The University operates in the field of higher education principally in Australia and provides teaching and research services. The results of the geographical segments, other than Australia, are based upon consideration of the variable costs associated with those operations.

3. Australian Government Grants including HECS-HELP and FEE-HELP

| | Note | Consolidated | | University | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| (a) Commonwealth Grants Scheme and other grants | 42(a) | | | | |
| Commonwealth Grants Scheme | | 124 914 | 117 184 | 124 914 | 117 184 |
| Indigenous Support Program | | 1 219 | 1 081 | 1 219 | 1 081 |
| Equity Programmes | | 686 | 674 | 686 | 674 |
| Workplace Reform Programme | | 1 628 | 1 576 | 1 628 | 1 576 |
| Workplace Productivity Programme | | 1 148 | - | 1 148 | - |
| Capital Development Pool | | 4 259 | 318 | 4 259 | 318 |
| Superannuation Programme | | 26 771 | 22 074 | 26 771 | 22 074 |
| Collaboration and Structural Reform Programme | | 7 062 | 1 141 | 7 062 | 1 141 |
| Improving the Practical Component of Teacher Education Initiative | | 637 | - | 637 | - |
| Transitional Costs Program | | 1 678 | - | 1 678 | - |
| Total Commonwealth Grants Scheme and other grants | | 170 002 | 144 048 | 170 002 | 144 048 |
| (b) Higher Education Loan Programmes | 42(b) | | | | |
| HECS-HELP | | 73 295 | 68 152 | 73 295 | 68 152 |
| FEE-HELP | | 2 954 | 4 527 | 2 954 | 4 527 |
| Total Higher Education Loan Programmes | | 76 249 | 72 679 | 76 249 | 72 679 |

| | Note | Consolidated | | University | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| (c) Scholarships | 42(c) | | | | |
| Australian Postgraduate Awards | | 1 832 | 1 748 | 1 832 | 1 748 |
| International Postgraduate Research Scholarships | | 374 | 346 | 374 | 346 |
| Commonwealth Education Cost Scholarships | | 2 065 | 1 615 | 2 065 | 1 615 |
| Commonwealth Accommodation Scholarships | | 2 313 | 2 027 | 2 313 | 2 027 |
| Indigenous Access Scholarships | | 122 | - | 122 | - |
| Indigenous Staff Scholarships | | - | (6) | - | (6) |
| Total scholarships | | 6 706 | 5 730 | 6 706 | 5 730 |
| (d) DIISR - Research | 42(d) | | | | |
| Institutional Grants Scheme | | 5 310 | 4 998 | 5 310 | 4 998 |
| Research Training Scheme | | 10 019 | 9 280 | 10 019 | 9 280 |
| Research Infrastructure Block Grants | | 2 145 | 1 870 | 2 145 | 1 870 |
| Implementation Assistance Programme | | 120 | 59 | 120 | 59 |
| Australian Scheme for Higher Education Repositories | | 217 | 116 | 217 | 116 |
| Commercialisation Training Scheme | | 104 | 98 | 104 | 98 |
| Total DIISR - research grants | | 17 915 | 16 421 | 17 915 | 16 421 |
| (e) Voluntary student unionism | 42(e) | | | | |
| VSU Transition Fund | | - | 330 | - | 330 |
| Total voluntary student unionism | | - | 330 | - | 330 |
| (f) Better Universities renewal funding | 42(e) | | | | |
| Total Better Universities renewal funding | | 13 346 | - | 13 346 | - |
| Total DEEWR funding | | 284 218 | 239 208 | 284 218 | 239 208 |
| (g) Australian Research Council | 42(f) | | | | |
| <i>(i) Discovery</i> | | | | | |
| Project | | 2 376 | 2 119 | 2 376 | 2 119 |
| Total discovery | | 2 376 | 2 119 | 2 376 | 2 119 |
| <i>(ii) Linkages</i> | | | | | |
| International | | 98 | 125 | 98 | 125 |
| Projects | | 5 032 | 5 248 | 5 032 | 5 248 |
| Infrastructure | | 498 | 109 | 498 | 109 |
| Total linkages | | 5 628 | 5 482 | 5 628 | 5 482 |
| <i>(iii) Networks and centres</i> | | | | | |
| Research networks | | 161 | 334 | 161 | 334 |
| Centres | | 914 | 818 | 914 | 818 |
| Total networks and centres | | 1 075 | 1 152 | 1 075 | 1 152 |
| (h) Other Australian Government financial assistance | | | | | |
| Other Commonwealth Government research grants | | 10 995 | 12 025 | 10 995 | 12 025 |
| Aboriginal Tutorial Assistance Scheme grant | | 191 | 171 | 191 | 171 |
| Other Commonwealth grants | | 1 421 | 230 | 1 421 | 230 |
| Total Australian Government financial assistance | | 12 607 | 12 426 | 12 607 | 12 426 |
| Reconciliation: | | | | | |
| Australian Government grants | | 229 655 | 187 708 | 229 655 | 187 708 |
| HECS-HELP - Australian Government payments | | 73 295 | 68 152 | 73 295 | 68 152 |
| Other Australian Government loan programmes | | 2 954 | 4 527 | 2 954 | 4 527 |
| Total Australian Government financial assistance | | 305 904 | 260 387 | 305 904 | 260 387 |
| (i) Australian Government grant received - cash basis | | | | | |
| CGS and other DEEWR grants | | 165 131 | 145 323 | 165 131 | 145 323 |
| Higher Education Loan Programmes | | 77 224 | 72 680 | 77 224 | 72 680 |
| Scholarships | | 6 706 | 5 730 | 6 706 | 5 730 |
| DIISR - research | | 17 915 | 16 421 | 17 915 | 16 421 |
| Voluntary student unionism | | - | 330 | - | 330 |

| (i) Australian Government grant received - cash basis (continued) | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Better Universities renewal funding | 13 346 | - | 13 346 | - |
| ARC grants - discovery | 2 320 | 2 582 | 2 320 | 2 582 |
| ARC grants - linkages | 5 622 | 5 988 | 5 622 | 5 988 |
| ARC grants - networks and centres | 1 118 | 1 096 | 1 118 | 1 096 |
| Other Australian Government grants | 12 607 | 12 334 | 12 607 | 12 334 |
| Total Australian Government grants received - cash basis | 301 989 | 262 484 | 301 989 | 262 484 |
| OS-Help (Net) | - | - | - | - |
| Total Australian Government funding received - cash basis | 301 989 | 262 484 | 301 989 | 262 484 |
| 4. State and local government financial assistance | | | | |
| Research grants | 9 446 | 5 728 | 9 498 | 5 728 |
| Other | 2 134 | 3 948 | 2 134 | 3 948 |
| Total State and local government financial assistance | 11 580 | 9 676 | 11 632 | 9 676 |
| 5. Fees and charges | | | | |
| Course fees and charges: | | | | |
| Continuing education | 1 526 | 1 503 | 1 526 | 1 503 |
| Fee-paying overseas students | 75 947 | 69 704 | 75 947 | 69 704 |
| Fee-paying domestic postgraduate students | 3 791 | 3 939 | 3 791 | 3 939 |
| Total course fees and charges | 81 264 | 75 146 | 81 264 | 75 146 |
| Other fees and charges: | | | | |
| Other fees and charges | 7 053 | 5 468 | 7 053 | 5 468 |
| Miscellaneous enrolment fees | 5 409 | 5 361 | 5 409 | 5 361 |
| Seminar/workshops | 915 | 851 | 915 | 851 |
| Total other fees and charges | 13 377 | 11 680 | 13 377 | 11 680 |
| Total fees and charges | 94 641 | 86 826 | 94 641 | 86 826 |
| 6. Investment income | | | | |
| Dividends | 249 | 343 | 1 078 | 1 352 |
| Interest | 8 091 | 5 917 | 7 929 | 5 745 |
| Investment income from associated entity (Unisure Pty Ltd) | 322 | 579 | 322 | 579 |
| Total investment income | 8 662 | 6 839 | 9 329 | 7 676 |
| 7. Consultancy and contract research | | | | |
| Consultancy | 3 907 | 4 362 | 3 924 | 4 416 |
| Contract research | 23 104 | 18 912 | 23 105 | 18 984 |
| Total consultancy and contract research | 27 011 | 23 274 | 27 029 | 23 400 |
| 8. Other revenue | | | | |
| Donations and bequests | 1 686 | 1 646 | 1 686 | 1 646 |
| Scholarships and prizes | 1 444 | 912 | 1 444 | 912 |
| Other fees and charges | 15 125 | 13 723 | 6 782 | 6 293 |
| Other* | 5 258 | 5 406 | 5 258 | 5 408 |
| Total other revenue | 23 513 | 21 687 | 15 170 | 14 259 |
| * Net foreign exchange gains included in other revenue for 2008 were \$1.937 million (\$nil). | | | | |
| 9. Other income | | | | |
| Net loss on disposal of property, plant and equipment (refer Note 9(a) below) | (459) | (399) | (459) | (397) |
| Net gain on disposal of investments | 586 | 50 | 2 | 50 |
| Total other income | 127 | (349) | (457) | (347) |
| (a) Net gain (loss) on disposal of property, plant and equipment | | | | |
| Proceeds from sale | 56 | 119 | 56 | 119 |
| Carrying amount of assets sold | (515) | (518) | (515) | (516) |
| Net loss on disposal of property, plant and equipment | (459) | (399) | (459) | (397) |

10. Correction of error**(a) Correction of error in recording of revenue in a previous financial year**

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop, construct and eventually operate the Mawson Centre at Mawson Lakes. The University's percentage interest in the Mawson Centre was greater than the amount contributed to total costs due to Land Management Corporation (LMC) contributing to construction costs for the project but not having any interest in the centre. At the completion of the building in 2005 a \$1.223 million difference existed between the University's ownership and the University's actual contribution, which was recognised as a liability. This error had the effect of overstating other liabilities and total liabilities and understating retained surplus and total equity.

The error has been corrected by restating each of the affected financial statement line items as at 1 January 2007, as described above.

11. Employee related benefits**(a) Employee related benefits**

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Academic: | | | | |
| Salaries | 108 721 | 102 328 | 108 721 | 102 328 |
| Contributions to superannuation and pension schemes: | | | | |
| Emerging cost | 806 | 1 004 | 806 | 1 004 |
| Funded | 15 370 | 14 125 | 15 370 | 14 125 |
| Payroll tax | 6 553 | 6 414 | 6 553 | 6 414 |
| Workers compensation | 1 026 | 844 | 1 026 | 844 |
| Long service leave | 4 361 | 3 550 | 4 361 | 3 550 |
| Annual leave | 7 660 | 7 110 | 7 660 | 7 110 |
| Total academic | 144 497 | 135 375 | 144 497 | 135 375 |
| Non-academic: | | | | |
| Salaries | 83 130 | 74 125 | 78 800 | 70 389 |
| Contributions to superannuation and pension schemes: | | | | |
| Emerging cost | 942 | 996 | 556 | 691 |
| Funded | 11 493 | 10 125 | 11 493 | 10 125 |
| Payroll tax | 5 616 | 5 471 | 5 361 | 5 248 |
| Workers compensation | 896 | 499 | 876 | 473 |
| Long service leave | 3 749 | 2 702 | 3 668 | 2 658 |
| Annual leave | 6 409 | 5 792 | 6 334 | 5 792 |
| Total non-academic | 112 235 | 99 710 | 107 088 | 95 376 |
| Total academic and non-academic employee benefits and on-costs | 256 732 | 235 085 | 251 585 | 230 751 |
| Council member remuneration | 120 | - | 120 | - |
| Total academic and non-academic employee benefits and on-costs and Council member remuneration | 256 852 | 235 085 | 251 705 | 230 751 |
| Contributions to superannuation and pension schemes: | | | | |
| Emerging cost - Commonwealth supplemented | 26 771 | 22 074 | 26 771 | 22 074 |
| Deferred employee benefits for superannuation | 4 500 | (8 700) | 4 500 | (8 700) |
| Total deferred employee benefits for superannuation | 31 271 | 13 374 | 31 271 | 13 374 |
| Total employee benefits and on-costs | 288 123 | 248 459 | 282 976 | 244 125 |

(b) Voluntary separation packages

Employee benefits include voluntary separation packages as follows:

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | Number | Number | Number | Number |
| Number of voluntary separation packages | 47 | 36 | 47 | 36 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Voluntary separation package expenses | 2 608 | 1 957 | 2 608 | 1 957 |
| Annual leave and long service leave entitlements paid | 914 | 535 | 914 | 535 |
| Total amount associated with separations | 3 522 | 2 492 | 3 522 | 2 492 |

There is no entitlement to recover separation payments from the South Australian Department of the Premier and Cabinet.

17. Cash and cash equivalents (continued)**(a) Reconciliation to cash at the end of the year**

| | Consolidated | | University | |
|--|----------------|---------------|----------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balances as above | 111 379 | 77 933 | 108 565 | 75 698 |
| Balance per Cash Flow Statement | 111 379 | 77 933 | 108 565 | 75 698 |

(b) Cash at bank and on hand

As at 31 December 2008 the deposits earned 3.75 percent interest (6.25 percent) and the interest is credited to the University quarterly in March, June, September and December.

(c) Deposits at call

During the year the cash deposits earned interest at a floating rate between 4.59 percent and 8.35 percent (between 6.32 percent and 7.25 percent). These deposits had an average maturity of 96 days.

18. Receivables

| | Consolidated | | University | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade debtors | 14 624 | 16 462 | 12 839 | 14 991 |
| Provision for impaired receivables | (455) | (590) | (455) | (590) |
| | 14 169 | 15 872 | 12 384 | 14 401 |
| Student fees | 4 261 | 5 836 | 4 261 | 5 836 |
| Provision for impaired receivables | (661) | (1 708) | (661) | (1 708) |
| | 3 600 | 4 128 | 3 600 | 4 128 |
| Commonwealth receivable | 7 383 | 3 356 | 7 383 | 3 356 |
| Total current receivables | 25 152 | 23 356 | 23 367 | 21 885 |

(a) Impaired receivables

As at 31 December 2008 current trade receivables of the Group with a nominal value of \$440 000 (\$557 000) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past-due status and historical collection experience resulting in a further provision of \$15 000 (\$33 000). The total amount of the provision was \$455 000 (\$590 000).

The ageing of these receivables is as follows:

| | Consolidated | |
|------------------------|--------------|------------|
| | 2008 | 2007 |
| | \$'000 | \$'000 |
| Less than three months | - | - |
| Three to six months | 14 | 25 |
| Over six months | 441 | 565 |
| | 455 | 590 |

As at 31 December 2008, trade receivables of \$7.158 million (\$7.999 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

| | Consolidated | |
|------------------------|--------------|--------------|
| | 2008 | 2007 |
| | \$'000 | \$'000 |
| Less than three months | 6 157 | 5 708 |
| Three to six months | 826 | 1 809 |
| Over six months | 175 | 482 |
| | 7 158 | 7 999 |

Movements in the trade debtors provision for impaired receivables are as follows:

| | | |
|--|------------|------------|
| At 1 January | 590 | 1 057 |
| Provision for impairment recognised during the year | 292 | 388 |
| Receivables written off during the year as uncollectable | (114) | (10) |
| Unused amount reversed and debts collected | (313) | (845) |
| At 31 December | 455 | 590 |

Movements in the student fees provision for impaired receivables are as follows:

| | | |
|--|------------|--------------|
| At 1 January | 1 708 | 1 708 |
| Provision for impairment recognised during the year | 556 | - |
| Receivables written off during the year as uncollectable | (1 603) | - |
| At 31 December | 661 | 1 708 |

(a) Impaired receivables (continued)

The creation and release of the provision for impaired receivables has been included in 'Bad and doubtful debts expense' in the Income Statement. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

The carrying amount of the Group and the University's current receivables are denominated in Australian dollars.

(c) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

19. Investments accounted for using the equity method

With the exception of Unisure Pty Ltd the University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting and carried at cost by the University.

Refer to Note 35 for the accounting methodology adopted for Unisure Pty Ltd.

20. Other financial assets

| | Consolidated | | University | |
|---|--------------|--------|--------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| Workers Compensation Investment Fund | 1 790 | 420 | 1 790 | 420 |
| Non-current: | | | | |
| Available-for-sale | 5 214 | 6 290 | 4 114 | 5 280 |
| Investment in controlled entities | - | - | 1 730 | 1 730 |
| Workers Compensation Investment Fund | - | 3 281 | - | 3 281 |
| Total non-current other financial assets | 5 214 | 9 571 | 5 844 | 10 291 |
| Total other financial assets | 7 004 | 9 991 | 7 634 | 10 711 |

21. Property, Plant and Equipment Consolidated

| | Construction in progress \$'000 | Land \$'000 | Freehold buildings \$'000 | Plant & equipment \$'000 | Leasehold improvements \$'000 |
|--------------------------------|---------------------------------------|----------------|---------------------------------|--------------------------------|-------------------------------------|
| At 1 January 2007: | | | | | |
| Cost | 33 091 | 830 | 27 664 | 40 088 | 3 231 |
| Valuation | - | 47 710 | 613 947 | - | - |
| Accumulated depreciation | - | - | (282 933) | (21 739) | (588) |
| Net book amount | 33 091 | 48 540 | 358 678 | 18 349 | 2 643 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 33 091 | 48 540 | 358 678 | 18 349 | 2 643 |
| Revaluation | - | 39 200 | 31 003 | - | - |
| Additions | 28 939 | - | 4 961 | 7 523 | - |
| Disposals | - | - | (1) | (72) | - |
| Reclassification | (51 151) | - | 51 374 | (234) | 11 |
| Depreciation charge | - | - | (13 732) | (5 063) | (410) |
| Closing net book amount | 10 879 | 87 740 | 432 283 | 20 503 | 2 244 |
| At 31 December 2007: | | | | | |
| Cost | 10 879 | - | 666 | 45 847 | 3 242 |
| Valuation | - | 87 740 | 798 226 | - | - |
| Accumulated depreciation | - | - | (366 609) | (25 344) | (998) |
| Net book amount | 10 879 | 87 740 | 432 283 | 20 503 | 2 244 |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | 10 879 | 87 740 | 432 283 | 20 503 | 2 244 |
| Revaluation | - | - | - | - | - |
| Additions | 25 531 | - | 211 | 10 202 | - |
| Disposals | - | - | - | (403) | (7) |
| Reclassifications | (30 164) | - | 29 245 | 868 | 51 |
| Depreciation charge | - | - | (15 058) | (5 685) | (416) |
| Closing net book amount | 6 246 | 87 740 | 446 681 | 25 485 | 1 872 |
| At 31 December 2008: | | | | | |
| Cost | 6 246 | - | 30 569 | 53 461 | 3 283 |
| Valuation | - | 87 740 | 797 778 | - | - |
| Accumulated depreciation | - | - | (381 666) | (27 976) | (1 411) |
| Net book amount | 6 246 | 87 740 | 446 681 | 25 485 | 1 872 |

| 21. Property, Plant and Equipment (continued) Consolidated | Leased plant & equipment | Library | Art collection | Total | |
|---|-----------------------------|---------------|-----------------------|------------------------|---------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| At 1 January 2007: | | | | | |
| Cost | 4 829 | - | - | 109 733 | |
| Valuation | - | 32 621 | 1 029 | 695 307 | |
| Accumulated depreciation | (3 643) | (15 853) | - | (324 756) | |
| Net book amount | 1 186 | 16 768 | 1 029 | 480 284 | |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 1 186 | 16 768 | 1 029 | 480 284 | |
| Revaluation | - | 940 | - | 71 143 | |
| Additions | - | 2 836 | 326 | 44 585 | |
| Disposals | (228) | (217) | - | (518) | |
| Reclassifications | - | - | - | - | |
| Depreciation charge | (958) | (2 599) | - | (22 762) | |
| Closing net book amount | - | 17 728 | 1 355 | 572 732 | |
| At 31 December 2007: | | | | | |
| Cost | - | - | - | 60 634 | |
| Valuation | - | 34 625 | 1 355 | 921 946 | |
| Accumulated depreciation | - | (16 897) | - | (409 848) | |
| Net book amount | - | 17 728 | 1 355 | 572 732 | |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | - | 17 728 | 1 355 | 572 732 | |
| Revaluation | - | (1 527) | - | (1 527) | |
| Additions | - | 2 978 | - | 38 922 | |
| Disposals | - | (83) | (22) | (515) | |
| Reclassifications | - | - | - | - | |
| Depreciation charge | - | (2 801) | - | (23 960) | |
| Closing net book amount | - | 16 295 | 1 333 | 585 652 | |
| At 31 December 2008: | | | | | |
| Cost | - | - | - | 93 559 | |
| Valuation | - | 31 640 | 1 333 | 918 491 | |
| Accumulated depreciation | - | (15 345) | - | (409 848) | |
| Net book amount | - | 16 295 | 1 333 | 585 652 | |
| University | Construction in progress | Land | Freehold buildings | Plant and equipment | Leasehold improvements |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| At 1 January 2007: | | | | | |
| Cost | 33 091 | 830 | 27 547 | 39 072 | 3 231 |
| Valuation | - | 47 710 | 613 650 | - | - |
| Accumulated depreciation | - | - | (282 672) | (20 953) | (588) |
| Net book amount | 33 091 | 48 540 | 358 525 | 18 119 | 2 643 |
| Year ended 31 December 2007: | | | | | |
| Opening net book amount | 33 091 | 48 540 | 358 525 | 18 119 | 2 643 |
| Revaluation | - | 39 200 | 31 003 | - | - |
| Additions | 28 939 | - | 4 926 | 7 347 | - |
| Disposals | - | - | - | (71) | - |
| Reclassifications | (51 151) | - | 51 374 | (234) | 11 |
| Depreciation charge | - | - | (13 659) | (4 943) | (410) |
| Closing net book amount | 10 879 | 87 740 | 432 169 | 20 218 | 2 244 |
| At 31 December 2007: | | | | | |
| Cost | 10 879 | - | 666 | 44 668 | 3 242 |
| Valuation | - | 87 740 | 797 778 | - | - |
| Accumulated depreciation | - | - | (366 275) | (24 450) | (998) |
| Net book amount | 10 879 | 87 740 | 432 169 | 20 218 | 2 244 |
| Year ended 31 December 2008: | | | | | |
| Opening net book amount | 10 879 | 87 740 | 432 169 | 20 218 | 2 244 |
| Revaluation | - | - | - | - | - |
| Additions | 25 531 | - | 189 | 10 000 | - |
| Disposals | - | - | - | (403) | (7) |
| Reclassifications | (30 164) | - | 29 245 | 868 | 51 |
| Depreciation charge | - | - | (15 024) | (5 526) | (416) |
| Closing net book amount | 6 246 | 87 740 | 446 579 | 25 157 | 1 872 |
| At 31 December 2008: | | | | | |
| Cost | 6 246 | - | 30 100 | 52 093 | 3 283 |
| Valuation | - | 87 740 | 797 778 | - | - |
| Accumulated depreciation | - | - | (381 299) | (26 936) | (1 411) |
| Net book amount | 6 246 | 87 740 | 446 579 | 25 157 | 1 872 |

| 21. Property, Plant and Equipment (continued) | Leased plant & equipment \$'000 | Library \$'000 | Art collection \$'000 | Total \$'000 |
|--|---------------------------------------|-----------------------|-----------------------------|------------------|
| University | | | | |
| At 1 January 2007: | | | | |
| Cost | 4 829 | - | - | 108 600 |
| Valuation | - | 32 621 | 1 029 | 695 010 |
| Accumulated depreciation | (3 643) | (15 853) | - | (323 709) |
| Net book amount | 1 186 | 16 768 | 1 029 | 479 901 |
| Year ended 31 December 2007: | | | | |
| Opening net book amount | 1 186 | 16 768 | 1 029 | 479 901 |
| Revaluation | - | 940 | - | 71 143 |
| Additions | - | 2 836 | 326 | 44 374 |
| Disposals | (228) | (217) | - | (516) |
| Reclassifications | - | - | - | - |
| Depreciation charge | (958) | (2 599) | - | (22 569) |
| Closing net book amount | - | 17 728 | 1 355 | 572 333 |
| At 31 December 2007: | | | | |
| Cost | - | - | - | 59 455 |
| Valuation | - | 34 625 | 1 355 | 921 498 |
| Accumulated depreciation | - | (16 897) | - | (408 620) |
| Net book amount | - | 17 728 | 1 355 | 572 333 |
| Year ended 31 December 2008: | | | | |
| Opening net book amount | - | 17 728 | 1 355 | 572 333 |
| Revaluation | - | (1 527) | - | (1 527) |
| Additions | - | 2 978 | - | 38 698 |
| Disposals | - | (83) | (22) | (515) |
| Reclassifications | - | - | - | - |
| Depreciation charge | - | (2 801) | - | (23 767) |
| Closing net book amount | - | 16 295 | 1 333 | 585 222 |
| At 31 December 2008: | | | | |
| Cost | - | - | - | 91 722 |
| Valuation | - | 31 640 | 1 333 | 918 491 |
| Accumulated depreciation | - | (15 345) | - | (424 991) |
| Net book amount | - | 16 295 | 1 333 | 585 222 |
| 22. Intangible assets | | | | |
| Consolidated | | | | |
| | Intangibles in progress \$'000 | Intangibles \$'000 | Total \$'000 | |
| At 1 January 2007: | | | | |
| Cost | - | 4 098 | 4 098 | |
| Accumulated amortisation | - | (3 150) | (3 150) | |
| Net book amount | - | 948 | 948 | |
| Year ended 31 December 2007: | | | | |
| Opening net book amount | - | 948 | 948 | |
| Additions | 1 921 | 200 | 2 121 | |
| Amortisation charge | - | (691) | (691) | |
| Closing net book amount | 1 921 | 457 | 2 378 | |
| At 31 December 2007: | | | | |
| Cost | 1 921 | 4 298 | 6 219 | |
| Accumulated amortisation | - | (3 841) | (3 841) | |
| Net book amount | 1 921 | 457 | 2 378 | |
| Year ended 31 December 2008: | | | | |
| Opening net book amount | 1 921 | 457 | 2 378 | |
| Additions | 3 397 | 389 | 3 786 | |
| Reclassifications | (5 318) | 5 318 | - | |
| Amortisation charge | - | (526) | (526) | |
| Closing net book amount | - | 5 638 | 5 638 | |
| At 31 December 2008: | | | | |
| Cost | - | 5 968 | 5 968 | |
| Accumulated amortisation | - | (330) | (330) | |
| Net book amount | - | 5 638 | 5 638 | |

| 22. Intangible assets (continued) University | Intangibles | | Total \$'000 | |
|---|---|-----------------------|-----------------|---------------|
| | in progress \$'000 | Intangibles \$'000 | | |
| At 1 January 2007: | | | | |
| Cost | - | 4 098 | 4 098 | |
| Accumulated amortisation | - | (3 150) | (3 150) | |
| Net book amount | - | 948 | 948 | |
| Year ended 31 December 2007: | | | | |
| Opening net book amount | - | 948 | 948 | |
| Additions | 1 921 | 200 | 2 121 | |
| Amortisation charge | - | (691) | (691) | |
| Closing net book amount | 1 921 | 457 | 2 378 | |
| At 31 December 2007: | | | | |
| Cost | 1 921 | 4 298 | 6 219 | |
| Accumulated amortisation | - | (3 841) | (3 841) | |
| Net book amount | 1 921 | 457 | 2 378 | |
| Year ended 31 December 2008: | | | | |
| Opening net book amount | 1 921 | 457 | 2 378 | |
| Additions | 3 397 | 389 | 3 786 | |
| Reclassifications | (5 318) | 5 318 | - | |
| Amortisation charge | - | (526) | (526) | |
| Closing net book amount | - | 5 638 | 5 638 | |
| At 31 December 2008: | | | | |
| Cost | - | 5 968 | 5 968 | |
| Accumulated amortisation | - | (330) | (330) | |
| Net book amount | - | 5 638 | 5 638 | |
| 23. Other non-financial assets | Consolidated | | University | |
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Prepayments | 7 399 | 5 564 | 7 381 | 5 547 |
| Accrued income | 3 114 | 1 786 | 3 114 | 1 786 |
| Total other non-financial assets | 10 513 | 7 350 | 10 495 | 7 333 |
| 24. Payables | Consolidated | | University | |
| Current: | 2008 | 2007 | 2008 | 2007 |
| Trade creditors | 16 214 | 14 295 | 15 563 | 13 857 |
| Accrued salaries | 4 415 | 2 493 | 4 415 | 2 493 |
| Annual leave on-costs | 2 269 | 2 093 | 2 269 | 2 093 |
| Long service leave on-costs | 590 | 615 | 590 | 615 |
| Total current payables | 23 488 | 19 496 | 22 837 | 19 058 |
| Non-current: | 2008 | 2007 | 2008 | 2007 |
| Annual leave on-costs | 1 144 | 1 008 | 1 144 | 1 008 |
| Long service leave on-costs | 2 984 | 2 910 | 2 984 | 2 910 |
| Total non-current payables | 4 128 | 3 918 | 4 128 | 3 918 |
| Total payables | 27 616 | 23 414 | 26 965 | 22 976 |
| (a) Foreign exchange and interest rate risk | The carrying amount of the Group and the University's current payables are denominated in Australian dollars. | | | |
| 25. Borrowings | The University does not hold any long-term borrowings. | | | |
| (a) Financing arrangements | Unrestricted access was available at balance date to the following lines of credit: | | | |
| | Consolidated | | University | |
| Credit standby arrangements: | 2008 | 2007 | 2008 | 2007 |
| Total facilities: | \$'000 | \$'000 | \$'000 | \$'000 |
| Credit card facility with National Australia Bank (NAB) | 5 000 | 5 000 | 5 000 | 5 000 |
| Credit card facility with Amex | 1 530 | 1 500 | 1 530 | 1 500 |
| Documentary letter of credit facility with NAB | 200 | 200 | 200 | 200 |
| Pre-approved lease/lease purchase with NAB | 2 000 | 2 000 | 2 000 | 2 000 |
| IT lease facility with Commonwealth Bank | 5 000 | 5 000 | 5 000 | 5 000 |
| Bank guarantee | 5 100 | 5 100 | 5 100 | 5 100 |
| | 18 830 | 18 800 | 18 830 | 18 800 |

(a) Financing arrangements (continued)

| | Consolidated | | University | |
|--|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| Used at balance date: | \$'000 | \$'000 | \$'000 | \$'000 |
| Credit card facility with NAB | 943 | 870 | 943 | 870 |
| Credit card facility with Amex | 368 | 202 | 368 | 202 |
| Documentary letter of credit facility with NAB | - | - | - | - |
| Pre-approved lease/lease purchase with NAB | - | - | - | - |
| IT lease facility with Commonwealth Bank | 1 | 21 | 1 | 21 |
| Bank guarantee | 3 869 | 3 619 | 3 869 | 3 619 |
| | 5 181 | 4 712 | 5 181 | 4 712 |
| Unused at balance date: | | | | |
| Credit card facility with NAB | 4 057 | 4 130 | 4 057 | 4 130 |
| Credit card facility with Amex | 1 162 | 1 298 | 1 162 | 1 298 |
| Documentary letter of credit facility with NAB | 200 | 200 | 200 | 200 |
| Pre-approved lease/lease purchase with NAB | 2 000 | 2 000 | 2 000 | 2 000 |
| IT lease facility with Commonwealth Bank | 4 999 | 4 979 | 4 999 | 4 979 |
| Bank guarantee | 1 231 | 1 481 | 1 231 | 1 481 |
| | 13 649 | 14 088 | 13 649 | 14 088 |
| Bank loan facilities: | | | | |
| NAB facilities | 35 000 | 35 000 | 35 000 | 35 000 |
| Total facilities | 35 000 | 35 000 | 35 000 | 35 000 |
| Used at balance date | - | - | - | - |
| Unused at balance date | 35 000 | 35 000 | 35 000 | 35 000 |

26. Provisions

| | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Current: | | | | |
| Annual leave | 9 968 | 9 220 | 9 729 | 9 056 |
| Long service leave | 5 717 | 5 277 | 5 460 | 5 101 |
| Separation scheme | 1 268 | 1 384 | 1 268 | 1 384 |
| Workers compensation liability | 436 | 598 | 436 | 598 |
| Total current provisions | 17 389 | 16 479 | 16 893 | 16 139 |
| Non-current: | | | | |
| Annual leave | 4 904 | 4 362 | 4 904 | 4 362 |
| Long service leave | 25 539 | 22 420 | 25 539 | 22 420 |
| Workers compensation liability | 1 466 | 1 595 | 1 466 | 1 595 |
| Total non-current provisions | 31 909 | 28 377 | 31 909 | 28 377 |
| Total provisions | 49 298 | 44 856 | 48 802 | 44 516 |

Movements in the workers compensation liability is set out below:

| | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Workers compensation liability: | | | | |
| Current: | | | | |
| Carrying amount at 1 January | 2 193 | 2 231 | 2 193 | 2 231 |
| Additional provisions recognised | 787 | 870 | 787 | 870 |
| Amounts used | (741) | (972) | (741) | (972) |
| Unused amounts reversed | (688) | - | (688) | - |
| Increase in discounted amount | 351 | 64 | 351 | 64 |
| Carrying amount at 31 December | 1 902 | 2 193 | 1 902 | 2 193 |

27. Other liabilities

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Other | 846 | 570 | 821 | 792 |
| Funds held on behalf of external entities | 529 | 382 | 529 | 382 |
| | 1 375 | 952 | 1 350 | 1 174 |
| Income in advance on incomplete projects | 4 625 | 2 479 | 4 625 | 2 479 |
| Other income in advance: | | | | |
| Fees and charges | 9 530 | 8 242 | 9 530 | 8 242 |
| Commonwealth and State Government grants | 8 721 | 9 808 | 8 721 | 9 808 |
| | 18 251 | 18 050 | 18 251 | 18 050 |
| Total other liabilities | 24 251 | 21 481 | 24 226 | 21 703 |

28. Reserves and retained surplus**(a) Reserves**

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Property, plant and equipment revaluation reserve: | | | | |
| Land and buildings | 124 494 | 124 494 | 124 494 | 124 494 |
| Art collection | 294 | 294 | 294 | 294 |
| Library | 83 | 1 609 | 83 | 1 609 |
| | 124 871 | 126 397 | 124 871 | 126 397 |
| Available-for-sale investments revaluation reserve | 264 | 1 586 | 264 | 1 586 |
| Total reserves | 125 135 | 127 983 | 125 135 | 127 983 |

| Movements in reserves | Consolidated | | University | |
|--|----------------|---------|----------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Property, plant and equipment revaluation reserve: | | | | |
| Land and buildings: | | | | |
| Opening balance | 124 494 | 54 291 | 124 494 | 54 291 |
| Asset revaluation increment | - | 70 203 | - | 70 203 |
| | 124 494 | 124 494 | 124 494 | 124 494 |
| Art collection: | | | | |
| Opening balance | 294 | 294 | 294 | 294 |
| Asset revaluation decrement | - | - | - | - |
| | 294 | 294 | 294 | 294 |
| Library: | | | | |
| Opening balance | 1 609 | 669 | 1 609 | 669 |
| Asset revaluation increment | - | 940 | - | 940 |
| Asset revaluation decrement | (1 526) | - | (1 526) | - |
| | 83 | 1 609 | 83 | 1 609 |
| Total property, plant and equipment revaluation reserve | 124 871 | 126 397 | 124 871 | 126 397 |
| Available-for-sale investments revaluation reserve: | | | | |
| Opening balance | 1 586 | 1 132 | 1 586 | 1 132 |
| Assets revaluation increment | (1 322) | 454 | (1 322) | 454 |
| Total available-for-sale investment revaluation reserve | 264 | 1 586 | 264 | 1 586 |
| (b) Retained surplus | | | | |
| Movement in retained surplus were as follows: | | | | |
| Retained surplus at 1 January | 475 374 | 450 990 | 472 528 | 448 065 |
| Operating result for the year | 43 020 | 24 384 | 42 621 | 24 463 |
| Retained surplus at 31 December | 518 394 | 475 374 | 515 149 | 472 528 |

(c) Nature and purpose of reserves

The University has four reserves. The land and buildings reserve records revaluations in land and buildings, the available-for-sale investments reserve records revaluations in investments, the library revaluation reserve records revaluations in the library collection and the art collection revaluation reserve records revaluations in the art collection.

29. Responsible persons and executive officers**(a) Names of responsible persons**

The following persons were responsible persons of the University during the 2008 year. Council members include University employees who may be ex officio members or elected staff members. An asterisk indicates University employees.

2008 Council members

Mr David Klingberg, AM, Chancellor (retired June 2008)
 Dr Ian Gould, Chancellor (term commenced July 2008)
 Professor Peter Høj, Vice Chancellor*
 Ms Alice McCleary, Deputy Chancellor
 Mr William Cossey, AM
 Associate Professor Ingrid Day* (term completed December 2008)
 Mr Terry Evans
 Ms Kath Higgins* (leave of absence 25 March 2008 to 30 June 2008, resigned July 2008)
 Ms Raelene Barclay* (term commenced January 2008, resigned June 2008)
 Mr Bruce Linn
 Dr Adele Lloyd (term completed December 2008)
 Ms Jan Lowe (term completed December 2008)
 Mr Prashant Joshi (term commenced January 2008, term completed December 2008)
 Mr George Jacob (term commenced January 2008, resigned June 2008)
 Mr Thomas Rudkin (term commenced July 2008, term completed December 2008)
 Mr James Wangmann (term commenced January 2008, term completed December 2008)
 Mr Jim McDowell
 Mr Ian McLachlan
 Ms Bronwen Webb* (term commenced July 2008)
 Ms Anne Skipper, AM (leave of absence September 2008 to December 2008)
 Mr Peter Smith, Pro Chancellor (term completed December 2008)
 Dr Sue Vardon, AO
 Dr Michael Venning* (term completed December 2008)
 Associate Professor Adrian Vicary* (term completed December 2008)

- (b) **Remuneration of Council members, Directors of subsidiary companies and executive officers**
Council members who were employees of the University did not receive any remuneration other than by way of salary and related benefits from a normal employment relationship. A number of Council members who were not employees of the University were entitled to receive remuneration for their services as a Council member from 1 July 2008. In addition one Council member was also entitled to receive remuneration for their services as a Director of a subsidiary company.

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 Number | 2007 Number | 2008 Number | 2007 Number |
| <i>Remuneration of Council members</i> | | | | |
| \$0 - \$9 999 | 21 | 21 | 21 | 22 |
| \$10 000 - \$19 999 | 1 | - | 2 | - |
| \$20 000 - \$29 999 | 2 | 1 | 1 | - |
| | 24 | 22 | 24 | 22 |

The remuneration received and receivable by Council members for their services as Council members was \$119 900 (\$nil). The total remuneration received and receivable by Council members was \$134 900 (\$20 000).

Directors of subsidiary companies received remuneration for their services as Directors.

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 Number | 2007 Number | 2008 Number | 2007 Number |
| <i>Remuneration of Directors of subsidiary companies</i> | | | | |
| \$0 - \$9 999 | 1 | - | - | - |
| \$10 000 - \$19 999 | 1 | - | - | - |
| \$20 000 - \$29 999 | - | 1 | - | - |
| \$40 000 - \$49 999 | 1 | 1 | - | - |
| | 3 | 2 | - | - |

The total remuneration received and receivable by those Directors was \$67 000 (\$65 000).

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 Number | 2007 Number | 2008 Number | 2007 Number |
| <i>Remuneration of executive officers</i> | | | | |
| \$150 000 - \$159 999* | - | 1 | - | 1 |
| \$210 000 - \$219 999 | 1 | - | 1 | - |
| \$240 000 - \$249 999 | 1 | 2 | 1 | 2 |
| \$250 000 - \$259 999 | 1 | 1 | 1 | 1 |
| \$260 000 - \$269 999 | - | 1 | - | 1 |
| \$270 000 - \$279 999 | - | 3 | - | 3 |
| \$280 000 - \$289 999 | 2 | - | 2 | - |
| \$300 000 - \$309 999# | 3 | 1 | 3 | 1 |
| \$310 000 - \$319 999 | 1 | - | 1 | - |
| \$330 000 - \$339 999 | - | 1 | - | 1 |
| \$340 000 - \$349 999 | 1 | - | 1 | - |
| \$530 000 - \$539 999 | 1 | - | 1 | - |
| \$720 000 - \$729 999* | - | 1 | - | 1 |
| | 11 | 11 | 11 | 11 |

* includes payments made upon termination for accrued annual leave and long service leave.

includes payments made upon termination for accrued annual leave and long service leave to one executive officer.

Executives are defined as the Vice-Chancellor and President and the University's Senior Management Group. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| <i>Executive officers' compensation</i> | | | | |
| Short-term employee benefits | 2 772 | 2 507 | 2 772 | 2 507 |
| Post-employment benefits | 417 | 395 | 417 | 395 |
| Other long-term benefits | - | 49 | - | 49 |
| Termination benefits | 203 | 409 | 203 | 409 |
| | 3 392 | 3 360 | 3 392 | 3 360 |

- (d) **Related party transactions**
From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

30. Remuneration of auditors

During the year the following fees were paid for services provided by the auditor of the University of South Australia, its related practices and non-related audit firms:

| <i>Assurance services</i> | Consolidated | | University | |
|--|--------------|------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| <i>Audit services</i> | \$'000 | \$'000 | \$'000 | \$'000 |
| Fees paid to the Auditor-General's Department: | | | | |
| Auditing the financial report | 255 | 210 | 255 | 210 |
| Fees paid to other audit firms: | | | | |
| Audit and review of financial reports of any entity in the consolidated entity | 9 | 12 | - | - |
| | 264 | 222 | 255 | 210 |

31. Contingent liabilities

The University entered into an agreement with the Minister of the Department of Education, Training and Employment (DETAFFE) on 20 February 1997 to provide 35 spaces in a child care centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of \$680 000 is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2008 this contingent liability reduced to \$486 000.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

32. Commitments for expenditure**(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| Property, plant and equipment payable: | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 14 805 | 24 012 | 14 805 | 24 012 |
| Later than one year but not later than five years | 23 | - | 23 | - |
| | 14 828 | 24 012 | 14 828 | 24 012 |

(b) Lease commitments - operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Income Statement on a straight-line basis over the period of the lease.

Commitments in relation to leases contracted for at the reporting date, but not recognised as liabilities (ie operating leases), are payable as follows:

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 3 822 | 3 292 | 3 822 | 3 292 |
| Later than one year but not later than five years | 4 989 | 5 662 | 4 989 | 5 662 |
| Later than five years | - | 543 | - | 543 |
| | 8 811 | 9 497 | 8 811 | 9 497 |

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between 1 and 10 years.

(c) Other expenditure commitments

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, payable:

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 12 865 | 5 435 | 12 865 | 5 435 |
| Later than one year but not later than five years | 14 213 | 12 857 | 14 213 | 12 857 |
| Later than five years | 87 | 220 | 87 | 220 |
| Total other expenditure commitments | 27 165 | 18 512 | 27 165 | 18 512 |

33. Superannuation plans

The University contributes to the following employee superannuation funds:

(a) South Australian Superannuation Fund (Super SA)

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

(a) South Australian Superannuation Fund (Super SA) (continued)

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed (the Assessment) by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2008 to be \$323.6 million (\$326 million). The assessment took into account the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2007. This was performed by L C Brett, FIA, FIAA, of Brett and Watson Pty Ltd.

The University's liability under the schemes has been partly funded by an amount of \$19.2 million (\$26.1 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$304.4 million (\$299.9 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the Assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that, while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

| | 2008 | 2007 |
|-----------------------------|------------------|-----------|
| | Percent | Percent |
| | per annum | per annum |
| Rate of increase in the CPI | 3.0 | 3.0 |
| Rate of salary increases | 4.5 | 4.5 |
| Investment earnings | 8.0 | 8.0 |

These assumptions have not changed since 2007.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

(b) Deferred government superannuation contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 2008 an amount of \$4.5 million was brought to account (both as revenue and as expense) to reflect the increase in the net unfunded past service cost for State Superannuation (\$8.7 million decrease).

| | 2008 | 2007 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Deferred government superannuation contribution at 1 January | 299 900 | 308 600 |
| Increase (Decrease) in amount owing for unfunded liability | 4 500 | (8 700) |
| Deferred government superannuation contribution at 31 December | 304 400 | 299 900 |
| Comprising: | | |
| Current asset | 25 300 | 24 600 |
| Non-current asset | 279 100 | 275 300 |
| | 304 400 | 299 900 |

(c) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Division (DBD)

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made 4 years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

(i) *UniSuper Defined Benefit Division (DBD) (continued)*

Clause 34 now states that where the Trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2008 the assets of the DBD in aggregate (ie entire multiemployer DBD plan) were estimated to be:

- \$323 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBD.
- \$1456 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBD as at 31 December 2005. The financial assumptions used were:

| | Vested benefits Percent per annum | Accrued benefits Percent per annum |
|---|---|--|
| Gross of tax investment return | 7.25 | 8.50 |
| Net of tax investment return | 6.75 | 8.00 |
| CPI | 2.75 | 2.75 |
| Inflationary salary increases long-term | 3.75 | 3.75 |
| Inflationary salary increases next year | 5.00 | 5.00 |

Additional promotional salary increases are assumed to apply based on past experience. Assets have been included at their net market value, ie allowing for realisation costs.

(ii) *UniSuper Accumulation Super 2 (Accum 2)*

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to the Accum 2. Contributions made by both the employee and employer remain unchanged.

(iii) *UniSuper Accumulation Super 1 (Accum 1)*

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee (SG) and Award obligations. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University has recognised an expense of \$17.996 million (\$16.371 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$8.831 million (\$7.865 million) in respect of Accum 1.

34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

| Name of entity | Country of incorporation | Ownership interest | |
|---|--------------------------|------------------------|-----------------|
| | | 2008 Percent | 2007 Percent |
| (a) ITEK Pty Ltd | Australia | 100 | 100 |
| (b) University of South Australia Foundation Incorporated | Australia | 100 | 100 |

(a) **ITEK Pty Ltd (ITEK)**

ITEK Pty Ltd was formed on 1 July 1999 and since this time has had a year end date of 30 June. Financial results are consolidated on a calendar year basis. ITEK Pty Ltd is trustee for the ITEK trust and has a 100 percent controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) University of South Australia Foundation Incorporated (Foundation)

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2008. This company will remain legally intact indefinitely to ensure that any future donations, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

The Foundation's purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating philanthropic support for the benefit of the University.

35. Investments in associates

The University has an interest in Unisure Pty Ltd and SABRENet Ltd as described below:

(a) Unisure Pty Ltd (Unisure)

The University is a shareholder along with The University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. The University's interest (33.3 percent) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investment in the Associate has not been accounted for using the equity method as per AASB 128 however, consistent with prior years, it has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the University.

Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2008 the Unit Trust held net assets of \$1.79 million on behalf of the University of South Australia (\$1.508 million).

Towards the end of 2008, Unisure Pty Ltd was in the process of being deregistered. This had not been finalised as at 31st December 2008. The winding up of the Unisure Unit Trust and de-registration of Unisure Pty Ltd involves the distribution of the assets to the Unit Holders net of liabilities.

(b) SABRENet Ltd (SABRENet)

SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian Universities and the South Australian Government.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$250 000 to SABRENet which has been recognised as an expense in the year payment was made.

Each of the above associates is incorporated in Australia.

Carrying amounts

Information relating to associates is set out below:

| Entity | Principal activity | Ownership interest | | Consolidated Carrying amount | | University Carrying amount | |
|-----------------------------|---|--------------------|-----------------|------------------------------|----------------|----------------------------|----------------|
| | | 2008 percent | 2007 percent | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| (a) <i>Unisure Pty Ltd*</i> | Manages workers compensation claims on behalf of the University | 33 | 33 | 1 790 | 1 508 | 1 790 | 1 508 |

* As discussed above the University's investment in Unisure is proportionately consolidated within the University and Consolidated Entity. Therefore the carrying amount denoted here represents the net assets carried within the accounts.

| <i>Movements in carrying amounts</i> | Consolidated | |
|---------------------------------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| Carrying amount at 1 January | 1 508 | 2 444 |
| Share of profits (losses) | 282 | (936) |
| Carrying amount at 31 December | 1 790 | 1 508 |

Summarised financial information of associates

| | Consolidated entity's share of: | | | |
|-----------------|---------------------------------|-----------------------|--------------------|-------------------------|
| | Assets \$'000 | Liabilities \$'000 | Revenues \$'000 | Profit (Loss) \$'000 |
| 2008 | | | | |
| Unisure Pty Ltd | 1 790 | - | 322 | 282 |
| 2007 | | | | |
| Unisure Pty Ltd | 3 701 | 2 193 | 579 | (936) |

36. Interests in joint ventures**(a) Joint venture operations**

The University's interests in joint venture operations are as follows:

| Entity | Reporting date | Output interest | |
|----------------------------|----------------|-----------------|-----------------|
| | | 2008 Percent | 2007 Percent |
| (i) Mawson Centre Building | 31 December | 63 | 63 |
| (ii) SPRI Building | 30 June | 30 | 30 |
| (iii) e-Research SA | 31 December | 25 | 23.08 |
| (iv) ANFF | 30 June | - | - |

(i) Mawson Centre Building

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop, construct and eventually operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63 percent share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19 percent share and DECS holding an 18 percent share.

In 2007 the building was independently revalued and the University's 63 percent share of the asset's carrying amount as at 31 December 2008 is \$8.9 million (\$9.1 million) which is included in Buildings.

(ii) Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share. In 2007 the building was independently re-valued and the University's 30 percent share of the asset's carrying amount as at 31 December 2008 is \$2.28 million (\$2.327 million) which is included in Buildings.

The University's share of this joint venture's operations has not been included in the consolidated report due to them being immaterial to the University's activities.

(iii) e-Research SA (formerly South Australian Partnership for Advanced Computing (SAPAC))

e-Research SA is a collaborative joint venture of the three South Australian universities and its mission is to support the development, implementation and use of eResearch methodologies and activities in South Australia and to provide access to eResearch facilities and practical support for researchers from all disciplines. The University's 25 percent share of this joint venture has not been included in the consolidated report due to them being immaterial to the University's activities.

(iv) South Australian node of the Australia National Fabrication Facility (ANFF)

Established in 2007, under the National Collaborative Research Infrastructure Strategy, the ANFF links seven university-based nodes to provide researchers and industry with access to state-of-the-art fabrication facilities. Each node offers a specific area of expertise including advanced materials, nanoelectronics and photonics and bio nano applications. The ANFF is a company limited by guarantee and no contributions were made to the ANFF during the year.

(b) Joint venture entities

The University has an interest in a number of joint venture entities as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

| Entity | Reporting date | Ownership interest | |
|-------------------------------|----------------|--------------------|-----------------|
| | | 2008 Percent | 2007 Percent |
| (i) ACCA | 30 June | 25.00 | 25.00 |
| (ii) CIEAM | 30 June | 10.74 | 10.74 |
| (iii) CRCIF | 30 June | 2.95 | 2.95 |
| (iv) Rail CRC | 30 June | - | 8.30 |
| (v) CRCST Pty Ltd | 30 June | 2.15 | 5.00 |
| (vi) CWQT | 30 June | - | 5.13 |
| (vii) DK-CRC | 30 June | 8.39 | 8.24 |
| (viii) SACITT | 31 December | 33.33 | 33.33 |
| (ix) SGRHS | 31 December | 50.00 | 50.00 |
| (x) SATAC | 30 June | 25.00 | 25.00 |
| (xi) Auto CRC | 30 June | 4.50 | 8.09 |
| (xii) CRC CARE | 30 June | 27.69 | 36.84 |
| (xiii) CRC Polymers | 30 June | 1.72 | 1.62 |
| (xiv) CRC for Rail Innovation | 30 June | 7.23 | 5.00 |
| (xv) Australian Seafood CRC | 30 June | 2.16 | 3.00 |
| (xvi) Australian Synchrotron | 30 June | 1.00 | 1.00 |

- (i) *ACCA – Australian Centre for Community Ageing*
ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected Research Centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members with an aim of applying outcomes of quality research in ageing issues into practical solutions for older people, as well as informing those who supply older people with goods and services.
- (ii) *CIEAM - Co-operative Research Centre for Integrated Engineering Asset Management*
The CIEAM is a national co-operative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.
- (iii) *CRCIF - Co-operative Research Centre for Irrigation Futures*
The CRCIF is a national co-operative research centre. Its goals are to double profitability and halve water use of Australian irrigation. It also intends to define and promote sustainable irrigation areas and practices.
- (iv) *Rail CRC - Co-operative Research Centre for Railway Engineering and Technologies*
Rail CRC is a collaborative venture between leading organizations in the Australian rail industry and Australian Universities; and it is supported by the Commonwealth Government. It is a national co-operative research centre with a purpose to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies. Rail CRC ceased operations in 2007.
- (v) *CRCST Pty Ltd - Co-operative Research Centre for Sustainable Tourism Pty Ltd*
The CRCST is a national co-operative research centre with a focus on delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.
- (vi) *CWQT - Centre for Water Quality and Treatment*
The CWQT is a national co-operative research centre, providing a national strategic research capacity for the Australian water industry. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment. The CRC for Water Quality and Treatment ended in 2008.
- (vii) *DK-CRC - Desert Knowledge Co-operative Research Centre*
The DK-CRC is a national co-operative research centre and brokerage institution that links researchers with 27 partners. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on Desert Knowledge, and creating the networks to market this knowledge in other desert lands.
- (viii) *SACITT - South Australian Consortium for Information Technology and Telecommunications*
SACITT brings together the three universities of South Australia and is supported by an advisory board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australia industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors Committee.
- (ix) *SGRHS - Spencer Gulf Rural Health School (formerly SACRRH – South Australian Centre for Rural and Remote Health)*
The Spencer Gulf Rural Health School (SGRHS) is a regional multi-disciplinary school of health science created as a joint initiative of the University of Adelaide and the University of South Australia, supported by the Commonwealth Government. It is located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.
- (x) *SATAC - South Australian Tertiary Admissions Centre*
SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three universities in South Australia.

- (xi) *Auto CRC - CRC for Advanced Automotive Technologies*
The Cooperative Research Centre for Advanced Automotive Technology (AutoCRC) was created in December 2005, as part of a national strategy to secure Australia's position in the global automotive industry. AutoCRC aims to deliver outcomes that will directly enhance the viability and sustainability of the Australian automotive industry, its capability to export and its productivity. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.
- (xii) *CRC CARE - Co-operative Centre for Contamination Assessment and Remediation of the Environment*
CRC CARE was established under the Federal Government's CRC Program in 2005 to bring together Australia's foremost expertise in science, industry and government. CRC CARE is a research and development organization providing cutting edge technologies and knowledge in assessing, preventing and remediating contamination of soil, water and air.
- (xiii) *CRC Polymers - Co-operative Research Centre for Polymers*
The CRC for Polymers conducts leading-edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high-growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design. The Centre is an incorporated joint venture between organisations that include companies, universities and government research laboratories.
- (xiv) *CRC for Rail Innovation - Co-operative Research for Rail Innovation*
The CRC for Rail Innovation commenced 1 July 2007 and is a collaborative joint venture between leading organisations in the Australian rail industry and Australian Universities and is supported by the Commonwealth Government. It seeks to build on the successful collaborative arrangements and approaches from the former Rail CRC by meeting growing transport needs identified by both the rail industry and researchers.
- (xv) *Australian Seafood CRC - Australian Seafood Co-operative Research Centre*
The Australian Seafood CRC has a vision to assist the seafood industry to profitably deliver safe, high quality and nutritious Australian seafood products to premium domestic and overseas markets. It aims to stimulate and provide comprehensive seafood related research and development and industry leadership on a national basis to address institutional and market failure in many of the Australian seafood industry's value chains. The CRC will undertake research programmes covering value chain profitability and product quality and integrity.
- (xvi) *Australian Synchrotron (via the SA/La Trobe Consortium)*
The Australian Synchrotron is a joint venture entity funded by the Victorian State Government and various funding partners, one of which is The University of South Australia, a founding member as part of the South Australia/La Trobe University consortium. The Australian Synchrotron was established with an initial subscription of \$150 million and is an essential tool for new science providing world leading technical capability to serve universities, research organisations and industry. The facility promotes the international collaboration for important to leading-edge R&D, and is a hub for research that will greatly benefit Australia and our regional neighbours.

37. Events occurring after the Balance Sheet date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the Consolidated Entity, the results of operations, or the state of affairs of the Consolidated Entity in future periods.

38. Reconciliation of operating result after income tax to net cash inflow from operating activities

| | Consolidated | | University | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Operating result for the year | 43 020 | 24 384 | 42 621 | 24 463 |
| Items classified as investing activities: | | | | |
| Loss on sale of plant and equipment | 459 | 399 | 459 | 397 |
| Non-cash items: | | | | |
| Depreciation and amortisation | 24 486 | 23 453 | 24 293 | 23 260 |
| Non-cash donations | (317) | (378) | (317) | (378) |
| Capital assets | 1 294 | (630) | 1 294 | (729) |
| Available-for-sale asset revaluation | 446 | - | 446 | - |
| Change in assets and liabilities: | | | | |
| Increase in receivables | (1 796) | (1 587) | (1 482) | (1 285) |
| (Increase) Decrease in other assets | (1 252) | 501 | (1 251) | 493 |
| Increase in payables | 4 202 | 4 473 | 3 989 | 4 468 |
| Increase in provisions | 4 442 | 4 235 | 4 286 | 4 238 |
| Increase (Decrease) in other liabilities | 2 782 | (2 106) | 2 535 | (2 089) |
| Net cash provided by operating activities | 77 766 | 52 744 | 76 873 | 52 838 |

39. Non-cash investing and financing activities

| | Consolidated | | University | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Donations of works of art and library materials | 317 | 378 | 317 | 378 |
| | 317 | 378 | 317 | 378 |

40. Assets and liabilities of trusts for which the University is trustee

The University was trustee or custodian for the following trusts during the year:

Donald Dyer Scholarship
Irene & David Davy Scholarship.

41. Financial risk management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The University currently does not hold any derivative instruments.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice with respect to managing the market risk of its investments.

Risk management is coordinated by the University under policies approved by Council. The University identifies, evaluates financial risks in close cooperation with the University's operating units.

(a) Market risk*(i) Foreign exchange risk*

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2008 the University held US\$1.929 million (A\$2.785 million) (US\$32 000 (A\$36 000)) and RM\$147 000 (A\$61 000) - Malaysian Ringgit (RM\$209 000 (A\$72 000)) in offshore bank accounts. During 2008 the University did not enter into any hedging contracts to mitigate foreign exchange risk as transactions in foreign currencies are partially offset by natural hedging arrangements. Currency conversion gains and losses are included in the operating result for the year.

Although no hedging contracts were entered into, in June 2008 the University placed \$2 million in the US dollar bank account due to the favourable exchange rate available at the time (95.6 cents). This was to assist with future purchases of research equipment. In July 2008 the University placed an additional \$2 million in the US dollar bank account to assist with the purchase of library books at the same rate.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The \$35 million bill facility (refer Note 25) with the NAB is at a floating rate of interest.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

(iii) Risk associated with available-for-sale assets

Investments mainly comprise investments in listed entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time, however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long-term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are rarely used. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

(b) Credit risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the Balance Sheet is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

(c) Liquidity risk

The University maintains a \$35 million bill facility with the NAB which has a drawdown facility, available to 31 December 2016. As at 31 December 2008 this facility has not been drawn down.

41. Financial risk management (continued)

The following tables summarise the maturity of the Group's financial assets and financial liabilities:

| | Variable interest rate Percent | Less than 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|--|---|----------------------------------|---------------------|-----------------------------------|---------------------------------------|-------------------------|
| 2008 | | | | | | |
| Financial assets: | | | | | | |
| Cash assets | 6.16 | 111 379 | - | - | - | 111 379 |
| Receivables | | - | - | - | 25 152 | 25 152 |
| Other financial assets | | - | - | - | 7 004 | 7 004 |
| Accrued income | | - | - | - | 3 114 | 3 114 |
| Total financial assets | | 111 379 | - | - | 35 270 | 146 649 |
| Financial liabilities: | | | | | | |
| Payables | | - | - | - | 27 616 | 27 616 |
| Other | | - | - | - | 846 | 846 |
| Funds held on behalf of external entities | | - | - | - | 529 | 529 |
| Total financial liabilities | | - | - | - | 28 991 | 28 991 |
| 2007 | | | | | | |
| Financial assets: | | | | | | |
| Cash assets | 6.68 | 77 933 | - | - | - | 77 933 |
| Receivables | | - | - | - | 23 356 | 23 356 |
| Other financial assets | | - | - | - | 9 991 | 9 991 |
| Accrued income | | - | - | - | 1 786 | 1 786 |
| Total financial assets | | 77 933 | - | - | 35 133 | 113 066 |
| Financial liabilities: | | | | | | |
| Payables | | - | - | - | 23 414 | 23 414 |
| Other | | - | - | - | 570 | 570 |
| Funds held on behalf of external entities | | - | - | - | 382 | 382 |
| Total financial liabilities | | - | - | - | 24 366 | 24 366 |

(d) Fair value estimation

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values.

42. Acquittal of Commonwealth Government financial assistance

| (a) <i>Commonwealth Grants Scheme and other grants</i> | Commonwealth Grants Scheme | | Indigenous Support Fund | | Equity Programmes | |
|--|-------------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 123 543 | 116 463 | 1219 | 1 081 | 686 | 674 |
| Net accrual adjustments | 1 371 | 721 | - | - | - | - |
| Revenue for the period | 124 914 | 117 184 | 1 219 | 1 081 | 686 | 674 |
| Surplus from the previous year | - | - | - | - | 428 | 461 |
| Total revenue including accrued revenue | 124 914 | 117 184 | 1 219 | 1 081 | 1 114 | 1 135 |
| Expenses including accrued expenses | (124 914) | (117 184) | (1 219) | (1 081) | (686) | (707) |
| Surplus for reporting period | - | - | - | - | 428 | 428 |
| | Workplace Reform Programme | | Workplace Productivity Programme | | Capital Development Pool | |
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 1 628 | 1 576 | 1 148 | - | 4 259 | 318 |
| Net accrual adjustments | - | - | - | - | - | - |
| Revenue for the period | 1 628 | 1 576 | 1 148 | - | 4 259 | 318 |
| Surplus from the previous year | - | - | 110 | 412 | - | - |
| Total revenue including accrued revenue | 1 628 | 1 576 | 1 258 | 412 | 4 259 | 318 |
| Expenses including accrued expenses | (1 628) | (1 576) | (1 258) | (302) | (4 167) | (318) |
| Surplus for reporting period | - | - | - | 110 | 92 | - |

| (a) Commonwealth Grants Scheme and other grants (continued) | Superannuation | | Collaboration & structural reform | | Improving the practical comp of teacher ed | |
|--|----------------|----------------|-----------------------------------|----------------|--|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 23 398 | 24 070 | 7 062 | 1 141 | 637 | - |
| Net accrual adjustments | 3 373 | (1 996) | - | - | - | - |
| Revenue for the period | 26 771 | 22 074 | 7 062 | 1 141 | 637 | - |
| Surplus from the previous year | - | - | 2 435 | 2 783 | - | - |
| Total revenue including accrued revenue | 26 771 | 22 074 | 9 497 | 3 924 | 637 | - |
| Expenses including accrued expenses | (26 771) | (22 074) | (1 146) | (1 489) | (637) | - |
| Surplus for reporting period | - | - | 8 351 | 2 435 | - | - |

| | Transitional Costs Program | | Total | |
|---|----------------------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 1 551 | - | 165 131 | 145 323 |
| Net accrual adjustments | 127 | - | 4 871 | (1 275) |
| Revenue for the period | 1 678 | - | 170 002 | 144 048 |
| Surplus from the previous year | - | - | 2 973 | 3 656 |
| Total Revenue including accrued revenue | 1 678 | - | 172 975 | 147 704 |
| Expenses including accrued expenses | (1 678) | - | (164 104) | (144 731) |
| Surplus for reporting period | - | - | 8 871 | 2 973 |

| (b) Higher Education Loan Programmes | HECS-HELP | | FEE-HELP | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 74 140 | 68 164 | 3 084 | 4 516 |
| Net accrual adjustments | (845) | (12) | (130) | 11 |
| Revenue for the period | 73 295 | 68 152 | 2 954 | 4 527 |
| Surplus (Deficit) from the previous year | - | - | - | - |
| Total revenue including accrued revenue | 73 295 | 68 152 | 2 954 | 4 527 |
| Expenses including accrued expenses | (73 295) | (68 152) | (2 954) | (4 527) |
| Surplus (Deficit) for reporting period | - | - | - | - |

| | Total | | OS-HELP | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 77 224 | 72 680 | 210 | 196 |
| Net accrual adjustments | (975) | (1) | (4) | 3 |
| Revenue for the period | 76 249 | 72 679 | 206 | 199 |
| Surplus (Deficit) from the previous year | - | - | - | - |
| Total revenue including accrued revenue | 76 249 | 72 679 | 206 | 199 |
| Expenses including accrued expenses | (76 249) | (72 679) | (206) | (199) |
| Surplus (Deficit) for reporting period | - | - | - | - |

(c) Scholarships

| | Australian Postgraduate Award | | International Postgraduate Research Scholarships | | Commonwealth Education Costs Scholarships | |
|---|-------------------------------|----------------|--|----------------|---|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 1 832 | 1 748 | 374 | 346 | 2 065 | 1 615 |
| Net accrual adjustments | - | - | - | - | - | - |
| Revenue for the period | 1 832 | 1 748 | 374 | 346 | 2 065 | 1 615 |
| Surplus from the previous year | 656 | 494 | - | - | - | 267 |
| Total revenue including accrued revenue | 2 488 | 2 242 | 374 | 346 | 2 065 | 1 882 |
| Expenses including accrued expenses | (2 039) | (1 586) | (374) | (346) | (2 050) | (1 882) |
| Surplus for reporting period | 449 | 656 | - | - | 15 | - |

| | Commonwealth Accommodation Scholarships | | Indigenous Access Scholarships | | Indigenous Staff Scholarships | |
|---|---|----------------|--------------------------------|----------------|-------------------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 2 313 | 2 027 | 122 | - | - | (6) |
| Net accrual adjustments | - | - | - | - | - | - |
| Revenue for the period | 2 313 | 2 027 | 122 | - | - | (6) |
| Surplus from the previous year | 195 | 360 | - | - | - | 6 |
| Total revenue including accrued revenue | 2 508 | 2 387 | 122 | - | - | - |
| Expenses including accrued expenses | (2 422) | (2 192) | (43) | - | - | - |
| Surplus for reporting period | 86 | 195 | 79 | - | - | - |

| | Total | |
|---|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 6 706 | 5 730 |
| Net accrual adjustments | - | - |
| Revenue for the period | 6 706 | 5 730 |
| Surplus from the previous year | 851 | 1 127 |
| Total revenue including accrued revenue | 7 557 | 6 857 |
| Expenses including accrued expenses | (6 928) | (6 006) |
| Surplus for reporting period | 629 | 851 |

(d) DIISR - research

| | Institutional Grants Scheme | | Research Training Scheme | | Research Infrastructure Block Grants | |
|---|-----------------------------|----------------|--------------------------|----------------|--------------------------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 5 310 | 4 998 | 10 019 | 9 280 | 2 145 | 1 870 |
| Net accrual adjustments | - | - | - | - | - | - |
| Revenue for the period | 5 310 | 4 998 | 10 019 | 9 280 | 2 145 | 1 870 |
| Surplus from the previous year | - | - | - | - | - | - |
| Total revenue including accrued revenue | 5 310 | 4 998 | 10 019 | 9 280 | 2 145 | 1 870 |
| Expenses including accrued expenses | (5 310) | (4 998) | (10 019) | (9 280) | (2 145) | (1 870) |
| Surplus (Deficit) for reporting period | - | - | - | - | - | - |

| (d) DIISR - research (continued) | Implementation Assistance Program | | Australian Scheme for Higher Education Repositories | | Commercialisation Training Scheme | |
|---|-----------------------------------|----------------|---|----------------|-----------------------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 120 | 59 | 217 | 116 | 104 | 98 |
| Net accrual adjustments | - | - | - | - | - | - |
| Revenue for the period | 120 | 59 | 217 | 116 | 104 | 98 |
| Surplus from the previous year | - | - | - | - | - | - |
| Total revenue including accrued revenue | 120 | 59 | 217 | 116 | 108 | 98 |
| Expenses including accrued expenses | (40) | (59) | (217) | (116) | (100) | (94) |
| Surplus for reporting period | 80 | - | - | - | 8 | 4 |

| | Total | |
|---|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 17 915 | 16 421 |
| Net accrual adjustments | - | - |
| Revenue for the period | 17 915 | 16 421 |
| Surplus from the previous year | 4 | - |
| Total revenue including accrued revenue | 17 919 | 16 421 |
| Expenses including accrued expenses | (17 831) | (16 417) |
| Surplus for reporting period | 88 | 4 |

| (e) Voluntary student unionism and Better University Renewal Funding | VSU Transition Fund | | Better Universities Renewal Funding | |
|---|---------------------|----------------|-------------------------------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | - | 330 | 13 346 | - |
| Net accrual adjustments | - | - | - | - |
| Revenue for the period | - | 330 | 13 346 | - |
| Surplus from the previous year | 6 | - | - | - |
| Total revenue including accrued revenue | 6 | 330 | 13 346 | - |
| Expenses including accrued expenses | (6) | (324) | (10 591) | - |
| Surplus for reporting period | - | 6 | 2 755 | - |

| (f) Australian Research Council grants | Projects | | Indigenous Researchers | | Total | |
|---|----------------|----------------|------------------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| (i) <i>Discovery</i> | | | | | | |
| Financial assistance received in cash during reporting period | 2 315 | 2 582 | 5 | - | 2 320 | 2 582 |
| Net accrual adjustments: | | | | | | |
| Movement in accrued income | 359 | (326) | - | - | 359 | (326) |
| Movement in deferred income | (298) | (137) | (5) | - | (303) | (137) |
| Revenue for the period | 2 376 | 2 119 | - | - | 2 376 | 2 119 |
| Movement in deferred income | 298 | 137 | 5 | - | 303 | 137 |
| Surplus from the previous year | 1 736 | 1 599 | - | - | 1 736 | 1 599 |
| Total revenue including accrued revenue | 4 410 | 3 855 | 5 | - | 4 415 | 3 855 |
| Expenses including accrued expenses | (2 376) | (2 119) | - | - | (2 376) | (2 119) |
| Surplus for reporting period | 2 034 | 1 736 | 5 | - | 2 039 | 1 736 |

| | Special research initiatives | | Infrastructure | | International | |
|---|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | - | - | 245 | 150 | 3 | 103 |
| Net accrual adjustments: | | | | | | |
| Movement in accrued income | - | - | 212 | - | - | - |
| Movement in deferred income | - | - | 41 | (41) | 95 | 22 |
| Revenue for the period | - | - | 498 | 109 | 98 | 125 |
| Movement in deferred income | - | - | (41) | 41 | (95) | (22) |
| Surplus from the previous year | - | - | 41 | - | 138 | 161 |
| Total revenue including accrued revenue | - | - | 498 | 150 | 141 | 264 |
| Expenses including accrued expenses | - | - | (498) | (109) | (98) | (126) |
| Surplus for reporting period | - | - | - | 41 | 43 | 138 |

| | Projects | | Total | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 5 374 | 5 735 | 5 622 | 5 988 |
| Net accrual adjustments: | | | | |
| Movement in accrued income | (648) | (996) | (436) | (996) |
| Movement in deferred income | 306 | 509 | 442 | 490 |
| Revenue for the period | 5 032 | 5 248 | 5 628 | 5 482 |
| Movement in deferred income | (306) | (509) | (442) | (490) |
| Surplus from the previous year | 2 393 | 2 902 | 2 572 | 3 063 |
| Total revenue including accrued revenue | 7 119 | 7 641 | 7 758 | 8 055 |
| Expenses including accrued expenses | (5 032) | (5 248) | (5 628) | (5 483) |
| Surplus for reporting period | 2 087 | 2 393 | 2 130 | 2 572 |

| | Research networks | | Centres | | Total | |
|---|-------------------|----------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Financial assistance received in cash during reporting period | 325 | 318 | 793 | 778 | 1 118 | 1 096 |
| Net accrual adjustments: | | | | | | |
| Movement in accrued income | - | - | - | - | - | - |
| Movement in deferred income | (164) | 16 | 121 | 40 | (43) | 56 |
| Revenue for the period | 161 | 334 | 914 | 818 | 1 075 | 1 152 |
| Movement in deferred income | 164 | (16) | (121) | (40) | 43 | (56) |
| Surplus from the previous year | 230 | 246 | 121 | 161 | 351 | 407 |
| Total revenue including accrued revenue | 555 | 564 | 914 | 939 | 1 469 | 1 503 |
| Expenses including accrued expenses | (161) | (334) | (914) | (818) | (1 075) | (1 152) |
| Surplus for reporting period | 394 | 230 | - | 121 | 394 | 351 |

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) is an administrative unit established pursuant to the PSM Act.

Functions

The objective of DWLBC is to improve sustainability through the integration and management of all of the State's natural resources and to achieve improved health and productivity of our biodiversity, water, land and marine resources.

For more information about DWLBC's objectives refer to Note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of DWLBC for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by DWLBC 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 toward obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

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

- expenditure including accounts payable, credit cards, grants and subsidies and payments to Natural Resource Management Boards
- payroll
- revenue including fees and charges, water licensing and grant revenue
- fixed assets
- general ledger
- corporate governance
- budgetary control
- project management
- additional critical water allocations to support permanent plantings.

In undertaking its operations for 2008-09, DWLBC is serviced by a number of financial systems of Shared Services SA (SSSA). The audit considered the effectiveness of the controls implemented by SSSA.

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

- the water information licensing management application system
- DWLBC's compliance with the revised TIs 2 and 28.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

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

Assessment of controls

In my opinion, the controls exercised by the Department of Water, Land and Biodiversity Conservation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to water licensing and payroll as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Water, Land and Biodiversity Conservation have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of DWLBC, the Executive Director of SSSA and the Chief Executive of the Department of Primary Industries and Resources (PIRSA). The responses to the management letters were generally considered to be satisfactory. Major matters raised with DWLBC, PIRSA and SSSA and the related responses are detailed below.

Implementation of the revised TIs 2 and 28

The audit of DWLBC for 2008-09 included review of its response to the revised TIs 2 and 28. The review noted that DWLBC has developed and implemented a financial management compliance program which provides for department executives to review financial management arrangements in their area of responsibility and provide documented assurance with respect to the adequacy of the arrangements.

An overarching issue arising from the completion of the financial management compliance program was a lack of understanding by some executives of the 'accounting' related questions included in the questionnaires.

An internal audit review of DWLBC's implementation of TIs 2 and 28 highlighted the following:

- Business plans have not been completed to the 2008-09 financial year.
- No disaster recovery/business continuity plan exists.
- No internal and external communication protocols have been documented and approved.
- DWLBC does not currently have a policy or procedure in relation to accounts receivable/debtor management.

DWLBC has advised that it has a documented strategy and timeframe in place to work through and resolve the above issues.

Corporate governance

Budgetary control

Audit has previously reported on the need for DWLBC to ensure that the Department of Treasury and Finance approved budget and adjustments are loaded to the Masterpiece general ledger in a timely manner to enable effective management of the budget by senior management and various departmental committees over the year.

This year's audit identified that while the 2008-09 budget for controlled activities was loaded in a timely manner, the administered items budget for 2008-09 was not loaded into the Masterpiece general ledger.

The DWLBC advised that the administered budget was not loaded until a complete review of all budget line items had been undertaken and that this budget review process was completed during the year.

Grant management framework

DWLBC is responsible for managing significant grant funded initiatives and grant income and expenditure are significant for both DWLBC's controlled and administered operations. It is in this context that Audit has previously recommended DWLBC develop and implement a grant management policy/framework which clearly outlines the administration and accounting arrangements which need to be implemented for each new grant initiative.

DWLBC previously responded to the recommendation by indicating it would develop this policy/framework.

DWLBC has advised that developing a policy/framework was not considered an imperative or priority in the short term but that it will consider the development of a framework as part of its overall continual improvement processes.

Water Information Licensing Management Application System

Audit has previously reported upon the limitations of the Water Information Licensing Management Application system. These limitations have impacted on DWLBC's ability to:

- comply with aspects of the NRMA
- effectively manage outstanding debtors
- provide complete and accurate data in DWLBC's financial statements (revenue and receivables)
- provide accurate water levy data to the Natural Resources Management Boards (NRM Boards) for inclusion in the Boards' financial statements.

While DWLBC has over the past few years committed to addressing the issues raised by Audit, the 2008-09 audit has identified that limited progress has been made with rectifying the system problems for the 2008-09 financial reporting purposes. Audit acknowledges that DWLBC has established a project team to develop an accounts receivable system and that this system is expected to be implemented in early 2010.

In the meantime DWLBC has manually calculated and processed an error adjustment to the 2007-08 accounts and appropriately adjusted the 2008-09 revenue and debtor balances. The error correction totalled \$506 000.

Payroll

DWLBC distributes bona fide certificates and leave return reports to all areas of the Department each fortnight. Established procedures require managers to review the reports and advise payroll in a timely manner for correction of any errors. DWLBC relies on this control to provide assurance that transactions are completely and accurately processed to the payroll system.

As with previous years, the 2008-09 Audit has found that the review of the bona fide certificates and leave return reports had not been consistently performed in line with DWLBC's procedures. The absence of a central register prevents DWLBC from ensuring all reports are in fact received by managers and reviewed in a timely manner.

Audit has recommended that DWLBC:

- emphasise to managers the importance of reviewing all bona fide and leave return reports and following up discrepancies in a timely manner
- establish a central register to record and monitor the timely review of these reports and require follow up of all outstanding reports.

DWLBC has accepted the first recommendation but has indicated that instead of establishing a central register it will rely on Internal Audit to undertake an annual review of bona fide and leave return report compliance.

Expenditure

The audit of processes implemented by SSSA identified the need to strengthen controls over processing DWLBC payments by:

- establishing documented policies and procedures
- ensuring invoices are checked in accordance with the service level determination
- establishing adequate segregation of duties over supplier masterfile changes.

SSSA has advised that action will be taken to address the issues.

Review of controls over expenditure through credit card use identified the need to reinforce the requirements of the DWLBC credit card policy and procedure with credit card holders.

DWLBC has advised that it has reviewed and updated its credit card policy.

Critical Water Allocation Scheme – permanent plantings

Service level agreement

The critical water allocation scheme to save permanent plantings along the River Murray was a government initiative which involved a number of agencies. The key agencies responsible for its implementation were DWLBC and PIRSA.

The review noted that while there was documentation prepared by DWLBC and PIRSA outlining the terms and conditions for the implementation of this Scheme, the roles and responsibilities of PIRSA and DWLBC in administering this Scheme were not effectively documented.

In a letter to both the Chief Executive of DWLBC and PIRSA, Audit expressed the view that it is important to document the roles and responsibilities of agencies involved in across government policy initiatives to ensure each agency understands their roles and points of interaction between agencies.

PIRSA has acknowledged the importance of preparing documented agreements and has indicated that common practice is to establish project proposals to document agreements with other agencies.

Management of process for allocating critical water to irrigators

The review identified that DWLBC and PIRSA (responsible for assessing the viability of applications) did not apply a consistent and rigorous process in:

- evaluating the eligibility and long-term viability of the farm enterprise in accordance with the terms and conditions of the Critical Water Allocation Scheme
- ensuring the accuracy of size of property and type of plantings provided by irrigators.

DWLBC and PIRSA have responded to the audit findings indicating that, in their view, assessments of viability and eligibility were performed in accordance with established terms and conditions. They also indicated they will improve documentation to support the assessments made.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

| | 2009 | 2008 |
|--|-------------------|------------|
| | \$'million | \$'million |
| EXPENSES | | |
| Employment benefits expenses | 48 | 46 |
| Supplies and services | 49 | 45 |
| Grants and subsidies | 109 | 37 |
| Water recovery/acquisition expenses | 75 | 13 |
| Other | 3 | 3 |
| Total expenses | 284 | 144 |
| INCOME | | |
| Fees and charges | 26 | 21 |
| Grants | 30 | 36 |
| Water recovery measures revenues | 21 | 17 |
| Other | 2 | 2 |
| Total income | 79 | 76 |
| Net cost of providing services | 205 | 68 |
| REVENUES FROM SA GOVERNMENT | | |
| Government appropriations | 183 | 97 |
| Net result | (22) | 29 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | (27) | 32 |

| | 2009 \$'million | 2008 \$'million |
|--------------------------|--------------------|--------------------|
| ASSETS | | |
| Current assets | 51 | 68 |
| Non-current assets | 80 | 72 |
| Total assets | 131 | 140 |
| LIABILITIES | | |
| Current liabilities | 18 | 12 |
| Non-current liabilities | 11 | 10 |
| Total liabilities | 29 | 22 |
| EQUITY | 102 | 118 |

Statement of Comprehensive Income

Expenses

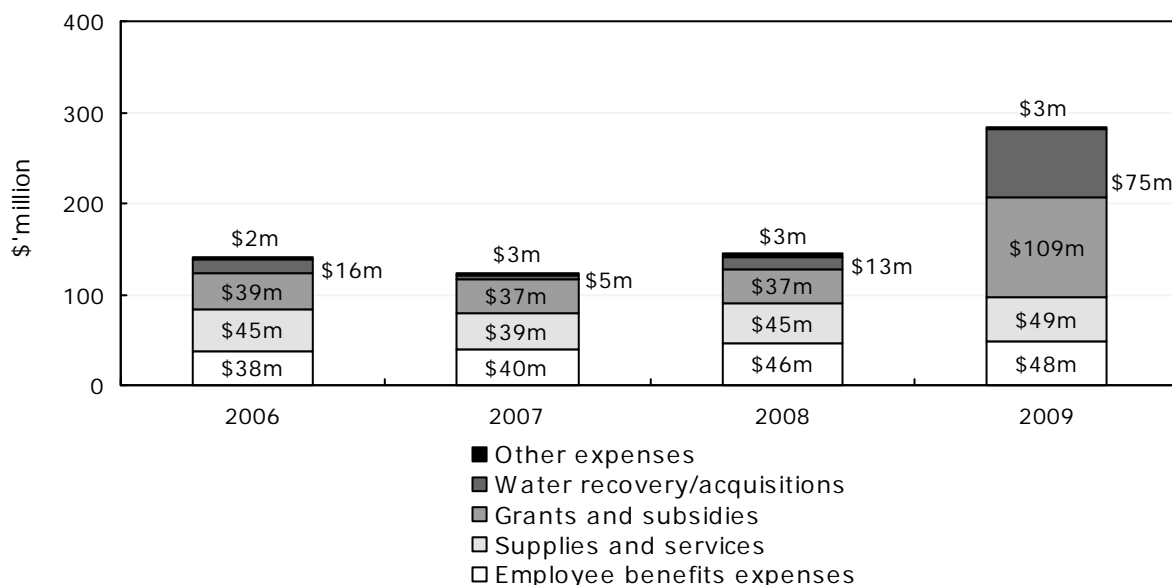
Total expenses for the year increased by \$140 million to \$285 million. The increase is attributed mainly to increased grants and subsidies of \$72 million, which related to the following outlays:

- \$24 million relates to the purchase of water to support the Government's Critical Water Allocation Scheme to save permanent plantings along the River Murray.
- \$24 million relates to a payment to SA Water for the Murray Futures – Integrated Pipeline project (Potable Water Component).
- \$18 million relates to payments made to SA Water for the purchase of water for preservation of the Lower Lakes.
- \$5 million relates to a payment to the Victorian Department of Sustainability and Environment to fund South Australia's contribution to the Lake Mokoan water recovery package.

DWLBC also incurred water recovery/acquisition expenses. The increase in outlays of \$61 million relates mainly to the acquisition of water licences from willing sellers under The Living Murray initiative. Refer Note 9.

Grants and subsidies account for 38 percent of DWLBC expenditure. Of this, 21 percent, \$23.3 million, relates to the State's contributions to the Murray-Darling Basin Authority (MDBA) under an agreement established in 1992. As grants expenditure relates to specific grants programs, the payments in relation to grants are not necessarily comparable from year to year. Reference should be made to Note 8 of DWLBC's financial statements which details current and prior year amounts for each major grant program.

For the four years to 2009, a structural analysis of DWLBC's expenses is shown in the following chart.



Income

Income increased by \$3 million to \$79 million. This increase is represented by:

- an increase in revenues from fees and charges of \$5 million due mainly to increased funding received from the MDBA for the Lake Albert Water Level Management project
- an increase in revenues from water recovery measures of \$4 million to fund the purchase of water licences. Refer Note 16
- a decrease in grant revenues of \$6 million. While DWLBC has received new grant monies in 2008-09 for new Commonwealth initiatives such as the Murray Futures projects (\$6 million), there has been a reduction in revenue for various other programs, in particular the National Action Plan for Salinity and Water Quality (NAP) as this program ceased to receive funding on 30 June 2008. The funding for NAP has decreased by \$17 million to \$4 million in 2008-09.

Revenues from SA Government

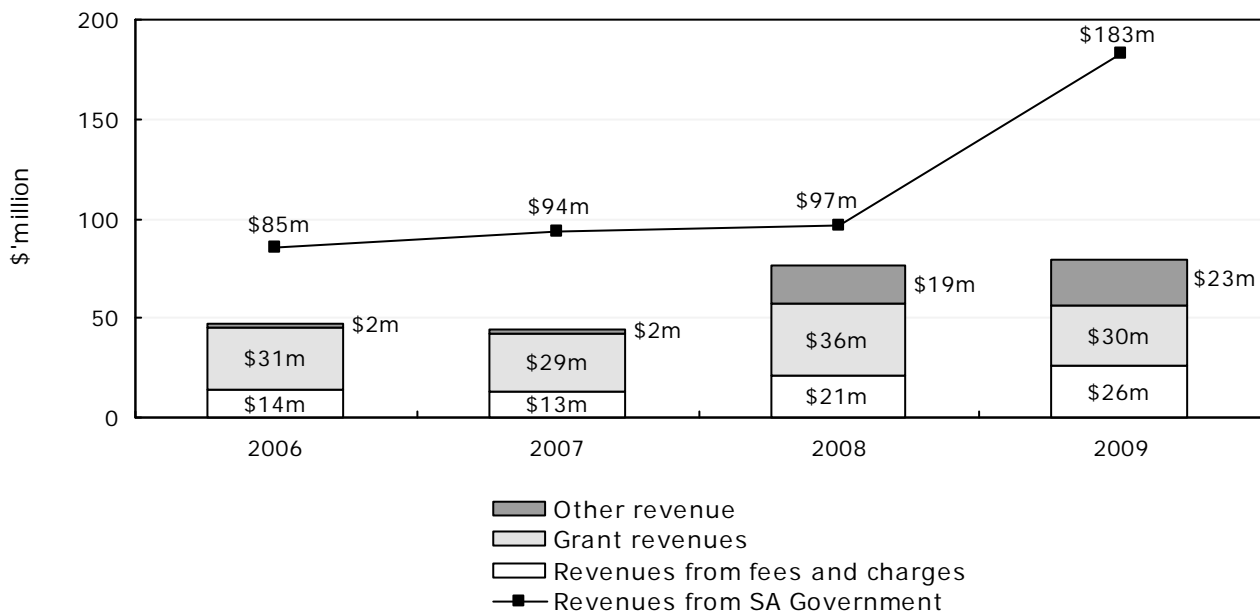
Revenues from the SA Government increased by \$86 million to \$183 million which mainly reflects additional funding of:

- \$24 million for the purchase of water to support the Government’s Critical Water Allocation Scheme to save permanent plantings along the River Murray
- \$18 million for the purchase of water for the preservation of the Lower Lakes.

The reported increase is also attributable to the change, from 1 January 2009, in Commonwealth funding arrangements. Following the changes \$31 million in Commonwealth funding, which was previously received by DWLBC and recognised as grant revenue, were received by the Department of Treasury and Finance and paid to DWLBC as revenues from SA Government.

Revenues from SA Government includes an appropriation of \$25.3 million (\$22 million) to the Save the River Murray Fund. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray levy which was collected and paid into the Consolidated Account by SA Water Corporation.

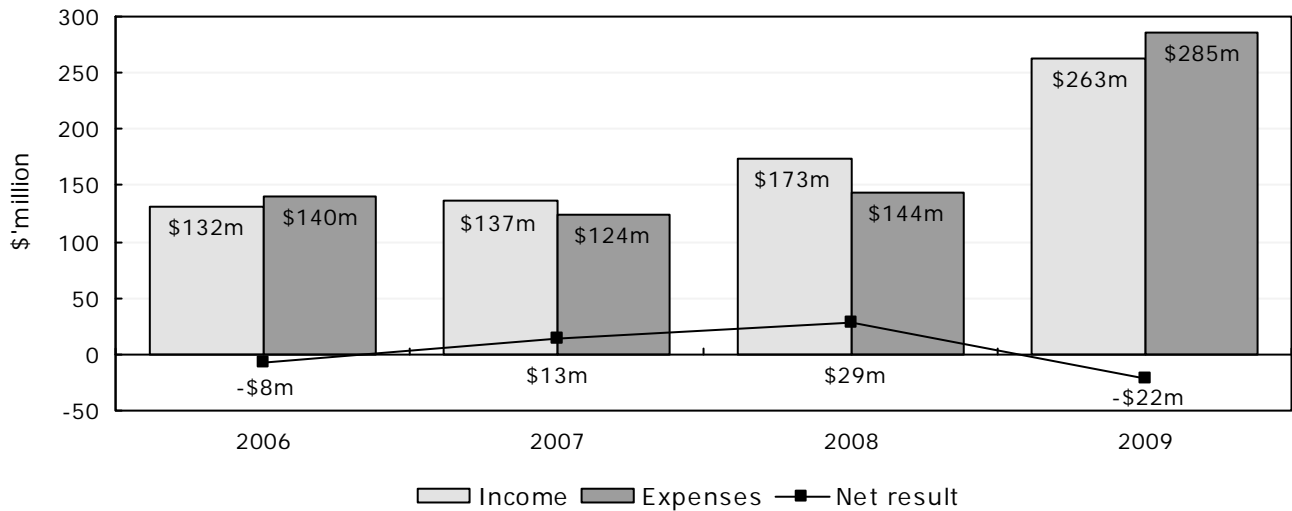
A structural analysis of income and revenues from SA Government in the four years to 2009 is presented in the following chart.



Net result

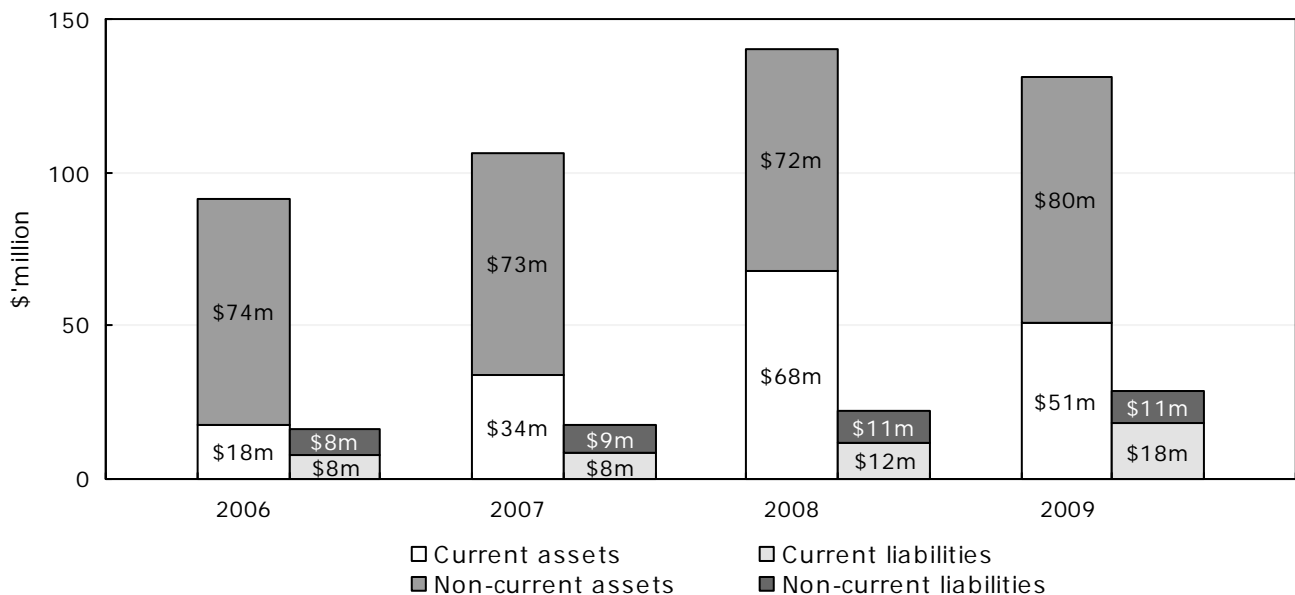
The net result for the year was a loss of \$22 million as compared to a gain of \$29 million for the previous year. This result is attributable mainly to an increase in grants and subsidies expenditure of \$72 million and water recovery/acquisitions expenses of \$61 million. Increased expenses were funded through both an increase in government revenues and a drawdown of unexpended funds held at 30 June 2008. Note 32 discloses unspent grants of \$20.6 million at 30 June 2009 as compared to \$60.4 million at 30 June 2008.

The following chart shows the expenses, income and net result for the four years to 2009.



Statement of Financial Position

For the four years to 2009, a structural analysis of assets and liabilities is shown in the following chart.



Current assets

The value of DWLBC's current assets decreased by \$17 million to \$51 million. This decrease represents:

- a decrease in cash held at 30 June 2009 of \$32 million. Refer to Statement of Cash Flows below for further analysis
- an increase in receivables of \$14 million of which \$5.5 million relates to National Water Initiative milestone funding due to DWLBC.

Non-current assets

DWLBC's non-current assets which comprise property, plant and equipment (\$73 million) and intangible assets (\$7 million) increased by \$8 million in 2008-09. The increase is due mainly to the following:

- property, plant and equipment was revalued during the year resulting in a net revaluation increment of \$10 million
- intangible assets increased by \$1.3 million as a result of the capitalisation of internally developed software (Natural Resource Information Management System).

Current liabilities

Current liabilities increased by \$6 million to \$18 million which relates mainly to payments due in relation to The Living Murray program.

Statement of Cash Flows

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

| | 2009 | 2008 | 2007 | 2006 |
|-----------------------|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Net cash flows | | | | |
| Operating | (27) | 32 | 17 | (4) |
| Investing | (5) | (2) | - | (1) |
| Financing | - | - | - | 1 |
| Change in cash | (32) | 30 | 17 | 4 |
| Cash at 30 June | 26 | 58 | 28 | 11 |

The analysis shows that cash decreased by \$32 million due principally to expenditure during the year of cash held at 30 June 2008 in the form of restricted grants. The restricted grants at 30 June 2009 totalled \$20.6 million as compared to \$60.4 million at 30 June 2008. Refer Note 32.

Administered items

Murray-Darling Basin Authority

The MDBA is established under the *Water Act 2007* (Cwlth). It replaces the Murray-Darling Basin Commission (MDBC). Refer Note A10.

The MDBA assumed all functions of the former MDBC in December 2008.

The MDBA's functions are to:

- prepare, implement, monitor and enforce the Basin Plan
- implement decisions made by the Ministerial Council and Basin Officials Committee.

The Memorandum of Understanding requires the MDBA to provide a Basin Plan by 2011. The Commonwealth Minister is the final decision maker for the Basin Plan.

DWLBC has recognised the State's joint interest in the MDBA infrastructure assets and water rights as an interest in a joint venture in accordance with AASB 131 within the administered financial statements.

The recognition of MDBA infrastructure assets and water rights is in accordance with the following agreements which were signed by the Commonwealth, States of NSW, VIC and SA, ACT and MDBA on 12 June 2009:

- Asset Agreement for River Murray Operations Assets.
- Further Agreement on Addressing Water Overallocation and Achieving Environmental Objectives in the Murray-Darling Basin - Control and Management of Living Murray Assets.

DWLBC has recognised an equity interest of 26.67 percent in accordance with a determination by the former MDBC Finance Committee.

Natural Resources Management Boards and Natural Resources Management Fund

DWLBC has had a significant role in the administration of the *Natural Resources Management Act 2004* (NRMA). The main purposes of the NRMA are to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The NRMA provides for a range of entities with specific responsibilities including eight regional NRM Boards. DWLBC's financial statements include activities administered for the NRM Boards including:

- collecting fees and charges of \$7.5 million consisting of water levies and penalty charges and grant revenues of \$7.6 million
- payments to NRM Boards of \$12.6 million of which \$7.3 million relates to water levies and penalties collected by DWLBC on behalf of the Boards.

Administered Grant Programs

DWLBC is required to provide the Commonwealth with audited annual financial statements for the following administered grant programs.

National Action Plan for Salinity and Water Quality

Under an agreement between the Commonwealth Government and the State, the NAP aims to enable action to:

- prevent, stabilise and reverse trends in salinity, particularly dryland salinity, affecting the sustainability of production, the conservation of biological diversity and the viability of infrastructure
- improve water quality and secure reliable allocations for human uses, industry and the environment.

The NAP items administered by DWLBC include grant revenues of \$429 000, other revenues of \$812 000, grant expenses of \$7.1 million and cash balances of \$14.3 million.

Natural Heritage Trust

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997* (Cwlth). Under agreements between the Commonwealth Government and the State, the NHT overarching objectives are:

- biodiversity conservation
- sustainable use of natural resources
- community capacity building and institutional change to increase the capacity to implement biodiversity conservation and sustainable resource use.

The NHT items administered by DWLBC include grant revenues of \$498 000, other revenues of \$132 000, grant expenses of \$4.2 million and cash balances of \$657 000.

Funding for the NAP and NHT grant programs ceased on 30 June 2008. These programs have been replaced by Caring for our Country (refer below).

While funding for NAP and NHT has ceased, these programs will continue until the existing approved projects are completed. The NHT program is scheduled to be completed by 31 December 2009. DWLBC expects the NAP program to be completed by 30 June 2013 and was, at the time of preparing this commentary, seeking Commonwealth approval for this extension.

Caring for our Country

Caring for our Country which commenced on 1 July 2008 is the Commonwealth Government's new natural resource management initiative.

DWLBC administers this grant program on behalf of the Commonwealth Government.

The Caring for our Country items administered by DWLBC include revenues from the Commonwealth Government of \$19 million, grant expenses of \$17 million and cash balances of \$2 million.

FURTHER COMMENTARY ON OPERATIONS

Save the River Murray Fund

DWLBC's financial statements incorporate financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932* (the Act). Under provisions of the Act, proceeds of the Save the River Murray levy are collected and paid into the Consolidated Account by SA Water Corporation. These monies are then to be paid into the Fund and may be applied by the Minister toward programs and measures to improve and promote the environmental health of the River Murray or ensure the adequacy, security and quality of the State's water supply from the River Murray.

Receipts paid into the Fund in 2008-09 amounted to \$25.3 million, payments were \$38 million and the balance of the Fund as at 30 June 2009 was \$1.8 million.

The activities of the Fund are considered to be controlled activities of DWLBC and consequently the financial activities are included in DWLBC's general purpose financial statements.

The Living Murray initiative

In June 2004 the State entered into the 'Intergovernmental Agreement on Addressing Water Overallocation and Achieving Environmental Objectives of the Murray-Darling Basin'. This agreement establishes the arrangements for recovery and management of water to address the declining health of the River Murray system (The Living Murray) and to address other water over allocation issues in the Murray-Darling Basin.

The parties agreed to provide \$500 million in the recovery of up to 500 GL of water for The Living Murray. South Australia's commitment under this agreement is \$65 million over a period of five years and a volumetric recovery target of 35 GL of water.

In meeting these commitments, DWLBC has made the following contributions:

2005-06

- DWLBC purchased 10 GL of water entitlements from SA Water Corporation for \$15.3 million to meet a water recovery target of 35 GL. This expenditure was part of 'other expenses - water acquisitions'.

2006-07

- The 10 GL of water entitlements acquired from SA Water Corporation together with 3 GL water entitlements from the Minister for the River Murray were placed on the MDBC's Eligible Measures Register to meet a water recovery target of 35 GL.
- \$4.1 million was paid to the Victorian Government as South Australia's contribution to environmental measures under the River Murray Improvement Program. This expenditure forms part of 'other expenses - investments in water recovery projects'.

2007-08

- \$3.6 million was paid to the Victorian Government as South Australia's contribution to environmental measures under the River Murray Improvement Program and \$2.3 million was paid to the MDBC as South Australia's contribution to The Living Murray Recovery Program.
- DWLBC purchased water licences at a cost of \$7.4 million.
- The 13 GL of water secured in 2005-06 and 2006-07 was placed on the MDBC's Environmental Register for application to environmental purposes.

2008-09

- \$46.6 million was paid by DWLBC to purchase 22 GL of water from willing sellers.
- \$17.2 million was paid to the NSW Government as South Australia's contribution to the NSW market purchase measure.
- \$5.6 million was paid to the NSW Government as South Australia's contribution to the NSW package B water recovery measure.
- \$3.6 million was paid to the Victorian Government as South Australia's contribution to the Goulburn-Murray water recovery package.

Murray Futures

The Murray Futures is a 10 year \$610 million program funded by the Commonwealth Government.

The key projects of the program include:

- \$120 million Lower Lakes Pipelines to secure a quality water supply from the Lower Lakes
- \$200 million Lower Lakes and Coorong Recovery to undertake a series of long-term projects around the Lower Lakes

- \$110 million River Industry Renewal to reinvigorate irrigation communities including the uptake of newer and smarter irrigation technology
- \$100 million Riverine Recovery to improve the management of wetlands and floodplains from the SA border to Wellington
- \$80 million Water Buy Back to purchase water entitlements from willing sellers

DWLBC received \$29.8 million during the year in grant revenues and grant expenditure totalled \$26.6 million.

Fixed assets – control and recognition

Constructed River Murray structures

Over recent years, DWLBC has been involved in construction projects as part of the River Murray Salt Interception Infrastructure Program. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the NAP and MDBC funding.

DWLBC has previously advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBA. Consequently the assets have not been directly recognised as assets controlled in DWLBC's accounts. Payments in relation to these programs are recognised as expenses in DWLBC's Statement of Comprehensive Income in the form of employee expenditure, operating costs and grant payments. As discussed under administered items, DWLBC has recognised an interest in the net assets of the MDBA.

Constructed Upper South East Drainage assets

DWLBC is involved in the construction of the Upper South East Drainage Scheme. These constructed infrastructure assets and associated work in progress have been funded through the NAP. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002* the resulting assets are, on completion, maintained by the South Eastern Water Conservation and Drainage Board.

As discussed further in Note 21(c) of DWLBC's financial statements these assets are not recognised as DWLBC's assets. Amounts expended in relation to the scheme are recognised as expenses in DWLBC's Statement of Comprehensive Income.

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

| | Note | 2009 | 2008 |
|--|------|-----------------|---------|
| | | \$'000 | \$'000 |
| EXPENSES: | | | |
| Employee benefits expenses | 5 | 47 673 | 46 055 |
| Supplies and services | 6 | 49 588 | 44 757 |
| Depreciation and amortisation expense | 7 | 2 868 | 2 384 |
| Grants and subsidies | 8 | 109 506 | 37 342 |
| Water recovery/acquisition expenses | 9 | 74 746 | 13 299 |
| Other expenses | 10 | 282 | 428 |
| Total expenses | | 284 663 | 144 265 |
| INCOME: | | | |
| Revenues from fees and charges | 12 | 26 444 | 21 116 |
| Interest revenues | 13 | 568 | 431 |
| Net gain (loss) from disposal of non-current assets | 14 | 23 | (15) |
| Grant revenues | 15 | 29 537 | 36 018 |
| Water recovery measures revenues | 16 | 21 251 | 17 562 |
| Other revenues | 17 | 1 582 | 1 121 |
| Total income | | 79 405 | 76 233 |
| NET COST OF PROVIDING SERVICES | | 205 258 | 68 032 |
| REVENUES FROM SA GOVERNMENT | 11 | 183 230 | 96 855 |
| NET RESULT | | (22 028) | 28 823 |
| OTHER COMPREHENSIVE INCOME: | | | |
| Changes in property, plant and equipment asset revaluation reserve | 21 | 10 437 | - |
| Adjustment to accumulated surplus due to a change in accounting policy | 21 | (4 679) | - |
| TOTAL COMPREHENSIVE RESULT | | (16 270) | 28 823 |

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

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

| | Note | 2009 \$'000 | 2008 \$'000 |
|--|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 18 | 26 272 | 57 925 |
| Receivables | 19 | 22 672 | 8 858 |
| Inventories | 20 | 1 576 | 1 349 |
| Total current assets | | 50 520 | 68 132 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 21 | 73 117 | 66 421 |
| Intangible assets | 22 | 7 038 | 5 745 |
| Total non-current assets | | 80 155 | 72 166 |
| Total assets | | 130 675 | 140 298 |
| CURRENT LIABILITIES: | | | |
| Payables | 23 | 13 258 | 7 472 |
| Employee benefits | 24 | 4 840 | 4 295 |
| Provisions | 25 | 140 | 162 |
| Total current liabilities | | 18 238 | 11 929 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 23 | 1 109 | 964 |
| Employee benefits | 24 | 9 356 | 9 137 |
| Provisions | 25 | 400 | 426 |
| Total non-current liabilities | | 10 865 | 10 527 |
| Total liabilities | | 29 103 | 22 456 |
| NET ASSETS | | 101 572 | 117 842 |
| EQUITY: | | | |
| Contributed capital | | 8 164 | 8 164 |
| Asset revaluation reserve | | 34 719 | 24 282 |
| Retained earnings | | 58 689 | 85 396 |
| TOTAL EQUITY | | 101 572 | 117 842 |
| Total equity is attributable to the SA Government as owner | | | |
| Unrecognised contractual commitments | 26 | | |
| Contingent assets and liabilities | 27 | | |

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

| | | Asset | | |
|--|--------------|---------------|---------------|----------------|
| | Contributed | revaluation | Retained | Total |
| | capital | reserve | earnings | |
| Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2007 | 8 164 | 24 280 | 56 573 | 89 017 |
| Net result for 2007-08 | - | 2 | 28 823 | 28 825 |
| Total comprehensive result for 2007-08 | 8 164 | 24 282 | 85 396 | 117 842 |
| Balance at 30 June 2008 | 8 164 | 24 282 | 85 396 | 117 842 |
| Change in accounting policy (Lower Murray embankments) | 21 | - | (4 679) | (4 679) |
| Restated balance at 30 June 2008 | 8 164 | 24 282 | 80 717 | 113 163 |
| Net result for 2008-09 | - | - | (22 028) | (22 028) |
| Gain on revaluation of property, plant and equipment during 2008-09 | 21 | 10 437 | - | 10 437 |
| Total comprehensive result for 2008-09 | 8 164 | 34 719 | 58 689 | 101 572 |
| Balance at 30 June 2009 | 8 164 | 34 719 | 58 689 | 101 572 |

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

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

| | | 2009 | 2008 |
|---|-------|-------------------|------------|
| | | Inflows | Inflows |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | (Outflows) | (Outflows) |
| CASH OUTFLOWS: | Note | \$'000 | \$'000 |
| Employee benefit payments | | (46 801) | (44 098) |
| Payments for supplies and services | | (50 996) | (46 115) |
| Payments of grants and subsidies | | (113 447) | (42 563) |
| Water recovery/acquisition expenses | | (76 846) | (13 299) |
| Other payments | | (335) | (373) |
| GST paid to the ATO | | (960) | (1 207) |
| Cash used in operations | | (289 385) | (147 655) |
| CASH INFLOWS: | | | |
| Fees and charges | | 14 942 | 19 094 |
| Grant receipts | | 31 503 | 37 197 |
| Interest received | | 577 | 381 |
| Water recovery measures revenues | | 23 376 | 19 318 |
| Other receipts | | 1 558 | 1 233 |
| GST recovered from the ATO | | 7 456 | 5 927 |
| Cash generated from operations | | 79 412 | 83 150 |
| Receipts from SA Government | | 183 230 | 96 855 |
| Cash generated from SA Government | | 183 230 | 96 855 |
| Net cash (used in) provided by operating activities | 29 | (26 743) | 32 350 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | (4 299) | (1 429) |
| Purchase of intangibles | | (638) | (574) |
| Cash used in investing activities | | (4 937) | (2 003) |
| CASH INFLOWS: | | | |
| Proceeds from sale of property, plant and equipment | | 27 | - |
| Cash generated from investing activities | | 27 | - |
| Net cash used in investing activities | | (4 910) | (2 003) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | - | - |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (31 653) | 30 347 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 57 925 | 27 578 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 18,29 | 26 272 | 57 925 |

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

| | (Activities - refer Note 4) | | 2 | |
|---|-----------------------------|----------------|-----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | |
| Employee benefits expenses | 34 186 | 33 857 | 11 583 | 11 717 |
| Supplies and services | 25 096 | 29 004 | 23 155 | 15 367 |
| Depreciation and amortisation expense | 1 606 | 1 359 | 1 233 | 1 025 |
| Grants and subsidies | 6 656 | 6 345 | 76 205 | 30 997 |
| Water recovery/acquisition expenses | - | - | 74 746 | 13 299 |
| Other expenses | 267 | 345 | (7) | 53 |
| Total expenses | 67 811 | 70 910 | 186 915 | 72 458 |
| INCOME: | | | | |
| Revenues from fees and charges | 9 544 | 9 348 | 16 539 | 11 768 |
| Interest revenues | 469 | 427 | 2 | 4 |
| Net gain (loss) on disposal of non-current assets | 23 | (15) | - | - |
| Grant revenues | 16 958 | 24 660 | 6 604 | 11 358 |
| Water recovery measures revenues | - | - | 21 251 | 17 562 |
| Other revenues | 1 216 | 1 111 | 365 | 9 |
| Total income | 28 210 | 35 531 | 44 761 | 40 701 |
| NET COST OF PROVIDING SERVICES | 39 601 | 35 379 | 142 154 | 31 757 |
| REVENUES FROM SA GOVERNMENT: | | | | |
| Revenues from SA Government | 9 571 | 32 026 | 148 919 | 64 829 |
| NET RESULT | (30 030) | (3 353) | 6 765 | 33 072 |
| | (Activities - refer Note 4) | | 3 | |
| | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | |
| Employee benefits expenses | 1 904 | 481 | 47 673 | 46 055 |
| Supplies and services | 1 337 | 386 | 49 588 | 44 757 |
| Depreciation and amortisation expense | 29 | - | 2 868 | 2 384 |
| Grants and subsidies | 26 645 | - | 109 506 | 37 342 |
| Water recovery/acquisition expenses | - | - | 74 746 | 13 299 |
| Other expenses | 22 | 30 | 282 | 428 |
| Total expenses | 29 937 | 897 | 284 663 | 144 265 |
| INCOME: | | | | |
| Revenues from fees and charges | 361 | - | 26 444 | 21 116 |
| Interest revenues | 97 | - | 568 | 431 |
| Net gain (loss) on disposal of non-current assets | - | - | 23 | (15) |
| Grant revenues | 5 975 | - | 29 537 | 36 018 |
| Water recovery measures revenues | - | - | 21 251 | 17 562 |
| Other revenues | 1 | 1 | 1 582 | 1 121 |
| Total income | 6 434 | 1 | 79 405 | 76 233 |
| NET COST OF PROVIDING SERVICES | 23 503 | 896 | 205 258 | 68 032 |
| REVENUES FROM SA GOVERNMENT: | | | | |
| Revenues from SA Government | 24 740 | - | 183 230 | 96 855 |
| NET RESULT | 1 237 | (896) | (22 028) | 28 823 |

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

| | (Activities - refer Note 4) | 1 | 2 | |
|-------------------------------|-----------------------------|--------|----------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| ASSETS: | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 14 102 | 25 192 | 5 919 | 32 559 |
| Receivables | 10 019 | 3 510 | 11 552 | 5 348 |
| Inventories | 1 576 | 1 349 | - | - |
| Property, plant and equipment | 38 941 | 38 003 | 33 177 | 28 386 |
| Intangibles | 3 826 | 2 975 | 3 212 | 2 770 |
| Total assets | 68 464 | 71 029 | 53 860 | 69 063 |
| LIABILITIES: | | | | |
| Payables | 2 946 | 4 267 | 8 383 | 3 989 |
| Employee benefits | 10 398 | 10 059 | 3 262 | 3 241 |
| Provisions | 396 | 432 | 123 | 150 |
| Total liabilities | 13 740 | 14 758 | 11 768 | 7 380 |
| | (Activities - refer Note 4) | 3 | | Total |
| | 2009 | 2008 | 2009 | 2008 |
| ASSETS: | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 6 251 | 174 | 26 272 | 57 925 |
| Receivables | 1 101 | - | 22 672 | 8 858 |
| Inventories | - | - | 1 576 | 1 349 |
| Property, plant and equipment | 999 | 32 | 73 117 | 66 421 |
| Intangibles | - | - | 7 038 | 5 745 |
| Total assets | 8 351 | 206 | 130 675 | 140 298 |
| LIABILITIES: | | | | |
| Payables | 3 038 | 180 | 14 367 | 8 436 |
| Employee benefits | 536 | 132 | 14 196 | 13 432 |
| Provisions | 21 | 6 | 540 | 588 |
| Total liabilities | 3 595 | 318 | 29 103 | 22 456 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Water, Land and Biodiversity Conservation

The objective of the Department of Water, Land and Biodiversity Conservation (the Department) are to ensure South Australia's natural resources are managed in ecologically sustainable ways that support the well being of present and future generations.

To achieve the Department objective, it contributes to the following outcomes:

- (a) Integrated natural resource management that covers all of South Australia's natural resource elements.
- (b) Improved health and productivity of South Australia's biodiversity, water, land and marine resources.
- (c) Community, industry, governments and other stakeholders working together to achieve high quality natural resource management outcomes.
- (d) A greater capability and willingness to invest in natural resource management to provide a sustained funding base.
- (e) Wise resource allocation that provides for the best environmental, social and economic outcomes.

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.

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Department has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2009. These are outlined in Note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, 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. Generally, a threshold of \$100 000 for separate identification of these items applies, however a lower threshold may have been applied in some cases throughout the accounts.
 - (b) Expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income).
 - (c) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer Note 5 for further details).
 - (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 28 for further details).

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying Notes include all of the controlled activities of the Department. These include transactions on behalf of the Save the River Murray Fund (STRMF). The STRMF is established under section 100 of the *Waterworks Act 1932* and is funded through the Save the River Murray levy. The STRMF is applied to a program of works and measures to improve and promote the health of the River Murray in South Australia and increasing community demands for a high security of good quality water for urban and irrigation purposes.

Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Transactions in relation to the Murray-Darling Basin Commission (MDBC) are reflected in both the Department's controlled activities and also administered items.

(d) Comparative information

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

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

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of the 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. Refer Note 33 for further details.

(h) Income

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

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/non-SA Government entities.

The following are specific recognition criteria:

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.

Grants received

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

Grants received (continued)

Generally, the Department has obtained control or the right to receive for:

- grants 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 grant (eg grant application) has been approved; agreement/contract is executed; and/or the grant is received
- grants 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 grants received or receivable under the agreement.

All grants received by the Department have been grants 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 Department 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 Department and the appropriation is recorded as contributed equity.

Net gain (loss) on non-current assets

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

Any gain (loss) on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

Water recovery measures revenues

Revenues from water recovery measures includes monies invested by other jurisdictions in South Australian water recovery measures under The Living Murray initiative together with funds from the temporary trading of water entitlements.

Other income

Other income includes revenues received from pastoral leases, donated assets and recouped operating expenses.

(i) Expenses

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

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/ non-SA Government entities.

The following are specific expenses 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 Department to the various superannuation plans in respect of current services of current Departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Depreciation and amortisation

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

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

Depreciation and amortisation (continued)

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

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 is not depreciated as the item is considered to have a non-diminishing unlimited useful life.

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

| <i>Class of asset</i> | <i>Useful life (years)</i> |
|--|----------------------------|
| Buildings | 10-60 |
| Leasehold improvements | Life of lease |
| Groundwater monitoring wells | 2-100 |
| Patawalonga seawater circulation and Barcoo Outlet | 7-97 |
| Surface Water Monitoring Network | 8-69 |
| Waste disposal stations | 22 |
| Salinity disposal schemes | 28-86 |
| Lower Murray embankments | 200 |
| Plant and equipment | 3-42 |

Grants and subsidies

For grants and subsidies payable, the grant/subsidy will be recognised as a liability and expense when the entity has a present obligation to pay the grant/subsidy and the expense recognition criteria are met.

All grants and subsidies paid by the Department have been grants/subsidies with unconditional stipulations attached.

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value; and in the expense line items to which they relate.

(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 Department 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 combine amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

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

The Department has attempted to identify all relevant transactions with SA Government entities/ non-SA Government entities.

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. Refer Note 18 for further details.

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 due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified. Refer Note 19 for further details.

Inventories

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciable assets.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held-for-sale are measured at the lower of cost or their net realisable value. The Department's inventories include plants and materials held by State Flora and the Branched Broomrape Eradication Program. Refer Note 20 for further details.

The amount of any inventory write-down to net realisable value or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no cost, or minimal cost, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to restructure.

All non-current tangible assets with a value equal to or in excess of \$5000 are capitalised.

Minor assets with an individual value of less than \$5000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of groundwater monitoring wells and the Surface Water Monitoring Network due to the significant number and long useful lives of the assets contained within these classes. All assets for these classes have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

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.

The Department revalues its land, buildings and leasehold improvements. If at any time management considers that the carrying amount of an asset materially differs from its fair value, 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. An independent valuation appraisal will be performed at least every five years.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

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

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

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

Impairment

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

For revalued assets, an impairment loss is offset against the respective asset revaluation reserve.

Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or infinite. The Department has intangible assets with finite and infinite lives.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an infinite term of future economic benefits.

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.

(l) Liabilities

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

Where a liability line item combine amounts to be expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

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

The Department has attempted to identify all relevant transactions with SA Government entities/ non-SA Government entities. Where deemed immaterial to the overall disclosure balance, transactions with SA Government entities below the threshold of \$100 000 may 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 Department.

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

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

Employee benefit on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several SA 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.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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.

The Department has entered into non-cancellable operating lease arrangements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease. Refer Note 26 for further details.

The Department has not entered into any finance leases.

(n) Financial guarantees

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2009 (there was no material liability recognised for financial guarantee contracts in 2008).

(o) 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 salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Provisions

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

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

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

(p) 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.

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. Refer Note 26.

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. Refer Note 27.

(q) Interests in joint ventures

Cooperative Research Centres

The Department participates in a number of joint ventures through its interests in Cooperative Research Centres (CRCs).

Cooperative Research Centres (continued)

While CRCs have the characteristics of joint ventures, they are not material to the Department and no separate disclosure for 2009 has been made in accordance with the AASB 131.

A CRC is a research initiative of the Commonwealth Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. There are usually a number of participants involved with CRCs, which also often have a significant research focus (eg Commonwealth Scientific and Industrial Research Organisation (CSIRO), universities and private sector bodies).

The funding of a CRC is usually coordinated through a Centre Agent who is appointed generally from one of the participating entities.

Transactions between the CRCs and the Department are accounted for in terms of general revenue and expenditure.

In 2008-09, the Department contributed \$1.424 million (\$1.5 million) in both cash and in-kind support for the following CRCs:

- CRC for Future Farm Industries
- CRC for Irrigation Futures
- CRC for Invasive Animals
- CRC for Desert Knowledge
- CRC for E-Water.

NRM Research Alliance

The NRM Research Alliance (the Alliance) comprises all eight regional Natural Resources Management Boards (NRM Boards), the NRM Council, South Australia's State natural resources management agencies (Department for Environment and Heritage, Department of Water, Land and Biodiversity Conservation, Department of Primary Industries and Resources), CSIRO and South Australia's three academic institutions.

The relevant stakeholders have established the purpose of the Alliance to be to:

- foster and strengthen linkages between the users and providers of NRM science, technology and innovation
- foster and strengthen collaboration between providers of NRM science, technology and innovation to increase capacity and capability
- provide strategic advice on the adoption of NRM science, technology and innovation
- attract and direct investment into NRM science, technology and innovation that will support improved NRM outcomes.

The Alliance's activities are administered through a deposit account held with the Treasurer.

In 2008-09, the Department contributed \$133 000 in both cash and in-kind support to the Alliance.

Murray-Darling Basin Authority

The Department administers the State's net investment in the Murray-Darling Basin Authority (MDBA). These transactions are reflected in the administered statements. Note A10 of the administered statements refers to changes in accounting for the MDBA which came into being on 15 December 2008.

3. New and revised accounting standards and policies

Details of the accounting policies that the Department has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on the Department's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are also detailed below.

AASB 101

The Department has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) – this includes the preparation of a single Statement of Comprehensive Income. In accordance with the new accounting standard AASB 1052, the amounts of assets and liabilities reliably attributable to each activity has been disclosed.

Issued or amended but not yet effective

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

4. Activities of the Department

In achieving its objective, the Department provides a range of services classified into the following activities:

Activity 1: Natural Resource Management

Natural Resource Management is described as the management of natural resources in South Australia, including the provision of advice and regulatory support for the Government and community; and facilitating the allocation and sustainable use of natural resources.

Activity 2: Natural Resource Management (River Murray)

Natural Resource Management (River Murray) is described as the management of natural resources in the Murray-Darling Basin in South Australia, including the provision of advice and regulatory support for government and community; and facilitating the allocation and sustainable use of natural resources.

Activity 3: Water Security

Coordinating and leading the development of water security policy across government.

The disaggregated disclosures schedules presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2008 and 30 June 2009.

| 5. Employee benefits expenses | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| Salaries and wages | 35 423 | 33 495 |
| Superannuation | 4 609 | 4 604 |
| Annual leave | 3 361 | 3 207 |
| Long service leave | 1 715 | 2 120 |
| Workers compensation | 109 | 245 |
| Board and Committee fees | 214 | 126 |
| Other | 2 242 | 2 258 |
| Total employee benefits expenses | 47 673 | 46 055 |

There were no TVSPs paid during the reporting period.

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:

| | 2009 Number | 2008 Number |
|----------------------------------|----------------|----------------|
| \$100 000 - \$109 999 | 30 | 20 |
| \$110 000 - \$119 999 | 13 | 5 |
| \$120 000 - \$129 999 | 5 | 6 |
| \$130 000 - \$139 999 | 5 | 4 |
| \$140 000 - \$149 999 | - | 3 |
| \$150 000 - \$159 999 | 2 | 1 |
| \$160 000 - \$169 999 | 1 | 1 |
| \$170 000 - \$179 999 | 2 | 4 |
| \$180 000 - \$189 999 | 3 | 1 |
| \$190 000 - \$199 999 | 1 | 1 |
| \$200 000 - \$209 999 | 2 | - |
| \$220 000 - \$229 999 | 2 | - |
| \$230 000 - \$239 999 | 1 | - |
| \$290 000 - \$299 999 | 1 | 1 |
| Total number of employees | 68 | 47 |

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received or receivable by these employees for the year was \$8.849 million (\$6.096 million).

6. Supplies and services

| Supplies and services expenses for the reporting period comprised: | SA Govt \$'000 | Non- SA Govt \$'000 | 2009 \$'000 | 2008 \$'000 |
|--|-------------------|---------------------------|----------------|----------------|
| Contractors | 14 596 | 12 607 | 27 203 | 21 956 |
| Service level agreement | 3 137 | - | 3 137 | 3 905 |
| Accommodation | 3 044 | 699 | 3 743 | 3 332 |
| Vehicles | 1 886 | 427 | 2 313 | 2 267 |
| Computing | 48 | 888 | 936 | 1 329 |
| Travel and accommodation | 24 | 1 441 | 1 465 | 1 425 |
| Printing, publishing and stationery | 44 | 564 | 608 | 710 |
| Telephones | 416 | 223 | 639 | 572 |
| Chemical analysis | 27 | 709 | 736 | 782 |
| Minor plant and equipment purchases | 13 | 1 817 | 1 830 | 1 534 |
| Maps, photographs and plans | 110 | 95 | 205 | 576 |
| Consultancies | - | 798 | 798 | 438 |
| Materials and consumables | 8 | 1 039 | 1 047 | 965 |
| Equipment repairs and maintenance | 93 | 519 | 612 | 461 |
| Advertising, exhibition and promotion | 84 | 459 | 543 | 791 |
| Legal fees | 376 | 54 | 430 | 467 |
| Staff development | 55 | 1 067 | 1 122 | 934 |
| Other supplies and services | 691 | 1 530 | 2 221 | 2 313 |
| Total supplies and services | 24 652 | 24 936 | 49 588 | 44 757 |

| 6. Supplies and services (continued) | 2009 | | 2008 | |
|---|-----------|------------|----------------|---------------|
| | Number | \$'000 | Number | \$'000 |
| The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands: | | | | |
| Below \$10 000 | 31 | 106 | 37 | 131 |
| Between \$10 000 and \$50 000 | 14 | 312 | 8 | 144 |
| Above \$50 000 | 5 | 380 | 3 | 163 |
| Total paid/payable to the consultants engaged | 50 | 798 | 48 | 438 |
| 7. Depreciation and amortisation expense | | | 2009 | 2008 |
| | | | \$'000 | \$'000 |
| Patawalonga seawater circulation and Barcoo Outlet | | | 355 | 354 |
| Groundwater monitoring wells | | | 584 | 584 |
| Plant and equipment | | | 526 | 580 |
| Salinity disposal schemes | | | 349 | 349 |
| Surface Water Monitoring Network | | | 58 | 58 |
| Waste disposal stations | | | 63 | 63 |
| Buildings | | | 40 | 41 |
| Intangible assets | | | 893 | 355 |
| Total depreciation and amortisation expense | | | 2 868 | 2 384 |
| 8. Grants and subsidies | | | | |
| Grants and subsidies paid/payable to entities external to the SA Government: | | | | |
| MDBA | | | 23 341 | 22 470 |
| Department of Primary Industries and Fisheries Qld - red imported fire ants | | | 426 | 553 |
| Irrigators - Lower Murray reclaimed irrigation areas | | | 1 121 | 2 436 |
| Lake Eyre Basin - Environment Australia | | | 241 | 155 |
| Murray-Darling Basin Association Inc | | | - | 20 |
| River Murray E-Flows Fund | | | 5 000 | - |
| Other grants | | | 1 910 | 1 748 |
| Total grants and subsidies - non-SA Government entities | | | 32 039 | 27 382 |
| Grants and subsidies paid/payable to entities within the SA Government: | | | | |
| River Murray Improvement program - SA Government agencies | | | 1 146 | 1 062 |
| Grant subsidy (transferred to administered item - Dog Fence Board) | | | 438 | 441 |
| Transfer to NRM Fund in respect of Appropriations allocated to the regional NRM Boards* | | | 3 342 | 3 269 |
| Rainwater Tank Rebate Scheme | | | 2 773 | 1 648 |
| Branched broomrape eradication | | | 578 | 700 |
| Native Vegetation Fund | | | - | 2 600 |
| Survival of permanent plantings | | | 24 352 | - |
| Murray Futures - integrated pipelines (SA Water) | | | 23 740 | - |
| E-Flows water acquisition | | | 17 536 | - |
| Adaptive management of Coorong and Lower Lakes | | | 2 885 | - |
| Other grants | | | 677 | 240 |
| Total grants and subsidies - SA Government entities | | | 77 467 | 9 960 |
| Total grants and subsidies | | | 109 506 | 37 342 |
| * Excludes appropriations received by the Department under administered items (\$400 000) in respect of the South Australian Arid Lands Natural Resources Management Board. | | | | |
| 9. Water recovery/acquisition expenses | | | | |
| Water recovery/acquisition expenses paid/payable to entities external to the SA Government: | | | | |
| The Living Murray water recovery project ⁽¹⁾ | | | 62 758 | 13 299 |
| Other water recovery projects | | | 1 488 | - |
| Total water recovery/acquisition expenses - non-SA Government entities | | | 64 246 | 13 299 |
| Water recovery/acquisition expenses paid/payable to entities within the SA Government: | | | | |
| The Living Murray water acquisition ⁽¹⁾ | | | 10 500 | - |
| Total water recovery/acquisition expenses - SA Government entities | | | 10 500 | - |
| Total water recovery/acquisition expenses | | | 74 746 | 13 299 |

(1) Refer Note 16 for further commentary regarding The Living Murray initiative.

| | | |
|--|----------------|---------------|
| 10. Other expenses | 2009 | 2008 |
| Other expenses paid/payable to entities external to the SA Government: | \$'000 | \$'000 |
| Donated assets | - | 95 |
| Bad and doubtful debts | (25) | 47 |
| Audit fees | 22 | 32 |
| Other | 34 | 17 |
| Total other expenses - non-SA Government entities | 31 | 191 |
| Other expenses paid/payable to entities within the SA Government: | | |
| Audit fees paid/payable to Auditor-General's Department (refer Note 30) | 225 | 237 |
| Other | 26 | - |
| Total other expenses - SA Government entities | 251 | 237 |
| Total other expenses | 282 | 428 |
| 11. Revenues from SA Government | | |
| Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2008</i> | 108 353 | 96 812 |
| Appropriations under contingencies | 43 824 | 43 |
| Commonwealth grants received via Treasury: | | |
| The Living Murray | 7 313 | - |
| Murray Futures - Integrated Pipeline | 23 740 | - |
| Total revenues from SA Government | 183 230 | 96 855 |
| <p>The revenues from SA Government include \$25.3 million (\$22 million) which was paid into the Save the River Murray Fund (the Fund), from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The Fund was established under section 100 of the <i>Waterworks Act 1932</i> and monies credited to the Fund may only be applied to purposes set out in <i>Waterworks Act 1932</i>. The total monies applied from the Fund were \$37.985 million (\$20.01 million). A special purpose financial report is prepared for the Fund.</p> | | |
| 12. Revenues from fees and charges | 2009 | 2008 |
| Fees and charges received/receivable from entities external to the SA Government: | \$'000 | \$'000 |
| Sale of goods and services | 15 187 | 10 659 |
| Fees, levies and licences | 2 313 | 2 109 |
| Service recoveries | 32 | - |
| Total fees and charges - Non-SA Government entities | 17 532 | 12 768 |
| Fees and charges received/receivable from entities within the SA Government: | | |
| Sale of goods and services | 8 197 | 6 859 |
| Fees, levies and licences | 33 | 30 |
| Service recoveries | 682 | 1 459 |
| Total fees and charges - SA Government entities | 8 912 | 8 348 |
| Total fees and charges | 26 444 | 21 116 |
| 13. Interest revenues | | |
| Interest from entities within the SA Government | 564 | 430 |
| Other interest | 4 | 1 |
| Total interest revenues | 568 | 431 |
| 14. Net gain (loss) from disposal of non-current assets | | |
| Plant and equipment: | | |
| Proceeds from disposal | 27 | - |
| Net book value of assets disposed | (4) | (15) |
| Net gain (loss) from disposal of plant and equipment | 23 | (15) |
| Land and buildings: | | |
| Proceeds from disposal | - | - |
| Net book value of assets disposed | - | - |
| Net gain from disposal of land and buildings | - | - |
| Total non-current assets: | | |
| Total proceeds from disposal | 27 | - |
| Total value of assets disposed | (4) | (15) |
| Total net gain (loss) from disposal of non-current assets | 23 | (15) |

| | | |
|---|---------------|---------------|
| 15. Grant revenues | 2009 | 2008 |
| (a) Grant revenues from the Commonwealth | \$'000 | \$'000 |
| Department of Agriculture Fisheries and Forestry - Branched Broomrape Eradication Program | 1 168 | 1 176 |
| National Water Commission - National Water Initiative - Mount Lofty Ranges | 3 745 | 2 455 |
| National Water Commission - National Water Initiative - Implementation | 2 979 | 2 407 |
| National Water Commission - National Water Initiative - South East | 1 602 | 2 803 |
| National Water Commission - National Water Initiative - Fractured Rock | 622 | 258 |
| National Water Commission - Restoring Flows to the Wetlands in the Upper South East of SA | 761 | 1 083 |
| Bureau of Meteorology | 1 822 | 172 |
| Murray Futures - Adaptive Management of Coorong and Lower Lakes | 3 000 | - |
| Murray Futures - Goolwa Channel | 863 | - |
| Murray Futures - Riverine Recovery | 675 | - |
| Murray Futures - Integrated Pipeline ⁽¹⁾ | 1 500 | - |
| Other | 151 | 1 038 |
| Total grant revenues from the Commonwealth | 18 888 | 11 392 |
| (b) Grant revenues from SA Government | | |
| Department for Environment and Heritage | 34 | 266 |
| Adelaide and Mount Lofty Ranges Natural Resources Management Board | - | 300 |
| South Australian Murray-Darling Basin Natural Resources Management Board | - | 90 |
| South East Natural Resources Management Board | 834 | 56 |
| Alinytjara Wilurara Natural Resources Management Board | - | 100 |
| South Australian Arid Lands Natural Resources Management Board | 145 | 354 |
| Northern and Yorke Natural Resources Management Board | - | 202 |
| Native Vegetation Fund | 368 | 312 |
| NRM Alliance | 499 | - |
| South Australian Water Corporation - Murray Futures Executive | 800 | - |
| Complementary State NRM Program | 2 397 | - |
| Other | 226 | 242 |
| Total grant revenues from SA Government | 5 303 | 1 922 |
| (c) Grant revenues from National Action Plan | | |
| Grant revenue State NAP unmatched: | | |
| Administration contribution | 415 | 750 |
| Regional liaison officers annual payment | - | 20 |
| Other | 254 | - |
| Total grant revenues from State National Action Plan unmatched | 669 | 770 |
| Grant revenues from NAP Joint Commonwealth and State funding: | | |
| Upper South East Program | - | 8 157 |
| Lower Murray Reclaimed Irrigation Areas | 1 108 | 4 260 |
| Salt Interception Scheme - Regional Disposal Strategy | 200 | 2 873 |
| Salt Interception Scheme - Pike/Munro | - | 528 |
| Salt Interception Scheme - Murtho | 91 | 159 |
| Salt Interception - Chowilla | 332 | 323 |
| Salt Interception Scheme - other | 166 | 211 |
| Capacity Building | - | 1 750 |
| Upper South East Salinity Accession - Centre for Natural Resource Management | 65 | - |
| Centre for Natural Resource Management | 126 | 67 |
| Imagery baseline data NRM planning monitoring and evaluation | 892 | 1 308 |
| Other | 119 | 145 |
| Total grant revenues from NAP Joint Commonwealth and State funding | 3 099 | 19 781 |
| Total grant revenues from National Action Plan | 3 768 | 20 551 |
| (d) Grant revenues from Natural Heritage Trust | | |
| Regional liaison officers annual payment | - | 680 |
| Administration of National Landcare Community Support | 60 | 60 |
| Other | 170 | 161 |
| Total grant revenues from Natural Heritage Trust | 230 | 901 |

| | | |
|---|---------------|---------------|
| (e) Grant revenues from other entities | 2009 | 2008 |
| | \$'000 | \$'000 |
| Loxton District Irrigation Rehabilitation - growers | - | 14 |
| Branched Broomrape Eradication program (other SA Governments) | 970 | 976 |
| Cooperative Research Centre Flora Search | 75 | 50 |
| Sundry grants and contribution | 303 | 212 |
| Total grant revenues from other entities | 1 348 | 1 252 |
| Total grant revenues | 29 537 | 36 018 |

(1) In addition \$23.740 million was received from the Commonwealth government for the Murray Futures - Integrated Pipeline project (Refer Note 11).

| | | | | |
|---|----------------|----------------|---------------|---------------|
| 16. Water recovery measures revenues | | Non- | | |
| | SA Govt | SA Govt | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| The Living Murray ⁽¹⁾ | - | 21 251 | 21 251 | 17 562 |
| Total water recovery measures revenues | - | 21 251 | 21 251 | 17 562 |

(1) In addition \$7.313 million was received from the Commonwealth Government towards The Living Murray initiative (refer Note 11).

Revenues received pursuant to The Living Murray constitute monies invested by other jurisdictions in South Australian water recovery measures under The Living Murray initiative. These monies, together with funds generated through the temporary trade of water entitlements, are paid into a separate deposit account held with the Treasurer.

In accordance with the Intergovernmental Agreement on Addressing Water Over-Allocation and Achieving Environmental Objectives in the Murray-Darling Basin (the Intergovernmental Agreement), the 2006 Supplementary Intergovernmental Agreement and The Living Murray Business Plan, South Australia has committed to recover an indicative 35 GL of water and invest \$65 million in water recovery measures along the River Murray. This represents South Australia's contribution over five years (through to June 2009) toward a \$700 million, basin-wide initiative to return 500 GL of environmental flows to the River Murray.

The Living Murray Business Plan describes how the actions and milestones in the Intergovernmental Agreement are to be achieved. The expenditure authority is provided for in the Department of Water, Land and Biodiversity Conservation's forward estimates for the Save the River Murray Fund.

While the water must be recovered from South Australia, the State's investment may be in any water recovery measure in any Basin jurisdiction. These expenses are shown in Note 9, while commitments pursuant to The Living Murray initiative are shown in Note 26.

Clause 41 of the Intergovernmental Agreement specifies the maximum first call percentage a jurisdiction can invest in another jurisdiction's water recovery measure. As such when South Australia implements an appropriate water recovery measure, it is likely that other jurisdictions will invest in that measure.

| | | | | |
|-----------------------------|----------------|----------------|---------------|---------------|
| 17. Other revenues | | Non- | | |
| | SA Govt | SA Govt | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating expenses recouped | 30 | 18 | 48 | 40 |
| Pastoral leases | - | 904 | 904 | 893 |
| Donated assets | 166 | - | 166 | - |
| Other revenue | 312 | 152 | 464 | 188 |
| Total Other Revenue | 508 | 1 074 | 1 582 | 1 121 |

| | | | |
|--------------------------------------|--|---------------|---------------|
| 18. Cash and cash equivalents | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Deposits with the Treasurer | | 26 232 | 57 875 |
| Imprest accounts/cash on hand | | 32 | 42 |
| Other | | 8 | 8 |
| Total cash | | 26 272 | 57 925 |

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

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

| 19. Receivables | SA Govt | Non- | 2009 | 2008 |
|----------------------------------|--------------|---------------|---------------|--------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| Current: | | | | |
| Receivables | 4 312 | 15 129 | 19 441 | 7 734 |
| Allowance for doubtful debts | - | (38) | (38) | (63) |
| Accrued interest | 61 | - | 61 | 70 |
| Workers compensation recoveries | 21 | - | 21 | 21 |
| GST receivables | - | 3 187 | 3 187 | 1 085 |
| Prepayments | - | - | - | 11 |
| Total current receivables | 4 394 | 18 278 | 22 672 | 8 858 |

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. The allowance for doubtful debts was reduced by \$25 000 in 2008-09.

Interest rate risk 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.

| 20. Inventories | 2009 | 2008 |
|----------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Materials at cost | 1 576 | 1 349 |
| Total current inventories | 1 576 | 1 349 |

Cost of inventories

The cost of inventories recognised as an expense for raw materials and consumables was \$1.387 million. The net change in inventories held for distribution and other inventory for the period is \$130 400 and \$96 600 respectively.

| 21. Property, plant and equipment and intangibles (a) Reconciliation of carrying amounts | Cost | Valuation | Accumulated depreciation/ amortisation | Written down value |
|---|---------------|---------------|---|-----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2009 | | | | |
| Land and buildings | 291 | 5 194 | (1 720) | 3 765 |
| Groundwater monitoring wells | 221 | 17 924 | (1 840) | 16 305 |
| Surface Water Monitoring Network | - | 2 474 | (116) | 2 358 |
| Waste disposal stations | 215 | 5 210 | (2 986) | 2 439 |
| Patawalonga seawater circulation and Barcoo Outlet | 31 | 20 545 | (1 586) | 18 990 |
| Plant and equipment | 6 636 | - | (5 125) | 1 511 |
| Salinity disposal schemes | - | 20 031 | (1 395) | 18 636 |
| Lower Murray embankments | - | 10 062 | (4 679) | 5 583 |
| Work in progress | 3 730 | - | - | 3 730 |
| Total property, plant and equipment | 11 124 | 81 440 | (19 447) | 73 117 |
| Internally developed and acquired intangibles | 6 653 | 2 610 | 2 225 | 7 038 |
| Total property, plant and equipment, and intangibles | 17 777 | 84 050 | (21 672) | 80 155 |
| 2008 | | | | |
| Land and buildings | - | 4 584 | (226) | 4 358 |
| Groundwater monitoring wells | 221 | 17 924 | (1 256) | 16 889 |
| Surface water monitoring network | - | 2 474 | (58) | 2 416 |
| Waste disposal stations | - | 1 383 | (315) | 1 068 |
| Patawalonga seawater circulation and Barcoo Outlet | 31 | 20 545 | (1 231) | 19 345 |
| Plant and equipment | 6 406 | - | (4 791) | 1 615 |
| Salinity disposal schemes | - | 20 031 | (1 046) | 18 985 |
| Work in progress | 1 745 | - | - | 1 745 |
| Total property, plant and equipment | 8 403 | 66 941 | (8 923) | 66 421 |
| Internally developed and acquired intangibles | 4 467 | 2 610 | (1 332) | 5 745 |
| Total property, plant and equipment, and intangibles | 12 870 | 69 551 | (10 255) | 72 166 |

(b) Movement schedule

| | Land and buildings \$'000 | Ground-water monitoring wells \$'000 | Surface Water Monitoring Network \$'000 | Waste disposal stations \$'000 | Patawalonga seawater circulation \$'000 | Plant and equipment \$'000 |
|-----------------------------------|------------------------------|---|--|-----------------------------------|--|-------------------------------|
| Gross carrying value: | | | | | | |
| Balance as at 1 July | 4 584 | 18 145 | 2 474 | 1 383 | 20 576 | 6 406 |
| Additions (capital acquisition) | - | - | - | 2 150 | - | 354 |
| Additions (donated assets) | 166 | - | - | - | - | - |
| Transfers between classes | (2 031) | - | - | - | - | (16) |
| Disposals | - | - | - | - | - | (108) |
| Revaluation increment | 2 766 | - | - | 3 827 | - | - |
| Balance at 30 June | 5 485 | 18 145 | 2 474 | 5 425 | 20 576 | 6 636 |
| Accumulated depreciation: | | | | | | |
| Balance as at 1 July | (226) | (1 256) | (58) | (315) | (1 231) | (4 791) |
| Transfers between classes | (88) | - | - | - | - | 88 |
| Disposals | - | - | - | - | - | 104 |
| Revaluation increment | (1 366) | - | - | (2 608) | - | - |
| Depreciation and amortisation | (40) | (584) | (58) | (63) | (355) | (526) |
| Balance at 30 June | (1 720) | (1 840) | (116) | (2 986) | (1 586) | (5 125) |
| Carrying amount at 30 June | 3 765 | 16 305 | 2 358 | 2 439 | 18 990 | 1 511 |

| | Salinity Disposal Schemes \$'000 | Lower Murray embankments \$'000 | Work in progress \$'000 | Internally developed intangible assets \$'000 | Externally acquired intangible assets \$'000 | 2009 Total \$'000 |
|--|-------------------------------------|------------------------------------|----------------------------|--|---|----------------------|
| Gross carrying value: | | | | | | |
| Balance as at 1 July | 20 031 | - | 1 745 | 4 106 | 2 971 | 82 421 |
| Additions (capital acquisitions) | - | - | 3 730 | 576 | 62 | 4 937 |
| Additions (donated assets) | - | - | - | - | - | 166 |
| Transfers between classes | - | 2 244 | (1 745) | 1 548 | - | - |
| Disposals | - | - | - | - | - | (108) |
| Revaluation increment ⁽¹⁾ | - | 7 818 | - | - | - | 14 411 |
| Balance at 30 June | 20 031 | 10 062 | 3 730 | 6 230 | 3 033 | 101 827 |
| Accumulated depreciation: | | | | | | |
| Balance as at 1 July | (1 046) | - | - | (1 173) | (159) | (10 255) |
| Transfers between classes | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | 104 |
| Revaluation increment ⁽¹⁾ | - | - | - | - | - | (3 974) |
| Depreciation and amortisation ⁽²⁾ | (349) | (4 679) | - | (831) | (62) | (7 547) |
| Balance at 30 June | (1 395) | (4 679) | - | (2 004) | (221) | (21 672) |
| Carrying amount at 30 June | 18 636 | 5 383 | 3 730 | 4 226 | 2 812 | 80 155 |

(1) The net revaluation increment of \$10.437 million is recognised in the Statement of Comprehensive Income and the Statement of Changes in Equity.

(2) An adjustment to accumulated depreciation of \$4.679 million was recognised for Lower Murray Embankments. This represented a change in accounting policy and is recognised in the Statement of Comprehensive Income and the Statement of Changes in Equity.

(c) Key features

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined. Note 2(k) outlines the policy on non-current acquisition and recognition. Further details are provided hereunder in respect of specific assets.

Asset revaluations

The land and buildings, waste disposal stations and Lower Murray embankments were independently revalued during the year ending 30 June 2009. The following table details all revaluations undertaken in recent years for each class of asset.

| Asset class | Date of last independent revaluation | Name of valuer |
|--|--------------------------------------|--------------------------------------|
| Land and buildings | 30 June 2009 | Southwick Goodyear Pty Ltd |
| Groundwater monitoring wells | 30 June 2006 | GHD Pty Ltd |
| Surface Water Monitoring Network | 30 June 2007 | Valcorp Pty Ltd |
| Waste disposal stations | 30 June 2009 | Valcorp Pty Ltd |
| Patawalonga seawater circulation and Barcoo Outlet | 1 January 2005 | Currie and Brown (Australia) Pty Ltd |
| Salinity disposal schemes | 30 June 2005 | Currie and Brown (Australia) Pty Ltd |
| Lower Murray embankments | 30 June 2009 | Valcorp Pty Ltd |
| Plant and equipment* | - | - |

* Plant and equipment have been brought to account at cost or at officers' valuation for initial recognition purposes.

Assets not recognised

- *Acquisition of water licences for environmental flows*

While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2009 (refer Note 22), the acquisition and transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred (refer previous comments here above).

The decision not to capitalise these expenditures is linked to the provisions of the Intergovernmental Agreement (the Agreement) signed in June 2004, to which the State of South Australia is a party.

The Agreement gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray Business Plan is provided for under Clause 13 of the Agreement and describes how the actions and milestones in the Agreement are to be achieved.

The Department is acting to meet the agreed milestones and has acquired water licences for transfer to the eligible measures register and subsequently to the environmental measures register, consistent with this objective.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences, together with other financial investments in eligible and environmental measures, have been expensed on the basis that the future economic benefits attaching to these transactions are not expected to flow directly to the Department. This excludes water licences that have been subject to temporary trading during the reporting period.

- *Upper South East Drainage Scheme*

The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments and are not capitalised.

Salt Interception Schemes

The Department receives funding from the National Action Plan for Salinity and Water Quality, and contributes to the construction of the salt interception assets for the Bookpurnong and Loxton Schemes. Upon completion these assets are managed and maintained by the MDBA, and Department funds its share of these costs.

The future economic benefits that will be derived from these assets are expected to be received by the MDBA and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments.

| | | |
|---|----------------|---------|
| 22. Intangible assets | 2009 | 2008 |
| Internally developed intangible assets: | \$'000 | \$'000 |
| Internally developed computer software | 6 230 | 4 106 |
| Accumulated amortisation | (2 004) | (1 173) |
| Total internally developed intangible assets | 4 226 | 2 933 |
| Externally acquired intangible assets: | | |
| Computer and water licences | 3 033 | 2 971 |
| Accumulated amortisation | (221) | (159) |
| Total acquired intangible assets | 2 812 | 2 812 |
| Total intangible assets | 7 038 | 5 745 |

Intangible assets

The Department recognises the following intangible assets:

- *Water licences – acquired in the market*

While the acquisition and transfer of water licences for environmental purposes are generally expensed when such expenditure is incurred, there may be points during which the nature of such assets is transformed due to policy decisions. Ultimately these licences will be applied for environmental purposes and the accounting treatment will be to expense the purchases.

- *Water licences – acquired at no cost*
An intangible asset for water licences has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.
- *Intangible assets (computer software)*
The internal development of software is capitalised by the Department when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III, APS 2.15. 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. The Department has capitalised the internal development of software for the Water Information and Licensing and Management Application system. In addition, certain costs have been capitalised in respect of the Natural Resources Management Information System and are included in 'work in progress'.

| 23. Payables | Non- | | 2009 | 2008 |
|-----------------------------------|--------------|--------------|---------------|--------------|
| | SA Govt | SA Govt | | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| Creditors and accrued expenses | 7 284 | 5 244 | 12 528 | 6 753 |
| Employment on-costs | 377 | 353 | 730 | 719 |
| Total current payables | 7 661 | 5 597 | 13 258 | 7 472 |
| Non-current: | | | | |
| Employment on-costs | 498 | 611 | 1 109 | 964 |
| Total non-current payables | 498 | 611 | 1 109 | 964 |
| Total payables | 8 159 | 6 208 | 14 367 | 8 436 |

Interest rate risk 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.

| 24. Employee benefits | | 2009 | 2008 |
|--|--|---------------|---------------|
| | | \$'000 | \$'000 |
| Current: | | | |
| Annual leave | | 3 077 | 2 825 |
| Long service leave | | 492 | 481 |
| Accrued salaries and wages | | 1 271 | 989 |
| Total current employee benefits | | 4 840 | 4 295 |
| Non-current: | | | |
| Long service leave | | 9 356 | 9 137 |
| Total non-current employee benefits | | 9 356 | 9 137 |
| Total employee benefits | | 14 196 | 13 432 |

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2009 is \$5.570 million (\$5.014 million) and \$10.465 million (\$10.101 million) respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2008 benchmark (6.5 years).

| 25. Provisions | | 2009 | 2008 |
|-------------------------------------|--|------------|------------|
| | | \$'000 | \$'000 |
| Current: | | | |
| Provision for workers compensation | | 140 | 162 |
| Total current provisions | | 140 | 162 |
| Non-current: | | | |
| Provision for workers compensation | | 400 | 426 |
| Total non-current provisions | | 400 | 426 |
| Total provisions | | 540 | 588 |

Reconciliation of movement in provisions

| | 2009 | 2008 |
|---|------------|------------|
| Carrying amount at 1 July | 588 | 503 |
| Additional provisions (reduction in provision) recognised | 109 | 245 |
| Amounts used | (157) | (160) |
| Carrying amount at 30 June | 540 | 588 |

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

26. Unrecognised and contractual commitments**Capital commitments**

| | | |
|---|---------------|--------|
| Commitments in relation to capital contracted for at the reporting date but not recognised as liabilities are payable as follows: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Within one year | 4 216 | - |
| Total capital commitments | 4 216 | - |

The Department's capital commitments are for the undertaking of environmental works and measures.

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 | 2 665 | 2 664 |
| Later than one year but not later than five years | 5 226 | 7 826 |
| Later than five years | 971 | 5 123 |
| Total operating lease commitments | 8 862 | 15 613 |

The Department's operating leases are non-cancellable and relate to office accommodation with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

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 payable as follows: | 2009 | 2008 |
| | \$'000 | \$'000 |
| Within one year | 9 477 | 11 125 |
| Later than one year but not later than five years | 5 791 | 4 895 |
| Total remuneration commitments | 15 268 | 16 020 |

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

Other commitments

| | | |
|--|----------------|---------|
| Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows: | | |
| Within one year | 28 919 | 50 318 |
| Later than one year but not later than five years | 89 634 | 88 196 |
| Later than five years | - | 803 |
| Total other commitments | 118 553 | 139 317 |

The Department's other commitments are for agreements for National Red Imported Fire Ant Eradication Program in Queensland, projects under the Save The River Murray Fund where funds are payable to other agencies undertaking work on behalf of the department, contributions to the MDBA, infrastructure costs associated with The Living Murray – Water Recovery Program under inter-government agreements and management of biodiversity assets under the *Upper South East Dryland Salinity and Flood Management Act 2002* and cash and in-kind contributions to Co-Operative Research Centres.

27. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities. In addition the Department has made no guarantees.

28. Remuneration of Board and Committee members

Members that were entitled to receive remuneration for membership during the 2009 financial year were:

Environmental Management Advisory Group - Upper South East

| | | | | | |
|-------------|------------|------------|--------------|------------|-----------|
| M Bachmann# | G Ganf | R Johnson# | J Schilling# | S Mustafa# | G Wood# |
| R Breen* | M Geddes* | R Merry | S Vines# | R England | J Hutson* |
| M DeJong# | J Hosking# | W Meyer | J White | | |

Ministerial Advisory Committee on Branched Broomrape

| | | | | | |
|------------|---------------|------------|------------|---------------|------------|
| J T Arney | M Cole* | R K Marks | M L Thiele | A M Piggott | J McGorman |
| J A Berger | J G Klitscher | J Marszal* | P Warren# | D Cartwright# | T Dendy# |

Natural Resource Management Council Members and Subcommittee

| | | | | | |
|-------------|-------------|-------------|-------------|--------------|--------------|
| W Bell | R B Wickes | M Dennis | A Todd | G Lewis* | D Nichols |
| R M Bouchee | G Gates | L M Liddle# | F J Vickery | A Simpson# | T J Hartman# |
| A Chesire* | C D Ball | H MacDonald | C Woolford | D Walker | F M Simes# |
| K Lester | A Crisp | K Martin | J Chester# | K Wanganeen# | G Webster |
| D R Mutton | R L Melland | D Mitchell | L Crocker | H Davey* | S R Starick |
| V Russell | K Stokes | J Pedler | C Dodd | C Ireland | |

28. Remuneration of Board and Committee members (continued)**Pastoral Board**

B D Bartsch# M P McBride A Oldfield J Mould L Loan# R B Wickes
I Iwanicki B Anderson# D G Lillecrapp V M Linton#

Branched Broomrape Community Focus Group

J A Berger

Upper South East Program Board

P Alexander# A Gargett# N Power# R B Wickes J Osborne G Stopp
M Bolster C Johnson C Schweizer* J Lillecrapp R England

Water Security Council

S W Ashby# B Cunningham# G R Knight# D R Mutton J W Weatherill# H M Fulcher#
D Blackmore J V Hallion# K Maywald# I Nightingale# J S Wright# A Howe#
D Flett A N Holmes# P Caica# T Sherbon# R McLeod# C Eccles#

Adelaide Desalination Project Steering Committee

S W Ashby# J V Hallion# A Howe# K G Osborn R McLeod# J S Wright#
P J Case# A N Holmes#

South East Water Conservation and Drainage Board Act Review Reference Group⁽¹⁾

F Aslin K Martin J Osborne M Talanskas# B McLaren J Ross
S Kidman

Border Groundwater Review Committee

H Hopton# N Power# B Cohen#

The number of members whose remuneration received or receivable falls within the following bands:

| | 2009 Number | 2008 Number |
|--------------------------------|------------------------|----------------|
| \$0 - \$9 999 | 45 | 53 |
| \$10 000 - \$19 999 | 4 | - |
| \$20 000 - \$29 999 | - | 1 |
| \$50 000 - \$59 999 | 1 | - |
| Total number of members | 50 | 54 |

(1) No meetings were held during the year and therefore no remuneration paid to eligible members.

* Members who have elected not to receive payments during 2008-09.

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

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 \$200 000 (\$109 000).

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

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

29. Cash flow reconciliation

| | 2009 \$'000 | 2008 \$'000 |
|---|------------------------|----------------|
| Reconciliation of cash and cash equivalents at end of reporting period: | | |
| Cash and cash equivalents disclosed in the Statement of Financial Position (refer also Note 18) | 26 272 | 57 925 |
| Balance as per Statement of Cash Flows | 26 272 | 57 925 |

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

| | | |
|---|------------------|----------|
| Net cash (used in) provided by operating activities | (26 743) | 32 350 |
| Revenues from SA Government | (183 230) | (96 855) |
| Add (Less): Non-cash items: | | |
| Depreciation and amortisation expense of non-current assets | (2 868) | (2 384) |
| Bad debts expense | 25 | (47) |
| Gain (Loss) on disposal of non-current assets | 23 | (15) |
| Gain (Loss) on donated assets | 166 | (111) |
| Movement in assets and liabilities: | | |
| Increase in receivables | 13 789 | 3 888 |
| Increase in inventories | 227 | 133 |
| Increase in payables | (5 931) | (3 006) |
| Increase in employee benefits | (764) | (1 900) |
| Decrease (Increase) in provisions | 48 | (85) |
| Net cost of providing services | (205 258) | (68 032) |

| | | |
|--|---------------|---------------|
| 30. Auditor's remuneration | 2009 | 2008 |
| Auditor's remuneration paid/payable to entities external to the SA Government: | \$'000 | \$'000 |
| Audit fees | 22 | 32 |
| Total auditor's remuneration - non-SA Government entities | 22 | 32 |
| Auditor's remuneration paid/payable to entities within the SA Government: | | |
| Audit fees paid/payable to the Auditor-General's Department | 225 | 237 |
| Total auditor's remuneration - SA Government entities | 225 | 237 |
| Total auditor's remuneration | 247 | 269 |

Other audit services

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

31. Financial risk management*Categorisation of financial instruments*

The following table discloses the carrying amounts and fair value of the Department's financial assets and financial liabilities.

| | Note | 2009 | | 2008 | |
|--------------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying Amount \$'000 | Fair Value \$'000 | Carrying Amount \$'000 | Fair Value \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents: | | | | | |
| Cash and cash equivalents | 18 | 26 272 | 26 272 | 57 925 | 57 925 |
| Loans and receivables: | | | | | |
| Receivables | 19 | 22 672 | 22 672 | 8 858 | 8 858 |
| Financial liabilities | | | | | |
| Financial liabilities at cost: | | | | | |
| Payables | 23 | 14 367 | 14 367 | 8 436 | 8 436 |

The Department has significant non-interest bearing assets and liabilities. The Department's exposure to market risk and cash flow interest risk is minimal.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer Note 19 for information on the allowance for impairment in relation to receivables.

Credit risk

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Ageing analysis of financial assets

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

| | Past Due By | | | Total \$'000 |
|---------------|---|-------------------------------------|---|-----------------|
| | Overdue for less than 30 Days \$'000 | Overdue for 30-60 Days \$'000 | Overdue for more than 60 Days \$'000 | |
| 2009 | | | | |
| Not impaired: | | | | |
| Receivables | 18 293 | 793 | 3 624 | 22 710 |
| Impaired: | | | | |
| Receivables | - | - | (38) | (38) |
| 2008 | | | | |
| Not impaired: | | | | |
| Receivables | 8 021 | 706 | 194 | 8 921 |
| Impaired: | | | | |
| Receivables | - | - | (63) | (63) |

Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive 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, audit receivables etc they would be excluded from the disclosure. They are carried at cost.

Maturity analysis

The Department's maturity analysis on its financial liabilities extends only to payables – all of which are due within the next 12 months.

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government as well as from grant payments - received principally from the Commonwealth Government. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Department is not exposed to any market risk or interest rate risk as the Department has no interest bearing liabilities such as borrowings. Most SA Government agencies have their interest bearing liabilities managed through South Australian Government Financing Authority and any movements in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

32. Restrictions on grants received

The Department received grants from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2009 \$20.564 million (\$60.416 million) of grants, which have been recognised as revenues in the Statement of Comprehensive Income, are yet to be spent in the manner specified by the contributors. These figures included \$948 000 (\$931 000) of administered funds.

33. Events after balance date

The Department is not aware of any events occurring after balance date that would materially affect the financial statements.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2009**

| | Note | 2009 | 2008 |
|--|------|----------------|---------|
| | | \$'000 | \$'000 |
| EXPENSES: | | | |
| Employee benefits expenses | | 259 | 260 |
| Supplies and services | | 52 | 58 |
| Grants and subsidies | A2 | 49 890 | 60 970 |
| Payments to Consolidated Account | | 602 | 173 |
| Payments to Natural Resources Management Boards | A3 | 12 559 | 13 051 |
| Payments to South Eastern Water Conservation Drainage Board | | 1 921 | 1 922 |
| Total expenses | | 65 283 | 76 434 |
| INCOME: | | | |
| Revenues from SA Government | A4 | 26 794 | 15 075 |
| Revenues from fees and charges | A5 | 7 466 | 6 534 |
| Grant revenues | A6 | 23 712 | 40 313 |
| Other revenues | A7 | 1 235 | 11 416 |
| Total income | | 59 207 | 73 338 |
| NET RESULT | | (6 076) | (3 096) |
| OTHER COMPREHENSIVE INCOME: | | | |
| Adjustment to accumulated surplus due to a change in accounting policy | | - | 462 437 |
| Gain on revaluation of interest in joint venture | | 19 459 | 184 839 |
| TOTAL COMPREHENSIVE RESULT | | 13 383 | 644 180 |

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

**Statement of Administered Financial Position
as at 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|----------------------------------|------|----------------|----------------|----------------|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | A8 | 22 072 | 30 414 | 40 046 |
| Receivables | A9 | 5 096 | 3 176 | 3 661 |
| Other current assets | | 48 | 162 | 224 |
| Total current assets | | 27 216 | 33 752 | 43 931 |
| NON-CURRENT ASSETS: | | | | |
| Interest in joint venture | A10 | 666 505 | 647 046 | 614 919 |
| Land | A11 | 32 938 | 32 938 | 32 938 |
| Total non-current assets | | 699 443 | 679 984 | 647 857 |
| Total assets | | 726 659 | 713 736 | 691 788 |
| CURRENT LIABILITIES: | | | | |
| Payables | A12 | 3 987 | 4 447 | 1 898 |
| Employee benefits | | - | - | 1 |
| Total current liabilities | | 3 987 | 4 447 | 1 899 |
| Total liabilities | | 3 987 | 4 447 | 1 899 |
| NET ASSETS | | 722 672 | 709 289 | 689 889 |
| EQUITY: | | | | |
| Asset revaluation reserve | | 204 298 | 184 839 | 161 837 |
| Retained earnings | | 518 374 | 524 450 | 528 052 |
| TOTAL EQUITY | | 722 672 | 709 289 | 689 889 |

Total equity is attributable to the SA Government as owner

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

| | Note | Asset revaluation reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|-----------|---|--------------------------------|-----------------|
| Balance at 30 June 2007 | | 9 355 | 66 414 | 75 769 |
| Error correction - receivables | | - | (799) | (799) |
| Error correction - joint venture | | 152 482 | 462 437 | 614 919 |
| Restated balance at 30 June 2007 | | 161 837 | 528 052 | 689 889 |
| Net result for 2007-08 | | - | (3 096) | (3 096) |
| Gain on revaluation of interest in joint venture during 2007-08 | | 23 002 | - | 23 002 |
| Total comprehensive result for 2007-08 | | 184 839 | 524 956 | 709 795 |
| Balance at 30 June 2008 | | 184 839 | 524 956 | 709 795 |
| Error correction - receivables | A1(b)(ii) | - | (506) | (506) |
| Restated balance at 30 June 2008 | | 184 839 | 524 450 | 709 289 |
| Net result for 2008-09 | | - | (6 076) | (6 076) |
| Revaluation adjustment - interest in joint venture | A10 | 19 459 | - | 19 459 |
| Balance at 30 June 2009 | | 204 298 | 518 374 | 722 672 |

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

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

| | Note | 2009 Inflows (Outflows) \$'000 | 2008 Inflows (Outflows) \$'000 |
|---|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Employee benefit payments | | (259) | (260) |
| Payments for supplies and services | | (52) | (58) |
| Payments for grants and subsidies | | (49 890) | (60 970) |
| Payments to Natural Resources Management Boards | | (13 621) | (10 676) |
| Payments to South Eastern Water Conservation Drainage Board | | (1 921) | (1 922) |
| Cash used in operations | | (65 743) | (73 886) |
| CASH INFLOWS: | | | |
| Receipts from Government | | 26 794 | 15 075 |
| Fees and charges | | 5 546 | 6 512 |
| Grant receipts | | 23 712 | 40 313 |
| Other receipts | | 1 349 | 2 354 |
| Cash generated from operations | | 57 401 | 64 254 |
| Net cash (used in) operating activities | A8 | (8 342) | (9 632) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | - | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (8 342) | (9 632) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 30 414 | 40 046 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | A8 | 22 072 | 30 414 |

All GST receipts and payments are recognised in the Department's Statement of Cash Flows.

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2009**

| Refer below | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------------------------------|---------------|--------------|------------|----------------|----------------|-----------|--------------|-------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | | | |
| Employee benefits expenses | - | - | - | - | - | - | - | - |
| Supplies and services | 33 | - | 10 | 1 | - | - | - | - |
| Grants and subsidies | 89 | - | - | 7 137 | 4 224 | 20 | 935 | 759 |
| Payments to Consolidated Account | - | 563 | - | - | - | - | - | - |
| Payments to Natural Resources | | | | | | | | |
| Management Boards | 12 559 | - | - | - | - | - | - | - |
| Payments to South East Water | | | | | | | | |
| Conservation Drainage Board | - | - | - | - | - | - | - | - |
| Total expenses | 12 681 | 563 | 10 | 7 138 | 4 224 | 20 | 935 | 759 |
| INCOME: | | | | | | | | |
| Revenues from SA Government | - | 250 | 3 | - | - | - | - | - |
| Revenues from fees and charges | 7 468 | - | - | - | - | - | - | - |
| Grant revenues | 7 552 | - | - | 429 | 498 | 97 | 772 | 724 |
| Other revenues | 142 | - | - | 812 | 132 | - | - | - |
| Total income | 15 162 | 250 | 3 | 1 241 | 630 | 97 | 772 | 724 |
| NET RESULT | 2 481 | (313) | (7) | (5 897) | (3 594) | 77 | (163) | (35) |

| Refer below | 9 | 10 | 11 | 12 | 13 | 2009 | 2008 |
|----------------------------------|---------------|---------------|--------------|--------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EXPENSES: | | | | | | | |
| Employee benefits expenses | - | - | - | 259 | - | 259 | 260 |
| Supplies and services | - | - | - | 8 | - | 52 | 58 |
| Grants and subsidies | 17 148 | 16 220 | 4 203 | 4 758 | (5 603) | 49 890 | 60 970 |
| Payments to Consolidated Account | - | - | - | 39 | - | 602 | 173 |
| Payments to Natural Resource | | | | | | | |
| Management Boards | - | - | - | - | - | 12 559 | 13 051 |
| Payments to South East Water | | | | | | | |
| Conservation Drainage Board | - | - | - | 1 921 | - | 1 921 | 1 922 |
| Total expenses | 17 148 | 16 220 | 4 203 | 6 985 | (5 603) | 65 283 | 76 434 |
| INCOME: | | | | | | | |
| Revenues from SA Government | - | 16 000 | 4 203 | 6 338 | - | 26 794 | 15 075 |
| Revenues from fees and charges | - | - | - | (2) | - | 7 466 | 6 534 |
| Grant revenues | 18 980 | 263 | - | - | (5 603) | 23 712 | 40 313 |
| Other revenues | 119 | - | - | 30 | - | 1 235 | 11 416 |
| Total income | 19 099 | 16 263 | 4 203 | 6 366 | (5 603) | 59 207 | 73 338 |
| NET RESULT | 1 951 | 43 | - | (619) | - | (6 076) | (3 096) |

1. NRM Fund
2. Qualco-Sunlands
3. Pastoral Board
4. National Action Plan for Salinity and Water Quality
5. Natural Heritage Trust grants
6. Mount Lofty Ranges Catchment support
7. Centre for NRM
8. NRM Alliance Fund
9. Caring for our Country
10. Complementary State NRM Program
11. Storm Water Management Authority
12. DWLBC Corporate Administered Items
13. Eliminations

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of significant administered accounting policies

The Department's accounting policies are contained in Note 2. The policies outlined in Note 2 apply to both the Department's controlled and administered items, unless otherwise noted below.

The administered items reflect an accumulation of the balances of each of the individual administered items. Transactions between individual administered items are not eliminated from the administered financial statements.

Some activities have been restructured to assist in the interpretation of the financial transactions relating to the NRM Fund.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- Government appropriations (controlled and administered allocated in respect of the regional Natural Resources Management Boards).
- Water levies.
- Penalties relating to water levies.
- Expiation fees and other penalties.

Further commentary regarding these requirements under the NRMA is provided hereunder.

(a) Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional Natural Resources Management Boards (NRM Boards); in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

The balance of the NRM Fund at 30 June 2009 was \$2.426 million (\$2.6 million).

(b) Natural Resources Management Boards

The NRM Boards were established pursuant to subsection 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

Transactions relating to the NRM Boards are separately shown against this program description, which reflects both revenues and expenses administered by the Department in respect of the NRM Boards. These are:

(i) Grants

Grants include monies that had been previously distributed under the Animal Plant Control Commission and the Soil Conservation Council, for which the Department received appropriations and paid to the regional NRM Boards in the form of grants were as follows:

| Regional NRM Board | 2009 | 2008 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| South Australian Murray-Darling Basin Natural Resources Management Board | 200 | 170 |
| South East Natural Resources Management Board | 271 | 197 |
| Adelaide and Mount Lofty Ranges Natural Resources Management Board | - | 150 |
| Northern and Yorke Natural Resources Management Board | 450 | 560 |
| Kangaroo Island Natural Resources Management Board | 521 | 383 |
| Alinytjara Wilurara Natural Resources Management Board | 700 | 684 |
| South Australian Arid Lands Natural Resources Management Board* | 600 | 700 |
| Eyre Peninsula Natural Resources Management Board | 600 | 424 |
| | 3 342 | 3 268 |

* Total payments distributed to the NRM Boards included an additional \$400 000 received by the Department, included in 'Revenues from SA Government'. This represented administered appropriations received by the Department in respect of the South Australian Arid Lands Natural Resources Management Board.

(ii) Water levies

Water levies are collected by the Department for prescribed water resources in regional NRM Boards under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRMA.

(ii) *Water levies (continued)*

Levies raised by the Department during 2008-09 were \$6.05 million (\$5.039 million). Unpaid levies at the end of the reporting period of \$1.654 million (\$1.095 million) have been recognised as current receivables. Receivables factor in adjustments in respect of financial relief provided to River Murray licencees, to offset 82 percent of their liability to pay the NRM water levies.

Levies received, but not yet paid to the regional NRM Boards at the end of the reporting period were \$299 000 (\$293 000). In addition, levy reduction payments of \$712 000 were payable to the South Australian Murray-Darling Basin Natural Resources Management Board. During the reporting period the following levies were raised in respect of the regions for which the levies were declared:

| Regional NRM Board* | 2009 \$'000 | 2008 \$'000 |
|--|------------------------|----------------|
| South Australian Murray-Darling Basin Natural Resources Management Board | 3 617 | 2 566 |
| South East Natural Resources Management Board | 1 639 | 1 604 |
| Adelaide and Mount Lofty Ranges Natural Resources Management Board | 319 | 405 |
| Eyre Peninsula Natural Resources Management Board | 369 | 367 |
| South Australian Arid Lands Natural Resources Management Board | 106 | 97 |
| | 6 050 | 5 039 |

* Does not include penalties and other payments made or payable to regional NRM Boards. Refer Note A5.

Error correction

An error correction of \$506 000 has been disclosed in the Statement of Changes in Equity in respect of the 2007-08 financial year. This disclosure comprises an adjustment to the carrying value of accounts receivables that were previously overstated in the Department's Water Information and Licensing Management Application system.

The error correction has been retrospectively restated in accordance with the provisions of AASB 108.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

In addition, to the penalties raised and received in respect of the NRMA, penalties were also received (though not raised) during 2008-09 under subsection 133(1)(a) of the *Water Resources Act 1997* (WR Act).

Subsection 115(5) of the NRMA and Regulation 9(d) of the Natural Resources Management (Financial Provisions) Regulations 2005 provide that section 116 of the NRMA applies to, and in relation to, a penalty declared under section 115 as if it were a water levy. The effect is that the penalty (and including any interest) so declared must be paid to the regional NRM Board for the region in respect of which the penalty was declared.

The levies pursuant to subsection 115(5) were paid to the regional NRM Boards, with the exception of unpaid penalty charges at the end of the reporting period of \$2.810 million (\$1.837 million). Of this amount, \$699 000 (\$741 000) related to penalties raised under the WR Act and \$2.111 million (\$1.096 million) under the NRMA.

Penalties received under the NRMA are payable to the regional NRM Boards and at 30 June 2009 the amount payable was \$941 000 (\$558 000).

Penalties declared under subsection 133(1)(a) of the WR Act continued to be received during 2008-09, although no new penalties were raised. Penalties received under the WR Act and payable to the Treasurer's Consolidated Account at 30 June 2009 were \$369 000 (\$330 000).

(iv) *Reimbursement of payroll tax*

NRM Boards are compensated for the anticipated payroll tax expense they incur, with provision having been made in the administered items of the Department's budget on an ongoing basis since 2004-05. An appropriation of \$978 000 (\$993 000) was received to fund the payroll tax expenses of the NRM Boards for 2008-09.

(v) *Expiation fees and other penalties under the NRMA*

Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards. No fees and/or penalties of this type were collected during 2008-09.

(c) Qualco-Sunlands

The *Ground Water (Qualco-Sunlands) Control Act 2000* (GW(QS)C Act) established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. The Department collects levies and pays instalments in accordance with the provisions of the GW(QS)C Act.

(d) National Action Plan for Salinity and Water Quality

The National Action Plan for Salinity and Water Quality (NAP) is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments made progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

(e) Natural Heritage Trust and Natural Heritage Trust Extension

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the Natural Heritage Trust Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change.

Funding for NHT ceased on 30 June 2008; ongoing projects scheduled to be completed by 31 December 2009.

(f) Mount Lofty Ranges Catchment Support

The Mount Lofty Ranges Catchment Support Group was established to implement the Integrated Natural Resource Management program for Mount Lofty and Adelaide regions. Functions include the disbursement of grants to local communities, NRM Boards, local government and other SA Government departments together with the management of associated projects. Funds are disbursed subject to the NAP and NHT bilateral processes.

(g) Centre for Natural Resource Management

The Centre for Natural Resource Management (Centre) with its Investment Advisory Board (Board) develops and maintains partnerships with regional NRM groups, scientists and researchers, business and industry, governments and agencies, so that integrated natural resource management across South Australia is based on world-class research and development. A primary role of the Centre and its Board is to create more sustainable environments through the development of new technologies and industries, which benefit the environment and are economically sustainable.

The Board makes decisions on the disbursement of NAP and other funds in relation to its portfolios of identified regional priority projects, and to the timeliness and quality of research provider delivery. The Board also oversees the stakeholder engagement process, brokers and builds relationships, alliances and partnerships, and seeks to leverage co-investment against NAP funding.

During the reporting period the Centre received grant revenue of \$771 600 (\$3.319 million) from the NAP Priority Rounds 1 and 2 and disbursed \$935 034 (\$2.894 million) of these funds as grants and subsidies.

(h) Pastoral Board

Funds applied by the Minister, on the recommendation of the Board for research and publication of techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land. During the reporting period an appropriation of \$3000 (\$9000) was received.

(i) Complementary State Natural Resources Management Program

The Complementary State Natural Resources Management (NRM) program is the SA Government's new initiative to financially support the effective management of South Australia's natural resources in 2008-09. The program seeks to meet targets in both South Australia's Strategic Plan and the State NRM Plan.

Under the Caring for our Country program, the Commonwealth has removed the requirement for matching funding (as per NHT and NAP), however there is an expectation that South Australia will continue to contribute financial and in-kind support through a complementary State natural resources management program that is at least equivalent to the level of funding provided under previous programs. Therefore the State NRM program (transition year) is complementary to the Commonwealth's 'Caring for our Country' initiative.

(j) Caring for our Country

The Caring for our Country Program is between the Commonwealth of Australia (the Commonwealth) and the State of South Australia (the State) pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

In March 2008, the Commonwealth announced 'Caring for our Country' as an ongoing and integrated program, bringing together the delivery of the Natural Heritage Trust, National Landcare Program, Environmental Stewardship and Working on Country Programs. This program is fully Commonwealth funded and disbursed based on Commonwealth approval.

| A2. Grants and subsidies | SA Govt | Non- | 2009 | 2008 |
|---|---------------|--------------|---------------|---------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| DWLBC corporate administration items | 4 758 | - | 4 758 | 28 |
| National Action Plan for Salinity and Water Quality | 6 487 | 650 | 7 137 | 37 833 |
| Natural Heritage Trust grants | 3 891 | 333 | 4 224 | 20 464 |
| Mount Lofty Ranges catchment support | 20 | - | 20 | 170 |
| Centre for Resource Management | 595 | 340 | 935 | 2 894 |
| NRM Fund | 89 | - | 89 | - |
| NRM Alliance Fund | 659 | 100 | 759 | - |
| Caring for our Country | 17 148 | - | 17 148 | - |
| Complementary State NRM Program | 16 190 | 30 | 16 220 | - |
| Transfer to Storm Water Management Authority | - | 4 203 | 4 203 | - |
| Elimination of Intra-Program Transactions | (5 603) | - | (5 603) | (419) |
| Total grants and subsidies | 44 234 | 5 656 | 49 890 | 60 970 |

| A3. Payments to Natural Resources Management Boards | SA Govt | Non- | 2009 | 2008 |
|--|---------------|----------|---------------|---------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| Water levies | 7 258 | - | 7 258 | 6 820 |
| Grants to NRM Boards | 3 742 | - | 3 742 | 4 595 |
| Payroll tax | 1 176 | - | 1 176 | 1 174 |
| Penalties payable | 383 | - | 383 | 462 |
| Total payments to Natural Resources Management Boards | 12 559 | - | 12 559 | 13 051 |

| A4. Revenues from SA Government | 2009 | 2008 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Recurrent appropriations | 10 535 | 3 574 |
| Appropriations received pursuant to NAP funding | - | 11 243 |
| Appropriations received for the Minister's salary | 259 | 258 |
| Transfer from Contingencies | 16 000 | - |
| Total revenues from SA Government | 26 794 | 15 075 |

Other funding provided by the Department of Treasury and Finance

| | | |
|---|---|-----|
| Funding recognised by the Native Vegetation Fund* | - | 830 |
|---|---|-----|

* Native Vegetation Fund appropriation received directly by DWLBC administered (recurrent appropriations) in 2008-09.

| A5. Revenues from fees and charges | SA Govt | Non- | 2009 | 2008 |
|---|--------------|--------------|--------------|--------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| Water levies | 2 704 | 3 346 | 6 050 | 5 039 |
| Penalties | - | 1 416 | 1 416 | 1 479 |
| Other | - | - | - | 16 |
| Total revenues from fees and charges | 2 704 | 4 762 | 7 466 | 6 534 |

| A6. Grant revenues | SA Govt | Non- | 2009 | 2008 |
|---|--------------|---------------|---------------|---------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| NRM Fund | 7 552 | - | 7 552 | 6 105 |
| National Action Plan for Salinity and Water Quality | 4 | 425 | 429 | 10 978 |
| Natural Heritage Trust grants | - | 498 | 498 | 19 996 |
| Mount Lofty Ranges catchment support | 97 | - | 97 | 100 |
| Centre for Resource Management | 772 | - | 772 | 3 319 |
| NRM Alliance Fund | 724 | - | 724 | 234 |
| Caring for our Country | - | 18 980 | 18 980 | - |
| Complementary State NRM program | - | 263 | 263 | - |
| Elimination of intra-program transactions | (5 603) | - | (5 603) | (419) |
| Total grant revenues | 3 546 | 20 166 | 23 712 | 40 313 |

| A7. Other revenues | SA Govt | Non- | 2009 | 2008 |
|---|--------------|----------|--------------|---------------|
| | \$'000 | SA Govt | \$'000 | \$'000 |
| NRM Fund | 141 | 1 | 142 | 155 |
| National Action Plan for Salinity and Water Quality | 812 | - | 812 | 1 831 |
| Natural Heritage Trust grants | 132 | - | 132 | 306 |
| Interest in joint venture | - | - | - | 9 124 |
| Caring for our Country | 119 | - | 119 | - |
| DWLBC corporate admin items | 30 | - | 30 | - |
| Total other revenues | 1 234 | 1 | 1 235 | 11 416 |

| A8. Administered cash flow reconciliation | 2009 | 2008 |
|--|----------------|---------|
| Reconciliation of cash and cash equivalents at the end of the reporting period: | \$'000 | \$'000 |
| NRM Fund | 2 426 | 2 600 |
| Qualco-Sunlands | 813 | 563 |
| Land Technology Alliances | - | 2 |
| Pastoral Board | 38 | 45 |
| National Action Plan for Salinity and Water Quality | 14 299 | 20 120 |
| Natural Heritage Trust grants | 657 | 754 |
| Natural Heritage Trust Extension | (96) | 3 042 |
| National Landcare program | 680 | 1 529 |
| Mount Lofty Ranges catchment support | - | (77) |
| NRM Alliance Fund | 166 | 10 |
| Centre for Natural Resource Management | 97 | 260 |
| Caring for our Country | 1 946 | - |
| Complementary State NRM Program | 16 | - |
| The Department's corporate administrative items | 1 030 | 1 566 |
| Cash and cash equivalents disclosed in the Statement of Administered Financial Position | 22 072 | 30 414 |
| Balance as per Statement of Administered Cash Flows | 22 072 | 30 414 |
| Reconciliation of net cash (used in) operating activities to net result: | | |
| Net cash used in operating activities | (8 342) | (9 632) |
| Movement in assets/liabilities: | | |
| Increase in joint venture | - | 9 124 |
| Increase in receivables | 1 920 | 22 |
| Decrease in other assets | (114) | (62) |
| Decrease (Increase) in payables | 460 | (2 549) |
| Decrease in employee benefits | - | 1 |
| Net result | (6 076) | (3 096) |

| A9. Receivables | SA Govt | Non-SA Govt | 2009 | 2008 | 2007 |
|---|----------------|--------------------|---------------|--------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables reflected as current assets at 30 June comprised the following: | | | | | |
| Water levies | - | 1 654 | 1 654 | 1 095 | 403 |
| Penalties | - | 2 810 | 2 810 | 1 837 | 1 553 |
| South Eastern Water Conservation and Drainage Board | - | - | - | - | 77 |
| Qualco-Sunlands | - | - | - | - | 10 |
| National Action Plan for Salinity and Water Quality | - | - | - | - | 20 |
| Natural Heritage Trust Extension | 319 | - | 319 | 20 | 1 533 |
| Mount Lofty Ranges Catchment Support | - | - | - | - | 65 |
| Natural Resource Management Alliance Fund | 33 | - | 33 | 224 | - |
| Complementary State NRM Program | 128 | - | 128 | - | - |
| National Landcare Program | 152 | - | 152 | - | - |
| Total receivables | 632 | 4 464 | 5 096 | 3 176 | 3 661 |

A10. Interest in joint venture

During the year ended 30 June 2009, the agreements for the management of the assets and the resources (the water) within the Murray-Darling Basin Commission (MDBC) were restructured. The transition date to the new arrangements was 14 December 2008.

Prior to the restructure, the Department accounted for the State's interest in the MDBC as an equity accounted interest in a joint venture entity and the interest has been reported by the department as an administered item. At the date of transition the MDBC ceased to exist and was replaced by the Commonwealth wholly owned entity the Murray-Darling Basin Authority.

Following the restructure, under the revised arrangements, the venturers no longer have a joint interest in net assets, but instead, they have a joint interest specifically in the infrastructure assets and water rights (as opposed to an interest in an entity controlling/holding the assets). The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.67 percent; South Australia 26.67 percent; Victoria 26.67 percent; the Commonwealth Government 20 percent.

A11. Land

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989* (PLM&C Act). The unimproved value of land subject to these leases was revalued at \$32.938 million as at 1 November 2005 by Robin Norris, Senior Valuer, of the former Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$9.355 million.

The revenue generated by the pastoral leases is recorded within the Department's controlled items (Note 17) in accordance with the PLM&C Act to cover the costs incurred by the Department in administering the pastoral leases.

A12. Payables

| Payables reflected as current liabilities at 30 June comprised the following: | SA Govt \$'000 | Non- SA Govt \$'000 | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 |
|--|---------------------------------|--|------------------------------|----------------|----------------|
| Penalties - Treasurer's Consolidated Account | 369 | - | 369 | 330 | 158 |
| Penalties - Regional NRM Boards | 941 | - | 941 | 558 | 96 |
| Payroll tax - Regional NRM Boards | 358 | - | 358 | 358 | 168 |
| Qualco - Treasurer's Consolidated Account | 813 | - | 813 | 250 | 250 |
| National Action Plan for Salinity and Water Quality | - | - | - | 8 | 379 |
| Natural Heritage Trust Extension | - | - | - | 66 | 165 |
| National Landcare program | - | 4 | 4 | 4 | 4 |
| Mount Lofty Ranges catchment support | - | - | - | - | 2 |
| Centre for Natural Resource Management | - | - | - | - | 130 |
| Water Licences | 1 011 | 307 | 1 318 | 2 873 | 546 |
| Complementary State NRM Program | 71 | 30 | 101 | - | - |
| Other | 83 | - | 83 | - | - |
| Total payables | 3 646 | 341 | 3 987 | 4 447 | 1 898 |

WORKCOVER CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The WorkCover Corporation of South Australia (the Corporation) was established under the *WorkCover Corporation Act 1994* to administer the *Workers Rehabilitation and Compensation Act 1986*.

Functions

The main objectives of the Corporation are to reduce the incidence and severity of work related injuries and to compensate and rehabilitate injured workers.

The Corporation administers four funds, the main fund being the WorkCover Scheme. Refer Note 1(c) to the financial statements which describes the nature of operation of the funds.

Regarding the WorkCover Scheme employers must pay a levy to the Corporation based on remuneration provided to their workers. The Corporation invests the levy revenue until needed to compensate and rehabilitate injured workers. The levy revenue is also used to pay administration expenses and claim management fees. The claim management fees are paid to Employers Mutual Limited (EML) who was engaged in January 2006 to manage workers compensation claims and rehabilitation.

Legislative changes

On 17 June 2008, the South Australian Parliament passed some significant legislative amendments to the WorkCover Scheme. The amendments affect both the *Workers Rehabilitation and Compensation Act 1986* and the *WorkCover Corporation Act 1994*. Many of the changes to the WorkCover Scheme came into effect on 1 July 2008, with some of the more complex changes following later.

Workers Rehabilitation and Compensation Act 1986

Amendments to this Act are aimed at significantly increasing worker return to work rates in South Australia, thereby minimising the negative impacts of injured workers remaining on the Scheme, and enabling a reduction in the cost of levies paid by employers and ensuring the achievement of full funding.

A notable change includes work capacity reviews to strengthen the test that determines whether an injured worker is well enough to return to work or is entitled to ongoing compensation beyond 2.5 years.

WorkCover Corporation Act 1994

Amendments to this Act make changes to the governance arrangements of the Corporation.

A notable change is that the Corporation is required to be audited by the Auditor-General, effective 1 July 2008. As a consequence, this is the first year that the Corporation has been reported on in the Annual Report of the Auditor-General to Parliament.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 19 of the *WorkCover Corporation Act 1994* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

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

- levies
- investments
- workers compensation payments such as income maintenance, redemptions and medical costs
- claim management fees paid or payable to EML
- actuarial estimates of outstanding claim liabilities
- general operating expenses such as payroll and other administrative expenses
- ICT infrastructure and systems.

The Corporation has a comprehensive internal audit program. Planned and actual internal audit activities for 2008-09 were considered and reviewed to assist the planning, conduct and assessment reporting for specific areas of the Corporation's operations that were subject to Audit review and attention.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

It was mentioned on the previous page that as a result of legislative change the Auditor-General became the statutory external auditor of the Corporation from 1 July 2008.

The Corporation was previously audited by a private external auditor.

The Independent Auditor's Report issued by the private auditor on the 2007-08 financial statements of the Corporation was unqualified. The Report, however, included a comment on the inherent uncertainty regarding the outstanding claims provisions, and funding ratio implications.

The comment reflected acknowledgement of a deterioration of the WorkCover Scheme's liabilities in recent years, and uncertainty about the financial impact of the recent legislative reforms to the WorkCover Scheme. The impact of reform will only become clearer as actual claims experience emerges under the reforms in upcoming periods.

As the legislative reform process only came into effect on 1 July 2008, with reforms being progressively implemented in 2009, the nature of the comment included in the unqualified 2007-08 Independent Auditor's Report remains relevant for the 2008-09 Independent Auditor's Report.

The following is an extract from the 2008-09 Independent Auditor's Report on the Corporation's 2008-09 financial statements, which is unqualified and includes a comment on the inherent uncertainty of the outstanding claims provisions, and funding ratio implications.

Auditor's opinion

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

Inherent uncertainty – outstanding claims liability and funding ratio

Without qualification to the opinion expressed above, attention is drawn to Notes 2, 18 and 19 to the financial statements.

There is significant uncertainty surrounding the financial impact of the WorkCover Scheme legislative reform. The reform is recent and its impact will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in Notes 18 and 19 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in Note 28 and the future average levy rate. The Board of the Corporation will need to take this matter into account when setting the average levy rate in future years.

Assessment of controls

In my opinion, the controls exercised by the WorkCover Corporation of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to workers compensation payments and levies 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 detailed in management letters to the officers responsible for the governance of the Corporation. Responses to the management letters were considered to be satisfactory. The main matters raised with the Corporation and the related responses are detailed below.

Workers compensation payments

Workers compensation payments, excluding movements in outstanding claim liabilities, were approximately \$576 million in 2008-09.

The results of the audit indicated internal controls over workers compensation payments were generally effective in 2008-09 but did not provide sufficient assurance that:

- payments to hospitals, medical service providers, physiotherapy and rehabilitation providers were for services actually performed
- income maintenance payments were accurately calculated in accordance with legislation and were based on valid data correctly entered into IDEAS. IDEAS is the Corporation's computer system used by EML to pay income maintenance and other forms of compensation. Income maintenance was provided to workers in two main ways:
 - paid directly to workers by EML
 - paid to employers by EML as reimbursement for the Corporation's share of wages paid by employers. The Corporation's share of wages is the worker's notional earnings determined by EML in accordance with legislation less actual earnings for hours worked.

Audit noted that the Corporation is protected under the claims management agreement against EML making invalid payments by its ability to recover such payments from EML.

Audit considered the internal controls of the Corporation did not effectively:

- ensure all initial income maintenance calculations determined in 2008-09 were correct or based on sufficient proof of earnings required by legislation. EML did not undertake a peer or manager review of these calculations to check whether they were correct or based on sufficient proof of earnings unless calculated by new case managers. It is likely that external controls would have helped detect incorrect calculations of notional earnings in the situation where employers shared the cost of income maintenance. However, it is less likely that incorrect calculations would have been detected for workers who were paid directly by EML
- ensure all amounts and hours claimed on Income Maintenance Reimbursement Slips (IMRS) by employers were valid. Amounts and hours claimed by employers were not checked to any reliable independent source, eg the worker
- ensure all services charged by medical providers were actually performed. When authorising payments the case managers were expected to check the validity of medical procedures shown on invoices based on their knowledge of the worker's injuries. However, case managers had no assurance that every procedure shown on invoices were actually performed. Furthermore, the validity of services shown on some invoices below \$500 were not checked by case managers or any other officers. The Corporation was unable to provide the number and value of services that were not validated to enable the materiality of this control deficiency to be quantified.

The Corporation has recognised the potential risk of medical service providers charging for services not performed. During 2007-08 and 2008-09 some workers volunteered to participate in surveys performed by the Corporation to confirm the validity of chiropractor, remedial therapists and physiotherapist services paid on the worker's behalf. The Corporation sent the workers a statement showing each service paid on their behalf and requested the workers to confirm whether the services had actually been performed. Although these surveys identified no fraudulent billing they did not provide a high level of assurance as they did not cover all providers of medical services and only covered those workers who volunteered to participate in the surveys.

- prevent or detect inaccurate keying of income maintenance amounts into the IDEAS system including:
 - employer reimbursement amounts shown on IMRS forms. If these keying errors remain undetected, IDEAS will under or overpay employers of these workers for the pay periods entered
 - notional earnings for workers paid directly by EML. If these keying errors remain undetected, IDEAS will under or overpay these workers every week.

The audit also identified some claim files for workers injured before 2008-09 were missing the initial income maintenance calculations and proof of earnings (copies of payslips, employer's declarations etc).

Audit made a number of suggestions and recommendations to make workers compensation payment controls more efficient and effective. Audit acknowledged that some of its suggestions and recommendations may be difficult to implement. In response, the Corporation advised that some of these control issues are difficult to solve in the current IDEAS environment and the Corporation's focus in this area will be aimed at utilising the features of IDEAS successor (Curam) which will be implemented in 2009-10. Some of the suggestions, recommendations and responses included:

- requiring all initial income maintenance calculations be checked in future to ensure they are correct and based on sufficient proof of earnings irrespective of whether they are calculated by new or experienced case managers. The Corporation advised that it will work with EML on an appropriate review process to validate average weekly earnings figures prior to finalisation
- requiring workers to sign the IMRS forms as well as employers. The Corporation advised this is not viable
- reports be produced from IDEAS and agreed to source documents to detect inaccurate keying of income maintenance amounts into IDEAS. The Corporation advised IDEAS will not facilitate the production of these reports without considerable effort and cost. IDEAS successor (Curam) will have improved flexibility
- sending statements periodically to each worker:
 - showing their notional earnings
 - showing, where applicable, amounts reimbursed to their employer via IMRS forms
 - showing each medical procedure performed on the worker and paid on their behalf
 - requesting the worker to advise the Corporation of any obvious irregularities in the statement.

The Corporation advised the cost of sending statements to each worker would outweigh the benefits. The Corporation also indicated in its response that its risk based approach to checking invoices ensures medical procedures shown on invoices below \$500 are actually performed.

During 2008-09, the Corporation's internal audit and the internal auditor of EML also undertook reviews of various aspects of the procedures utilised to make workers compensation payments. Those reviews also identified areas where some internal controls had not operated effectively throughout the whole year.

Levies

Employers are required to calculate and pay their levies to the Corporation.

The Corporation received approximately \$646 million in levies from about 50 000 employers in 2008-09.

To ensure all employers pay the correct levy the Corporation relies on its budgetary controls coupled with internal audits of employer's levy payments.

As part of its budgetary controls the Corporation predicts the forthcoming year's levy revenue by applying the average levy rate to the expected remuneration payable to workers by all employers. The prediction is monitored by the Board against actual receipts to identify significant under or overpayments. The prediction of expected remuneration is based on actual remuneration that employers have declared to the Corporation in past years. The budgetary controls will not prevent or detect employers who misstate their remuneration every year and under or overpay their levies.

Therefore, the Corporation's levy revenue unit undertakes compliance audits of employer's levy payments and remuneration declarations to detect employers who may misstate their remuneration.

Audit considered these audits did not provide sufficient evidence that employers were not misstating their remuneration every year. This view was based on:

- the lack of a clearly documented audit strategy
- the audits focussed on employers likely to misstate their remuneration without also covering a representative sample of all employers
- the compliance audits did not usually result in the retention of copies of employer's source documents used in levy re-calculations such as extracts of payroll records, financial statements and general ledger records. This also inhibited the Corporation's quality assurance officers from checking whether sufficient audit evidence was obtained.

Audit recommended ways to enhance the compliance audits to provide more reliable information about the potential under or overpayment of levies across all employers. This would help the Board decide whether more or less resources should be committed to auditing levies. Under resourcing of levy audits may result in underpaid levies remaining undetected.

In response to these matters the Corporation advised:

- that over 12 000 employers were audited over the four years from 2004-05 to 2007-08 resulting in the detection of \$14.8 million in underpaid levies and \$3.4 million in overpaid levies. The Corporation considered the results of these audits did not indicate any widespread problems, and consequently introduced a more flexible audit program that experimented with different approaches to auditing employers and focused on auditing employers likely to misstate their remuneration
- the flexible audit program will be extended to cater for the new levy payment regime introduced on 1 July 2009
- until both Project Harry has been implemented and legislative reform bedded down, the levy audit plan should allow considerable flexibility to react to any emerging issues
- it considers it impractical to require its compliance auditors to retain copies of employer's source documents used in their levy re-calculations.

General operating expenses

The audit identified controls could be improved to reduce the risk of:

- staff absences not being recorded
- leave forms not being received and processed.

Only employees on flexi-time arrangements were required to maintain attendance records. The record was a timesheet that recorded time worked, leave taken and accumulated flexi-time.

Managers were responsible for establishing their own systems for identifying and following-up outstanding leave forms.

To reduce the risk of managers overlooking missing timesheets and leave forms, Audit recommended the payroll officer also receive copies of timesheets to identify and follow-up outstanding leave forms.

Audit also recommended that policies and procedures be established that:

- clarify the types of employees who must record their attendance and time worked
- give guidance on how attendance and time worked should be recorded.

In response to these recommendations the Corporation advised:

- the staff attendance policy would be reviewed
- it would not change the process of requiring managers, rather than the payroll officer, to ensure proper recording of leave.

Implementation of the revised TIs 2 and 28

The TIs became applicable to the Corporation on 1 July 2008 as a result of legislative changes.

The Corporation undertook a comprehensive review to ensure it was complying with the TIs including TIs 2 and 28.

The Corporation and its claims manager (EML) have documented policies and procedures on all aspects of their major operations. The Corporation conducts internal audits and other reviews to monitor compliance with its policies and procedures and identify ways to improve its internal controls. It also undertakes internal audits and other reviews to monitor whether EML are complying with the Corporation's and EML's own policies and procedures.

In addition, the Corporation has a formal management assurance process in operation. It involves and requires:

- quarterly declarations to be made by all business unit managers covering the adequacy of controls, any known breaches of legislation, policy and contractual obligations. The declaration is reviewed and signed by the relevant general manager
- quarterly representations made by general managers which cover the adequacy of internal control systems, material breaches of legislation, delegations or contractual obligations and any known or suspected fraud.

The Corporation has also been developing a formal financial management compliance program that will cover all requirements of TI 28.

ICT infrastructure and systems

The Corporation is a major user of information technology infrastructure, communication networks and systems to support its key financial and operational activities.

Finance One is the Corporation's main financial system which provides central accounts payable, accounts receivable, general ledger and financial accounting. The Finance One system interfaces with the Corporation's key operational system IDEAS.

IDEAS is a workers compensation system used for the recording and processing of the collection of employer levies and management and payment of claims and entitlement payments. An external company has been contracted as the sole manager of workers rehabilitation and compensation claims on the Corporation's behalf.

The Corporation is currently progressing two major system replacement/development projects:

- project HARRY to replace the Corporation's existing workers compensation processing system (IDEAS) with a market software solution
- project WIRE which involves the construction of a new data warehouse and reporting and business intelligence environment across the Corporation. Its implementation will be aligned with Project HARRY.

The estimated cost of both projects is in excess of \$40 million with implementation scheduled for February 2010. Expenditure incurred to 30 June 2009 on the projects totalled \$26.7 million.

2009 audit review

During the year Audit reviewed the Corporation's management and control of ICT, and control aspects of the computer processing environments and user access arrangements of the Finance One and IDEAS computer systems and facilities. The control areas addressed were information security, information system operations, business continuity planning, disaster recovery, application systems implementation and maintenance, database implementation and support, systems software support and network support.

A particular focus was also given to the operation of key controls over the ongoing management of projects HARRY and WIRE.

In addition, the outcomes of ICT related internal audit reports and actions initiated by the Corporation were taken into account during the reviews.

The claims management access and operations of EML were excluded from the reviews as they were the specific subject of an internal audit review.

The following commentary summarises the more salient matters arising from the audit review.

Review of ICT management and control and existing systems and environments

The Corporation has an ongoing awareness of information security given the nature and sensitivity of the information it stores and manages. The documented organisation structure and governance arrangements for the management, control and operation of ICT systems and facilities were considered appropriate.

An internal audit function is contracted out to external expertise. That function and other quality assurance processes include a focus on ICT areas of operation including the two major system replacement projects HARRY and WIRE.

Notwithstanding the above, the review identified certain matters that present potential risk to the information assets and ICT operations of the Corporation.

The more salient matters identified in the review were:

- the requirement for development of more comprehensive and current key system access/control and procedural documentation
- suggested improvements in technical security and settings for Finance One and IDEAS
- recognition of the reliance on key staff in some technical areas
- the need to update off-site disaster recovery documentation.

The review of Finance One technical security and settings found a need to strengthen password controls, improve security settings on the Finance One database, revisit operating system patching procedures and review the number of administrators with access to promote Finance One changes to the production environment.

For IDEAS technical security and settings, the review found a need to revisit operating system patching procedures, improve some system security configuration issues and revisit monitoring of aspects of certain segregation of duties for any potential conflicts.

Audit noted that security over the IDEAS application was complex and limited documentation existed to support the operation of the security approach for IDEAS. This presents some risk that the loss of personnel could lead to key management control or operational activities not being performed accurately or on a timely basis.

Review of aspects of new systems implementation

As mentioned previously, projects HARRY and WIRE are major projects of the Corporation to replace critical operational and financial systems and involve in excess of \$40 million to complete. As part of project HARRY, the Corporation initiated a specific project to catalogue and classify information assets. This is important to ensure appropriate controls are applied to the information being protected.

In particular, formal governance practices were found to be in place for both project HARRY and project WIRE. The Corporation has also implemented a formal ICT Project Management Framework which has been followed for the projects.

The more salient matters identified from the review of the two projects were:

- the importance of continued monitoring of the projects HARRY and WIRE against any potential risk to the Corporation's ability to deliver the projects prior to the 2010-11 levy cycle
- a need to continue the ongoing project for information security classification
- the requirement for development of more comprehensive and current key system access/control and procedural documentation for the new systems
- a need to continue to reassess the adequacy of testing data and resources for project WIRE.

The Corporation undertook a review of legislative change and at the time of the audit review there were two key issues outstanding from the legislative review impact assessments. These changes were being incorporated into the project plan/schedule. The Corporation anticipated that implementation of these changes would delay the go-live date of projects HARRY and WIRE to February 2010. In mid-2009 the Corporation's planned implementation date was November 2009 with contingency plans for a December 2009 or beyond date.

Also at the time of the review, project WIRE status reports examined by Audit indicated delays to project milestones and that a proposed extension of the go-live date to February 2010 would address the delayed milestones.

Further, a lack of data in testing environments had been reported by the Corporation and was affecting the testing exercises of project WIRE. A lack of resources available for testing had also been identified. These matters were subsequently addressed by the Corporation.

The Corporation has identified as a key issue and risk, system and user acceptance testing for projects HARRY and WIRE. These matters are under continual review by the Corporation.

Given that project HARRY had been re-baselined three times and a fourth baseline had not been finalised, and that both projects had been behind schedule, Audit considered it important that the Corporation continue to actively monitor the status of both projects.

The response from the Corporation was comprehensive and advised of actions that had been taken, planned or that were in progress to address the matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the consolidated financial statements

| | 2009 \$'million | 2008 \$'million |
|---|--------------------|--------------------|
| UNDERWRITING RESULT | | |
| Levy revenue | 646 | 621 |
| Claims paid | (576) | (500) |
| Claim recoveries | 24 | 23 |
| Decrease (increase) in net outstanding claims liability | 88 | (119) |
| Claim management fees | (49) | (32) |
| Other underwriting expenses | (11) | (14) |
| Total underwriting result | 122 | (21) |
| NET INVESTMENT AND OTHER INCOME | | |
| Investment loss and investment expenses | (138) | (73) |
| Other income | 4 | 12 |
| Net loss and other income | (134) | (61) |
| OPERATING EXPENSES | | |
| Employee benefit expenses | (29) | (29) |
| Other expenses | (34) | (29) |
| Total operating expenses | (63) | (58) |
| Total comprehensive result | (75) | (140) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 47 | 109 |
| ASSETS | | |
| Investments | 1 182 | 1 337 |
| Other assets | 208 | 191 |
| Total assets | 1 390 | 1 528 |
| LIABILITIES | | |
| Outstanding claims | 2 385 | 2 465 |
| Other liabilities | 64 | 47 |
| Total Liabilities | 2 449 | 2 512 |
| EQUITY | (1 059) | (984) |

Statement of Comprehensive Income

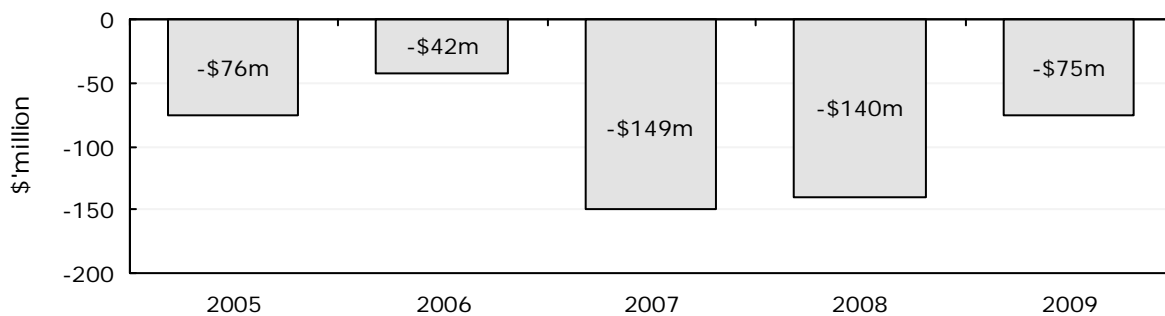
Total comprehensive result

The comprehensive result of the Corporation depends significantly on:

- levy rates being set before the start of the financial year with the aim of ensuring levy revenue and investment income will at least cover the cost of new claims received during the financial year and administrative costs. The levy setting process depends significantly on the actuarial estimate of the cost of new claims likely to be received during the forthcoming year
- actuarial estimate of the outstanding claims provision
- the market value of its investments.

The comprehensive loss result for the year was \$75 million compared to a loss of \$140 million in the prior year. The improvement reflected a turnaround of \$143 million in the underwriting result, which was partly offset by a further deterioration in the losses incurred on investments.

The following chart shows the total comprehensive result of the Corporation for the five years to 2009.



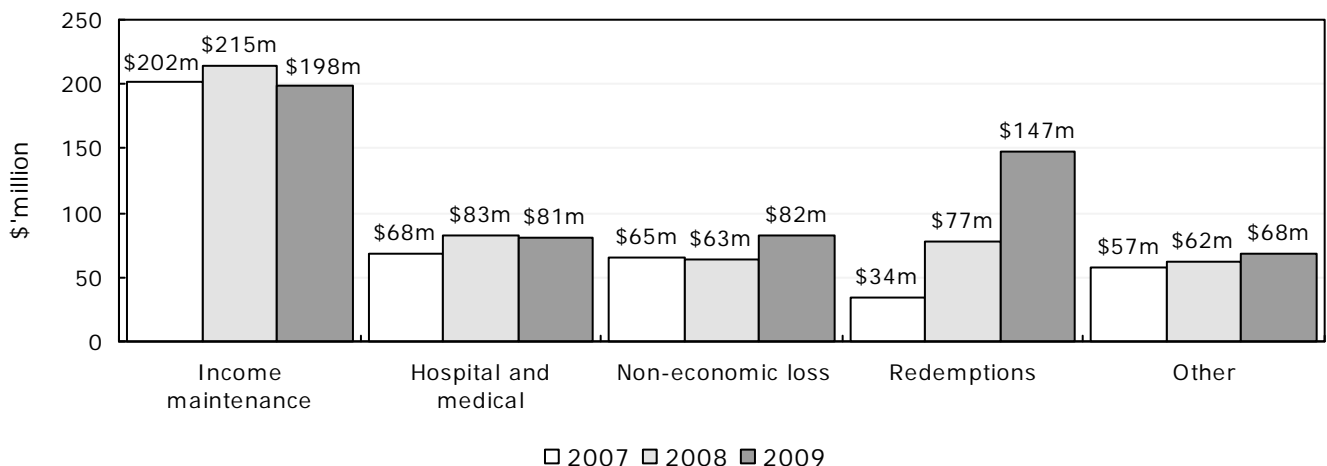
Underwriting result

The underwriting result is essentially levy revenue less claims expense. Investment income does not form part of the underwriting result. AASB 1023 requires the underwriting result to be shown separately in the Statement of Comprehensive Income to help show the extent to which underwriting activities rely on investment income for the payment of claims.

The underwriting result improved from a loss of \$21 million in 2008 to a gain of \$122 million in 2009 due mainly to the actuarial estimate of the net outstanding claims liability no longer increasing but decreasing. This caused a \$207 million improvement to the underwriting result. The improvement was partly offset by increases in redemption payments of \$70 million and claim management fees of \$17 million.

Claim payments

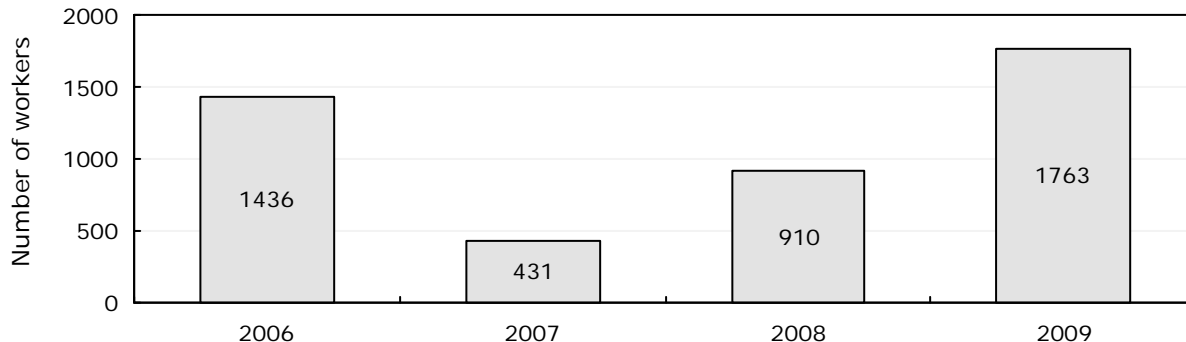
The following chart analyses claim payments for the three years to 2009.



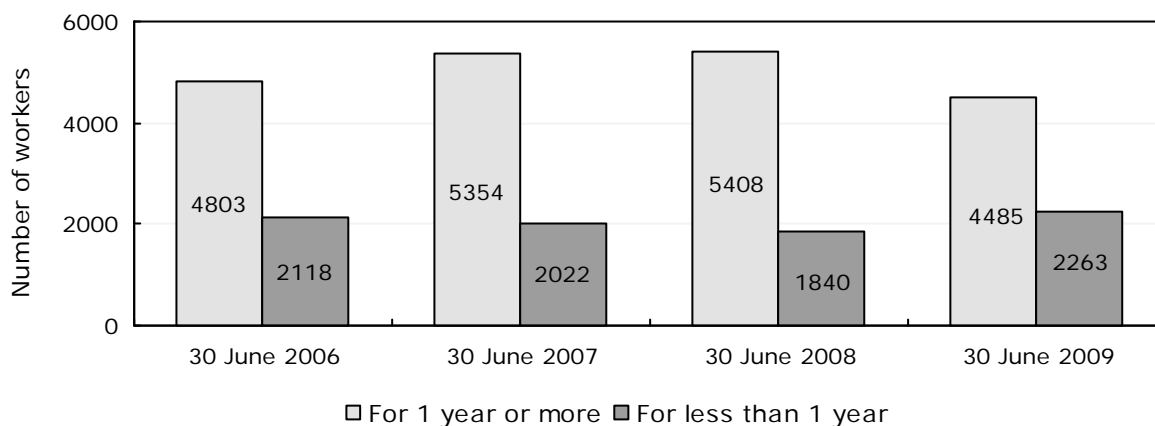
The above chart shows the significant increase in redemptions and lump sum payments for non-economic loss offset by falls in income maintenance and medical costs. The increase in redemptions contributed to the reduction in the outstanding claims liability as at 30 June 2009.

Amended legislation that became effective on 1 July 2009 has more requirements that must be met before redemptions can be paid. This is intended to cause redemptions to drop in future years.

The following chart shows the number of workers paid redemptions for the four years to 2009. The numbers shown in the chart were provided by the Corporation and are unaudited.



The above chart reflects a concerted effort over the last two years to facilitate the exit of long-term injured workers from the scheme. The drop in the number of workers receiving income maintenance as at 30 June 2009 as a result of the redemptions is reflected in the following chart.

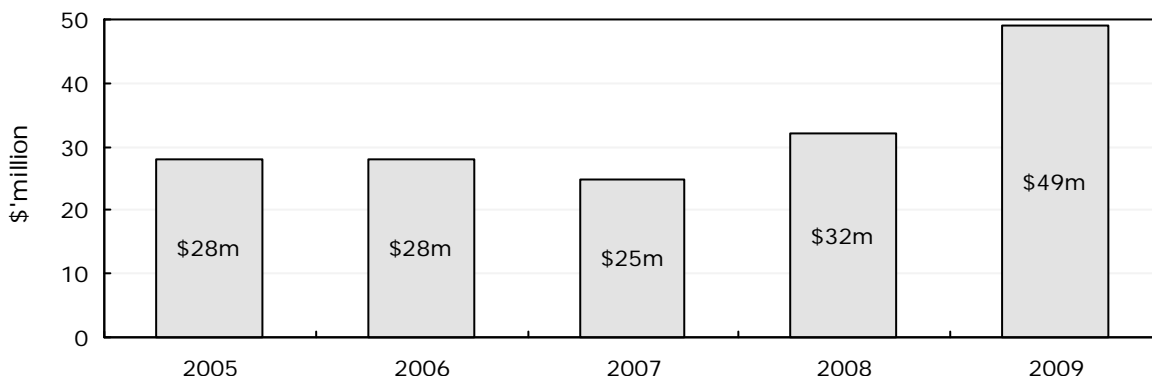


The numbers shown in the above chart were provided by the Corporation and are unaudited.

Although the above chart shows the number of workers receiving income maintenance for over a year as at 30 June dropped in 2009 the number of workers receiving income maintenance for less than a year increased. Legislation dealing with the progressive reduction of worker's income maintenance was changed in 2008-09 to encourage injured workers to return to work earlier. The legislative requirement that worker's notional earnings be reduced by 20 percent after 12 months of the injury was amended in 2008-09 to require reductions to occur after 13 weeks and then be further reduced after 26 weeks. Other legislative changes caused an increase in the number of very short-term claims, eg employers are no longer required to pay the first two weeks of income maintenance.

Claim management fees

The following chart shows claim management fees for the five years to 2009.

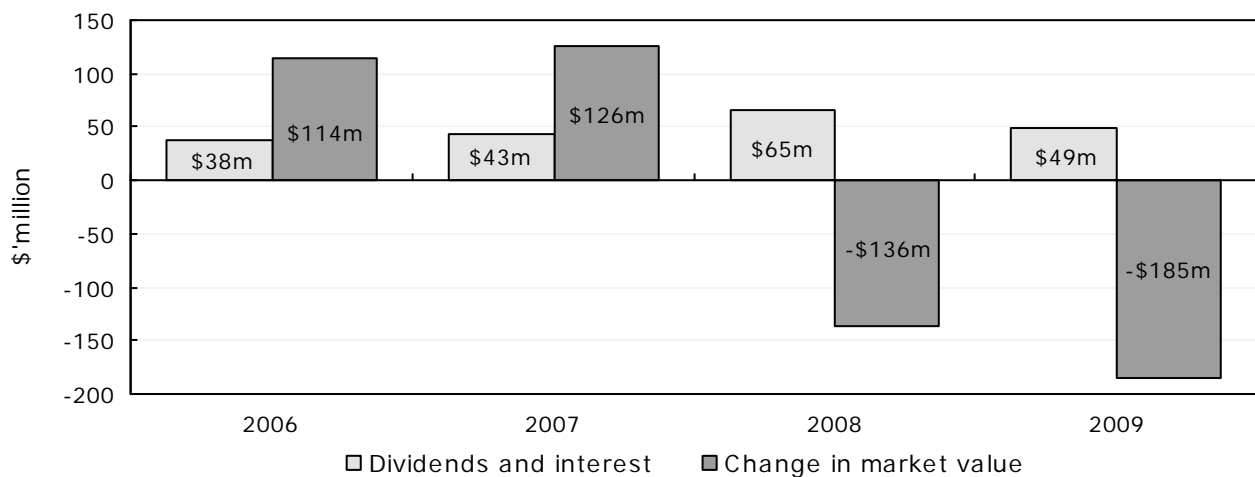


The Corporation has engaged EML since January 2006 to manage workers compensation claims and rehabilitation. Before January 2006 the claims were not managed by EML but a number of other external entities. The estimated claim management fees payable to EML increased by \$17 million in 2009 mainly due to increased resource application and achievement of actions associated with reducing the number of long-term injured workers receiving income maintenance payments from the WorkCover Scheme.

Investment income/losses

Over the last two years the Corporation has incurred losses on its investments due mainly to a decline in the market value of its investments resulting from depressed financial markets.

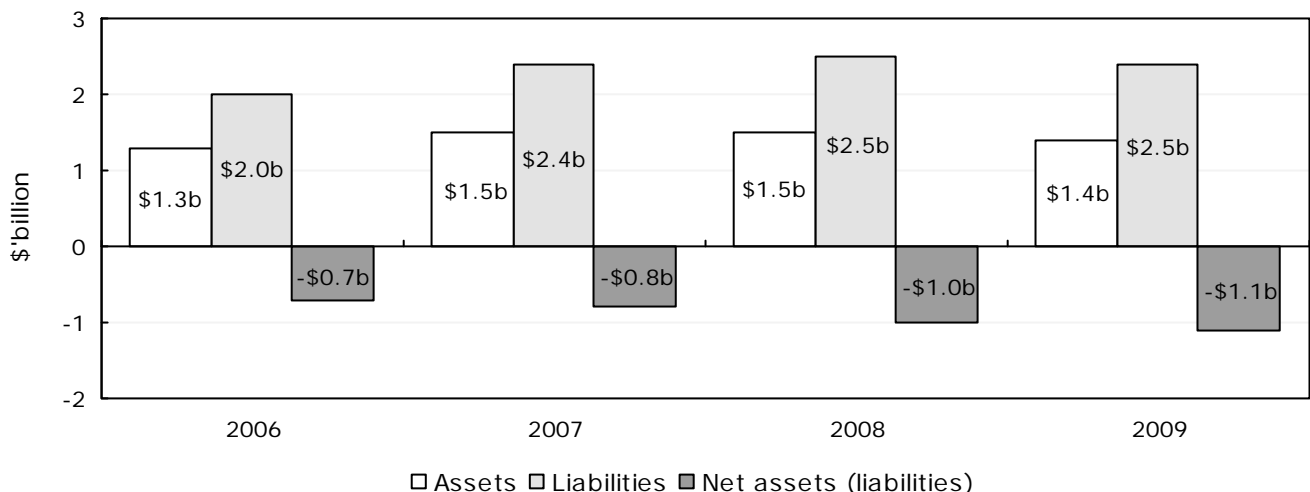
The following chart shows the main categories of investment income of the Corporation for the four years to 2009.



Statement of Financial Position

The net liabilities of the Corporation have steadily grown from \$694 million in 2006 to \$1.1 billion in 2009. The increase in net liabilities of \$75 million during 2009 was due mainly to a fall of \$185 million in the market value of investments offset by a fall of \$88 million in the outstanding claims liability adjusted for claim recoveries receivable.

The following chart analyses the assets and liabilities of the Corporation for the four years to 2009.



Outstanding claims

Outstanding claims comprised 97 percent (98 percent) of the Corporation's liabilities. The outstanding claims liability covers expected future payments including those related to claims reported but not yet paid, incurred but not yet reported and incurred but under reported.

The liability is determined on the basis of consideration and assessment by the management and Board of the Corporation of a comprehensive actuarial review of claims exposures by an independent actuary. Relevant information relating to the actuarial estimation of outstanding claims liabilities is provided in Notes 1(k), 2, 18 and 19 to the financial statements.

In particular, Note 18 indicates that the actuarial estimation made only limited allowances for the impact of the changes in legislation on the liability for outstanding claims at 30 June 2009. This acknowledges, as previously commented, that legislative reform is recent and its impact will only become clearer as actual claims experience emerges under the reforms in upcoming periods. Note 18 also specifies the nature of a number of key uncertainties associated with the actuarial estimation.

Probability of sufficiency

As disclosed in Note 18 the estimate of outstanding claims liability is determined by reference to a 65 percent probability that the provision for outstanding claims will be adequate. The charter of the Corporation requires it to estimate its claims liabilities using an appropriate risk margin which is based on at least 65 percent probability of sufficiency. The Australian Prudential Regulation Authority sets a minimum of 75 percent in its Prudential Standard GPS 310. Public sector entities are not bound by this requirement. It is noted that the Motor Accident Commission uses 80 percent and other schemes in Australia, which are fully funded, currently use 75 percent to 80 percent.

Audit requested as part of the preparation of the 2008-09 financial statements that the management and Board of the Corporation give consideration to the probability of sufficiency level to be applied for the 2008-09 outstanding claims liabilities estimation. The Board considered this matter, as it does annually, and resolved to adopt a 65 percent probability of sufficiency in preparing its 2008-09 financial statements, but also to fully disclose the impact of using a higher level of probability on the outstanding claims liabilities estimates. It also noted its intent to move towards a higher level as full funding is achieved. Note 18 (e) shows the material change in the value of net outstanding claims liability using a 75 percent and 80 percent probability of sufficiency.

Funding position

Note 28 to the financial statements discusses the funding position of the WorkCover Scheme and other funds. There was a reduction in the funding ratio from 60.8 as at 30 June 2008 to 56.7 as at 30 June 2009.

Investments

The Corporation's investment portfolio of \$1.2 billion mainly comprises investments in pooled funds and discrete mandate funds.

Pooled funds

The Corporation instructs investment management firms (fund managers) to trade unit holdings in pooled funds that have characteristics consistent with the Corporation's investment guidelines. Other organisations besides the Corporation also hold units in the pooled funds.

Discrete mandate funds

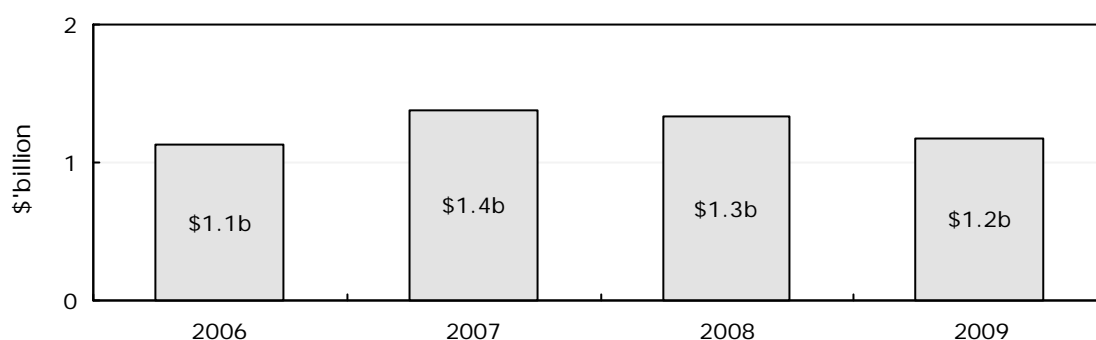
The Corporation has agreements with several firms (fund managers) to manage investment portfolios according to rules that ensure compliance with the Corporation's investments guidelines.

The Corporation has appointed the National Australia Bank to be national custodian of the investment activities of the discrete mandate fund managers.

Investment decisions

Investment officers of the Corporation implement the Corporation's investment strategy which involves moving funds between investments held in pooled funds and discrete mandate funds to minimise risk and achieve target returns. The investment officers also receive expert advice on investment matters from an external consultant.

The following chart shows the market value of the Corporation's investments for the four years to 2009



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

| | | WorkCover Scheme | Other Funds | Total Compensation Fund 2009 | 2008 |
|--|-------|-----------------------------|------------------------|---|------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Levy revenue | 5 | 646 340 | - | 646 340 | 621 023 |
| Claims paid | 8 | (575 380) | (1 119) | (576 499) | (500 198) |
| Claim recoveries | 5,8 | 23 721 | 168 | 23 889 | 23 122 |
| Decrease (Increase) in net outstanding claims liability | 18,19 | 85 715 | 2 488 | 88 203 | (119 185) |
| Self insurer settlements | | (2 583) | - | (2 583) | (9 976) |
| Claims management fees | | (48 930) | - | (48 930) | (31 773) |
| Workers Compensation Tribunal | | (5 007) | - | (5 007) | (3 941) |
| WorkCover Ombudsman | | (797) | - | (797) | - |
| Medicals panels SA | | (2 203) | - | (2 203) | - |
| Underwriting result | | 120 876 | 1 537 | 122 413 | (20 928) |
| Investment loss | 6 | (124 467) | (11 339) | (135 806) | (70 764) |
| Investment expenses | | (1 781) | (250) | (2 031) | (2 473) |
| Net loss from disposal of non-current assets | | (82) | - | (82) | (3) |
| Other income | 7 | 4 029 | - | 4 029 | 11 676 |
| Net investment loss and other income | | (122 301) | (11 589) | (133 890) | (61 564) |
| Employee benefit expenses | 10 | (29 218) | (110) | (29 328) | (29 015) |
| Depreciation and amortisation expenses | 9 | (943) | - | (943) | (899) |
| SafeWork SA | | (10 050) | - | (10 050) | (9 770) |
| Other general operating expenses | 9 | (22 610) | (723) | (23 333) | (18 302) |
| Total operating expenses | | (62 821) | (833) | (63 654) | (57 986) |
| TOTAL COMPREHENSIVE RESULT | | (64 246) | (10 885) | (75 131) | (140 478) |

Statement of Financial Position as at 30 June 2009

| | | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Compensation Fund 2009 \$'000 | 2008 \$'000 |
|--|-------|-------------------------------|--------------------------|--|----------------|
| ASSETS: | | | | | |
| Cash | 12 | 3 | - | 3 | 3 |
| Trade and other receivables | 13 | 177 855 | - | 177 855 | 177 414 |
| Investments | 3,14 | 1 075 776 | 106 537 | 1 182 313 | 1 336 931 |
| Property, plant and equipment | 15 | 1 891 | - | 1 891 | 1 995 |
| Intangible assets | 16 | 27 579 | - | 27 579 | 12 067 |
| Total assets | | 1 283 104 | 106 537 | 1 389 641 | 1 528 410 |
| LIABILITIES: | | | | | |
| Unearned levies | | 892 | - | 892 | 2 675 |
| Trade and other payables | 17 | 48 758 | - | 48 758 | 35 126 |
| Outstanding claims | 18,19 | 2 291 990 | 93 009 | 2 384 999 | 2 464 987 |
| Employee benefits | 20 | 13 516 | - | 13 516 | 9 158 |
| Provisions | 21 | 638 | - | 638 | 495 |
| Total liabilities | | 2 355 794 | 93 009 | 2 448 803 | 2 512 441 |
| NET (LIABILITIES) ASSETS | | (1 072 690) | 13 528 | (1 059 162) | (984 031) |
| EQUITY: | | | | | |
| Retained earnings | | (1 072 690) | 13 528 | (1 059 162) | (984 031) |
| TOTAL EQUITY | | (1 072 690) | 13 528 | (1 059 162) | (984 031) |
| Commitments | 25 | | | | |
| Self-insured employer financial guarantees | 26 | | | | |
| Contingent liabilities | 27 | | | | |

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

| | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Compensation Fund 2009 \$'000 | 2008 \$'000 |
|--|-------------------------------|--------------------------|--|----------------|
| Total equity at 30 June 2008 | (1 008 444) | 24 413 | (984 031) | (843 553) |
| Total recognised income and expense for 2008-09 | (64 246) | (10 885) | (75 131) | (140 478) |
| Total equity at 30 June 2009 | (1 072 690) | 13 528 | (1 059 162) | (984 031) |

Statement of Cash Flows for the year ended 30 June 2009

| | | WorkCover Scheme Inflows (Outflows) \$'000 | Other Funds Inflows (Outflows) \$'000 | Total Compensation Fund 2009 Inflows (Outflows) \$'000 | 2008 Inflows (Outflows) \$'000 |
|--|----|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Levy receipts | | 651 105 | - | 651 105 | 608 364 |
| Claim recoveries | | 23 721 | 168 | 23 889 | 23 122 |
| Other receipts | | 3 987 | - | 3 987 | 11 786 |
| Claim and other related payments | | (596 020) | (1 119) | (597 139) | (510 174) |
| Interest received | | 26 048 | 1 759 | 27 807 | 37 840 |
| Dividends received | | 19 308 | 2 373 | 21 681 | 26 815 |
| Other payments to suppliers and employees | | (81 359) | (833) | (82 192) | (86 154) |
| Investment expenses | | (1 781) | (250) | (2 031) | (2 473) |
| Net cash from operating activities | 22 | 45 009 | 2 098 | 47 107 | 109 126 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Proceeds from sale of property, plant and equipment | | 85 | - | 85 | 54 |
| Proceeds from the sale of investments | | 387 497 | - | 387 497 | 148 692 |
| Acquisition of property, plant and equipment | | (1 006) | - | (1 006) | (1 315) |
| Acquisition of intangible assets | | (15 512) | - | (15 512) | (12 067) |
| Acquisition of investments | | (422 493) | (2 098) | (424 591) | (252 152) |
| Net cash used in investing activities | | (51 429) | (2 098) | (53 527) | (116 788) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | | | |
| CASH AND CASH EQUIVALENTS AT 1 JULY | 12 | 32 367 | - | 32 367 | 40 029 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 12 | 25 947 | - | 25 947 | 32 367 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

(a) Statement of compliance

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

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

WorkCoverSA has assessed the impact of the new and amended standards and Interpretations and consider there will be no material impact on the accounting policies or the financial statements of WorkCoverSA.

(b) Basis of preparation

The financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars (\$'000s).

The preparation of financial statements in conformity with AASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This experience forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The 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 basis except for financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

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

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(c) Reporting entity

WorkCoverSA is a statutory authority constituted under the *WorkCover Corporation Act 1994*. It is domiciled in Australia. For financial reporting purposes four separate funds are recognised as comprising WorkCoverSA:

- WorkCover Scheme
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

WorkCover Scheme

The WorkCover Scheme refers to the Compensation Fund which was established on 30 September 1987 under section 64 of the *Workers Rehabilitation and Compensation Act 1986* (the Act) and excludes the Statutory Reserve Fund, the Insurance Assistance Fund and the Mining and Quarrying Industries Fund.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed *Workers Compensation Act 1971* and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The fund was re-established under the First Schedule, clause 5 of the Act and forms a separate part of the Compensation Fund.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund

The Insurance Assistance Fund was established under the First Schedule, clause 5A of the Act and forms a separate part of the Compensation Fund. The Insurance Assistance Fund exists to support policies issued under section 118g of the repealed *Workers Compensation Act 1971*. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed Act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund

Amendments to the Act provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to WorkCoverSA and credited to a special account titled 'Mining and Quarrying Industries Fund' which is divided into two parts:

- Part (a) To satisfy liabilities under the Silicosis Scheme established under the repealed Act.
- Part (b) To be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in the Fourth Schedule.

With effect from 1 January 2006 the *Occupational Health Safety and Welfare (SafeWork SA) Amendment Act* transferred the responsibility for the administration of this fund to SafeWork SA.

(d) Comparative information

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

(e) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by WorkCoverSA in foreign currencies have been translated to Australian currency at rates of exchange current at the end of the reporting period with resulting exchange differences brought to account at 30 June 2009.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, cash at call and short-term deposits and negotiable securities with a maturity of three months or less.

(g) Trade and other receivables

Trade and other receivables are stated at fair value less impairment losses with the exception of claims recoveries receivable. Fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Claim recoveries receivables are stated at the amounts estimated in the actuarial valuation.

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

(h) Investments

Investments are measured at fair value. Changes in the fair values of investments at the end of the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- Cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value.
- Receivables are initially recognised at amortised cost being the actual amounts due. Subsequent measurements are estimated by taking the initially recognised amounts and reducing them for impairment as appropriate (see Note 1(n)).
- Listed securities and Government securities are valued by reference to market quotations.
- Underlying property assets and investments in unlisted unit trusts are valued by reference to independent valuations.

All investments are classified as backing insurance liabilities (outstanding claims liabilities and unearned levies).

(i) Insurance contracts

Insurance contracts are contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary. WorkCoverSA's liabilities for outstanding claims are similar in nature to general insurance contracts and accordingly are treated as general insurance contracts for the purpose of AASB 1023.

(j) 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.

(k) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by WorkCoverSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance', the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 65 percent probability of sufficiency.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

(k) Outstanding claims liability (continued)

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

(l) Assets backing insurance liabilities

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned levies recorded in the Statement of Financial Position. As WorkCoverSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, WorkCoverSA considers that substantially all of its assets, excluding property, plant and equipment, exist to back these insurance liabilities. As part of its investment strategy WorkCoverSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

(m) Property, plant and equipment

All assets acquired, including equipment, furniture and fittings and computers are stated at cost less accumulated depreciation and impairment losses (see Note 1(n)).

Depreciation is calculated on a straight-line basis so as to write off the net cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

| <i>Class of asset</i> | <i>Useful life (years)</i> | |
|--|----------------------------|------|
| | 2009 | 2008 |
| General office equipment | 4-5 | 4-5 |
| Computer and communications | 4 | 4 |
| Office furniture and fittings (including leasehold improvements) | 5-10 | 5-10 |

All non-current tangible assets with a value to or in excess of \$1000 are capitalised.

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

(n) Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is an indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(o) Intangible assets - IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where WorkCoverSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is 5 to 10 years.

(p) Trade and other payables

Trade and other payables are stated at cost. These amounts represent liabilities for goods and services provided to WorkCoverSA prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

(q) Provisions

A provision is recognised in the Statement of Financial Position when WorkCoverSA has a present legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Revenue

Levy revenue

Levies are payable by all registered South Australian employers under the Act.

Levies are calculated on the total remuneration paid by employers for the financial year and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for levies relating to the current financial year which are payable following the end of the reporting period.

Levy revenue (continued)

Levies attributable to future years and received in the current financial year have been classified as unearned levies.

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date WorkCoverSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Claims recoveries

Claims recoveries are made from a range of parties in accordance with the Act.

Recoveries on paid claims, reported claims not yet paid and claims incurred but not yet reported, are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Net gain (loss) on non-current assets

Any gain (loss) on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and determined after deducting the proceeds from the carrying amount at the time of disposal.

(s) Expenses

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

The specific recognition criteria adopted are:

Operating lease payments

Operating leases are recognised as an expense on a straight-line basis over the lease, with payments being charged to the Statement of Comprehensive Income.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a provision, net of subleasing revenue, in the period in which it is determined that the leased space will be of no future benefit to WorkCoverSA.

Claims management fees

Claims management fees are determined on an accruals basis in accordance with the respective agreements between WorkCoverSA and its claims agents.

Employee benefits - wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid as at reporting date including related on costs.

Employee benefits - defined contribution superannuation plan

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

Employee benefits - defined benefits superannuation plan

WorkCoverSA contributes to two defined benefit superannuation plans.

WorkCoverSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating to the terms of WorkCoverSA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Comprehensive Income.

Where the calculation results in a benefit to WorkCoverSA, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Employee benefits - long service leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on costs have been included in trade and other payables.

(t) Taxation

WorkCoverSA is not subject to income tax but continues to be liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Revenues, expenses and assets are recognised net 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 are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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

(u) Futures contracts

Futures contracts are recorded in the financial statements at net market value. The net market value is the unrealised gain (loss) on the outstanding contracts as at the end of the reporting period. All open futures contracts mature within 12 months of the end of the reporting period.

(v) Segment reporting

WorkCoverSA operates within the insurance industry predominantly providing for the rehabilitation and compensation of workers with respect to injuries and diseases arising from their employment. WorkCoverSA operates solely in the State of South Australia.

2. Critical accounting judgments and estimates

WorkCoverSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on WorkCoverSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of outstanding claims liability and the estimate of the levies receivable balance.

Outstanding claims liability

WorkCoverSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability is set out in Notes 18 and 19.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the end of the reporting period. Risk-free rates are used when discounting liabilities to current values. WorkCoverSA has adopted a risk margin of 5.2 percent (5.2 percent) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 20 percent (20 percent) at 65 percent (65 percent) probability of sufficiency. The risk margin of 5.2 percent was determined based on advice from Finity Consulting Pty Limited.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not yet reported (IBNR) to WorkCoverSA. The IBNR relates principally to claims for asbestos related diseases and affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Levies receivable

The levies receivable balance is calculated based on the expected amount of levies to be received relating to the year ended 30 June 2009. This includes levies received after the year end, levies outstanding, an estimate of amounts due from employers who pay annually in arrears, the estimated level of fines that are receivable, an estimate of the balancing amount of levies receivable based on end of year returns from employers who pay monthly, after allowing for the impairment of any of these amounts and for refunds issued after the end of the year.

3. Risk management

(a) Overview

WorkCoverSA's risk management framework is the principal means by which identified risks are managed. WorkCoverSA has developed a risk management strategy that supports the risk management framework. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage WorkCoverSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment and regular review by the Board Audit and Risk Committee and management of a risk register

(a) Overview (continued)

- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The committee oversees how management monitors compliance with WorkCoverSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WorkCoverSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by WorkCoverSA. WorkCoverSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in WorkCoverSA's activities. WorkCoverSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by WorkCoverSA are:

- insurance risk
- operational and other risk
- financial risk.

(b) Insurance risk

As set out in Note 1, WorkCoverSA provides workers compensation coverage, in accordance with the Act, to workers employed in South Australia through the following funds:

- WorkCover Scheme
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Scheme is funded by charging levies to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or levy rate applicable to each employer is determined annually based on the industry in which the employer operates, the claims history of the individual employer and the average levy rate.

The average levy rate is set annually by the Board in accordance with its funding policy based on an actuarial assessment of the overall funding requirement of the Scheme and an estimate of the likely overall remuneration for all the employers that are required to pay levies under the Act. The average levy rate is then used as a basis for determining an individual levy rate for individual industry groups according to their South Australian WorkCover Industrial Classification (SAWIC). Under the Act, WorkCoverSA has the power to set levy rates to recover any shortfalls in levy collections. The funding policy is for WorkCoverSA to become fully funded as soon as practicable. Full funding is defined by the Board as having a ratio of assets to liabilities of between 90 percent and 110 percent.

The risk of setting incorrect levy rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models to translate the average levy rate into individual SAWIC levy rates. The number of registered (non-self-insured) employers for the 2008-2009 year was approximately 50 000.

The entitlements payable to injured workers are determined by the Act.

WorkCoverSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 2, 18 and 19. WorkCoverSA relies on the following key controls in seeking to ensure the adequacy of the claims provision:

- There are established processes for managing claims in accordance with the Act and other relevant legislation.
- WorkCoverSA has developed internal models to assess the value of the outstanding claims provision for the WorkCover Scheme.
- The claims provision is reviewed by an external actuary as follows:
 - WorkCover Scheme – every six months
 - Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) – every 12 months
 - Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) – every 12 months
 - IBNR arising from asbestos related matters – every 12 months with a more detailed review every two years
 - Mining and Quarrying Industries Fund – every three years.

(b) Insurance risk (continued)

In addition to these key controls the nature of workers compensation means that the liability associated with an individual claim, whilst being difficult to determine precisely on an individual basis, is relatively small in relation to the assessed value of all of the claims taken as a whole.

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

WorkCoverSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

WorkCoverSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This Note presents information about WorkCoverSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework

WorkCoverSA's Investment Policy document defines the investment policies for the management and oversight of WorkCoverSA's investment portfolio. It overviews the broader context against which the WorkCoverSA investment program operates, sets forth the specific investment objectives for the portfolio and the Board's governance arrangements for the investment program. The Investment Policy objectives are to:

- assist in minimising employer levies by delivering investment returns that exceed the actuarial discount rate, achieved by adopting a moderate-risk, balanced-investment portfolio
- maintain the purchasing power of monies held to fund WorkCoverSA's predominantly inflation-indexed liabilities, by focusing on maximising real investment returns, measured over rolling three-year periods subject to:
 - the expected impact of the investment program on the volatility of the funding ratio being acceptable
 - there being an acceptable risk that the nominal investment return in any one year will be negative
 - assets being sufficiently liquid to meet any cash outflow requirements.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances. Other documents integral to WorkCoverSA's investment activities are:

- investment strategy – this Board approved document incorporates the strategic asset allocation that has been adopted to achieve the Board's investment objectives. This document is reviewed annually
- investment guidelines and credit limits - this document outlines the detailed operating controls and limitations applying to each investment portfolio. This document is reviewed annually
- risk management statement and derivatives policy – this Board Audit and Risk Committee approved document specifies WorkCoverSA's policies for the use of derivatives within the Compensation Fund. This document is reviewed annually.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

In meeting the investment objectives, WorkCoverSA's investment strategy currently maintains exposure to eight asset classes. The funds held in seven of these asset classes are managed on day-to-day basis by 20 (22) external specialist fund managers. The cash portfolio is managed internally. Exposures within each asset class are maintained within the Board approved target ranges as determined by the Investment Strategy document. The allowable range of investments (and resulting risk exposure) for each fund manager is determined by the Investment Guidelines. Fund manager and each asset class performance are comprehensively reviewed at least annually. The guidelines set out for each asset class and portfolio:

- The desired portfolio characteristics.
- The required performance and variability in relation to a recognised benchmark appropriate to that portfolio.
- The type of asset that can be held.
- The extent and nature of trading and the types of financial instrument that can be utilised by the investment manager.

Investments – risk management framework (continued)

Management in conjunction with specialist advisors monitors each fund manager against risk and return criteria and their contractual obligations. The Board Audit and Risk Committee review investment program risk and compliance activity for individual portfolios and the overall Compensation Fund.

Individual assets are held either directly by WorkCoverSA or through a variety of investment structures.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and broad market movements.

The composition of each asset class at 30 June was:

| | Deposits with financial institutions \$'000 | Govt/ semi-govt securities \$'000 | Non- govt debt instru- ments \$'000 | Securities listed on Austrln Stock Exchange \$'000 | Securities listed on overseas stock exchanges \$'000 | Unit trusts - unlisted property and debt security assets \$'000 | Deriva- tives \$'000 | Total \$'000 |
|------------------------------|---|--|--|---|---|--|----------------------------|------------------|
| 2009 | | | | | | | | |
| Cash | 25 944 | - | - | - | - | - | - | 25 944 |
| Fixed interest | 42 512 | 69 864 | - | - | - | 78 180 | 466 | 191 022 |
| Inflation linked securities | 31 234 | 130 020 | 33 282 | - | - | - | - | 194 536 |
| Australian equities | 15 730 | - | - | 220 079 | - | - | 113 | 235 922 |
| Overseas equities - hedged | - | - | - | - | 147 433 | - | - | 147 433 |
| Overseas equities - unhedged | 6 | - | - | - | 117 793 | - | - | 117 799 |
| Property | 1 197 | - | - | 43 695 | - | 18 818 | (182) | 63 528 |
| Real return growth assets | 5 484 | - | 11 075 | 9 685 | - | 179 885 | - | 206 129 |
| | 122 107 | 199 884 | 44 357 | 273 459 | 265 226 | 276 883 | 397 | 1 182 313 |
| 2008 | | | | | | | | |
| Cash | 32 364 | - | - | - | - | - | - | 32 364 |
| Fixed interest | (23 102) | 78 870 | 33 051 | - | - | 90 169 | (1 727) | 177 261 |
| Inflation linked securities | 86 976 | 151 555 | 43 665 | - | - | - | (23) | 282 173 |
| Australian equities | 17 177 | - | - | 261 181 | - | - | 234 | 278 592 |
| Overseas equities - Hedged | - | - | - | - | 140 783 | - | - | 140 783 |
| Overseas equities - Unhedged | 5 | - | - | - | 138 822 | - | - | 138 827 |
| Property | 779 | - | - | - | - | 68 873 | (6) | 69 646 |
| Real return growth assets | 3 753 | - | 14 434 | 19 719 | - | 179 379 | - | 217 285 |
| | 117 952 | 230 425 | 91 150 | 280 900 | 279 605 | 338 421 | (1 522) | 1 336 931 |

Use of derivatives

In the normal course of its investment activities WorkCoverSA is party to arrangements involving derivatives. Derivatives held within portfolios through WorkCoverSA's custodian have three main objectives:

- Risk management – minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investments portfolio returns.
- Transactional efficiency – derivatives provide effective exposure to markets or individual securities while incurring transaction costs at a fraction of the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market.
- Value added strategies – given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers' individual risk management statement Part B and WorkCoverSA's risk management statement and derivatives policy. Where there is inconsistency, the investment guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which WorkCoverSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the unit trusts in which WorkCoverSA invests is approved and monitored by the responsible entity or trustee for the respective unit trust.

No single instrument is individually material to the future cash flows of WorkCoverSA. WorkCoverSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. WorkCoverSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- WorkCoverSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for the overseas exposures, WorkCoverSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes WorkCoverSA intentionally maintains some unhedged currency exposures.
- The gain or loss on open contracts as at the end of the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period.
- The use of forward exchange contracts for speculative purposes is prohibited.

Credit risk - investments

Credit risk is the risk of financial loss to WorkCoverSA if a levy payer or counterparty to a financial instrument fails to meet their contractual obligations.

WorkCoverSA manages its exposure to credit risk related to fixed interest and cash investments through implementation and monitoring of its investment policy, investment guidelines and investment credit limit documents. Ongoing monitoring by management and specialist advisers of breaches against these documents is reviewed quarterly by the Board Audit and Risk Committee. These documents impose the following restrictions:

- Credit limits are placed on all categories of debt investments on an individual and cumulative basis.
- For each individual investment and on a cumulative investment category basis minimum credit ratings requirements are imposed based on Standard & Poor's (or equivalent Moody's) ratings.
- Time restraints are imposed on certain lower rated debt instruments to limit exposure to varying credit risk.

The following tables outline the credit risk exposure for WorkCoverSA as at balance date for each major class of defensive assets:

| 2009 | Short Term Issue Ratings* | | | Long Term Issue Ratings** | | | NR*** | Total |
|-----------------------------|---------------------------|--------|--------------|---------------------------|--------------|--------|---------------|----------------|
| | A1+ | A1 | A2 | AAA | AA | A | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 13 983 | - | - | - | - | - | 11 961 | 25 944 |
| Fixed interest | - | - | - | 112 376 | - | - | 78 646 | 191 022 |
| Inflation linked securities | - | - | - | 194 536 | - | - | - | 194 536 |
| | 13 983 | - | - | 306 912 | - | - | 90 607 | 411 502 |
| 2008 | | | | | | | | |
| Cash | 17 877 | - | 8 837 | - | - | - | 5 650 | 32 364 |
| Fixed interest | - | - | - | 88 818 | - | - | 88 443 | 177 261 |
| Inflation linked securities | - | - | - | 278 671 | 3 502 | - | - | 282 173 |
| | 17 877 | - | 8 837 | 367 489 | 3 502 | - | 94 093 | 491 798 |

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to levies due and payable from registered and self-insured employers and sundry debtors. WorkCoverSA is able to enforce the collection of any debt due under the Act through a court of competent jurisdiction. WorkCoverSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

3.8 percent of WorkCoverSA's levy receivables and sundry debtors were past due (7.2 percent). The ageing of WorkCoverSA's levy receivables and sundry debtors at the reporting date was:

| | 2009 | 2008 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Not past due | 74 578 | 79 347 |
| Past due 0-30 days | - | 557 |
| Past due 31-120 days | - | - |
| Past due 121 days to 1 year | - | - |
| More than 1 year | 2 851 | 5 565 |
| | 77 429 | 85 469 |

There were no significant concentrations of credit risk. None of the above amounts are considered impaired.

Liquidity risk

Liquidity risk is the risk that WorkCoverSA will not be able to meet its financial obligations as they fall due. WorkCoverSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to WorkCoverSA's reputation. At least 50 percent of WorkCoverSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. Over 76.6 percent (75.3 percent) of WorkCoverSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. WorkCoverSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly WorkCoverSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. Outstanding claims are covered in Notes 18 and 19.

| | 2009 | 2008 |
|---------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| 1 year or less | 47 609 | 34 259 |
| 1-3 years | 1 149 | 867 |
| 3-5 years | - | - |
| Over 5 years | - | - |
| No term | - | - |
| Trade and other payables | 48 758 | 35 126 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WorkCoverSA'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.

WorkCoverSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Currency risk

WorkCoverSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. WorkCoverSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities and approximately one half of the international equity securities have forward contracts in place whilst remaining equities are left intentionally exposed to market movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the end of the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our major un-hedged currency exposures. A 5 percent strengthening/weakening of the Australian Dollar against the following currencies at 30 June would have (decreased) increased international equity holdings and profit (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

| | Residual exposure | | Movement in variable against A\$ | Profit (Loss) | | Equity | |
|-----------|-------------------|--------|--|----------------|---------|----------------|---------|
| | 2009 | 2008 | | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | Percent | \$'000 | \$'000 | \$'000 | \$'000 |
| US Dollar | 41 123 | 44 460 | +5 | (2 056) | (2 223) | (2 056) | (2 223) |
| | | | -5 | 2 056 | 2 223 | 2 056 | 2 223 |
| Euro | 15 369 | 24 680 | +5 | (768) | (1 234) | (768) | (1 234) |
| | | | -5 | 768 | 1 234 | 768 | 1 234 |
| Sterling | 10 522 | 10 709 | +5 | (526) | (535) | (526) | (535) |
| | | | -5 | 526 | 535 | 526 | 535 |

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by WorkCoverSA to minimise such risks is through its strategic asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to balance out the respective risks.

WorkCoverSA's fixed interest investments are held in both domestic and international markets. Such holdings form part of WorkCoverSA's defensive or low risk exposure which provide capital stability and secure income. WorkCoverSA's investments in interest bearing securities consist of marketable securities which are not intended to be held to maturity.

Interest rate risk (continued)

WorkCoverSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

| | Movement in interest rate | Financial impact | | | |
|------------------------------|---------------------------------|------------------|----------------|----------------|----------------|
| | | Profit (Loss) | | Equity | |
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Interest rate movement - | +1 | (13 118) | (16 781) | (13 118) | (16 781) |
| interest bearing investments | -1 | 13 118 | 16 781 | 13 118 | 16 781 |

Market price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

WorkCoverSA is exposed to price risk throughout all asset classes with the highest systematic risk in its domestic and international equity investments. WorkCoverSA's equity investments consist of investments listed on the Australian Stock Exchange and other major international exchanges. WorkCoverSA's property exposure comprises both listed and unlisted domestic and international holdings diversified across the property sub-sectors. The majority of property holdings are through pooled property unit trusts, each of these having varying but moderate risk/return investment objectives. WorkCoverSA invests in inflation linked securities to provide a long-term hedge against inflation and consequent price risk if held to maturity.

WorkCoverSA manages its exposure to market risk through the adoption of a longer-term investment strategy that is based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximize returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of listed equities on WorkCoverSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation assumes that exposures are un-hedged. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis.

| | Exposure | | Movement in variable | Financial Impact | | | |
|-------------|----------|---------|-------------------------|------------------|----------------|----------------|----------------|
| | 2009 | 2008 | | Profit (Loss) | | Equity | |
| | \$'000 | \$'000 | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| ASX 200 | 273 459 | 281 538 | +5 | 13 673 | 14 077 | 13 673 | 14 077 |
| | | | -5 | (13 673) | (14 077) | (13 673) | (14 077) |
| MSCI - US | 112 584 | 123 639 | +5 | 5 629 | 6 182 | 5 629 | 6 182 |
| | | | -5 | (5 629) | (6 182) | (5 629) | (6 182) |
| MSCI - EAFE | 103 954 | 113 436 | +5 | 5 198 | 5 672 | 5 198 | 5 672 |
| | | | -5 | (5 198) | (5 672) | (5 198) | (5 672) |
| MSCI - EM | 23 981 | 26 836 | +5 | 1 199 | 1 342 | 1 199 | 1 342 |
| | | | -5 | (1 199) | (1 342) | (1 199) | (1 342) |

4. Other Funds

(a) Statement of Comprehensive Income for the year ended 30 June 2009

| | Note | Statutory | Insurance | Mining & Quarrying | | Total Other Funds | |
|--|------|-----------------|--------------------|--------------------|----------------|-------------------|-----------------|
| | | Reserve Fund | Assistance Fund | Part A | Part B | 2009 | 2008 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Claims paid | 8 | (1 119) | - | - | - | (1 119) | (831) |
| Claim recoveries | 8 | 168 | - | - | - | 168 | 251 |
| Decrease (increase) in outstanding claims liability | 19 | 2 371 | 117 | - | - | 2 488 | (3 419) |
| Underwriting result | | 1 420 | 117 | - | - | 1 537 | (3 999) |
| Investment loss | 6 | (8 691) | (1 308) | (15) | (1 325) | (11 339) | (6 384) |
| Investment expense | | (191) | (29) | - | (30) | (250) | (256) |
| Net investment loss | | (8 882) | (1 337) | (15) | (1 355) | (11 589) | (6 640) |
| Total operating expenses | | (177) | (6) | - | (650) | (833) | (768) |
| Total comprehensive result | | (7 639) | (1 226) | (15) | (2 005) | (10 885) | (11 407) |

(b) Statement of Financial Position as at 30 June 2009

| | Note | Statutory Reserve Fund \$'000 | Insurance Assistance Fund \$'000 | Mining & Quarrying Industries Fund | | Total Other Funds | |
|---------------------------------|------|-------------------------------|----------------------------------|------------------------------------|---------------|-------------------|----------------|
| | | | | Part A \$'000 | Part B \$'000 | 2009 \$'000 | 2008 \$'000 |
| Assets: | | | | | | | |
| Investments | | 81 944 | 12 486 | 146 | 11 961 | 106 537 | 119 910 |
| Total assets | | 81 944 | 12 486 | 146 | 11 961 | 106 537 | 119 910 |
| Liabilities: | | | | | | | |
| Outstanding claims | 19 | 92 324 | 585 | 100 | - | 93 009 | 95 497 |
| Total liabilities | | 92 324 | 585 | 100 | - | 93 009 | 95 497 |
| Net (liabilities) assets | | (10 380) | 11 901 | 46 | 11 961 | 13 528 | 24 413 |
| Equity: | | | | | | | |
| Retained earnings | | (10 380) | 11 901 | 46 | 11 961 | 13 528 | 24 413 |
| Total equity | | (10 380) | 11 901 | 46 | 11 961 | 13 528 | 24 413 |

| | Note | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Fund | |
|---|-------|-------------------------|--------------------|------------------|-----------------|
| | | | | 2009 \$'000 | 2008 \$'000 |
| 5. Total income | | | | | |
| Employer levy | | 626 281 | - | 626 281 | 603 464 |
| Self-insured employer levy - Crown | | 7 099 | - | 7 099 | 5 705 |
| Self-insured employer levy - non-Crown | | 8 434 | - | 8 434 | 6 918 |
| Fines and penalties | | 4 526 | - | 4 526 | 4 936 |
| Levy revenue | | 646 340 | - | 646 340 | 621 023 |
| Claim recoveries | 8 | 23 721 | 168 | 23 889 | 23 122 |
| Investment | 6 | (124 467) | (11 339) | (135 806) | (70 764) |
| Other income | 7 | 4 029 | - | 4 029 | 11 676 |
| Total income | | 549 623 | (11 171) | 538 452 | 585 057 |
| 6. Investment loss | | | | | |
| Dividends | | 19 308 | 1 759 | 21 067 | 26 815 |
| Interest received | | 26 048 | 2 373 | 28 421 | 37 840 |
| Change in net market values: | | | | | |
| Investments held at end of the financial year | | (137 502) | (12 527) | (150 029) | (174 515) |
| Investments realised during the financial year | | (32 321) | (2 944) | (35 265) | (39 096) |
| Investment loss | | (124 467) | (11 339) | (135 806) | (70 764) |
| 7. Other income | | | | | |
| Computer services | | - | - | - | 525 |
| Defined benefit fund | 20(d) | 1 063 | - | 1 063 | 1 371 |
| Sundry income | | 2 966 | - | 2 966 | 9 780 |
| Total other income | | 4 029 | - | 4 029 | 11 676 |
| 8. Net claims paid | | | | | |
| Income maintenance | | 198 442 | - | 198 442 | 215 278 |
| Redemptions - payments under section 42 of the Act | | 147 192 | - | 147 192 | 76 567 |
| Non-economic loss - payments under section 43 and section 44 of the Act | | 82 037 | - | 82 037 | 63 170 |
| Hospital treatment | | 13 615 | - | 13 615 | 11 506 |
| Medical treatment | | 67 157 | - | 67 157 | 71 045 |
| Vocational rehabilitation | | 21 921 | - | 21 921 | 19 383 |
| Physiotherapy | | 11 018 | - | 11 018 | 12 096 |
| Legal costs | | 14 007 | 313 | 14 320 | 9 028 |
| Other | | 19 991 | 806 | 20 797 | 22 125 |
| Claims paid | | 575 380 | 1 119 | 576 499 | 500 198 |
| Recoveries from other parties | 5 | (23 721) | (168) | (23 889) | (23 122) |
| Total net claims paid | | 551 659 | 951 | 552 610 | 477 076 |
| 9. Depreciation, amortisation and other general operating expenses | | | | | |
| Amortisation - intangible assets | | - | - | - | - |
| Depreciation - property, plant and equipment | | 943 | - | 943 | 899 |
| Amortisation and depreciation expenses | | 943 | - | 943 | 899 |

9. Depreciation, amortisation and other general operating expenses (continued)

| | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Fund | |
|--|-------------------------------|--------------------------|----------------|----------------|
| | | | 2009 \$'000 | 2008 \$'000 |
| Net rental expense relating to operating leases | 3 476 | 13 | 3 489 | 759 |
| Motor vehicle expense relating to operating leases | 251 | - | 251 | 219 |
| Consultants | 2 251 | - | 2 251 | 1 787 |
| Other operating costs | 16 632 | 710 | 17 342 | 15 537 |
| Other general operating expenses | 22 610 | 723 | 23 333 | 18 302 |

| The number and dollar amount of consultancies paid/payable (included in general operating expenses) that fell within the following bands: | 2009 | | 2008 | |
|---|-----------|--------------|-----------|--------------|
| | Number | \$'000 | Number | \$'000 |
| Below \$10 000 | 7 | 42 | 13 | 56 |
| \$10 001 - \$50 000 | 11 | 239 | 7 | 110 |
| Above \$50 001 | 8 | 1 970 | 5 | 1 621 |
| Total paid/payable to the consultants engaged | 26 | 2 251 | 25 | 1 787 |

Expenditure on consultants capitalised in intangible assets amounted to \$512 000 (\$227 000).

10. Employee benefit expenses

| | Note | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Fund | |
|---|-------|-------------------------------|--------------------------|----------------|----------------|
| | | | | 2009 \$'000 | 2008 \$'000 |
| Salaries and wages | | 19 545 | 100 | 19 645 | 19 605 |
| Long service leave | | 574 | 2 | 576 | 524 |
| Annual leave | | 1 688 | 4 | 1 692 | 1 832 |
| Expenses related to defined benefit plans | 20(d) | 5 739 | - | 5 739 | 5 385 |
| Contributions to defined contribution plans | | 1 672 | 4 | 1 676 | 1 669 |
| Total employee benefit expenses | | 29 218 | 110 | 29 328 | 29 015 |

| The number of employees whose remuneration received or receivable falls within the following bands: | 2009 | 2008 |
|---|-----------|-----------|
| | Number | Number |
| \$100 000 - \$109 999 | 16 | 14 |
| \$110 000 - \$119 999 | 10 | 9 |
| \$120 000 - \$129 999 | 7 | 3 |
| \$130 000 - \$139 999 | 7 | 3 |
| \$140 000 - \$149 999 | 4 | 5 |
| \$150 000 - \$159 999 | 3 | 3 |
| \$160 000 - \$169 999 | 1 | 4 |
| \$180 000 - \$189 999 | 1 | - |
| \$190 000 - \$199 999 | - | 2 |
| \$200 000 - \$209 999 | 2 | 1 |
| \$210 000 - \$219 999 | 1 | 1 |
| \$220 000 - \$229 999 | 1 | 1 |
| \$230 000 - \$239 999 | 1 | 2 |
| \$250 000 - \$259 999 | - | 1 |
| \$260 000 - \$269 999 | 2 | - |
| \$340 000 - \$349 999 | - | 1 |
| \$370 000 - \$379 999 | 1 | - |
| \$400 000 - \$409 999 | 1 | - |
| \$410 000 - \$419 999 | - | 1 |
| Total number of employees | 58 | 51 |

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits and payments of accumulated annual leave, long service leave and superannuation in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was \$8.5 million (\$7.6 million).

11. Auditors' remuneration

| | Total Fund | |
|---|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Audit fees paid/payable to the Auditor-General's Department | 475 | - |
| Audit fees paid/payable to KPMG and Ernst & Young | - | 242 |
| Other services paid/payable to the Auditor-General's Department | - | - |
| Other services paid/payable to auditors | - | 159 |
| Total auditors' remuneration | 475 | 401 |

| 12. Cash and cash equivalents | Note | WorkCover | Other | Total Fund | |
|---|------|---------------------------------------|--|--------------------------|------------------|
| | | Scheme | Funds | 2009 | 2008 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | | 3 | - | 3 | 3 |
| Cash equivalents | 3 | 25 944 | - | 25 944 | 32 364 |
| Cash and cash equivalents in the Statement of Cash Flows | | | | | |
| | | 25 947 | - | 25 947 | 32 367 |
| 13. Trade and other receivables | | | | | |
| Current assets: | | | | | |
| Levies, fines and penalty interest | | 76 777 | - | 76 777 | 83 326 |
| Recoverable claim payments | 18 | 20 236 | - | 20 236 | 18 262 |
| Trade debtors | | 74 | - | 74 | 32 |
| Sundry debtors and prepayments | | 2 149 | - | 2 149 | 3 416 |
| Total current receivables | | 99 236 | - | 99 236 | 105 036 |
| Non-current assets: | | | | | |
| Recoverable claim payments | 18 | 78 619 | - | 78 619 | 72 378 |
| Total non-current receivables | | 78 619 | - | 78 619 | 72 378 |
| Total trade and other receivables | | 177 855 | - | 177 855 | 177 414 |
| 14. Investments | | | | | |
| | | | | Total Fund | |
| | | | | 2009 | 2008 |
| | | | | \$'000 | \$'000 |
| Deposits with financial institutions | | | | 122 107 | 117 952 |
| Government/semi-government securities | | | | 199 884 | 230 425 |
| Non-government debt instruments | | | | 44 357 | 91 150 |
| Securities listed on the Australian Stock Exchange | | | | 273 459 | 280 900 |
| Securities listed on overseas stock exchanges | | | | 265 226 | 279 605 |
| Unit trusts - Unlisted property and debt security assets | | | | 276 883 | 338 421 |
| Derivatives | | | | 397 | (1 522) |
| Total investments at fair value through profit and loss | | | | 1 182 313 | 1 336 931 |
| Current | | | | 126 323 | 161 871 |
| Non-current | | | | 1 055 990 | 1 175 060 |
| Total | | | | 1 182 313 | 1 336 931 |
| 15. Property, plant and equipment | | | | | |
| | | Computer and communications equipment | Office furniture and fittings including leasehold improvements | General office equipment | Total |
| Cost: | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2007 | | 9 399 | 15 001 | 1 325 | 25 725 |
| Additions | | 1 264 | - | 52 | 1 316 |
| Disposals | | (846) | - | (171) | (1 017) |
| Balance at 30 June 2008 | | 9 817 | 15 001 | 1 206 | 26 024 |
| Balance at 1 July 2008 | | 9 817 | 15 001 | 1 206 | 26 024 |
| Additions | | 983 | 10 | 13 | 1 006 |
| Disposals | | (3 737) | (76) | (12) | (3 825) |
| Balance at 30 June 2009 | | 7 063 | 14 935 | 1 207 | 23 205 |
| Depreciation: | | | | | |
| Balance at 1 July 2007 | | (8 120) | (14 926) | (1 041) | (24 087) |
| Depreciation | | (814) | - | (85) | (899) |
| Disposals | | 787 | - | 170 | 957 |
| Balance at 30 June 2008 | | (8 147) | (14 926) | (956) | (24 029) |
| Balance at 1 July 2008 | | (8 147) | (14 926) | (956) | (24 029) |
| Depreciation | | (851) | (1) | (91) | (943) |
| Disposals | | 3 649 | - | 9 | 3 658 |
| Balance at 30 June 2009 | | (5 349) | (14 927) | (1 038) | (21 314) |

15. Property, plant and equipment (continued)

| | Computer and communications equipment | Office furniture and fittings including leasehold improvements | General office equipment | Total |
|------------------------|---------------------------------------|--|--------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying Amounts: | | | | |
| At 1 July 2007 | 1 279 | 75 | 284 | 1 638 |
| At 30 June 2008 | 1 670 | 75 | 250 | 1 995 |
| At 1 July 2008 | 1 670 | 75 | 250 | 1 995 |
| At 30 June 2009 | 1 714 | 8 | 169 | 1 891 |

16. Intangible assets

| | IT Development and software | | Total | |
|----------------------------------|-----------------------------|---------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost: | | | | |
| Balance at 1 July | 12 067 | - | 12 067 | - |
| Additions - internal development | 4 084 | 2 051 | 4 084 | 2 051 |
| Additions - external costs | 11 428 | 10 016 | 11 428 | 10 016 |
| Disposals | - | - | - | - |
| Balance at 30 June | 27 579 | 12 067 | 27 579 | 12 067 |
| Carrying amounts: | | | | |
| At 1 July | 12 067 | - | 12 067 | - |
| At 30 June | 27 579 | 12 067 | 27 579 | 12 067 |

The intangible asset relates to the cost of developing WorkCoverSA's new claims management system. The intangible asset was not available for use in the year to 30 June 2009 and accordingly no amortisation was recognised.

17. Trade and other payables

| | WorkCover Scheme | Other Funds | Total Fund | |
|---------------------------------------|------------------|-------------|---------------|---------------|
| | \$'000 | \$'000 | 2009 | 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| Creditors | 47 250 | - | 47 250 | 33 889 |
| Employment on-costs | 359 | - | 359 | 370 |
| Non-current: | | | | |
| Creditors | 1 149 | - | 1 149 | 867 |
| Employment on-costs | - | - | - | - |
| Total trade and other payables | 48 758 | - | 48 758 | 35 126 |

18. Outstanding claims liability - WorkCover Scheme

| | Note | 2009 | 2008 |
|--|------|------------------|------------------|
| | | \$'000 | \$'000 |
| (a) Outstanding claims | | | |
| Expected future gross claims payments (undiscounted) | | 3 338 766 | 3 768 319 |
| Discount to present value | | (1 160 068) | (1 515 952) |
| Central estimate | | 2 178 698 | 2 252 367 |
| Risk margin | | 113 292 | 117 123 |
| Liability for outstanding claims | | 2 291 990 | 2 369 490 |
| Recoveries | 13 | (98 855) | (90 640) |
| Net liability for outstanding claims | | 2 193 135 | 2 278 850 |
| Current liability for outstanding claims | | 517 680 | 576 161 |
| Non-current liability for outstanding claims | | 1 774 310 | 1 793 329 |
| Total liability for outstanding claims | | 2 291 990 | 2 369 490 |
| Change in liability for outstanding claims | | (77 499) | 117 526 |
| Change in claim recoveries receivable | | (8 216) | (1 760) |
| Movement in net outstanding claims liability | | (85 715) | 115 766 |
| | | 2009 | 2008 |
| | | Years | Years |
| Weighted average expected term to settlement | | 6.18 | 6.38 |

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 5.2 percent (5.2 percent) to bring the estimated net liability to a 65 percent probability of sufficiency.

(a) Outstanding claims (continued)

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Limited. Should the timing of cash flows vary from that projected by Finity Consulting Pty Limited then the proportions of the overall claims liability that are shown as current and non-current may vary.

The WorkCoverSA Scheme is a scheme designed in part to provide long-term financial support for those injured at work. This long-term financial support can be provided in some cases over many years. As the Scheme has developed since 1987 more information becomes available each year to enable more accurate assessments to be made of the likely ultimate length of time that long-term claimants will continue to receive income maintenance payments. The assumptions adopted in relation to the projected durations for active claims for income maintenance claims are detailed below in Note 18(d).

With effect from 1 July 2008 the provision of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* has progressively come into force. The estimate of the value of the outstanding claims liability takes account of the potential impact of the changes to the Act as they affect the liability for outstanding claims. The principal changes which impact on the estimate of the outstanding liability for existing claims are those relating to the amendments to the non-economic loss provisions, the changes to the dispute resolution process, the introduction of work capacity reviews, the introduction of medical panels and the restrictions on the use of redemptions. Only limited allowances have been made for the impact of the changes in legislation on the liability for outstanding claims at 30 June 2009. It is anticipated that further reductions in the liability for outstanding claims will occur over time as a result of the application of the legislation.

The key uncertainties specific to the estimation of the liability for outstanding claims include:

- the extent and timing of the impact of work capacity reviews and in particular how the introduction of these provisions interacts with the restrictions on the availability of redemptions
- the degree of success in achieving the projected outcomes for long-term claims
- the effect of the introduction of medical panels
- the impact on the changes to the dispute resolution framework
- the final impact of the changes to the legislation as they relate to the calculation of entitlements for non-economic loss
- the effectiveness with which the new legislation is implemented and the overall effectiveness of claims management
- the impact of any changes in the overall economic environment.

The increase in the outstanding claims liability includes the net impact of the decrease in the average discount rate from 6.6 percent to 5.66 percent at 30 June 2009.

Note 18(e) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

| (b) Net claims incurred | Current Year | Prior Years | 2009 Total | Current Year | Prior Years | 2008 Total |
|------------------------------------|---------------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Undiscounted: | | | | | | |
| Gross incurred | 844 261 | (671 212) | 173 049 | 844 563 | 300 332 | 1 144 895 |
| Recoveries | (21 169) | (6 714) | (27 883) | (21 501) | (4 201) | (25 702) |
| Net incurred - undiscounted | 823 092 | (677 926) | 145 166 | 823 062 | 296 131 | 1 119 193 |
| Discounted: | | | | | | |
| Gross incurred | 577 556 | (30 116) | 547 440 | (297 438) | (196 476) | (493 914) |
| Recoveries | (16 343) | (15 563) | (31 906) | 5 848 | (4 781) | 1 067 |
| Net incurred - discounted | 561 213 | (45 679) | 515 534 | (291 590) | (201 257) | (492 847) |
| Discount and discount movement: | | | | | | |
| Gross incurred - discounted | (266 705) | 641 096 | 374 391 | 547 125 | 103 856 | 650 981 |
| Recoveries - discounted | 4 826 | (8 849) | (4 023) | (15 653) | (8 982) | (24 635) |
| Net incurred discounted | (261 879) | 632 247 | 370 368 | 531 472 | 94 874 | 626 346 |

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

(c) Claims development

The following table shows the development of net discounted claims cost estimates (ie the discounted cost of claims net of recoveries) for the eight most recent accident years.

(c) Claims development (continued)

| | Prior Years* | Accident Year Ended 30 June | | | | | | | | |
|---|-----------------|-----------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|---------|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Estimate of ultimate claims cost** | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At end of accident year | - | 238 867 | 325 617 | 332 168 | 395 377 | 396 060 | 422 794 | 445 035 | 471 917 | 471 917 |
| One year later | 573 536 | 307 822 | 314 439 | 368 048 | 382 259 | 419 758 | 435 848 | 447 935 | | |
| Two years later | 737 743 | 303 688 | 333 644 | 375 409 | 408 008 | 452 514 | 460 605 | | | |
| Three years later | 801 335 | 316 880 | 343 547 | 387 244 | 406 101 | 437 354 | | | | |
| Four years later | 845 969 | 325 279 | 354 287 | 375 531 | 368 271 | | | | | |
| Five years later | 905 348 | 326 954 | 339 116 | 361 281 | | | | | | |
| Six years later | 968 055 | 317 367 | 329 228 | | | | | | | |
| Seven years later | 968 711 | 323 710 | | | | | | | | |
| Eight years later | 961 616 | | | | | | | | | |
| Current estimate of cumulative claims costs** | 961 616 | 323 710 | 329 228 | 361 281 | 368 271 | 437 354 | 460 605 | 447 935 | 471 917 | |
| Cumulative payments** | 733 660 | 285 880 | 290 014 | 308 378 | 300 356 | 270 923 | 203 352 | 133 586 | 52 517 | |
| Outstanding Claims** | 227 956 | 37 830 | 39 214 | 52 903 | 67 915 | 166 431 | 257 253 | 314 349 | 419 400 | |
| Discount adjustment*** | 103 283 | 19 619 | 17 767 | 20 483 | 21 760 | 42 199 | 48 299 | 37 420 | 19 967 | |
| Net outstanding claims | 331 239 | 57 449 | 56 981 | 73 386 | 89 675 | 208 630 | 305 552 | 351 769 | 439 367 | |

* Development of outstanding claims estimate as at 30 June 2002 for claims arising prior to 30 June 2001.

** Discounted to the beginning of the accident year using the discount rate applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

| | 2009 \$'000 | 2008 \$'000 |
|---|------------------|------------------|
| Prior years | 331 239 | 388 867 |
| Year ended 30 June: | | |
| 2002 | 57 449 | 91 204 |
| 2003 | 56 981 | 114 400 |
| 2004 | 73 386 | 146 809 |
| 2005 | 89 675 | 203 075 |
| 2006 | 208 630 | 303 182 |
| 2007 | 305 552 | 346 284 |
| 2008 | 351 769 | 420 502 |
| 2009 | 439 367 | - |
| Net outstanding claims | 1 914 048 | 2 014 323 |
| Claims handling expenses | 170 681 | 151 884 |
| Risk margin | 108 406 | 112 643 |
| Net liability for outstanding claims | 2 193 135 | 2 278 850 |

(d) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability.

| | 2009 Percent | 2008 Percent |
|--|-----------------|-----------------|
| Economic assumptions: | | |
| Inflation rate - income maintenance | 3.46 | 4.25 |
| Inflation - medical, legal and other costs | 3.73 | 4.50 |
| Superimposed inflation rate - medical payments | 6.00 | 6.00 |
| Superimposed inflation rate - other | | Refer below |
| Discount rate | 5.66 | 6.60 |
| Duration and severity of claims | | Refer below |
| Claims handling expenses | 8.50 | 7.23 |
| Risk margin | 5.20 | 5.20 |

Superimposed inflation of between 1 percent and 6 percent per annum has been included in relation to travel, recoveries, and some other minor payment types.

Finity Consulting Pty Limited has made a range of assumptions relating to the projected duration that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the length of time that a group of claims has been in receipt of payments
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of claims and in particular long-term claims.

(e) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 65th percentile (ie after allowing for the risk margin) to changes in key assumptions is shown in the following table:

| | Increase (decrease) in net assets \$'million | Percentage of net liability |
|---|--|-----------------------------------|
| Economic and modelling assumptions: | | |
| Increase in inflation rates by 1 percent | 127 | 5.8 |
| Decrease in discount rate by 1 percent | (120) | (5.5) |
| Increase in medical superimposed inflation by 1 percent | 15 | 0.7 |
| Duration and severity of claims: | | |
| Increase in assumed average redemption payment for claimants receiving such payments by 10 percent | 16.0 | 0.8 |
| Increase in assumed average lump sum payment for claimants entitled to such payments by 10 percent | 19.6 | 1.0 |
| Increase in assumed lifetime income maintenance payments by 10 percent for claims less than three years old | 70.1 | 3.5 |
| Increase in assumed other payments by 10 percent for claims less than three years old | 34.6 | 1.7 |
| Increase in assumed income maintenance payments by 10 percent for claims more than three years old | 44.8 | 2.2 |
| Increase in assumed other payments by 10 percent for claims more than three years old | 26.1 | 1.3 |

In conducting its valuation, Finity Consulting Pty Limited modelled a number of scenarios under which the assumptions related to redemptions and/or to the long-term non-redemption exit rates or the impact of the introduction of the provisions of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by the order of up to plus or minus \$100 million. These scenarios do not reflect either the maximum or minimum increase in the liability but reflect a range of likely scenarios.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability. The impact on the outstanding claims liability of adopting 75 percent or 80 percent probabilities is shown in the following table:

| | 2009 \$'million | 2008 \$'million |
|---|--------------------|--------------------|
| Increase in net outstanding claims liability at 75 percent probability of sufficiency | 93.8 | 97.5 |
| Increase in net outstanding claims liability at 80 percent probability of sufficiency | 143.5 | 149.7 |

19. Outstanding claims liability - other funds**(a) Outstanding claims - SRF and IAF**

| | SRF \$'000 | IAF \$'000 | 2009 \$'000 | 2008 \$'000 |
|--|---------------|---------------|----------------|----------------|
| Open claims | 2 430 | - | 2 430 | 2 139 |
| Total incurred but not yet reported (IBNR) | 69 773 | 456 | 70 229 | 72 421 |
| Claims handling expenses | 5 054 | 32 | 5 086 | 5 219 |
| Central estimate | 77 257 | 488 | 77 745 | 79 779 |
| Risk margin | 15 067 | 97 | 15 164 | 15 618 |
| Total outstanding claims liability | 92 324 | 585 | 92 909 | 95 397 |

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 65 percent probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2009 due to exposure prior to 30 June 2009. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- Forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims.
- Forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Movement in liability - SRF and IAF

| | 2009 \$'000 | SRF 2008 \$'000 | Change \$'000 | 2009 \$'000 | IAF 2008 \$'000 | Change \$'000 |
|-----------------------|----------------|-----------------------|------------------|----------------|-----------------------|------------------|
| Asbestos related: | | | | | | |
| Reported | 1 874 | 1 572 | 302 | - | - | - |
| IBNR/re-opened claims | 69 283 | 71 228 | (1 945) | 456 | 545 | (89) |
| | 71 157 | 72 800 | (1 643) | 456 | 545 | (89) |

(b) Movement in liability - SRF and IAF (continued)

| | SRF | | | IAF | | |
|---|---------------|--------|---------|------------|--------|--------|
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-asbestos related: | | | | | | |
| Reported | 556 | 566 | (10) | - | - | - |
| IBNR/re-opened claims | 490 | 648 | (158) | - | 1 | (1) |
| | 1 046 | 1 214 | (168) | - | 1 | (1) |
| Central estimate | 72 203 | 74 014 | (1 811) | 456 | 546 | (90) |
| Claims handling expenses | 5 054 | 5 181 | (127) | 32 | 38 | (6) |
| Risk margin | 15 067 | 15 500 | (433) | 97 | 118 | (21) |
| Total outstanding claims liability | 92 324 | 94 695 | (2 371) | 585 | 702 | (117) |

(c) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

The following key assumptions were used in this valuation of the outstanding claims liability as at 30 June 2009 shown together with those used at 30 June 2008 for comparison.

| | 2009 | 2008 |
|--------------------------|---------|---------|
| | Percent | Percent |
| Inflation rate: | | |
| Asbestos claims* | 3.90 | 4.50 |
| Non-asbestos claims | 3.90 | 4.50 |
| Discount rate: | | |
| Asbestos IBNR | 6.00 | 6.50 |
| Other | 6.00 | 6.50 |
| Claims handling expenses | 7.00 | 7.00 |
| Risk margin: | | |
| Reported claims | 5.20 | 5.20 |
| IBNR claims | 20.00 | 20.00 |

* Excluding superimposed inflation which is assumed to be:

- Asbestos IBNR - 7 percent per annum in the first five financial years and 2 percent thereafter.
- Asbestos reported - rounded to an annual superimposed inflation rate of 2.5 percent per annum.

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(d) Sensitivity to changes in key assumptions - SRF and IAF

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

(e) Mining and Quarrying Industries Fund - silicosis liability

As at 30 June 1989 the balance of the Silicosis Fund established under the repealed Act was transferred to WorkCoverSA under the Mining and Quarrying Industries Fund established for that purpose. At June 2007 Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being \$100 000. No claims have been made against the fund since the date of that estimate.

(f) Summary of other funds

| | 2009 | 2008 |
|---|----------------|--------|
| | \$'000 | \$'000 |
| Statutory Reserve Fund | 92 324 | 94 695 |
| Insurance Assistance Fund | 585 | 702 |
| Mining and Quarrying Industries Fund | 100 | 100 |
| Liability for outstanding claims | 93 009 | 95 497 |
| Current | 2 451 | 2 889 |
| Non-current | 90 558 | 92 608 |
| Liability for outstanding claims | 93 009 | 95 497 |
| Change in liability for outstanding claims | (2 488) | 3 419 |

| 20. Employee benefits | | WorkCover Scheme | Other Funds | Total Fund | |
|--|-------|------------------|-------------|---------------|--------|
| | | | | 2009 | 2008 |
| (a) Liability for employee benefits | | | | | |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | | |
| Annual leave | | 1 898 | - | 1 898 | 1 894 |
| Long service leave | | 2 372 | - | 2 372 | 2 349 |
| | | 4 270 | - | 4 270 | 4 243 |
| Non-current: | | | | | |
| Recognised liability for defined benefit obligations | 20(b) | 8 688 | - | 8 688 | 4 470 |
| Long service leave | | 558 | - | 558 | 445 |
| | | 9 246 | - | 9 246 | 4 915 |
| Total employee benefits | | 13 516 | - | 13 516 | 9 158 |

The total current and non-current employee benefits including related on-costs for 2009 is \$4.6 million and \$9.2 million respectively.

| | | | | | |
|---|-------|----------------|----------|----------------|----------|
| (b) Liability for defined benefit obligations | | | | | |
| Net liability for defined benefit obligations at 1 July | | (4 470) | - | (4 470) | (926) |
| Contributions received | | 458 | - | 458 | 470 |
| Expenses recognised in the Statement of Comprehensive Income | 20(d) | (4 676) | - | (4 676) | (4 014) |
| Net liability for defined benefit obligations at 30 June | | (8 688) | - | (8 688) | (4 470) |
| Amounts reflected in the Statement of Financial Position: | | | | | |
| Assets | 20(c) | 12 157 | - | 12 157 | 15 567 |
| Liabilities | 20(c) | (20 845) | - | (20 845) | (20 037) |
| Net liability | | (8 688) | - | (8 688) | (4 470) |

(c) Changes in the present value of the defined benefit obligation are as follows:

| | | | | | |
|--|--|---------------|----------|---------------|---------|
| Opening fair value of fund assets | | 15 567 | - | 15 567 | 18 824 |
| Expected return | | 1 063 | - | 1 063 | 1 371 |
| Actuarial losses | | (3 730) | - | (3 730) | (3 226) |
| Contributions by employer | | 458 | - | 458 | 470 |
| Benefits paid | | (1 201) | - | (1 201) | (1 872) |
| Closing fair value of fund assets | | 12 157 | - | 12 157 | 15 567 |
| Opening liabilities | | 20 037 | - | 20 037 | 19 750 |
| Service cost | | 247 | - | 247 | 374 |
| Interest cost | | 1 266 | - | 1 266 | 1 244 |
| Actuarial losses | | 496 | - | 496 | 541 |
| Expected benefits | | (1 201) | - | (1 201) | (1 872) |
| Closing liabilities | | 20 845 | - | 20 845 | 20 037 |

Employees who participate in the defined benefit superannuation fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The defined benefit superannuation fund has been closed to new members since May 1994.

The State Superannuation Scheme's assets are under Funds SA's management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

| (d) Expenses recognised in the Statement of Comprehensive Income | Note | Total Fund | |
|--|------|--------------|---------|
| | | 2009 | 2008 |
| | | \$'000 | \$'000 |
| Current service costs | | 247 | 374 |
| Interest cost | | 1 266 | 1 244 |
| Expected return on plan assets | | (1 063) | (1 371) |
| Actuarial losses | | 4 226 | 3 767 |
| | | 4 676 | 4 014 |
| The expense is recognised in the following lines of the Statement of Comprehensive Income: | | | |
| Employee benefit expenses | 10 | 5 739 | 5 385 |
| Other income | 7 | (1 063) | (1 371) |
| | | 4 676 | 4 014 |

(d) Expenses recognised in the Statement of Comprehensive Income (continued)

WorkCoverSA expects to contribute \$234 000 to the Defined Benefit Superannuation Fund in the 2009-10 financial year.

(e) Defined contribution plans

WorkCoverSA makes contributions to the various superannuation schemes as a defined contribution plans. The amount recognised as an expense was \$1.7 million for the year ended 30 June 2009 (\$1.7 million).

(f) Actuarial assumptions

| | 2009 | 2008 |
|--|----------------|---------|
| | Percent | Percent |
| Discount rate at 30 June | 5.7 | 6.5 |
| Expected return on plan assets at 1 July | 7.0 | 7.5 |
| Salary increases | 4.0 | 4.5 |
| Inflation | 2.5 | 3.0 |

Assumptions regarding future mortality are based on published statistics and mortality tables.

(g) Historical information

| | 2009 | 2008 | 2007 | 2006 |
|---|----------------|---------|--------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Present value of defined benefit obligation | 20 845 | 20 037 | 19 750 | 20 656 |
| Fair value of plan assets | 12 157 | 15 567 | 18 824 | 16 883 |
| Deficit in the plan | (8 688) | (4 470) | (926) | (3 773) |

WorkCoverSA has used the AASB 119 paragraph 20A exemption and disclosed amounts under AASB 119 paragraph 120A(p) above for each annual reporting period prospectively from the transition date.

21. Provisions

| | Redundancies | Surplus leased space | Total | |
|-------------------------------------|---------------------|-----------------------------|---------------|---------|
| | \$'000 | \$'000 | 2009 | 2008 |
| | | | \$'000 | \$'000 |
| Balance at 1 July | 258 | 237 | 495 | 2 775 |
| Provisions made during the year | 280 | 183 | 463 | 258 |
| Provisions used during the year | (205) | (62) | (267) | (288) |
| Provisions reversed during the year | (53) | - | (53) | (2 250) |
| Balance at 30 June | 280 | 358 | 638 | 495 |

(a) Redundancies

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2009. The redundancy provision is calculated in accordance with the WorkCoverSA Award and Certified Agreement. WorkCoverSA expects to extinguish the liability within the next 12 months.

(b) Surplus leased space

The provision relates to the present value of future payments for surplus leased space under non-cancellable operating leases.

22. Reconciliation of net cash provided by operating activities to comprehensive result

| | WorkCover Scheme | Other Funds | Total Fund | |
|---|-------------------------|--------------------|-----------------|-----------|
| | \$'000 | \$'000 | 2009 | 2008 |
| | | | \$'000 | \$'000 |
| Comprehensive result | (64 246) | (10 885) | (75 131) | (140 478) |
| Depreciation | 943 | - | 943 | 900 |
| Net loss on disposal of non-current assets | 82 | - | 82 | 3 |
| Investment loss | 124 467 | 11 339 | 135 806 | 70 764 |
| Interest received | 26 048 | 2 373 | 28 421 | 37 840 |
| Dividends received | 19 308 | 1 759 | 21 067 | 26 815 |
| Increase in creditors | 13 632 | - | 13 632 | 6 459 |
| Increase in receivables | (442) | - | (442) | (9 560) |
| Decrease in unearned levies | (1 783) | - | (1 783) | (5 901) |
| (Decrease) increase in outstanding claims liability | (77 500) | (2 488) | (79 988) | 120 945 |
| Increase (decrease) in provisions | 143 | - | 143 | (2 280) |
| Increase in employee benefits | 4 357 | - | 4 357 | 3 619 |
| Net cash provided by operating activities | 45 009 | 2 098 | 47 107 | 109 126 |

23. Related parties transactions

In relation to Ms S De Poi, the companies in which she has an interest, De Poi Consulting Pty Ltd and Refining Skills Pty Ltd, have current contracts with WorkCoverSA for the provision of rehabilitation services as directed by WorkCoverSA's claims agents. The value of the transactions during the year ended 30 June 2009 was \$3.1 million (\$2.7 million). The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-Board member related entities on an arm's length basis.

23. Related parties transactions (continued)

In relation to Mr. P Vaughan, the Chief Executive of Business SA, WorkCoverSA has a current contract with Business SA. The value of the transactions with Business SA for services during the year ended 30 June 2009 was \$71 408 (\$73 977). The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-Board member related entities on an arm's length basis.

In relation to Ms J Tongs, who is a Director of LCM Healthcare, LCM Healthcare provides health related services to injured workers on behalf of WorkCoverSA. The value of the transactions with LCM Healthcare for services paid during the year ended 30 June 2009 was \$1.7 million (\$1.5 million). The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-Board member related entities on an arm's length basis.

Board Member related entities pay levies in accordance with the Act. Apart from the details disclosed in this Note, no Board Member has entered into a material contract with WorkCoverSA since the end of the previous financial year and there were no material contracts involving Board Members' interests existing at year end.

24. Remuneration of Board and Committee members

Members that were entitled to receive remuneration for membership during the 2009 financial year were:

| <i>Member</i> | <i>Board</i> | <i>Workplace Injury Committee</i> | <i>Regulations Review Committee</i> | <i>Audit Risk Committee</i> | <i>Human Resources Committee</i> |
|--|-----------------------------|---|---|-------------------------------------|--|
| Mr P Bentley (appointed 7 August 2008 as chair) | Chair from 7 August 2008 | Chair | Member | - | Member |
| Mr B Carter (resigned 31 July 2008) | Chair to 31 July 2008 | - | - | Member | - |
| Ms S De Poi | Member | Member | Member | - | - |
| Mr P Malinauskas (appointed 7 August 2008) | Member | - | - | - | Member |
| Mr T Phillips | Member | - | - | - | Chair |
| Ms B Rajkowska | Member | - | Chair | Member | - |
| Ms T Scheer (appointed 1 January 2009) | Member | - | Member | Member | - |
| Ms J Tongs (resigned 31 December 2008) | Member | - | Member | Member | - |
| Mr P Vaughan | Member | Member | - | - | Member |
| Mr J Watson | Member | Member | Member | Member | - |
| Ms J Yuile (appointed 18 September 2008) | Member | Member | - | Chair | - |

The Board agreed to discontinue both the Investment and Finance Committee (Ms J Tongs (Chair), Mr P Bentley and Ms S De Poi) and the Self-insured Committee (Ms B Rajkowska (Chair) and Mr T Phillips) on 29 August 2008. The Board agreed to form the Regulations Review Committee on 29 August 2008.

| The number of members whose remuneration received falls within the following bands: | 2009 Number | 2008 Number |
|---|------------------------|----------------|
| \$1 - \$9 999 | 1 | - |
| \$10 000 - \$19 999 | 1 | - |
| \$20 000 - \$29 999 | 1 | 1 |
| \$30 000 - \$39 999 | 2 | 2 |
| \$40 000 - \$49 999 | 4 | 2 |
| \$50 000 - \$59 999 | 1 | 3 |
| \$80 000 - \$89 999 | 1 | - |
| \$100 000 - \$109 999 | - | 1 |

The Workers Rehabilitation and Advisory Committee is established under the Act and gives advice direct to the Minister and not the Board. The members were paid \$22 329 (\$26 418) in total for the year ending 30 June 2009 by WorkCover SA. Current members are J Watson, T Earls, R Shaw, D Frith, S Romeo, T Secombe, A Costa, J Szakacs and N Morris. Members ceased during the year were P Bentley, S Harrington, D Gribble, N Zivkovic and D Black. Remuneration for this committee is not included in the members remuneration table above.

25. Commitments

WorkCoverSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

| | Offices \$'000 | Motor vehicles \$'000 | 2009 Total \$'000 | Offices \$'000 | Motor vehicles \$'000 | 2008 Total \$'000 |
|--|-------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|
| Due within one year | 3 424 | 257 | 3 681 | 3 328 | 127 | 3 455 |
| Due later than one year and less than five years | 7 369 | 222 | 7 591 | 10 910 | 232 | 11 142 |
| Later than five years | - | - | - | - | - | - |
| | 10 793 | 479 | 11 272 | 14 238 | 359 | 14 597 |

WorkCoverSA leases property under non-cancellable operating leases expiring from 1 to 10 years. Leases provide WorkCoverSA with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

WorkCoverSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

On 7 May 2007 WorkCoverSA entered into an agreement with IBM Australia Limited for the provision of a claims management system to replace its current system. The agreement covers the design, building and installation of the system and will extend over a number of years. The agreement commits WorkCoverSA to pay up to \$11 million to IBM Australia Limited in the year ending 30 June 2010. The total project budget for this phase of the project including internal and other costs is approximately \$38 million.

26. Self-insured employer financial guarantees

Under section 60 of the Act, WorkCoverSA administers financial guarantees lodged by self-insured employers. As at 30 June 2009, WorkCoverSA held security to the value of \$350.6 million in financial guarantees for self-insured employers. These guarantees are held in trust for the purpose of extinguishing the claim liabilities under the Act of the self-insured employer in the event of that employer no longer being able to meet these liabilities.

27. Contingent liabilities

The SRF and the IAF have exposure to claims in failed insurance companies and uninsured insolvent employers. No specific allowance is made in the claims provision for future new insolvencies. The SRF and the IAF have exposures to claims for asbestos related injuries incurred until 30 September 1987. The outstanding claims liabilities for the SRF and IAF funds were estimated, including an IBNR component, on the basis of claims reported to date. There are inherent uncertainties associated with estimating the outstanding claims liability for asbestos related diseases as set out in Note 19. If at any time the SRF and IAF are unable to meet their liabilities, WorkCoverSA is obliged to provide financial support to enable them to do so.

WorkCoverSA has a number of legal cases pending with the Workers Compensation Tribunal. At the time of this report the outcome of these cases is not known and the effects are not quantifiable.

28. Funding ratio

The Board approved policy requires a funding range of 90 percent to 110 percent with any shortfall in funding to be recovered over a Board approved time frame. The unfunded position at June 2009 with prior year comparative figures is provided below:

| | WorkCover Scheme \$'000 | Other Funds \$'000 | Total Fund | |
|----------------------------|-------------------------------|--------------------------|----------------|----------------|
| | | | 2009 \$'000 | 2008 \$'000 |
| Funded (unfunded) position | (1 072 690) | 13 528 | (1 059 162) | (984 031) |
| Funding percentage | 54.5 | 114.5 | 56.7 | 60.8 |

The mechanism for managing the funding position is the average levy rate. Each year the average levy rate is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate average levy rate to achieve WorkCoverSA's desired long-term funding policy. A component of average levy rate is an allowance to recoup the unfunded position.

The Board has considered the following matters in preparing the financial statements on a going concern basis:

- the long-term view of the funding position.
- WorkCoverSA retains sufficient funds to meet current expenditure for both claim payments and operating costs.
- WorkCoverSA continues to manage its funding position through the average levy rate by setting that rate at a level which includes a contribution to the recovery of the unfunded position and this rate is assessed each year.

29. Transactions with SA Government

The table below details the transactions with SA Government departments and agencies for the financial year ending 30 June.

| | 2009 | | | |
|----------------|-------------------|--------------------|------------------|-----------------------|
| | Revenue \$'000 | Expenses \$'000 | Assets \$'000 | Liabilities \$'000 |
| Government | 7 795 | 33 605 | 162 | 13 316 |
| Non-government | 530 657 | 647 459 | 1 389 479 | 2 435 487 |
| | 538 452 | 681 064 | 1 389 641 | 2 448 803 |

30. Events after the reporting date

There have been no events after the reporting date which would have a material effect on the WorkCoverSA's financial statements at 30 June 2009.

APPENDIX TO
AUDITOR-GENERAL'S
ANNUAL REPORT

TREASURER'S
FINANCIAL STATEMENTS

(Pursuant to section 22 of the Public Finance and Audit Act 1987)

2008-09

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STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

| | Budget \$ | Actual \$ |
|---|----------------------|----------------------|
| RECEIPTS | | |
| Taxation | 3 381 931 000 | 3 223 351 458 |
| Commonwealth General Purpose Grants | 4 143 500 000 | 3 823 191 879 |
| Commonwealth Specific Purpose Grants | — | 36 833 740 |
| Commonwealth National Partnership Payments | 35 564 000 | 90 319 561 |
| Contributions from State Undertakings | 466 705 000 | 387 002 911 |
| Fees and Charges | 300 548 000 | 282 642 584 |
| Recoveries | 57 537 000 | 185 238 620 |
| Royalties | 163 450 000 | 152 497 902 |
| Other Receipts | 278 446 000 | 208 736 624 |
| Total Receipts | 8 827 681 000 | 8 389 815 279 |
| PAYMENTS | | |
| Appropriation Act | 9 313 022 000 | 9 403 254 227 |
| Specific Appropriation Authorised in Various Acts | 127 072 000 | 145 503 101 |
| Total Payments | 9 440 094 000 | 9 548 757 328 |
| CONSOLIDATED ACCOUNT FINANCING REQUIREMENT | 612 413 000 | 1 158 942 049 |

The deficit for 2008-09 has been funded by borrowings from the SA Government Financing Authority, pursuant to section 16(2) of the *Public Finance and Audit Act 1987*, increasing the level of debt serviced from the Consolidated Account.

KEVIN FOLEY, Treasurer

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

| | Budget 2008-09 | Actual 2008-09 |
|--|----------------------|----------------------|
| RECEIPTS | \$ | \$ |
| TAXATION | | |
| Payroll Tax | 1 061 100 000 | 1 089 351 614 |
| Commonwealth Places Mirror Payroll Tax ^(a) | 18 700 000 | 19 059 166 |
| Stamp Duties | 1 398 130 000 | 1 217 845 886 |
| Commonwealth Places Mirror Stamp Duties ^(a) | 500 000 | 545 050 |
| Land Tax | 476 500 000 | 466 581 706 |
| Commonwealth Places Mirror Land Tax ^(a) | 1 400 000 | 1 296 505 |
| Other Taxes on Property | 10 000 | 179 504 |
| Save River Murray Levy | 22 800 000 | 23 306 026 |
| Gaming Machines Tax | 296 300 000 | 292 165 983 |
| Contribution from SA Lotteries | 76 568 000 | 81 424 915 |
| Contribution from Casino Operations | 20 300 000 | 21 106 395 |
| Contribution from South Australian Totalizator Agency Board | 7 500 000 | 8 024 561 |
| Contribution from On-course Totalizators, Bookmakers and Small Lotteries | 1 923 000 | 2 464 147 |
| Recoup from Recreation and Sport Fund | 200 000 | — |
| Total Taxation Receipts | <u>3 381 931 000</u> | <u>3 223 351 458</u> |
| COMMONWEALTH GENERAL PURPOSE GRANTS | | |
| GST Revenue Grants | 4 143 500 000 | 3 786 480 917 |
| Transitional Assistance ^(b) | — | 36 710 962 |
| Total Commonwealth General Purpose Payments | <u>4 143 500 000</u> | <u>3 823 191 879</u> |
| COMMONWEALTH SPECIFIC PURPOSE GRANTS ^(c) | | |
| Council of Australian Governments funding arrangements ^(d) | — | 36 833 740 |
| Total Commonwealth specific purpose payments | <u>—</u> | <u>36 833 740</u> |

(a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is obtained by the state.

(b) Included in the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA) was a commitment from the Commonwealth Government that the states and territories would receive a Guaranteed Minimum Amount (GMA) of GST funding. To achieve this, the Commonwealth Government agreed that any shortfall between a jurisdiction's share of GST revenues and its GMA would be met by transitional assistance grants.

(c) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account and not those paid directly paid to agencies.

(d) At its November 2008 meeting, the Council of Australian Governments agreed on new Commonwealth-State funding arrangements that were introduced on 1 January 2009. These arrangements provide for the payment of specific purpose payments to the treasuries of each state and territory rather than to the relevant line agencies as was the case under the previous arrangements.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2008-09 - *continued*

| | Budget 2008-09 | Actual 2008-09 |
|--|-------------------|-------------------|
| RECEIPTS - <i>continued</i> | \$ | \$ |
| COMMONWEALTH NATIONAL PARTNERSHIPS GRANTS | | |
| Concessions to Pensioners and Others ^(e) | 21 728 000 | 10 867 000 |
| First Home Owners Boost | — | 65 716 000 |
| Legal Aid | 13 836 000 | 13 736 561 |
| Total Commonwealth National Partnerships Payments | <u>35 564 000</u> | <u>90 319 561</u> |
| CONTRIBUTIONS FROM STATE UNDERTAKINGS | | |
| Arrangements with private electricity entities — | | |
| Local Government Rate Equivalent | 199 000 | — |
| Attorney-General's Department — | | |
| Income Tax Equivalent | 11 000 | — |
| Austraining Pty Ltd — | | |
| Income Tax Equivalent | — | 249 676 |
| Defence SA — | | |
| Local Government Rate Equivalent | 164 000 | — |
| Department for Transport, Energy and Infrastructure ^(f) — | | |
| Dividend | 19 006 000 | 363 956 |
| Income Tax Equivalent | 2 924 000 | 2 353 308 |
| Local Government Rate Equivalent | 748 000 | 614 293 |
| Department of Treasury and Finance ^(f) — | | |
| Income Tax Equivalent | 112 000 | — |
| Fleet SA — | | |
| Income Tax Equivalent | — | 851 425 |
| Flinders Ports — | | |
| Payment In lieu of other taxes | — | 1 540 090 |
| Forestry SA — | | |
| Dividend | 23 027 000 | 15 231 468 |
| Income Tax Equivalent | 10 662 000 | 7 955 074 |
| Funds SA — | | |
| Local Government Rate Equivalent | 160 000 | 345 249 |
| Generation Lessor Corporation — | | |
| Dividend | — | 227 020 |

(e) Concessions to pensioners and others, and legal aid previously classified as specific purpose payments, now classified as National Partnership payments. The Commonwealth pays the remainder of National Partnerships payments into a Treasury and Finance special deposit account for subsequent disbursement to the relevant line agencies.

(f) The Department for Administrative and Information Services ceased operations on 31 December 2006 with some functions that generated distributions to the Consolidated Account transferred to the Department for Transport, Energy and Infrastructure, the Department of Treasury and Finance, Department of the Premier and Cabinet and the Attorney-General's Department. Further restructuring in the Department of Transport, Energy and Infrastructure, resulted in the cessation of distributions to the Consolidated Account, offset by reduced appropriation paid to the Department for Transport, Energy and Infrastructure.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2008-09 - *continued*

| | Budget 2008-09 | Actual 2008-09 |
|---|-------------------|-------------------|
| RECEIPTS - <i>continued</i> | \$ | \$ |
| CONTRIBUTIONS FROM STATE UNDERTAKINGS - <i>continued</i> | | |
| HomeStart Finance — | | |
| Dividend | 5 503 000 | 5 310 638 |
| Income Tax Equivalent | 2 371 000 | 3 330 706 |
| Land Management Corporation — | | |
| Dividend | 69 418 000 | 47 410 000 |
| Income Tax Equivalent | 30 884 000 | 24 960 000 |
| Local Government Rate Equivalent | 366 000 | 435 366 |
| Private — | | |
| Local Government Rate Equivalent | — | 203 206 |
| Public Trustee Office — | | |
| Dividend | 1 508 000 | 541 000 |
| Income Tax Equivalent | 754 000 | 168 192 |
| SA Lotteries — | | |
| Income Tax Equivalent | 7 221 000 | 8 178 414 |
| Local Government Rate Equivalent | 5 000 | 5 536 |
| SA Water Corporation — | | |
| Dividend | 185 357 000 | 161 296 000 |
| Income Tax Equivalent | 85 646 000 | 73 158 875 |
| Local Government Rate Equivalent | 2 055 000 | 2 474 589 |
| South Australian Asset Management Corporation — | | |
| Dividend | 4 000 000 | 4 000 000 |
| South Australian Government Employee Residential Properties — | | |
| Dividend | 1 156 000 | 1 156 000 |
| Income Tax Equivalent | 1 956 000 | 1 043 694 |
| Local Government Rate Equivalent | — | 5 400 |
| South Australian Government Financing Authority — | | |
| Dividend | 7 728 000 | 10 738 000 |
| Income Tax Equivalent | 3 200 000 | — |
| South Australian Housing Trust — | | |
| Income Tax Equivalent | — | 5 496 000 |
| TransAdelaide — | | |
| Local Government Rate Equivalent | 90 000 | — |
| Transmission Corporation — | | |
| Dividend | — | 6 880 290 |
| West Beach Trust — | | |
| Income Tax Equivalent | 474 000 | 479 446 |
| Total Contributions from State Undertakings | 466 705 000 | 387 002 911 |

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2008-09 - *continued*

| | Budget 2008-09 | Actual 2008-09 |
|--|--------------------|--------------------|
| RECEIPTS - <i>continued</i> | \$ | \$ |
| FEES AND CHARGES ^(g) | | |
| Auditor-General's Department - Fees for audit and other sundry receipts | 9 423 000 | 8 911 512 |
| Court fines | 29 669 000 | 16 994 950 |
| Court regulatory fees ^(h) | 24 234 000 | 23 735 573 |
| Land Services regulatory fees | 142 473 000 | 127 124 696 |
| Department of Water, Land and Biodiversity Conservation — | | |
| Natural Resource Management penalties | 1 104 000 | 39 309 |
| Guarantee fees | 19 027 000 | 20 183 139 |
| Infringement Notice Schemes - Expiation fees | 74 063 000 | 85 632 442 |
| Small lotteries | 527 000 | — |
| Sundry fees | 28 000 | 20 964 |
| Total Fees and Charges | <u>300 548 000</u> | <u>282 642 584</u> |
| RECOVERIES | | |
| Child Abuse Protection program | 200 000 | 200 000 |
| Contribution to the cost of private plated vehicles | 10 000 | 1 550 |
| Essential Services Commission of SA | 6 837 000 | 6 838 000 |
| Department of Transport, Energy and Infrastructure — | | |
| Indentured Ports | 3 986 000 | — |
| Department of Water, Land and Biodiversity Conservation — | | |
| Qualco Sunlands | 250 000 | — |
| Helicopter service - Recovery of costs and sponsorships | 1 050 000 | — |
| Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund | 1 500 000 | 2 500 000 |
| Industry Assistance Fund | — | — |
| Metropolitan Drainage Fund | — | — |
| National Tax Equivalent Program | 50 000 | — |
| Return of cash to Consolidated Account – Cash Alignment Policy | 11 030 000 | 80 102 000 |
| Return of deposit account balances | — | 246 945 |
| Return of deposit account balances - Superannuation | 30 000 000 | 91 500 000 |
| Sale of Government Gazette | 162 000 | 344 924 |
| Sundry recoupments | 131 000 | 61 182 |
| Unclaimed monies and personal property | 1 807 000 | 2 843 891 |
| United Water | 524 000 | 600 128 |
| Total Recoveries | <u>57 537 000</u> | <u>185 238 620</u> |

(g) Refers only to those fees and charges paid to the Consolidated Account.

(h) Sale of evidence/transcripts were previously shown separately under the Recoveries section. These fees are now under regulatory fees.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2008-09 - *continued*

| | Budget 2008-09 | Actual 2008-09 |
|--|----------------------|----------------------|
| RECEIPTS - <i>continued</i> | \$ | \$ |
| ROYALTIES | | |
| Department of Primary Industries and Resources | 163 450 000 | 152 497 902 |
| Total Royalties | <u>163 450 000</u> | <u>152 497 902</u> |
| OTHER RECEIPTS | | |
| Interest on investments | 153 149 000 | 78 925 135 |
| Interest recoveries from general government entities | 9 673 000 | 7 547 544 |
| Interest recoveries from non commercial public trading enterprises | 34 760 000 | 47 244 426 |
| Interest recoveries the private sector | 67 000 | 136 269 |
| Repayment of advances — | | |
| Administered Items for the Department for Transport, Energy and Infrastructure | — | 183 855 |
| Department of Health | 1 644 000 | 1 796 537 |
| Department of Primary Industries and Resources | 1 000 000 | 645 613 |
| Land Management Corporation | 107 000 | 164 866 |
| Renmark Irrigation Trust | 105 000 | 204 591 |
| SA Country Arts Trust | 20 000 | — |
| South Australia Housing Trust | 20 712 000 | 31 951 092 |
| South Australia Tourism Commission | 180 000 | 177 463 |
| Other | 5 000 | 5 218 |
| Repayment of equity capital contributions — | | |
| Defence SA | 3 730 000 | 9 111 113 |
| Department for Transport, Energy and Infrastructure ⁽ⁱ⁾ | 35 604 000 | — |
| Department of Treasury and Finance | — | 4 540 000 |
| Other — | | |
| Basketball Association of SA | — | 360 000 |
| Department of Primary Industries and Resources — Sale of 4.2 GL Water Licence | — | 10 500 000 |
| Other Recoveries | 161 000 | 35 000 |
| Sale of land and buildings | 17 529 000 | 15 207 902 |
| Total other receipts | <u>278 446 000</u> | <u>208 736 624</u> |
| TOTAL CONSOLIDATED ACCOUNT RECEIPTS | <u>8 827 681 000</u> | <u>8 389 815 279</u> |

(i) The Department for Administrative and Information Services ceased operations on 31 December 2006 with some functions that generated distributions to the Consolidated Account transferred to the Department for Transport, Energy and Infrastructure, the Department of Treasury and Finance, Department of the Premier and Cabinet and the Attorney-General's Department. Further restructuring in the Department of Transport, Energy and Infrastructure, resulted in the cessation of distributions to the Consolidated Account, offset by reduced appropriation paid to the Department for Transport, Energy and Infrastructure.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

| | Budget 2008-09 | Actual 2008-09 |
|--|---------------------------|---------------------------|
| PAYMENTS - AUTHORISED BY VARIOUS ACTS | \$ | \$ |
| SALARIES AND ALLOWANCES | | |
| Agent-General - <i>Pursuant to Agent-General Act 1901</i> | 212 000 | 146 183 |
| Auditor-General - <i>Pursuant to Public Finance and Audit Act 1987</i> | 257 000 | 282 812 |
| Commissioners of Environment, Resource and Development Court and Commissioners of Industrial Relations - <i>Pursuant to Remuneration Act 1990</i> | 890 000 | 921 962 |
| Commissioner of Police - <i>Pursuant to Police Act 1988</i> | 256 000 | 394 414 |
| State Coroner and Deputy Coroner - <i>Pursuant to Remuneration Act 1990</i> | 679 000 | 673 948 |
| Electoral Commissioner and Deputy Electoral Commissioner - <i>Pursuant to Electoral Act 1985</i> | 298 000 | 305 380 |
| Employee Ombudsman - <i>Pursuant to Fair Work Act 1994</i> | 85 000 | 146 403 |
| Governor - <i>Pursuant to Constitution Act 1934</i> | 224 000 | 258 458 |
| Judges - <i>Pursuant to Remuneration Act 1990</i> — | | |
| Chief Justice | 548 000 | 574 341 |
| Judges and Masters | 18 263 000 | 18 117 919 |
| Magistrates - <i>Pursuant to Remuneration Act 1990</i> | 11 815 000 | 12 420 773 |
| Members of various Standing Committees - <i>Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991</i> | 737 000 | 667 655 |
| Ombudsman - <i>Pursuant to Ombudsman Act 1972</i> | 262 000 | 233 653 |
| Parliamentary Salaries and Electorate and Expense Allowances—Ministers, Officers and Members of Parliament - <i>Pursuant to Parliamentary Remuneration Act 1990</i> | 12 540 000 | 12 299 193 |
| Senior Judge and Judges of the Industrial Relations Commission - <i>Pursuant to Remuneration Act 1990</i> | 1 864 000 | 3 079 748 |
| Solicitor-General - <i>Pursuant to Solicitor-General Act 1972</i> | 464 000 | 496 253 |
| Valuer-General - <i>Pursuant to Valuation of Land Act 1971</i> | 143 000 | 93 733 |
| Total Salaries and Allowances | <u>49 537 000</u> | <u>51 112 828</u> |
| OTHER | | |
| Contribution for injuries suffered as a result of the commission of criminal acts – <i>Pursuant to Criminal Injuries Compensation Act 1978</i> | 6 815 000 | 6 815 000 |
| First Home Owners' Grants - <i>Pursuant to First Home Owner Grant Act 2000</i> | <u>70 720 000</u> | <u>87 575 273</u> |
| Total Other | <u>77 535 000</u> | <u>94 390 273</u> |
| TOTAL PAYMENTS AUTHORISED BY VARIOUS ACTS | <u><u>127 072 000</u></u> | <u><u>145 503 101</u></u> |

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2008-09—*continued*

| | Budget | | | Actual |
|---|--------------------------|------------------------|---------------|---------------|
| | (Appropriation Act 2008) | | | 2008-09 |
| | Initial Section 4(1) | Transfers Section 5 | Balance | |
| PAYMENTS | \$ | \$ | \$ | \$ |
| Department of the Premier and Cabinet | 149 901 000 | -21 073 000 | 128 828 000 | 180 420 000 |
| Administered Items for the Department of the Premier and Cabinet | 18 780 000 | — | 18 780 000 | 19 086 000 |
| State Governor's Establishment | 3 181 000 | — | 3 181 000 | 3 181 000 |
| Arts SA | 114 661 000 | — | 114 661 000 | 111 275 000 |
| Department of Trade and Economic Development | 59 925 000 | 2 831 000 | 62 756 000 | 62 973 000 |
| Office of the Venture Capital Board | 3 122 000 | -2 831 000 | 291 000 | — |
| Defence SA | 137 948 000 | — | 137 948 000 | 116 339 000 |
| Department of Treasury and Finance | 102 968 000 | — | 102 968 000 | 87 047 000 |
| Administered Items for the Department of Treasury and Finance | 1 393 139 000 | — | 1 393 139 000 | 1 521 583 000 |
| Independent Gambling Authority | 1 526 000 | — | 1 526 000 | 1 534 000 |
| Department of Planning and Local Government ^(a) | — | 18 024 000 | 18 024 000 | 18 206 000 |
| Administered Items for Department of Planning and Local Government ^(a) | — | 865 000 | 865 000 | 683 000 |
| Department of Primary Industries and Resources | 153 487 000 | -18 024 000 | 135 463 000 | 179 091 000 |
| Administered Items for the Department of Primary Industries and Resources | 5 054 000 | - 865 000 | 4 189 000 | 4 189 000 |
| Department for Transport, Energy and Infrastructure | 552 881 000 | -4 203 000 | 548 678 000 | 493 805 000 |
| Administered Items for the Department for Transport, Energy and Infrastructure | 12 399 000 | — | 12 399 000 | 12 799 000 |
| TransAdelaide | 2 009 000 | — | 2 009 000 | 2 009 000 |
| Attorney-General's Department | 95 378 000 | 21 202 000 | 116 580 000 | 115 396 000 |
| Administered Items for Attorney-General's Department | 55 673 000 | — | 55 673 000 | 51 073 000 |
| Courts Administration Authority | 80 533 000 | — | 80 533 000 | 80 648 000 |
| Department for Correctional Services | 172 455 000 | — | 172 455 000 | 173 358 000 |
| South Australia Police | 548 495 000 | - 129 000 | 548 366 000 | 519 826 000 |
| Administered Items for South Australia Police | 362 000 | — | 362 000 | 159 000 |
| Electoral Commission of South Australia | 3 973 000 | — | 3 973 000 | 4 455 000 |
| Department of Health | 2 162 750 000 | — | 2 162 750 000 | 2 161 559 000 |
| Department of Education and Children's Services | 1 755 505 000 | — | 1 755 505 000 | 1 746 547 000 |
| Administered Items for the Department of Education and Children's Services | 163 546 000 | — | 163 546 000 | 166 380 000 |
| South Australian Tourism Commission | 51 963 000 | — | 51 963 000 | 51 777 000 |
| Minister for Tourism | 4 527 000 | — | 4 527 000 | 4 527 000 |
| Department for Environment and Heritage | 134 416 000 | - 216 000 | 134 200 000 | 132 009 000 |
| Administered Items for the Department for Environment and Heritage | 4 889 000 | — | 4 889 000 | 4 889 000 |

(a) Planning SA, a former administrative unit of the Department of Primary Industries and Resources changed its name to the Department of Planning and Local Government effective from 16 October 2008.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2008-09—*continued*

| | Budget | | | Actual |
|--|--------------------------|------------------------|---------------|---------------|
| | (Appropriation Act 2008) | | | 2008-09 |
| | Initial Section 4(1) | Transfers Section 5 | Balance | |
| PAYMENTS - <i>continued</i> | \$ | \$ | \$ | \$ |
| Department of Water, Land and Biodiversity Conservation | 94 888 000 | 216 000 | 95 104 000 | 108 353 000 |
| Administered Items for the Department of Water, Land and Biodiversity Conservation | 6 332 000 | 4 203 000 | 10 535 000 | 10 535 000 |
| Environment Protection Authority | 6 960 000 | — | 6 960 000 | 6 939 000 |
| Department for Families and Communities | 794 327 000 | — | 794 327 000 | 798 433 000 |
| Administered Items for the Department for Families and Communities | 139 551 000 | — | 139 551 000 | 136 881 000 |
| Department of Further Education, Employment, Science and Technology | 291 559 000 | — | 291 559 000 | 282 413 000 |
| Auditor-General's Department | 11 569 000 | — | 11 569 000 | 11 371 000 |
| House of Assembly | 7 708 000 | — | 7 708 000 | 7 581 773 |
| Joint Parliamentary Services | 9 676 000 | — | 9 676 000 | 9 549 328 |
| Legislative Council | 5 006 000 | — | 5 006 000 | 4 375 126 |
| Total Payments Appropriated for Departments and Ministers | 9 313 022 000 | — | 9 313 022 000 | 9 403 254 227 |
| TOTAL CONSOLIDATED ACCOUNT PAYMENTS | 9 440 094 000 | — | 9 440 094 000 | 9 548 757 328 |

KEVIN FOLEY, Treasurer

STATEMENT B

**SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (ii) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)**

| | 2008-09 \$'000 | 2007-08 \$'000 |
|--|-------------------|-------------------|
| SOURCE OF FUNDS | | |
| Consolidated Account Receipts — | | |
| Taxation | 3 223 351 | 3 378 758 |
| Commonwealth General Purpose Grants | 3 823 192 | 3 916 646 |
| Commonwealth Specific Purpose Grants | 36 834 | 47 042 |
| Commonwealth National Partnership Payments | 90 319 | — |
| Contributions from State Undertakings | 387 003 | 443 391 |
| Fees and Charges | 282 643 | 296 003 |
| Recoveries | 185 238 | 151 470 |
| Royalties | 152 498 | 143 415 |
| Other Receipts | 208 737 | 326 921 |
| Total Receipts | 8 389 815 | 8 703 646 |
| Increase in balance of Special Deposit Accounts | 416 927 | 152 530 |
| Increase in balance of Deposits lodged with the Treasurer | 16 799 | 11 321 |
| Decrease in balance of Imprest Accounts | 746 | — |
| Increase in borrowings from the South Australian Government Financing Authority ^(a) | 1 158 942 | — |
| Decrease in cash at bank | 34 637 | — |
| Decrease in deposits by the Treasurer with LGFA | — | 3 200 |
| Increase in the value of cheques drawn but not presented | — | 27 628 |
| Decrease in Treasurer's loans to SAFA - payments to be settled ^(b) | — | 42 823 |
| | 10 017 866 | 8 941 148 |
| APPLICATION OF FUNDS | | |
| Consolidated Account Payments | 9 548 757 | 8 586 229 |
| Repayment of borrowings to the South Australian Government Financing Authority | — | 117 417 |
| Increase in cash at bank | — | 35 919 |
| Increase in deposits by the Treasurer with SAFA | 385 942 | 201 583 |
| Increase in deposits by the Treasurer with LGFA | 1 100 | — |
| Decrease in the value of cheques drawn but not presented | 50 625 | — |
| Increase in Treasurer's loans to SAFA - payments to be settled ^(b) | 31 442 | — |
| | 10 017 866 | 8 941 148 |

(a) As reported in Statement A and Statement J, the Consolidated Account deficit for 2008-09 was funded by the Treasurer's borrowings from the South Australian Government Financing Authority.

(b) Payments processed in respect of June transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in that month but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

KEVIN FOLEY, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2009
(Section 22 (a)(xiv) Public Finance and Audit Act 1987)

| | 2008-09 \$'000 | 2007-08 \$'000 |
|--|-------------------|-------------------|
| BALANCE OF FUNDS | | |
| CONSOLIDATED ACCOUNT - See Statement A | — | — |
| SPECIAL DEPOSIT ACCOUNT BALANCES - See Statement F | 2 016 156 | 1 599 229 |
| DEPOSITS LODGED WITH THE TREASURER - See Statement G | 547 380 | 530 580 |
| CHEQUES DRAWN BUT NOT PRESENTED | 8 446 | 59 071 |
| TREASURER'S LOANS TO BE SETTLED ^(a) | - 31 442 | — |
| | <u>2 540 540</u> | <u>2 188 880</u> |
| REPRESENTED BY | | |
| CASH AT BANK | 153 472 | 188 108 |
| DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY - See Statement J | 2 345 112 | 1 959 169 |
| DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA - See Statement E | 41 500 | 40 400 |
| DEPARTMENTAL IMPREST ACCOUNTS - See Statement H | 456 | 1 203 |
| | <u>2 540 540</u> | <u>2 188 880</u> |

(a) Payments processed in respect of June 2009 transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in June 2009 but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

KEVIN FOLEY, Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2009 ^(a)
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND
RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

| | \$'000 | \$'000 | \$'000 | \$'000 |
|--|------------------|------------------|------------------|--------|
| | Payments | Recoveries | Cost | |
| Department of the Premier and Cabinet | 197 024 | 345 | 196 679 | |
| State Governor's Establishment | 3 181 | — | 3 181 | |
| Arts SA | 108 338 | — | 108 338 | |
| South Australian Tourism Commission | 51 713 | — | 51 713 | |
| Minister for Tourism | 4 527 | — | 4 527 | |
| Auditor-General's Department | 11 371 | 8 912 | 2 459 | |
| Department of Treasury and Finance | 1 600 902 | 839 958 | 760 944 | |
| Independent Gambling Authority | 1 534 | — | 1 534 | |
| Department of Trade and Economic Development | 62 973 | — | 62 973 | |
| Defence SA | 16 000 | 2 135 | 13 865 | |
| Department of Primary Industries and Resources | 183 280 | 10 500 | 172 780 | |
| Attorney-General's Department | 166 469 | 13 956 | 152 513 | |
| Courts Administration Authority | 80 648 | 50 688 | 29 960 | |
| Department for Correctional Services | 173 358 | — | 173 358 | |
| South Australia Police | 519 985 | 75 521 | 444 464 | |
| Electoral Commission of South Australia | 3 246 | 2 | 3 244 | |
| Department of Health | 2 005 034 | — | 2 005 034 | |
| Department for Families and Communities | 920 417 | — | 920 417 | |
| Department of Education and Children's Services | 1 912 927 | — | 1 912 927 | |
| Department of Further Education, Employment, Science & Technology | 282 413 | — | 282 413 | |
| Department for Environment and Heritage | 136 898 | 11 068 | 125 830 | |
| Department for Planning and Local Government | 18 889 | — | 18 889 | |
| Department of Water, Land and Biodiversity Conservation | 118 888 | 39 | 118 849 | |
| Environmental Protection Authority | 3 852 | — | 3 852 | |
| Department for Transport, Energy and Infrastructure | 450 498 | 128 809 | 321 689 | |
| Legislature | 21 506 | 61 | 21 445 | |
| Payments authorised under various acts | 145 503 | — | 145 503 | |
| Total | 9 201 374 | 1 141 994 | 8 059 380 | |

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES

8 059 380

STATEMENT D - continued

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2009 ^(a)
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST —

| | \$'000 | \$'000 | \$'000 |
|---|-----------|-----------|------------|
| State Taxation— | | | |
| Payroll Tax | 1 089 352 | | |
| Stamp Duties | 1 217 846 | | |
| Land Tax | 466 582 | | |
| Commonwealth Places Mirror Tax | 20 899 | | |
| River Murray Levy | 23 306 | | |
| Other Taxes on Property | 180 | | |
| Gaming Machines Tax | 292 166 | | |
| Contribution from Lotteries Commission | 81 425 | | |
| Contribution from Casino Operations | 21 106 | | |
| Contribution from Totalizator Agency Board | 8 025 | | |
| Contribution from On-course Totalizators, Bookmakers and Small Lotteries | 2 464 | | |
| Total Receipts from State Taxation | | 3 223 351 | |
| Commonwealth Government General Purpose Grants | | 3 823 192 | |
| Royalties | | 152 498 | |
| Total Direct Receipts | | | 7 199 041 |
| LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF | | | - 860 339 |
| THIS WAS REDUCED BY THE NET OF— | | | |
| Payments for investing activities | | - 344 742 | |
| Payments for financing activities | | - 2 641 | |
| Receipts from investing activities | | 48 780 | |
| | | | - 298 603 |
| RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF | | | -1 158 942 |

(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act 1987*, which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. The categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Generally Accepted Accounting Principles. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

KEVIN FOLEY, Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER HAS INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (iv) Public Finance and Audit Act 1987)

Local Government Finance Authority of South Australia

As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia.

At 30 June 2009 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$41.5 million.

KEVIN FOLEY, Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2009
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

| Account | Balance |
|---|-------------|
| | \$ |
| Interest bearing— | |
| Adelaide Convention Centre Future Asset Replacement Account | 15 541 401 |
| Adelaide Convention Centre Operating Account | 13 667 237 |
| Adelaide Dolphin Sanctuary Fund | 1 122 |
| ANZAC Day Commemoration Fund | 9 095 |
| AusLink Advance for Specific Projects Account | 56 716 881 |
| Barossa Wine Industry Fund | 640 239 |
| Caring for our Country | 1 945 846 |
| Citrus Growers Fund | 15 754 |
| Clare Valley Wine Industry Fund | 90 414 |
| Community Emergency Services Fund | 7 494 637 |
| Community Road Safety Fund | 3 378 186 |
| Country Equalisation Scheme | 14 504 296 |
| Dog Fence Fund | 130 399 |
| Electricity Sale/Lease Proceeds Account | — |
| Eyre Peninsula Grain Growers Rail Fund | 348 940 |
| Gamblers Rehabilitation Fund | 1 828 338 |
| Governors' Pensions Account | 8 258 |
| Health, Community and Disability Services Ministerial Council | 29 172 144 |
| HIH Builders' Indemnity Assistance Account | 2 146 922 |
| Home Purchase Assistance Account | — |
| Homes for Incurables Trust | 117 806 |
| HomeStart Finance Account | 3 968 260 |
| Housing Loans Redemption Fund | 8 759 701 |
| Judges' Pensions Account | 266 688 |
| Local Government Disaster Fund | 283 460 |
| Murray Futures Fund | 5 555 828 |
| National Water Initiative Fund | — |
| Olive Industry Fund | 1 042 |
| Parliamentary Superannuation Scheme Account | 222 528 |
| Playford Centre Operating Account | 3 084 716 |
| Police Superannuation Scheme Contribution Account | 749 264 |
| Public Trustee Office Operating Account | 3 246 020 |
| Regional Investment Funds (Eyre Peninsula Natural Resources Management Board) | 1 745 603 |
| Rock Lobster Fishing Industry Fund | 38 927 |
| Rural Finance Account | 33 224 174 |
| Rural Industry Adjustment and Development Fund | 19 639 561 |
| SA Grape Growers Industry Fund | 324 661 |
| School Loans Scheme | 1 473 296 |
| Shared Services SA | 15 062 602 |
| South Australian Aboriginal Heritage Fund | 699 367 |
| South Australian Ambulance Superannuation Scheme | 4 871 454 |
| South Australian Local Government Grants Commission Account | 1 490 897 |
| South Australian Superannuation Fund Account | 31 094 168 |
| Southern State Superannuation Fund Account | 8 457 314 |
| Supported Residential Facilities Indemnity Fund | 27 789 |
| Victims of Crime Fund | 39 188 809 |
| Sub-Total | 331 234 044 |

STATEMENT F - continuedSPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2009
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

| Account | Balance |
|---|-------------|
| | \$ |
| Non-interest bearing— | |
| Accrual Appropriation Excess Funds | 442 891 783 |
| Administrative and Information Services Administered Items Account | — |
| Administrative and Information Services Operating Account | — |
| Attorney-General's Administered Items Account | 16 396 719 |
| Attorney-General's Operating Account | 2 750 596 |
| Auditor-General's Administered Items Account | 251 306 |
| Auditor-General's Operating Account | 1 101 402 |
| Charitable and Social Welfare Fund | 148 967 |
| Commonwealth Mirror Taxes on Commonwealth Places Revenue Account | — |
| Community Development Fund | — |
| Complementary State Natural Resource Management Program | 16 121 |
| Correctional Services Operating Account | 5 871 646 |
| Defence SA | 5 090 361 |
| Education and Children's Services Administered Items Account | 51 075 279 |
| Education and Children's Services Operating Account | 88 422 568 |
| Egg Industry Deregulation Account | 464 709 |
| Electoral Office Operating Account | 1 353 602 |
| Environment and Heritage Administered Items Account | 1 200 |
| Environment and Heritage Operating Account | 7 039 337 |
| Environment Protection Authority Operating Account | 450 028 |
| Essential Services Commission of SA | 7 624 634 |
| Families and Communities Administered Items Account | 16 411 822 |
| Families and Communities Operating Account | 34 501 986 |
| Further Education, Employment, Science and Technology Operating Account | 33 585 076 |
| Government Workers Rehabilitation and Compensation Fund | 813 100 |
| Health Administered Items Account | — |
| Health and Medical Research Fund | 6 759 911 |
| Health Operating Account | 36 352 143 |
| Highways Fund | 231 014 480 |
| Hospitals Fund | — |
| Industry Financial Assistance Account | 40 881 270 |
| Living Murray Fund, The | 1 106 060 |
| Local Government Concessions - Seniors Cardholders | 1 004 502 |
| Local Government Disaster Fund | 41 500 000 |
| Minister for Gambling's Responsible Gambling Working Party | 500 000 |
| Motor Vehicles - Clearing Account | 26 897 817 |
| NRM Alliance Fund | 166 175 |
| Office of Public Employment Operating Account | — |
| Office of the Venture Capital Board Operating Account | — |
| Planning and Local Government Operating Account | — |
| Planning SA Administered Items Account | 67 101 |
| Police and Emergency Services Administered Items Account | 603 216 |
| Police Operating Account | 26 636 297 |
| Premier and Cabinet Administered Items Account | 15 213 405 |
| Premier and Cabinet Operating Account | 75 334 240 |

STATEMENT F - *continued*SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2009
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

| Account | Balance \$ |
|--|-----------------------------|
| Non-interest bearing—<i>continued</i> | |
| Primary Industries and Resources Administered Items Account | 51 768 |
| Primary Industries and Resources Operating Account | 7 264 656 |
| Professional Standards Council Fund | — |
| Sale of Government Land and Property | 2 124 030 |
| Save the River Murray Fund | 1 796 280 |
| Save the River Murray Voluntary Contributions Fund | 4 416 |
| South Australian Electricity Supply Industry Planning Council Operating Account | 1 419 285 |
| South Australian Film Corporation Unclaimed Investor Returns Account | 45 617 |
| Sport and Recreation Fund | — |
| State Government Auctions Account | — |
| State Governor's Establishment Operating Account | 286 467 |
| State Procurement Board Account | 892 226 |
| Support Services to Parliamentarians | 5 605 989 |
| Surplus Cash Working Account | 2 671 000 |
| Targeted/Voluntary Separation Package Scheme | 3 457 |
| Trade and Economic Development Operating Account | 18 802 133 |
| Transport, Energy and Infrastructure Administered Items Account | 4 786 649 |
| Transport, Energy and Infrastructure Operating Account | 40 111 336 |
| Treasurer's Interest in the National Wine Centre | 818 989 |
| Treasury and Finance Administered Items — Intergovernmental Agreement on Federal Financial Relations | 224 588 353 |
| Treasury and Finance Administered Items Account | 95 614 171 |
| Treasury and Finance Operating Account | 47 898 260 |
| Treasury – Working Account | 586 893 |
| Water, Land and Biodiversity Conservation Administered Items Account | 2 286 310 |
| Water, Land and Biodiversity Conservation Operating Account | 6 964 760 |
| Sub-Total | <u>1 684 921 904</u> |
| TOTAL SPECIAL DEPOSIT ACCOUNTS | <u><u>2 016 155 948</u></u> |

 KEVIN FOLEY, Treasurer

STATEMENT F (1)SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|--|
| Accrual Appropriation Excess Funds | To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations. |
| Adelaide Convention Centre Future Asset Replacement Account | To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement. |
| Adelaide Convention Centre Operating Account | To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism. |
| Adelaide Dolphin Sanctuary Fund | To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the <i>Adelaide Dolphin Sanctuary Act 2005</i> . |
| Administrative and Information Services Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Administrative and Information Services Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| ANZAC Day Commemoration Fund | To record the receipts and payments relating to the ANZAC Day Commemoration Fund in accordance with the <i>ANZAC Day Commemoration Act</i> |
| Attorney-General's Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Attorney-General's Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Auditor-General's Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Auditor-General's Operating Account | To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Auslink Advance for Specific Projects Account | To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program |
| Barossa Wine Industry Fund | To record receipts and payments relating to the Barossa wine industry in accordance with the <i>Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations</i> . |
| Caring for our Country | To receive funds from the Commonwealth, State and other sources for application towards the Caring for our Country Program. |

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|---|
| Charitable and Social Welfare Fund | To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to supporting the work of not-for-profit charities and community based social welfare organisations. |
| Citrus Growers Fund | To receive funds and to make payments as prescribed by the <i>Primary Industries Funding Schemes (Citrus Growers Fund) Regulations 2005</i> . |
| Clare Valley Wine Industry Fund | To record the receipts and payments relating to the Clare Valley wine industry in accordance with the <i>Primary Industries Funding Schemes (Clare Valley Wine Industry Fund) Regulations</i> . |
| Commonwealth Mirror Taxes on Commonwealth Places Revenue Account | To receive amounts that are levied pursuant to the <i>Commonwealth Places (Mirror Taxes) Act 1998</i> of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the <i>Commonwealth Places (Mirror Taxes Administration) Act 1999</i> of the State, and to deal with those amounts as contemplated by those Acts and arrangements. |
| Community Development Fund | To record the receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of government health, welfare or education services and financial assistance for non government welfare agencies and community development. |
| Community Emergency Services Fund | To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the <i>Emergency Services Funding Act 1998</i> and any amendments as approved by Parliament. |
| Community Road Safety Fund | To receive revenue derived from anti-speeding devices and other monies approved by both the Minister and the Treasurer and to make payments for road safety programs and policing. |
| Complementary State Natural Resource Management Program | To receive funds from the Commonwealth, State and other sources for application towards the Complementary State Natural Resources Management Program. |
| Correctional Services Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Country Equalisation Scheme | To record injections of funds provided from the Consolidated Account, and to make 'refund' payments to electricity retailers in accordance with the Country Equalisation Scheme. |
| Defence SA | To record all activities of Defence SA including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings. |
| Dog Fence Fund | To record receipts and disbursements relating to the operation of the Dog Fence Board. |

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|---|
| Education and Children's Services Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments and to receive various Commonwealth grants and to disburse the associated payments. |
| Education and Children's Services Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments. |
| Egg Industry Deregulation Account | To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board. |
| Electoral Office Operating Account | To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Electricity Sale/Lease Proceeds Account | To receive proceeds of sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of the State debt. |
| Environment and Heritage Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Environment and Heritage Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Environment Protection Authority Operating Account | To record all of the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings. |
| Essential Services Commission of SA | To record the financial transactions of the Essential Services Commission of South Australia. |
| Eyre Peninsula Grain Growers Rail Fund | To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the <i>Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006</i> . |
| Families and Communities Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Families and Communities Operating Account | To record all activities of the Department including recurrent and capital expenditure, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings. |

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|---|--|
| Further Education, Employment, Science and Technology Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments. |
| Gamblers Rehabilitation Fund | To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies. |
| Government Workers Rehabilitation and Compensation Fund | To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work. |
| Governors' Pensions Account | To record receipts and payments for the Governors' Pensions Scheme. |
| Health Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Health and Medical Research Fund | To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia. |
| Health, Community and Disability Services Ministerial Council | To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council. |
| Health Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Highways Fund | To record all transactions associated with the <i>Highways Act 1926</i> including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges. |
| HIH Builders' Indemnity Assistance Account | To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme. |
| Home Purchase Assistance Account | Established in 1978 to facilitate the recording of transactions associated with the administration of welfare housing loans under Housing Agreements between the Commonwealth and the State. |
| Homes for Incurables Trust | To record receipts and payments incurred within the terms of the Home for Incurables Trust |
| HomeStart Finance Account | To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme. |

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|---|
| Hospitals Fund | To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers. |
| Housing Loans Redemption Fund | Established under the <i>Housing Loans Redemption Fund Act 1962</i> to control amounts received in respect of a low cost insurance scheme established by the South Australian Government, which is administered through various lending authorities. |
| Industry Financial Assistance Account | To record the financial transactions of industry financial assistance administered on behalf of the Treasurer, including operating and financing expenditures, revenues from various activities and injection of funds provided by the Consolidated Account. |
| Judges' Pensions Account | To record receipts and payments for the Judges' Pensions Scheme. |
| Living Murray Fund, The | To receive funds and make payments in relation to water recovery measures under the Living Murray initiative, including investments in, and/or received from, other Australian jurisdictions, together with proceeds generated through the temporary trade of water entitlements. |
| Local Government Concessions – Seniors Cardholders | To administer receipts and payments for Local Government Concessions – Seniors Cardholders. |
| Local Government Disaster Fund | To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia. |
| Minister for Gambling's Responsible Gambling Working Party | To record the financial transactions related to the operation of the Minister for Gambling's Responsible Gambling Working Party. |
| Motor Vehicles - Clearing Account | To record the majority of Motor Registration Division receipts pending clearance at the end of each month. |
| Murray Futures Fund | To record the activities in relation to the projects funded from the Commonwealth Government's Water for the Future initiative. |
| National Water Initiative Fund | To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission. |
| NRM Alliance Fund | To receive funds and make payments in relation to initiatives relating to NRM science, technology and innovation, including investments in, and/or received from the NRM Alliance member organisations, together with proceeds generated through ancillary revenues. |
| Office of Public Employment Operating Account | To record all of the activities of the Office including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings. |

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|---|--|
| Office of the Venture Capital Board Operating Account | To record all the activities of the Office including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Olive Industry Fund | To record the receipts and payments relating to the Olive Industry in accordance with the <i>Primary Industry Funding Schemes (Olive Industry Fund) Regulations 2009</i> . |
| Parliamentary Superannuation Scheme Account | To record receipts and payments for the Parliamentary Superannuation Scheme. |
| Planning and Local Government Operating Account | To record all activities of the Department including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and Borrowings. |
| Planning SA Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Playford Centre Operating Account | To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia. |
| Police and Emergency Services Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Police Operating Account | To record all the activities of the Police Department including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Police Superannuation Scheme Contribution Account | To record receipts and payments for the Police Superannuation Scheme. |
| Premier and Cabinet Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Premier and Cabinet Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings and the receipt of Commonwealth funding for the APY Lands and associated payments. |
| Primary Industries and Resources Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Primary Industries and Resources Operating Account | To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Professional Standards Council Fund | Record receipts and payments related to the Professional Standards Council as set out in the <i>Professional Standards Act 2004</i> . |

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|---|---|
| Public Trustee Office Operating Account | To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings. |
| Regional Investment Funds (Eyre Peninsula Natural Resources Management Board) | To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement. |
| Rock Lobster Fishing Industry Fund | To record the receipts and payments relating to the Rock Lobster industry in accordance with the <i>Primary Industries Funding Schemes (Rock Lobster Fishing Industry Fund) Regulations 2008</i> . |
| Rural Finance Account | <p>To provide for the administration of separate funds covering -</p> <ul style="list-style-type: none"> · the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> - rural reconstruction entered into on 4 June 1971 - rural assistance entered into on 1 January 1977 - rural assistance entered into on 1 July 1985 - rural assistance entered into on 1 January 1989 - rural assistance entered into on 1 January 1993 - Marginal Dairy Farms and Dairy Adjustment; · loans under the Commercial Rural Loans Scheme; · loans made to producer Co-operatives and borrowings required to fund the scheme; <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p> |
| Rural Industry Adjustment and Development Fund | To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act 1985</i> . |
| SA Grape Growers Industry Fund | To record receipts and payments relating to SA grape growers in accordance with the <i>Primary Industries Funding Schemes (SA Grape Growers Industry Fund) Regulations</i> . |
| Sale of Government Land and Property | To record all receipts and payments associated with the sale of Crown lands and other Government land and property. |
| Save the River Murray Fund | To receive the proceeds of the Save the River Murray Levy via Consolidated Account and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> . |
| Save the River Murray Voluntary Contributions Fund | To receive voluntary payments and donations in relation to the Save the River Murray Fund and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> . |
| School Loans Scheme | To administer loans to schools. |
| Shared Services SA | To record all of the activities of Shared Services SA including operating and investing expenditure, revenue from various activities, and injections of funds provided from the Consolidated Account and borrowings. |

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|---|--|
| South Australian Aboriginal Heritage Fund | To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage. |
| South Australian Ambulance Superannuation Scheme | To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme. |
| South Australian Electricity Supply Industry Planning Council Operating Account | To record all financial transactions for the South Australian Electricity Supply Industry Planning Council. |
| South Australian Film Corporation Unclaimed Investor Returns Account | To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation. |
| South Australian Local Government Grants Commission Account | To record all transactions associated with the <i>South Australian Local Government Grants Commission Act 1992</i> including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act. |
| South Australian Superannuation Fund Account | To record receipts and payments in respect of the South Australian Superannuation Fund. |
| Southern State Superannuation Fund Account | To record receipts and payments in respect of the Southern State Superannuation Fund. |
| Sport and Recreation Fund | To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of financial assistance to sporting and recreational organisations. |
| State Government Auctions Account | To record the proceeds from State Government Auctions and disburse associated payments. |
| State Governor's Establishment Operating Account. | To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| State Procurement Board Account | To record all of the financial transactions associated with the State Procurement Board in accordance with the <i>State Procurement Act 2004</i> . |
| Supported Residential Facilities Indemnity Fund | To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund. |
| Support Services to Parliamentarians | To record the financial transactions related to the administration of Support Services to Parliamentarians. |
| Surplus Cash Working Account | To record the movement of surplus cash to and from agencies' operating accounts, and to the Consolidated Account, in accordance with the requirements of the Cash Alignment Policy. |
| Targeted/Voluntary Separation Package Scheme | To administer the costs associated with the Targeted/Voluntary Separation Package Scheme. |
| Trade and Economic Development Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2009—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|--|
| Transport, Energy and Infrastructure Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Transport, Energy and Infrastructure Operating Account | To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts. |
| Treasurer's Interest in the National Wine Centre | To record all of the financial transactions associated with the management of the <i>National Wine Centre (Restructuring and Leasing Arrangements) Act 2002</i> including injections of funds from the Consolidated Account. |
| Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations | To receive and disburse money paid to the State pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National SPP purposes listed in Schedule F of that agreement and for the NPP payments for the purposes listed in Schedule G of that agreement. |
| Treasury and Finance Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Treasury and Finance Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |
| Treasury - Working Account | To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment. |
| Victims of Crime Fund | To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime. |
| Water, Land and Biodiversity Conservation Administered Items Account | To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments. |
| Water, Land and Biodiversity Conservation Operating Account | To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings. |

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

| Account | Purpose |
|--|---|
| Caring for our Country | To receive funds from the Commonwealth, State and other sources for application towards the Caring for our Country Program. |
| Complementary State Natural Resource Management Program | To receive funds from the Commonwealth, State and other sources for application towards the Complementary State Natural Resources Management Program. |
| Living Murray Fund, The | To receive funds and make payments in relation to water recovery measures under the Living Murray initiative, including investments in, and/or received from, other Australian jurisdictions, together with proceeds generated through the temporary trade of water entitlements. |
| Minister for Gambling's Responsible Gambling Working Party | To record the financial transactions related to the operation of the Minister for Gambling's Responsible Gambling Working Party. |
| Murray Futures Fund | To record the activities in relation to the projects funded from the Commonwealth Government's Water for the Future initiative. |
| Olive Industry Fund | To record the receipts and payments relating to the Olive Industry in accordance with the <i>Primary Industry Funding Schemes (Olive Industry Fund) Regulations 2009</i> . |
| Planning and Local Government Operating Account | To record all activities of the Department including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and Borrowings. |
| Rock Lobster Fishing Industry Fund | To record the receipts and payments relating to the Rock Lobster industry in accordance with the <i>Primary Industries Funding Schemes (Rock Lobster Fishing Industry Fund) Regulations 2008</i> . |
| Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations | To receive and disburse money paid to the State pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National SPP purposes listed in Schedule F of that agreement and for the NPP payments for the purposes listed in Schedule G of that agreement. |

KEVIN FOLEY, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2009
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.

| Account | Balance |
|--|------------|
| | \$ |
| Interest bearing— | |
| Adelaide and Mt Lofty Ranges Natural Resources Management Board | 3 953 701 |
| Adelaide Festival Centre Trust | 6 330 044 |
| Adelaide Hills Wine Industry Fund | 138 283 |
| Agents Indemnity Fund | 30 623 241 |
| Alinytjara Wilurara Natural Resources Management Board | 2 747 111 |
| Aquaculture Resource Management Fund | 191 895 |
| Art Gallery Board Bequests Account | 1 452 271 |
| Bank of Tokyo-Mitsubishi Account | 82 952 |
| Bio-Innovation SA | 899 627 |
| Boating Administration - Working Account | 4 948 758 |
| Botanic Gardens Board Endowment and Commercial Fund | 2 838 790 |
| Carrick Hill Trust | 751 795 |
| Cattle Compensation Fund | 1 729 905 |
| Cooperative Research Centre for Sustainable Aquaculture of Finfish | — |
| Crown Solicitor's Trust Account | 8 767 970 |
| Daniel Livingston Scholarship | 32 095 |
| Deer Keepers' Compensation Fund | 135 057 |
| Distribution Lessor Corporation Account | 28 791 |
| District Court Suitors' Fund | 2 832 411 |
| Dog and Cat Management Fund | 876 385 |
| Education Department - Scholarships and Prizes | 158 186 |
| Employment and Technical and Further Education – College Council Funds | 878 993 |
| Environment Protection Fund | 3 379 060 |
| Eyre Peninsula Natural Resources Management Board | 325 807 |
| Generation Lessor Corporation Account | 45 852 |
| Grains Industry Levy Fund | 393 313 |
| Gulf St Vincent Prawn Fishery Voluntary Contributions | — |
| History Trust of South Australia | 1 554 415 |
| Independent Gambling Authority | 2 201 892 |
| Institute of Medical and Veterinary Science | 19 113 433 |
| Land Management Corporation | 21 629 415 |
| Land Technologies Alliance Fund | — |
| Langhorne Creek Wine Industry Fund | 98 119 |
| Legal Practitioners Act | 275 905 |
| Libraries Board of South Australia | 4 260 116 |
| Local Government Taxation Equivalents Fund | 1 015 667 |
| Lower Murray Reclaimed Irrigation Areas Operating Account | 3 943 |
| McLaren Vale Wine Industry Fund | 65 643 |
| Motor Accident Commission Account | 598 948 |
| Museum Board – Bequests Account | 4 377 024 |

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2009

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

| Account | Balance \$ |
|---|---------------|
| Interest bearing—continued | |
| National Action Plan for Salinity and Water Quality | 14 299 368 |
| National Parks General Reserves Account | 2 105 255 |
| National Sirex Fund | — |
| Native Vegetation Fund | 7 197 684 |
| Natural Heritage Trust Extension (NHT2) | 584 074 |
| Natural Resources Management Fund | 2 425 317 |
| Outback Areas Community Development Fund | 743 799 |
| Passenger Transport Research and Development Fund | 49 892 |
| Phylloxera and Grape Industry Fund | 995 244 |
| Planning and Development Fund | 14 999 658 |
| Pleuro Pneumonia Fund | 86 330 |
| Police Superannuation Fund | 171 940 |
| Rail Transport Facilitation Fund | 32 441 429 |
| Real Property Act Assurance Fund | 6 479 872 |
| Real Property Act Trust Account | 57 961 |
| Recreational Boating Facilities Fund | 4 753 418 |
| RESI Corporation Account | 202 625 |
| Residential Tenancies Fund | 12 297 052 |
| Retail Shop Leases Fund | 317 364 |
| Returned and Services League of Australia - Poppy Day Trust Inc - Enfield Project Account | 386 237 |
| Returned and Services League of Australia (South Australian Branch) Incorporated | 1 019 461 |
| Riverland Wine Industry Fund | 86 254 |
| SA BITS Funds Pty Ltd – Playford Centre Capital | 3 726 640 |
| SAFECOM Operating Account | 15 303 389 |
| Second-Hand Vehicles Compensation Fund | 1 797 993 |
| South Australian Apiary Industry Fund | 223 388 |
| South Australian Arid Lands Natural Resources Management Board | 2 059 325 |
| South Australian Centre for Trauma and Injury Recovery | — |
| South Australian Country Arts Trust | 2 785 381 |
| South Australian Forestry Corporation | 28 517 471 |
| South Australian Government Financing Authority | 45 249 452 |
| South Australian Housing Trust | 62 506 408 |
| South Australian Metropolitan Fire Service | 26 261 065 |
| South Australian Murray Darling Basin Natural Resources Management Board | 5 286 924 |
| South Australian Pig Industry Fund | 2 660 231 |
| South Australian Sheep Industry Fund | 7 078 418 |
| South Australian Timber Corporation | 1 963 453 |
| South East Natural Resources Management Board | 4 738 218 |
| State Emergency Relief Fund | 60 145 |
| State Procurement Board – Gaming Machine Operations | 910 308 |
| Superannuation Funds Management Corporation Operating Account | 839 268 |
| Super SA Board | 3 767 391 |
| Supreme Court Sutors Fund | 21 798 205 |

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2009

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

| Account | Balance \$ |
|--|---------------------------|
| Interest bearing—continued | |
| Teachers' Registration Board | 5 217 255 |
| TransAdelaide | 8 965 309 |
| Transmission Lessor Corporation Account | 64 982 |
| Upper South East Dryland Salinity Project | 5 343 714 |
| Waste to Resources Fund | 13 891 498 |
| Wildlife Conservation Fund | 424 561 |
| Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account | 1 899 |
| Sub-Total | <u>502 879 338</u> |
| Non-interest bearing— | |
| Adelaide Children's Court | 3 514 |
| Agriculture – Research and Services Grants | 5 830 478 |
| Children's Services Office – Capital Assistance Fund | 192 235 |
| Coast Protection Fund | 303 892 |
| Companies Liquidation Account | 94 244 |
| Contractors' Deposits | 81 747 |
| Co-operatives Liquidation Account | 64 993 |
| Correctional Services - Prisoners' Monies | 555 248 |
| Courts Administration Authority | 14 248 566 |
| Extractive Areas Rehabilitation Fund | 12 809 740 |
| Fisheries – Research and Development Fund | 3 785 481 |
| Metropolitan Drainage Maintenance Fund | 22 227 |
| Natural Gas Authority of South Australia | — |
| Recreation and Sport Fund | — |
| Sheriff's Office Account | 2 949 |
| South Australian Film Corporation Investors Returns Account | 117 694 |
| South Australian Tourism Commission | 4 720 965 |
| South Eastern Water Conservation and Drainage Board | 78 885 |
| State Heritage Fund | 345 470 |
| Unclaimed Salaries and Wages Account | 505 097 |
| Workmen's Liens | 737 010 |
| Sub-Total | <u>44 500 435</u> |
| TOTAL DEPOSITS LODGED WITH THE TREASURER | <u><u>547 379 773</u></u> |

KEVIN FOLEY, Treasurer

STATEMENT H**IMPREST ACCOUNTS**

(Section 22 (a) (vii) Public Finance and Audit Act 1987)

These amounts represent monies advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recovered from departmental monies.

| By Whom Held | Agency | Unappropriated Funds Allocated |
|------------------------|---|-----------------------------------|
| | | \$ |
| Chief Executive | Attorney-General's Department | 44 020 |
| Auditor-General | Auditor-General's Department | 3 100 |
| Chief Executive | Department of Education and Children's Services | 121 000 |
| Electoral Commissioner | Electoral Commission of South Australia | 200 |
| Chief Executive | Department for Families and Communities | 285 000 |
| Chief Executive | Department of Trade and Economic Development | <u>3 000</u> |
| TOTAL | | <u><u>456 320</u></u> |

 KEVIN FOLEY, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2009 (Section 22 (a) (viii) Public Finance and Audit Act 1987)

As prescribed in Section 22 (a) (viii) of the *Public Finance and Audit Act 1987*, this statement provides details on the total indebtedness of the Treasurer.

Lending arrangements within the South Australian public sector give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and certain public non financial corporations and the consolidation of general government sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the general government sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2009 was \$3 787.9 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2008-09 the Consolidated Account deficit was \$1 158.9 million and was funded by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition, the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

| | 2008-09 | 2007-08 |
|--|---------|---------|
| | \$'000 | \$'000 |
| Loans to State Government Departments | | |
| Department of Primary Industries and Resources—Rural Loans | 1 100 | 1 746 |
| Department for Transport, Energy and Infrastructure | 47 761 | 47 761 |
| | 48 861 | 49 507 |
| Loans to Statutory Authorities and Other Bodies | | |
| Adelaide Bank | - | 10 |
| Flinders Medical Centre | 23 923 | 24 496 |
| Land Management Corporation | 9 435 | 9 600 |
| Lyrup Village Association | 30 | 35 |
| Minister for Education and Children's Services | 1 500 | 1 500 |
| Renmark Irrigation Trust | 1 190 | 1 395 |
| South Australian Country Arts Trust | 15 637 | 15 637 |
| South Australian Housing Trust | 696 334 | 728 285 |
| South Western Suburbs Drainage | 2 148 | 2 321 |
| South Australian Tourism Commission | 289 | 467 |
| West Beach Trust | 2 716 | 2 716 |
| Women's and Children's Hospital | 1 529 | 2 753 |
| Woodville, Henley and Grange Drainage | 214 | 225 |
| | 754 945 | 789 440 |

STATEMENT I - continued

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2009—*continued*
 (Section 22 (a) (viii) Public Finance and Audit Act 1987)

| | 2008-09 | 2007-08 |
|---|-------------------------|-------------------------|
| | \$'000 | \$'000 |
| Equity Contributions | | |
| Adelaide Convention Centre | 77 795 | 77 795 |
| Adelaide Entertainments Corporation | 55 536 | 55 536 |
| Arts SA | 2 937 | - |
| Courts Administration Authority | 3 140 | 3 140 |
| Defence SA | 295 208 | 203 980 |
| Distribution Lessor Corporation | 28 273 | 28 273 |
| Electoral Commisison of South Australia | 1 363 | 154 |
| Environment Protection Authority | 3 087 | - |
| Forestry SA | 4 984 | 4 984 |
| Generation Lessor Corporation | 24 539 | 24 539 |
| Department for Families and Communities | 41 888 | 26 991 |
| Department of Health | 429 398 | 272 873 |
| National Electricity Administrator | 93 | 93 |
| National Electricity Market Management Company | 490 | 490 |
| Planning SA | 1 483 | 1 483 |
| Department of the Premier and Cabinet | 12 498 | 10 016 |
| Department of Primary Industries and Resources | 1 059 | 1 059 |
| SA Water Corporation | 173 610 | 173 610 |
| South Australian Asset Management Corporation | 52 716 | 52 716 |
| South Australian Film Corporation | 8 460 | 8 460 |
| South Australian Tourism Commission | 64 | - |
| State Governor's Establishment | 160 | 160 |
| Department for Treasury & Finance | 547 | - |
| Department for Transport, Energy and Infrastructure | 213 757 | 155 642 |
| Department of Water, Land and Biodiversity Conservation | 8 164 | 8 164 |
| | <u>1 441 249</u> | <u>1 110 158</u> |
| Other Indebtedness | | |
| Debt associated with prior operations of the Consolidated Account | 1 542 819 | 675 690 |
| | <u>3 787 874</u> | <u>2 624 795</u> |
| TOTAL TREASURER'S INDEBTEDNESS TO SAFA | <u><u>3 787 874</u></u> | <u><u>2 624 795</u></u> |

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.

STATEMENT I—continuedINDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2009—*continued*
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

The Treasurer is authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act 1941*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

The Treasurer has residual liabilities arising from the sale/lease of the State's electricity assets. These liabilities represent prepaid lease rental payments received by the Treasurer on behalf of the Transmission Lessor Corporation, Distribution Lessor Corporation and Generation Lessor Corporation. The Treasurer's liability to the corporations at 30 June 2009 was \$493.9 million. This amount will reduce over the terms of the leases, (up to 200 years), as lease rental revenue is brought to account. No cash payments are anticipated.

KEVIN FOLEY, Treasurer

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) Public Finance and Audit Act 1987)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below —

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including —

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- the Government's assumption of obligations of semi-government authorities and Public Sector Financial Institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2008-09 is summarised as follows —

| | \$million |
|--|-----------|
| Balance at 30 June 2008 | 2 625 |
| Add - Consolidated Account borrowings in 2008-09 | 1 159 |
| Add - Realised loss (net) | 7 |
| Less - Repayment of borrowing | 3 |
| Balance at 30 June 2009 | 3 788 |
| Market value at 30 June 2009 ^(a) | 3 863 |

(a) SAFA manages its financial assets and liabilities on a market value basis (net fair value).

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2008-09 SAFA paid interest at the Common Public Sector Interest Rate (CPSIR) to the Treasurer in respect of Treasurer's deposits, that earn interest at the CPSIR. In respect of the remaining funds deposited with SAFA, the Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate.

At 30 June 2009 the Treasurer's deposit with SAFA was \$2 345 million (SAFA's market valuation \$2 353 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2009 and the form in which those balances were held.

SAFA's 2008-09 operating loss before income tax was \$45.3 million. SAFA operates within the Tax Equivalent Regime (TER) and under this arrangement the amount paid to Consolidated Account in 2008-09, as reported in Statement A, was nil.

After taking account of the retained surplus carried forward from previous years and the net loss after tax in 2008-09, the amount of SAFA's surplus potentially available for distribution at 30 June 2009 was \$200.5 million. The Treasurer determined that the distribution for 2008-09 would be \$10.7 million.

Similar to many other semi-government authorities, SAFA operates a Deposit Account—see Statement G. Any surplus funds otherwise standing to the credit of the account are invested by SAFA each day.

The State unconditionally guarantees all the liabilities of SAFA pursuant to Section 15 of the *Government Financing Authority Act 1982*. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

STATEMENT J - continued

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH
AUSTRALIAN GOVERNMENT FINANCING AUTHORITY
(Section 22 (a) (ix) Public Finance and Audit Act 1987)

On 1 July 2006 the South Australian Government Insurance Corporation (SAICORP) was amalgamated with SAFA.

As part of the amalgamation arrangements, SAFA assumed the assets and liabilities of the South Australian Government Insurance and Risk Management (SAGIRM) Fund sections 1 and 2. The insurance function of SAFA will operate through two funds, (SAICORP Insurance Fund 1 and 2), specifically established in SAFA's financial accounts to quarantine insurance activities from SAFA's financing and investing activities. SAICORP Insurance Funds 1 and 2 correspond with and reflect the transactions of the former SAGIRM Fund sections 1 and 2 respectively.

With respect to SAICORP Insurance Fund 2, the Treasurer has agreed to indemnify SAFA for the financial outcomes of the Fund to reflect the risks SAFA has assumed on the Treasurer's behalf. At 30 June each year the financial position of Fund 2 will be calculated and the Treasurer will be liable for any deficiency in the Fund. Conversely, SAFA will be liable to pay to the Treasurer any surplus in the Fund. Unless otherwise agreed, either the Treasurer or SAFA will settle their liabilities under this arrangement within 12 months of the relevant financial year.

SAICORP Insurance Fund 2 recorded an operating loss of \$38.9 million in 2008-09. The Treasurer recorded a liability to the Fund of \$38.9 million which is equal to the cumulative deficiency in the Fund at 30 June 2009. This liability is expected to be settled in 2009-10.

KEVIN FOLEY, Treasurer

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND
(Section 22 (a) (xi) (A) and (B) Public Finance and Audit Act 1987)

\$

Maximum amount that could have been appropriated from the Fund in 2008-09 250 682 000

Purpose of Appropriation Amounts Issued and Applied

\$

| | |
|--|-------------------------------|
| Department of the Premier and Cabinet | 51 592 494 |
| Administered Items for the Department of the Premier and Cabinet | 306 000 |
| Department of Trade and Economic Development | 217 000 |
| South Australian Tourism Commission | 1 028 000 |
| Independent Gambling Authority | 8 000 |
| Department of Planning and Local Government | 182 000 |
| Department of Primary Industries and Resources | 53 628 000 |
| Courts Administration Authority | 115 000 |
| Department for Correctional Services | 903 000 |
| Department for Families and Communities | 4 107 000 |
| Electoral Commission of South Australia | 482 000 |
| Department of Health | 4 560 000 |
| Administered Items for the Department of Education and Children's Services | 2 834 000 |
| Department of Water, Land and Biodiversity Conservation | 13 249 000 |
| Administered Items for the Department for Transport, Energy and Infrastructure | 400 000 |
| House of Assembly | 1 178 000 |
| Joint Parliamentary Services | 23 000 |
| Legislative Council | 350 000 |
| TOTAL | <u><u>135 162 494</u></u> |

STATEMENT K - continuedSTATEMENT OF APPROPRIATION AUTHORITIES - *continued*

TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xii) Public Finance and Audit Act 1987)

No transfers were made during 2008-09.

REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xiv) Public Finance and Audit Act 1987)

No reductions were made during 2008-09.

APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)

\$

Administered Items for the Department of Treasury and Finance 128 444 000

TOTAL 128 444 000

APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2008-09
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)

| | Appropriation Authority | Actual Payments |
|--|-------------------------|----------------------|
| | \$ | \$ |
| <i>Appropriation Act 2008, Section 4</i> | 9 313 022 000 | 9 139 647 733 |
| <i>Public Finance and Audit Act 1987, Section 15</i> | <u>128 444 000</u> | <u>128 444 000</u> |
| | 9 441 466 000 | 9 268 091 733 |
| | | |
| The Governor's Appropriation Fund - | | |
| <i>Public Finance and Audit Act 1987, Section 12</i> | <u>250 682 000</u> | <u>135 162 494</u> |
| | 9 692 148 000 | 9 403 254 227 |
| | | |
| Specific appropriation authorised by various Acts | <u>145 503 101</u> | <u>145 503 101</u> |
| | | |
| TOTAL | <u>9 837 651 101</u> | <u>9 548 757 328</u> |

 KEVIN FOLEY, Treasurer

STATEMENT L

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF
TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2009
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

| Transfers were made to the following agencies: | \$ |
|--|-------------------------------|
| Department of the Premier and Cabinet | 3 005 000 |
| Administered Items for the Department of Premier and Cabinet | 23 000 |
| Department of Trade and Economic Development | 46 000 |
| Defence SA | 36 000 |
| Department of Treasury and Finance | 4 907 750 |
| Administered Items for Department of Treasury and Finance | 255 000 |
| Department of Primary Industries and Resources | 9 133 000 |
| Department for Transport, Energy and Infrastructure | 1 889 150 |
| Attorney-Generals Department | 274 000 |
| Administered Items for Attorney-Generals Department | 4 184 000 |
| Courts Administration Authority | 17 000 |
| Administered Items for Courts Administration Authority | 927 000 |
| Department for Correctional Services | 23 000 |
| South Australia Police | 35 000 |
| Department of Health | 159 625 000 |
| Department of Education and Children's Services | 7 193 000 |
| Administered Items for Department of Education and Children's Services | 10 000 |
| South Australian Tourism Commission | 529 000 |
| Department for Environment and Heritage | 212 000 |
| Department of Water, Land and Biodiversity Conservation | 59 824 000 |
| Environment Protection Authority | 15 000 |
| Department for Families and Communities | 6 592 000 |
| Department of Further Education, Employment, Science and Technology | 7 769 000 |
| Auditor General's Department | 15 000 |
| Bio Innovation SA | 10 000 |
| South Australian Motor Sport Board | 12 473 000 |
| TOTAL | <u><u>279 021 900</u></u> |

KEVIN FOLEY, Treasurer

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

| Reference | Title |
|-----------|--|
| AASB 1 | First-time Adoption of Australian Equivalents to International Financial Reporting Standards |
| AASB 2 | Share-based Payment |
| AASB 3 | Business Combinations |
| AASB 4 | Insurance Contracts |
| AASB 5 | Non-current Assets Held for Sale and Discontinued Operations |
| AASB 7 | Financial Instruments: Disclosures |
| AASB 8 | Operating Segments |
| AASB 101 | Presentation of Financial Statements (Sept 2007) |
| AASB 102 | Inventories |
| AASB 107 | Statement of Cash Flows |
| AASB 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| AASB 110 | Events after the Reporting Period |
| AASB 111 | Construction Contracts |
| AASB 112 | Income Taxes |
| AASB 114 | Segment Reporting |
| AASB 116 | Property, Plant and Equipment |
| AASB 117 | Leases |
| AASB 118 | Revenue |
| AASB 119 | Employee Benefits |
| AASB 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| AASB 121 | The Effects of Changes in Foreign Exchange Rates |
| AASB 123 | Borrowing Costs |
| AASB 124 | Related Party Disclosures |
| AASB 127 | Consolidated and Separate Financial Statements |
| AASB 128 | Investments in Associates |
| AASB 131 | Interests in Joint Ventures |
| AASB 132 | Financial Instruments: Presentation |
| AASB 133 | Earnings per Share |
| AASB 136 | Impairment of Assets |
| AASB 137 | Provisions, Contingent Liabilities and Contingent Assets |
| AASB 138 | Intangible Assets |
| AASB 139 | Financial Instruments: Recognition and Measurement |
| AASB 140 | Investment Property |
| AASB 141 | Agriculture |
| AASB 1004 | Contributions |
| AASB 1023 | General Insurance Contracts |
| AASB 1031 | Materiality |
| AASB 1038 | Life Insurance Contracts |
| AASB 1048 | Interpretation and Application of Standards |
| AASB 1049 | Whole of Government and General Government Sector Financial Reporting |
| AASB 1050 | Administered Items |
| AASB 1051 | Land Under Roads |
| AASB 1052 | Disaggregated Disclosures |

AUSTRALIAN ACCOUNTING STANDARDS – AASB – continued

| Reference | Title |
|------------------|--|
| AASB 2007-8 | Amendments to Australian Accounting Standards arising from AASB 101 |
| AASB 2007-10 | Further Amendments to Australian Accounting Standards arising from AASB 101 |
| AASB 2008-12 | Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition |

AUSTRALIAN INTERPRETATIONS

| Reference | Title |
|---------------------|--|
| Interpretation 4 | Determining whether an Arrangement contains a Lease |
| Interpretation 113 | Jointly Controlled Entities – Non-Monetary Contributions by Venturers |
| Interpretation 115 | Operating Leases - Incentives |
| Interpretation 121 | Income Taxes – Recovery of Revalued Non-Depreciable Assets |
| Interpretation 125 | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders |
| Interpretation 127 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| Interpretation 132 | Intangible Assets – Web Site Costs |
| Interpretation 1030 | Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods |
| Interpretation 1031 | Accounting for the Goods and Services Tax (GST) |
| Interpretation 1038 | Contributions by Owners Made to Wholly-Owned Public Sector Entities |
| Interpretation 1055 | Accounting for Road Earthworks |

AUSTRALIAN ACCOUNTING STANDARDS - AAS

| Reference | Title |
|------------------|---|
| AAS 25 | Financial Reporting by Superannuation Plans |

TREASURER'S INSTRUCTIONS – TIs

| Reference | Title |
|------------------|---|
| TI 1 | Interpretation and Application |
| TI 2 | Financial Management |
| TI 3 | Appropriation |
| TI 4 | Establishment of Merchant Facilities for Acceptance of Payments |
| TI 5 | Debt Recovery and Write Offs |
| TI 6 | Deposit Accounts and Banking |
| TI 8 | Financial Authorisations |
| TI 9 | Payroll Deductions |
| TI 10 | Engagement of Legal Practitioners |
| TI 11 | Payment of Creditors' Accounts |
| TI 12 | Government Purchase Cards and Stored Value Cards |
| TI 13 | Expenditure Incurred by Ministers and Ministerial Staff |
| TI 14 | Ex Gratia Payments |
| TI 15 | Grant Funding |
| TI 17 | Evaluation of and Approvals to Proceed with Public Sector Initiatives |
| TI 19 | Financial Reporting |

TREASURER'S INSTRUCTIONS – TIs – *continued*

| Reference | Title |
|-----------|--|
| TI 20 | Guarantees and Indemnities |
| TI 22 | Tax Equivalent Payments |
| TI 23 | Management of Foreign Currency Exposures |
| TI 25 | Taxation Policies |
| TI 28 | Financial Management Compliance Program |

ACCOUNTING POLICY FRAMEWORK - APF

| Reference | Title |
|-----------|--|
| APF I | Purpose and Scope |
| APF II | General Purpose Financial Statements Framework |
| APF III | Asset Accounting Framework |
| APF IV | Financial Asset and Liability Framework |
| APF V | Income Framework |
| APF VI | Definitions |

LEGISLATION

| Reference | Title |
|-----------|---|
| ITAA | <i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i> |
| NRMA | <i>Natural Resources Management Act 2004</i> |
| PCA | <i>Public Corporations Act 1993</i> |
| PFAA | <i>Public Finance and Audit Act 1987</i> |
| PSM Act | <i>Public Sector Management Act 1995</i> |
| WRCA | <i>Workers Rehabilitation and Compensation Act 1986</i> |

ACRONYMS

| Reference | Title |
|-----------|---|
| AASs | Australian Accounting Standards ¹ |
| AIFRS | Australian equivalents to International Financial Reporting Standards |
| APF | Accounting Policy Framework |
| APS | Accounting Policy Statement |
| ATO | Australian Taxation Office |
| CHRIS | Complete Human Resource Information System |
| CPE | Computer Processing Environment |
| CPI | Consumer Price Index |
| FBT | Fringe Benefits Tax |
| GST | Goods and Services Tax |
| ICT | Information and Communications Technology |
| TI | Treasurer's Instruction |
| TVSP | Targeted Voluntary Separation Package |

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

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