

**SOUTH AUSTRALIA**

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**Report**  
**of the**  
**Auditor-General**

**Annual Report**  
**for the**  
**year ended 30 June 2006**

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*Tabled in the House of Assembly and ordered to be published, 26 October 2006*

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**First Session, Fifty-First Parliament**

**Part B: Agency Audit Reports**

**Volume V**

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2006



**Report of the Auditor-General  
Annual Report for the year ended 30 June 2006**

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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, VI and V of Part B of this Report.

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

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# DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

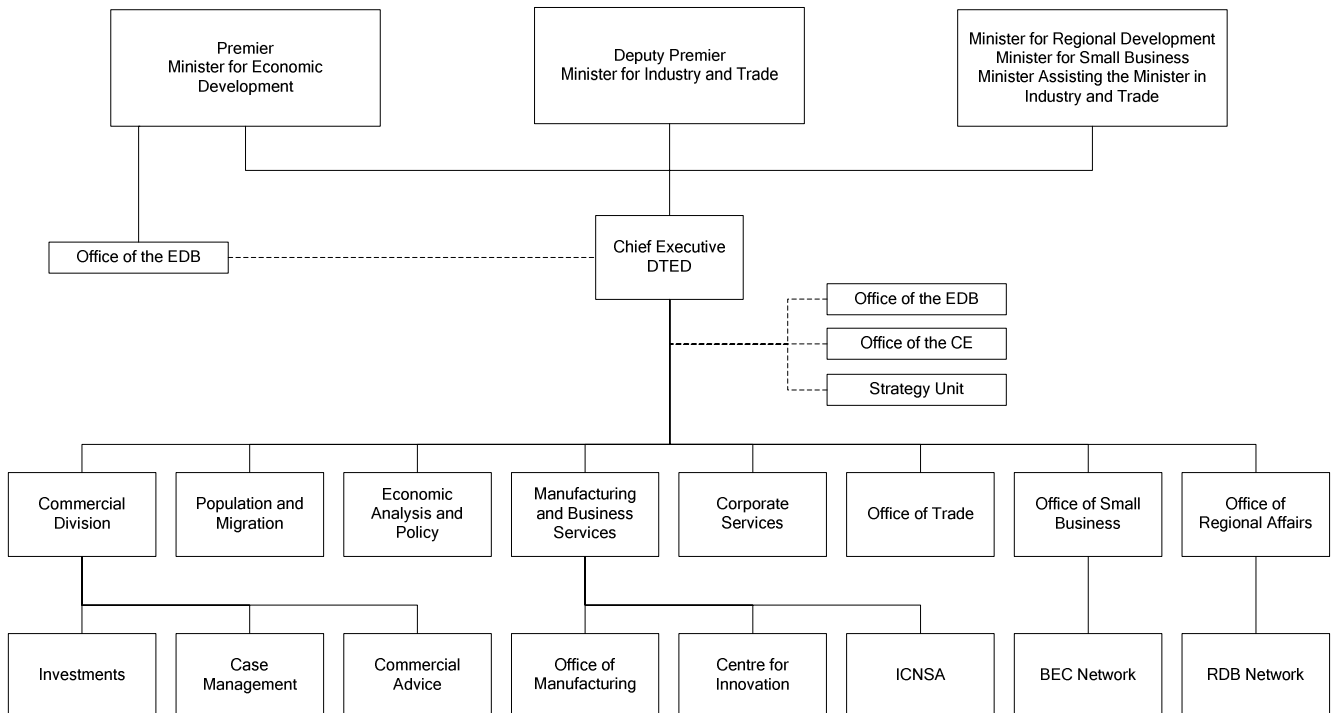
The Department of Trade and Economic Development is an Administrative Unit established under the *Public Sector Management Act 1995*.

### Functions

The function of the Department is to promote economic development in the State by working with business and the community to create and retain jobs, maintain a competitive business climate, increase investment, facilitate major projects, encourage innovation and entrepreneurship, promote trade and ensure the development of a highly skilled work force to meet the needs of business.

### Structure

The structure of the Department at 30 June 2006 is illustrated in the following organisation chart.



### Changes to Functions and Structure

In May 2005, a joint Cabinet submission between the Treasurer and the Minister for Industry and Trade was approved. The Cabinet submission transferred, with effect from 1 July 2005, administrative responsibility from the Department of Trade and Economic Development to the Department of Treasury and Finance (DTF) for existing contracts under the:

- Industry Investment Attraction Fund (IIAF)
- Rail Reform Transition Program (RRTP)
- Structural Adjustment Fund for South Australia (SAFSA).

In addition, the Cabinet submission approved the transfer of administration of any new firm specific financial assistance contracts initiated by the Department to DTF for the Strategic Industry Support (SIF) fund.

The Department's Commercial Division will provide a policy role with respect to DTF providing new industry assistance in the future.

Effective from 1 October 2005, the employees of the Department of the Premier and Cabinet who worked in the Population Unit and Immigration SA were transferred to the Department of Trade and Economic Development to form the Population and Migration Division. The Division's net assets as at 30 September 2005 have been brought to account within the Department's financial statements together with all financial transactions since 1 October 2005.

Pursuant to the Public Corporations (Port Adelaide Maritime Corporation) Regulations 2005, the Port Adelaide Maritime Corporation was established on 1 December 2005 and assumed the responsibility for the Osborne Maritime Precinct and managing the Crown's interest in infrastructure related projects including the Air Warfare Destroyer Program. Net assets associated with this program were transferred from the Department of Trade and Economic Development to the Port Adelaide Maritime Corporation as at 30 November 2005.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

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

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

### **Scope of Audit**

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

During 2005-06, specific areas of audit attention included:

- cash at bank
- revenue collection
- expenditure
- payroll and related payments
- fixed assets
- financial accounting
- Financial Management Framework review.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provision of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Trade and Economic Development as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

#### ***Assessment of Controls***

In my opinion, the controls exercised by the Department of Trade and Economic Development in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring

of liabilities, except for the matters raised in relation to expenditure processing as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Trade and Economic Development have been conducted properly and in accordance with law.

### **Audit Communications to Management**

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

### **Accounting Systems and Financial Records**

The Department uses shared services provided by the Department of Primary Industries and Resources (PIRSA) to process financial and accounting transactions and to maintain financial ledgers. The audit of the Department incorporated consideration of activities and controls performed by both the Department and PIRSA. The audit identified areas in which controls could be improved or where they did not operate effectively throughout the year. The more significant matters are summarised below.

#### *Expenditure Processing*

Review of arrangements for processing the Department's expenditure identified that purchase orders are raised and approved on receipt of invoices from creditors and that procedures were not in place which supported the reconciliation of the accounts payable system to the General Ledger. It also identified that PIRSA staff who processed expenditure transactions on behalf of the Department did not have a signature register to verify transactions were authorised by officers with delegated authority.

#### *Accounts Receivable*

The audit noted that the Department's delegations of authority did not specifically provide for authorisation of credit notes or invoice adjustments and there were unresolved reconciling items associated with the reconciliation of the accounts receivable ledger to the General Ledger.

#### *Fixed Assets*

The review of fixed asset accounting identified instances where expenditure on leasehold improvements was expensed which should have been capitalised and recommended the Department change the basis of reconciling the Fixed Asset Register to the General Ledger.

### **Risk Management**

The audit of the Department's risk management arrangements in previous years identified areas for improvement including the need to document processes for reporting risk and to define the roles and responsibilities of Departmental officers involved in risk management.

Audit review during 2005-06 followed up the matters raised in previous years and noted that Risk Management Plans were established for all divisions and that risks were monitored and their status reported to the Audit and Risk Management Committee on a quarterly basis.

### **Internal Audit**

Audit review of the Department's risk management structure during 2004-05 identified that an internal audit function was not in place.

During 2005-06 the Department established an internal audit function which completed a number of projects throughout the year. The Internal Audit Plan for 2006-2009 is awaiting endorsement by the Audit and Risk Committee.

### **Planning and Analysis**

The 2004-05 audit included an evaluation of the Department's strategic planning and analysis processes in accordance with the prescribed elements of the Financial Management Framework. The audit indicated the Department had commenced a strategic planning process in July 2004, had developed a Department Strategic Plan and commenced work on Divisional Strategic Plans.

Audit review during 2005-06 noted that the Department was yet to report on the measures and performance indicators from the Strategic Directions document and business plans. Audit noted that the Strategy Division was finalising the report on measures in the Strategic Directions document and business plans.

The Department responded that considerable progress had been made in relation to this issue and that a copy of the report would be provided to Audit once endorsed.

## INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

The following interpretation and analysis has been prepared using the reported information.

### Highlights of Financial Report

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Interest revenues	<b>1.3</b>	2.5	(48.0)
Other	<b>2.0</b>	2.1	(4.8)
<b>Total Income</b>	<b>3.3</b>	4.6	(28.3)
<b>EXPENSES</b>			
Employee benefit costs	<b>16.1</b>	13.8	16.7
Supplies and services	<b>22.6</b>	17.5	29.1
Grants and subsidies	<b>23.3</b>	19.1	22.0
Write down of financial assistance debtors	-	101.3	n/a
Other expenses	<b>0.3</b>	4.5	n/a
<b>Total Expenses</b>	<b>62.3</b>	156.2	(60.1)
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>			
Revenues from SA Government	<b>46.3</b>	61.9	25.2
Payments to SA Government	-	86.8	n/a
<b>Net Result before Restructuring</b>	<b>(12.7)</b>	(176.5)	n/a
Net Expense from administrative restructure	<b>(6.2)</b>	-	n/a
<b>Net Result after Restructuring</b>	<b>(18.9)</b>	(176.5)	n/a
<b>Cash Generated from Operations</b>	<b>10.5</b>	15.6	n/a
<b>ASSETS</b>			
Current assets	<b>28.2</b>	31.3	(9.9)
Non-current assets	<b>6.1</b>	23.3	(73.8)
<b>Total Assets</b>	<b>34.3</b>	54.6	(37.2)
<b>LIABILITIES</b>			
Current liabilities	<b>2.8</b>	2.6	7.7
Non-current liabilities	<b>1.6</b>	1.7	(5.9)
<b>Total Liabilities</b>	<b>4.4</b>	4.3	2.3
<b>EQUITY</b>	<b>29.9</b>	50.3	(40.6)

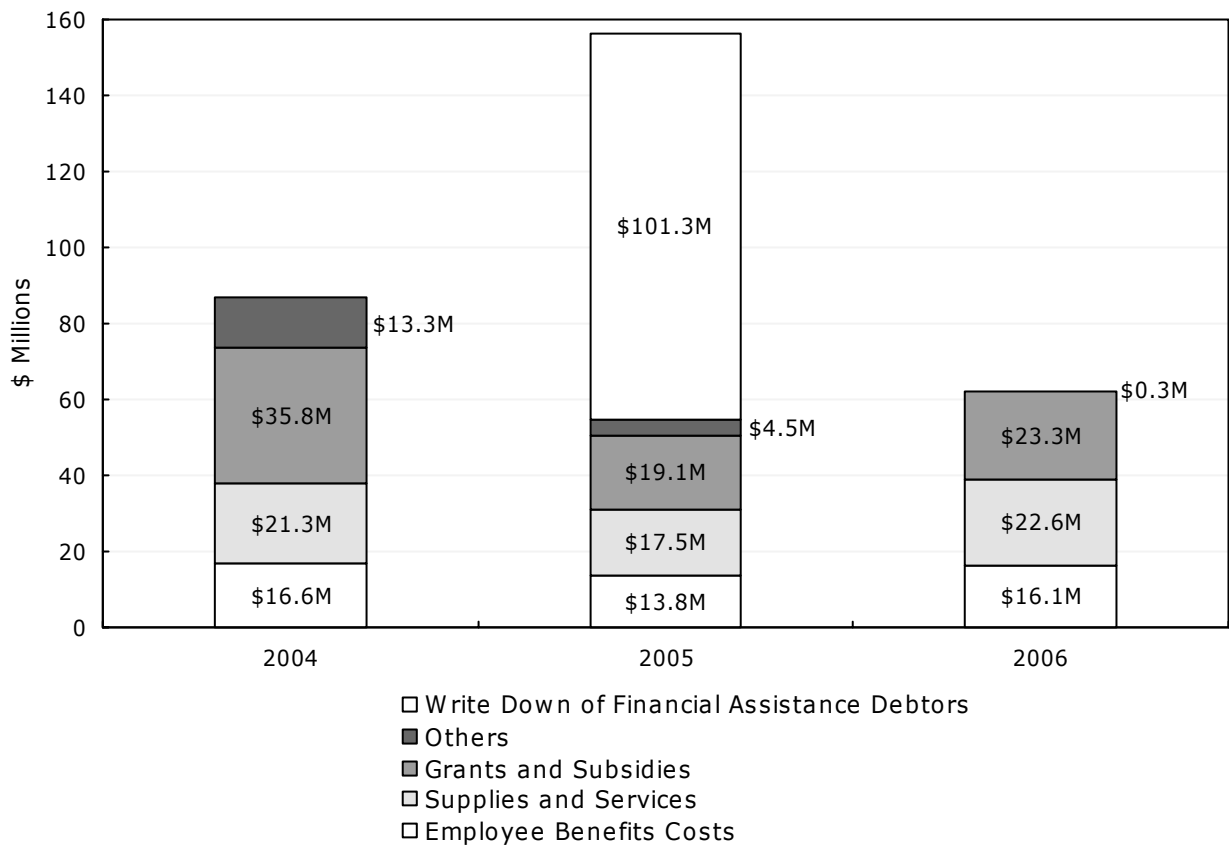
### Income Statement

#### Income

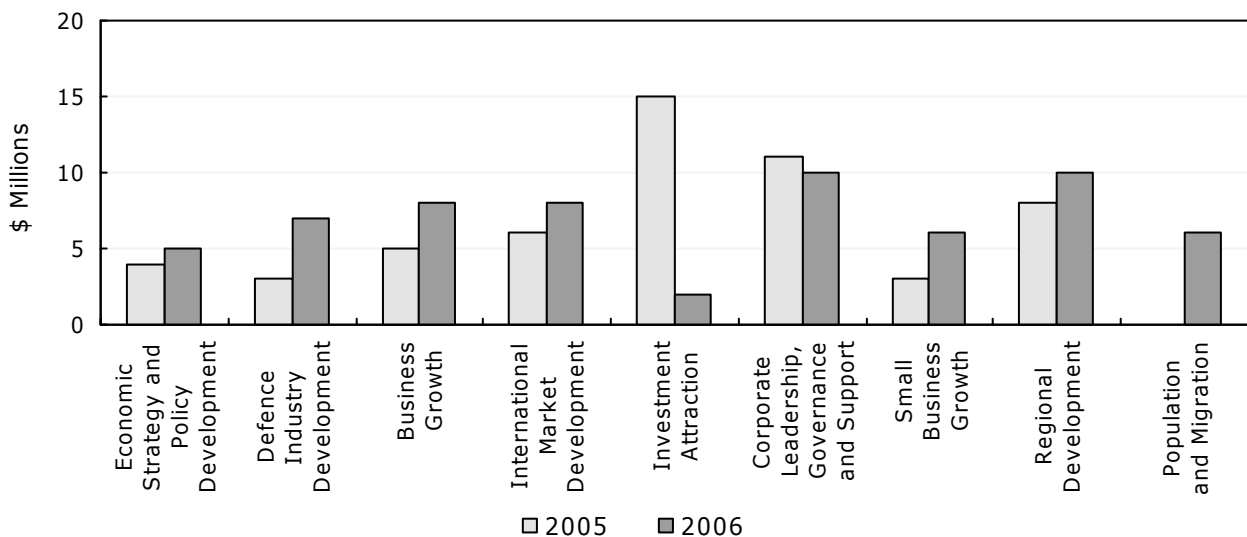
The Department's income has decreased by \$1.3 million to \$3.3 million due mainly to a decrease in interest revenue of \$1.2 million due to the lower cash balance held during 2005-06.

**Expenses**

For the three years to 2006, a structural analysis of the main expense items for the Department are shown in the following chart.



The following charts show the Department’s expenditure by program for the past two years, excluding the expense associated with writing off Industry Assistance loans in 2004-05.



The chart highlights the reduction in expenditure associated with the Investment Attraction program which was principally due to reduced expenditure on grants and the smaller reduction in the Corporate Leadership, Governance and Support program. The reduction in these programs was offset by increases in each of the other programs of the Department.

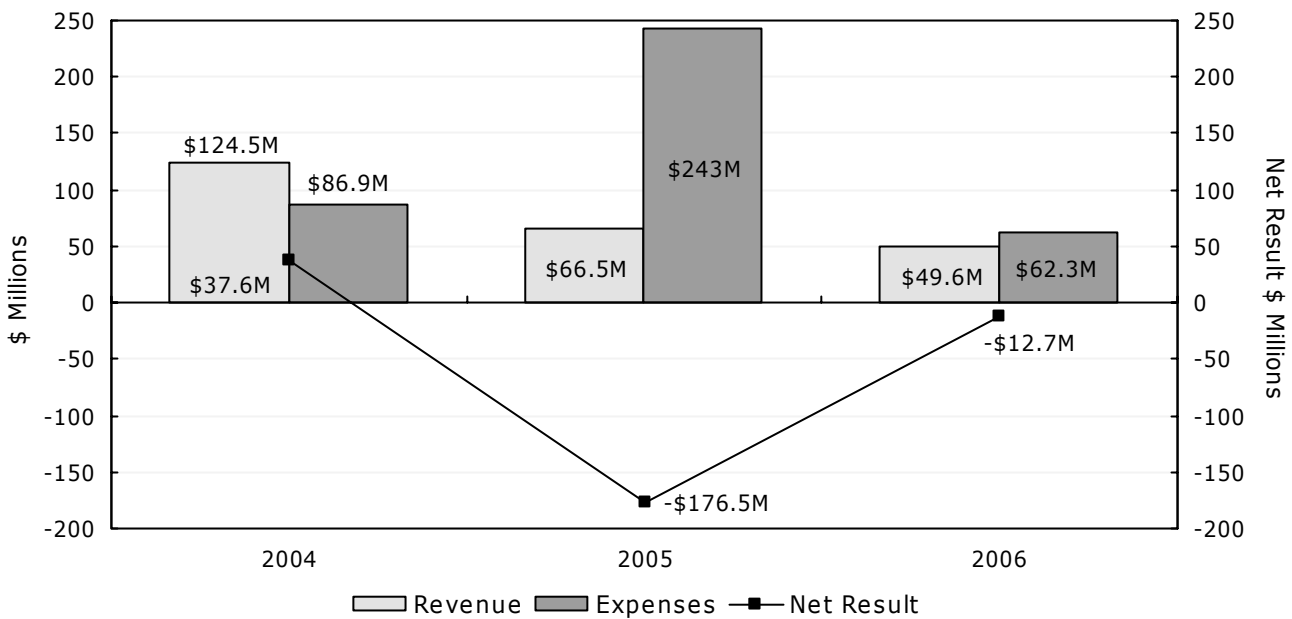
The transfer of the Population and Migration Division to the Department contributed to increased employee expenses of \$1.3 million, additional expenses for supplies and services of \$3.2 million and additional grant expenditure of \$2.1 million.

**Revenues from/Payments to SA Government**

The Department’s revenue from Government decreased by \$15.6 million to \$46.3 million. In addition during 2004-05 the Department was required to pay \$86.8 million to the Treasurer in accordance with the Cash Alignment Policy.

**Net Cost of Providing Services**

The following chart shows the operating revenues, operating expenses and net result for the three years to 2006. The expenses for 2005 included writing off \$101.3 million from the balance of interest free loans as previously discussed.



**Balance Sheet**

Net assets reported by the Department at 30 June 2006 decreased by \$20.5 million to \$29.9 million. The decrease is due to:

- a reduction in the financial assistance debtors of \$7.1 million associated with the transfer of the majority of debtors to the Department of Treasury and Finance from 1 July 2005;
- a reduction in cash held as at 30 June 2006 by \$7.8 million;
- a decrease in receivables of \$5.8 million relating to the receivable paid by the Land Management Corporation for Edinburgh Parks.

**Cash Flow Statement**

The following table summarises the net cash flows for the two years to 2006.

	2006 \$'million	2005 \$'million
<b>Net Cash Flows</b>		
Operations	<b>(9.6)</b>	(70.2)
Investing	<b>1.8</b>	(0.3)
Change in Cash	<b>(7.8)</b>	(70.5)
Cash at 30 June	<b>14.1</b>	21.9

The analysis of cash flows shows that the Department of Trade and Economic Development's cash reserves have decreased principally reflecting cash used to support operations.

## **FURTHER COMMENTARY ON OPERATIONS**

### ***Defence Unit – Air Warship Destroyers***

The Defence Unit, a division of the Department, was established in 2003-04 as part of the administrative restructure of the former Department of Business, Manufacturing and Trade. The Unit is directly responsible to the Minister for Economic Development for coordinating and implementing State Government initiatives to expand the defence industry in line with the State Strategic Plan.

The unit supported a bid to attract the Commonwealth Department of Defence contract to acquire three air warfare destroyers. The value of the program is estimated to be between \$4.5 billion to \$6.0 billion with the first ship to enter service in 2013.

In April 2005, Heads of Agreements were signed between the State Government and the Australian Submarine Corporation to formalise the support package offered by the State. In addition, the Commonwealth and the State entered into an agreement in May 2005 to commit the State to provide the infrastructure and support package agreed with the Australian Submarine Corporation.

In May 2005, the Commonwealth Government announced that Australian Submarine Corporation was the successful tenderer with the construction of the warships to be undertaken in South Australia at the Osborne Precinct. In December 2005 the Port Adelaide Maritime Corporation was established to implement the South Australian Government's commitment to support the program and assets developed by the Department were transferred to the Corporation.

**Income Statement  
for the year ended 30 June 2006**

	Note	<b>2006</b> \$'000	2005 \$'000
<b>EXPENSES:</b>			
Employee benefit costs	6	<b>16 112</b>	13 758
Supplies and services	7	<b>22 605</b>	17 509
Depreciation	8	<b>287</b>	223
Grants and subsidies	9	<b>23 300</b>	19 083
Write down of financial assistance debtors	10	-	101 315
Other expenses	11	-	4 347
<b>Total Expenses</b>		<b>62 304</b>	156 235
<b>INCOME:</b>			
Interest revenues	14	<b>1 264</b>	2 462
Net gain (loss) from disposal of assets	15	<b>6</b>	(142)
Other revenues	16	<b>2 040</b>	2 229
<b>Total Income</b>		<b>3 310</b>	4 549
<b>Net Cost of providing Services</b>		<b>(58 994)</b>	(151 686)
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT:</b>			
Revenues from SA Government	17	<b>46 268</b>	61 871
Payments to SA Government	17	-	(86 760)
<b>Net Result Before Restructure</b>		<b>(12 726)</b>	(176 575)
Net expenses from an administrative restructure	28	<b>(6 203)</b>	-
<b>Net Result after Restructure</b>		<b>(18 929)</b>	(176 575)
<b>THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			



## Balance Sheet as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash	18	14 073	21 868
Receivables	19	12 830	6 590
Financial assistance debtors	20	143	2 794
Other current assets	21	58	17
		<u>27 104</u>	31 269
Non-current assets classified as held for sale	22	1 099	-
<b>Total Current Assets</b>		<u>28 203</u>	31 269
<b>NON-CURRENT ASSETS:</b>			
Receivables	19	4 546	16 536
Financial assistance debtors	20	791	5 247
Property, plant and equipment	23	790	1 570
<b>Total Non-Current Assets</b>		<u>6 127</u>	23 353
<b>Total Assets</b>		<u>34 330</u>	54 622
<b>CURRENT LIABILITIES:</b>			
Payables	24	1 357	1 406
Short-term employee benefits	25	1 376	1 161
Short-term provisions	26	32	26
<b>Total Current Liabilities</b>		<u>2 765</u>	2 593
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	138	129
Long-term employee benefits	25	1 443	1 463
Long-term provisions	26	87	70
<b>Total Non-Current Liabilities</b>		<u>1 668</u>	1 662
<b>Total Liabilities</b>		<u>4 433</u>	4 255
<b>NET ASSETS</b>		<u>29 897</u>	50 367
<b>EQUITY:</b>			
Retained earnings		29 133	50 367
Asset revaluation reserve		764	-
<b>TOTAL EQUITY</b>	27	<u>29 897</u>	50 367
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments for Expenditure	29		
Contingent Assets and Liabilities	30		

## Statement of Changes in Equity for the year ended 30 June 2006

	Note	Asset			Total \$'000
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2004		-	86	226 856	226 942
Changes in accounting policy		-	-	-	-
Restated balance at 30 June 2004		-	86	226 856	226 942
Net income/expense recognised directly in equity for 2004-05		-	-	(176 575)	(176 575)
Total Recognised Income and Expense for 2004-05		-	-	(176 575)	(176 575)
Balance at 30 June 2005		-	86	50 281	50 367
Transfer from Asset Revaluation Reserve - furniture and equipment		-	(17)	17	-
Transfer from Asset Revaluation Reserve - computer equipment		-	(69)	69	-
Restated balance at 30 June 2005	27	-	-	50 367	50 367
Net income/expense recognised directly in equity for 2005-06		-	-	(12 726)	(12 726)
Net expense from an administrative restructure		-	-	(6 203)	(6 203)
Total recognised income and expense for 2005-06		-	-	(18 929)	(18 929)
Increment (decrement) on revaluation of:					
Non-current assets		-	764	-	764
Prior period adjustments		-	-	(2 305)	(2 305)
Balance at 30 June 2006	27	-	<b>764</b>	<b>29 133</b>	<b>29 897</b>

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

## Cash Flow Statement for the year ended 30 June 2006

		2006	2005
		<b>Inflows</b>	Inflows
		<b>(Outflows)</b>	(Outflows)
		<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH OUTFLOWS:	Note		
Employee benefit payments		<b>(15 998)</b>	(13 443)
Supplies and services		<b>(22 844)</b>	(17 609)
Grants and subsidies		<b>(23 110)</b>	(19 083)
Other payments		-	(3)
GST payments on purchases		<b>(4 365)</b>	(6 779)
GST remitted to ATO		-	(3 936)
<b>Cash used in Operations</b>		<b>(66 317)</b>	(60 853)
CASH INFLOWS:			
Interest received		<b>1 331</b>	2 374
GST recovered from ATO		<b>3 399</b>	7 361
GST receipts on receivables		<b>300</b>	2 043
Repayment of financial assistance		<b>548</b>	1 184
Receipts for restructured activities		<b>197</b>	-
Other receipts		<b>4 710</b>	2 591
<b>Cash generated from Operations</b>		<b>10 485</b>	15 553
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		<b>46 268</b>	61 871
Payments to SA Government		-	(86 760)
<b>Cash generated from SA Government</b>		<b>46 268</b>	(24 889)
<b>Net Cash used in Operating Activities</b>	31	<b>(9 564)</b>	(70 189)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		<b>(414)</b>	(945)
<b>Cash used in Investing Activities</b>		<b>(414)</b>	(945)
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		<b>2 183</b>	629
<b>Cash generated from Investing Activities</b>		<b>2 183</b>	629
<b>Net Cash provided by (used in) Investing Activities</b>		<b>1 769</b>	(316)
<b>NET DECREASE IN CASH</b>		<b>(7 795)</b>	(70 505)
<b>CASH AT 1 JULY</b>		<b>21 868</b>	92 373
<b>CASH AT 30 JUNE</b>	18, 31	<b>14 073</b>	21 868

**Program Schedule of Expenses and Income  
for the year ended 30 June 2006**

	(refer Note 5)	Program				
		1	2	3	4	5
<b>EXPENSES:</b>		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs		2 044	726	2 622	1 613	1 058
Supplies and services		695	3 136	2 265	4 732	887
Depreciation		-	-	-	-	-
Grants and subsidies		2 022	2 970	2 706	1 931	343
Write down of financial assistance debtors		-	-	-	-	-
Other expenses		-	-	-	-	-
<b>Total Expenses</b>		<b>4 761</b>	<b>6 832</b>	<b>7 593</b>	<b>8 276</b>	<b>2 288</b>
<b>INCOME:</b>						
Interest revenues		-	-	-	10	-
Net gain (loss) from disposal of assets		-	-	-	37	-
Other revenues		151	345	174	75	19
<b>Total Income</b>		<b>151</b>	<b>345</b>	<b>174</b>	<b>122</b>	<b>19</b>
<b>Net Cost of providing Services</b>		<b>(4 610)</b>	<b>(6 487)</b>	<b>(7 419)</b>	<b>(8 154)</b>	<b>(2 269)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>						
Revenues from SA Government		-	-	-	-	-
Payments to SA Government		-	-	-	-	-
<b>NET RESULT BEFORE RESTRUCTURING</b>		<b>(4 610)</b>	<b>(6 487)</b>	<b>(7 419)</b>	<b>(8 154)</b>	<b>(2 269)</b>

	(refer Note 5)	Program				2006
		6	7	8	9	Program Total
<b>EXPENSES:</b>		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs		4 581	1 214	1 105	1 149	<b>16 112</b>
Supplies and services		5 309	1 809	540	3 232	<b>22 605</b>
Depreciation		287	-	-	-	<b>287</b>
Grants and subsidies		35	2 721	8 493	2 079	<b>23 300</b>
Write down of financial assistance debtors		-	-	-	-	-
Other expenses		-	-	-	-	-
<b>Total Expenses</b>		<b>10 212</b>	<b>5 744</b>	<b>10 138</b>	<b>6 460</b>	<b>62 304</b>
<b>INCOME:</b>						
Interest revenues		1 254	-	-	-	<b>1 264</b>
Net gain (loss) from disposal of assets		(31)	-	-	-	<b>6</b>
Other revenues		1 073	115	59	29	<b>2 040</b>
<b>Total Income</b>		<b>2 296</b>	<b>115</b>	<b>59</b>	<b>29</b>	<b>3 310</b>
<b>Net Cost of providing Services</b>		<b>(7 916)</b>	<b>(5 629)</b>	<b>(10 079)</b>	<b>(6 431)</b>	<b>(58 994)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>						
Revenues from SA Government		46 268	-	-	-	<b>46 268</b>
Payments to SA Government		-	-	-	-	-
<b>NET RESULT BEFORE RESTRUCTURING</b>		<b>38 352</b>	<b>(5 629)</b>	<b>(10 079)</b>	<b>(6 431)</b>	<b>(12 726)</b>

**Program Schedule of Expenses and Income  
for the year ended 30 June 2005**

	(refer Note 5)	Program				
		1	2	3	4	5
<b>EXPENSES:</b>		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs		2 233	624	2 015	1 361	874
Supplies and services		418	1 935	1 495	3 559	3 067
Depreciation		-	-	-	-	-
Grants and subsidies		1 212	474	1 446	789	7 170
Write down of financial assistance debtors		-	-	-	-	-
Other expenses		-	-	-	3	4 247
<b>Total Expenses</b>		<b>3 863</b>	<b>3 033</b>	<b>4 956</b>	<b>5 712</b>	<b>15 358</b>
<b>INCOME:</b>						
Interest revenues		-	-	-	12	148
Net gain (loss) from disposal of assets		-	-	-	-	-
Other revenues		-	41	146	37	145
<b>Total Income</b>		<b>-</b>	<b>41</b>	<b>146</b>	<b>49</b>	<b>293</b>
<b>Net Cost of providing Services</b>		<b>(3 863)</b>	<b>(2 992)</b>	<b>(4 810)</b>	<b>(5 663)</b>	<b>(15 065)</b>
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT:</b>						
Revenues from SA Government		-	-	-	-	-
Payments to SA Government		-	-	-	-	-
<b>NET RESULT BEFORE RESTRUCTURING</b>		<b>(3 863)</b>	<b>(2 992)</b>	<b>(4 810)</b>	<b>(5 663)</b>	<b>(15 065)</b>

	(refer Note 5)	Program				2005
		6	7	8	9	Program Total
<b>EXPENSES:</b>		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs		4 646	972	1 033	-	13 758
Supplies and services		5 692	849	494	-	17 509
Depreciation		223	-	-	-	223
Grants and subsidies		196	1 124	6 672	-	19 083
Write down of financial assistance debtors		101 315	-	-	-	101 315
Other expenses		97	-	-	-	4 347
<b>Total Expenses</b>		<b>112 169</b>	<b>2 945</b>	<b>8 199</b>	<b>-</b>	<b>156 235</b>
<b>INCOME:</b>						
Interest revenues		2 302	-	-	-	2 462
Net gain (loss) from disposal of assets		(142)	-	-	-	(142)
Other revenues		1 724	64	72	-	2 229
<b>Total Income</b>		<b>3 884</b>	<b>64</b>	<b>72</b>	<b>-</b>	<b>4 549</b>
<b>Net Cost of providing Services</b>		<b>(108 285)</b>	<b>(2 881)</b>	<b>(8 127)</b>	<b>-</b>	<b>(151 686)</b>
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT:</b>						
Revenues from SA Government		61 871	-	-	-	61 871
Payments to SA Government		(86 760)	-	-	-	(86 760)
<b>NET RESULT BEFORE RESTRUCTURING</b>		<b>(133 174)</b>	<b>(2 881)</b>	<b>(8 127)</b>	<b>-</b>	<b>(176 575)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED) will facilitate the long-term sustainable economic development of South Australia by working in partnership with industry and other stakeholders, and provide leadership across government on economic development.

The Department's key objectives are:

- maintain an internationally competitive business environment;
- increase business investment and facilitate major projects;
- foster the development of innovative, globally competitive businesses;
- increase international trade;
- develop a vibrant and entrepreneurial small business sector;
- ensure the supply of a highly skilled workforce to meet the needs of business;
- build sustainable communities in regional South Australia;
- deliver highly valued services and advice to government and industry;
- develop an organisational environment that is consistent with our guiding principles and enables them to do their business in an effective and efficient way.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The financial report is a general-purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

These Financial Statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). The adoption of AIFRS has not resulted in any adjustments to the financial report.

In addition, a number of Australian Accounting Standards have been issued or amended and are applicable to the Department but are not yet effective. The Department has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the agency.

#### (b) Reporting Entity

The entity of the Department of Trade and Economic Development operated for the full 12 months ending 30 June 2006 and comprises Departmental and Administered items and the operations of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices.

The Department of Trade and Economic Development's financial report includes both Departmental and Administered items. The Department's financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by the Department in its own right. Administered items refer to Special Acts' payments and receipts and have been disclosed in a schedule of administered items as notes to the accounts.

#### (c) Transferred Functions

The Government Gazette (dated 9 June 2006) reported that the assets, rights or liabilities of the Minister for Industry and Trade or the Minister for Economic Development attributable to any contract or other instrument entered into or created in relation to the administration or application of the Industry Investment Attraction Fund, the Rail Reform Transition Program or the Structural Adjustment Fund for South Australia were transferred to the Treasurer effective from 1 July 2005.

The Department of Trade and Economic Development will continue to work with the Department of Treasury and Finance in relation to the ongoing monitoring of these contracts from a policy perspective.

The Government Gazette (dated 22 September 2005) reported that the employees of the Department of the Premier and Cabinet who worked in the Population Unit and Immigration SA were transferred to the Department of Trade and Economic Development to formulate the Population and Migration Division effective from 1 October 2005. The Division's net assets as at 30 September 2005 have been brought to account within the Department's financial statements together with all financial year transactions since 1 October 2005.

The Government Gazette (dated 1 December 2005) reported that the Port Adelaide Maritime Corporation was established and assumed responsibility for the Osborne Maritime Precinct. Net assets associated with this program were transferred from the Department of Trade and Economic Development to the Port Adelaide Maritime Corporation as at 30 November 2005.

The Government Gazette (dated 23 March 2006) reported the resignation of the previous Minister for Industry and Trade and the appointment of a new Minister. Due to the change, the former Minister of Industry and Trade's Office budget was transferred to Primary Industries and Resources South Australia (PIRSA) effective from 1 April 2005.

Full details of the financial transactions relating to these transfers can be found in Note 28.

There were no transferred functions in 2004-05.

**(d) Comparative Information**

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

**(e) Rounding**

All amounts in the financial statements 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, fringe benefits tax, goods and services tax (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:

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the Australian Taxation Office.
- receivables and payables are stated with the amount of GST included.

**(g) Income and Expenses**

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with the Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

Expenditure has been split to SA Government/Non-SA Government in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework*.

Transaction with SA Government entities have been identified and reported separately from transactions with the non-government entities, and have been classified according to their nature.

The Department does not generate revenue from regulated fees and charges. The Department recognises other revenues from the partial and full recovery of costs associated with the delivery of programs linked to South Australia's Strategic Plan.

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 the carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the Accounting Policy Framework III *Asset Accounting Framework* APS 2.12. Resources provided free of charge are recorded in the expense line items to which they relate.

**(h) Revenues from (Payments to) 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. Appropriation receipts are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and taxation revenues, paid directly to the Department of Treasury and Finance Consolidated Account.

**(i) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. The Department of Trade and Economic Development has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**(j) Cash**

Cash includes cash on hand, cash at bank and deposits held at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash holdings that are in a foreign currency have been recognised at the 'spot' exchange rate applying as at 30 June. Income, expenses, assets and liabilities arising from transactions in a foreign currency are recognised at the 'spot' exchange rate that applied on the day they occurred.

Cash is measured at nominal value.

**(k) Receivables**

Receivables include amounts receivable from trade and other accruals.

Trade receivables arise from the partial or full recovery of costs associated with the Department's delivery of programs linked to South Australia's Strategic Plan. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of cost recovery from the delivery of programs to other agencies and to the public. In accordance to AASB 139 *Financial Instruments: Recognition and Measurement*, the provision for doubtful debts has been measured after the Department made assessment to the impairment of debts owed to the Department. These are generally receivables that are 90 days or more overdue.

*Financial Assistance Debtors*

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

With respect to 99 year interest free loans, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 13.4, the Department expensed the full balance of loans receivable in the 2004-05 financial year, whereas in previous reporting periods the loans were recognised as assets for the first seven years, or for material individual loans, until the purpose of the loan had been fulfilled after which they were no longer recognised as assets in the Balance Sheet. They do, however, continue to be administered as debts due to the Department.

**(l) Non-Current Asset Acquisition and Recognition**

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

Where the payment for an asset is deferred, the Department of Trade and Economic Development measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.15 and 7.2:

- all non-current tangible assets with a value of \$2 000 or greater are capitalised; and
- componentisation of complex asset's is only performed when the complex assets fair value at the time of the acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

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

**(m) Revaluation of Non-Current Assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

- 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 the acquisition is greater than \$1 million and estimated useful life is greater than three years.

The Department of Trade and Economic Development re-values its land every three years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last 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.

The Department controls three lots of land at Monarto that are considered surplus to requirements and are expected to be sold in 2006-07. Land revaluation was performed by Southwick Goodyear Pty Ltd, an independent valuer from the Australian Valuation Office, as at November 2005. The valuer arrived at a fair value based on recent market transactions for similar land in the area, taking into account zoning and restricted use. From a practical perspective, disposal costs are considered immaterial and are not included in this fair value.

**(n) Impairment**

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

For revalued assets an impairment loss is offset against the asset revaluation reserve. Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.



**(o) Depreciation of Non-Current Assets**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

The useful lives of all major assets held by Department of Trade and Economic Development are reassessed on an annual basis.

Land and assets held for sale are not depreciated.

Depreciation for non-current assets is determined as follows:

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Straight Line	Life of lease
Computer equipment	Straight Line	3-5
Plant and equipment	Straight Line	5-10
Furniture and fittings	Straight Line	3-10

**(p) Payables**

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

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

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

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, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

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

The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

**(q) Employee Benefits**

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

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

Liability for 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 twelve 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.

The liability for long service leave is recognised after an employee has completed seven years of service as advised in Accounting Policy Framework IV *Financial Asset and Liability Framework*. 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.

**(r) Leases**

The Department of Trade and Economic Development leases premises for its administrative and operating activities.

In respect of this operating lease, the lessor retains substantially all the risks and rewards incidental to the ownership of the leased assets. Operating lease payments are recognised as an expense on a basis that is representative of the pattern of benefits derived from the leased assets.

### 3. Financial Risk Management

The Department has non-interest bearing assets (cash on call and receivables) and liabilities (payables). The department's exposure to market risk and cash flow interest risk is minimal.

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.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

### 4. Changes in Accounting Policies

#### *Explanation of Transition to AIFRS*

The Department of Trade and Economic Development has adopted AIFRS for the first time for the year ended 30 June 2006.

In April 2005, the Department engaged an independent consultant to review the financial impact on adopting AIFRS. It was concluded that the adoption of AIFRS has not resulted in any material adjustments to the Income Statement, Balance Sheet or Cash Flow Statement.

- In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets available for sale have been disclosed as a separate class of assets on the balance sheet. Assets classified as non-current assets classified as held for sale are not depreciated and are measured at the lower of carrying amount and fair value less selling costs.
- Employee benefits payable later than 12 months from year-end have been measured at present value rather than at nominal amounts as required by AASB 119 *Employee Benefits*.

### 5. Programs of the Department

The Department has identified nine broad programs that reflect the nature of the services delivered to the South Australian community. These programs and their objectives are:

#### **Program 1: Economic Strategy and Policy Development**

The objective of this program is a clear strategic direction for the economic development of the State and a business environment that is competitive and supports development. This will be achieved by promoting partnerships between industry, the community and other government departments and assessing opportunities and constraints on future growth. It will also assist in developing industry strategies and economic development policies.

#### **Program 2: Defence Industry Development**

The objective of this program is to double defence industry contribution to Gross State Product and increase defence employment in the State over the coming decade. To achieve these goals the Defence Unit will focus policy initiatives on detailed sector plans to help industry take advantage of defence business opportunities. These plans focus on the four defence sectors - naval, land force, aerospace and electronics.

#### **Program 3: Business Growth**

The objective of this program is to promote a competitive and vibrant manufacturing and traded services sector and work with industry and other stakeholders in addressing issues and promoting growth. This will be achieved by promoting the development and uptake of new technologies in partnership with tertiary institutions, facilitating import replacement, and maximising Australian content in major investment projects and developing and implementing strategies for manufacturing.

#### **Program 4: International Market Development**

The objective of this program is to maximise export opportunities for South Australian based companies and to ensure that South Australia's interests are reflected in all trade agreements. This will be achieved by implementing export strategies, disseminating market intelligence, providing business matching services, promoting the value of exports to young South Australians and participating in national trade consultations.

#### **Program 5: Investment Attraction**

The objective of this program is to help facilitate major projects and secure new investment in South Australia. This will be achieved by identifying strategic investment opportunities, working across South Australian government to reduce impediments to investing in South Australia and providing high quality services to investors.

#### **Program 6: Corporate Leadership, Governance and Support**

The objective of this program is to deliver services that are customer focused, timely and effective and in support of all Department of Trade and Economic Development divisions and offices.

**Program 7: Small Business Growth**

The objective of the small business program is to ensure that small business issues are represented at the State Government level and that their interests are taken into account in the delivery of programs or development of policies. Through partnerships and networks, this program will deliver advice and training on business management and skills, on the ground support in emergencies and the promotion of small business in South Australia.

**Program 8: Regional Development**

The objective of this program is to improve economic, social and environmental wellbeing in South Australia's regions. This will be achieved by working in partnership with the three spheres of government and local communities, in addition to the enhancement of community and business capacity and the improved coordination of government activities impacting on regions.

**Program 9: Population and Migration**

The objective of this program is to work in partnership with the Population Advisory Group and other government agencies to meet the targets in 'Prosperity through People - A Population Policy for South Australia'. This will be achieved by encouraging, promoting and supporting increased overseas/interstate migration to SA, through positive messages about SA's job opportunities, housing affordability, quality education systems, lifestyle and recreational advantages. The Population Policy Unit will also take a lead role across government in 'Prosperity through People - A Population Policy for South Australia'.

**6. Employee Benefit Costs**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages	<b>10 984</b>	10 894
TVSP (refer below)	<b>568</b>	-
Long service leave	<b>419</b>	205
Annual leave	<b>992</b>	-
Employment on-costs - superannuation	<b>1 421</b>	1 311
Employment on-costs - other	<b>955</b>	737
Board fees (refer below)	<b>773</b>	611
<b>Total Employee Benefit Costs</b>	<b>16 112</b>	13 758

Due to a change in policy, the Department has recognised its annual leave expense separate from salaries and wages for the reporting period. In previous years, the annual leave expense was incorporated into salaries and wages. No comparative data is available for annual leave.

**Board Fees**

Board and sitting fees are paid to some members of the following Boards and Committees:

- Economic Development Board
- Defence Industry Advisory Board
- Manufacturing Consultative Council
- Small Business Development Council
- Regional Communities Consultative Council
- South Australian Export Council
- South Australian Energy Advisory Group.

Board fees are not paid to members of the following Boards and Committees:

- Parliamentary Trust

The former chairman of the Economic Development Board, Mr Robert Champion de Crespigny AC, did not receive any Board fees.

In accordance with the Department of the Premier and Cabinet Circular No. 14, government employees did not receive any remuneration for board duties during the financial year.

**Targeted Voluntary Separation Packages**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Amount paid to these employees:		
TVSPs	<b>568</b>	-
Annual leave and long service leave accrued over the period	<b>228</b>	-
	<b>796</b>	-
Recovery from the Department of Treasury and Finance	<b>534</b>	-

	<b>2006</b>	2005
	<b>Number of</b>	Number of
	<b>Employees</b>	Employees
Number of employees that were paid TVSPs during the reporting period	<b>6</b>	-

**Remuneration of Employees**

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

	<b>2006</b>	2005
	<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999	<b>9</b>	12
\$110 000 - \$119 999	<b>5</b>	3
\$120 000 - \$129 999	<b>1</b>	1
\$130 000 - \$139 999	<b>3</b>	1
\$140 000 - \$149 999	<b>-</b>	1
\$150 000 - \$159 999	<b>1</b>	1
\$160 000 - \$169 999	<b>1</b>	4
\$170 000 - \$179 999	<b>1</b>	-
\$180 000 - \$189 999	<b>1</b>	-
\$210 000 - \$219 999	<b>-</b>	1
\$240 000 - \$249 999	<b>-</b>	1
\$250 000 - \$259 999	<b>1</b>	-
\$300 000 - \$309 999	<b>-</b>	1
<b>Total number of Employees</b>	<b>23</b>	26

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, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.997 million (\$3.570 million).

**7.****Supplies and Services**

Supplies and Services provided by entities within the SA Government:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Accommodation and service costs	<b>1 452</b>	1 669
Accounting and audit fees (Note 12)	<b>106</b>	96
Advertising	<b>8</b>	-
Business mentoring and coaching	<b>30</b>	-
Communications and information technology expense	<b>646</b>	995
Contractors	<b>5</b>	5
Consultancies (refer below)	<b>114</b>	34
Seminar costs (non-staff)	<b>28</b>	-
Staff related expenses	<b>50</b>	33
Travel and related expenses	<b>343</b>	347
Other office administration expenses	<b>1 104</b>	1 044
<b>Total Supplies and Services - SA Government Entities</b>	<b>3 886</b>	4 223

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

Accommodation and service costs	<b>452</b>	662
Accounting and audit fees	<b>164</b>	138
Advertising	<b>1 674</b>	2 121
Business mentoring and coaching	<b>538</b>	267
Communications and information technology expense	<b>963</b>	731
Contractors	<b>4 911</b>	3 325
Consultancies (refer below)	<b>1 830</b>	1 862
Establishment costs of the Centre for Innovation	<b>243</b>	-
Overseas trade representation	<b>591</b>	-
Seminar costs (non-staff)	<b>422</b>	46
Staff related expenses	<b>681</b>	485
Travel and related expenses	<b>1 333</b>	1 118
Other office administration expenses	<b>4 917</b>	2 531
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>18 719</b>	13 286
<b>Total Supplies and Services</b>	<b>22 605</b>	17 509

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice or payments related to third party arrangements.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	<b>2006</b>	<b>2006</b>
	<b>Number</b>	<b>\$'000</b>
Below \$10 000	<b>40</b>	<b>195</b>
Between \$10 000 and \$50 000	<b>28</b>	<b>715</b>
Above \$50 000	<b>8</b>	<b>1 034</b>
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>76</b>	<b>1 944</b>

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

Below \$10 000	45	252
Between \$10 000 and \$50 000	34	980
Above \$50 000	5	664
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>84</b>	<b>1 896</b>

<b>8. Depreciation</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Plant and equipment	<b>236</b>	223
Buildings and improvements	<b>51</b>	-
<b>Total Depreciation</b>	<b>287</b>	223

**9. Grants and Subsidies**

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other Government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

Grants and Subsidies paid/payable to Entities within the SA Government:	<b>2006</b>	2005
Class of Assistance	<b>\$'000</b>	\$'000
Investment attraction	-	1 383
Industry development	<b>2 927</b>	798
Regional infrastructure	-	2 000
Other	<b>163</b>	681
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>3 090</b>	4 862

Grants and Subsidies paid/payable to Entities external to the SA Government:

Class of assistance		
Investment attraction	-	5 007
Industry development	<b>11 717</b>	4 512
Regional development boards	<b>2 810</b>	4 725
Regional infrastructure	<b>5 080</b>	(308)
Other	<b>603</b>	285
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>20 210</b>	14 221
<b>Total Grants and Subsidies</b>	<b>23 300</b>	19 083

**10. Write Down of Financial Assistance Debtors**

Write down of financial assistance debtors	-	101 315
	-	101 315

As at 30 June 2005, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 13.4, government assistance loans provided for 99 years were expensed. This resulted in a write-off of these loans within the 2004-05 financial statements.

**11. Other Expenses**

Other Expenses paid/payable to entities within the SA Government:	<b>2006</b>	2005
Bad and doubtful debts	<b>\$'000</b>	\$'000
	-	220
<b>Total Other Expenses - SA Government Entities</b>	<b>-</b>	220

Other Expenses paid/payable to entities external to the SA Government:

Bad and doubtful debts	-	4 124
Other funds transferred	-	3
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>-</b>	4 127
<b>Total Other Expenses</b>	<b>-</b>	4 347

**12. Auditor's Remuneration**

Audit fees paid/payable to the Auditor-General's Department	<b>106</b>	96
<b>Total Audit Fees</b>	<b>106</b>	96

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

**13. Overseas Representative Offices**

The following table provides a summary of the financial transactions for the reporting period. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

	SATIC	Singapore	Dubai	<b>2006</b>	2005
	\$'000	\$'000	\$'000	<b>\$'000</b>	\$'000
Operating expenses	812	726	662	<b>2200</b>	2 468
Operating revenues	43	13	79	<b>135</b>	140
Funds advanced to overseas offices towards operating expenses	863	867	660	<b>2 390</b>	2 358

<b>14. Interest Revenues</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Interest from entities within SA Government	<b>1 242</b>	2 251
Other - Financial assistance debtors	<b>2</b>	199
Other - Overseas offices	<b>20</b>	12
<b>Total Interest Revenues</b>	<b>1 264</b>	2 462
<b>15. Net Gain (Loss) from Disposal of Assets</b>		
Plant and equipment:		
Proceeds from disposal	<b>37</b>	19 343
Less: Net book value of assets disposed	<b>(31)</b>	(19 485)
<b>Total Net Gain (Loss) from Disposal of Assets</b>	<b>6</b>	(142)
<b>16. Other Revenues</b>		
Other Revenues received/receivable from entities within the SA Government:		
Recoveries - Shared services	<b>149</b>	149
Recoveries - Other	<b>1 015</b>	934
<b>Total Other Revenues - SA Government Entities</b>	<b>1 164</b>	1 083
Other Revenues received/receivable from entities external to the SA Government:		
Sponsorship revenues	<b>76</b>	23
Recoveries - Financial assistance grants	<b>11</b>	669
Recoveries - Commonwealth programs	<b>192</b>	90
Recoveries - Seminars	<b>158</b>	102
Recoveries Other	<b>439</b>	262
<b>Total Other Revenues - Non-SA Government Entities</b>	<b>876</b>	1 146
<b>Total Other Revenues</b>	<b>2 040</b>	2 229
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>46 268</b>	61 871
<b>Total Revenues from SA Government</b>	<b>46 268</b>	61 871
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	(86 760)
<b>Total Payments to SA Government</b>	-	(86 760)
<b>18. Cash</b>		
Deposits at call - Westpac	<b>4 526</b>	5 880
Deposits with the Treasurer	<b>7 444</b>	14 648
Deposits at call - Overseas offices	<b>2 097</b>	1 334
Other	<b>6</b>	6
<b>Total Cash</b>	<b>14 073</b>	21 868
<b>Deposits with the Treasurer</b>		
Includes Funds held in the Accrual Appropriation Excess Funds Account and the Surplus Cash Working Account. The balances of these funds are not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.		
<b>Interest Rate Risk</b>		
For 2005-06, deposits at call with the Treasurer were bearing a floating interest rate between 5.35 percent and 5.43 percent. The carrying amount of cash approximates net fair value.		
Effective from 1 July 2006, Deposits at call - Westpac and Deposits with the Treasurer are non-interest bearing.		
<b>19. Receivables</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Current:		
Receivables	<b>11 732</b>	5 446
Less: Provision for doubtful debts	<b>(437)</b>	(269)
GST receivable	<b>1 515</b>	887
Accrued Interest on loans and deposits	<b>20</b>	526
<b>Total Current Receivables</b>	<b>12 830</b>	6 590
Non-current receivables	<b>4 546</b>	16 536
<b>Total Non-Current Receivables</b>	<b>4 546</b>	16 536
<b>Total Receivables</b>	<b>17 376</b>	23 126

<b>19. Receivables (continued)</b>	<b>2006</b>	2005
<b>Government/Non-Government Receivables</b>	<b>\$'000</b>	\$'000
Receivables from SA Government entities:		
Receivables	<b>14 477</b>	21 410
Accrued revenues	<b>20</b>	526
<b>Total Receivables - SA Government Entities</b>	<b>14 497</b>	21 936
Receivables from Non-Government entities:		
Receivables	<b>1 364</b>	303
GST receivable	<b>1 515</b>	887
<b>Total Receivables - Non-SA Government Entities</b>	<b>2 879</b>	1 190
<b>Total Receivables</b>	<b>17 376</b>	23 126

**Interest Rate and Credit Risk**

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

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

<b>20. Financial Assistance Debtors</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Financial assistance debtors	<b>357</b>	9 402
Less: Provision for doubtful debts	<b>(214)</b>	(6 608)
<b>Total Current Financial Assistance Debtors</b>	<b>143</b>	2 794
Non-Current:		
Financial assistance debtors	<b>3 192</b>	9 615
Less: Provision for doubtful debts	<b>(2 401)</b>	(4 368)
<b>Total Non-Current Financial Assistance Debtors</b>	<b>791</b>	5 247
<b>Total Financial Assistance Debtors</b>	<b>934</b>	8 041

Financial Assistance is provided to Non-SA Government entities only.

<b>21. Other Current Assets</b>		
Current:		
Prepayments	<b>46</b>	2
Other	<b>12</b>	15
<b>Total Other Current Assets</b>	<b>58</b>	17

<b>22. Non-Current Assets Classified as Held for Sale</b>		
Current:		
Land	<b>1 099</b>	-
<b>Total Non-Current Assets Classified as Held for Sale</b>	<b>1 099</b>	-

The Department controls three lots of land at Monarto that are considered surplus to requirements and are expected to be sold in 2006-07.

Land revaluation was performed by Southwick Goodyear Pty Ltd, an independent valuer from the Australian Valuation Office, as at November 2005. The valuer arrived at a fair value based on recent market transactions for similar land in the area, taking into account zoning and restricted use. From a practical perspective, disposal costs are considered immaterial and are not included in this fair value.

<b>23. Property, Plant and Equipment</b>	<b>2006</b>	2005
Land:	<b>\$'000</b>	\$'000
Land at fair value	<b>-</b>	335
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	<b>256</b>	-
Accumulated depreciation	<b>(51)</b>	-
<b>Total Leasehold Improvements</b>	<b>205</b>	-
Capital Works in Progress:		
Works in progress at cost - Osborne Maritime Precinct (refer Note 2(c))	<b>-</b>	688
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	<b>1 190</b>	1 178
Accumulated depreciation	<b>(605)</b>	(631)
<b>Total Plant and Equipment</b>	<b>585</b>	547
<b>Total Property Plant and Equipment</b>	<b>790</b>	1 570

**Impairment**

There were no indications of impairment of property, plant and equipment, at 30 June 2006.

**Reconciliation of Non-Current Assets**

The following table shows the movement of Non-Current Assets during 2005-06.

	Land \$'000	Leasehold Improvements \$'000	Work in Progress \$'000	Plant and Equipment \$'000	<b>2006 Total \$'000</b>	2005 Total \$'000
Carrying amount at 1 July	335	-	688	547	<b>1 570</b>	1 013
Adjustments made to opening balances	-	62	-	87	<b>149</b>	-
Additions	-	194	-	220	<b>414</b>	945
Transfer to other Departments	-	-	(688)	(6)	<b>(694)</b>	-
Disposals	-	-	-	(31)	<b>(31)</b>	(145)
Other asset write-offs	-	-	-	-	-	(20)
Depreciation and amortisation	-	(51)	-	(236)	<b>(287)</b>	(223)
Acquisition (Disposal) through administrative restructuring	-	-	-	4	<b>4</b>	-
Revaluation	764	-	-	-	<b>764</b>	-
Transfer to non-current assets classified as held for sale	(1 099)	-	-	-	<b>(1 099)</b>	-
<b>Carrying Amount at 30 June</b>	-	205	-	585	<b>790</b>	1 570

<b>24. Payables</b>		<b>2006</b>	<b>2005</b>
Current:		<b>\$'000</b>	<b>\$'000</b>
Creditors and accrued expenses		<b>999</b>	1 160
Employee on-costs		<b>358</b>	246
<b>Total Current Payables</b>		<b>1 357</b>	1 406
Non-Current			
Employee on-costs		<b>138</b>	129
<b>Total Non-Current Payables</b>		<b>138</b>	129
<b>Total Payables</b>		<b>1 495</b>	1 535
<b>Government/Non-Government Payables</b>			
Payables to SA Government entities:			
Creditors and accrued expenses		<b>261</b>	347
Employee on-costs		<b>406</b>	306
<b>Total Payables - SA Government Entities</b>		<b>667</b>	653
Payables to Non-SA Government entities:			
Creditors and accrued expenses		<b>738</b>	813
Employee on-costs		<b>90</b>	69
<b>Total Payables - Non-SA Government Entities</b>		<b>828</b>	882
<b>Total Payables</b>		<b>1 495</b>	1 535

**Interest Rate and Credit Risk**

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

<b>25. Employee Benefits</b>		<b>2006</b>	<b>2005</b>
Current:		<b>\$'000</b>	<b>\$'000</b>
Accrued salaries and wages		<b>207</b>	168
Annual leave		<b>894</b>	830
Short-term long service leave		<b>275</b>	163
<b>Total Current Employee Benefits</b>		<b>1 376</b>	1 161
Non-Current:			
Long service leave		<b>1 443</b>	1 463
<b>Total Employee Benefits</b>		<b>2 819</b>	2 624

The total current and non-current employees expense (ie aggregate employee benefit plus related on costs) for 2006 is \$1.782 million and \$1.533 million respectively.

In the 2006 financial year, the long service leave benchmark contained in the Accounting Policy Framework IV *Financial Asset and Liability Framework* was not amended. The benchmark for the measurement of the long service liability has remained at seven years.



<b>26. Provisions</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Provision for workers compensation	<b>32</b>	26
Non-Current:		
Provision for workers compensation	<b>87</b>	70
<b>Total Provisions</b>	<b>119</b>	96
Carrying amount at 1 July	<b>96</b>	79
Additional provisions recognised	<b>65</b>	36
Payments/other sacrifices of future economic benefits	<b>(42)</b>	(19)
<b>Carrying Amount at 30 June</b>	<b>119</b>	96

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Branch of the Department for Administrative and Information Services. These claims are expected to be settled within the next financial year.

<b>27. Equity</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Accumulated surplus	<b>29 133</b>	50 367
Asset revaluation reserve	<b>764</b>	-
<b>Total Equity</b>	<b>29 897</b>	50 367

The property, plant and equipment asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

## 28. Transferred Functions Comparative Figures

There were no transferred functions in 2004-05.

A list of assets and liabilities transferred and assumed from other Departments in 2005-06 is detailed herein:

	DTF \$'000	DPC \$'000	PAMC \$'000	PIRSA \$'000	Total \$'000
Assets assumed (transferred):					
Cash	-	197	-	-	<b>197</b>
Receivables	(5 483)	-	-	-	<b>(5 483)</b>
Property, plant and equipment	-	4	(688)	(6)	<b>(690)</b>
<b>Total Assets</b>	<b>(5 483)</b>	<b>201</b>	<b>(688)</b>	<b>(6)</b>	<b>(5 976)</b>
Payables	-	(30)	6	-	<b>(24)</b>
Employee benefits and on-costs	-	(236)	41	-	<b>(195)</b>
Provisions	-	(8)	-	-	<b>(8)</b>
<b>Total Liabilities</b>	<b>-</b>	<b>(274)</b>	<b>47</b>	<b>-</b>	<b>(227)</b>
<b>Net Assets</b>	<b>(5 483)</b>	<b>(73)</b>	<b>(641)</b>	<b>(6)</b>	<b>(6 203)</b>

### Summary of Revenue and Expenses

The table below shows the revenue and expenditure from 1 July 2005 to 30 June 2006 relating to functions transferred for DPC and PIRSA.

In relation to transferred functions, transactions have only been recorded in the financial statements for the period that DTED had control over the transactions.

For the DPC transfer, transactions from 1 October 2005 to 30 June 2006 have been included in the DTED financial statements. For the PIRSA transfer, transactions from 1 July 2005 to 31 March 2006 have been included in the DTED financial statements.

	DPC 01.07.05 to 30.09.05 \$'000	DTED 01.10.05 to 30.06.06 \$'000	DTED 01.07.05 to 31.03.06 \$'000	PIRSA 01.04.06 to 30.06.06 \$'000	Total \$'000
Revenue	-	(28)	(889)	(296)	<b>(1 213)</b>
Expenses	979	4 604	1 079	254	<b>6 916</b>
<b>Total</b>	<b>979</b>	<b>4 576</b>	<b>190</b>	<b>(42)</b>	<b>5 703</b>

<b>29. Commitments for Expenditure</b>	<b>2006</b>	2005
<b>Operating Lease Commitments</b>	<b>\$'000</b>	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Within one year	<b>537</b>	564
Later than one year but not longer than five years	<b>1 107</b>	1 372
<b>Total Operating Lease Commitments</b>	<b>1 644</b>	1 936
Representing:		
Cancellable operating leases	<b>216</b>	1 936
Non-cancellable operating leases	<b>1 428</b>	-
	<b>1 644</b>	1 936

The department has various non-cancellable operating lease agreements for the use of property that generally provides for lease payments in advance. Rental provisions provide for rental adjustments by negotiation or in accordance with movements in the CPI. Generally options exist to renew the leases at the expiration of the term of the leases. These obligations have not been recognised as liabilities in the Financial Statements.

### 30. Contingent Assets and Liabilities

#### Contingent Assets

Where specific conditions relating to a financial assistance grant are not met, the Department may request the amount granted be repaid by the grantee.

Contingent assets that may arise from these present obligations are unquantifiable at 30 June 2006.

#### Transfer of Cast Metal Precinct

In previous years, the Department of Trade and Economic Development has provided funds for the development of land and buildings in the Cast Metal Precinct Stage 2.

In the past, the Cast Metal Precinct Stage 2 land was transferred from the Department of Environment and Heritage to the Land Management Corporation. The terms of the transfer provided for a receivable from Land Management Corporation to the Department of Trade and Economic Development of up to and no more than \$990 000 upon sale of the land by the Corporation. As at 30 June 2005, the Department recognised a receivable in the balance sheet of \$800 000 with the remaining \$190 000 recognised as a contingent asset. As at 30 June 2006, the Department has recognised a receivable in the balance sheet of \$932 000 with no contingent asset recognition.

#### Contingent Liabilities

##### Financial Assistance

In the past, the Department reported financial obligations under agreements with various bodies; the payment of funds in future years being subject to certain performance criteria being met by these bodies. As at 30 June 2006, the Department did not have any financial obligations where performance criteria had been met.

	<b>2006</b>	2005
	<b>\$'million</b>	\$'million
Not later than one year	-	12.0
Later than one year but not later than three years	-	29.9
Later than three years but not later than eight years	-	6.2
	<b>-</b>	<b>48.1</b>

#### Guarantees and Indemnities

Guarantees granted in respect of borrowing arrangements that were effected in the past through the Industry Investment Attraction Fund (IIAF) are provided on the approval of the Treasurer pursuant to the terms of the *Industries Development Act 1941*. That approval provides, inter alia, that no such guarantees should be executed except on the recommendation of the Industries Development Committee.

In addition, certain guarantees and indemnities have been provided by the Minister for Industry and Trade as part of various Industry Assistance packages.

### 31. Cash Flow Reconciliation

For the purposes of the Cash Flow Statement, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day-to-day basis.

Reconciliation of Cash - Cash at 30 June 2006 as per:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Deposits at call - Westpac	<b>4 526</b>	5 880
Deposits with the Treasurer	<b>7 444</b>	14 648
Deposits at call - Overseas offices	<b>2 097</b>	1 334
Other	<b>6</b>	6
<b>Balance Sheet</b>	<b>14 073</b>	21 868

<b>31. Cash Flow Reconciliation (continued)</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Reconciliation Net Cash provided by Operating Activities to Net Cost of providing Services:		
Net cash used in operating activities	<b>(9 564)</b>	(70 189)
Gain (Loss) from disposals of assets	<b>6</b>	(142)
Add (Less): Non-Cash Items:		
Depreciation of property, plant and equipment	<b>(287)</b>	(223)
Asset write-downs and transfers	<b>(7 284)</b>	-
Doubtful debts expense	-	(4 344)
99 year loan write-off	-	(101 315)
Conversion of loan to grant	<b>(250)</b>	-
Prior period adjustments	<b>976</b>	-
Changes in Assets/Liabilities (net of restructure transfer):		
(Decrease) Increase in receivables	<b>(2 482)</b>	19 172
Decrease in inventories	-	(19 321)
Increase (Decrease) in other assets	<b>44</b>	(35)
Increase in payables and provisions	<b>(88)</b>	(178)
<b>Net Cost of providing Services from Operating Activities</b>	<b>(18 929)</b>	(176 575)

**32. Events After Balance Date**

As at the date of this report there are no known or material events that have occurred after balance date.

**Disclosure of Administered Items  
as at 30 June 2006**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>ADMINISTERED INCOME:</b>		
Revenues from SA Government	<b>395</b>	-
<b>Total Administered Income</b>	<b>395</b>	-
<b>ADMINISTERED EXPENSES:</b>		
Employees benefit costs	<b>165</b>	230
<b>Total Administered Expenses</b>	<b>165</b>	230
<b>Net Operating Surplus (Deficit)</b>	<b>230</b>	(230)
<b>ADMINISTERED CURRENT ASSETS:</b>		
Receivables		
<b>Total Administered Current Assets</b>	-	-
<b>ADMINISTERED NON-CURRENT ASSETS:</b>		
<b>Total Administered Non-Current Assets</b>	-	-
<b>Total Administered Assets</b>	-	-
<b>ADMINISTERED CURRENT LIABILITIES:</b>		
Payables	-	230
<b>Total Administered Current Liabilities</b>	-	230
<b>ADMINISTERED NON-CURRENT LIABILITIES:</b>		
<b>Total Administered Non-Current Liabilities</b>	-	-
<b>Total Administered Liabilities</b>	-	230
<b>NET ADMINISTERED ASSETS</b>	-	(230)
<b>ADMINISTERED EQUITY:</b>		
Accumulated deficit	-	(230)
<b>TOTAL ADMINISTERED EQUITY</b>	-	(230)

**NOTES TO AND FORMING PART OF THE DISCLOSURE OF ADMINISTERED ITEMS**

**Administered Items of the Department**

Administered Items are for the Minister's salary.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Payables</b>		
Bank overdraft - Administered items	-	230

# TRANSADELAIDE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the Act) was proclaimed. The Act provides for the continuation of TransAdelaide as a Statutory Corporation to which the provisions of the *Public Corporations Act 1993* apply.

The Act establishes a Board of Directors as the governing body of TransAdelaide.

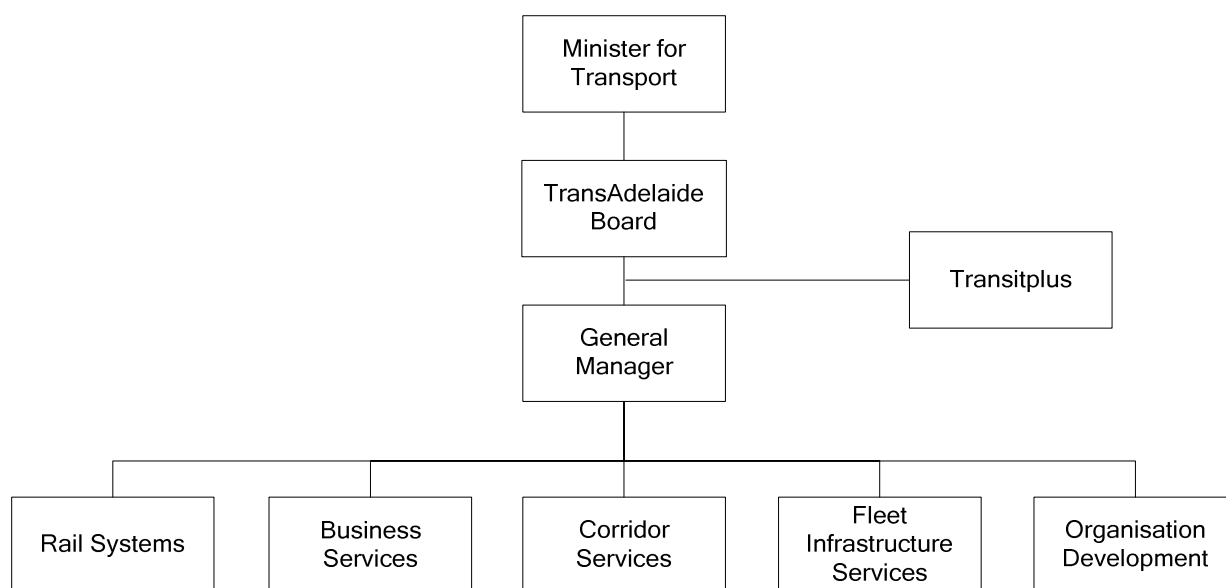
### Functions

TransAdelaide's primary functions are to provide rail passenger transport services under a rail contract; and to act as the custodian of the State's rail passenger transport infrastructure. In carrying out these functions, TransAdelaide's key objectives are to:

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

### Structure

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



### Joint Venture

A Joint Venture Agreement has been established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the former Passenger Transport Board. The joint venture is known as the TransAdelaide/ATE joint venture. Commentary on the joint venture relationship is included later under the heading 'Further Commentary on Operations'.

### Contract to provide Passenger Transport Services

In 2005, TransAdelaide renewed an agreement with the Department for Transport, Energy and Infrastructure for the provision of rail (ie train and tram) passenger transport services. The term of the agreement is for a further five years.

On 23 April 2000 TransAdelaide ceased providing bus transport services in its own right. Notwithstanding this, TransAdelaide retains an interest in one contract with the Department for Transport, Energy and Infrastructure for the provision of bus passenger transport services through its involvement with the TransAdelaide/ATE joint venture.

Further commentary on passenger transport contracts is detailed later under the heading 'Interpretation and Analysis of Financial Report'.

### **Audit and Risk Committee**

Section 31 of the *Public Corporations Act 1993*, requires a public corporation to establish an Audit Committee and that the composition of the committee include members of the corporation Board.

In accordance with the above requirements TransAdelaide has established an Audit and Risk Committee whose membership comprises TransAdelaide Board members.

The primary function of the Audit and Risk Committee as outlined in its Charter 'is to assist the Board in effectively fulfilling responsibilities for financial reporting, risk management, internal control and achieving good corporate governance'.

Audit representatives attend Audit and Risk Committee meetings as observers.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of TransAdelaide in respect of each financial year.

#### ***Assessment of Controls***

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

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

### **Scope of Audit**

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

During 2005-06, specific areas of audit attention included:

- salaries and wages
- accounts payable, including review of Corporate Credit Cards usage
- revenue - earned under the Passenger Transport Contract
- other revenue
- receipting and banking
- accounts receivable
- non-current assets
- inventory.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of TransAdelaide as at 30 June 2006, the result of its operations and its cash flows for the year then ended.

### **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: Policies and Procedures; Inventory; Expenditure; Revenue; and Non-Current Assets as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide have been conducted properly and in accordance with law.

### **Audit Communications to Management**

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was considered to be satisfactory. Matters raised with the Corporation and the related responses are considered herein.

### **Policies and Procedures**

Audit observed a lack of up-to-date documented policies and procedures in the areas of payroll, revenue, budget setting and review and non-current assets. In addition, the corporate governance framework did not include, in the summary of policies and procedures, all financial policies and procedures currently utilised in the business.

### **Inventory**

TransAdelaide owned railcar inventory is managed by the railcar maintenance service provider, Bombardier. Audit made a number of observations about the management and recording of this inventory:

- The inventory system and general ledger did not adequately reflect the value of inventory held by TransAdelaide.
- Reconciliations between the inventory system and the general ledger had not been performed on a timely basis.
- TransAdelaide did not have sufficient documentation from the January 2006 stocktake of railcar inventory or involvement in the process to obtain assurance that the inventory records accurately reflected the inventory on hand.
- There was no process in place to check the quantity or value of items on the Bombardier issues reports prior to using these reports to invoice Bombardier for the use of stock owned by TransAdelaide.
- The provision for stock obsolescence had not been reviewed in the current financial year.

### **Expenditure**

The audit of expenditure identified the following issues:

- The ability for purchase orders to be issued to suppliers from the P-Order System prior to appropriate approval from a delegated authority means that there is currently no assurance that all expenditure is authorised prior to costs being incurred.
- There is currently no documented agreement for the supply of fuel to TransAdelaide.
- The Instrument of Delegations and Authorisations approved by the Board had not been updated on the TransAdelaide intranet and staff were not aware that an amended delegations document had been issued.

### **Revenue**

The audit of the main revenue functions of TransAdelaide revealed that:

- approval of rates for ad hoc events such as advertising promotions and bus-parking fees by the Property Manager was not always supported by documentation;

- a significant uncorrected variance was noted in the reconciliation between the general ledger and the payment summaries received for Passenger Transport Division (PTD) contract income as at 31 December 2005;
- the Instrument of Delegations and Authorisations is at present inconsistent with the Treasurer's Instructions for the authorisation of debt write-offs;
- there was no process to ensure that all invoices and credit notes have been accounted for in the financial system.

### **Non-Current Assets**

A review of the controls and processes over non-current assets identified that:

- there was no mechanism to ensure that all fixed assets sold have been properly approved for sale prior to disposal;
- the cost of running the replacement bus service for the period of the tram track closure was capitalised which is not in accordance with the requirements of AASB 116 *Property, Plant and Equipment*. AASB 116 requires that this type of outlay be expensed;
- some capital expenditure invoices were not authorised for payment and some had been signed by officers who did not have the delegated authority to approve the amount of expenditure;
- completed capital projects are not always closed off and moved from Capital Works In Progress to the Fixed Asset Register on a timely basis.

### **TransAdelaide Response**

TransAdelaide responded positively and in detail to all the audit issues raised. The response indicated either acceptance of issues raised with corrective action implemented or consideration of the matter in the context of its assessment of risk and resource availability.

For the matters raised which required correction by TransAdelaide staff, the audit included follow-up of these matters to ensure that the general ledger and financial statements reflect the corrected situation.

## **INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

### **Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Government Funding	<b>28.2</b>	3.5	n/a
Sales of services and other revenue	<b>103.7</b>	100.4	3
<b>Total Income</b>	<b>131.9</b>	103.9	27
<b>EXPENSES</b>			
Employment expenses	<b>39.1</b>	38.5	2
Depreciation and amortisation	<b>21.1</b>	21.4	(1)
Other expenses	<b>57.8</b>	62.8	(8)
<b>Total Expenses</b>	<b>118.0</b>	122.7	(4)
<b>Share of Profits from Associates</b>	<b>1.0</b>	0.8	25
<b>Profit (Loss) before Tax</b>	<b>14.9</b>	(18.0)	n/a
<b>Income Tax Expense</b>	-	-	n/a
<b>Net Profit (Loss)</b>	<b>14.9</b>	(18.0)	n/a
<b>Net Cash Flows from Operations</b>	<b>51.0</b>	25.1	103

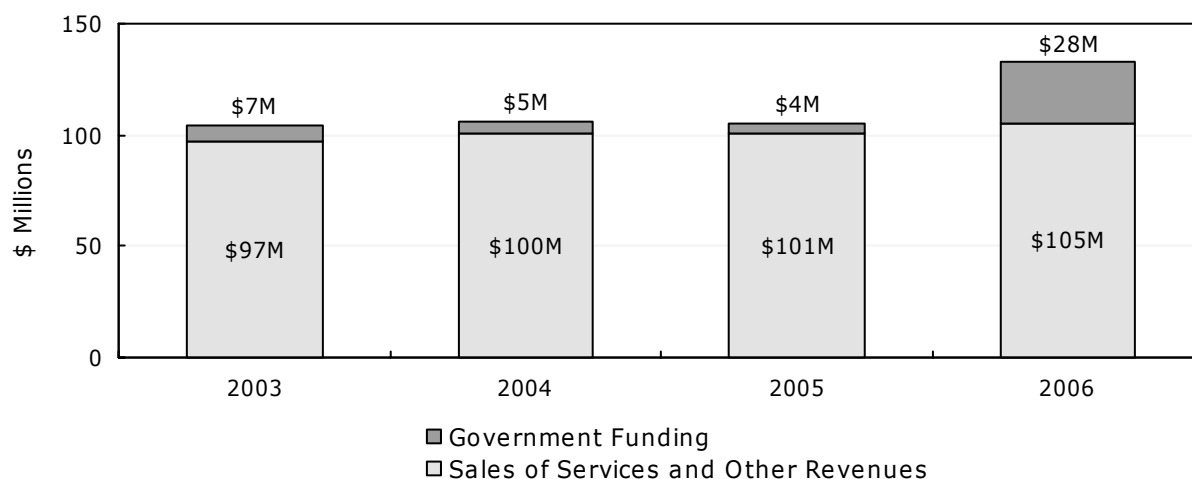


	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>ASSETS</b>			
Current assets	<b>29.0</b>	30.2	(4)
Non-current assets	<b>651.3</b>	698.5	(7)
<b>Total Assets</b>	<b>680.3</b>	728.7	(7)
<b>LIABILITIES</b>			
Current liabilities	<b>23.3</b>	30.0	(22)
Non-current liabilities	<b>102.9</b>	124.7	(17)
<b>Total Liabilities</b>	<b>126.2</b>	154.7	(18)
<b>EQUITY</b>	<b>554.1</b>	574.0	(3)

## Income Statement

### Income

As TransAdelaide's primary functions are to provide rail passenger transport services under a contract, its main operating revenue is Sales of Services with Government funding being less significant. For the four years to 2006, a structural analysis of Sales of Services Revenues and Government funding is presented in the following chart.



The above chart shows a consistency of operating revenues for the provision of services due to the minimal increases allowable under the passenger transport contract.

The increase in Government funding for 2006 was due to the write-back to revenue of \$24 million received from the Department for Transport, Energy and Infrastructure (DTEI) to reimburse TransAdelaide for the expenditure incurred in upgrading the Glenelg Tram Line infrastructure assets. The upgraded infrastructure assets were sold to DTEI during 2006.

Under the new Australian Equivalents to International Financial Reporting Standards, capital funding for projects cannot be carried forward and amortised over the life of the project following disposal, hence this funding was written-back to revenue in 2006, the year of disposal and loss of control of the Glenelg Tram Line infrastructure assets. (Notes 8 and 9 to the Financial Statements refer.)

### *Contract Income - Department for Transport, Energy and Infrastructure Contract*

The Department for Transport, Energy and Infrastructure contract requires TransAdelaide to provide passenger services in the specified service area in return for contract payments. The contract payments are based on a fixed component plus an incentive component based on patronage. There are also penalties for late running. All ticket revenue collected by TransAdelaide is remitted to the Department for Transport, Energy and Infrastructure.

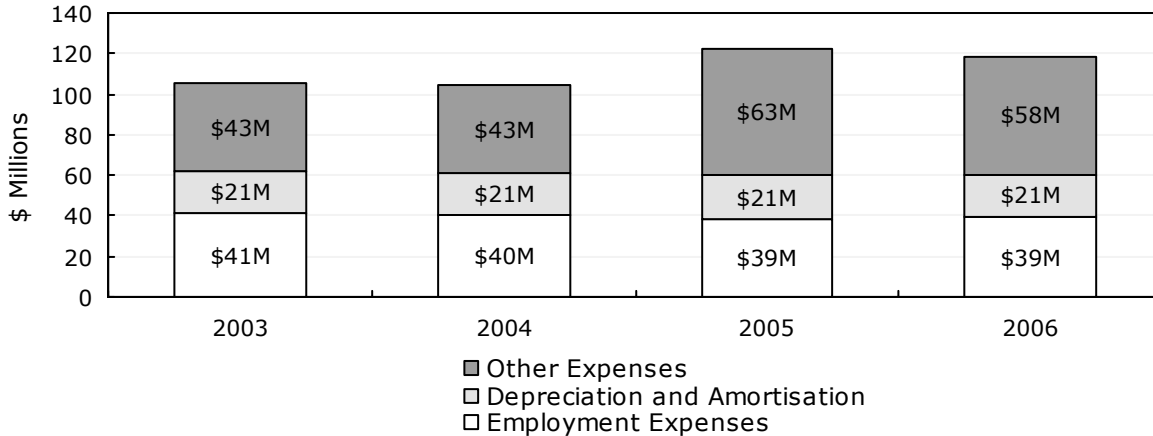
In addition, under the contract TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

**Contract Income - Financial Dependence**

Income of \$93.4 million (\$87.8 million) from the Department for Transport, Energy and Infrastructure for the provision of passenger services represented 71 percent (85 percent) of TransAdelaide’s income and is included in sales of services and other revenues in the previous chart. The reliance on contract payments creates a high degree of financial dependency on the Department for Transport, Energy and Infrastructure. This dependency has been recognised in Note 2 to the Financial Statements.

**Expenses**

For the four years to 2006, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.

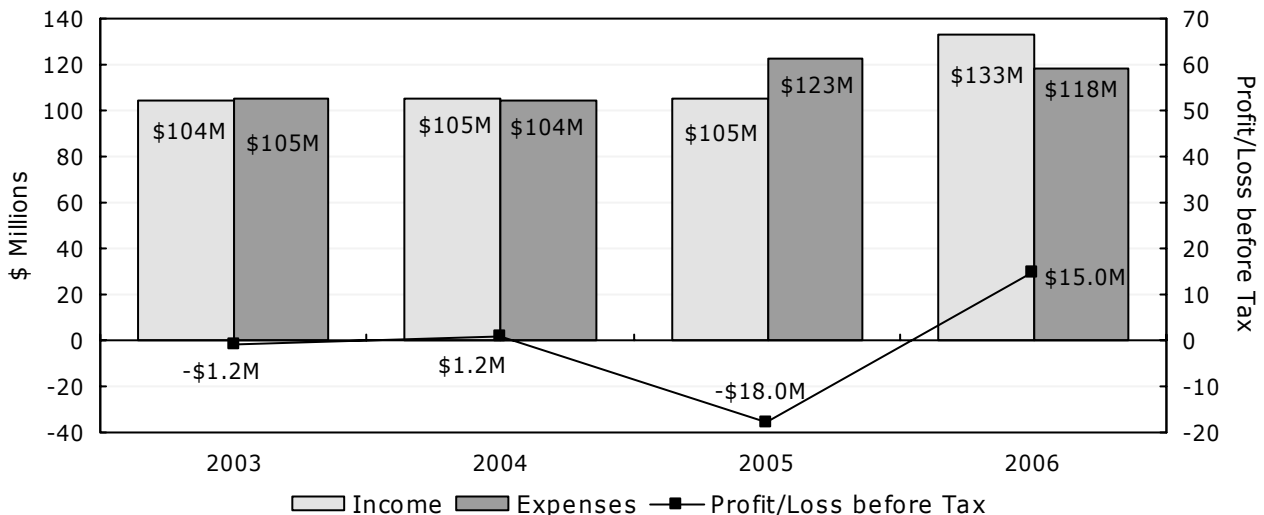


The chart indicates the following:

- A trend over four years of a slight reduction in employment expenses due to reduction in staff numbers.
- Consistency in the annual depreciation charge.
- An increase in other expenses for the 2005 and 2006 years due to:
  - in 2005, the recognition of revaluation decrements of \$18.4 million following the implementation of AIFRS and the assessment of revaluation changes for individual non-current assets as distinct from a ‘class of assets’;
  - in 2006, a \$10.5 million expense associated with the net future tax benefit write-off following the Corporations change in taxation policy from the Deferred Tax Accounting model in 2005 to the Accounting Profits model in 2006 in compliance with Treasurer’s Instruction 22 *Tax Equivalent Payments*.

**Profit Before Tax Equivalent**

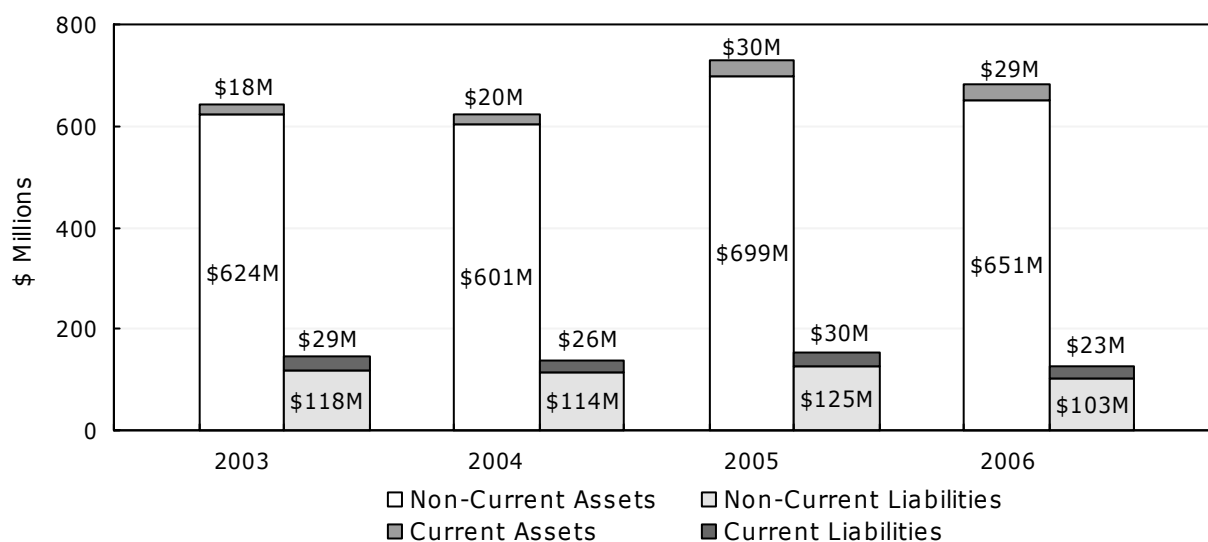
The following chart shows the income, expenses and profit/loss before tax for the four years to 2006.



The loss in 2005 reflects the revaluation decrement of \$18.4 million (refer to previous comments under Expenses). In 2006, TransAdelaide achieved a \$15 million profit result before tax. Income increased significantly due to an increase of \$24.8 million in government funding brought to account as revenue (refer to comments under Income) offset by the change in taxation policy write-off of \$10.5 million (refer to comments under 'Expenses').

## Balance Sheet

For the four years to 2006, a structural analysis of assets and liabilities is shown in the following chart.



## Assets

Non-current assets decreased by \$48 million due to:

- the write-off of the future income tax benefit of \$22 million following the change in taxation policy;
- a decrease in property plant and equipment of \$25 million.

The decrease in property, plant and equipment and work in progress non-current assets of \$25 million reflects mainly additions of \$31 million, offset by the depreciation and amortisation charge of \$21 million and assets disposals of \$35 million.

## Liabilities

Non-current liabilities decreased by \$21.8 million due to:

- the write-off of the provision for deferred income tax of \$11.5 million following the change in taxation policy;
- long-term borrowings decreased by \$6.2 million reflecting the repayment of borrowings from the State Treasurer.

## Cash Flow Statement

The following table summarises the net cash flows for the four years to 2006.

	2006 \$'million	2005 \$'million	2004 \$'million	2003 \$'million
<b>Net Cash Flows</b>				
Operations	51.0	25.1	17.0	21.4
Investing	(2.5)	(14.3)	(9.7)	(7.4)
Financing	(40.9)	(7.7)	(7.7)	(18.0)
Change in Cash	7.6	3.1	(0.4)	(4.0)
Cash at 30 June	22.1	14.5	11.4	11.8

The inflow from operating activity increase in 2006 of \$25.9 million was due to government funding (on a cash basis) of \$27.5 million mainly for the upgrade of the Glenelg tram line prior to its disposal.

The cash flow from operations reflects the fact that a smaller profit result is converted to a larger cash inflow from operating activities as a result of the add-back of the main non-cash item being depreciation and amortisation of \$21 million. Cash flow from operating activities of \$51 million was used to finance the following:

- Investing activities with the main item being the acquisition of non-current assets of \$36.9 million offset by proceeds from the sale of property, plant and equipment of \$34.4 million.
- Financing activities resulted in a net cash outflow of \$40.9 million being special dividend payments to the Department of Treasury and Finance of \$32.5 million from the proceeds of the sale of the Glenelg Tram Line and \$2.3 million for depreciation funding and loan repayments of \$6.2 million. For comments on the sale of the Glenelg Tram Line infrastructure assets refer to 'Further Commentary on Operations'.

**FURTHER COMMENTARY ON OPERATIONS**

**Glenelg Tram Line Infrastructure Sale**

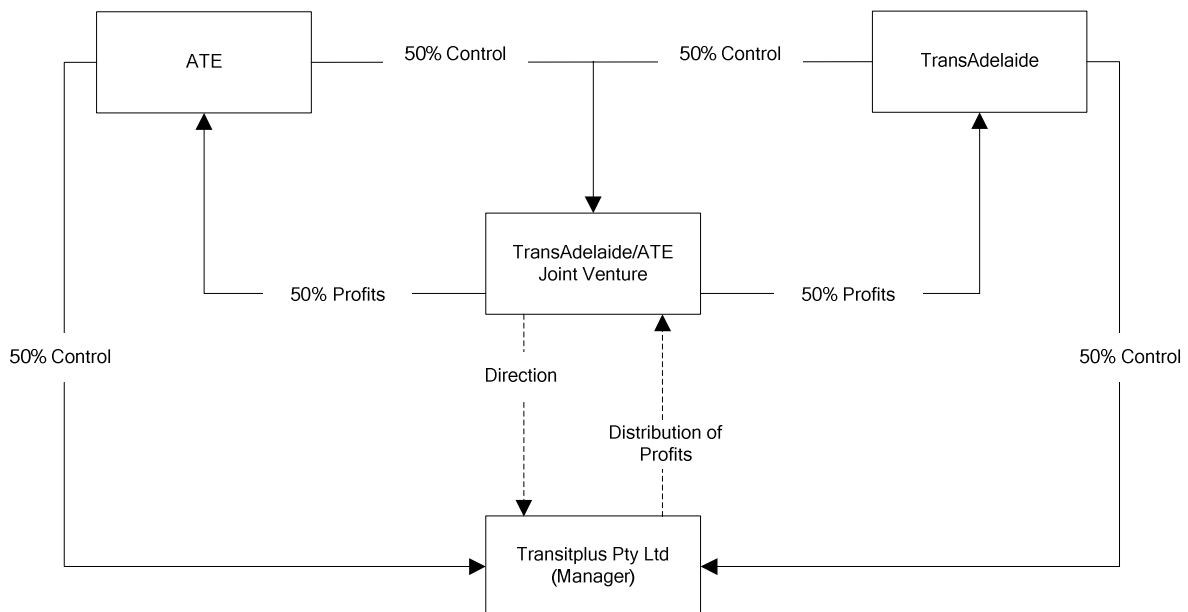
During the year, Cabinet approved the sale of TransAdelaide’s Glenelg Tram Line infrastructure assets to the Department for Transport, Energy and Infrastructure (DTEI). On 26 June, the Acting Treasurer approved the sale of these tram related infrastructure assets by TransAdelaide to DTEI for consideration of \$32.5 million. (Total consideration of \$33.6 million being \$32.5 million for infrastructure and \$1.1 million for inventory and tools). The Acting Treasurer also approved that the consideration received by TransAdelaide be paid as a special dividend (\$32.5 million) back to the Consolidated Account. This accounts for the increase in proceeds for the sale of property, plant and equipment assets (in the Cash Flow Statement) and the special dividend paid. As TransAdelaide received 'fair value' for the assets sold, the transaction did not result in any significant profit or loss on sale.

**Joint Venture Relationship**

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

Transitplus Pty Ltd’s operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

The following diagram illustrates the joint venture relationship:



TransAdelaide has brought to account \$972 000 (\$797 000) for its share of net profit from the joint venture.

**Income Statement  
for the year ended 30 June 2006**

		<b>2006</b>	2005
<b>INCOME:</b>	Note	<b>\$'000</b>	\$'000
Revenue from the provision of services	6	<b>97 544</b>	91 971
Revenues from SA Government	8	<b>28 228</b>	3 456
Financial income	7	<b>984</b>	826
Other revenue	10	<b>6 062</b>	6 363
Net (loss) gain from the disposal of assets	9	<b>(891)</b>	1 286
<b>Total Income</b>		<b>131 927</b>	103 902
<b>EXPENSES:</b>			
Employee benefit costs	11	<b>39 079</b>	38 447
Supplies and services	12	<b>40 569</b>	38 301
Depreciation and amortisation expense	13	<b>21 123</b>	21 446
Financial expenses	14	<b>5 956</b>	6 145
Other expenses	15	<b>786</b>	(15)
Change in taxation policy	17	<b>10 531</b>	-
Revaluation decrements	5	-	18 404
<b>Total Expenses</b>		<b>118 044</b>	122 728
Share of profit of associates		<b>972</b>	797
<b>PROFIT BEFORE INCOME TAX EQUIVALENTS</b>		<b>14 855</b>	(18 029)
Income tax equivalent expense	17	-	-
<b>NET PROFIT (LOSS) AFTER INCOME TAX EQUIVALENTS</b>			
<b>ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>		<b>14 855</b>	(18 029)

**Balance Sheet  
as at 30 June 2006**

	Note	<b>2006 \$'000</b>	2005 \$'000
<b>ASSETS:</b>			
CURRENT ASSETS:			
Cash and cash equivalents	33	<b>22 106</b>	14 498
Receivables	18	<b>2 550</b>	11 093
Inventories	19	<b>4 309</b>	4 684
<b>Total Current Assets</b>		<b>28 965</b>	30 275
NON-CURRENT ASSETS:			
Property, plant and equipment	20	<b>640 461</b>	665 324
Investment property	21	<b>10 578</b>	10 578
Intangible assets	22	<b>114</b>	389
Investment accounted for using the equity method	24	<b>200</b>	200
Future income tax benefit	17	-	21 986
<b>Total Non-Current Assets</b>		<b>651 353</b>	698 477
<b>Total Assets</b>		<b>680 318</b>	728 752
<b>LIABILITIES:</b>			
CURRENT LIABILITIES:			
Payables	25	<b>12 403</b>	18 301
Short-term employee benefits	27	<b>7 646</b>	7 338
Short-term provisions	28	<b>2 837</b>	4 336
Other short-term liabilities	29	<b>419</b>	41
<b>Total Current Liabilities</b>		<b>23 305</b>	30 016
NON-CURRENT LIABILITIES:			
Long-term borrowings	26	<b>75 205</b>	81 371
Long-term employee benefits	27	<b>10 531</b>	9 767
Long-term provisions	28	<b>10 551</b>	10 650
Provision for deferred income tax	17	-	11 455
Other long-term liabilities	29	<b>6 656</b>	11 460
<b>Total Non-Current Liabilities</b>		<b>102 943</b>	124 703
<b>Total Liabilities</b>		<b>126 248</b>	154 719
<b>NET ASSETS</b>		<b>554 070</b>	574 033
<b>EQUITY:</b>			
Reserves	30	<b>474 509</b>	482 636
Retained earnings		<b>79 561</b>	91 397
<b>TOTAL EQUITY</b>		<b>554 070</b>	574 033
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments for expenditure	31		
Contingent Assets and Liabilities	32		

**Statement of Changes in Equity  
for the year ended 30 June 2006**

	Note	Asset		Total \$'000
		Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2004		369 727	111 305	481 032
Changes in accounting policy	5	(498)	(489)	(987)
Restated balance at 30 June 2004		369 229	110 816	480 045
Gain (loss) on revaluations during 2004-05	30	96 407	-	96 407
Transferred to retained profits amounts realised on disposal of assets	30	(906)	906	-
Loss after income tax equivalent for 2004-05		-	(18 029)	(18 029)
Total Recognised Income and Expenses for 2004-05		95 501	(17 123)	78 378
Dividends to SA Government	8(b)	-	(2 296)	(2 296)
Balance at 30 June 2005		464 730	91 397	556 127
Changes in accounting policy	5	17 906	-	17 906
Restated balance at 30 June 2005		482 636	91 397	574 033
Loss on revaluations during 2005-06	30	(61)	-	(61)
Transferred to retained profits amounts realised on disposal of assets	30	(8 066)	8 066	-
Profit after income tax equivalent for 2005-06		-	14 855	14 855
Total Recognised Income and Expenses for 2005-06		(8 127)	22 921	14 794
Dividends to SA Government	8(b)	-	(34 757)	(34 757)
<b>Balance at 30 June 2006</b>		<b>474 509</b>	<b>79 561</b>	<b>554 070</b>

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

## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	<b>Inflows (Outflows)</b>	Inflows (Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH INFLOWS:		
Receipts from the sale of goods and services	98 617	94 697
Interest received	970	818
Receipts from SA Government	27 487	8 114
Dividends received	971	751
GST input tax credits claimed	15 772	10 515
Other receipts	8 742	1 413
<b>Cash generated from Operations</b>	<b>152 559</b>	116 308
CASH OUTFLOWS:		
Employee benefit payments	(40 534)	(36 434)
Supplies and services	(42 957)	(38 178)
Interest paid	(5 992)	(6 213)
GST payments on purchases	(6 756)	(6 324)
GST remitted to ATO	(5 283)	(4 048)
<b>Cash used in Operations</b>	<b>(101 522)</b>	(91 197)
<b>Net Cash provided by Operating Activities</b>	<b>51 037</b>	25 111
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	34 388	171
Proceeds from the sales of intangibles	-	1 264
<b>Cash generated from Investing Activities</b>	<b>34 388</b>	1 435
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(36 894)	(15 776)
<b>Cash used in Investing Activities</b>	<b>(36 894)</b>	(15 776)
<b>Net Cash used in Investing Activities</b>	<b>(2 506)</b>	(14 341)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Dividends paid	(34 757)	(2 296)
Repayment of borrowings	(6 166)	(5 381)
<b>Net Cash used in Financing Activities</b>	<b>(40 923)</b>	(7 677)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7 608</b>	3 093
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>14 498</b>	11 405
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>22 106</b>	14 498

### 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 also has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

TransAdelaide is a body corporate subject to the provisions of the *Public Corporations Act 1993*. 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) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

For the purpose of Australian Equivalents to International Financial Reporting Standards, TransAdelaide is a for-profit entity.

These financial statements are the first statements to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS).

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 5.

TransAdelaide's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

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

### (b) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 5 provides a detailed analysis of comparative amounts that have been reclassified as a result of adoption of AIFRS.

### (c) Rounding

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

### (d) Taxation

In accordance with Treasurer's Instruction 22 *Tax Equivalent Payments*, TransAdelaide is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net accounting profit.

TransAdelaide is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by TransAdelaide as a purchaser is not recoverable from the Australian Taxation Office. Receivables and payables are stated with the amount of GST included.

### (e) Income and Expenses

Income and expense are recognised in TransAdelaide's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APSs 4.1 and 4.2 the financial report's notes disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

#### Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

- Revenues are derived from the provision of rail services to the public under contract with the Public Transport Division of the Department for Transport, Energy and Infrastructure. This revenue is recognised upon delivery of the service.

*Revenues (continued)*

- Rental income arising on investment properties is accounted for on a straight line basis over the lease term.
- Grants, subsidies and funding received from the SA Government are recognised as revenues when TransAdelaide obtains control over the assets. Control over these revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.
- Where money has been appropriated in the form of a loan, TransAdelaide has recorded the amount in the balance sheet.
- 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 in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.
- Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.12. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

*Contributions*

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 Income Statement 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 Income Statement on a straight line basis over the expected lives of the related assets.

All contributions 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.

*Expenses*

TransAdelaide undertakes major cyclical maintenance on its 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 are recognised as an expense.

**(f) 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 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, TransAdelaide has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents recorded in the Cash Flow Statement includes cash on hand, and deposits held at call. Cash is measured at nominal value.

**(h) Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals.

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

Other debtors arise outside the normal course of selling goods and services to other entities and to the public.

TransAdelaide determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

**(i) Inventories**

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average 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/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

**(j) Non-Current Asset Acquisition and Recognition**

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

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.15 and 7.2, all non-current tangible assets with a value of \$4 000 are capitalised. Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

**(k) Revaluation of Non-Current Assets**

TransAdelaide's non-current assets are included at fair value. Valuations are provided by either an independent valuer, by the Valuer General or a Director's valuation. In accordance with the Department of Treasury and Finance, Accounting Policy Frameworks, asset classes containing individual assets over a threshold of \$1 million, based on fair value at the time of acquisition, are regularly revalued. Where an asset class does not contain assets above the threshold, all assets in that class are deemed to be revalued to their fair values immediately following recognition at acquisition cost, as required by the Accounting Policy Framework III *Asset Accounting Framework*. The cost of property, plant and equipment constructed by TransAdelaide includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

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

The most recent valuation was conducted under instruction from TransAdelaide by Certified Practising Valuer Mr John L Morgan B. App. Sc. (Val.) Fellow, Australia Property Institute during the 2004-05 year and included the major asset classes: Trams, Trains, Land, Buildings and Permanent Way.

In accordance with Accounting Policy Framework III *Asset Accounting Framework*, assets will continue to be valued at fair value and the value in the asset revaluation reserve will be retained to ensure that, to the extent possible, any valuation decrements are recorded against previous valuation increments rather than in the Income Statement.

TransAdelaide has taken revaluation adjustments to the asset revaluation reserve on an individual basis.

**(l) 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.

Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

**(m) 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 physical assets such as property, plant and equipment.

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

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

Land and assets held for sale are not depreciated.

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

<b>Class of assets</b>	<b>Depreciation method</b>	<b>Useful life (Years)</b>
Rollingstock:		
Railcars	Straight line	20 - 42
Tramcars	Straight line	10 - 87
Buildings	Straight line	10 - 100
Permanent way	Straight line	20 - 242
Machinery, plant and equipment	Straight line	3 - 100
Intangibles	Straight line	3

**(n) Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition of or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$4 000, in accordance with Accounting Policy Framework III *Asset Accounting Framework* 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. This is because TransAdelaide has been unable to attribute this expenditure to the intangible asset rather than to TransAdelaide as a whole.

**(o) Investment Property**

Investment property, principally comprising freehold land, and is not occupied by TransAdelaide. Investment property is carried at fair value, as mandated by Accounting Policy Framework III *Asset Accounting Framework*. Changes in fair value are recorded in the Income Statement as part of other income or other expense.

**(p) 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 in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual and other 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 balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board (SASB).

**(q) 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.

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

Liability for 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 nominal amount.

The liability for long service leave is recognised after an employee has completed 7 years of service in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework*. 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 TransAdelaide's experience of employee retention and leave taken.

**(r) Leases**

TransAdelaide has entered into operating leases.

*Operating Leases*

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased assets.

**(s) Insurance**

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

**(t) Joint Venture**

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Income Statement 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 Australian Accounting Standard AASB 128 *Investments in Associates*.

**3. Financial Risk Management**

TransAdelaide is exposed to a variety of financial risks, market risk, credit risk and liquidity risk.

Financial risk management is carried out by Business Services and risk management policies and practices are in accordance with Australian Risk Management Standards. Internal accounting policies and procedures are in place which cover the main areas of financial risk including cash management, accounts payable and receivable, reconciliations and accruals, delegations of authority, fixed assets and capital expenditure.

TransAdelaide has non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). Further details on interest rate risk are included in Note 26 and 33.

TransAdelaide's exposure to foreign exchange risk and cash flow interest risk is minimal. TransAdelaide is exposed to price risk for changes in interest rates that relate to long-term debt obligations and investments classified either as available-for-sale or fair value.

TransAdelaide has no significant concentration of credit risk. Any existing risk has been acknowledged through provision for doubtful debts.

In relation to liquidity/funding risk, the continued existence of TransAdelaide in its present form, and with its present segments/services, is dependent on Government policy and on continuing capital appropriations by Parliament to maintain TransAdelaide's asset base.

**4. Segment Information**

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

**5. Changes in Accounting Policies****(i) Explanation of Transition to AIFRS and Other Changes in Accounting Policy**

In accordance with the First-time Adoption of AIFRS, the Corporation first applied AIFRS from 1 July 2004 to convert the previous GAAP reported results to AIFRS. AIFRS was also applied to the 30 June 2005 reported result to convert the previously reported GAAP figures to AIFRS. These AIFRS figures for 2005 form the figures reported in the Income Statement, Balance Sheet and notes for the 2005 year and are directly comparable to the AIFRS figures for 2006. There has also been a change in accounting policy for long service leave calculation. Refer to Note 27. Reconciliations and notes explaining the transition to AIFRS and other changes in accounting policies are shown below:

	Note	At 30.06.05			At 01.07.04		
		Previous GAAP \$'000	Adjustments \$'000	AIFRS \$'000	Previous GAAP \$'000	Adjustments \$'000	AIFRS \$'000
Current assets	a	30 058	217	30 275	19 723	-	19 723
Non-current assets	b	696 119	2 358	698 477	601 053	423	601 476
Current liabilities	c,d	32 485	(2 469)	30 016	25 832	(3 677)	22 155
Non-current liabilities	a,c,d,g	111 398	13 305	124 703	113 912	5 087	118 999
Net assets		582 294	(8 261)	574 033	481 032	(987)	480 045
Equity		582 294	(8 261)	574 033	481 032	(987)	480 045
Retained earnings	e,f,g	117 564	(26 167)	91 397	111 305	(489)	110 816
Asset revaluation reserve	e,f	464 730	17 906	482 636	369 727	(498)	369 229
Total Equity		582 294	(8 261)	574 033	481 032	(987)	480 045
Profit (loss) after income tax equivalents	g	7 650	(25 679)	(18 029)	1 793	(987)	806
Total Cash Flows		3 093	-	3 093	(381)	-	(381)

The adoption of AIFRS has resulted in a number of material adjustments to the Balance Sheet and Income Statement.

**(a) Recognition of Capital Grant Income in Accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance**

TransAdelaide reclassified \$1.4 million of capital grants previously recorded to revenue in 2003-04 and a further \$10.05 million recorded as revenue in 2004-05 to other liabilities. The liability will be amortised over the future life of the funded assets. In 2004-05 this also resulted in recognition of additional capital work in progress of \$0.2 million which, under the previous application of GAAP, would not have been recognised until the completion of the asset.

- (b) *Changes Made to Prior Balances Have Given Rise to Changes in the FITB and PDIT Recognised in 2003-04 and 2004-05*  
 Changes to the net results of TransAdelaide have resulted in an increase to FITB of \$0.4 million in 2003-04 and a further \$1.935 million in 2004-05 and a reduction to the PDIT for 2005 of \$1.3 million. On 23 August 2005, the Treasurer approved amendments to Treasurer's Instruction 22 *Tax and Tax Equivalents Applicable to Government Businesses*; these amendments included the requirements for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent expense from 1 July 2005. As a result of the adoption of this model, tax-effect accounting of all Income Statement items resulted in an adjustment to the tax related Balance Sheet items' carrying values, increasing the write-off of these values.
- (c) *Borrowings Re-classification*  
 In accordance with AASB 101 *Presentation of Financial Statements*, liabilities that are not expected to be settled in the entity's normal operating cycle, or where there is a right to defer settlement for at least 12 months after the reporting date, should be classified as non-current. TransAdelaide has therefore reclassified 100 percent of borrowings to non-current liabilities.
- (d) *Employee Benefit Provision Re-classification to Current Assets*  
 AASB 101 requires that a liability shall be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. As TransAdelaide does not have an unconditional right to defer settlement of employee benefits such as annual leave and the retirement and death gratuity and associated on-costs, \$2.9 million has been reclassified from non-current to current liabilities.
- (e) *Investment Property*  
 Under AASB 140 *Investment Property*, revaluations performed related to investment property are required to be brought to account as part of reported profit instead of being adjusted to the asset revaluation reserve as was performed under GAAP. This has resulted in a decrease to the Asset Revaluation Reserve of \$13.3 million in 2004 to reverse prior increments and an increase to the Asset Revaluation Reserve of \$2.7 million in 2005 to reverse a revaluation decrement from that year.
- (f) *Asset Revaluation Reserve*  
 In accordance with AASB 116 *Property Plant and Equipment*, where an asset's carrying amount has been increased as a result of revaluation, the increase has been credited to the Asset Revaluation Reserve. Where such increase reverses a previous revaluation decrease of the same asset, the increase has been recognised as income. Where an asset's carrying amount has been decreased as a result of revaluation, the decrease has been recognised as a reduction of income. To the extent of any credit balance existing in the Asset Revaluation Reserve for such asset, the revaluation decrease has been applied against that balance.
- (g) *Long Service Leave Voluntary Accounting Policy Change*  
 TransAdelaide has this year adopted the short-hand method of calculating long service leave liability as permitted in AASB 119 *Employee Benefits*. Based on TransAdelaide's experience of employee retention and leave taking, this method is considered reliable and does not result in a material difference when compared with the long-hand method of calculation.

*Impact on the Income Statement*

The AIFRS and voluntary accounting policy changes have had the following impact on the Income Statement:

- (i) Re-statement of long service leave using the short-hand method increased employee benefit expenditure in 2005 by \$679 000.
- (ii) Income tax expense decreased by \$3.2 million in 2004-05.
- (iii) Grant revenue recognised in 2004-05 decreased by \$9.8 million as a result of the requirement to recognise capital grant funding as deferred income under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.
- (iv) An increase in revaluation decrement expense of \$18.4 million was recognised in the 2005 Income Statement as a result of AASB 116 which requires revaluation decrements to be recognised in the Income Statement for individual assets where there are not sufficient prior increments posted against the reserve to absorb the decrement.

**(ii) Impact on Financial year ended 30 June 2007**

A number of Australian Accounting Standards have been issued or amended and are applicable to this Corporation but are not yet effective. The Corporation has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Corporation.

<b>6. Revenues from the Provision of Services</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Services received by entities within SA Government	<b>93 378</b>	87 850
Services received by entities external to the SA Government	<b>4 166</b>	4 121
<b>Total Revenues from the Provision of Services</b>	<b>97 544</b>	91 971

<b>7. Financial Income</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Interest received/receivable from entities within SA Government	<b>984</b>	826
<b>Total Financial Income</b>	<b>984</b>	826
<b>8. Revenues from (Payments to) SA Government</b>		
<b>(a) Revenues from SA Government</b>		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>2 356</b>	3 343
Funding grants from the Department for Transport, Energy and Infrastructure (DTEI)*:		
Capital grants	<b>24 558</b>	100
Recurrent grants	<b>723</b>	2
Amortisation of capitalised funding grants	<b>305</b>	11
Other	<b>286</b>	-
<b>Total Revenues from SA Government</b>	<b>28 228</b>	3 456
* These amounts predominantly relate to the upgrade of the Glenelg tram line and its subsequent disposal as discussed below. Under AIFRS, the value shown as capital grants above would have been carried forward to amortise against future depreciation had the funded assets not have been disposed of during the financial year.		
<b>(b) Payments to SA Government</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Income tax equivalent payment	-	-
Dividends paid	<b>34 757</b>	2 296
<b>Total Payments to SA Government</b>	<b>34 757</b>	2 296
Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and TransAdelaide's Minister. A special dividend paid during 2005-06 of \$2.296 million relates to an ongoing arrangement. This special dividend was paid to the South Australian Government's Consolidation Account on 29 June 2006.		
On 26 June 2006 the Acting Treasurer approved:		
<ul style="list-style-type: none"> <li>• a special dividend of \$32.461 million in 2005-06 representing the net proceeds received from the sale of tram related infrastructure assets to the Department for Transport, Energy and Infrastructure (DTEI). This special dividend was paid to the SA Government's Consolidated Account on 29 June 2006;</li> <li>• that no ordinary dividend be paid by TransAdelaide for 2005-06.</li> </ul>		
<b>9. Net (Loss) Gain from the Disposal of Assets</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Rollingstock:		
Proceeds from disposal	<b>78</b>	-
Less: Net book value of assets disposed	<b>(96)</b>	(52)
<b>Net Loss from Disposal of Rollingstock</b>	<b>(18)</b>	(52)
Permanent Way:		
Proceeds from disposal	<b>31 485</b>	-
Less: Net book value of assets disposed	<b>(32 200)</b>	(48)
<b>Net Loss from Disposal of Permanent Way</b>	<b>(715)</b>	(48)
Land and Buildings:		
Proceeds from disposal	<b>2 619</b>	170
Less: Net book value of assets disposed	<b>(2 619)</b>	22
<b>Net Gain from Disposal of Land and Buildings</b>	<b>-</b>	192
Other Property, Plant and Equipment:		
Proceeds from disposal	<b>143</b>	1
Less: Net book value of assets disposed	<b>(152)</b>	(68)
<b>Net Loss from Disposal of Other Property, Plant and Equipment</b>	<b>(9)</b>	(67)
Intangibles:		
Proceeds from disposal*	<b>-</b>	1 264
Less: Net book value of assets disposed	<b>(149)</b>	(3)
<b>Net (Loss) Gain from Disposal of Intangibles</b>	<b>(149)</b>	1 261
Total Assets:		
Total proceeds from disposal*	<b>34 325</b>	1 435
Less: Total value of assets disposed	<b>(35 216)</b>	(149)
<b>Total Net (Loss) Gain from Disposal of Assets</b>	<b>(891)</b>	1 286
* In 2005 this amount includes the gain from sale of the intellectual property of Austriacs.		

**9. Net (Loss) Gain from the Disposal of Assets (continued)**

On 26 June 2006 the Acting Treasurer approved the sale of tram related infrastructure assets by TransAdelaide to DTEI for consideration of \$32.461 million. These asset sales included Permanent Way, Land and Buildings, Other Plant and Equipment asset classes.

**10. Other Revenues/Income**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Other revenues from entities external to the SA Government:		
Property rental	<b>3 197</b>	4 030
Other revenue	<b>2 069</b>	1 490
<b>Total Revenues from Entities External to the SA Government</b>	<b>5 266</b>	5 520
Other revenues from entities within the SA Government:		
Property rental	<b>796</b>	843
<b>Total Other Revenues</b>	<b>6 062</b>	6 363

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

- (i) within one year \$2 733 000;
- (ii) between two and five years \$9 538 000;
- (iii) later than five years \$49 514 000.

Leases include advertising and display sites, mobile telephone transmitters and real estate with tenancies ranging from monthly to 95 years, whilst providing for regular reviews.

**11. Employee Benefits Cost**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages	<b>28 021</b>	28 805
TVSPs (refer below)	<b>183</b>	-
Long service leave	<b>1 688</b>	1 339
Annual leave	<b>2 991</b>	2 645
Block book off	<b>581</b>	577
Retiring and death gratuity	<b>14</b>	5
Employee on-costs - Superannuation	<b>3 411</b>	3 046
Employee on-costs - Other	<b>2 051</b>	1 890
Board fees	<b>139</b>	140
<b>Total Employee Benefits Cost</b>	<b>39 079</b>	38 447

**Targeted Voluntary Separation Packages (TVSPs)**

Amounts paid to these Employees:

TVSPs	<b>183</b>	-
Annual leave and long service leave paid during the reporting period	<b>89</b>	-
	<b>272</b>	-

Recovery from the Department of Treasury and Finance

**(183)** -

<b>Number of Employees</b>	Number of Employees
----------------------------	---------------------

Number of employees who were paid TVSPs during the reporting period

**1** -

**Remuneration of Employees**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Total Remuneration for employees greater than \$100 000	<b>3 188</b>	1 628

The number of employees whose remuneration falls within the following remuneration bands were:

	<b>2006</b>	2005
	<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999	<b>7</b>	2
\$110 000 - \$119 999	<b>7</b>	2
\$120 000 - \$129 999	<b>3</b>	4
\$130 000 - \$139 999	<b>3</b>	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	<b>1</b>	1
\$180 000 - \$189 999	-	1
\$190 000 - \$199 999	<b>1</b>	-
\$240 000 - \$249 999	<b>1</b>	-
\$280 000 - \$289 999	<b>1</b>	-
	<b>24</b>	12



**Remuneration of Employees (continued)**

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, fringe benefits tax and any other salary sacrifice benefits.

Includes payment of long service leave entitlements to some positions in 2005, and a TVSP payment in 2006.

**Related Party Disclosures****(a) Director Transactions**

Details of Directors' remuneration payments are set out below.

**(b) Transactions with Other Related Parties**

TransAdelaide has a 50 percent interest in a joint venture entity TransitPlus Pty Ltd. TransAdelaide receives an annual management fee of \$125 600 and an ordinary dividend from the joint venture entity. Two board members of TransAdelaide are also board members of the joint venture (Virginia Hickey and Keven Bengler); board fees relating to these positions are paid to the board members by TransAdelaide.

**Remuneration of Directors**

The number of directors whose remuneration falls within the following remuneration bands were:

	<b>2006</b>	2005
	<b>Number of Directors</b>	Number of Directors
\$20 000 - \$29 999	<b>3</b>	3
\$30 000 - \$39 999	<b>1</b>	1
\$40 000 - \$49 999	<b>1</b>	1
	<b>5</b>	5

The names of the directors who have held office during the financial year are:

Kevin Bengler, Virginia Hickey, Roger Jowett, Elizabeth Kosmala and Frances Magill.

**(c) Key Management Personnel**

Short-term employee benefits

<b>2006</b>	2005
<b>\$'000</b>	\$'000
<b>1 250</b>	1 021

**12. Supplies and Services**

Supplies and services - Non-SA Government entities

Supplies and services - SA Government entities

**Total Supplies and Services**

<b>35 256</b>	32 855
<b>5 313</b>	5 446
<b>40 569</b>	38 301

**Consultants**

The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:

	<b>2006</b>		2005	
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>5</b>	<b>24</b>	2	5
\$10 000 - \$50 000	<b>4</b>	<b>103</b>	3	41
Above \$50 000	-	-	-	-
<b>Total paid/payable to the Consultants Engaged</b>	<b>9</b>	<b>127</b>	5	46

**13. Depreciation and Amortisation Expense**

Depreciation:

Rollingstock:

Railcars

Tramcars

Permanent way

Buildings

Other property, plant and equipment

**Total Depreciation**

Amortisation:

Intangibles

**Total Amortisation****Total Depreciation and Amortisation**

<b>2006</b>	2005
<b>\$'000</b>	\$'000
<b>7 723</b>	7 727
<b>2 078</b>	2 564
<b>7 216</b>	7 363
<b>2 672</b>	2 649
<b>1 251</b>	1 007
<b>20 940</b>	21 310
<b>183</b>	136
<b>183</b>	136
<b>21 123</b>	21 446

**Change in Depreciation due to a Revaluation**

TransAdelaide has maintained the fair value of its assets resulting from the independent valuation conducted in 2004-05.

**Revision in Accounting Estimates**

Depreciation of Tramcars differed between 2005 and 2006 due to a reassessment of remaining useful life of the five remaining 'H' type tramcars from four years to 11 years from 1 July 2005. This has resulted in a decrease in depreciation expense for this asset class of \$500 000 per annum.

**14. Financial Expenses**

Interest on borrowings

Treasury guarantee fee

**Financial expenses - SA Government****Total Financial Expenses**

<b>2006</b>	2005
<b>\$'000</b>	\$'000
<b>5 381</b>	5 528
<b>575</b>	617
<b>5 956</b>	6 145
<b>5 956</b>	6 145

<b>15. Other Expenses</b>	<b>2006</b>	2005
Other expenses paid/payable to entities external to the SA Government:	<b>\$'000</b>	\$'000
Net bad and doubtful debts	<b>(15)</b>	(15)
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>(15)</b>	(15)
Other expenses paid/payable to entities within the SA Government:		
Net bad and doubtful debts	<b>801</b>	-
<b>Total Other Expenses - SA Government Entities</b>	<b>801</b>	-
<b>Total Other Expenses</b>	<b>786</b>	(15)
<b>16. Auditor's Remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	<b>155</b>	150
<b>Total Auditor's Remuneration</b>	<b>155</b>	150
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>17. Income Tax Equivalent Expense</b>		
Profit (Loss) before income tax expense	<b>14 855</b>	(18 029)
Prima facie tax (if profit) thereon at 30 percent	<b>(4 457)</b>	-
Tax exempt revenue items*	<b>4 457</b>	-
<b>Income Tax Equivalent Expense</b>	<b>-</b>	-
Change in taxation policy**:		
Adjustment to deferred tax balance sheet items as a result of Policy change	<b>(10 531)</b>	-
<b>Total Change in Taxation Policy</b>	<b>(10 531)</b>	-
Total change in taxation policy expense comprises:		
Movements in:		
Future income tax benefit	<b>(21 986)</b>	-
Provision for deferred income tax	<b>11 455</b>	-
<b>Total</b>	<b>(10 531)</b>	-
Income tax related Balance Sheet items:		
Future income tax benefit	-	21 986
Provision for deferred income tax	-	(11 455)
<b>Net Income Tax Related Balance Sheet Items</b>	<b>-</b>	10 531
<b>* Tax Exempt Revenue Items</b>		
The disposal of tram infrastructure assets during the year resulted in related capital grant funding received in 2004-05 and 2005-06 being brought to account during the year.		
On 26 June 2006 the Acting Treasurer approved that any net accounting profit made by TransAdelaide as a result of the sale of tram related infrastructure assets will be excluded from the calculation of TransAdelaide's income tax equivalents payments in 2005-06 and 2006-07, by approving a variation to the application of Treasurer's Instruction 22 <i>Tax Equivalent Payments</i> .		
<b>** Policy Change</b>		
On 23 August 2005, the Treasurer approved amendments to Treasurer's Instruction 22 <i>Tax and Tax Equivalents Applicable to Government Businesses</i> .		
These amendments included the requirement for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent expense from 1 July 2005.		
As a result, the tax related assets identified above in the Balance Sheet as at 30 June 2005 were not able to be realised and were written off in the 2005-06 financial year as part of the income tax equivalent expense calculation.		
<b>18. Receivables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Gross accrued income	<b>3 470</b>	10 982
Less: Provision for doubtful debts	<b>(988)</b>	(202)
Prepayments	<b>68</b>	84
GST receivable	<b>-</b>	229
<b>Total Receivables</b>	<b>2 550</b>	11 093
Receivables from SA Government entities:		
Accrued income	<b>1 517</b>	8 419
Less: Provision for doubtful debts	<b>(806)</b>	(5)
Prepayments	<b>11</b>	9
<b>Total Receivables from SA Government Entities</b>	<b>722</b>	8 423

<b>18. Receivables (continued)</b>	<b>2006</b>	2005
Receivables from Non-SA Government entities:	<b>\$'000</b>	\$'000
Accrued income	<b>1 953</b>	2 563
Less: Provision for doubtful debts	<b>(182)</b>	(197)
Other	<b>57</b>	304
<b>Total Receivables from Non-SA Government Entities</b>	<b>1 828</b>	2 670
<b>Total Receivables</b>	<b>2 550</b>	11 093
<b>19. Inventories</b>		
Stores inventories	<b>4 309</b>	4 778
Less: Provision for obsolescence	<b>-</b>	(94)
<b>Net Stores Inventories</b>	<b>4 309</b>	4 684
<b>20. Property, Plant and Equipment</b>		
ROLLINGSTOCK:		
Railcars:		
Spare parts and associated equipment at fair value	<b>5 229</b>	5 300
Less: Accumulated depreciation	<b>(2 033)</b>	(1 878)
<b>Railcar Equipment at Fair Value</b>	<b>3 196</b>	3 422
At independent valuation 1 July 2004	<b>402 500</b>	402 500
Less: Accumulated depreciation	<b>(207 029)</b>	(199 487)
<b>Railcars at Valuation</b>	<b>195 471</b>	203 013
<b>Total Railcars</b>	<b>198 667</b>	206 435
Tramcars:		
Spare parts at fair value	<b>79</b>	79
Less: Accumulated depreciation	<b>(29)</b>	(26)
<b>Tramcar Spares at Fair Value</b>	<b>50</b>	53
At independent valuation 1 July 2004	<b>48 768</b>	72 425
Less: Accumulated depreciation	<b>(45 314)</b>	(67 089)
<b>Tramcars at Valuation</b>	<b>3 454</b>	5 336
<b>Total Tramcars</b>	<b>3 504</b>	5 389
<b>TOTAL ROLLINGSTOCK</b>	<b>202 171</b>	211 824
LAND AND BUILDINGS:		
Freehold Land:		
At fair value	<b>1 370</b>	1 378
At independent valuation 1 July 2004	<b>131 450</b>	132 349
<b>Total Land</b>	<b>132 820</b>	133 727
Buildings:		
At fair value	<b>2 670</b>	1 101
At independent valuation 1 July 2004	<b>183 642</b>	186 909
Less: Accumulated depreciation	<b>(99 080)</b>	(98 245)
<b>Total Buildings</b>	<b>87 232</b>	89 765
<b>TOTAL LAND AND BUILDINGS</b>	<b>220 052</b>	223 492
PERMANENT WAY:		
At fair value	<b>18 858</b>	2 118
At independent valuation 1 July 2004	<b>383 939</b>	407 936
Less: Accumulated depreciation	<b>(202 633)</b>	(213 532)
<b>TOTAL PERMANENT WAY</b>	<b>200 164</b>	196 522
OTHER PROPERTY, PLANT AND EQUIPMENT:		
At fair value	<b>19 831</b>	19 184
Less: Accumulated depreciation	<b>(12 937)</b>	(13 057)
<b>TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT</b>	<b>6 894</b>	6 127
ASSETS UNDER CONSTRUCTION		
Rollingstock:		
Railcars	<b>327</b>	964
Tramcars	<b>-</b>	239
Permanent way	<b>8 764</b>	24 740
Land and buildings	<b>2 089</b>	1 416
<b>TOTAL ASSETS UNDER CONSTRUCTION</b>	<b>11 180</b>	27 359
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>640 461</b>	665 324

<b>20. Property, Plant and Equipment (continued)</b>	<b>2006</b>	2005
<b>Carrying amounts of Property, Plant and Equipment that would have been recognised if these assets were stated at Cost</b>	<b>\$'000</b>	\$'000
Rollingstock	<b>94 827</b>	100 139
Land and buildings	<b>67 817</b>	70 789
Permanent way	<b>94 054</b>	80 724
Other property, plant and equipment	<b>7 204</b>	6 516
Assets under construction	-	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT AT COST</b>	<b>263 902</b>	258 168

This information is based on historical cost and depreciation sourced from a historical asset register containing original estimated useful lives and costs since asset creation, some dating back as far as 1856.

<b>21. Investment Property</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Opening balance at fair value	<b>10 578</b>	10 578
Acquisitions	-	-
<b>Closing Balance at Fair Value</b>	<b>10 578</b>	10 578

#### **Valuation Basis**

Investment properties are measured at fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar property. The most recent valuation was conducted under instruction from TransAdelaide by Certified Practising Valuer Mr John L Morgan B. App. Sc. (Val.) Fellow, Australia Property Institute during the 2004-05 year.

<b>22. Intangible Assets</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Computer Software:		
Other computer software	<b>1 135</b>	1 686
Less: Accumulated amortisation	<b>(1 021)</b>	(1 297)
<b>Total Intangible Assets</b>	<b>114</b>	389

Computer software has been separately identified in the notes to the accounts in accordance with AASB 138. In previous years this class of assets was included in Property, Plant and Equipment.

<b>23. Reconciliation of Asset Carrying Amounts</b>						Assets Under Const- ruction	<b>Total Property Plant and Equipment</b>
	Rolling- stock	Land and Buildings	Permanent Way	Other PP&E			
Carrying amount at 1 July	211 824	234 070	196 522	6 516	27 359		<b>676 291</b>
Transfers	-	(10 578)	-	(389)	-		<b>(10 967)</b>
Change in accounting policy	-	-	-	-	-		-
<b>Restated carrying amount at 1 July</b>	<b>211 824</b>	<b>223 492</b>	<b>196 522</b>	<b>6 127</b>	<b>27 359</b>		<b>665 324</b>
Additions	-	13	800	204	30 246		<b>31 263</b>
Disposals	(96)	(2 621)	(7 064)	(152)	(25 136)		<b>(35 069)</b>
Transfers	244	1 840	17 183	1 966	(21 290)		<b>(57)</b>
Acquisitions through equity acquired	-	-	-	-	-		-
Revaluation decrement	-	-	(61)	-	-		<b>(61)</b>
Recoverable amount write-downs	-	-	-	-	-		-
Reversals of recoverable amount write-downs	-	-	-	-	-		-
Impairment losses	-	-	-	-	-		-
Depreciation	(9 801)	(2 672)	(7 216)	(1 251)	-		<b>(20 940)</b>
<b>Carrying Amount at 30 June</b>	<b>202 171</b>	<b>220 052</b>	<b>200 164</b>	<b>6 894</b>	<b>11 179</b>		<b>640 460</b>

	Intangible Assets	Investment Property	<b>Total Non- Current Assets</b>
Carrying amount at 1 July	-	-	<b>676 291</b>
Transfers	389	10 578	-
Change in accounting policy	-	-	-
<b>Restated carrying amount at 1 July</b>	<b>389</b>	<b>10 578</b>	<b>676 291</b>
Additions	-	-	<b>31 263</b>
Disposals	(149)	-	<b>(35 218)</b>
Transfers	57	-	-
Acquisitions through equity acquired	-	-	-
Revaluation increment (decrement)	-	-	<b>(61)</b>
Recoverable amount write-downs	-	-	-
Reversals of recoverable amount write-downs	-	-	-
Impairment losses	-	-	-
Depreciation	(183)	-	<b>(21 123)</b>
<b>Carrying Amount at 30 June</b>	<b>114</b>	<b>10 578</b>	<b>651 152</b>

New assets resulting from completed Assets Under Construction have been treated as transfers.

<b>24. Investments Accounted for using the Equity Method</b>	<b>2006</b>	2005
<b>Ownership Interest</b>	<b>Percent</b>	Percent
Joint Venture:		
Transitplus Pty Ltd	<b>50</b>	50
	<b>2006</b>	2005
Investment in Related Entities:	<b>\$'000</b>	\$'000
Transitplus Pty Ltd	<b>200</b>	200
	<b>200</b>	200
Principal Activities:		
Transit Plus Pty Ltd - Provision of bus services	-	-
Investment in Transitplus Pty Ltd:		
Carrying amount at 1 July	<b>200</b>	200
Share of net profit	<b>972</b>	797
Less Distributions received or receivables	<b>(972)</b>	(797)
<b>Carrying Amount at 30 June</b>	<b>200</b>	200

For reasons of commercial sensitivity TransAdelaide is unable to provide any further financial information on Transitplus Pty Ltd.

<b>25. Payables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Creditors	<b>1 949</b>	13 721
Accrued expenses	<b>4 886</b>	2 642
Accrued employment on-costs	<b>635</b>	573
GST payable	<b>3 502</b>	-
	<b>10 972</b>	16 936
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	<b>1 431</b>	1 365
<b>Total Payables</b>	<b>12 403</b>	18 301
Payables to SA Government entities:		
Creditors	<b>529</b>	823
Accrued expenses	<b>906</b>	1 519
Employment on-costs	<b>2 066</b>	1 938
<b>Total Payables to SA Government Entities</b>	<b>3 501</b>	4 280
Payables to Non-SA Government entities:		
Creditors	<b>1 420</b>	12 898
Accrued expenses	<b>3 980</b>	1 123
GST payable	<b>3 502</b>	-
<b>Total Payables to Non-SA Government Entities</b>	<b>8 902</b>	14 021
<b>Total Payables</b>	<b>12 403</b>	18 301
<b>26. Borrowings</b>		
Non-current:		
Borrowings from SA Government	<b>75 205</b>	81 371
<b>Total Non-Current Borrowings</b>	<b>75 205</b>	81 371
<b>Total Borrowings</b>	<b>75 205</b>	81 371

Borrowings are recognised at cost in accordance with APF IV *Financial Asset and Liability Framework* APS 2.1 and have no maturity date. The interest rate is determined by the Treasurer. Excluding the SA Government guarantee fee, the average annual rate was 7.00 percent in 2006 (6.75 percent).

<b>27. Employee Benefits</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Annual leave	<b>3 093</b>	2 885
Long service leave	<b>976</b>	763
Block book off	<b>728</b>	700
Retiring and death gratuity	<b>198</b>	115
<b>Total Current Employee Benefits Provisions</b>	<b>4 995</b>	4 463
Accrued wages and salaries	<b>1 132</b>	1 329
	<b>6 127</b>	5 792
Expected to be paid more than 12 months after reporting date:		
Annual leave	<b>1 519</b>	1 476
Retiring and death gratuity	<b>-</b>	70
<b>Total Short-term Employee Benefits</b>	<b>7 646</b>	7 338

<b>27. Employee Benefits (continued)</b>	<b>2006</b>	2005
Non-Current:	<b>\$'000</b>	\$'000
Long service leave	<b>10 531</b>	9 767
<b>Total Long-term Employee Benefits</b>	<b>10 531</b>	9 767
<b>Total Employee Benefits</b>	<b>18 177</b>	17 105
Employee benefits as above	<b>18 177</b>	17 105
Add: Related on-costs included in current payables	<b>2 066</b>	1 938
<b>Aggregate Employee Benefits plus Related On-Costs</b>	<b>20 243</b>	19 043

In the 2006 financial year, TransAdelaide adopted the use of the short-cut method of calculating long service leave by applying the benchmark contained in the Accounting Policy Framework IV *Financial Asset and Liability Framework*. The 2005 balance has been adjusted by \$679 000 to provide relevant comparative information. This method is based on actuarial calculations provided by the Department of Treasury and Finance. Based on TransAdelaide's experience of employee retention and leave taking, this method is considered reliable and does not result in a material difference when compared with the long-hand method of calculation.

<b>28. Provisions</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Workers compensation claims	<b>1 470</b>	1 510
Third party accident damage	<b>996</b>	1 263
Railcar maintenance debt	<b>371</b>	1 563
<b>Total Short-term Provisions</b>	<b>2 837</b>	4 336
Non-current:		
Workers compensation claims	<b>7 866</b>	9 287
Third party accident damage	<b>2 685</b>	1 363
<b>Total Long-term Provisions</b>	<b>10 551</b>	10 650
Total:		
Workers compensation claims	<b>9 336</b>	10 797
Third party accident damage	<b>3 681</b>	2 626
Railcar maintenance debt	<b>371</b>	1 563
<b>Total Provisions</b>	<b>13 388</b>	14 986

**(a) Reconciliation of Provisions Movements**

	Workers Comp Claims	Third Party Accident Damage	Railcar Maint. Debt	<b>Total</b>
Carrying amount at 1 July	10 797	2 626	1 563	<b>14 986</b>
Recognised expense in 2005-06	416	1 176	-	<b>1 592</b>
Less: Provisions used during the year	(1 877)	(344)	(1 192)	<b>(3 413)</b>
Add: Recoupments	-	223	-	<b>223</b>
<b>Movement</b>	<b>(1 461)</b>	<b>1 055</b>	<b>(1 192)</b>	<b>(1 598)</b>
<b>Carrying Amount at 30 June</b>	<b>9 336</b>	<b>3 681</b>	<b>371</b>	<b>13 388</b>

*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 as at 30 June 2006. Due to the uncertainty surrounding the extent of any particular claim, future outflows cannot be estimated.

*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 actuarial assessment of outstanding claims performed by Brett & Watson Pty Ltd as at 30 June 2006. The extent of any outflows cannot be estimated due to the level of uncertainty as to the ultimate cost of individual claims. TransAdelaide has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997 and exceeding \$1 million for claims since 1 July 1997.

*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. This work is due to be finalised this year.

<b>29. Other Liabilities</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Revenue received for future services:		
From entities with SA Government	<b>357</b>	3
From entities external to the SA Government	<b>62</b>	38
<b>Total Other Short-term Liabilities</b>	<b>419</b>	41

<b>29. Other Liabilities (continued)</b>	<b>2006</b>	2005
Non-Current:	<b>\$'000</b>	\$'000
Capital grants from entities within the SA Government:		
Grants received	<b>6 973</b>	11 472
Less: Accumulated amortisation	<b>(317)</b>	(12)
<b>Total Other Long-term Liabilities</b>	<b>6 656</b>	11 460
<b>Total Other Liabilities</b>	<b>7 075</b>	11 501

**(a) Reconciliation of Capital Grants Movements**

Carrying amount at 1 July	<b>11 460</b>	-
Change in accounting policy	-	1 411
<b>Restated carrying amount at 1 July</b>	<b>11 460</b>	1 411
Additional capital grants received	<b>20 060</b>	10 061
Amortisation	<b>(24 864)</b>	(12)
<b>Carrying Amount at 30 June</b>	<b>6 656</b>	11 460

Government grants received for capital expenditure are amortised over the life of the resulting asset in accordance with AASB 120. TransAdelaide has received such grants for security and safety upgrades. Grants totalling \$24.5 million were received to upgrade the tramway infrastructure (refer Note 8).

<b>30. Reserves</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Asset revaluation reserve	<b>474 509</b>	464 730
Changes in accounting policy	-	17 906
<b>Restated balance</b>	<b>474 509</b>	482 636

**Movements During the Year**

Asset Revaluation Reserve:		
Balance at 1 July	<b>464 730</b>	369 727
Changes in accounting policy	<b>17 906</b>	(498)
<b>Restated balance at 1 July</b>	<b>482 636</b>	369 229
Revaluation increment on non-current assets:		
Land and buildings	-	76 157
Infrastructure	<b>(61)</b>	10 330
Rollingstock	-	27 826
Transferred to retained profits amounts realised on disposal of:		
Land and buildings	<b>(320)</b>	(88)
Infrastructure	<b>(6 714)</b>	(818)
Rolling stock	<b>(1 032)</b>	-
<b>Reserves as at 30 June</b>	<b>474 509</b>	482 636

**Nature and Purpose of Reserves***Asset Revaluation*

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.

**31. Commitments****Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Within one year	<b>1 953</b>	10 820
Later than one year but not longer than five years	-	-
Later than five years	-	-
<b>Total Capital Commitments</b>	<b>1 953</b>	10 820
<b>Net Capital Expenditure Incurred</b>	<b>31 263</b>	22 768

TransAdelaide's capital commitments are for the upgrading of railway stations, pedestrian crossings, railway lines and for the implementation of security improvements throughout the suburban railway network.

**Operating Lease Commitments**

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>606</b>	1 185
Later than one year but not later than five years	<b>477</b>	1 069
Later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>1 083</b>	2 254
<b>Operating Lease Expenses Paid</b>	<b>2 257</b>	2 198

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 Consumer Price Index or operating criteria.

**32. Contingent Assets and Contingent Liabilities**

TransAdelaide has two outstanding claims for which there is a high degree of certainty that it will recover approximately \$500 000.

TransAdelaide currently has a legal claim against its former AUSTRICS division by AMT Genoa for breach of contract which is covered by an insurance policy with SAICORP. The excess payable on this policy is \$25 000 given that the claim related to policy conditions when Austrics was a separate legal entity and such conditions prevail.

TransAdelaide has 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 two and seven years from settlement date. As at balance date, this could not be reliably measured.

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

**33. Reconciliation of Cash and Cash Equivalents**

<b>(a) Reconciliation of Cash</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash at 30 June	<b>22 106</b>	14 498
<b>(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense</b>		
Net profit (loss)	<b>14 855</b>	(18 029)
Add (Less): Non-cash Items:		
Depreciation	<b>20 939</b>	21 446
Amortisation	<b>184</b>	-
(Gain) Loss on disposal of assets	<b>891</b>	(1 286)
Amortisation of grant funding	<b>(305)</b>	(11)
Write-back of 30 June 2005 unamortised capital grants on disposal off underlying assets	<b>(9 844)</b>	-
Write-off of 30 June 2005 income tax related balances	<b>10 531</b>	-
Revaluation decrements	-	18 404
<b>Net Cash provided by Operating Activities Before Change in Assets and Liabilities</b>	<b>37 251</b>	20 524
Movements in:		
Receivables	<b>8 843</b>	(6 484)
Stores inventories	<b>369</b>	(1 388)
Payables	<b>(254)</b>	608
Interest payable	<b>(37)</b>	(68)
Employee benefits	<b>1 358</b>	121
Provisions	<b>(1 599)</b>	1 954
Other liabilities	<b>5 106</b>	9 844
<b>Net Cash provided by Operating Activities After Related Income Tax Equivalent Expense</b>	<b>51 037</b>	25 111

As at balance date, the interest rate on cash held at call was 6.95 percent.

**34. 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 AND STRUCTURE

### Establishment

The Department for Transport, Energy and Infrastructure is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

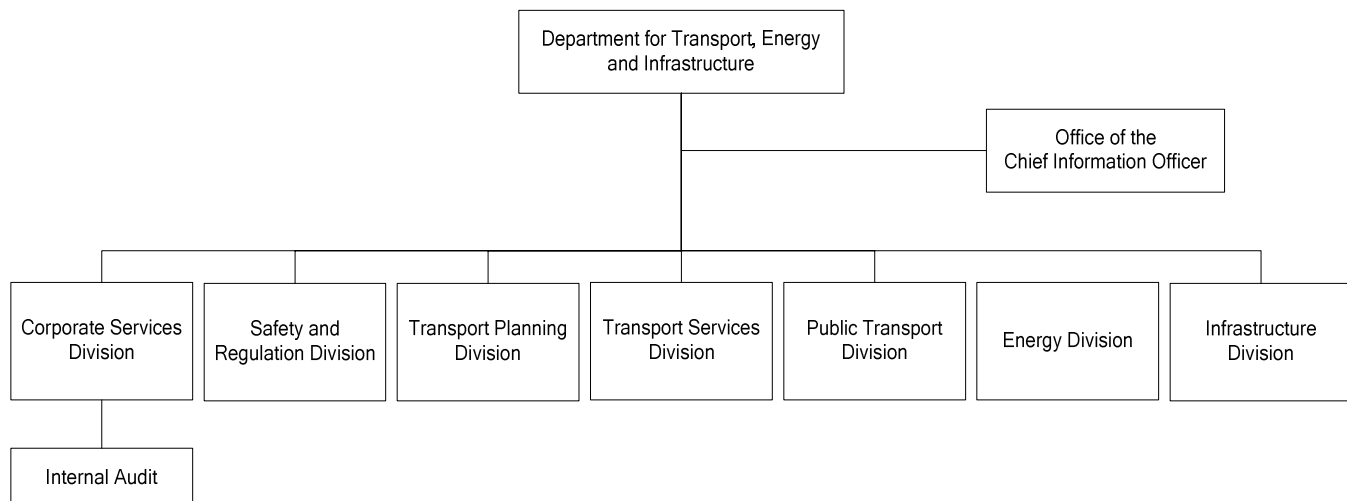
### Functions

The Department for Transport, Energy and Infrastructure 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; and
- identifying strategic infrastructure priorities for the State, coordinate infrastructure planning and development across government and facilitate timely delivery of key projects that support the economic and social development of the State.

### Structure

An overview of the structure of the Department as at 30 June 2006 is illustrated in the following chart.



### Changes to Functions and Structure

The name of the Department was changed from the Department of Transport and Urban Planning to the Department for Transport, Energy and Infrastructure by proclamation in the Government Gazette on 30 June 2005 with effect from 30 May 2005.

Pursuant to a proclamation in the Government Gazette on 30 June 2005 and effective from 1 July 2005 employees and functions were transferred to the Department for Transport, Energy and Infrastructure from:

- Energy SA and the Office of the Technical Regulator within the Department of Primary Industries and Resources;
- the Microeconomic Reform and Infrastructure Branch of the Department of Treasury and Finance;
- the Office for Infrastructure Development and other areas of the Department for Administrative and Information Services (DAIS).

Pursuant to the same proclamation, employees and functions of Planning SA, the Office of Local Government, the Office of the North, the Office for the Southern Suburbs, the Office of the North West and the Regional Ministerial Offices were transferred to the Department of Primary Industries and Resources from the Department for Transport, Energy and Infrastructure.

In addition, pursuant to a proclamation in the Government Gazette on 2 June 2005 and effective from 1 July 2005 the Mount Gambier, Berri, Kadina, Murray Bridge, Port Pirie and Adelaide Customer Service Centres and the Transport SA Call Centre transferred from the Department to Service SA, DAIS.

The effects of these transfers have been reported in the Department's financial statements for the year ended 30 June 2006.

The change in the Department's organisation structure in 2005-06 has resulted in a change in the administrative functions of the Department. Details are provided under Note A2 of the Department's administered financial statements.

### **Audit and Governance Committee**

The Department has an Audit and Governance Committee which comprises the Chief Executive, senior management and one external member. The Committee has an Audit Committee Charter which requires it to assist the Chief Executive in overseeing the Department's operations. The Committee is responsible for reviewing the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Department's process for monitoring compliance with laws and regulations and its own code of business conduct.

### **AUDIT MANDATE AND COVERAGE**

#### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department 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.

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

#### **Scope of Audit**

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

During 2005-06, specific areas of audit attention included:

- revenue:
  - driver and vehicle licensing
  - metroticket sales
  - grants and subsidies

- expenditure:
  - e-procurement
  - accounts payable
  - bus and rail contract payments
  - corporate purchase cards
  - grants and subsidies
  - commissions
  - payroll
- fixed assets:
  - network assets
  - land, buildings and facilities
  - plant and equipment
  - work in progress
- general ledger
- procurement and contracting
- job costing
- budgetary control

The Audit also included a review of aspects of the DRIVERS system to identify and understand components of the DRIVERS application system and associated control processes and to assess the adequacy of controls.

The work of the internal auditor was considered in planning the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Department for Transport, Energy and Infrastructure internal controls.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

The following is an extract from the 2005-06 Independent Audit Report, which details the qualification to the Department's financial report.

#### ***Qualification***

*The Department for Transport, Energy and Infrastructure has recognised grants of \$100 million received in June 2006 from the Commonwealth Government as liabilities representing revenue received in advance. The amount is reported as Deferred Income.*

*In my opinion, the grant meets the recognition criteria of income as specified in AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The grant represents a contribution with unconditional stipulations and as such should be recognised as income upon receipt.*

*As a result, the following 2006 financial statement lines have been misstated:*

- *Total Income, Net Result After Restructure and Accumulated Surplus have been understated by \$100 million;*
- *Other Current Liabilities have been overstated by \$4.3 million; and*
- *Other Non-Current Liabilities have been overstated by \$95.7 million.*

*The Department for Transport, Energy and Infrastructure has disclosed its accounting treatment of the grant in Note 35 'Other Liabilities'.*

#### ***Qualified Audit Opinion***

*In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Transport, Energy and Infrastructure as at 30 June 2006, the results of its operations and its cash flows for the year then ended.*

## **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 the bank reconciliation, network assets, payroll, contract management and driver and vehicle licensing operations, are 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.

## **Audit Communications to Management**

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

## **Matters Raised with the Department**

### **Reconciliations**

#### *Bank and Other Reconciliations*

The Department's bank account was not reconciled on a timely basis throughout the 2005-06 year. Review by Audit of the reconciliations identified significant outstanding reconciling items which were unresolved for a number of months. As at 30 June 2006, the outstanding reconciling items had been rectified.

This reflects a significant breakdown in a control which provides assurance that the Department's accounting and financial systems have operated satisfactorily throughout the year.

With respect to the other reconciliations, audit has previously commented on the importance of the Department ensuring reconciliations of key financial systems to the General Ledger are undertaken at the end of each month and in a timely manner. This year's review has again identified significant delays in the preparation and independent review of key reconciliations including the reconciliation of the Payroll, Accounts Payable and Accounts Receivable sub systems to the General Ledger.

The Department has acknowledged the deficiencies in the various reconciliation processes during the year and has advised that it has implemented, from April 2006, independent verification processes to ensure that the reconciliations are completed in a timely manner. The performance and timely completion of reconciliations is reported to the Corporate Leadership Group.

### **Network Assets**

Audit has previously identified and reported on the adequacy of controls over the recognition and valuation of network assets, particularly road assets.

Audit acknowledges that the Department has made a number of improvements in this area in past years. Some of the key achievements have been documenting and distributing policies and procedures, introducing a number of reconciliations and re-engineering the investing capitalisation processes. Audit acknowledges that these changes have improved the Department's capacity to reliably record and appropriately value its network assets.

Notwithstanding these improvements there are a number areas to be addressed to further strengthen the control environment including:

- finalising the formal documentation of policies and procedures for key network assets reconciliations;
- implementing a reconciliation between the AssetCap system and the Fixed Asset register for each Investing Cost Management (ICM) form processed to provide assurance over the completeness and accuracy of the two systems;
- increase the frequency of reconciling the Masterpiece Fixed Asset Register and the subsidiary network asset registers from annual reconciliations currently performed.;
- ensuring Project Managers provide ICM forms for completed projects in a timely manner in accordance with the Department's Operational Handover Procedures.

In its response the Department has advised the following:

- Work has commenced on finalising the policies and procedures for the network asset reconciliations.
- Asset capitalisation procedures will be amended to support the timely recognition of asset capitalisations in the AssetCap system.
- Bi-annual reconciliations between the AssetCap system and the Masterpiece Fixed Asset Register will commence in 2006-07.

### **Expensing of Exclusions**

The audit of arrangements for controlling and accounting for Network Assets included review of accounting policies, procedures and systems for recording capital works expenditure. Specific consideration was given to arrangements for identifying costs incurred by the Department which do not meet the asset recognition criteria.

The Department's current arrangements require analysis of costs charged to Works in Progress on completion of projects when actual costs are finalised and can be related to completed project outcomes. The review of costs for completed projects includes analysis of costs classified as Exclusions which are expensed in the year the project costs are capitalised. The value of Exclusions recognised as 'works in progress adjustments' in the Department's financial statements were \$29 million for 2005-06, \$24 million in 2004-05 and \$22.4 million in 2003-04. Audit review of these adjustments assessed they were not material in each of these years.

In Audit's view this approach to accounting for capital works expenditure results in recognition of an asset, capital works in progress, which includes costs which do not meet the asset recognition criteria and is inconsistent with the requirements of Australian Accounting Standards. Factors such as changes in the scale and nature of the Department's capital works program may change the assessed materiality of the adjustments.

Audit recommended that the Department review its accounting policies, procedures and systems for recording capital works expenditure to ensure the Department complies with the requirements of the Australian Accounting Standards. In Audit's view achieving compliance with the Standards will require at least annual review of all projects to identify and expense costs incurred related to Exclusions.

The Department has advised that while it acknowledges the issue raised by Audit, it is concerned required changes will involve significant administrative efforts and may result in inconsistency in the definition and application of asset and exclusion criteria. The Department has committed to establish a working group to develop an outcome which is both practical and satisfies the relevant Australian Accounting Standards. Due to the complexity of issues likely to be addressed through this committee, the Department anticipates that it will not be able to complete its investigations until 30 April 2007.

### **Payroll**

#### *Bona Fide Certificates and Leave Return Reports*

The Department distributes bona fide certificates (BFCs) and Leave Returns reports to all areas of the Department each fortnight. Established procedures require managers to review and return the reports to payroll in a timely manner for correction of any errors. The Department relies on this control to provide assurance that transactions are completely and accurately processed to the payroll system.

Audit's review of the BFC and Leave Returns register in the past has identified that a substantial number of areas do not return BFCs and Leave Returns in a timely manner or do not return them at all. Further, it was evident that there was inadequate follow up by the payroll officers of outstanding BFCs and Leave Return reports with the relevant areas.

In response to the issues identified and reported on by Audit in 2004-05, the Department advised that it would introduce procedures to ensure the timely return of BFCs and Leave Returns reports including reporting and follow up for non-compliance.

Audit followed up in 2005-06 of the implementation of the action advised by the Department found that the new processes were not implemented. A review of the BFC and Leave Returns registers for the 2005-06 year indicated that reports were not returned to payroll in a timely manner and there was no follow up of non-compliance.

A review undertaken by the Department's Internal Audit section in February 2006 also concluded that the BFC report process was ineffective.

The Department had not, at the time of preparing this report, provided a response to the issues raised above.

#### *Other Payroll Issues*

The audit of payroll also noted:

- the EFT payroll report provided by Frontier (payroll service provider) was not reconciled to the CHRIS payroll system before the payroll was disbursed for each pay period;
- systems access was not regularly reviewed to ensure full system administrator access to the CHRIS payroll system was only provided to staff who required this level of access and to ensure appropriate segregation of duties.

In its response the Department advised that:

- a reconciliation for each pay period of the EFT report to the CHRIS payroll system was commenced in June 2006;
- user access to CHRIS has been reviewed and staff profiles have been changed in line with roles and responsibilities.

#### **Expenditure**

##### *E-Procurement and Accounts Payable*

The Department implemented an E-Procurement System in 2003-04 to support on-line authorisation of payments for goods and services and for project related expenses. Audit review included evaluation of the controls which provide assurance that all payments are authorised by staff with appropriate delegated authority.

Last year's Report noted:

- authorised users recorded in the system were not reviewed on a regular and timely basis to confirm they remained valid and that system authority was removed for terminated employee;
- exception reports which detailed orders where goods or services were received but not invoiced or not received were not produced or reviewed on a regular basis.

This year's audit identified that the Department has not implemented an effective review of authorised users.

It also concluded that while the Department has documented and distributed procedures which require the review of the exception reports they were not produced and monitored on a regular basis.

The Department has advised that the current procedures will be updated to include a requirement for section managers to sight and sign the reports on a monthly basis. The new procedures are to commence in November 2006.

#### **Contract Management**

##### *On-Time Running*

On-time running data is used by the Public Transport Division (PTD) as a renewal and termination performance benchmark in accordance with the contracts for the provision of transport services. Contractors also provide self reported on-time running data to the PTD which is used to determine adjustments (defective service adjustments) to payments to contractors.

Audit has in the past identified and reported on the significant discrepancies in the on-time running data reported by the contractors against that identified from the Service Quality Audits (SQAs) undertaken by the PTD. A follow up review of the self reported data provided by contractors against the SQA results for this financial year has found that there are still large discrepancies between the two.

The material differences between the SQA and the contractors data raises concerns that the contractors data is not reliable resulting in:

- over payment to contractors pursuant to the contracts and the defective service adjustment provisions;
- unreliable assessment of the contractors compliance with contracted service standards which impacts on the public transport users.

In its response the Department advised that the following measures have been or are to be taken to improve on-time running:

- Time points have been revised on some timetables and Contract Managers will continue to liaise with contractors about other routes.
- Service changes scheduled to be implemented in October 2006 will align route timetables with traffic conditions.
- Issues regarding late running discrepancies will be raised at contract meetings.

### **Driver and Vehicle Licensing**

#### *Driver and Vehicle Licensing Operations*

Last year's audit review of Driver and Vehicle Licensing operations identified areas for improvements to internal controls including the need to implement controls which ensure that:

- only valid concession card holders receive a concession in accordance with section 38A of the *Motor Vehicles Act 1959*;
- all DRIVERS master file changes are valid and recorded in DRIVERS completely and accurately;
- source documentation to support transactions processed through DRIVERS is retained;
- key system reports and reconciliations are independently reviewed.

A number of the issues raised with the Department in 2004-05 were not addressed by the Department at the time of this year's review (June 2006). While the Department advised in its response to the 2004-05 audit management letter that the issues would be addressed as part of the implementation of TRUMPS, the delay in the implementation of TRUMPS has resulted in the delay in addressing the audit findings.

Audit will review progress in this area as part of the 2006-07 audit.

#### *Transfer of Customer Service Centres to Service SA*

In April 2001 Cabinet approved the progressive transfer of DTEI's Customer Service Centres (CSCs) to Service SA, DAIS. The transfer was intended to provide a first line service delivery point to South Australians to conduct financial transactions with government, access government related information services and receive referral for more specialised government services.

DTEI transferred three of its country CSCs to Service SA in 2002-03 and a new Service SA office was opened at Gawler. Effective from 1 July 2005, the Department transferred all the remaining country CSCs, the Adelaide CSC and the Call Centre to Service SA.

Audit has in the past two years noted that the Department has not finalised a Service Level Agreement (SLA) with Service SA. The audit for 2005-06 confirmed that the Department has drafted a Financial Agreement for annexure to the SLA but this was not finalised, nor was the SLA signed in the year to 30 June 2006.

The Department had not, at the time of preparing this report, provided a response to the Service Level Agreement issues raised above.

### **Mobile Phone Review**

The Department established and issued its Mobile Telephone Policy in January 2005 which document policies and procedures for allocating, approving and use of Departmental mobile telephones by DTEI employees.

As at May 2006, the Department had approximately 800 mobile phones in use. The annual departmental expenditure on mobile phones and related costs is approximately \$450 000.

Audit reviewed the policies and procedures for the control of mobile telephones including approving the issue of phones, their use and checking accounts for payment.

The audit identified that:

- there is no formal process which requires the allocation of a mobile phone to be justified against the criteria outlined in the Department's policy;
- evidence was not always available to demonstrate the purchase and allocation of mobile phone was approved by the employee's manager;
- while the Policy states that it is the employee's responsibility to identify and reimburse DTEI the full cost of private calls, DTEI has not implemented arrangements which enable employees to comply with this aspect of the Policy;
- there is no process in place which ensures that the charges are for calls actually made by the employee.

The Department has advised that by 30 June 2007 it will:

- prepare and implement an application form which will require the need for a mobile phone and manager's approval to be documented before proceeding with the purchase of a mobile phone;
- investigate the cost/benefits of implementing processes which will provide employees with details of calls made for their review and reimbursement for private calls.

### ***Information Technology Management and System Operations***

The audit of the Department for 2004-05 included a review of controls over the Department's DRIVERS(Driver and Vehicle Registration System) system. The following outlines the status of certain matters arising from the previous audit and some other aspects relating to information technology management and control.

DRIVERS(Driver and Vehicle Registration System) is the application used by the Department to manage registration information. DRIVERS is maintained by Transport Services while EDS provide the operating system and database support. DRIVERS is being replaced with a new system, TRUMPS (Transport Regulation and User Management System) which is being implemented in two stages. Stage 1 incorporating licensing transactions, including the new graduated licensing scheme, was introduced in November 2005.

The 2004-05 review identified the need to improve aspects of:

- database administration policies and procedures
- backup capability
- system access and change controls
- Business Continuity Planning.

The Department provided Audit with the following update on action taken to address the audit findings:

- Database Administration has been reviewed and enhanced with the engaging of additional resources to support DRIVERS operations and the development and implementation of TRUMPS.
- Additional staff were engaged to develop and implement security initiatives including the development of draft security policies.
- Security arrangements for interfaces between DRIVERS and other organisations were in the process of review to strengthen security levels for DRIVERS and TRUMPS.
- Business Continuity and Disaster Recovery Plans and associated documents were prepared and an Internal Audit review of business continuity management processes is planned for late 2006.

The Department also advised an Information Communications Technology (ICT) Strategy and Strategic Plan was approved and draft security policies were expected to be finalised in September 2006.

Audit will review these actions in 2006-07.



**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

It is important to note that the interpretation and analysis of the financial report for 2005 does not include the activity for the Energy and Infrastructure Divisions which transferred to the Department on 1 July 2005. Further the 2005 comparatives figures include the activity for Planning SA, Office of Local Government and the Offices for Social Sustainable Economic and Environmental Development which ceased to be divisions of the Department on 30 June 2005.

**Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>EXPENSES</b>			
Employment expenses	<b>121</b>	110	10
Supplies and services	<b>449</b>	393	14
Depreciation and amortisation	<b>139</b>	133	5
Other expenses	<b>76</b>	72	6
<b>Total Expenses</b>	<b>785</b>	708	11
<b>INCOME</b>			
Fees and charges	<b>338</b>	323	5
Commonwealth revenue	<b>92</b>	91	1
Grants and subsidies	<b>37</b>	34	9
Other income	<b>53</b>	14	n/a
<b>Total Income</b>	<b>520</b>	462	13
<b>Net Cost of Services from Ordinary Activities</b>	<b>265</b>	246	8
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>			
Appropriations	<b>378</b>	296	28
Payments to SA Government	<b>4</b>	1	n/a
<b>Total Revenues from (Payments to) SA Government</b>	<b>374</b>	295	27
<b>Net Result before Restructuring</b>	<b>109</b>	49	122
<b>Net Cash provided by Operating Activities</b>	<b>341</b>	235	45
<b>ASSETS</b>			
Current assets	<b>396</b>	246	61
Non-current assets	<b>5 411</b>	4 995	8
<b>Total Assets</b>	<b>5 807</b>	5 241	11
<b>LIABILITIES</b>			
Current liabilities	<b>101</b>	89	13
Non-current liabilities	<b>194</b>	106	83
<b>Total Liabilities</b>	<b>295</b>	195	51
<b>EQUITY</b>	<b>5 512</b>	5 047	9

**Income Statement****Expenses**

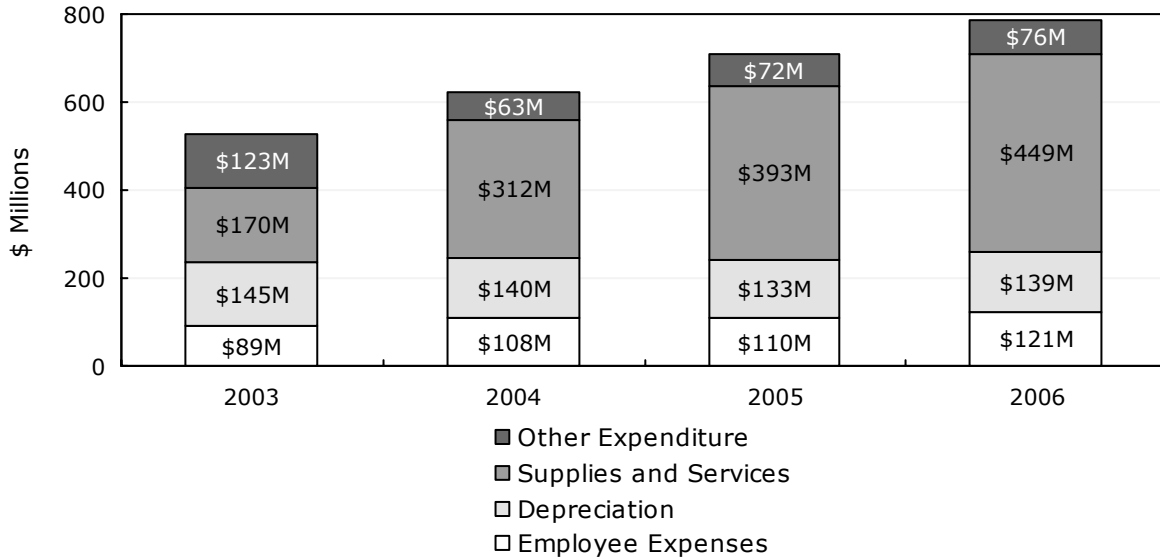
Expenses for the year totalled \$785 million (\$708 million). This represents an increase of \$77 million (11 percent).

The increase is attributable mainly to:

- an increase in employee benefits costs of \$11.5 million (10.5 percent);

- an increase in supplies and services of \$56.4 million (14.4 percent). This increase is due mainly to the increase in the bus and rail service contracts payments of \$19.2 million and an increase in other service contracts payments of \$42.3 million. The other service contracts include the contract with Service SA, DAIS for the provision of customer service centre operations.

For the four years to 2006, a structural analysis of the main expense items for the Department is shown in the following chart.

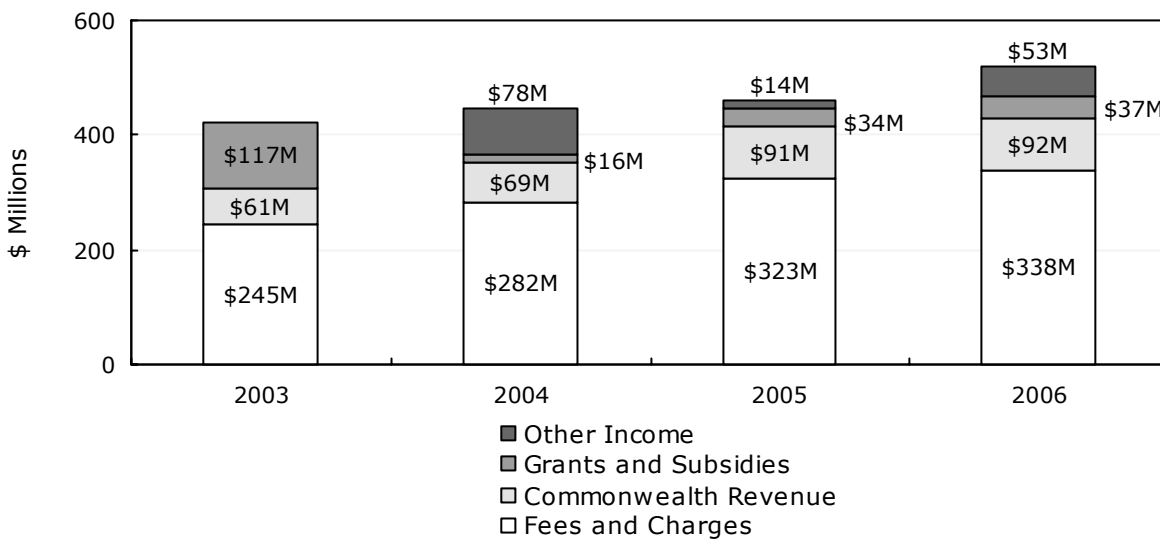


**Income**

Income for the year totalled \$520 million (\$462 million), an increase of \$58 million (13 percent). This increase is due mainly to the following:

- An increase in fees and charges of \$14.6 million (4.5 percent) of which \$8.6 million is attributable to an increase in income from motor registrations and \$6.4 million from increased metro ticket sales which reflects both the increase in the price of metro ticket fares and increased patronage.
- Other income increased by \$15.3 million (68 percent). This increase is as a result of a number of factors including an increase in other income sources as a result of the Departmental restructure.

A structural analysis of income for the Department in the four years to 2006 is presented in the following chart.

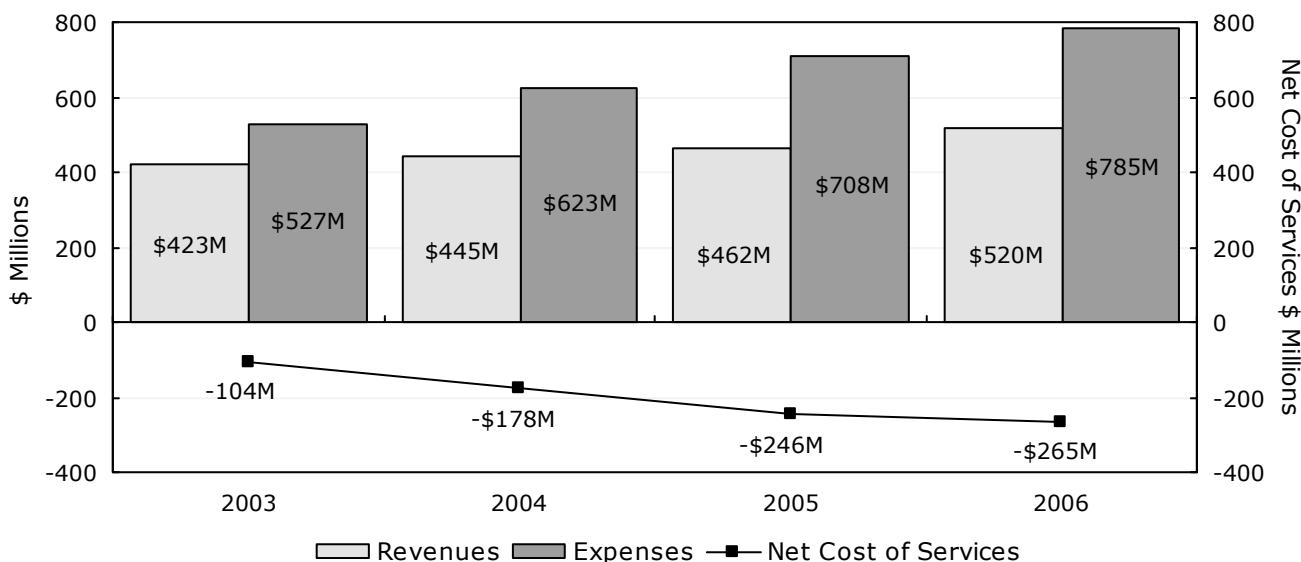


Driver licensing and motor registration fees (included in fees and charges) represent 50 percent (54 percent) of the total income.

### Net Cost of Services from Ordinary Activities

The Net Cost of Providing Services for the year was a deficit of \$265 million as compared to a deficit of \$246 million the previous year. The increase in the deficit of \$19 million reflects an increase in total expenses of \$76 million compared to an increase in total income of \$57 million.

The following chart shows the income, expenses and net cost of providing services for the four years to 2006.



### Revenues from SA Government

Revenues from SA Government increased by \$81.8 million to \$378.4 million. The increase is attributable mainly to:

- an increase in appropriation to the Transport Services Division of \$33 million to purchase the trams and related infrastructure from TransAdelaide. Refer to 'Further Commentary on Operations' below for further details.
- an increase in appropriation to the Public Transport Division of \$24.1 million of which \$19.2 million was used to fund the increase in bus and rail service contract payments.
- an increase in appropriation to the Department of \$16.2 million as a result of the restructure. The total appropriation in 2005-06 for the Divisions that transferred into the Department was \$36.4 million as compared to \$20.2 million received in 2004-05 for the Divisions that transferred out of the Department.

### Balance Sheet

The net assets of the Department as at 30 June 2006 totalled \$5.5 billion (\$5 billion), of which \$4.6 billion (\$4.3 billion) represents the written down value of the network assets.

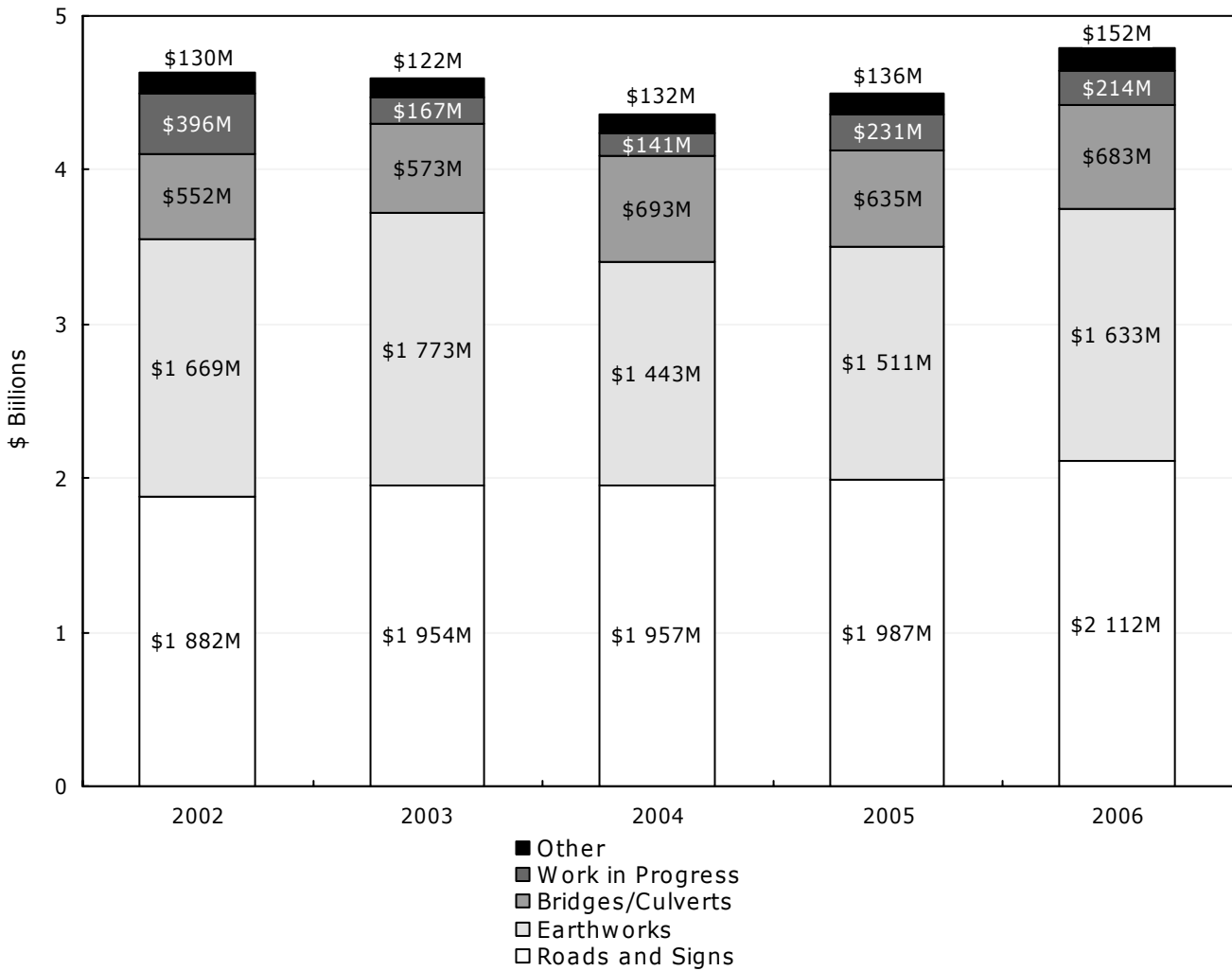
### Network Assets

Network assets represent 85 percent (85 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of \$2.1 billion (46 percent) and earthworks with a written down value of \$1.6 billion (36 percent).

The written down value of network assets increased by \$311.3 million to \$4.6 billion. The increase is attributable mainly to:

- a revaluation of components of network assets during the year resulting in a revaluation increment of \$245.5 million;
- the capitalisation of Stage 1 of the Port River Expressway project (\$60 million) and the recognition of the Glenelg tram track (\$18.2 million) as a result of the purchase of the tram infrastructure from TransAdelaide in June 2006. For further details on the purchase of the Glenelg tram infrastructure refer 'Further Commentary on Operations' below.

For the five years to 2005, a structural analysis of the written down value of network asset and work in progress is shown in the following chart.



The major sources of funding to maintain and develop the network were from the annual collection of registration and licence fees of \$259.9 million (\$250.8 million) and grants from the Commonwealth Government of \$91.6 million (\$91.3 million). This regular source of funding explains the low level of outstanding borrowings which totalled \$47.8 million (\$49.1 million) recorded in the Balance Sheet.

**Land, Buildings and Facilities**

In accordance with AAS 29 *Financial Reporting by Government Departments*, the Department has recognised the value of land under roads and land under water in its accounts for assets acquired after 1 July 1996 as these assets could be measured reliably. Given that the Department cannot reliably measure all its land under roads and land under water acquired before 1 July 1996, the Department has elected to derecognise all land under roads and land under water in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 9.6. The value of the derecognised assets at 30 June 2005 totalled \$20.9 million.

**Cash Flow Statement**

The value of cash and cash equivalents increased by \$136.8 million to \$333.6 million. This increase is attributable mainly to the net cash inflows from operating activities which increased by \$106 million to \$341 million. The increase in cash flows from operating activities is as a result of:

- an increase in revenue from SA Government of \$81.8 million (refer Revenues from SA Government above for details of the increase);
- \$100 million Commonwealth revenue received by the Department during the year to fund the Sturt Highway Upgrade project to commence in 2006-07. The Department has recognised this revenue as deferred income in its Balance Sheet and this accounting treatment has given rise to the qualified audit report.

## **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 2005-06 amounts collected on behalf of third parties totalled \$657 million (\$676 million) and included \$416 million (\$418 million) for Compulsory Third Party Insurance, \$133 million (\$139 million) for Stamp Duty and \$28 million (\$27 million) for the Emergency Services Levy.

Registration and licensing receipts represents 86 percent (97 percent) of revenues administered by the Department.

## **FURTHER COMMENTARY ON OPERATIONS**

### **Purchase of Glenelg Tram Infrastructure**

In June 2006, Cabinet approved the sale of TransAdelaide's Glenelg Tram Infrastructure assets to DTEI. DTEI purchased these assets on 30 June 2006 at a purchase cost of \$33.6 million. The assets purchased by DTEI include the new trams, the tram track, the electrical network and the buildings, plant and equipment supporting the Adelaide-Glenelg tram line and the Glengowrie tram depot.

The assets were bought to account at the written down replacement value at the date of purchase. The upgrades and improvements made to the tram infrastructure during 2004-05 and 2005-06 were recognised at cost.

The tram infrastructure was recognised in DTEI's accounts as follows:

- Tram track (\$18.2 million) classified under 'network assets'.
- Glengowrie tram depot (\$7.9 million) classified under 'land, buildings and facilities'.
- All other tram infrastructure assets were classified as 'plant and equipment' with the exception of assets to the value of \$1.6 million which were expensed as they did not meet the Department's asset recognition criteria.

### **Community Road Safety Fund**

The Community Road Safety Fund was established in 2002-03 and became effective from 1 July 2003. The Fund receives monies from the Consolidated Account from speeding fine revenue collected by Police and the Courts Administration Authority. The money credited to the Fund is used by the Department to fund road safety related initiatives.

The Fund received \$55.8 million (\$39.7 million) from monies collected from speeding fines and additional Appropriation from the Consolidated Account of \$2.7 million (\$18.8 million). Interest of \$810 000 (\$178 000) was also credited to the Fund during the year.

During the year the Department spent \$59.3 million (\$60.9 million) on road safety related initiatives that were met entirely from the Fund. In 2004-05 the expenditure met from the Fund was \$58.5 million and the remaining \$2.4 million was funded from the Highways Fund. Refer Note 44.

The balance of the Fund at 30 June 2006 was \$463 000 (\$468 000).

## Income Statement for the year ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>			
Employee benefits costs	7	121 494	109 991
Supplies and services	8	449 028	392 641
Depreciation and amortisation	9	138 527	133 111
Grants and subsidies	10	66 203	61 568
Borrowing costs		3 992	3 686
Other expenses	11	5 359	7 127
<b>Total Expenses</b>		<b>784 603</b>	<b>708 124</b>
<b>INCOME:</b>			
Fees and charges	13	337 765	323 206
Commonwealth revenue	14	91 602	91 347
Interest	15	4 660	3 153
Grants and subsidies	16	36 736	33 716
Commissions received		9 784	6 605
Net gain or loss on disposal of assets	17	984	(22 587)
Resources received free of charge	18	-	4 235
Other income	19	38 011	22 679
<b>Total Income</b>		<b>519 542</b>	<b>462 354</b>
<b>NET COST OF PROVIDING SERVICES</b>		<b>265 061</b>	<b>245 770</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	20	378 396	296 618
Payments to SA Government	20	4 372	1 429
<b>Net Revenues from (Payments to) SA Government</b>		<b>374 024</b>	<b>295 189</b>
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>108 963</b>	<b>49 419</b>
NET REVENUE (EXPENSES) FROM ADMINISTRATIVE RESTRUCTURE	38	6 260	-
<b>NET RESULT AFTER RESTRUCTURING</b>		<b>115 223</b>	<b>49 419</b>

**THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO  
THE SA GOVERNMENT AS OWNER**

## Balance Sheet as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	21	333 600	196 838
Receivables	22	35 043	25 265
Inventories	23	5 600	6 053
Other current assets	24	11 049	12 185
Non-current assets classified as held for sale	25	11 457	6 010
<b>Total Current Assets</b>		<b>396 749</b>	246 351
<b>NON-CURRENT ASSETS:</b>			
Receivables	22	40	40
Land, buildings and facilities	26	433 294	354 902
Plant and equipment	27	174 502	139 442
Network assets	28	4 580 262	4 268 962
Capital works in progress	29	213 604	231 369
Intangible assets	30	9 153	544
<b>Total Non-Current Assets</b>		<b>5 410 855</b>	4 995 259
<b>Total Assets</b>		<b>5 807 604</b>	5 241 610
<b>CURRENT LIABILITIES:</b>			
Payables	31	63 476	68 413
Interest bearing liabilities	32	696	-
Employee benefits	33	13 745	12 542
Provisions	34	9 905	6 815
Other current liabilities	35	13 434	1 425
<b>Total Current Liabilities</b>		<b>101 256</b>	89 195
<b>NON-CURRENT LIABILITIES:</b>			
Payables	31	3 046	2 239
Interest bearing liabilities	32	48 947	50 792
Employee benefits	33	31 856	30 287
Provisions	34	7 640	7 510
Other non-current liabilities	35	102 700	15 000
<b>Total Non-Current Liabilities</b>		<b>194 189</b>	105 828
<b>Total Liabilities</b>		<b>295 445</b>	195 023
<b>NET ASSETS</b>		<b>5 512 159</b>	5 046 587
<b>EQUITY:</b>			
Accumulated surplus		3 724 746	3 609 523
Asset revaluation reserve		1 574 156	1 240 053
Contributed capital		213 257	197 011
<b>TOTAL EQUITY</b>		<b>5 512 159</b>	5 046 587
Commitments	39		
Contingent Assets and Liabilities	40		

## Statement of Changes in Equity for the year ended 30 June 2006

	Note	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Accum- ulated Surplus \$'000	Total \$'000
<b>Balance at 30 June 2004</b>		176 993	1 134 013	3 581 362	4 892 368
Changes in accounting policy	5	-	(1 745)	(19 042)	(20 787)
<b>Restated balance at 30 June 2004</b>		176 993	1 132 268	3 562 320	4 871 581
Gain on revaluation of property during 2004-05		-	107 871	-	107 871
<b>Net income/expense recognised directly in equity for 2004-05</b>		-	-	6 579	6 579
<b>Net result after restructure for 2004-05</b>		-	-	51 240	51 240
<b>Total Recognised Income and Expense for 2004-05</b>		-	107 871	57 819	165 690
Equity contribution from SA Government		20 018	-	-	20 018
<b>Balance at 30 June 2005</b>		197 011	1 240 139	3 620 139	5 057 289
Changes in accounting policy	5	-	(125)	114	(11)
Other accounting policy changes		-	-	(15 084)	(15 084)
Asset related adjustments	36	-	39	8 641	8 680
Other prior year adjustments	42	-	-	(4 287)	(4 287)
Restated balance at June 2005		197 011	1 240 053	3 609 523	5 046 587
Gain on revaluation of property during 2005-06		-	334 103	-	334 103
<b>Net income/expense recognised directly in equity for 2005-06</b>		-	-	-	-
<b>Net result after restructure for 2005-06</b>		(3 754)	-	115 223	111 469
<b>Total recognised income and expense for 2005-06</b>		(3 754)	334 103	115 223	445 572
Equity contribution from SA Government		20 000	-	-	20 000
<b>Balance at 30 June 2006</b>		<b>213 257</b>	<b>1 574 156</b>	<b>3 724 746</b>	<b>5 512 159</b>

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



## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee payments	(116 462)	(105 975)
Supplies and services	(234 384)	(210 063)
Bus and rail service contracts	(217 346)	(197 550)
Grants and subsidies	(66 601)	(26 713)
Borrowing costs	(3 992)	(3 700)
GST payments on purchases	-	(63 851)
Other payments	(5 391)	(15 543)
<b>Cash used in Operations</b>	<b>(644 176)</b>	<b>(623 395)</b>
CASH INFLOWS:		
Fees and charges	99 335	84 522
Receipts from Commonwealth	191 602	106 347
Grants and subsidies	31 496	34 383
Interest received	4 660	3 156
Registration and licensing fees	238 430	240 931
Bus and depot leases	-	5 926
Commissions	8 388	7 202
GST receipts on receivables	1 126	11 705
GST input tax credits from ATO	-	51 659
Other receipts	32 589	21 696
<b>Cash generated from Operations</b>	<b>607 626</b>	<b>567 527</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	378 396	296 618
Payments to SA Government	(988)	(5 497)
<b>Net cash flows from SA Government</b>	<b>377 408</b>	<b>291 121</b>
<b>Net Cash provided by Operating Activities</b>	<b>340 858</b>	<b>235 253</b>
	41	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(79 952)	(85 163)
Purchase of network assets	(158 082)	(149 490)
<b>Cash used in Investing Activities</b>	<b>(238 034)</b>	<b>(234 653)</b>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	14 922	8 750
<b>Cash generated from Investing Activities</b>	<b>14 922</b>	<b>8 750</b>
<b>Net Cash used in Operating Activities</b>	<b>(223 112)</b>	<b>(225 903)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Repayment of borrowings	(1 149)	(749)
<b>Cash used in Financing Activities</b>	<b>(1 149)</b>	<b>(749)</b>
CASH INFLOWS:		
Capital contributions from Government	20 000	20 018
Cash proceeds from restructuring activities	165	-
<b>Cash generated from Financing Activities</b>	<b>20 165</b>	<b>20 018</b>
<b>Net Cash provided by Financing Activities</b>	<b>19 016</b>	<b>19 269</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>136 762</b>	<b>28 619</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>196 838</b>	<b>168 219</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>333 600</b>	<b>196 838</b>
	21	

## Program Schedule of Income and Expenses for the year ended 30 June 2006

	2006			
	Community Information & Education \$'000	Policy Development & Investment Strategy \$'000	Regulating the Transport System \$'000	Transport Services for South Australians \$'000
<b>EXPENSES:</b>				
Employee expenses	5 343	11 714	36 124	58 307
Supplies and services	7 986	5 427	37 297	373 120
Depreciation and amortisation	6	27	510	137 706
Grants and subsidies	367	617	153	56 656
Borrowing costs	-	-	-	3 992
Other	103	1 293	311	3 582
<b>Total Expenses</b>	<b>13 805</b>	<b>19 078</b>	<b>74 395</b>	<b>633 363</b>
<b>INCOME:</b>				
Fees and charges	-	-	266 193	71 482
Commonwealth revenue	465	-	1 210	89 789
Interest	-	-	213	4 447
Net Gain (Loss) from disposal of assets	-	-	-	984
Commissions	-	-	9 741	43
Grants and subsidies	-	-	-	36 736
Resources received free of charge	-	-	-	-
Other	2 034	93	4 741	25 203
<b>Total Income</b>	<b>2 499</b>	<b>93</b>	<b>282 098</b>	<b>228 684</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(11 306)</b>	<b>(18 985)</b>	<b>207 703</b>	<b>(404 679)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>				
Revenues from Government	-	2 646	61 879	277 596
Payments to Government	-	-	4 371	1
<b>NET REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>	<b>-</b>	<b>2 646</b>	<b>57 508</b>	<b>277 595</b>
<b>NET RESULT BEFORE RESTRUCTURING</b>	<b>(11 306)</b>	<b>(16 339)</b>	<b>265 211</b>	<b>(127 084)</b>
	Infrastructure Development	Energy	<b>2006 Total \$'000</b>	2005 Total \$'000
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000
Employee expenses	2 272	7 734	<b>121 494</b>	109 991
Supplies and services	17 289	7 909	<b>449 028</b>	392 641
Depreciation and amortisation	1	277	<b>138 527</b>	133 111
Grants and subsidies	-	8 410	<b>66 203</b>	61 568
Borrowing costs	-	-	<b>3 992</b>	3 686
Other	23	47	<b>5 359</b>	7 127
<b>Total Expenses</b>	<b>19 585</b>	<b>24 377</b>	<b>784 603</b>	<b>708 124</b>
<b>INCOME:</b>				
Fees and charges	-	90	<b>337 765</b>	323 206
Commonwealth revenue	-	138	<b>91 602</b>	91 347
Interest	-	-	<b>4 660</b>	3 153
Net Gain (Loss) from disposal of assets	-	-	<b>984</b>	(22 587)
Commissions	-	-	<b>9 784</b>	6 605
Grants and subsidies	-	-	<b>36 736</b>	33 716
Resources received free of charge	-	-	-	4 235
Other	1 539	4 401	<b>38 011</b>	22 679
<b>Total Income</b>	<b>1 539</b>	<b>4 629</b>	<b>519 542</b>	<b>462 354</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(18 046)</b>	<b>(19 748)</b>	<b>(265 061)</b>	<b>(245 770)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>				
Revenues from Government	18 088	18 187	<b>378 396</b>	296 618
Payments to Government	-	-	<b>4 372</b>	1 429
<b>NET REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>	<b>18 088</b>	<b>18 187</b>	<b>374 024</b>	<b>295 189</b>
<b>NET RESULT BEFORE RESTRUCTURING</b>	<b>42</b>	<b>(1 561)</b>	<b>108 963</b>	<b>49 419</b>

## 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 has diverse responsibilities in relation to transport system and services, energy policy and regulation, and infrastructure planning for South Australia.

The Department's objectives include:

- Providing leadership in the development of transport options by providing policy, planning and investment advice to assist 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; and
- Identifying strategic infrastructure priorities for the state, coordinate infrastructure planning and development across government and facilitate timely delivery of key projects that support the economic and social development of the state.

### 2. Departmental Organisation

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

- Transport Services Division
- Safety and Regulation Division
- Corporate Services Division
- Transport Planning Division
- Public Transport Division
- Energy Division
- Infrastructure Division

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

The Office of the Chief Information Officer forms part of the Department's operations.

The Chief Information Officer is accountable to the Minister for Transport, Energy and Infrastructure.

During 2005-06 there were significant changes to the Department's portfolio structure.

Effective from 1 July 2005, the following Agencies transferred from the Department for Transport, Energy and Infrastructure (DTEI) to the Department for Primary Industries and Resources SA (PIRSA):

- Planning SA
- Office of Local Government
- Office of the North
- Office of the North West
- Office of the Southern Suburbs
- Regional Ministerial Offices (incorporating the Office of the Murray and the Office of the Upper Spencer Gulf, Flinders Ranges and Outback).

As reported in the Government Gazette, dated 30 June 2005.

Effective from 1 July 2005, the following Agencies transferred to DTEI, to form the Energy Division:

- Energy SA (from PIRSA)
- Office of the Technical Regulator (from PIRSA)
- Microeconomic Reform and Infrastructure Branch (from Department of Treasury and Finance)

As reported in the Government Gazette, dated 30 June 2005.

Effective from 1 July 2005, the Office for Infrastructure Development, together with a further 4 employees from the Department for Administrative and Information Services (DAIS), transferred to the Department. As reported in the Government Gazette, dated 30 June 2005.

**2. Departmental Organisation (continued)**

Effective from 1 July 2005, the following Customer Service Centres transferred from the Department to DAIS:

- Mount Gambier
- Berri
- Kadina
- Murray Bridge
- Port Pirie
- Adelaide
- Transport SA Call Centre

As reported in the Government Gazette, dated 2 June 2005.

**3. Summary of Significant Accounting Policies**

**3.1 Basis of Accounting**

The financial report is a general-purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

These financial statements are the first statements to be prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). AASB 1 *First time adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP).

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are disclosed at Note 5.

The Department's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle with amounts presented in Australian currency.

**3.2 Reporting Entity**

The Department for Transport, Energy and Infrastructure has produced both Departmental and Administered financial statements. The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. The Administered financial statements includes the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

**3.3 Comparative Information**

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1.

The comparatives have been restated to assist user understanding of the current reporting period and do not replace the original financial report for the preceding period. Note 5 provides a detailed analysis of comparative amounts that have been reclassified as a result of adopting AIFRS.

**3.4 Rounding**

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

**3.5 Service Provider Unit Operations**

Service Provider units are individual work units that operate on a fee for service basis. Service Provider units predominantly have as their clients other units within the Department and may also undertake some work for external parties. Some Service Provider units charge actual costs directly to projects, while others retain actual costs within a working account prior to on-charging those costs. The recurrent or capital nature of these costs is therefore not readily apparent. A reliable means of allocating costs between investing and operating activities has been established based on the history of work performed or an apportionment relevant to the nature of the Service Provider units' operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Income Statement. Revenue arising from intra-division operations has been eliminated.

### **3.6 Business Overheads**

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

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 liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax and local government rates.

In accordance with the requirements of UIG Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*, revenues and expenses are recognised net of the amount of GST, and receivables and payables are stated with the amount of GST included. The amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Under the National Competition Policy principles (Tax Equivalent Regime), State Government Business Enterprises in competition with private industry are liable for payment of Commonwealth, State and Local Government taxes with an equivalent payment to be made to the Department of Treasury and Finance. The Business Unit within the Department that was subject the payment of taxation equivalents under this regime was the Passenger Transport Asset Management Unit. This unit no longer bears the status of a taxable entity or is liable to make payments under this regime.

### **3.8 Income and Expenses**

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* and have not been offset unless required or permitted by another accounting standard.

Revenues from registration and licence fees are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Revenues from other fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of goods and services to the customers.

Gains or losses from the disposal of non-current assets are recognised on a net basis when control of the asset has passed to the buyer.

Assets provided to the Department at no value or minimal value are recorded in the Income Statement as resources received free of charge at an amount equal to the fair value of the assets received.

In accordance with AASB 123 *Borrowing Costs*, paragraph 9, borrowing costs are recognised as expenses in the period in which they are incurred. The Department has not capitalised any borrowing costs.

Grants received by the Department from the Commonwealth are generally monies given to fund capital or recurrent activities. Such grants are recognized 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.

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 at the earlier time of when the Department has been formally advised that the grant has been approved, the agreement has been signed, and/or the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Grants provided to other entities for general assistance or for a particular purpose are therefore recognised as expenses, prepayments or payables depending on the nature of the grant and the recipient entity's level of control or right to receive the grant. 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. Such grants may be in the form of monies or other assets.

Income collected but not controlled by the Department is not recognised as Departmental income but instead is reported as Administered income. Such amounts are generally required to be paid to the Consolidated Account or funds controlled by other Departments.

### **3.9 Revenues from (Payments to) SA Government**

Revenues from SA Government include monies appropriated to the Department under the *Appropriation Act* or other acts for the purpose of program funding. These appropriations are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Payments to SA Government include payments to the Department of Treasury and Finance for Indentured Ports paid directly to the Treasurer through Consolidated Account (refer Note 42).

### **3.10 Current and Non-Current Items**

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that will be 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.

### **3.11 Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash 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.

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 the course of 2003-04 and has continued operation through to 2005-06. The Department was not required to transfer any cash balances in 2004-05 or 2005-06.

Administered cash is reported separately in the Administered Financial Statements.

### **3.12 Receivables**

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

If payment 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 is able to charge interest at commercial rates until the whole amount of the debt is paid.

In accordance with Australian Accounting Standards AASB 139 *Financial Instruments: Recognition and Measurement*, the Department determines a provision for doubtful debts based on an annual review of balances for trade receivables. The provision balance is calculated as that amount of specific trade receivables that have been assessed as impaired or uncollectible at reporting date.

### **3.13 Inventories**

Inventories held for sale are stated at the lower of cost or their net realisable value. Inventories held for distribution are measured at the lower of cost or replacement value.

Inventories such as metrotickets consist of tickets held for sale or distribution and are valued at cost. Inventories of roadside materials are valued at historic cost and stores are valued on a weighted average historic cost basis. Inventories comprising works in progress performed for clients external to the Department are valued at cost.

### **3.14 Non-Current Asset Acquisition and Recognition**

The Department capitalises non-current physical assets with a value of \$2 000 or greater in accordance with policies that are consistent with Accounting Policy Framework III *Asset Accounting Framework* and the requirements of Accounting Standard AASB 116 *Property, Plant and Equipment*.

The Department's activities are such that assets under construction are capitalised or recognised at the completion of the project. Project outlays that do not meet the recognition criteria of an asset are also expensed at or near the date of practical completion.

The Department does not recognise as assets outlays for office modifications, or the acquisition of furniture and office fittings due to the inherent difficulty in separately tracking these items for depreciation and replacement purposes.

The Department performs separate recognition of the components of specific assets 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. With the exception of its Walkerville administrative office building, where the lifts and the air-conditioning system have been recognised separately, the Department's assets have been appropriately classified and grouped to warrant no further recognition of components.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 9.6 the Department has elected not to recognise in its Balance Sheet the value of land under roads and land under water because of the inherent difficulty in the reliable measurement of all land within these categories.

### **3.14 Non-Current Asset Acquisition and Recognition (continued)**

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 value, or minimal value, these items are recorded at their fair value in the Balance Sheet. 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.

Where the payment for an asset is deferred, the Department measures its value at the present value of the future outflow, discounted using the interest rate of a similar period for borrowing.

### **3.15 Assets Held for Sale**

Assets 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 by Management. Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell in accordance with Australian Accounting Standard AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### **3.16 Intangible Assets**

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with AASB 138 *Intangible Assets*, existing Departmental policies and where the amount of expenditure is greater than or equal to \$10 000, in accordance with Accounting Policy Framework III *Asset Accounting Framework*.

Under these requirements the Department has recognised at cost an asset relating to internally generated software integral to its revenue collection operations, ie TRUMPS (Transport Regulation User Management Processing System) application. Further costs relating to this software will be capitalised on completion of the second phase of the project.

### **3.17 Revaluation of Non-Current Assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 3.1 and 3.3, all non-current physical assets are revalued 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 3 years.

The Department revalues its land, buildings, leasehold improvements and major plant every three years, but does not revalue its information technology and minor plant assets, as these items do not meet the revaluation threshold.

When depreciable non-current assets are revalued, the Department uses the 'gross method' in accounting for the accumulated depreciation on revaluation.

If at any time Management considers that the carrying amount of an asset materially differs from its fair value, then 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 Income Statement within that class, the increment is recognised as revenue in the Income Statement, 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 entire classes or groups of assets are sold, the revaluation increments relating to those assets are transferred to Retained Earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.

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

#### *Land, Buildings and Facilities*

All Land held by the Department, except for land under roads and land under water (refer Note 5 (b)), is valued at fair value, based on information received from the Valuer-General of South Australia or from independent valuers.

Buildings and Facilities, particularly those that are subject to commercial leases, are generally valued at written down replacement cost (current replacement cost less accumulated depreciation) as determined under 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 being the difference between the capital value and the site value of the property.

*Network Assets*

With the exception of Earthworks, all Network Assets are valued at written down replacement cost either by independent valuers, or by suitably qualified officers of the Department. These assets have no market and are therefore measured at written down replacement cost which is considered to be equivalent to fair value. The reasonableness of this valuation approach for road pavements and earthworks was agreed upon under the advice from an independent engineering consultant (L B Dowling & Associates) in 2001-02.

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

*Plant and Equipment*

Buses, bus depot plant and equipment, ferries and towing vessels are all valued at written down replacement cost. Other plant and equipment, which does not normally meet the threshold for revaluation, is valued at historic cost. In these instances, historic cost is deemed to be the fair value of these assets.

*Works in Progress*

All works in progress are valued at cost.

*Assets Acquired under Government Restructures or Other Changes in Administrative Arrangements*

- *Former Australian National Rail Land and Associated Assets*  
These assets have been progressively defined, valued and recorded in the Department's asset register as assets vested in or transferred to the Minister for Transport.

Land and buildings on major rail yards subject to commercial leases is based on the Valuer-General's determination of market value, or the latest Valuer-General assessment depending on the terms of the lease. All other rail-related land and buildings are valued using the Valuer-General's assessment of site value for land and the difference between capital value and site value of the property for buildings.

The value for land under rail or rail reserves on Interstate Mainline awaiting title and or division is based on net present value of future income flows (nominal only).

- *Former Energy SA Land and Associated Assets*  
On 1 July 2005, the functions of Energy SA transferred to the Department. Assets subject to this transfer included land, buildings, plant and equipment associated with the operation of local township power stations. In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.12, these assets were brought to account at amounts equal to the value recorded by the transferor entity as at 30 June 2005, and are expected to be defined, titled and revalued at the next cycle of revaluation using valuation principles applied to similar assets.
- *Purchase of Tram Infrastructure from TransAdelaide*  
On 30 June 2006, the Department acquired from TransAdelaide a number of tram related assets at a purchase cost of \$33.578 million (excluding GST). These assets included the existing tram infrastructure and extensive upgrades or improvements to the tram track, electrical network, buildings, plant and equipment supporting the Adelaide-Glenelg Tram Line and Glengowrie Tram Barn. The existing tram infrastructure was brought to account by the Department at its written down replacement value at the date of purchase. The upgrades or improvements were recognised at cost. Some items were expensed as they did not meet the Department's specific asset recognition criteria.

The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

<b>Asset Class</b>	<b>Last Valued/ Revalued</b>	<b>By Whom</b>
<b>Network</b>		
Roads pavements, including small signs, pavement marking and median kerbing	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Earthworks	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Bridges/Culverts	30 June 2004	Peter Wilson CPEng (Civil)
Major signs	30 June 2004	Peter Wilson CPEng (Civil)
Traffic Signals	30 June 2005	Brendan McIntosh BEng (Electrical)
Road lighting	30 June 2005	Rick Burt (Cert in electrical Eng)
Busway track and structures	30 June 2004	Peter Wilson CPEng (Civil)
Busway interchanges	30 June 2004	Currie and Brown
Other:		
Ferry landings	30 June 2004	Peter Wilson CPEng (Civil)
Drainage	30 June 2006	Bill Lipp B Tech Civil Eng, Grad Dip Maths
Weighbridges and weigh slabs	30 June 2004	Modern Weighbridge and Scale Service Pty Ltd and various departmental officers



<b>Asset Class</b>	<b>Last Valued/ Revalued</b>	<b>By Whom</b>
<b>Network</b>		
<b>Land</b>		
Marine land	30 June 2006	Valuer-General
Rail land	30 June 2005	Valuer-General
Bus Depots	30 June 2006	Liquid Pacific Holdings Pty Ltd
All other land	30 June 2006	Valuer-General
<b>Buildings and Facilities</b>		
Residential - Held for road construction	30 June 2006	Valuer-General
Commercial - Held for road construction	30 June 2006	Various departmental officers
Marine	30 June 2004	Liquid Pacific Holdings Pty Ltd
Rail	30 June 2005	Various
Bus depots	30 June 2006	Liquid Pacific Holdings Pty Ltd
Departmental	30 June 2004	Liquid Pacific Holdings Pty Ltd
<b>Plant and Equipment</b>		
Buses	30 June 2004	Australian Valuation Office
Bus depot plant and equipment	30 June 2006	Evans and Clarke
Information technology	Not applicable	
Minor plant	Not applicable	
Ferries (including modules)	30 June 2005	Gary Harvey, B Eng (Mechanical Eng)
Towing vessel	30 June 2006	K. Tech Marine
Navigational aids	30 June 2004	Alex Colligan

### 3.18 Revaluation of Intangible Assets

The TRUMPS software application has been specifically developed for the Department and cannot be actively traded in the market place. This asset will therefore not be revalued and will continue to be reported at its historic cost less accumulated amortisation in accordance with AASB 138, paragraph 81.

### 3.19 Depreciation and Amortisation of Non-Current Assets

Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

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, earthworks 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.

Land, earthworks and work in progress are not depreciated.

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. Similarly, the value of finance lease assets is amortised over the shorter of the lease term and the underlying assets useful life.

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

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

<b>Asset Class</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
<b>Land Improvements</b>		
Land remediation (capitalised)	Straight line	3 years
<b>Leased Assets</b>		
Computers and network printers	Straight line	3-4 years
<b>Network Assets</b>		
Roads	Straight line	40-58 years
Roads (unsealed)	Straight line	15-35 years
Bridges/Culverts	Straight line	30-200 years based on individual structures
Major signs	Straight line	36-60 years
Traffic signals	Straight line	15 years
Road lighting	Straight line	25 years
Busway (including interchanges)	Straight line	4-100 years based on individual structures
Other	Straight line	Useful life depends on individual asset items

**3.19 Depreciation and Amortisation of Non-Current Assets (continued)**

<b>Asset Class</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
<b>Buildings and Facilities</b>		
Bus depots	Straight line	15-40 years
Other	Straight line	3-100 years, depending on individual asset items
<b>Plant and Equipment</b>		
Information technology equipment	Straight line	3 years
Buses	Diminishing value	20 years
Bus depot plant and equipment	Straight line	3-25 years, depending on individual asset items
Tram cars	Straight line	30 years
Other plant and equipment	Straight line	5-99 years, depending on individual asset items
<b>Intangible Assets</b>		
Major software applications	Straight line	10 years

**3.20 Remediation of Non-Current Assets**

Land remediation costs are capitalised and depreciated only where the resultant costs incurred in performing that remediation have met the definition and recognition criteria of an asset. Land remediation undertaken within 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 the remedial work is to be performed in response to a present obligation, either under legislation or under a contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, paragraph 14.

**3.21 Payables**

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

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 for where an invoice has been received.

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 for where an invoice has not been 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.

The Department also makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these obligations. The only payable outstanding at reporting date relates to any contributions due but not yet paid to the SASB.

All payables are measured at their nominal amount. Creditors are normally settled within 30 days after the Department receives an invoice in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

**3.22 Employee Benefits**

These 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.

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

In accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework*, the liability for long service leave is recognised by the Department after an employee has completed 7 years of service. The provision for this liability is calculated using remuneration rates that are current at reporting date. The liability payable within 12 months has been measured at nominal value, while the liability payable later than 12 months has been measured at a discounted value in accordance with Australian Accounting Standard AASB 119 *Employee Benefits* and Accounting Policy Framework IV *Financial Asset and Liability Framework*.

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.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Payables in the Balance Sheet.

### 3.23 Provisions

Liabilities have been reported to reflect unsettled workers compensation claims and future remediation work required on land under the Ports Corp Business and Sale Agreement.

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

The land remediation provision has been calculated on the basis of the discounted net present value of revised budgeted forward expenditure estimates.

### 3.24 Leases

The Department has entered into finance leases and operating leases.

#### *Finance Leases*

The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where 29 jetties have been leased to Councils throughout the State. Peppercorn rentals of \$1 per annum apply over the 50 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.

The Department has also entered into various lease arrangements as lessee with respect to the use of its computer equipment. Under the 'Government Leasing Guidelines', such agreements are treated as finance leases. The Department previously disclosed these items as operating leases. The Department has therefore recognised assets and liabilities at the fair value of the leased items in accordance Australian Accounting Standard AASB 117 *Leases*. Under these requirements, the lease liabilities are classified as both current and non-current, and the minimum lease payments are allocated between interest expense/borrowing costs and the reduction of lease liability.

#### *Operating Leases*

The Department has entered into a number of operating lease agreements for plant, vehicles, office equipment, office accommodation, land for stacking roadside materials, and land used for rail purposes.

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

### 3.25 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 Treasurer's Instruction 3 *Appropriation*.

## 4. Financial Risk Management

The Department holds interest bearing financial assets and liabilities where its exposure to fair value (market) risk and cash flow interest risk is considered minimal.

Interest bearing financial assets includes certain funds in the form of cash deposits at call where interest revenue is calculated using the Common Public Sector Interest Rate (CPSIR) and or other rates as determined by the Treasurer. The Department accrues all interest revenue and generally does not apply that revenue to its expenditure programs unless permitted by whole of government budget priorities and ministerial approvals, or by authorities within specific legislative provisions and or funding agreements, eg Rail Transport Facilitation Fund. The Department's expenditure approvals are therefore not dependent on the amount of interest revenue earned on these financial assets.

Interest bearing financial liabilities consists of finance leases and borrowings. The interest expense implicit in any finance lease payments is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by the South Australian Finance Authority (SAFA). Interest expense on the Department's borrowings is calculated using the CPSIR (Common Public Sector Interest Rate). Repayments on loans are negotiated with SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest or loan repayment commitments on interest bearing liabilities.

The Department's maximum exposure to credit risk at reporting date is reflected in the carrying amount of its receivables in the Balance Sheet. The Department has no significant concentration of credit risk associated with these financial assets. The Department has credit management policies and procedures in place to ensure that business transactions continue to occur with customers with appropriate credit history.

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

In relation to liquidity funding risk, 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.

## 5. Changes in Accounting Policies

The Department has adopted AIFRS for the first time in its published financial report for the year ended 30 June 2006. The new requirements have been applied retrospectively except for specific exemptions in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

The following table has been prepared summarising material adjustments to the balances to be reported under AIFRS compared to those reported under previous GAAP.

AASB 1 para 39 (a)(b)(c)	At 1 July 2004			At 30 June 2005		
	Previous GAAP	Adjustments	AIFRS	Previous GAAP	Adjustments	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets - refer Notes 5.1 (a), (b) and 36	207 614	2 335	209 949	240 023	6 328	246 351
Non-current assets - refer Notes 5.1 (a), 5.2 (a), (c) and 36	4 844 570	(23 122)	4 821 448	5 011 847	(16 588)	4 995 259
Current liabilities - refer Note 36	77 812	-	77 812	84 679	4 516	89 195
Non-current liabilities - refer Note 36	82 004	-	82 004	89 115	16 713	105 828
<b>EQUITY</b>						
Contributed capital	176 993	-	176 993	197 011	-	197 011
Retained earnings	3 581 362	-	3 581 362	3 639 181	-	3 639 181
Land under roads and water - refer Note 5.2(a)	-	(21 070)	(21 070)	-	(20 874)	(20 874)
ARR for derecognised land under roads and water - refer Note 5.2(b)	-	1 745	1 745	-	1 870	1 870
Doubtful debts - refer Note 5.1(b)	-	283	283	-	89	89
Accumulated depreciation (asset component) - refer Note 5.2(c)	-	-	-	-	(13)	(13)
Contributions - refer Note 5.2(d)	-	-	-	-	(15 000)	(15 000)
Asset related adjustments (Work in progress) - refer Note 36	-	-	-	-	(29 038)	(29 038)
Asset related adjustments (Asset Recognition) - refer Note 36	-	-	-	-	39 308	39 308
Indentured ports - refer Note 36	-	-	-	-	(4 516)	(4 516)
Other adjustments - refer Note 36	-	-	-	-	(1 484)	(1 484)
Asset revaluation reserve	1 134 013	-	1 134 013	1 241 884	-	1 241 884
De-recognition of Land under roads and water - refer Note 5.2(b)	-	(1 745)	(1 745)	-	(1 870)	(1 870)
Asset recognition adjustments - refer Note 36	-	-	-	-	39	39
<b>TOTAL EQUITY</b>	<b>4 892 368</b>	<b>(20 787)</b>	<b>4 871 581</b>	<b>5 078 076</b>	<b>(31 489)</b>	<b>5 046 587</b>
<b>NET RESULT AFTER RESTRUCTURE refer Note 5.1(c)</b>	<b>3 001</b>	<b>28 248</b>	<b>31 249</b>	<b>57 840</b>	<b>(8 421)</b>	<b>49 419</b>
<b>TOTAL CASH FLOWS</b>	<b>27 581</b>	<b>-</b>	<b>27 581</b>	<b>28 619</b>	<b>-</b>	<b>28 619</b>

### 5.1 Explanation of Transition to AIFRS (Australian International Financial Reporting Standards)

The following standards have had some impact on the financial statements previously prepared under GAAP:

- (a) In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, non-current assets available for sale have been disclosed separately under current assets on the balance sheet. Assets classified as held for sale are not depreciated and are measured at the lower of carrying amount and fair value less selling costs. In transition to AIFRS, the Department has identified and re-classified items of property, plant and equipment that are available for sale.

As at 30 June 2005, the Department noted surplus land, buildings and facilities with fair (market) value of \$6.093 million and estimated costs to sell of \$0.083 million qualifying for separate disclosure as assets held for sale under AASB 5. These assets had a carrying amount of \$3.557 million in the corporate asset register and financial ledger based on Valuer-General's assessment prior to re-measurement.

As at 30 June 2004, the Department has noted that assets qualifying as assets held for sale in accordance with AASB 5 and to be disclosed under current assets are \$2.052 million.

- (b) Under paragraphs 58-62 of AASB 139 a provision for the uncollectability of receivables can only be made with respect to those individual debt items that have been actually assessed as impaired. Under previous GAAP requirements, the Department normally made provision for any doubtful debts at year-end by identifying a component of specific debts that were deemed bad plus a general allocation for debts that would likely prove doubtful over the next 12 months.

As at 30 June 2005, the Department's Provision for Doubtful Debts was reported at \$1.440 million. This provision included specific debts assessed as actually impaired of \$1.352 million, with the remainder being an amount for the general allocation of doubtful debts. The difference of \$0.089 million was attributed back to the opening balance for net value of receivables at the date of adopting AIFRS. For June 2004, the general allocation for doubtful debts included in the provision was calculated as \$0.283 million.

**5.1 Explanation of Transition to AIFRS (Australian International Financial Reporting Standards) (continued)**

- (c) Under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Department is required to disclose errors as prior period adjustments against the balance of Equity. Errors previously brought to account by the Department through its Income Statement have been excluded from the Net Operating Result after Restructure. These amounts were already included in the reported amount for Equity in the Balance Sheet for 30 June 2004 and 30 June 2005.

The following standards have had some impact on the operations of the Department since the adoption of AIFRS.

- (d) In accordance with AASB 138, paragraph 24, the Department has recognised (at cost) internally generated software integral to its revenue collection operations. Phase 1 of developing and implementing the TRUMPS (Transport Regulation User Management Processing System) application has been capitalised and amortised from 15 November 2005, being the date of its first commissioning.

As at 30 June 2006, development costs incurred for TRUMPS amounted to \$12.805 million of which \$9.551 million has been capitalised. A further \$1.540 million has failed to meet the recognition criteria for intangibles under AASB 138 and has subsequently been expensed. The remainder, consisting of costs under Phase II of the project, has been included under Works In Progress.

**5.2 Explanation of Other Adjustments since Adoption of AIFRS**

- (a) Under AAS 29/AAS 29A *Financial Reporting by Government Departments*, the Department as reporting entity was expected to adopt and apply a policy on recognition of land under roads. The Department's policy prior to transition was to recognise land under roads acquired on or after 30 June 1996.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 9.6 the Department elected to de-recognise any land under roads brought to account given that it could not measure reliably all land under roads within its control. The Department has chosen to limit any future disclosure of land under roads to the notes to the financial statements. This restriction on recognition and disclosure has also been applied to the Department's holdings of land under water.

As at 30 June 2005, the Department recorded a value of \$12.337 million for land under roads and \$8.537 million for land under water in its corporate asset register and ledger. For 30 June 2004, the Department noted holdings of \$12.527 million for land under roads and \$8.543 million for land under water qualifying for de-recognition.

- (b) In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11, the revaluation reserve included in Equity with respect to any derecognised item of property, plant or equipment must be transferred directly to Retained Earnings.

With the election to de-recognise certain items of land such as land under roads and land under water, the Department has transferred increments accumulated to date under the revaluation reserve for these categories to the balance of Retained Earnings.

As at 30 June 2005 the Department noted accumulated asset revaluation increments for land under roads of \$0.916 million and \$0.954 million for land under water. For 30 June 2004, these increments totalled \$0.791 million and \$0.954 million respectively.

- (c) In accordance with AASB 116 and Accounting Policy Framework III *Asset Accounting Framework* APS 7.3, the Department has separately recognised and depreciated the lifts and air conditioning system within the Walkerville administrative office building. As a result the accumulated depreciation for this asset has been increased by \$0.013 million.

- (d) Under GAAP, grants from the Australian Commonwealth Government for the funding of transport infrastructure construction or maintenance were recognised by the Department as revenue at the time of receipt. Under AASB 1004 *Contributions*, the Department is now required to recognise grant revenue only when it obtains control over or has the right to receive the grant funds. In the case of grants with enforceable conditional stipulations, where monies are received in advance of commencement of works, the Department may be required to recognise a liability. Accounting Policy Framework V *Income Framework*, further outlines the general treatment for recognising conditional and unconditional grants (contributions) by not-for-profit SA Government reporting entities.

On 29 June 2005, the Department received a conditional Commonwealth grant of \$15 million in relation to funding for the Eyre Peninsula Grain Transport Plan Rail System Upgrade. The Department proposes to expend these funds in the 2006-07 and 2007-08 financial years. In accordance with Accounting Policy Framework V *Income Framework*, APS 4.12, the Department has therefore recognised an adjustment against the Net Operating Results after Restructure and balance of Equity to bring to account retrospectively, the grant revenue 'received-in-advance'.

**6. Programs of the Department**

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

**Program 1 Policy Development and Investment Strategy**

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

**6. Programs of the Department (continued)**

**Program 2 Transport Services for South Australians**

The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities, and public transport services and assets.

**Program 3 Regulating the Transport System**

Provision of registration, licensing, compliance and other regulatory services under legislation committed to the Minister.

**Program 4 Community Information and Education Services**

Provision of transport, safety, advertising, marketing, promotional, timetable, educational, behavioural change, planning, socio-economic and environmental information.

**Program 5 Energy and Infrastructure Policy**

Provision of policy advice to the Minister on energy issues, coordinating market reforms and reviewing infrastructure needs.

**Program 6 Energy**

Ensure coordinated development and implementation of policies, regulatory responsibilities and in the delivery of programs for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community.

**Program 7 Infrastructure Development**

Provision of services in relation to prioritisation of across government infrastructure development and the delivery of key projects for the State Government.

**7. Employee Benefits Costs**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Wages and salaries	<b>89 700</b>	80 954
Employment on-costs <sup>(1)</sup>	<b>16 168</b>	15 580
Annual leave	<b>8 568</b>	8 114
Long service leave	<b>3 367</b>	3 097
Workers compensation expenses	<b>1 697</b>	2 195
TVSP separation payments (refer below)	<b>1 609</b>	-
Other	<b>385</b>	51
<b>Total Benefits Costs</b>	<b>121 494</b>	109 991

(1) Employment On-costs is made up of Superannuation of \$10.049 million (\$9.943 million) and Payroll Tax of \$6.119 million (\$5.637 million).

**Targeted Voluntary Separation Packages (TVSPs)**

TVSPs paid to employees during the reporting period	<b>1 609</b>	-
Annual leave and long service leave accrued over the period	<b>495</b>	-
Recovery from the Department of Treasury and Finance	<b>1 609</b>	-

	<b>2006</b>	2005
	<b>Number of Employees</b>	Number of Employees
Number of employees that were paid TVSPs during the reporting period	<b>18</b>	-

The Department is not owed any monies in relation to TVSPs as at 30 June 2006.

**Remuneration of Employees**

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

\$100 000 - \$109 999	<b>34</b>	11
\$110 000 - \$119 999	<b>15</b>	12
\$120 000 - \$129 999	<b>11</b>	10
\$130 000 - \$139 999	<b>5</b>	6
\$140 000 - \$149 999	<b>3</b>	4
\$150 000 - \$159 999	<b>4</b>	3
\$160 000 - \$169 999	<b>3</b>	1
\$170 000 - \$179 999	<b>1</b>	-
\$180 000 - \$189 999	<b>2</b>	1
\$190 000 - \$199 999	<b>3</b>	2
\$200 000 - \$209 999	<b>-</b>	1
\$240 000 - \$249 999	<b>1</b>	1
\$250 000 - \$259 999	<b>1</b>	-
\$270 000 - \$279 999	<b>-</b>	1
\$610 000 - \$619 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>84</b>	53

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration for the 84 employees (53 employees) was \$11.11 million (\$7.1 million), which included gross salary or wages, Superannuation (employer's contribution), Fringe Benefits Tax and Separation Packages for those with salaries over \$100 000.

<b>8. Supplies and Services</b>	<b>2006</b>	2005
Supplies and services provided by entities within the SA Government:	<b>\$'000</b>	\$'000
Bus and rail service contracts	<b>93 695</b>	89 306
Information technology	<b>4 680</b>	3 801
Insurance	<b>1 671</b>	1 051
Legal	<b>475</b>	513
Materials and other purchases	<b>11</b>	675
Operating leases	<b>6 255</b>	5 887
Other service contracts	<b>12 158</b>	7 149
Plant, equipment and vehicle related	<b>4 682</b>	4 541
Utilities	<b>1 159</b>	3 818
Consultants	<b>-</b>	4
Commissions	<b>433</b>	-
Other	<b>16 941</b>	10 423
<b>Total Supplies and Services - SA Government Entities</b>	<b>142 160</b>	127 168
Supplies and services provided by entities external to the SA Government:		
Bus and rail service contracts	<b>122 351</b>	107 540
Information technology	<b>2 244</b>	2 535
Insurance	<b>170</b>	117
Legal	<b>165</b>	210
Materials and other purchases	<b>15 796</b>	21 675
Operating leases	<b>5 418</b>	2 961
Other service contracts	<b>137 150</b>	99 901
Plant, equipment and vehicle related	<b>4 529</b>	8 602
Utilities	<b>8 703</b>	7 376
Commissions - Transaction processing	<b>4 867</b>	4 919
Consultants	<b>12</b>	124
Site remediation	<b>-</b>	6 031
Other	<b>5 463</b>	3 482
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>306 868</b>	265 473
<b>Total Supplies and Services</b>	<b>449 028</b>	392 641

<b>Consultancies</b>	<b>2006</b>		2005	
The number and dollar amount of consultancies paid/payable that fell within the following bands:	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>3</b>	<b>12</b>	1	4
Between \$10 000 and \$50 000	<b>1</b>	<b>42</b>	7	124
Above \$50 000	<b>1</b>	<b>778</b>	2	246
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>5</b>	<b>832</b>	10	374

During 2005-06 the Department spent \$832 000 (\$374 000) on consultancies. This expenditure includes expenses incurred in both investing and operating programs of the Department. Operating expenditure of \$12 000 (\$128 000) is reflected in the Income Statement. The remaining expenditure is attributed to investing projects, which are reflected as works in progress or have been capitalised during 2005-06.

<b>9. Depreciation and Amortisation</b>	<b>2006</b>	2005
Depreciation:	<b>\$'000</b>	\$'000
Network assets	<b>109 077</b>	106 582
Plant and equipment	<b>21 265</b>	20 129
Buildings and facilities	<b>6 818</b>	6 124
<b>Total Depreciation</b>	<b>137 160</b>	132 835
Amortisation:		
Financial leases	<b>969</b>	-
Intangible assets	<b>398</b>	276
<b>Total Amortisation</b>	<b>1 367</b>	276
<b>Total Depreciation and Amortisation</b>	<b>138 527</b>	133 111

#### **Change in Depreciation due to a Revaluation**

The Department revalued its network assets, plant and equipment and buildings and facilities during 2006. As a result of the revaluation, depreciation on these assets has increased in the current reporting period. Depreciation expense increased by \$231 000 as a result of the revaluation.

#### **Revision in Accounting Estimates**

During the year the Department reassessed the useful lives of its network assets, plant and equipment and buildings and facilities. This has resulted in a decrease of \$2.179 million in the amount of depreciation calculated on these assets in the 2006 financial year. This \$2.179 million decrease will also be reflected in future years.

<b>10. Grants and Subsidies</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grants:		
Contributions for policing services	<b>34 853</b>	35 064
Other	<b>51</b>	132
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>34 904</b>	35 196
Grants and subsidies paid/payable to entities external to the SA Government:		
Recurrent Grant:		
Bus Operating Subsidies	<b>3 248</b>	2 429
Energy Rebates Subsidies	<b>8 048</b>	-
Transport Subsidy Scheme	<b>8 124</b>	7 849
Grants to Local Councils	<b>4 701</b>	5 547
Transport Concessions	<b>4 313</b>	3 969
Other	<b>2 865</b>	4 169
Capital Grant:		
Grants to Local Councils	-	2 409
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>31 299</b>	26 372
<b>Total Grants and Subsidies</b>	<b>66 203</b>	61 568
<b>11. Other Expenses</b>		
Other expenses paid/payable to entities within the SA Government:		
Rates, Taxes and Levies	<b>197</b>	73
Net Losses on Foreign Exchange	<b>1 436</b>	-
Donated Asset	-	1 540
Other	<b>3 115</b>	292
<b>Total Other Expenses - SA Government Entities</b>	<b>4 748</b>	1 905
Other expenses paid/payable to entities external to the SA Government:		
Rates, Taxes and Levies	<b>583</b>	747
Bad and doubtful debts expense	<b>(202)</b>	1 379
Other	<b>230</b>	3 096
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>611</b>	5 222
<b>Total Other Expenses</b>	<b>5 359</b>	7 127
<b>12. Auditor's Remuneration</b>		
Audit fees paid/payable to entities within the SA Government:		
Audit fees paid/payable to the Auditor-General's Department	<b>315</b>	296
<b>Total Audit Fees - SA Government Entities</b>	<b>315</b>	296
<b>Total Audit Fees</b>	<b>315</b>	296
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>13. Fees and Charges</b>		
Fees and charges received/receivable from entities within the SA Government:		
Metrotickets	<b>25</b>	-
Motor registrations	<b>3 095</b>	2 785
Planning related fees	-	773
Other fees and charges	<b>39</b>	597
<b>Total Fees and Charges - SA Government Entities</b>	<b>3 159</b>	4 155
Fees and charges received/receivable from entities external to the SA Government:		
Drivers licence fees	<b>21 474</b>	20 994
Metrotickets	<b>64 294</b>	57 926
Motor registrations	<b>235 336</b>	227 009
Marine relate fees and charges	<b>9 869</b>	9 769
Planning related fees	-	839
Other fees and charges	<b>3 633</b>	2 514
<b>Total Fees and Charges - Non- SA Government Entities</b>	<b>334 606</b>	319 051
<b>Total Fees and Charges</b>	<b>337 765</b>	323 206

**Road Safety**

In accordance with the *Highways Act 1926*, \$3.579 million (\$3.499 million) being 1/6th of drivers' licence collections and \$0.487 million (\$0.464 million) being 1/100th of Heavy Vehicle Registrations, was used to fund expenditure on Transport Safety initiatives. Expenditure on these initiatives is reflected in the Regulatory Services and Operations of the Transport System programs.



<b>14. Commonwealth Revenue</b>	<b>2006</b>	2005
Commonwealth revenue received/receivable from entities external to the SA Government comprised:	<b>\$'000</b>	\$'000
<i>Australian Land Transport Development Act 1988</i>	<b>78 138</b>	85 130
<i>Interstate Road Transport Act 1985</i>	<b>6 050</b>	5 217
<i>Roads to Recovery Act 2000</i>	<b>5 499</b>	1 000
Other Commonwealth revenues	<b>1 915</b>	-
<b>Total Commonwealth Revenue - Non-SA Government Entities</b>	<b>91 602</b>	91 347
<b>Total Commonwealth Revenue</b>	<b>91 602</b>	91 347
<b>15. Interest</b>		
Interest received/receivable from entities within the SA Government:		
Interest from entities within the SA Government	<b>4 660</b>	3 153
<b>Total Interest - SA Government Entities</b>	<b>4 660</b>	3 153
<b>Total Interest</b>	<b>4 660</b>	3 153
<b>16. Grants and Subsidies</b>		
Grants and subsidies received/receivable from entities within the SA Government:		
Concessional passenger income	<b>36 568</b>	33 716
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>36 568</b>	33 716
Grants and subsidies received/receivable from entities external to the SA Government:		
Concessional passenger income	<b>168</b>	-
<b>Total Grants and Subsidies - Non- SA Government Entities</b>	<b>168</b>	-
<b>Total Grants and Subsidies</b>	<b>36 736</b>	33 716
<b>Concessional Passenger Income</b>		
This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.		
<b>17. Net Gain or Loss on Disposal of Assets</b>		
Land, Buildings and Facilities:		
Proceeds from disposal	<b>13 426</b>	8 343
Net book value of assets disposed	<b>11 275</b>	16 229
<b>Net Gain (Loss) from Disposal of Land, Buildings and Facilities</b>	<b>2 151</b>	(7 886)
Plant and Equipment:		
Proceeds from disposal	<b>1 496</b>	407
Net book value of assets disposed	<b>1 202</b>	249
<b>Net Gain (Loss) from Disposal of Plant and Equipment</b>	<b>294</b>	158
Network Assets:		
Net book value of assets disposed	<b>1 461</b>	14 859
<b>Net Gain (Loss) from Disposal of Network Assets</b>	<b>(1 461)</b>	(14 859)
Total Assets:		
Proceeds from disposal	<b>14 922</b>	8 750
Net book value of assets disposed	<b>13 938</b>	31 337
<b>Total Net Gain (Loss) from Disposal of Assets</b>	<b>984</b>	(22 587)
<b>18. Resources Received Free of Charge</b>		
Land, buildings and facilities	-	4 235
<b>Total Resources Received Free of Charge</b>	-	4 235
This represents land and other associated assets received by the Department for no consideration and recognised at fair value.		
<b>19. Other Income</b>		
Other Revenue received/receivable from entities within the SA Government:		
Recoveries and contributions	<b>1 062</b>	2 056
Reimbursement works and external project contributions	<b>3 090</b>	875
Lease income	<b>788</b>	815
Information and publications	<b>20</b>	5
ESCOSA contribution to Office of Technical Regulator	<b>3 056</b>	-
Sundry revenue	<b>1 077</b>	561
<b>Total Other Revenue - SA Government Entities</b>	<b>9 093</b>	4 312

<b>19. Other Income (continued)</b>	<b>2006</b>	2005
Other Revenue received/receivable from entities external to the SA Government:	<b>\$'000</b>	\$'000
Recoveries and contributions	<b>4 831</b>	2 041
Reimbursement works and external project contributions	<b>4 834</b>	1 633
Lease income	<b>5 266</b>	3 912
Information and publications	<b>1 469</b>	1 428
Rider Safe income	<b>776</b>	617
Sundry revenue	<b>11 742</b>	8 736
<b>Total Other Revenue - Non-SA Government Entities</b>	<b>28 918</b>	18 367
<b>Total Other Revenue</b>	<b>38 011</b>	22 679
<b>20. Revenues from/Payments to SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>374 001</b>	293 511
Transfers from contingency provisions	<b>4 395</b>	2 507
Inter-agency funding transfer from Treasury	-	600
<b>Total Revenues from SA Government</b>	<b>378 396</b>	296 618
Payments to SA Government:		
Income tax equivalent payments (Refer Note 3.7)	-	989
Other payments to consolidated account (Refer Note 42)	<b>4 372</b>	440
<b>Total Payments to SA Government</b>	<b>4 372</b>	1 429
<b>21. Cash and Cash Equivalents</b>		
Deposits at call - Westpac	<b>331 420</b>	193 213
Deposits with the Treasurer (Accrual Appropriation)	<b>1 837</b>	3 286
Imprest Account	<b>248</b>	248
Other	<b>95</b>	91
<b>Total Cash</b>	<b>333 600</b>	196 838
<b>Other</b>		
Includes petty cash floats, cashiers' floats and other cash on hand.		
<b>22. Receivables</b>		
Current:		
Receivables	<b>19 952</b>	14 253
Less: Provision for doubtful debts	<b>(1 113)</b>	(1 388)
GST receivable	<b>9 425</b>	10 551
Accrued revenues	<b>6 779</b>	1 849
<b>Total Current Receivables</b>	<b>35 043</b>	25 265
Non-Current:		
Receivables	<b>40</b>	40
<b>Total Non-Current Receivables</b>	<b>40</b>	40
<b>Total Receivables</b>	<b>35 083</b>	25 305
<b>Government/Non-Government Receivables</b>		
Receivables from SA Government Entities:		
Receivables	<b>3 179</b>	5 953
Accrued revenues	<b>523</b>	547
<b>Total Current Receivables from SA Government Entities</b>	<b>3 702</b>	6 500
Receivables from Non-SA Government Entities:		
Receivables	<b>16 773</b>	8 276
Provision for doubtful debts	<b>(1 113)</b>	(1 388)
Accrued revenues	<b>6 256</b>	1 302
GST receivables	<b>9 425</b>	10 551
Receivables - ATO (Other than GST)	-	24
<b>Total Current Receivables from Non-SA Government Entities</b>	<b>31 341</b>	18 765
<b>Total Non-Current Receivables from Non-SA Government Entities</b>	<b>40</b>	40
<b>Total Receivables</b>	<b>35 083</b>	25 305
<b>23. Inventories</b>		
Current:		
Inventories held for distribution at no or nominal amount	<b>5 485</b>	6 002
Inventories held for sale	<b>115</b>	51
<b>Total Current Inventories</b>	<b>5 600</b>	6 053
<b>Total Inventories</b>	<b>5 600</b>	6 053

<b>24. Other Current Assets</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Prepayments	<b>11 049</b>	12 012
Other	-	173
<b>Total Current Other Assets</b>	<b>11 049</b>	12 185
<b>Total Other Assets</b>	<b>11 049</b>	12 185
<b>Government/Non-Government Other Assets</b>		
Other Assets from SA Government Entities:		
Prepayments	-	49
Other	-	2
<b>Other Assets from SA Government Entities</b>	<b>-</b>	<b>51</b>
Other Assets from Non-SA Government Entities:		
Prepayments	<b>11 049</b>	11 963
Other	-	171
<b>Other Assets from Non-SA Government Entities</b>	<b>11 049</b>	12 134
<b>Total Other Assets</b>	<b>11 049</b>	12 185
<b>25. Non-Current Assets Classified as Held for Sale</b>		
Non-Current Assets Classified as Held for Sale:		
Land, buildings and facilities	<b>11 457</b>	6 010
<b>Total Non-Current Assets Classified as Held for Sale</b>	<b>11 457</b>	6 010

It has been determined that \$11.457 million (\$6.010 million) of Land, Buildings and Facilities are surplus to the Department's Requirements. It is anticipated that the land, buildings and facilities will be sold within 12 months through public tender or auction.

<b>26. Land, Buildings and Facilities</b>	<b>2006</b>	2005
Land:	<b>\$'000</b>	\$'000
Land at fair value	<b>264 529</b>	202 157
<b>Total Land</b>	<b>264 529</b>	202 157
Buildings and Facilities:		
Buildings and facilities at cost (deemed fair value)	<b>304 343</b>	272 530
Accumulated depreciation	<b>135 578</b>	119 785
<b>Total Buildings and Facilities</b>	<b>168 765</b>	152 745
<b>Total Land, Buildings and Facilities</b>	<b>433 294</b>	354 902

**Valuation of Land, Buildings and Facilities**

Refer to Note 3.17 for details of when Land, Buildings and Facilities were last revalued and by whom. Land, Buildings and Facilities are revalued using 'fair value' methodology.

**Reconciliation of Land, Buildings and Facilities**

The following table shows the movement of Land, Buildings and Facilities during 2005-06:			
	Land	Buildings and Facilities	<b>2006</b>
	\$'000	\$'000	<b>\$'000</b>
Carrying amount at 1 July	202 157	152 745	<b>354 902</b>
Additions	4 432	12 745	<b>17 177</b>
Disposals	(4 353)	(33)	<b>(4 386)</b>
Revaluation increment (decrement)	74 302	10 003	<b>84 305</b>
Depreciation and amortisation	-	(6 818)	<b>(6 818)</b>
Acquisition (Disposal) through administrative restructuring	-	523	<b>523</b>
Acquisition (Disposal) from transfer	(12 009)	(400)	<b>(12 409)</b>
<b>Carrying Amount at 30 June</b>	<b>264 529</b>	<b>168 765</b>	<b>433 294</b>

<b>27. Plant and Equipment</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Plant and equipment at cost (deemed fair value)	<b>492 409</b>	416 608
Accumulated depreciation	<b>317 907</b>	277 166
<b>Total Plant and Equipment</b>	<b>174 502</b>	139 442

**Valuation of Plant and Equipment**

Refer to Note 3.17 for details of when Plant and Equipment were last revalued and by whom. Plant and Equipment are revalued using 'fair value' methodology.

**Reconciliation of Plant and Equipment**

The following table shows the movement of Plant and Equipment during 2005-06:

	Plant and Equipment \$'000	Information Technology \$'000	IT under Lease \$'000	Other \$'000	2006 \$'000
Carrying amount at 1 July	136 722	900	1 629	191	139 442
Additions	49 164	824	1 168	-	51 156
Disposals	(1 198)	(4)	-	-	(1 202)
Revaluation increment (decrement)	4 709	-	-	-	4 709
Depreciation and amortisation	(21 009)	(391)	(969)	-	(22 369)
Acquisition (Disposal) through administrative restructure	1 111	(244)	-	(191)	676
Transfers in due to reclassification of assets	2 210	-	-	-	2 210
Other Movements	(120)	-	-	-	(120)
<b>Carrying Amount at 30 June</b>	<b>171 589</b>	<b>1 085</b>	<b>1 828</b>	<b>-</b>	<b>174 502</b>

**Depreciation of Plant and Equipment**

Total depreciation associated with Plant and Equipment for 2005-06 was \$22.369 million. Of this amount, \$22.234 million has been reported within the Income Statement as operating expenditure of the Department. The remaining \$0.135 million relates to capital projects and has been reflected within the value of the Department's assets as at 30 June 2006.

**28. Network Assets**

	2006 \$'000	2005 \$'000
Network assets at cost (deemed fair value)	8 805 593	8 173 917
Accumulated depreciation	4 225 331	3 904 955
<b>Total Network Assets</b>	<b>4 580 262</b>	<b>4 268 962</b>

**Valuation of Network Assets**

Refer to Note 3.17 for details of when Network Assets were last revalued and by whom. Network Assets are revalued using 'fair value' methodology.

<b>Reconciliation of Network Assets</b> The following table shows the movement of Network Assets during 2005-06:	Roads and Signs \$'000	Earthworks \$'000	Bridges and Culverts \$'000	Traffic Signals and Road Lighting \$'000	Busway/ Tramline \$'000	Other \$'000	2006 \$'000
	Carrying amount at 1 July	1 987 352	1 510 833	634 630	72 773	56 130	7 244
Additions	94 184	31 524	24 924	9 705	18 194	-	178 531
Disposals	-	-	-	(1 461)	-	-	(1 461)
Revaluation increment (decrement)	117 218	90 999	38 074	(603)	-	(171)	245 517
Depreciation and amortisation	(86 938)	-	(14 259)	(6 487)	(1 187)	(206)	(109 077)
Transfers out due to reclassification of assets	-	-	-	-	-	(2 210)	(2 210)
<b>Carrying Amount at 30 June</b>	<b>2 111 816</b>	<b>1 633 356</b>	<b>683 369</b>	<b>73 927</b>	<b>73 137</b>	<b>4 657</b>	<b>4 580 262</b>

**29. Reconciliation of Work in Progress**

The following table shows the movement of Work in Progress during 2005-06.

	2006 \$'000
Carrying amount at 1 July	231 369
Additions	224 145
Transfer to operating	(19 368)
Transfer to capital	(222 542)
<b>Carrying Amount at 30 June</b>	<b>213 604</b>

**Valuation of Works in Progress**

Refer to Note 3.17 for details regarding Works in Progress valuations.

**30. Intangible Assets**

	2006 \$'000	2005 \$'000
Software:		
Computer software	9 551	1 283
Accumulated amortisation	(398)	(739)
<b>Total Intangible Assets</b>	<b>9 153</b>	<b>544</b>

**Valuation of Intangible Assets**

Intangible assets in the current year represent the TRUMPS Software System, which was capitalised during the 2005-06 financial year. The Intangible Assets of the Department are valued at historical cost.

Refer to Note 3.18 for details on the Valuation of Intangible Assets.

**Reconciliation of Intangible Assets**

The following table shows the movement of intangible assets during 2005-06.

	<b>2006</b>	
	<b>\$'000</b>	
Carrying amount at 1 July	544	
Additions	9 551	
Depreciation and Amortisation	(398)	
Acquisition (Disposal) through administrative restructuring	(544)	
<b>Carrying Amount at 30 June</b>	<b>9 153</b>	

<b>31. Payables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Creditors	<b>44 715</b>	50 672
Accrued expenses	<b>16 578</b>	15 230
Employment on-costs	<b>2 183</b>	1 802
Other	-	709
<b>Total Current Payables</b>	<b>63 476</b>	68 413
Non-Current:		
Employment on-costs	<b>3 046</b>	2 239
<b>Total Non-Current Payables</b>	<b>3 046</b>	2 239
<b>Total Payables</b>	<b>66 522</b>	70 652
<b>Government/Non-Government Payables</b>		
Payables to SA Government Entities:		
Creditors	<b>2 481</b>	10 106
Accrued expenses	<b>890</b>	2 452
Employment on-costs	<b>5 229</b>	4 041
<b>Total Payables to SA Government Entities</b>	<b>8 600</b>	16 599
Payables to Non-SA Government Entities:		
Creditors	<b>42 234</b>	40 566
Accrued expenses	<b>15 688</b>	12 778
Other	-	709
<b>Total Payables to Non-SA Government Entities</b>	<b>57 922</b>	54 053
<b>Total Payables</b>	<b>66 522</b>	70 652
<b>32. Interest Bearing Liabilities</b>		
Long-Term Borrowings:		
Balance as at 1 July	<b>49 079</b>	49 828
Increase in debt due to:		
Interest applied to loan	-	3 411
Less: Repayments:		
Public Transport assets	<b>1 319</b>	4 062
General road and bridge loan	-	98
<b>Balance as at 30 June</b>	<b>47 760</b>	49 079
Finance Leases:		
Balance as at 1 July	<b>1 713</b>	-
Increase in lease liabilities due to:		
New leases	<b>1 167</b>	1 713
Less: Repayments	<b>996</b>	-
<b>Balance as at 30 June</b>	<b>1 883</b>	1 713
Current	<b>696</b>	-
Non-Current	<b>48 947</b>	50 792
<b>Total Interest Bearing Liabilities</b>	<b>49 643</b>	50 792
<b>33. Employee Benefits</b>		
Current:		
Annual leave	<b>9 640</b>	8 924
Long service leave	<b>1 890</b>	2 129
Accrued salaries and wages	<b>2 215</b>	1 489
<b>Total Current Employee Benefits</b>	<b>13 745</b>	12 542
Non-Current:		
Long service leave	<b>31 856</b>	30 287
<b>Total Non-Current Employee Benefits</b>	<b>31 856</b>	30 287
<b>Total Employee Benefits</b>	<b>45 601</b>	42 829

**Annual Leave**

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

**Long Service Leave**

Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.

<b>34. Provisions</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Provision for workers compensation	<b>1 031</b>	991
Site remediation	<b>974</b>	975
Provision for Indentured Ports payment to the Treasurer	<b>7 900</b>	4 516
Other provisions	<b>-</b>	333
<b>Total Current Provisions</b>	<b>9 905</b>	6 815
Non-Current:		
Site remediation	<b>4 968</b>	5 055
Provision for workers compensation	<b>2 672</b>	2 455
<b>Total Non-Current Provisions</b>	<b>7 640</b>	7 510
<b>Total Provisions</b>	<b>17 545</b>	14 325
Carrying amount at 1 July	<b>14 325</b>	3 707
Increase in the provision	<b>3 514</b>	11 446
Decrease in the provision	<b>294</b>	828
<b>Carrying Amount at 30 June</b>	<b>17 545</b>	14 325
<b>35. Other Liabilities</b>		
Current:		
Deferred income	<b>13 434</b>	1 077
Other	<b>-</b>	348
<b>Total Current Other Liabilities</b>	<b>13 434</b>	1 425
Non-Current:		
Deferred income	<b>102 700</b>	15 000
<b>Total Non-Current Other Liabilities</b>	<b>102 700</b>	15 000
<b>Total Other Liabilities</b>	<b>116 134</b>	16 425

On 29 June 2005, the Department received a conditional Commonwealth grant of \$15 million in relation to funding for the Eyre Peninsula Grain Transport Plan Rail System Upgrade. The Department proposes to expend these funds in the 2006-07 and 2007-08 financial years and has disclosed these amounts as deferred income over this period with an equal prior period correction adjustment against the balance of Accumulated Surpluses (Refer to Note 36).

On 30 June 2006, the Department also received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Upgrade Package. These monies are expected to be expended over the four-year period between 2006-07 and 2009-10, and have also been disclosed as deferred income in accordance with Accounting Policy Framework V *Income Framework*, APS 4.12.

<b>36. Adjustments to Equity</b>	<b>2006</b>	2005
Adjustments against Accumulated Surplus:	<b>\$'000</b>	\$'000
Works in progress adjustment	<b>29 038</b>	23 984
Asset recognition adjustments	<b>(39 308)</b>	(17 405)
Commonwealth grant adjustment	<b>15 000</b>	-
Provisions for Indenture Ports payment	<b>4 516</b>	-
Other	<b>1 484</b>	21
<b>Total Adjustments against Accumulated Surplus</b>	<b>10 730</b>	6 600
Adjustments against Asset Revaluation Reserve:		
Asset recognition adjustments	<b>(39)</b>	-
<b>Total Adjustments against Asset Revaluation Reserve</b>	<b>(39)</b>	-
<b>Total Adjustments to Equity</b>	<b>10 691</b>	6 600

**Work in Progress Adjustment**

During 2005-06, various projects that had been included as capital work in progress as at 30 June 2005 were subsequently completed. It was determined that the Department was unable to capitalise all of the expenditure from these completed projects and as a result \$29.038 million (\$23.984 million) was brought to account by means of adjustment directly against Accumulated Surplus.



**38. Transferred Functions**

Effective from 1 July 2005, the functions of a number of Agencies transferred to the Department under a change in SA government administrative arrangements (Refer to Note 2). The impact of these restructured arrangements on the Department's financial statements is summarised as follow:

	<b>Transferor Entity \$'000</b>	Transferee Entity \$'000
Income	<b>(5 967)</b>	(3 278)
Expenses	<b>3 443</b>	3 296
<b>Net Result</b>	<b>(2 524)</b>	18
Assets	<b>(3 443)</b>	3 278
Liabilities	<b>5 967</b>	(3 296)
Contributed capital	<b>3 754</b>	-
<b>Net Assets</b>	<b>6 278</b>	(18)

Major groupings of assets and liabilities transferred to the Department in accordance with these changes includes:

Cash	<b>(1 068)</b>	1 233
Receivables	<b>(978)</b>	465
Other current assets	<b>(350)</b>	-
Property, plant and equipment	<b>(503)</b>	1 580
Intangibles	<b>(544)</b>	-
<b>Total Assets</b>	<b>(3 443)</b>	3 278
Payables	<b>1 183</b>	(1 418)
Employee entitlements	<b>4 378</b>	(1 835)
Provisions	<b>279</b>	(43)
Other liabilities	<b>127</b>	-
<b>Total Liabilities</b>	<b>5 967</b>	(3 296)
Contributed Capital	<b>3 754</b>	-
<b>Total Contributed Capital</b>	<b>3 754</b>	-
<b>Net Assets Transferred</b>	<b>6 278</b>	(18)

**39. Commitments for Expenditure**

**Capital Commitments**

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

	<b>2006 \$'000</b>	2005 \$'000
Within one year	<b>117 343</b>	37 357
Later than one year but no later than five years	<b>3 600</b>	-
Not later than five year	<b>-</b>	-
<b>Total Capital Commitments</b>	<b>120 943</b>	37 357

The Department's Capital Commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks.

**Other Commitments**

Within one year	<b>255 972</b>	241 699
Later than one year but no longer than five years	<b>625 879</b>	742 677
Later than five years	<b>-</b>	-
<b>Total Other Commitments</b>	<b>881 851</b>	984 376

**Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

Within one year	<b>3 483</b>	9 075
Later than one year but no longer than five years	<b>9 848</b>	18 023
Later than five years	<b>17 148</b>	27 141
<b>Total Operating Lease Commitments</b>	<b>30 479</b>	54 239

The Department's Operating Leases include motor vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. These commitments are not recognised as liabilities in the financial report.

The property leases are non-cancellable leases with terms ranging from 1 to 10 years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The motor vehicle and photocopier leases are non-cancellable leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no options exist to renew the leases at the end of their terms.



**Finance Lease Commitments**

Commitments under non-cancellable finance leases at the reporting date recognised as liabilities in the financial report, are payable as follows:

	<b>2006</b>
	<b>\$'000</b>
Within one year	<b>893</b>
Later than one year but no longer than five years	<b>1 365</b>
Later than five years	<b>-</b>
Minimum lease payments	<b>2 258</b>
Less: Future finance leases lease charges	<b>375</b>
Amount recognised as liability	<b>1 883</b>
Add: Lease incentive involved	<b>-</b>
<b>Total Finance Lease Commitments</b>	<b>1 883</b>

The present value of finance lease payable is as follows:

Within one year	<b>696</b>
Later than one year but no longer than five years	<b>1 187</b>
Later than five years	<b>-</b>
<b>Present Value of Finance Lease</b>	<b>1 883</b>

Representing:

Current	<b>696</b>
Non-current	<b>1 187</b>
	<b>1 883</b>

The Department's computer and network printer equipment leases have been re-categorised as finance leases under a review of the true nature of these agreements. These items were previously disclosed as operating leases. The 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 leases is 5.52 percent.

**40. Contingent Assets and Liabilities****Non-Quantifiable**

At year-end, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury. The Department had also received notification of other cases not yet subject to Court action or formal claim, which may result in subsequent litigation in the future.

The Department also has possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale.

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

**41. Cash Flow Reconciliation**

Reconciliation of Cash - Cash at year end as per:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash Flow Statement	<b>333 600</b>	196 838
Balance Sheet	<b>333 600</b>	196 838

Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of providing Services:

Net cash inflows from operating activities	<b>340 858</b>	235 253
Less: Revenues from SA Government	<b>378 396</b>	296 618
Add: Payments to SA Government	<b>987</b>	5 497
Add (Less): Non-Cash Items:		
Net gain (loss) from disposal of assets	<b>984</b>	(22 587)
Depreciation/amortisation of assets	<b>(138 527)</b>	(133 111)
Write-down of inventories to net realisable value	<b>(35)</b>	(639)
Fair value of assets received	<b>-</b>	4 235
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	<b>8 915</b>	(8 266)
Increase (Decrease) in inventories	<b>(453)</b>	767
Increase (Decrease) in Other assets	<b>-</b>	4 169
(Increase) Decrease in payables and provisions	<b>315</b>	(20 080)
(Increase) Decrease in other liabilities	<b>(99 709)</b>	(14 390)
<b>Net Cost of Providing Services</b>	<b>(265 061)</b>	(245 770)

**42. Indenture Ports**

The Department manages the indenture and private 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 Department of Treasury and Finance by way of a payment to Consolidated Account. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 2005-06 was \$0.987 million (\$0.440 million). In addition to the amount paid, the Department has recognised a provision in 2005-06 of \$7.9 million (\$4.516 million) representing the outstanding funds to be collected by the Department and returned to the Department of Treasury and Finance.

**43. Rail Transport Facilitation Fund**

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

Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account up to 20 September 2002.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Inflows:		
Income into the fund	<b>40 747</b>	22 528
<b>Total Inflows</b>	<b>40 747</b>	22 528
Outflows:		
Expenditure from the fund	<b>29 052</b>	6 321
<b>Total Outflows</b>	<b>29 052</b>	6 321
<b>Net Surplus (Deficit)</b>	<b>11 695</b>	16 207
<b>Fund Balance</b>		
Balance at 1 July	<b>26 508</b>	10 301
Net Surplus	<b>11 695</b>	16 207
<b>Balance at 30 June</b>	<b>38 203</b>	26 508

**Income into the Fund**

The increased income into the Fund in 2005-06 results predominantly from a payment under the Federal Government Auslink Network (Rail) of \$10.641 million and a State Appropriation of \$14 million in relation to the Port River Expressway Stage 3 works (Rail).

**Expenditure from the Fund**

The increased expenditure in 2005-06 results predominantly from \$20.861 million on Port River Expressway Stage 3 works (Rail).

**44. Community Road Safety Fund**

The Community Road Safety Fund is funded by revenue collected by SAPOL and the Courts Administration Authority for speeding fines and has been operative since 1 July 2003. The amount is paid into the Consolidated Account and subsequently transferred to the Fund by Treasury and Finance and utilised for the purposes of Road Safety related expenditure. In addition to safety related improvements, payments are also made to SAPOL for safety related policing expenditure.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Inflows:		
Income into the fund	<b>59 310</b>	58 678
<b>Total Inflows</b>	<b>59 310</b>	58 678
Outflows:		
Expenditure from the fund	<b>59 315</b>	58 486
<b>Total Outflows</b>	<b>59 315</b>	58 486
<b>Net (Deficit) Surplus</b>	<b>(5)</b>	192
<b>Fund Balance</b>		
Balance at 1 July	<b>468</b>	276
Net Surplus	<b>(5)</b>	192
<b>Balance at 30 June</b>	<b>463</b>	468

**Expenditure from the Fund**

Road Safety related expenditure for 2005-06 totalled \$59.315 million and was met from the fund. No additional amounts were required to be met from the Highways Fund.

During 2005-06, SAPOL received an amount of \$34.9 million from the Fund.

**45. Events After Balance Date**

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

**Statement of Administered Income and Expenses  
for the year ended 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>INCOME:</b>			
Revenues from SA Government	A8	<b>13 943</b>	11 639
Fees and charges	A9	-	922
Registration and licensing receipts from third parties	A10	<b>656 683</b>	675 729
Grants	A11	<b>4 232</b>	3 844
Transfer receipts	A12	<b>77 463</b>	1 072
Commonwealth revenue	A13	<b>8 951</b>	-
Interest		<b>228</b>	277
<b>Total Income</b>		<b>761 500</b>	693 483
<b>EXPENSES:</b>			
Employee expenses		<b>213</b>	173
Supplies and services	A14	<b>79 424</b>	-
Grants and subsidies	A15	<b>4 218</b>	5 853
Registration and licensing payments to third parties	A16	<b>665 546</b>	684 685
Borrowing costs		<b>207</b>	217
Transfer payments	A17	<b>10 273</b>	2 044
<b>Total Expenses</b>		<b>759 881</b>	692 972
<b>OPERATING SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE</b>	A25	<b>1 619</b>	511
Increase (Decrease) in net assets due to administrative restructure	A23	<b>6 381</b>	-
<b>OPERATING SURPLUS AFTER ADMINISTRATIVE RESTRUCTURE</b>		<b>8 000</b>	511

**THE OPERATING SURPLUS IS ATTRIBUTABLE TO THE  
STATE GOVERNMENT AS OWNER**

**Statement of Administered Assets and Liabilities  
as at 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash	A18	<b>12 461</b>	4 246
Receivables	A19	<b>190</b>	554
Other current assets		-	4
<b>Total Current Assets</b>		<b>12 651</b>	4 804
<b>NON-CURRENT ASSETS:</b>			
Capital works in progress		<b>26</b>	-
Receivables	A19	<b>2 718</b>	2 880
<b>Total Non-Current Assets</b>		<b>2 744</b>	2 880
<b>Total Assets</b>		<b>15 395</b>	7 684
<b>CURRENT LIABILITIES:</b>			
Payables	A20	<b>2 896</b>	3 033
Interest bearing liabilities	A21	<b>161</b>	151
<b>Total Current Liabilities</b>		<b>3 057</b>	3 184
<b>NON-CURRENT LIABILITIES:</b>			
Interest bearing liabilities	A21	<b>2 718</b>	2 880
<b>Total Non-Current Liabilities</b>		<b>2 718</b>	2 880
<b>Total Liabilities</b>		<b>5 775</b>	6 064
<b>NET ASSETS</b>		<b>9 620</b>	1 620
<b>EQUITY:</b>			
Accumulated surplus	A22	<b>9 620</b>	1 620
<b>TOTAL ADMINISTERED EQUITY</b>		<b>9 620</b>	1 620

## Administered Statement of Changes in Equity for the year ended 30 June 2006

	Note	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2004</b>		1 109	1 109
Changes in accounting policy		-	-
Error correction		-	-
<b>Restated Balance at 30 June 2004</b>		<u>1 109</u>	<u>1 109</u>
Gain on revaluation of property		-	-
Loss on revaluation of plant and equipment		-	-
<b>Net income and expense recognised directly in equity</b>		-	-
Operating Surplus (Deficit)		511	511
<b>Total Recognised Income and Expense for 2005</b>		<u>511</u>	<u>511</u>
<b>Balance at 30 June 2005</b>		1 620	1 620
Changes in accounting policy		-	-
Error correction		-	-
<b>Restated Balance at 30 June 2005</b>	A22	<u>1 620</u>	<u>1 620</u>
Gain on revaluation of property		-	-
Loss on revaluation of plant and equipment		-	-
<b>Net Income and Expense Recognised directly in Equity</b>		-	-
Operating Surplus (Deficit)		1 619	1 619
<b>Increase in Net Assets due to Administrative Restructure</b>		<u>6 381</u>	<u>6 381</u>
<b>Total Recognised Income and Expense for 2006</b>		<u>8 000</u>	<u>8 000</u>
<b>Balance at 30 June 2006</b>	A22	<u><b>9 620</b></u>	<u><b>9 620</b></u>

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

## Administered Cash Flow Statement for the year ended 30 June 2006

		2006	2005
		<b>Inflows</b>	Inflows
		<b>(Outflows)</b>	(Outflows)
	Note	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH INFLOWS:			
Receipts from Government		<b>14 098</b>	11 939
Taxes, fees and charges		-	921
Registration and licensing receipts from third parties		<b>656 683</b>	675 729
Grants		<b>4 232</b>	3 844
Transfer receipts		<b>78 121</b>	1 072
Commonwealth revenue		<b>9 289</b>	-
Interest		<b>228</b>	275
<b>Total Cash Inflows</b>		<b>762 651</b>	693 780
CASH OUTFLOWS:			
Employee payments		<b>(213)</b>	(172)
Supplies and services		<b>(79 393)</b>	(38)
Grants and subsidies		<b>(4 218)</b>	(6 134)
Registration and licensing payments to third parties		<b>(665 233)</b>	(682 978)
Borrowing costs		<b>(207)</b>	(217)
Transfer payments		<b>(10 492)</b>	(2 087)
<b>Total Cash Outflows</b>		<b>(759 756)</b>	(691 626)
<b>Net Administered Cash Inflows from Operating Activities</b>	A25	<b>2 895</b>	2 154
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Investing payments		<b>(26)</b>	-
<b>Total Cash Outflows</b>		<b>(26)</b>	-
<b>Net Cash Outflows from Investing Activities</b>		<b>(26)</b>	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
CASH INFLOWS:			
Restructuring activities		<b>5 346</b>	-
<b>Total Cash Inflows</b>		<b>5 346</b>	-
<b>Net Cash Inflows from Financing Activities</b>		<b>5 346</b>	-
<b>NET INCREASE IN CASH HELD</b>		<b>8 215</b>	2 154
<b>CASH AT 1 JULY</b>		<b>4 246</b>	2 092
<b>CASH AT 30 JUNE</b>	A18	<b>12 461</b>	4 246

**Program Schedule of Administered Income and Expenses  
for the year ended 30 June 2006**

	Community Information & Education \$'000	Energy \$'000	Infrastructure Development \$'000	Policy Development & Investment Strategy \$'000
<b>ADMINISTERED INCOME ACTIVITIES:</b>				
Revenue from SA Government	4	7	4 874	5
Fees and charges	-	-	-	-
Registration and licensing receipts from third parties	-	-	-	-
Grants	-	-	-	-
Transfer receipts	-	77 143	194	-
Commonwealth revenue	-	1 201	7 750	-
Interest	-	-	-	-
<b>Total Administered Income</b>	<b>4</b>	<b>78 351</b>	<b>12 818</b>	<b>5</b>
<b>ADMINISTERED EXPENSES:</b>				
Employee expenses	4	7	7	5
Supplies and services	-	79 202	44	-
Grants and subsidies	-	-	-	-
Registration and licensing payments to third parties	-	-	-	-
Borrowing costs	-	-	-	-
Transfer payments	-	2 397	7 750	-
<b>Total Administered Expenses</b>	<b>4</b>	<b>81 606</b>	<b>7 801</b>	<b>5</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>-</b>	<b>(3 255)</b>	<b>5 017</b>	<b>-</b>

	Regulating the Transport System \$'000	Transport Services for South Australians \$'000	<b>2006 Total \$'000</b>	2005 Total \$'000
<b>ADMINISTERED INCOME ACTIVITIES:</b>				
Revenue from SA Government	8 883	170	<b>13 943</b>	11 639
Fees and charges	-	-	-	922
Registration and licensing receipts from third parties	656 683	-	<b>656 683</b>	675 729
Grants	-	4 232	<b>4 232</b>	3 844
Transfer receipts	-	126	<b>77 463</b>	1 072
Commonwealth revenue	-	-	<b>8 951</b>	-
Interest	-	228	<b>228</b>	277
<b>Total Administered Income</b>	<b>665 566</b>	<b>4 756</b>	<b>761 500</b>	<b>693 483</b>
<b>ADMINISTERED EXPENSES:</b>				
Employee expenses	20	170	<b>213</b>	173
Supplies and services	-	178	<b>79 424</b>	-
Grants and subsidies	-	4 218	<b>4 218</b>	5 853
Registration and licensing payments to third parties	665 546	-	<b>665 546</b>	684 685
Borrowing costs	-	207	<b>207</b>	217
Transfer payments	-	126	<b>10 273</b>	2 044
<b>Total Administered Expenses</b>	<b>665 566</b>	<b>4 899</b>	<b>759 881</b>	<b>692 972</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>-</b>	<b>(143)</b>	<b>1 619</b>	<b>511</b>

## NOTES TO THE ADMINISTERED FINANCIAL STATEMENTS

The Administered Financial Statements includes income, expenses, assets and liabilities that the Department for Transport, Energy and Infrastructure administers on behalf of the SA Government but does not control.

### A1. Objectives of the Department for Transport, Energy and Infrastructure

The objectives of the Department for Transport, Energy and Infrastructure outlined in Note 1 for controlled items apply equally to the Administered Financial Statements.

### A2. Departmental Organisation

The organisation of the Department for Transport, Energy and Infrastructure outlined in Note 2 in the controlled items notes applies to both the Department and the Administered Financial Statements.

Specifically, changes to the Department's organisational structure in 2005-06 as noted under Note 2 has resulted in a change in the nature of some administrative items, namely:

With the transfer of the functions of Planning SA to PIRSA effective from 1 July, the Department relinquished its administrative responsibility for the following:

- Development Application Fees
- West Beach Trust (trading as Adelaide Shores) – Tax Equivalent Regime payments
- Local Government Tax Equivalent (TER) Fund payments

With the transfer of functions of Energy SA from PIRSA effective from 1 July 2005, the Department assumed administrative responsibility for the following:

- Energy Management Task Force
- Natural Gas Authority of South Australia
- Photovoltaic Rebate Program
- Renewable Remote Power Generation Rebate Program

As of that same effective date, the Department transferred its administrative responsibility for funds administered by the Energy Management Task Force on behalf of the Ministerial Council for Energy to the Department for Trade and Industries (Commonwealth).

With the transfer of functions of the Office for Infrastructure Development from the DAIS effective from 1 July 2005, the Department assumed administrative responsibility for infrastructure investment under the following major administered projects:

- Glenelg Foreshore Redevelopment
- West Beach Recreational Reserve Redevelopment
- Outer Harbour Headworks

### A3. Summary of Significant Accounting Policies

The policies of the Department for Transport, Energy and Infrastructure 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 Balance Sheet for controlled items.

### A4. Financial Risk Management

The financial risk management approach of the Department for Transport, Energy and Infrastructure outlined in Note 4 for controlled items applies equally to the Administered Financial Statements.

### A5. Changes in Accounting Policies

The Changes in Accounting Policies as outlined in Note 5 for controlled items apply equally to the Administered Financial Statements. With respect to the transition to AIFRS as at 1 July 2004 and 30 June 2005, no changes have been noted for administered functions.

### A6. Programs of the Department

The Programs of the Department for Transport, Energy and Infrastructure outlined in Note 6 in the controlled items apply equally to the Administered Financial Statements.

### A7. Administered Items of the Department

The Administered Items of the Department for Transport, Energy and Infrastructure are comprised of the following:

- Catchment Management Subsidy Scheme
- Emergency Services Levy Receipts
- Energy Management Taskforce
- Expiation Receipts including the Victims of Crime Levy
- Firearm Receipts
- Flood Mitigation
- Hospital Fund – Contribution
- Lincoln Cove Marina
- Major Administered Projects
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme



**A7. Administered Items of the Department (continued)**

- South-Western Suburbs Drainage Scheme
- State Local Government Reform Fund – Stormwater Subsidies
- Minister's Salary
- Unclaimed Salaries and Wages
- Contractors Deposits
- Motor Accident Commission Receipts
- Natural Gas Authority of South Australia (NGASA)
- Photovoltaic Rebate Program (PVRP)
- Passenger Transport Research and Development Fund
- Registration and Licensing Collections and Disbursements
- Stamp Duties Receipts
- Renewable Remote Power Generation Rebate Program (RRPGP)
- Gawler River Flood Mitigation Scheme

**A8. Revenues from SA Government**

Revenues from SA Government:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>13 943</b>	11 639
<b>Total Revenues from SA Government</b>	<b>13 943</b>	11 639

**A9. Fees and Charges**

Fees and charges received/receivable from entities external to the SA Government:		
Other fees and charges	-	922
<b>Total Fees and Charges - Non-SA Government Entities</b>	-	922
<b>Total Fees and Charges</b>	-	922

**A10. Registration and Licensing Receipts from Third Parties**

Registration and Licensing Receipts on behalf of the SA Government:		
Stamp Duties	<b>133 427</b>	139 305
Hospital Fund	<b>56 307</b>	55 315
Emergency Services Levy	<b>27 575</b>	27 053
Expiation Notices	<b>2 192</b>	10 975
Firearms Licenses	<b>1 136</b>	2 109
Third Party Insurance	<b>415 875</b>	418 244
Other	<b>4 439</b>	5 658
<b>Total Registration and Licensing Receipts on behalf of the SA Government</b>	<b>640 951</b>	658 659

Registration and Licensing Receipts on behalf of Entities external to the SA Government:

Refunds	<b>10 142</b>	11 078
Federal registrations	<b>5 590</b>	5 992
<b>Total Registration and Licensing Receipts on behalf of Entities External to the SA Government</b>	<b>15 732</b>	17 070
<b>Total Registration and Licensing Receipts</b>	<b>656 683</b>	675 729

**A11. Grants**

Grants received/receivable from entities within the SA Government:		
Recurrent grant	-	3 844
Capital grant	<b>4 232</b>	-
<b>Total Grants - SA Government Entities</b>	<b>4 232</b>	3 844
<b>Total Grants</b>	<b>4 232</b>	3 844

**A12. Transfer Receipts**

Receipts from the Local Government Finance Authority (into Local Government Tax Equivalent Regime Fund)	-	1 049
Contractor Deposits	<b>106</b>	10
Lincoln Cove Marina Revenue	<b>20</b>	13
Glenelg Foreshore/West Beach Reserve Redevelopment - External contributions	<b>194</b>	-
Natural Gas Revenue	<b>77 227</b>	-
Energy Management Task Force - Credit note	<b>(84)</b>	-
<b>Total Transfer Receipts</b>	<b>77 463</b>	1 072

**Energy Management Task Force - Credit Note**

Effective from 1 July 2005, the Department transferred its responsibility for the administration of Ministerial Council for Energy funds to the Commonwealth. With that change, the Department was required to issue credit notes for the balance of any outstanding state contribution receivables in its Balance Sheet. As of that date, the Department noted a balance outstanding of \$84 000 from the NSW Department of Energy and Utilities.

<b>A13. Commonwealth Revenue</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Gawler River Flood Mitigation Scheme	<b>7 750</b>	-
RRPGP energy rebate contribution	<b>1 201</b>	-
<b>Total Transfer Receipts</b>	<b>8 951</b>	-
<b>A14. Supplies and Services</b>		
Supplies and services paid/payable to entities external to the SA Government:		
Payment to Cooper Basin gas producers	<b>77 227</b>	-
RRPGP energy rebates	<b>1 975</b>	-
Other	<b>222</b>	-
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>79 424</b>	-
<b>Total Supplies and Services</b>	<b>79 424</b>	-
<b>A15. Grants and Subsidies</b>		
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	-	1 909
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>-</b>	<b>1 909</b>
Grants and subsidies paid/payable to entities external to the SA Government:		
Recurrent grant	-	3 844
Capital grant	<b>4 218</b>	100
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>4 218</b>	<b>3 944</b>
<b>Total Grants and Subsidies</b>	<b>4 218</b>	<b>5 853</b>
<b>A16. Registration and Licensing Payments to Third Parties</b>		
Registration and Licensing payments to Third Parties paid/payable to entities within the SA Government:		
Stamp Duties - Treasury and Finance	<b>133 427</b>	139 305
Hospital Fund - Treasury and Finance	<b>56 307</b>	55 315
Emergency Services Levy	<b>36 438</b>	36 009
Expiation Notices - SAPOL	<b>1 544</b>	10 304
Firearms Licences - SAPOL	<b>1 136</b>	2 109
Expiation Notices - Courts Administration Authority	<b>648</b>	671
Third Party Insurance	<b>415 875</b>	418 244
Other	<b>4 439</b>	5 658
<b>Total Registration and Licensing Payments to Third Parties - SA Government Entities</b>	<b>649 814</b>	<b>667 615</b>
Registration and Licensing payments to Third Parties paid/payable to entities external to the SA Government:		
Refunds	<b>10 142</b>	11 078
Federal registrations	<b>5 590</b>	5 992
<b>Total Registration and Licensing Payments to Third Parties - Non-SA Government Entities</b>	<b>15 732</b>	<b>17 070</b>
<b>Total Registration and Licensing Payments to Third Parties</b>	<b>665 546</b>	<b>684 685</b>
<b>A17. Transfer Payments</b>		
Planning fees paid to Councils and other bodies	-	922
Payment to Local Government from the Local Government (TER) Fund	-	498
Interagency funding for the Local Government Grants Commission	-	365
Interagency funding for the Outback Areas Community Development Trust	-	236
Gawler River Flood Mitigation Scheme	<b>7 750</b>	-
Energy Management Task Force payment to the Department of Industry, Tourism and Resources (Commonwealth)	<b>2 397</b>	-
Contractor deposits	<b>106</b>	10
Other	<b>20</b>	13
<b>Total Transfer Payments</b>	<b>10 273</b>	<b>2 044</b>
<b>A18. Cash</b>		
<b>Deposits at Call - Westpac</b>		
Planning SA collection amount	-	278
Motor Registration Holding Account	<b>2 741</b>	2 431
DTEI Operating Account	<b>8 915</b>	(179)
<b>Deposits with the Treasurer</b>		
Contractors deposits	<b>113</b>	77
Local Government Tax Equivalent (TER) Fund	-	1 213
Natural Gas Authority of South Australia (NGASA)	<b>408</b>	-
Passenger Transport Research and Development Fund	<b>261</b>	403
Unclaimed salaries and wages	<b>23</b>	23
<b>Total Cash</b>	<b>12 461</b>	<b>4 246</b>

<b>A19. Receivables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Receivables	<b>161</b>	330
Accrued revenues	<b>29</b>	224
<b>Total Current Receivables</b>	<b>190</b>	554
Non-Current:		
Receivables	<b>2 718</b>	2 880
<b>Total Non-Current Receivables</b>	<b>2 718</b>	2 880
<b>Total Receivables</b>	<b>2 908</b>	3 434
<b>Government/Non-Government Receivables</b>		
Receivables from SA Government entities:		
Receivables	-	179
Accrued revenues	<b>18</b>	224
<b>Total Receivables from SA Government Entities</b>	<b>18</b>	403
Receivables from Non-SA Government entities:		
Receivables	<b>2 879</b>	3 031
Accrued revenue	<b>11</b>	-
<b>Total Receivables from Non-SA Government Entities</b>	<b>2 890</b>	3 031
<b>Total Receivables</b>	<b>2 908</b>	3 434
<b>A20. Payables</b>		
Current:		
Creditors	<b>2 879</b>	2 531
Accrued expenses	<b>17</b>	502
<b>Total Current Payables</b>	<b>2 896</b>	3 033
<b>Total Payables</b>	<b>2 896</b>	3 033
<b>Government/Non-Government Payables</b>		
Payables to SA Government Entities:		
Creditors	<b>2 879</b>	2 523
Accrued expenses	<b>17</b>	224
<b>Total Payables to SA Government Entities</b>	<b>2 896</b>	2 747
Payables to Non-SA Government Entities:		
Creditors	-	8
Accrued expenses	-	278
<b>Total Payables to Non-SA Government Entities</b>	-	286
<b>Total Payables</b>	<b>2 896</b>	3 033
<b>A21. Interest Bearing Liabilities</b>		
Balance as at 1 July	<b>3 031</b>	3 173
Increase in debt due to interest	<b>207</b>	217
Less: Repayments:		
Woodville, Henley and Grange Drainage Scheme	<b>37</b>	37
South West Suburbs Drainage Scheme	<b>322</b>	322
<b>Balance as at 30 June</b>	<b>2 879</b>	3 031
Current	<b>161</b>	151
Non-Current	<b>2 718</b>	2 880
<b>Total Interest Bearing Liabilities</b>	<b>2 879</b>	3 031
<b>A22. Equity</b>		
Accumulated surplus	<b>9 620</b>	1 620
<b>Total Equity</b>	<b>9 620</b>	1 620
<b>Accumulated Surplus</b>		
Balance at 1 July	<b>1 620</b>	1 109
Operating Surplus	<b>1 619</b>	511
Increase in net assets due to restructure	<b>6 381</b>	-
<b>Balance at 30 June</b>	<b>9 620</b>	1 620

**A23. Transfer of Administrative Functions**

Effective from 1 July 2005, the Department assumed responsibility for a number of administered items within functions transferred under a change in SA Government administrative arrangements (Refer to Note A2). The impact of these restructured arrangements on the Administered Financial Statements is summarised as follows:

	<b>Transferor Entity \$'000</b>	<b>Transferee Entity \$'000</b>
Income	(502)	(7 598)
Expenses	1 719	-
<b>Net Result</b>	<b>1 217</b>	<b>(7 598)</b>
Assets	(1 719)	7 598
Liabilities	502	-
<b>Net Assets</b>	<b>(1 217)</b>	<b>7 598</b>

Administered net assets transferred to the Department in accordance with these changes include:		
Energy Management Task Force	-	2481
Natural Gas Authority of South Australia	-	409
Photovoltaic Rebate Scheme	-	500
Renewable Remote Power Generation Program	-	1810
Major infrastructure projects	-	2398
Development application fees	23	-
West Beach Trust Taxation Equivalent Regime (TER)	(23)	-
Local Government Taxation Equivalent (TER) Fund	(1 217)	-
<b>Total Administered Net Assets</b>	<b>(1 217)</b>	<b>7 598</b>

**Energy Management Task Force**

The Energy Management Task Force function was transferred to the Department on 1 July 2005 from the Department of Primary Industries and Resources (PIRSA). The Energy Management Task Force was subsequently transferred to the Department for Trade and Industry (Commonwealth) and has been reflected as a transfer payment of \$2.481 million within the Income Statement.

**A24. Financial Instruments**

**(a) Terms, Conditions and Accounting Policies**

*(i) Financial Assets*

Cash is available at call and is recorded at cost. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in line with agreements entered into for specific Administered Items.

*(ii) Financial Liabilities*

Creditors and accruals are recognised for all amounts billed but unpaid at an amount equal to the value of goods and services provided. All creditors are normally settled within 30 days.

Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Borrowings are drawn from the Department of Treasury and Finance at the Common Public Sector Interest Rate of 6.95 percent (as at 30 June 2006). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).

**(b) Interest Rate Risk**

Exposure to interest rate risk for administered items is measured in reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

	<b>2006</b>				<b>Weighted Average Effective Interest Rate Percent</b>
	<b>Floating Interest Rate Percent</b>	<b>Interest Bearing \$'000</b>	<b>Non- Interest Bearing \$'000</b>	<b>Total \$'000</b>	
<i>Financial Instrument</i>					
Financial Assets:					
Cash assets	5.43	12 461	-	12 461	5.38
Receivables	-	-	2 908	2 908	-
		<b>12 461</b>	<b>2 908</b>	<b>15 369</b>	
Financial Liabilities:					
Payables	-	-	2 896	2 896	-
Borrowings	6.95	2 879	-	2 879	6.95
		<b>2 879</b>	<b>2 896</b>	<b>5 775</b>	

**(b) Interest Rate Risk (continued)**

Financial Instrument	2005			Total \$'000	Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non- Interest Bearing \$'000		
Financial Assets:					
Cash assets	5.35	4 246	-	4 246	5.18
Receivables	-	-	3 434	3 434	-
		<u>4 246</u>	<u>3 434</u>	<u>7 680</u>	
Financial Liabilities:					
Payables	-	-	3 033	3 033	-
Borrowings	6.84	3 031	-	3 031	6.84
		<u>3 031</u>	<u>3 033</u>	<u>6 064</u>	

**(c) Credit Risk**

The maximum exposure to credit risk at reporting date is measured at the carrying amount of administered receivables as indicated in the Balance Sheet.

**(d) Fair Value (Market) Risk**

Administered 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.

**A25. Cash Flow Reconciliation**

Reconciliation of Cash - Cash at 30 June:

	2006 \$'000	2005 \$'000
Cash Flow Statement	<b>12 461</b>	4 246
Balance Sheet	<b>12 461</b>	4 246

Reconciliation of Net Cash Inflows from Operating Activities to  
Operating Surplus :

Net cash inflows from operating activities	<b>2 895</b>	2 154
Changes in Assets and Liabilities:		
(Decrease) in receivables	<b>(1 063)</b>	(437)
Increase in other assets	-	2
(Increase) in liabilities	<b>(213)</b>	(1 208)
<b>Operating Surplus</b>	<b>1 619</b>	511

**A26. 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.

	2006 \$'000	2005 \$'000
Levies collected during the year	-	3
Amount paid to Attorney-General's Department	-	3
<b>Amount Payable to Attorney-General's Department</b>	<b>-</b>	<b>-</b>

**A27. Natural Gas Authority of South Australia (NGASA)**

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

The principle activities of this operative are:

- Purchase, sale and delivery of gas;
- Administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- Administration of down stream gas sale contracts for AGL Wholesale Gas (SA) and Origin Energy;
- Gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- Gas billing, gas quality and measurement

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from AGL Wholesale Gas (SA) and Origin Energy for gas purchase and the subsequent forwarding of those monies to gas producers. These contracts effectively came to the end of their term on 31 December 2005.

The transactions relating to these activities were processed through a non-interest bearing Special Deposit Account. During 2005-06 receipts from major customers were \$77.2 million (\$150.2 million) and payments to gas producers were \$77.2 million (\$150.2 million).

**A28. 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.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Inflows:		
Income into the fund	<b>21</b>	23
<b>Total Inflows</b>	<b>21</b>	23
Outflows:		
Expenditure from the fund	<b>163</b>	100
<b>Total Outflows</b>	<b>163</b>	100
<b>Net Deficit</b>	<b>(142)</b>	(77)
<b>Fund Balance</b>		
Balance at 1 July	<b>403</b>	480
Net Deficit	<b>(142)</b>	(77)
<b>Balance at 30 June</b>	<b>261</b>	403

# DEPARTMENT OF TREASURY AND FINANCE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department is an Administrative Unit established under the *Public Sector Management Act 1995*.

### Functions

The Government, through the Treasurer and the Department of Treasury and Finance, 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 whole range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

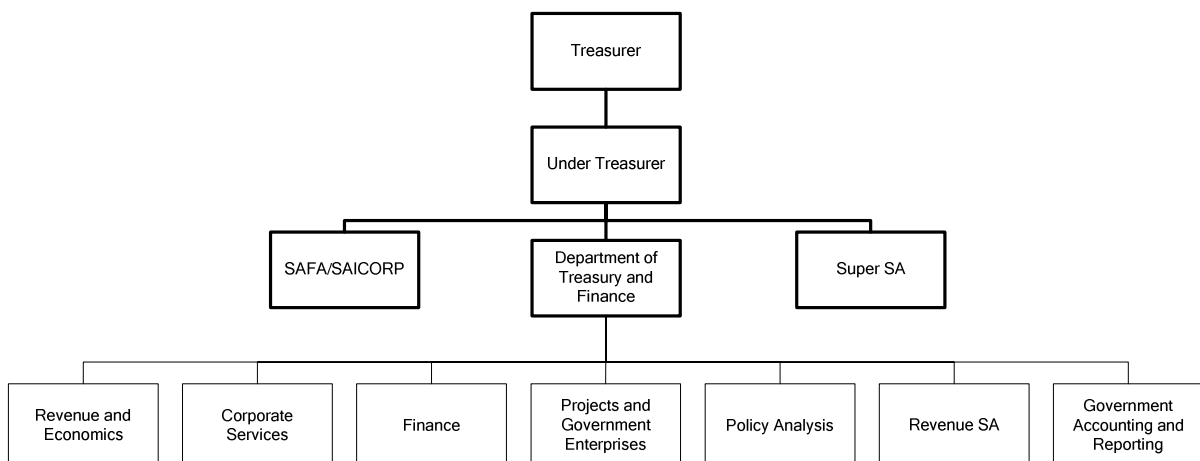
In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA;
- raising and managing the State's debt funding through the South Australian Government Financing Authority (SAFA);
- administering public sector superannuation through the State Superannuation Office (Super SA);
- managing and insuring Government risk through the South Australia Government Captive Insurance Corporation (SAICORP).

The Department administers but does not control certain funds on behalf of the Treasurer. These funds are not recorded in the Department's Income Statement or Balance Sheet, as the Department does not have any discretion to deploy the resources for achievement of its own objectives. 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 report.

### Structure

The structure of the Department of Treasury and Finance as at 30 June 2006 is illustrated in the following organisation chart.



## **Changes to Structure**

An administrative amalgamation of the SAFA and SAICORP branches of the Department was approved by the Under Treasurer in December 2005. The new SAFA/SAICORP branch was responsible for supporting both the SAFA Advisory Board and the SAICORP Board until the dissolution of SAICORP (occurred on 1 July 2006).

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

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

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

### **Scope of Audit**

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

During 2005-06, specific areas of audit attention included:

#### ***Corporate Services***

- operating expenditure
- payroll
- fixed assets
- revenue
- accounting and financial management reporting
- information technology.

#### ***RevenueSA***

- financial accounting and recording systems for tax collections
- Emergency Services Levy (ESL) collection system
- First Home Owners Grant applications and disbursements
- Compliance Services for all taxes
- computer processing environments.

#### ***Insurance Services***

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Government Captive Insurance Corporation (SAICORP).

#### ***Investing and Financing Services***

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Government Financing Authority (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 A of this Report, and the Treasurer's Statements are an Appendix to Part B of this Report.



## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Treasury and Finance as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

#### ***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, 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.

#### **Audit Communications to Management**

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

#### ***Corporate Services***

The Corporate Services branch is responsible for overseeing the processing and management of transactions in relation to the Department's own operations as well as providing some services to other agencies. The audit of the branch indicated that in most cases there was a satisfactory control environment in place, although there were some areas where minor improvements could be made.

#### *Corporate Services Response*

In response, the Department indicated that each of the matters had either been resolved, or that steps had been put in place to implement the Audit recommendations.

#### ***RevenueSA***

RevenueSA is responsible for the collection of more than \$2.6 billion of taxation revenue on behalf of the Government.

Major matters raised with RevenueSA and the related responses were:

#### *Review of General Control Environment*

The audit of RevenueSA indicated that while existing systems of internal control were generally operating satisfactorily, a number of matters warranted further action by management, some of which have been recurrent/outstanding over a number of years.

In response, the Department indicated that each of the matters had either been resolved, or that processes had been implemented to address Audit matters raised.

#### *RISTEC Project*

Last year's Report included commentary with respect to project status of the RevenueSA Information System to Enable Compliance (RISTEC) development.

Specific mention was made in that commentary that considering the importance, financial magnitude and extended duration for the completion of the project, the project would need to be closely monitored and corrective action applied to minimise any potential time and cost overruns.

During the year, Audit obtained an update concerning the implementation of the RISTEC project. Certain observations and comments regarding this project are included in Part A of this Report.

#### ***Government Accounting and Reporting (GAR) Branch***

Responsibilities for the GAR Branch include the Appropriation process, recording the activities of the Consolidated Account and the balances of the Treasurer's Deposit Accounts and Treasurer's Loans. The audit of the GAR Branch indicated that systems of internal control were generally operating satisfactorily, although there were a number of areas where improvements could be made.

In addition to these matters the following observations were made:

*Accrual Appropriation Excess Funds Account*

In 2003-04 Audit commented on aspects of operations of the Accrual Appropriation Excess Funds Account (the Account), including:

- the need for policies and procedures in respect of the Account to be documented, submitted for endorsement by the Treasurer and communicated to agencies;
- advice as to how the balances of the Account currently fit in with the budget and cash management processes of Government;
- the need to undertake a review to determine whether agencies have deposited all required funds into the Account since the implementation of the accrual appropriation methodology.

In response, the Department has advised proposed actions including review of procedures and principles and releasing formal policy and future directions. These were detailed in the past two Reports.

During 2005-06 a follow-up review was undertaken of action taken to address the matters raised by Audit. The follow-up review revealed:

- On 20 June 2005 Cabinet approved a recommendation that the Department finalise and promulgate policies and procedures for the use of the Account by December 2005.
- A review of accrual appropriation arrangements commenced in 2004-05.
- Some agencies had not deposited accrual appropriation amounts into the Account. In the years 1998-99 to 2003-04 the review identified that \$99 million had not been deposited into the Account.
- 2005-06 accrual appropriations were deposited directly into the Account by the Department of Treasury and Finance, rather than relying on agencies to make the transfer.
- Policies and procedures regarding accrual budgeting and access to the Account have been drafted.
- Progress regarding implementation of the Cabinet decision of June 2005 and future direction of accrual budgeting and the Account had not been reported to Cabinet.

In response the Department advised it intends making a Cabinet submission to inform it of the status of the project and future direction of accrual budgeting and the Account.

As at 30 June 2006 the Account balance was \$385 million (\$278 million).

*Appropriation of Administered Items*

Last year Audit commented on:

- GAR branch considering in June 2004 a number of strategies aimed at improving control over appropriation for administered items of departments;
- the Under Treasurer approval in July 2004 to implement a strategy requiring the establishment of non-interest bearing Special Deposit Accounts to receive annual appropriation of administered items as scheduled in the *Appropriation Act*;
- GAR branch not having developed a formal proposal for the Treasurer to establish the Special Deposit Accounts and commence consultation with affected agencies.

Follow-up of this matter in 2005-06 revealed:

- consultations were undertaken with the departments affected by the proposed change;
- the Treasurer approved the establishment of Special Deposit Accounts for administered appropriations in October 2005, with the interim exception of the Department of Treasury and Finance which was established in April 2006 and is in use from 1 July 2006;
- all departments receiving administered appropriations are now doing so through Special Deposit Accounts established for that purpose.

## INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

The implementation of Australian equivalents to International Financial Reporting Standards (AIFRS) occurred in 2005-06. Data for both 2005-06 and 2004-05 has been prepared using AIFRS. Earlier data has not. Note 4 to the financial statements sets out adjustments arising from the adoption of AIFRS.

### Highlights of Financial Report

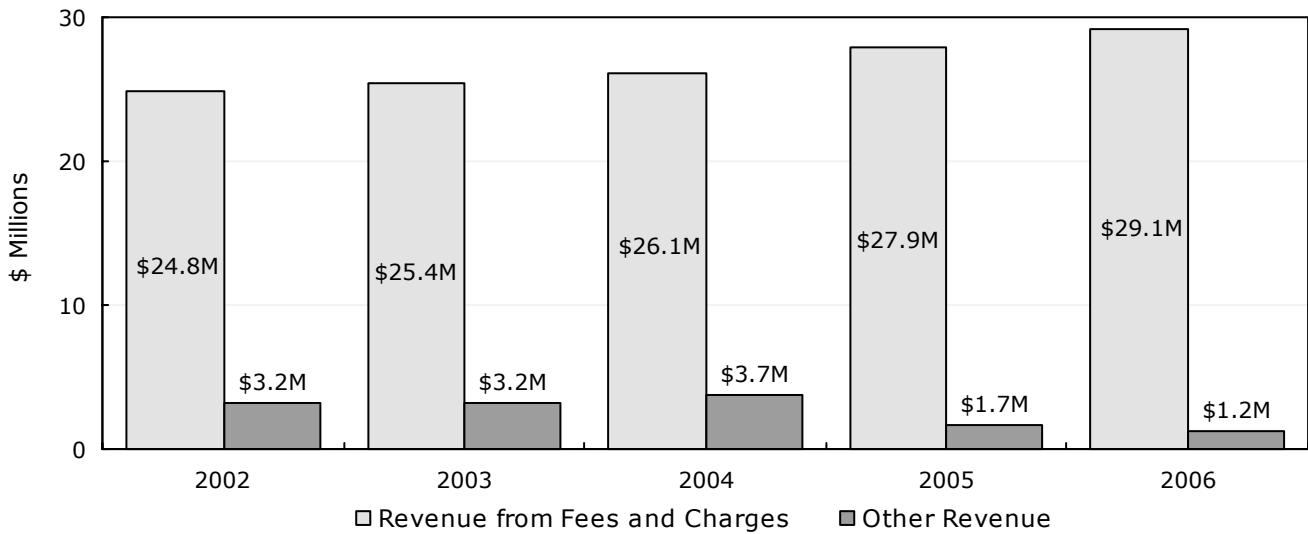
	2006 \$'million	2005 \$'million	Percentage Change
<b>INCOME</b>			
Revenue from fees and charges	29.1	27.9	4
Other revenue	1.2	1.7	(29)
<b>Total Income</b>	<b>30.3</b>	<b>29.6</b>	<b>2</b>
<b>EXPENSES</b>			
Employee benefit costs	44.0	41.8	5
Other expenses	27.4	30.5	(10)
<b>Total Expenses</b>	<b>71.4</b>	<b>72.3</b>	<b>(1)</b>
<b>Net Cost of Providing Services</b>	<b>(41.1)</b>	<b>(42.7)</b>	<b>(4)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>			
Government appropriation	39.9	43.4	(8)
Return of surplus cash	-	(13.5)	n/a
<b>NET RESULT</b>	<b>(1.2)</b>	<b>(12.8)</b>	<b>(91)</b>
<b>ASSETS</b>			
Current assets	13.1	12.4	6
Non-current assets	8.1	9.7	(16)
<b>Total Assets</b>	<b>21.2</b>	<b>22.1</b>	<b>(4)</b>
<b>LIABILITIES</b>			
Current liabilities	5.8	6.4	(9)
Non-current liabilities	9.0	8.3	8
<b>Total Liabilities</b>	<b>14.8</b>	<b>14.7</b>	<b>1</b>
<b>EQUITY</b>	<b>6.4</b>	<b>7.4</b>	<b>(14)</b>

### Income Statement

#### Income

Revenue from fees and charges are the main source of income for the Department, and represent the recovery of costs from other reporting entities (for example, SAFA and SAICORP). Revenues from fees and charges have increased by \$1.2 million (4 percent) in 2006.

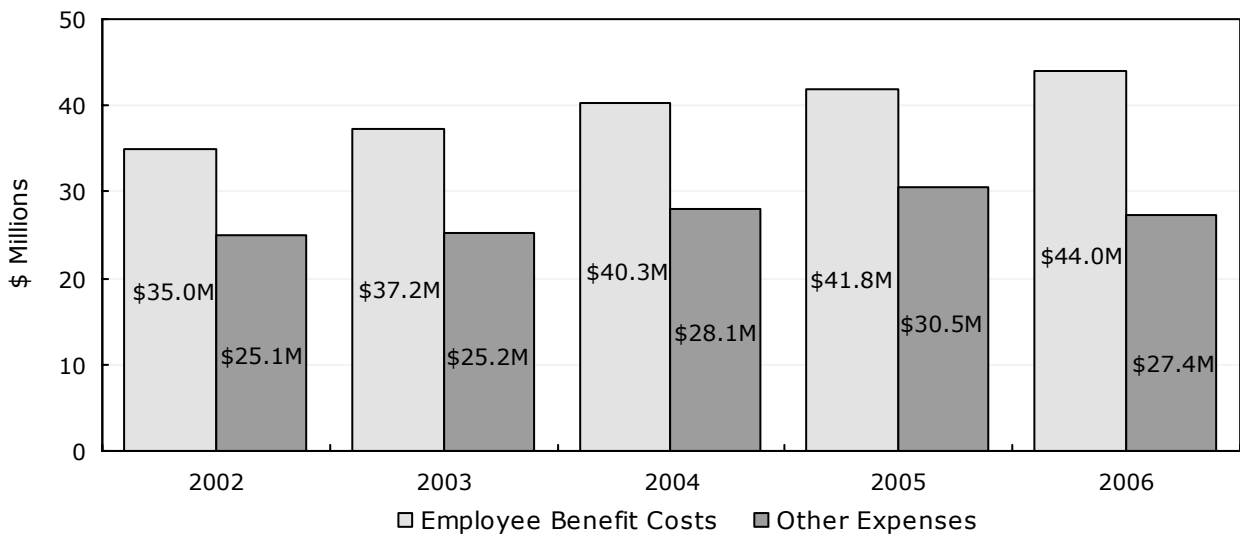
The following chart reflects the trend in income for the past five years.



**Expenses**

Total expenses decreased by \$0.9 million (1 percent) to \$71.4 million (\$72.3 million). The was due to a \$3.1 million decrease in other expenses offset by a \$2.2 million increase in employee benefit costs.

The trend in expenses over the past five years is shown in the following chart.



Other expenses decreased primarily as a result of:

- one-off expenses incurred in 2004-05 (refer Note 9);
- decrease in Accommodation and telecommunication, Information technology and Legal costs (refer Note 7).

**Net Cost of Providing Services**

The Net Cost of Providing Services decreased by 4 percent to \$41.1 million (\$42.7 million). This decrease is due mainly to the decrease in Other expenses offset by the increase in Revenues from fees and charges, as previously discussed.

**Cash Flow Statement**

The following table summarises the net cash flows for the four years to 2006.

	<b>2006</b>	2005	2004	2003
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>1.7</b>	(8.5)	5.6	5.8
Investing	<b>(0.9)</b>	(4.9)	(2.4)	(2.3)
Change in Cash	<b>0.8</b>	(13.4)	3.2	3.5
Cash at 30 June	<b>11.3</b>	10.5	23.9	20.7

**Administered Items**

The Administered financial statements mainly reflect the Department's transactions on behalf of the South Australian Government for the Consolidated Account.

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Taxation	<b>2 683</b>	2 649	1
Commonwealth revenues	<b>3 574</b>	3 382	6
Revenues from SA Government	<b>1 176</b>	1 064	11
Other revenues	<b>1 086</b>	1 092	(1)
<b>Total Income</b>	<b>8 519</b>	8 187	4
<b>EXPENSES</b>			
Payments to SA Government	<b>7 160</b>	7 033	2
Other expenses	<b>1 348</b>	1 150	17
<b>Total Expenses</b>	<b>8 508</b>	8 183	4
<b>Operating Surplus</b>	<b>11</b>	4	n/a
<b>ASSETS</b>			
Current assets	<b>912</b>	1 078	(15)
Non-current assets	<b>2</b>	1	n/a
<b>Total Assets</b>	<b>914</b>	1 079	(15)
<b>LIABILITIES</b>			
Current liabilities	<b>846</b>	1 025	(17)
Non-current liabilities	<b>500</b>	503	(1)
<b>Total Liabilities</b>	<b>1 346</b>	1 528	(12)
<b>EQUITY</b>			
Net Cash Flows from Operating Activities	<b>(175)</b>	644	(127)
Net Cash Flows from Financing Activities	<b>3</b>	-	n/a
<b>Net Increase (Decrease) in Cash Held</b>	<b>(172)</b>	644	(127)
<b>Cash at 1 July</b>	<b>1 070</b>	426	151
<b>Cash at 30 June</b>	<b>898</b>	1 070	(16)

The Consolidated Account result for 2005-06 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

**Income Statement  
for the year ended 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee benefit costs	6	<b>43 983</b>	41 774
Supplies and services	7	<b>25 008</b>	26 404
Depreciation and amortisation expense	8	<b>2 430</b>	2 366
Other expenses	9	<b>6</b>	1 796
<b>Total Expenses</b>		<b>71 427</b>	72 340
<b>INCOME:</b>			
Revenues from fees and charges	11	<b>29 119</b>	27 895
Interest revenues	12	<b>756</b>	836
Other revenues	13	<b>388</b>	877
<b>Total Income</b>		<b>30 263</b>	29 608
<b>NET COSTS OF PROVIDING SERVICES</b>		<b>(41 164)</b>	(42 732)
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	14	<b>39 949</b>	43 380
Payments to SA Government	14	<b>-</b>	(13 450)
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>(1 215)</b>	(12 802)
Net revenue from administrative restructure	23	<b>288</b>	122
<b>NET RESULT AFTER RESTRUCTURING</b>		<b>(927)</b>	(12 680)
<b>THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

## Balance Sheet as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	15	11 354	10 511
Receivables	16	1 719	1 866
<b>Total Current Assets</b>		<b>13 073</b>	12 377
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	17	1 140	901
Intangible assets	18	6 958	8 814
<b>Total Non-Current Assets</b>		<b>8 098</b>	9 715
<b>Total Assets</b>		<b>21 171</b>	22 092
<b>CURRENT LIABILITIES:</b>			
Payables	19	1 870	2 648
Employee benefits	20	3 822	3 764
Provisions	21	54	48
<b>Total Current Liabilities</b>		<b>5 746</b>	6 460
<b>NON-CURRENT LIABILITIES:</b>			
Payables	19	771	827
Employee benefits	20	8 069	7 317
Provisions	21	147	123
<b>Total Non-Current Liabilities</b>		<b>8 987</b>	8 267
<b>Total Liabilities</b>		<b>14 733</b>	14 727
<b>NET ASSETS</b>		<b>6 438</b>	7 365
<b>EQUITY:</b>			
Asset revaluation reserve	22	108	108
Retained earnings	22	6 330	7 257
<b>TOTAL EQUITY</b>		<b>6 438</b>	7 365
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments for Expenditure	24		
Contingent Assets and Liabilities	25		

**Statement of Changes in Equity  
for the year ended 30 June 2006**

	Note	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2004</b>		108	20 764	20 872
Changes in accounting policy		-	(827)	(827)
<b>Restated balance as at 30 June 2004</b>	4	108	19 937	20 045
Net result after restructure for 2004-05		-	(12 680)	(12 680)
Total recognised income and expenses for 2004-05		-	(12 680)	(12 680)
<b>Restated balance as at 30 June 2005</b>	22	108	7 257	7 365
Net result after restructure for 2005-06		-	(927)	(927)
Total recognised income and expenses for 2005-06		-	(927)	(927)
<b>Balance at 30 June 2006</b>	22	<b>108</b>	<b>6 330</b>	<b>6 432</b>

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



## Cash Flow Statement for the year ended 30 June 2006

		2006	2005
		<b>Inflows</b> <b>(Outflows)</b>	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH OUTFLOWS:	Note	<b>\$'000</b>	\$'000
Employee benefit payments		<b>(42 869)</b>	(41 054)
Supplies and services		<b>(25 763)</b>	(26 075)
GST payments on purchases		<b>(2 120)</b>	(3 471)
GST remitted to Australian Taxation Office		<b>(2 032)</b>	(1 995)
Other payments		-	(968)
<b>Cash used in Operations</b>		<b>(72 784)</b>	(73 563)
CASH INFLOWS:			
Fees and charges		<b>29 260</b>	27 923
Interest received		<b>761</b>	873
GST receipts on receivables		<b>2 021</b>	2 021
GST input tax credits		<b>2 070</b>	3 609
Other receipts		<b>417</b>	691
<b>Cash Generated from Operations</b>		<b>34 529</b>	35 117
CASH FLOWS FROM GOVERNMENT:			
Receipts from SA Government		<b>39 949</b>	43 380
Payments to SA Government		-	(13 450)
<b>Cash Generated from SA Government</b>		<b>39 949</b>	29 930
<b>Net Cash provided by (used in) Operating Activities</b>	26(b)	<b>1 694</b>	(8 516)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		<b>(594)</b>	(366)
Purchase of intangible assets		<b>(257)</b>	(4 541)
<b>Cash used in Investing Activities</b>		<b>(851)</b>	(4 907)
<b>Net Cash used in Investing Activities</b>		<b>(851)</b>	(4 907)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>843</b>	(13 423)
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>		<b>10 511</b>	23 934
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	26(a)	<b>11 354</b>	10 511

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	Program 1		Program 2		Program 3	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>						
Employee benefit costs	13 435	12 580	30 330	27 065	-	1 865
Supplies and services	4 609	6 712	20 375	18 502	-	1 144
Depreciation and amortisation expense	729	656	1 701	1 692	-	16
Other expenses	2	232	4	1 527	-	32
<b>Total Expenses</b>	<b>18 775</b>	<b>20 180</b>	<b>52 410</b>	<b>48 786</b>	<b>-</b>	<b>3 057</b>
<b>INCOME:</b>						
Revenues from fees and charges	1 610	1 892	27 508	25 976	-	23
Interest revenues	309	310	445	476	-	43
Other revenues	112	260	276	373	-	241
<b>Total Income</b>	<b>2 031</b>	<b>2 462</b>	<b>28 229</b>	<b>26 825</b>	<b>-</b>	<b>307</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(16 744)</b>	<b>(17 718)</b>	<b>(24 181)</b>	<b>(21 961)</b>	<b>-</b>	<b>(2 750)</b>
<b>REVENUES FROM (PAYMENTS TO)</b>						
<b>SA GOVERNMENT:</b>						
Revenues from SA Government	16 837	18 811	22 873	21 328	-	2 919
Payments to SA Government	-	(5 833)	-	(6 612)	-	(905)
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>93</b>	<b>(4 740)</b>	<b>(1 308)</b>	<b>(7 245)</b>	<b>-</b>	<b>(736)</b>

	Program 4		Program Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>				
Employee benefit costs	218	264	43 983	41 774
Supplies and services	24	46	25 008	26 404
Depreciation and amortisation expense	-	2	2 430	2 366
Other expenses	-	5	6	1 796
<b>Total Expenses</b>	<b>242</b>	<b>317</b>	<b>71 427</b>	<b>72 340</b>
<b>INCOME:</b>				
Revenues from fees and charges	1	4	29 119	27 895
Interest revenues	2	7	756	836
Other revenues	-	3	388	877
<b>Total Income</b>	<b>3</b>	<b>14</b>	<b>30 263</b>	<b>29 608</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(239)</b>	<b>(303)</b>	<b>(41 164)</b>	<b>(42 732)</b>
<b>REVENUES FROM (PAYMENTS TO)</b>				
<b>SA GOVERNMENT:</b>				
Revenues from SA Government	239	322	39 949	43 380
Payments to SA Government	-	(100)	-	(13 450)
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>-</b>	<b>(81)</b>	<b>(1 215)</b>	<b>(12 802)</b>

The allocations to programs are indicative and are based on broad costing methodologies. Program descriptions are contained in Note 5.

## 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 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*

#### **Achieve performance improvements in the South Australian Public Sector**

*Related SASP Objective: Growing Prosperity*

*Target Area: Performance Improvement in the SA Public Sector – Productivity and Quick Decision Making*

#### **Improve Service Delivery**

*Related SASP Objective: Growing Prosperity*

*Target Area: Performance Improvement in the SA Public Sector – Productivity and Quick Decision Making*

#### **Effective Industry Regulation**

*Related SASP Objective: Growing Prosperity*

*Target Area: Performance Improvement in the SA Public Sector – Productivity and Quick Decision Making*

#### **Improve Budget and Financial Management Processes**

*Related SASP Objective: Growing Prosperity*

*Target Area: Performance Improvement in the SA Public Sector – Productivity and Quick Decision Making; Strategic Infrastructure Development, Regional Infrastructure*

#### **Corporate Priorities**

*Related SASP Objective: Growing Prosperity*

*Target Area: Performance Improvement in the SA Public Sector – Productivity and Quick Decision Making*

To achieve these objectives, the Department delivers a number of programs for the Government. The program information is summarised in Note 5.

### 2. Summary of Significant Accounting Policies

#### **2.1 Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP).

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 4. No adjustments were required for the administered financial statements.

The Department's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

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

#### **2.2 Reporting Entity**

The Department produces both Departmental and Administered financial statements. The Departmental financial statements include the use of income, expenses, assets, and liabilities, controlled or incurred by the Department in its own right. The Administered financial statements include the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

### **2.3 Administrative Restructure**

The Micro Economic Reform and Infrastructure (MERI) Branch was transferred to the Department for Transport, Energy and Infrastructure from 1 July 2005. No revenue or expenses for this function were included in the financial statements for 2005-06. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in Note 23.

The Lotteries and Gaming unit was transferred to the Office of the Liquor and Gambling Commissioner, effective 1 July 2004. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in Note 23.

### **2.4 Comparative Information**

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

Comparative figures have been restated on an AIFRS basis. The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 4 provides a detailed analysis of comparative amounts that have been reclassified as a result of adopting AIFRS.

### **2.5 Rounding**

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

### **2.6 Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the Australian Taxation Office.
- Receivables and creditors are stated with the amount of GST included.

### **2.7 Income and Expenses**

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with the Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APSs 4.1 and 4.2 the financial report's notes disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The transaction split between SA Government entities and Non-SA Government entities is classified according to their nature.

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

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing the proceeds from sale with the carrying amount of the asset.

### **2.8 Revenues from (Payments to) 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. Appropriation receipts are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, and revenues from taxation, Commonwealth Government, dividends, interest, other revenues received on behalf of the government and paid directly to the Consolidated Account.

### **2.9 Current and Non-Current Classification**

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

**2.9 Current and Non-Current Classification (continued)**

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

**2.10 Cash**

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

**2.11 Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals.

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

**2.12 Non-Current Assets Acquisition and Recognition**

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or nominal value, they are recorded at their fair value in the Balance Sheet. 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 the value recorded by the transferor prior to transfer.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.16 all non-current tangible assets with a value of \$5 000 or greater are capitalised.

**2.13 Revaluation of Non-Current Assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

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

Every three years the Department revalues its land and buildings. 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.

**2.14 Impairment**

All non-current tangible and intangible assets are reviewed for indication of impairment through stocktaking processes. Where there is an indication of impairment, the recoverable amount is estimated. Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

**2.15 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.

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

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Furniture and fittings	Straight Line	10
Intangibles	Straight Line	3-10
Information Technology equipment	Straight Line	4
Office equipment	Straight Line	3

**2.16 Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset, outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$5 000 in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.16.

All research and development costs that do not meet the capitalisation criteria outline 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 will be capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality will be expensed.

### **2.17 Payables**

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

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

The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the schemes.

### **2.18 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.

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

The liability for long service leave is recognised after an employee has completed seven years of service as advised in Accounting Policy Framework IV *Financial Asset and Liability Framework*. An actuarial assessment 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.

The current/non-current classification of DTF's long service leave liabilities has been calculated based on historical usage patterns consistent with APS 5.15 of the Accounting Policy Framework IV *Financial Asset and Liability Framework*.

### **2.19 Leases**

The Department has entered into operating leases. More information on operating leases is contained in Note 24.

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

## **3. Financial Risk Management**

The Department has significant interest bearing assets (cash on deposit) and minor non-interest bearing assets (receivables) and liabilities (payables). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

## **4. Changes in Accounting Policies**

### ***Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)***

The Department has adopted the AIFRS for the first time for the year ended 30 June 2006. A major change is the treatment of accounting policy changes under AIFRS. These now apply retrospectively except for specific exemptions in accordance with another standard. The resulting adjustments arising from events and transactions before the date of transition to AIFRS have been recognised directly in retained earnings at the date of transition to AIFRS. The table below summarises changes to 2004-05 comparatives as a result of the transition from previous Australian GAAP standards to AIFRS.

**Explanation of transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)**

	At 01.07.04			At 30.06.05		
	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>ASSETS:</b>						
Current Assets	25 849	-	25 849	12 377	-	12 377
Non-Current Assets	8 542	(827)	7 715	11 401	(1 686)	9 715
Current Liabilities	(5 341)	-	(5 341)	(6 460)	-	(6 460)
Non-Current Liabilities	(8 178)	-	(8 178)	(8 267)	-	(8 267)
<b>Net Assets</b>	<b>20 872</b>	<b>(827)</b>	<b>20 045</b>	<b>9 051</b>	<b>(1 686)</b>	<b>7 365</b>
<b>EQUITY:</b>						
Retained earnings	(20 764)	827	(19 937)	(8 943)	1 686	(7 257)
Asset revaluation reserve	(108)	-	(108)	(108)	-	(108)
<b>Total Equity</b>	<b>(20 872)</b>	<b>827</b>	<b>(20 045)</b>	<b>(9 051)</b>	<b>1 686</b>	<b>(7 365)</b>
<b>NET RESULT AFTER RESTRUCTURE</b>				<b>(11 821)</b>	<b>(859)</b>	<b>(12 680)</b>
<b>NET CHANGE IN CASH HELD</b>				<b>(13 423)</b>		<b>(13 423)</b>

In accordance with AASB 138, the Department has classified software that is integral to the operation of systems as an intangible asset. In addition, AASB 138 requires all research costs to be expensed and imposes stricter recognition for the capitalisation of development costs. This has resulted in a reduction of the written down value of intangible assets as at 1 July 2004 of \$0.8 million and a further \$0.9 million during 2004-05. These reductions have been primarily for the Revenue SA Information System Project to Enable Compliance (RISTEC).

The adoption of AIFRS has not resulted in any material adjustments to the Income Statement or Cash Flow Statement.

Employee benefits payable later than 12 months from year-end have been measured at present value rather than at nominal amounts as required by AASB 119 *Employee Benefits*.

**5. Programs of the Department**

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

**Program 1: Ensuring 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.

**Program 2: Financial Services Provision**

The Department has a role of providing a range of whole-of-government services including liability management, collection of taxes, insurance and superannuation administration.

**Program 3: Industry Regulation and Infrastructure**

This program includes the provision of policy advice to the Minister on energy issues, coordinating market reforms and reviewing infrastructure needs.

From 1 July 2005, the Department no longer provides the Industry Regulation and Infrastructure program, which related to the provision of policy advice to the Minister on energy issues, coordinating market reforms and reviewing infrastructure needs. This program transferred to the Department for Transport, Energy and Infrastructure.

**Program 4: Gambling Policy**

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling, provision of gambling licensing and regulatory services, and independent research and inquiries into gambling related issues.

**6. Employee Benefit Costs**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages	<b>31 820</b>	30 679
TVSP (refer below)	<b>183</b>	-
Long service leave	<b>1 363</b>	977
Annual leave	<b>3 036</b>	2 957
Employment on-costs - Superannuation	<b>4 210</b>	3 924
Employment on-costs - Other	<b>2 249</b>	2 154
Board fees <sup>(i)</sup>	<b>188</b>	224
Other employee related expenses	<b>934</b>	859
<b>Total Employee Expenses</b>	<b>43 983</b>	41 774

(i) Represents fees paid to members of the South Australian Superannuation Board, South Australian Government Financing Authority and the Board of Directors of South Australian Government Captive Insurance Corporation. The note for remuneration of board members will be included in the financial statements of these entities.

**Targeted Voluntary Separation Packages (TVSPs)**

Amount paid to these employees:

TVSPs  
Accrued annual leave and long service leave paid during the reporting period

2006	2005
\$'000	\$'000
183	-
10	-
<b>193</b>	-

Number of employees that were paid TVSPs during the reporting period

2006	2005
Number of Employees	Number of Employees
1	-

**Remuneration of Employees**

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

\$100 000 - \$109 999  
\$110 000 - \$119 999  
\$120 000 - \$129 999  
\$130 000 - \$139 999  
\$140 000 - \$149 999  
\$150 000 - \$159 999  
\$160 000 - \$169 999  
\$170 000 - \$179 999  
\$180 000 - \$189 999  
\$190 000 - \$199 999  
\$200 000 - \$209 999  
\$210 000 - \$219 999  
\$250 000 - \$259 999  
\$260 000 - \$269 999  
\$270 000 - \$279 999  
\$310 000 - \$319 999  
\$320 000 - \$329 999

9	5
4	10
3	10
16	9
7	1
1	5
5	2
1	1
1	3
-	1
2	-
2	-
-	1
1	-
1	-
-	1
1	-
<b>54</b>	<b>49</b>

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, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$7 967 000 (\$6 874 000).

**7. Supplies and Services**

Supplies and Services provided by Entities within the SA Government:

Accommodation and telecommunication  
Information technology expenses  
Minor works, maintenance and equipment  
Legal costs  
Valuation fees  
General administration and consumables  
Other

2006	2005
\$'000	\$'000
4 273	4 687
2 782	3 456
258	621
721	1 116
3 687	1 262
76	60
2 209	2 259
<b>14 006</b>	<b>13 461</b>

**Total Supplies and Services - SA Government Entities**

Supplies and Services provided by Entities external to SA Government:

Accommodation and telecommunication  
Information technology expenses  
Minor works, maintenance and equipment  
Legal costs  
Consultants  
Contractors  
General administration and consumables  
Other

103	70
2 928	3 106
405	431
31	-
515	1 085
3 029	3 744
2 361	2 497
1 630	2 010
<b>11 002</b>	<b>12 943</b>

**Total Supplies and Services - Non-SA Government Entities****Total Supplies and Services**

<b>25 008</b>	<b>26 404</b>
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The total supplies and services amount disclosed includes GST amounts non-recoverable from the Australian Taxation Office due to the Department not holding a valid tax invoice for payments relating to third party arrangements.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2006	2005	2006	2005
	Number	Number	\$'000	\$'000
Below \$10 000	15	14	51	26
Between \$10 000 and \$50 000	5	10	93	264
Above \$50 000	3	4	371	795
	<b>23</b>	<b>28</b>	<b>515</b>	<b>1 085</b>



<b>8. Depreciation and Amortisation Expense</b>	<b>2006</b>	2005
Depreciation:	<b>\$'000</b>	\$'000
Furniture and fittings	<b>27</b>	26
Information technology equipment	<b>171</b>	112
Office equipment	<b>111</b>	102
<b>Total Depreciation</b>	<b>309</b>	240
Amortisation:		
Intangible assets	<b>2 121</b>	2 126
<b>Total Amortisation</b>	<b>2 121</b>	2 126
<b>Total Depreciation and Amortisation Expense</b>	<b>2 430</b>	2 366
<b>9. Other Expenses</b>		
Other expenses paid/payable to entities external to the SA Government:		
South Australian Superannuation Board reserve	-	918
Furniture and fittings derecognised	-	753
Intangible asset derecognised	-	25
Property, plant and equipment write-offs	<b>6</b>	50
Other	-	50
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>6</b>	1 796
<b>Total Other Expenses</b>	<b>6</b>	1 796
Adjustments were incorporated into the 2004-05 financial statements to recognise that some of the cash reserves held within the Department's Balance Sheet were actually controlled by the South Australian Superannuation Board rather than the Department. In addition, a number of items that had previously been capitalised were assessed as not meeting the criteria of an asset and were therefore expensed during 2004-05 in order to correct the Balance Sheet.		
<b>10. Auditor's Remuneration</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Audit fees paid/payable to the Auditor-General's Department	<b>381</b>	368
<b>Total Audit Fees</b>	<b>381</b>	368
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>11. Revenue from Fees and Charges</b>		
Fees and charges received/receivable from entities within the SA Government:		
Agencies for the provision of Corporate Services	<b>1 816</b>	1 661
South Australian Government Captive Insurance Corporation	<b>1 972</b>	2 013
South Australian Government Financing Authority	<b>5 735</b>	5 544
Community Emergency Services Fund	<b>6 100</b>	6 100
Banking administration fees	<b>457</b>	565
Land tax certificates	<b>431</b>	418
Other recoveries	<b>1 683</b>	1 766
<b>Total Fees and Charges - SA Government Entities</b>	<b>18 194</b>	18 067
Fees and charges received/receivable from entities external to the SA Government:		
South Australian Superannuation Board	<b>10 149</b>	9 145
Land tax certificates	<b>214</b>	197
Regulatory fees	<b>197</b>	214
Other recoveries	<b>365</b>	272
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>10 925</b>	9 828
<b>Total Fees and Charges</b>	<b>29 119</b>	27 895
<b>12. Interest Revenues</b>		
Interest from entities within the SA Government	<b>756</b>	836
<b>Total Interest Revenues</b>	<b>756</b>	836
<b>13. Other Revenues</b>		
Other revenues received/receivable from entities within the SA Government:		
Core client access licences	-	248
Other reimbursements	<b>3</b>	1
Other revenue	<b>1</b>	4
<b>Total Other Revenues - SA Government Entities</b>	<b>4</b>	253
Other revenues received/receivable from entities external to SA Government:		
Commissions	<b>141</b>	145
Banking recoveries	<b>52</b>	45
Other reimbursements	-	325
Other revenue	<b>191</b>	109
<b>Total Other Revenues - Non-SA Government Entities</b>	<b>384</b>	624
<b>Total Other Revenues</b>	<b>388</b>	877

<b>14. Revenues from/Payments to SA Government</b>	<b>2006</b>	2005
Revenues from SA Government:	<b>\$'000</b>	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>39 949</b>	43 380
<b>Total Revenues from SA Government</b>	<b>39 949</b>	43 380
Payments to SA Government:		
Return of surplus cash pursuant to Cash Alignment Policy	-	13 450
<b>Total Payments to SA Government</b>	<b>-</b>	13 450
<b>15. Cash and Cash Equivalents</b>		
Deposits with the Treasurer	<b>11 351</b>	10 508
Cash on hand	<b>3</b>	3
<b>Total Cash and Cash Equivalents</b>	<b>11 354</b>	10 511

**Deposits with the Treasurer**

Includes funds held in the Accrual Appropriation Excess Funds Account and Surplus Cash Working Account balances. The balances of these funds are not available for general use.

**Interest Rate Risk**

Cash on hand is non-interest bearing. Deposits with the Treasurer are bearing a floating interest rate between 5.35 percent and 5.43 percent. From 1 July 2006, the Deposits with the Treasurer will be non-interest bearing and the Department will receive additional appropriation to supplement the interest revenue. The carrying amount of cash approximates net fair value.

<b>16. Receivables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Receivables	<b>166</b>	276
Accrued revenues	<b>445</b>	467
Prepayments	<b>914</b>	943
GST receivable	<b>192</b>	180
	<b>1 717</b>	1 866
Expected to be received more than 12 months after reporting date:		
Prepayments	<b>2</b>	-
<b>Total Current Receivables</b>	<b>1 719</b>	1 866
<b>Total Receivables</b>	<b>1 719</b>	1 866

**SA Government/Non-SA Government Entities Receivables**

Receivables from SA Government entities:		
Receivables	<b>43</b>	74
Accrued revenues	<b>377</b>	391
Prepayments	<b>20</b>	20
<b>Total Receivables from SA Government Entities</b>	<b>440</b>	485
Receivables from Non-SA Government entities:		
Receivables	<b>123</b>	202
Accrued revenues	<b>68</b>	76
Prepayments	<b>896</b>	923
GST receivable	<b>192</b>	180
<b>Total Receivables from Non-SA Government Entities</b>	<b>1 279</b>	1 381
<b>Total Receivables</b>	<b>1 719</b>	1 866

**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. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

<b>17. Property, Plant and Equipment</b>	<b>2006</b>	2005
Furniture and Fittings:	<b>\$'000</b>	\$'000
Furniture and fittings at cost (deemed fair value)	<b>284</b>	272
Accumulated depreciation	<b>(129)</b>	(106)
<b>Total Furniture and Fittings</b>	<b>155</b>	166
Information Technology Equipment:		
Information technology equipment at cost (deemed fair value)	<b>1 307</b>	871
Accumulated depreciation	<b>(545)</b>	(374)
<b>Total Information Technology Equipment</b>	<b>762</b>	497

<b>17. Property, Plant and Equipment (continued)</b>	<b>2006</b>	2005
Office Equipment:	<b>\$'000</b>	\$'000
Office equipment at cost (deemed fair value)	<b>484</b>	476
Accumulated depreciation	<b>(261)</b>	(238)
<b>Total Office Equipment</b>	<b>223</b>	238
<b>Total Property, Plant and Equipment</b>	<b>1 140</b>	901

**Impairment**

There were no indications of impairment of property, plant and equipment, and intangible assets at 30 June 2006.

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of property, plant and equipment during 2005-06.

	Furniture & Fittings \$'000	Information Technology Equipment	Office Equipment \$'000	<b>2006 Total \$'000</b>
Carrying amount at 1 July	166	497	238	<b>901</b>
Additions	20	436	98	<b>554</b>
Write-off non-current assets	(4)	-	(2)	<b>(6)</b>
Depreciation expense	(27)	(171)	(111)	<b>(309)</b>
<b>Carrying Amount at 30 June</b>	<b>155</b>	<b>762</b>	<b>223</b>	<b>1 140</b>

<b>18. Intangible Assets</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Computer software	<b>14 703</b>	14 438
Accumulated amortisation	<b>(7 745)</b>	(5 624)
<b>Total Intangible Assets</b>	<b>6 958</b>	8 814

**Reconciliation of Intangible Assets**

The following table shows the movement of intangible assets during 2005-06:

	<b>2006 \$'000</b>
Carrying amount at 1 July	<b>8 814</b>
Additions	<b>265</b>
Amortisation expense	<b>(2 121)</b>
<b>Carrying Amount at 30 June</b>	<b>6 958</b>

The useful lives of intangible assets were reassessed during 2005-06. As a result, a number of useful lives of some assets were updated.

<b>19. Payables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Creditors	<b>68</b>	834
Accrued expenses	<b>1 193</b>	1 241
Employee on-costs	<b>609</b>	573
<b>Total Current Payables</b>	<b>1 870</b>	2 648
Non-Current:		
Employee on-costs	<b>771</b>	827
<b>Total Non-Current Payables</b>	<b>771</b>	827
<b>Total Payables</b>	<b>2 641</b>	3 475

**SA Government/Non-SA Government Entities Payables**

Payables from SA Government entities:

Creditors	<b>68</b>	420
Accrued expenses	<b>1 008</b>	1 016
Employment on-costs	<b>692</b>	651
<b>Total Payables to SA Government Entities</b>	<b>1 768</b>	2 087

Payables to Non-SA Government entities:

Creditors	-	414
Accrued expenses	<b>185</b>	225
Employment on-costs	<b>688</b>	749
<b>Total Payables to Non-SA Government Entities</b>	<b>873</b>	1 388
<b>Total Payables</b>	<b>2 641</b>	3 475

**Interest Rate and Credit Risk**

Creditors are raised for all amounts billed but unpaid. Trade 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.

<b>20. Employee Benefits</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Accrued salaries and wages	<b>632</b>	543
Annual leave	<b>2 593</b>	2 563
Long service leave	<b>597</b>	658
<b>Total Current Employee Benefits</b>	<b>3 822</b>	3 764
Non-Current:		
Long service leave	<b>8 069</b>	7 317
<b>Total Non-Current Employee Benefits</b>	<b>8 069</b>	7 317
<b>Total Employee Benefits</b>	<b>11 891</b>	11 081

The total current and non-current employee benefit plus related on-costs for 2006 is \$4 431 000 and \$8 840 000 respectively.

<b>21. Provisions</b>		
Current:		
Provisions for workers compensation	<b>54</b>	48
<b>Total Current Provisions</b>	<b>54</b>	48
Non-Current:		
Provisions for workers compensation	<b>147</b>	123
<b>Total Non-Current Provisions</b>	<b>147</b>	123
<b>Total Provisions</b>	<b>201</b>	171

#### **Reconciliation of Provisions**

The following table shows the movement of provisions:

Carrying amount at 1 July	<b>171</b>	163
Payments made	<b>(62)</b>	(18)
Increase in the Provision	<b>92</b>	26
<b>Carrying Amount at 30 June</b>	<b>201</b>	171

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

<b>22. Equity</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Retained earnings	<b>6 330</b>	7 257
Asset revaluation reserve	<b>108</b>	108
<b>Total Equity</b>	<b>6 438</b>	7 365

The property, plant and equipment asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

<b>23. Net Revenue from Administrative Restructure</b>		
Liabilities transferred to the Department for Transport, Energy and Infrastructure in 2005-06 and the Office of the Liquor and Gambling Commissioner in 2004-05:		
Annual leave	<b>112</b>	23
Long service leave	<b>142</b>	82
Employment on-costs	<b>34</b>	17
<b>Net Revenue from Administrative Restructure</b>	<b>288</b>	122

<b>24. Commitments</b>		
<b>(a) Remuneration Commitments</b>		
Amounts disclosed include commitments arising from executive and other employment contracts. The Department does not offer remuneration contracts greater than five years.		
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:		
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>6 412</b>	6 127
Later than one year but not later than five years	<b>11 675</b>	9 117
	<b>18 087</b>	15 244

**(b) Operating Lease Commitments**

At the reporting date, the Department's operating leases are for the lease of office accommodation and motor vehicles.

Office accommodation is leased from the Real Estate Management business unit of the DAIS. The leases are non-cancellable with terms ranging up to 6 years with some leases having right of renewal. Rental is payable in arrears.

The motor vehicles are leased from Fleet SA, a business unit of the DAIS, for the provision of cars to executive officers or to branches (ie pool cars). The leases are non-cancellable with terms ranging up to three years. There are no purchase options available to the Department.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>3 046</b>	3 102
Later than one year but not later than five years	<b>7 852</b>	10 053
	<b>10 898</b>	13 155

**(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.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>1 530</b>	1 008
Later than one year but not later than five years	<b>3 030</b>	2 970
	<b>4 560</b>	3 978

**25. 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.

**26. Cash Flow Reconciliation****(a) Reconciliation of Cash - Cash at Year End**

As per:

Cash Flow Statement	<b>11 354</b>	10 511
Balance Sheet	<b>11 354</b>	10 511

**(b) Reconciliation of Net Cash Provided by Operating Activities to Net Cost of Providing Services**

Net cash provided by (used in) operating activities	<b>1 694</b>	(8 516)
Add: Revenues from SA Government	<b>(39 949)</b>	(43 380)
Add: Payments to SA Government	-	13 450
Add: Non-cash items:		
Depreciation and amortisation	<b>(2 430)</b>	(2 366)
Assets de-recognised	-	(778)
Asset write-offs	<b>(6)</b>	(50)
Net revenue from administrative restructure	<b>(288)</b>	(122)
Assets acquired at no cost	-	248
Non-current assets accrual in payables	<b>(32)</b>	39
Change in Assets/Liabilities:		
Increase (Decrease) in receivables	<b>(147)</b>	(49)
(Increase) Decrease in payables	<b>834</b>	(691)
(Increase) Decrease in employee benefits	<b>(810)</b>	(515)
(Increase) Decrease in provisions	<b>(30)</b>	(8)
(Increase) Decrease in other liabilities	-	6
<b>Net Cost of Providing Services</b>	<b>(41 164)</b>	(42 732)

**27. Events after Balance Date**

There were no events occurring after balance date that had material financial implications on these financial statements.

**Statement of Administered Income and Expenses  
for the year ended 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>INCOME:</b>			
Taxation	29	<b>2 683 051</b>	2 648 878
Commonwealth revenues	30	<b>3 573 578</b>	3 381 989
Dividends	31	<b>435 968</b>	403 070
Interest revenues	32	<b>140 003</b>	159 152
Revenues from SA Government	33	<b>1 176 282</b>	981 370
Grants and contributions	34	<b>104 971</b>	90 528
Revenues from fees and charges	35	<b>22 133</b>	19 995
Other revenues	36	<b>383 345</b>	502 560
<b>Total Income</b>		<b>8 519 331</b>	8 187 542
<b>EXPENSES:</b>			
Payments to SA Government	33	<b>7 159 601</b>	7 032 787
Employee benefits cost	37	<b>272 200</b>	252 626
Supplies and services	38	<b>51 223</b>	50 048
Interest expense		<b>261 241</b>	284 819
Grants, subsidies and transfers	39	<b>654 167</b>	499 454
Depreciation expense	40	<b>13</b>	14
Other expense	41	<b>110 013</b>	63 919
<b>Total Expenses</b>		<b>8 508 458</b>	8 183 667
<b>OPERATING SURPLUS</b>		<b>10 873</b>	3 875
Net revenue from administrative restructure	50	<b>5 483</b>	-
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>16 356</b>	3 875

**THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO  
SA GOVERNMENT AS OWNER**

**Statement of Administered Assets and Liabilities  
as at 30 June 2006**

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	42	<b>897 805</b>	1 069 870
Receivables	43	<b>13 552</b>	8 631
Other financial assets	44	<b>1 043</b>	108
<b>Total Current Assets</b>		<b>912 400</b>	1 078 609
<b>NON-CURRENT ASSETS:</b>			
Other financial assets	44	<b>1 419</b>	115
Property, plant and equipment	45	<b>525</b>	538
<b>Total Non-Current Assets</b>		<b>1 944</b>	653
<b>Total Assets</b>		<b>914 344</b>	1 079 262
<b>CURRENT LIABILITIES:</b>			
Payables	46	<b>844 068</b>	1 022 703
Interest bearing liabilities	47	<b>76</b>	108
Other current liabilities	48	<b>1 835</b>	1 791
<b>Total Current Liabilities</b>		<b>845 979</b>	1 024 602
<b>NON-CURRENT LIABILITIES:</b>			
Payables	46	<b>499 788</b>	502 338
Interest bearing liabilities	47	<b>39</b>	115
Other non-current liabilities	48	<b>905</b>	930
<b>Total Non-Current Liabilities</b>		<b>500 732</b>	503 383
<b>Total Liabilities</b>		<b>1 346 711</b>	1 527 985
<b>NET ASSETS</b>		<b>(432 367)</b>	(448 723)
<b>EQUITY:</b>			
Accumulated deficit		<b>(432 367)</b>	(448 723)
<b>TOTAL EQUITY</b>		<b>(432 367)</b>	(448 723)
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments	49		
Contingent Assets and Liabilities	51		

**Statement of Administered Changes in Equity  
for the year ended 30 June 2006**

	Accumulated Deficit \$'000
<b>Balance at 30 June 2004</b>	(452 598)
Changes in accounting policy	-
<b>Restated Balance as at 30 June 2004</b>	(452 598)
Net result after restructure for 2004-05	3 875
Total Recognised Income and Expenses for 2004-05	3 875
<b>Restated Balance at 30 June 2005</b>	(448 723)
Net result after restructure for 2005-06	16 356
Total Recognised Income and Expenses for 2005-06	16 356
<b>Balance at 30 June 2006</b>	<b>(432 367)</b>

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



**Statement of Administered Cash Flows  
for the year ended 30 June 2006**

		<b>2006</b>	2005
		<b>Inflows</b>	Inflows
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<b>(Outflows)</b>	(Outflows)
CASH INFLOWS:	Note	<b>\$'000</b>	\$'000
Taxation received		<b>2 683 050</b>	2 648 878
Receipts from Commonwealth		<b>3 573 578</b>	3 381 989
Dividends		<b>435 968</b>	403 070
Interest received		<b>139 971</b>	159 151
Receipts from SA Government		<b>1 176 282</b>	981 370
Grants and contributions		<b>105 055</b>	92 254
Fees and charges		<b>22 088</b>	20 011
GST receipts on receivables		<b>5 145</b>	4 544
GST input tax credits		<b>4 987</b>	9 284
Other receipts		<b>379 630</b>	498 700
<b>Total Cash Inflows</b>		<b>8 525 754</b>	8 199 251
CASH OUTFLOWS:			
Payments to SA Government		<b>(7 330 820)</b>	(6 399 167)
Employee payments		<b>(272 200)</b>	(260 626)
Supplies and services		<b>(51 257)</b>	(50 100)
Interest payments		<b>(261 241)</b>	(284 819)
Grants, subsidies and transfers		<b>(654 043)</b>	(499 415)
GST payments on purchases		<b>(8 035)</b>	(3 585)
GST remitted to Australian Taxation Office		<b>(5 751)</b>	(3 717)
Other payments		<b>(117 605)</b>	(54 218)
<b>Total Cash Outflows</b>		<b>(8 700 952)</b>	(7 555 647)
<b>Net Cash (outflows) inflows from Operating Activities</b>	53(b)	<b>(175 198)</b>	643 604
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
CASH INFLOWS:			
Proceeds from other financial assets		<b>3 754</b>	170
<b>Total Inflows</b>		<b>3 754</b>	170
CASH OUTFLOWS:			
Other financial assets granted		<b>(513)</b>	-
Repayment of interest bearing liabilities		<b>(108)</b>	(170)
<b>Total Outflows</b>		<b>(621)</b>	(170)
<b>Net Cash inflows from Financing Activities</b>		<b>3 133</b>	-
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(172 065)</b>	643 604
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>		<b>1 069 870</b>	426 266
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	53(a)	<b>897 805</b>	1 069 870

## Schedule of Administered Income and Expenses for the year ended 30 June 2006

	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
<b>INCOME:</b>					
Taxation	2 613 957	-	-	69 094	-
Commonwealth revenues	3 555 345	18 233	-	-	-
Dividends	435 968	-	-	-	-
Interest revenues	136 645	-	-	150	-
Revenues from SA Government	1 176 282	-	-	-	-
Grants and contributions	-	-	20 000	68 411	-
Fees and charges	21 584	-	-	312	-
Other revenues	237 537	-	-	-	2 322
<b>Total Income</b>	<b>8 177 318</b>	<b>18 233</b>	<b>20 000</b>	<b>137 967</b>	<b>2 322</b>
<b>EXPENSES:</b>					
Payments to SA Government	6 999 046	18 233	-	-	-
Employee benefits cost	272 200	-	-	-	-
Supplies and services	51 155	-	-	-	-
Interest	261 241	-	-	-	-
Grants, subsidies and transfers	485 271	-	20 000	137 954	-
Depreciation	-	-	-	-	-
Other expenses	108 405	-	-	-	-
<b>Total Expenses</b>	<b>8 177 318</b>	<b>18 233</b>	<b>20 000</b>	<b>137 954</b>	<b>-</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>2 322</b>
	Hospitals Fund \$'000	Industry Financial Assistance Account \$'000	Local Government Disaster Fund \$'000	TAB Sales Proceeds Account \$'000	Treasurer's Interest in the National Wine Centre Account \$'000
<b>INCOME:</b>					
Taxation	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-
Dividends	-	-	-	-	-
Interest revenues	-	130	2 395	35	-
Revenues from SA Government	-	-	-	-	-
Grants and contributions	-	14 583	-	-	-
Fees and charges	-	237	-	-	-
Other revenues	141 401	427	-	-	26
<b>Total Income</b>	<b>141 401</b>	<b>15 377</b>	<b>2 395</b>	<b>35</b>	<b>26</b>
<b>EXPENSES:</b>					
Payments to SA Government	141 401	-	-	909	-
Employee benefits cost	-	-	-	-	-
Supplies and services	-	-	40	-	28
Interest	-	-	-	-	-
Grants, subsidies and transfers	-	6 470	2 626	-	-
Depreciation	-	-	-	-	13
Other expenses	-	(20)	-	-	(4)
<b>Total Expenses</b>	<b>141 401</b>	<b>6 450</b>	<b>2 666</b>	<b>909</b>	<b>37</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>-</b>	<b>8 927</b>	<b>(271)</b>	<b>(874)</b>	<b>(11)</b>

## Schedule of Administered Income and Expenses for the year ended 30 June 2006 (continued)

	Treasury Working Account \$'000	Other <sup>(1)</sup> \$'000	<b>2006 Total \$'000</b>
<b>INCOME:</b>			
Taxation	-	-	<b>2 683 051</b>
Commonwealth revenues	-	-	<b>3 573 578</b>
Dividends	-	-	<b>435 968</b>
Interest revenues	-	648	<b>140 003</b>
Revenues from SA Government	-	-	<b>1 176 282</b>
Grants and contributions	-	1 977	<b>104 971</b>
Fees and charges	-	-	<b>22 133</b>
Other revenues	1 632	-	<b>383 345</b>
<b>Total Income</b>	<b>1 632</b>	<b>2 625</b>	<b>8 519 331</b>
<b>EXPENSES:</b>			
Payments to SA Government	-	12	<b>7 159 601</b>
Employee benefits cost	-	-	<b>272 200</b>
Supplies and services	-	-	<b>51 223</b>
Interest	-	-	<b>261 241</b>
Grants, subsidies and transfers	-	1 846	<b>654 167</b>
Depreciation	-	-	<b>13</b>
Other expenses	1 632	-	<b>110 013</b>
<b>Total Expenses</b>	<b>1 632</b>	<b>1 858</b>	<b>8 508 458</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>-</b>	<b>767</b>	<b>10 873</b>

(1) Includes Country Equalisation Scheme Account, Home Purchases Assistance Account and Local Government Concessions Senior Card Holders.

### 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 South Australian 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 Administered financial statements also include the fixed property component of Emergency Services Levy collected by RevenueSA and transferred to the Community Emergency Services Fund and all the transactions for the special deposit accounts established under Section 8 of the *Public Finance and Audit Act 1987* 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 (from 1 July 2005)
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- TAB Sales Proceeds Account (closed 30 June 2006)
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account

#### **28. Summary of Significant Accounting Policies**

The Department's significant accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. 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.

**28.1 Comparatives**

Comparative figures have been adjusted to align the classification of some revenue and expense items with whole-of-government reporting under AAS 31 *Financial Reporting by Governments*. The significant classification changes are within the revenue lines. The largest reclassification is from Revenue from SA Government to Grants and Contributions. In addition, some revenue has transferred to Revenue from Fees and Charges, previously reported under Other Revenue.

**28.2 Administrative Restructure**

The Industry Investment Attraction Fund was transferred from the Department of Trade and Economic Development to the Department of Treasury and Finance, effective 1 July 2005. The transactions are reported in the Industry Financial Assistance Account. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in Note 50.

**28.3 Other Financial Assets**

In accordance with the Accounting Policy Statements contained in the Accounting Policy Framework IV *Financial Assets and Liabilities*, the Department measures financial assets at historical cost and interest free loans (measured at the present value of expected repayments).

**28.4 Depreciation and Amortisation of Non-Current Assets**

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings	Straight Line	40

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>29. Taxation</b>		
Taxation received/receivable from Entities within the SA Government:		
Payroll tax	<b>176 576</b>	163 259
Land tax	<b>120 932</b>	113 457
Emergency Services Levy	<b>1 814</b>	1 621
Local Government rate equivalents	<b>852</b>	2 955
Income Tax Equivalents	<b>157 252</b>	134 426
Contribution from Lotteries Commission	<b>76 454</b>	75 308
<b>Total Taxation - SA Government Entities</b>	<b>533 880</b>	491 026
Taxation received/receivable from entities external to the SA Government:		
Stamp duties	<b>1 124 020</b>	1 104 095
Commonwealth Places Mirror - Stamp duties	<b>652</b>	689
Payroll tax	<b>783 105</b>	731 715
Commonwealth Places Mirror - Payroll tax	<b>16 789</b>	15 660
Land tax	<b>130 774</b>	161 066
Commonwealth Places Mirror - Land tax	<b>754</b>	808
Debits tax	<b>5 552</b>	60 063
Commonwealth Places Mirror - Debits tax	<b>38</b>	415
Emergency Services Levy	<b>67 280</b>	62 721
Local Government rate equivalents	<b>-</b>	661
Save the River Murray levy	<b>20 143</b>	19 351
Hindmarsh Island Bridge levy	<b>64</b>	13
Contributions from small lotteries	<b>-</b>	595
<b>Total Taxation - Non-SA Government Entities</b>	<b>2 149 171</b>	2 157 852
<b>Total Taxation</b>	<b>2 683 051</b>	2 648 878
<b>30. Commonwealth Revenues</b>		
Commonwealth General Purpose Grants:		
GST revenue grants	<b>3 454 608</b>	3 313 412
Competition grants	<b>51 349</b>	50 409
Transitional grant overpayment (recovery)	<b>-</b>	(22 047)
Commonwealth Places Mirror taxes	<b>18 233</b>	17 573
<b>Total Commonwealth General Purpose Grants</b>	<b>3 524 190</b>	3 359 347
Commonwealth Specific Purpose Grants:		
Concessions to pensioners and others	<b>19 538</b>	18 862
Debt redemption assistance	<b>29 850</b>	3 745
Additional First Home Owner grant	<b>-</b>	35
<b>Total Commonwealth Specific Purpose Grants</b>	<b>49 388</b>	22 642
<b>Total Commonwealth Revenues</b>	<b>3 573 578</b>	3 381 989

<b>31. Dividends</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Administrative and Information Services	<b>17 670</b>	102 857
Forestry SA	<b>34 665</b>	11 566
Land Management Corporation	<b>35 686</b>	2 180
Lotteries Commission	-	6 374
Public Trustee Office	<b>1 195</b>	1 372
SA Water Corporation	<b>6 000</b>	165 189
South Australian Asset Management Corporation	<b>217 455</b>	73 200
South Australian Government Financing Authority	<b>87 553</b>	37 564
TransAdelaide	<b>34 757</b>	2 296
Transport SA	<b>987</b>	472
<b>Total Dividends</b>	<b>435 968</b>	403 070
<b>32. Interest Revenues</b>		
Interest from entities within the SA Government	<b>133 776</b>	155 371
Other	<b>6 227</b>	3 781
<b>Total Interest</b>	<b>140 003</b>	159 152
<b>33. Revenues from/Payments to SA Government</b>		
Revenues from SA Government:		
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i>	<b>1 107 341</b>	919 519
Appropriations under other Acts	<b>68 941</b>	61 851
<b>Total Revenues from SA Government</b>	<b>1 176 282</b>	981 370
Payments to SA Government:		
Transfer of revenue received on behalf of Consolidated Account	<b>6 999 046</b>	6 869 145
Payment to SAFA for retirement of state debt	<b>909</b>	-
Other payments to the Consolidated Account	<b>159 646</b>	163 642
<b>Total Payments to SA Government</b>	<b>7 159 601</b>	7 032 787
<b>34. Grants and Contributions</b>		
SA Government entities	<b>104 949</b>	90 497
Non-SA Government entities	<b>22</b>	31
<b>Total Grants</b>	<b>104 971</b>	90 528
<b>35. Revenues from Fees and Charges</b>		
Fees and charges received/receivable from entities within the SA Government:		
Guarantee fees	<b>19 860</b>	18 782
Support services to Parliamentarians	<b>1 829</b>	796
<b>Total Fees and Charges - SA Government Entities</b>	<b>21 689</b>	19 578
Fees and charges received/receivable from entities external to the SA Government:		
Support services to Parliamentarians	<b>132</b>	123
Other	<b>312</b>	294
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>444</b>	417
<b>Total Fees and Charges</b>	<b>22 133</b>	19 995
<b>36. Other Revenues</b>		
Other revenues received/receivable from entities within the SA Government:		
Contributions towards public hospital costs	<b>141 401</b>	146 051
Repayment of advances	<b>46 443</b>	116 991
Return of cash to Consolidated Account - Cash Alignment Policy	<b>41 912</b>	150 474
Return of capital	<b>80 596</b>	42 432
Return of deposit account balances	<b>14 004</b>	7 059
Essential Services Commission of SA	<b>5 049</b>	4 632
Light motor vehicle fleet - Rental payment recoveries	<b>341</b>	3 026
Other	<b>3 451</b>	16 979
<b>Total Other Revenues - SA Government Entities</b>	<b>333 197</b>	487 644
Other revenues received/receivable from entities external to the SA Government:		
Return of deposit account balances	<b>34 000</b>	8 000
Proceeds from sale of residual Commonwealth Bank of Australia lease vehicles	<b>11 108</b>	-
Support services to Parliamentarians	<b>29</b>	4
Discounted cash flow valuations for financial assistance loans	<b>427</b>	-
Other	<b>4 584</b>	6 912
<b>Total Other Revenues - Non-SA Government Entities</b>	<b>50 148</b>	14 916
<b>Total Other Revenues</b>	<b>383 345</b>	502 560

<b>37. Employee Benefits Cost</b>			<b>2006</b>	2005
			<b>\$'000</b>	<b>\$'000</b>
Superannuation contribution to various schemes			<b>259 959</b>	241 779
Support services to Parliamentarians			<b>12 000</b>	10 566
Minister's salary, electorate and expense allowance			<b>241</b>	233
Other employee related expenses			<b>-</b>	48
<b>Total Employee Benefits Cost</b>			<b>272 200</b>	252 626
<b>38. Supplies and Services</b>				
Supplies and services provided by entities within the SA Government:				
Support services to Parliamentarians			<b>2 808</b>	2 308
Unclaimed monies			<b>7</b>	-
General administration			<b>525</b>	696
<b>Total Supplies and Services - SA Government Entities</b>			<b>3 340</b>	3 004
Supplies and services provided by entities external to the SA Government:				
State's share of GST administration			<b>45 814</b>	45 007
Support services to Parliamentarians			<b>1 939</b>	1 322
Unclaimed monies			<b>107</b>	709
Consultants			<b>23</b>	4
General administration			<b>-</b>	2
<b>Total Supplies and Services - Non-SA Government Entities</b>			<b>47 883</b>	47 044
<b>Total Supplies and Services</b>			<b>51 223</b>	50 048
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:				
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>Number</b>	Number	<b>\$'000</b>	<b>\$'000</b>
Below \$10 000	<b>2</b>	1	<b>5</b>	4
Between \$10 000 and \$50 000	<b>1</b>	-	<b>18</b>	-
	<b>3</b>	1	<b>23</b>	4
<b>39. Grants, Subsidies and Transfers</b>			<b>2006</b>	2005
Grants, subsidies and transfers paid to entities within the SA Government:			<b>\$'000</b>	<b>\$'000</b>
Recurrent grants			<b>524 444</b>	410 521
<b>Total Grants, Subsidies and Transfers - SA Government Entities</b>			<b>524 444</b>	410 521
Grants, subsidies and transfers paid to entities external to the SA Government:				
Recurrent grants			<b>129 723</b>	88 933
<b>Total Grants, Subsidies and Transfers - Non-SA Government Entities</b>			<b>129 723</b>	88 933
<b>Total Grants, Subsidies and Transfers</b>			<b>654 167</b>	499 454
<b>40. Depreciation Expense</b>				
Buildings			<b>13</b>	14
<b>Total Depreciation</b>			<b>13</b>	14
<b>41. Other Expenses</b>				
Other expenses paid/payable to entities within SA Government:				
Repayment of borrowings			<b>18 026</b>	4 436
Other			<b>485</b>	8 960
<b>Total Other Expenses - SA Government Entities</b>			<b>18 511</b>	13 396
Other expenses paid/payable to entities external to the SA Government:				
Refunds and remissions			<b>38 243</b>	39 458
Payments to the South Australian Superannuation Fund			<b>34 000</b>	8 000
Bad debts			<b>1 049</b>	-
Doubtful debts			<b>(2 208)</b>	-
Discounted cash flow valuations for financial assistance loans			<b>1 139</b>	-
Termination of State Vehicle Fleet Commonwealth Bank of Australia lease			<b>16 875</b>	-
Other			<b>2 404</b>	3 065
<b>Total Other Expenses - Non-SA Government Entities</b>			<b>91 502</b>	50 523
<b>Total Other Expenses</b>			<b>110 013</b>	63 919
<b>42. Cash and Cash Equivalents</b>				
Deposits with the Treasurer			<b>855 705</b>	1 027 470
Other			<b>42 100</b>	42 400
<b>Total Cash and Cash Equivalents</b>			<b>897 805</b>	1 069 870

**Interest Rate Risk**

Deposits with the Treasurer include both interest bearing and non-interest bearing deposits. The interest bearing deposits earned floating interest rates between 5.35 percent and 5.68 percent.

The other cash items represent promissory notes with the Local Government Finance Authority of South Australia and earned floating interest rates between 5.45 percent and 5.62 percent.

The carrying amount of cash approximates net fair value.

<b>43. Receivables</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Current:		
Receivables	<b>6 641</b>	47
Provision for doubtful debts	<b>(6 287)</b>	(4)
Accrued revenues	<b>9 556</b>	8 588
GST receivables	<b>3 642</b>	-
<b>Total Receivables</b>	<b>13 552</b>	8 631
<b>SA Government/Non-SA Government Entities Receivables</b>		
Receivables from SA Government entities:		
Receivables	<b>65</b>	40
Accrued revenues	<b>9 212</b>	8 259
<b>Total Receivables from SA Government Entities</b>	<b>9 277</b>	8 299
Receivables from Non-SA Government Entities:		
Receivables	<b>289</b>	3
Accrued revenues	<b>344</b>	329
GST receivables	<b>3 642</b>	-
<b>Total Receivables from Non-SA Government Entities</b>	<b>4 275</b>	332
<b>Total Receivables</b>	<b>13 552</b>	8 631

**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. Trade receivables and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

<b>44. Other Financial Assets - Non-SA Government Entities</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Current:		
Investments with Adelaide Bank	<b>76</b>	108
Loans for financial assistance	<b>2 625</b>	-
Provision for doubtful debts	<b>(1 658)</b>	-
<b>Total Current Other Financial Assets</b>	<b>1 043</b>	108
Non-Current:		
Investments with Adelaide Bank	<b>39</b>	115
Loans for financial assistance	<b>2 172</b>	-
Provision for doubtful debts	<b>(792)</b>	-
<b>Total Non-Current Other Financial Assets</b>	<b>1 419</b>	115
<b>Total Other Financial Assets</b>	<b>2 462</b>	223
<b>SA Government/Non-SA Government Entities Other Financial Assets</b>		
<b>Other Financial Assets with SA Government Entities</b>		
Loans for financial assistance	<b>152</b>	-
<b>Total Other Financial Assets with SA Government Entities</b>	<b>152</b>	-
<b>Other Financial Assets with Non-SA Government Entities</b>		
Investment with Adelaide Bank	<b>115</b>	223
Loans for financial assistance	<b>4 645</b>	-
Provision for doubtful debts	<b>(2 450)</b>	-
<b>Total Other Financial Assets with Non-SA Government Entities</b>	<b>2 310</b>	223
<b>Total Other Financial Assets</b>	<b>2 462</b>	223

**Interest Rate Risk**

The investment with Adelaide Bank earned a fixed interest rate of 5.50 percent.

The loans for financial assistance comprise interest free and interest bearing loans. The interest bearing loans earned a weighted average interest rate of 6.30 percent.

<b>45. Property, Plant and Equipment</b>	<b>2006</b>	2005
Buildings:	<b>\$'000</b>	\$'000
Buildings at fair value	<b>539</b>	539
Accumulated depreciation	<b>(27)</b>	(14)
<b>Total Buildings</b>	<b>512</b>	525
Land:		
Land at fair value	<b>13</b>	13
<b>Total Land</b>	<b>13</b>	13
<b>Total Property, Plant and Equipment</b>	<b>525</b>	538

**Valuation of Non-Current Assets**

Valuation of the land and buildings transferred from the National Wine Centre was performed by Valcorp Australia Pty Ltd as at 30 June 2004. Due to the lease arrangement with the University of Adelaide for a period of 40 years for an upfront rent amount of \$1 million, a market value based on the income approach has been adopted in accordance with Accounting Policy Framework III *Asset Accounting Framework*. This approach resulted in the site being revalued downwards to \$552 000.

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of property, plant and equipment during 2005-06:

	Buildings	Land	<b>2006</b>
	\$'000	\$'000	<b>Total</b>
			<b>\$'000</b>
Carrying amount at 1 July	525	13	<b>538</b>
Depreciation expense	(13)	-	<b>(13)</b>
<b>Carrying Amount at 30 June</b>	<b>512</b>	<b>13</b>	<b>525</b>

<b>46. Payables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Creditors - Electricity entities lease proceeds	<b>2 550</b>	2 322
Creditors - Revenue on behalf of the Consolidated Account	<b>832 057</b>	1 004 237
Creditors - Other	-	40
Accrued expenses	<b>9 432</b>	16 055
GST payable	<b>29</b>	49
<b>Total Current Payables</b>	<b>844 068</b>	1 022 703
Non-Current:		
Creditors - Electricity entities lease proceeds	<b>499 788</b>	502 338
<b>Total Non-Current Payables</b>	<b>499 788</b>	502 338
<b>Total Payables</b>	<b>1 343 856</b>	1 525 041

**SA Government/Non-SA Government Entities Payables**

Payables to SA Government entities:		
Creditors - Electricity entities lease proceeds	<b>502 338</b>	504 660
Creditors - Revenue on behalf of the Consolidated Account	<b>832 057</b>	1 004 237
Creditors - Other	-	39
Accrued expenses	<b>9 161</b>	15 393
<b>Total Payables to SA Government Entities</b>	<b>1 343 556</b>	1 524 329

Payables to Non-SA Government Entities:

Creditors - Other	-	1
Accrued expenses	<b>271</b>	662
GST payable	<b>29</b>	49
<b>Total Payables to Non-SA Government Entities</b>	<b>300</b>	712
<b>Total Payables</b>	<b>1 343 856</b>	1 525 041

**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.

<b>47. Interest Bearing Liabilities - Non-SA Government Entities</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Consolidated Account	<b>76</b>	108
<b>Total Current Interest Bearing Liabilities</b>	<b>76</b>	108



<b>47. Interest Bearing Liabilities - Non-SA Government Entities (continued)</b>	<b>2006</b>	2005
Non-Current:	<b>\$'000</b>	\$'000
Consolidated Account	<b>39</b>	115
<b>Total Non-Current Interest Bearing Liabilities</b>	<b>39</b>	115
<b>Total Interest Bearing Liabilities</b>	<b>115</b>	223

**Interest Rate Risk**

The interest bearing liabilities represent monies owed to the Consolidated Account and corresponds with the investment with Adelaide Bank shown in Note 44. The liabilities earned a fixed interest rate of 5.50 percent.

<b>48. Other Liabilities</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Unearned revenue	<b>1 835</b>	1 791
<b>Total Current Liabilities</b>	<b>1 835</b>	1 791
Non-Current:		
Unearned revenue	<b>905</b>	930
<b>Total Non-Current Liabilities</b>	<b>905</b>	930
<b>Total Other Liabilities</b>	<b>2 740</b>	2 721

**49. Commitments for Expenditure**

Under the Memorandum of Lease between the Treasurer and the University of Adelaide, the Treasurer had an obligation to undertake certain maintenance work that existed at the time the lease arrangements commenced.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	-	14
	-	14

**50. Net Revenue from Administrative Restructure**

Assets:		
Financial assistance loans and receivables	<b>13 493</b>	-
Provision for doubtful debts	<b>(8 010)</b>	-
<b>Total Assets</b>	<b>5 483</b>	-
<b>Net Revenue from Administrative Restructure</b>	<b>5 483</b>	-

The Industry Investment Attraction Fund (IIAF) was transferred from the Department of Trade and Economic Development to the Department of Treasury and Finance, effective 1 July 2005.

**51. Contingent Assets and Liabilities**

The Department is not aware of the existence of any contingent assets. However, the following contingent liabilities exist for the Administered Items:

- Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2006 has been estimated at \$300 000. As the Electricity Reform and Sales Operating Account has been closed, this amount is to be paid from the Consolidated Account.
- 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 a Deed of Guarantee with the owners of the Snowdome facility at Thebarton, the Treasurer has guaranteed the rent obligations of the South Australian Ice Sports Federation relating to the initial 5 year term lease of the facility. The maximum exposure of the contingent liability at 30 June 2005 has been estimated at \$320 000 plus CPI per annum until 29 April 2010.
- Under an agreement, dated 9 May 1996, with the National Electricity Administrator (NECA), the Treasurer may be required to contribute to the winding up of NECA. The maximum exposure of the contingent liability at 30 June 2006 is capped at \$350 000.
- Under an agreement, dated 9 May 1996, with the National Electricity Market Management Company (NEMMCO), the Treasurer may be required to contribute to the winding up of NEMMCO. The maximum exposure of the contingent liability at 30 June 2006 is capped at \$1 500 000.

**52. 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 \$1 000 000. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with accounting standard AASB 1008 *Leases*. The consideration of \$1 000 000 has been recorded as unearned revenue and will be apportioned over the life of the lease.

**53. Cash Flow Reconciliation**

**(a) Reconciliation of Cash - Cash at Year End as per:**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash Flow Statement	<b>897 805</b>	1 069 870
Balance Sheet	<b>897 805</b>	1 069 870

**(b) Reconciliation of Net Cash (Outflows) Inflows from Operating Activities to Operating Surplus**

Net cash (outflows) inflows from operating activities	<b>(175 198)</b>	643 604
<i>Add: Non-cash items:</i>		
Depreciation	<b>(13)</b>	(14)
Doubtful debts	<b>2 208</b>	-
Bad debts	<b>(1 049)</b>	-
Discounted cash flow adjustment	<b>(712)</b>	-
Loans converted to grants	<b>(153)</b>	-
<i>Change in Assets and Liabilities:</i>		
Increase (Decrease) in receivables	<b>4 625</b>	(4 634)
Increase (Decrease) in other assets	<b>(108)</b>	(131)
(Increase) Decrease in payables	<b>181 184</b>	(633 209)
(Increase) Decrease in interest bearing liabilities	<b>108</b>	131
(Increase) Decrease in other liabilities	<b>(19)</b>	(1 872)
<b>Operating Surplus</b>	<b>10 873</b>	3 875

**54. Events after Balance Date**

There were no events occurring after balance date that have material financial implications on these financial statements.

# UNIVERSITY OF ADELAIDE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

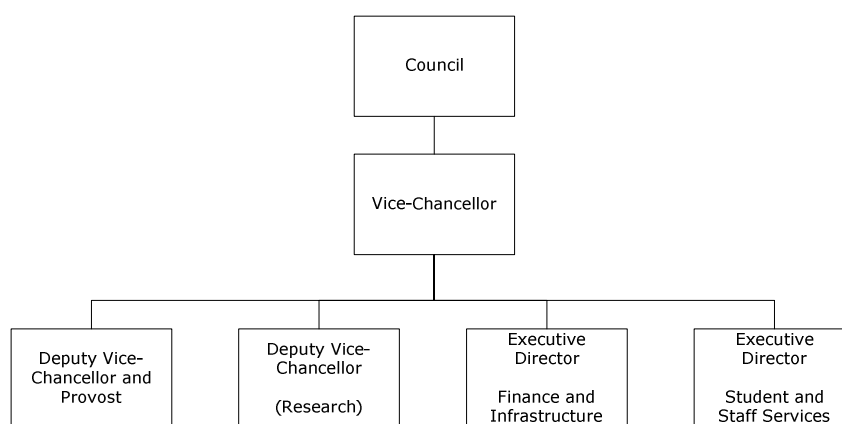
The University is established by the *University of Adelaide Act 1971*.

### Functions

The University undertakes higher education and research activities.

### Structure

The structure of the University of Adelaide is illustrated in the following organisation chart.



The University's principal source of revenue is Commonwealth Government grants for general or specific purposes which support the University's teaching and research activities. In addition to these sources of funds, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2005 the University had a number of controlled entities as detailed in Notes 2 and 33 to the Financial Statements.

### Audit, Compliance and Risk Committee

The University has an Audit, Compliance and Risk Committee which comprises two members of Council and up to three members who are not Council members of which one must be a University staff member. The Committee has an Audit Committee Charter which requires it to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives of the Auditor-General attended meetings of the Committee throughout the year.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

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

#### *Assessment of Controls*

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the University of Adelaide 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls.

During 2005, specific areas of audit attention included:

- budgetary control
- procurement and accounts payable
- payroll
- revenue including government financial assistance, student fees, research income and other revenue
- fixed assets
- financial assets
- liabilities, including provisions
- general ledger
- corporate governance arrangements
- internal audit activities.

Audit also reviewed aspects of the University's PeopleSoft system which administers student records and financial transactions. The review considered aspects of information security access controls, operational and business continuity.

The audits of the controlled entities for the year ending 31 December 2005 were carried out by private accounting firms.

The work of the internal auditor was considered in designing the audit programs.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Funding Act 1988*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the University of Adelaide and the consolidated entity as at 31 December 2005, the results of their operations and their cash flows for the year then ended.

#### ***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, Procurement and Accounts Payable, Payroll, Accounting Policies and Procedures and PeopleSoft Computer Processing Environment as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide have been conducted properly and in accordance with law.

### **Audit Communications to Management**

Matters arising during the course of the audit were detailed in management letters to the Vice-Chancellor. The responses to the management letters were satisfactory. Major matters raised with the University and the related responses are considered herein.

### **Corporate Governance**

A review of the University's governance arrangements identified the need to formalise processes and reporting arrangements in a number of areas including:

- arrangements for explaining variances between budgets and forecasts at the Faculty and School level;
- establishing systematic performance reporting to the University's governing bodies for controlled entities;
- establishing, approving and promulgating formal Treasury Management Policies and Procedures;
- developing a formal, systematic and robust legal compliance framework.

The University has accepted the issues raised by Audit and has either already implemented or agreed to implement the audit recommendations.

### **Procurement and Accounts Payable**

The audit review identifies areas for improvement in the Universities' procurement practices and the accounts payable control environment including:

- the University has not implemented formal policies and procedures for procurement practices by Faculties and Divisions creating the potential for inconsistent and ineffective procurement practices to be adopted;
- formal guidance is not provided to Faculties and Divisions regarding the use of purchase orders;
- expenditure transactions less than \$10 000 are not checked by Finance staff to confirm payments are valid, appropriately approved and accurately recorded;
- the University has not implemented a comprehensive central record of all contracts entered on behalf of the University or arrangements for monitoring contracts at either the University, Faculty or Divisional levels.

In its response the University advised the:

- University's Financial Services division will undertake a review of the University's procurement framework and activities in 2006. Once this review has been finalised and approved, the relevant governance and policy and procedure framework will be developed and promulgated to staff;
- Financial Services division has commenced a review of the 'use of purchase orders' and will update its purchasing policies and procedures accordingly;
- University will develop and implement test check procedures for transactions under \$10 000;
- Prudential Services division will develop and implement an approved contract management process.

### **Payroll**

Audit's review of the University's payroll processing function identified a number of areas in which controls were considered to be ineffective or were not consistently applied across the University throughout the year. The more significant findings relate to:

- the University has not documented policies and procedures describing the nature and extent of checking of the payroll reports which are distributed across the University and action to be taken if anomalies are identified;
- the management reports on payroll costs are derived from the general ledger and not the payroll system;
- the report detailing leave taken should be distributed on a more frequent basis to enable a more effective review;
- all casual staff who are appointed for an extended period of time should be established on the payroll system prior to commencing payment to these employees.

In its response the University advised:

- policies and procedures will be developed and promulgated to staff in relation to the review of fortnightly payroll reports, which will include the requirement for regular sign off of bona fide employees and salary payments. The University will investigate the development of a salary costing report directly from the Human Resource system to assist in this review;
- access and training has been provided to the relevant staff to run the 'leave taken reports' on an ad hoc basis to allow for a more effective review;
- The University was investigating options to strengthen controls over authorisation of payments to casual staff.

### **Accounting Policies and Procedures**

The University has prepared an updated draft accounting policies and procedures manual, however, the policies and procedures have not been approved nor have they been promulgated to relevant staff.

The University has indicated that the policies and procedures are being given a high priority and will be promulgated to relevant personnel in 2006.

**PeopleSoft Computer Processing Environment**

The 2004-05 Report provided a summary of the findings and corrective action being taken by the University in respect of matters that resulted from an audit of the University's main financial system, the PeopleSoft System, and related computer processing environment.

The audit in 2004 identified a number of matters requiring attention, including security access to the system, control of systems operations and maintenance, and backup and recovery.

During the year a follow-up audit of the status of the action taken by the University was performed. The audit identified that many issues had been adequately addressed. Notwithstanding there still remains certain matters to be fully actioned by the University relating to:

- improvements to security policy and related procedures regarding system access controls;
- formalisation of procedures for testing of backup tapes to ensure their effective application in any system and data restoration situation;
- formalisation of certain quality assurance and change control activities to ensure the integrity of changes made to the system and its overall operation;
- implementation of required infrastructure to support logging of activities at the network, operating system and database levels to enable the detection of unusual activity.

The University formally advised that these matters would be completed in the early part of 2007. The outstanding matters will be further reviewed in 2006-07.

**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT (CONSOLIDATED)**

The data in relation to the interpretation and analysis of the Income Statement activity has been sourced from Note 38 as this has been prepared in accordance with the DEST reporting guidelines and provides consistency and comparability with the other Universities.

**Highlights of Financial Report**

	<b>2005</b>	2004	Percentage
	<b>\$'million</b>	\$'million	Change
<b>REVENUE FROM CONTINUING OPERATIONS</b>			
Commonwealth Government financial assistance	<b>261</b>	232	13
HECS - Student contributions	<b>10</b>	8	25
Fees and charges	<b>79</b>	68	16
Other	<b>125</b>	115	9
<b>Total Revenue from Continuing Operations</b>	<b>475</b>	423	12
<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
Employment benefits	<b>238</b>	218	9
Other expenses	<b>200</b>	180	11
<b>Total Expenses from Continuing Operations</b>	<b>438</b>	398	10
<b>Operating Result from Continuing Operations</b>	<b>37</b>	25	48
 <b>Cash Generated from Operations</b>	 <b>50</b>	 48	 4
<b>ASSETS</b>			
Current assets	<b>130</b>	113	15
Non-current assets	<b>756</b>	702	8
<b>Total Assets</b>	<b>886</b>	815	9
<b>LIABILITIES</b>			
Current liabilities	<b>61</b>	56	9
Non-current liabilities	<b>76</b>	67	13
<b>Total Liabilities</b>	<b>137</b>	123	11
<b>EQUITY</b>	<b>749</b>	692	8

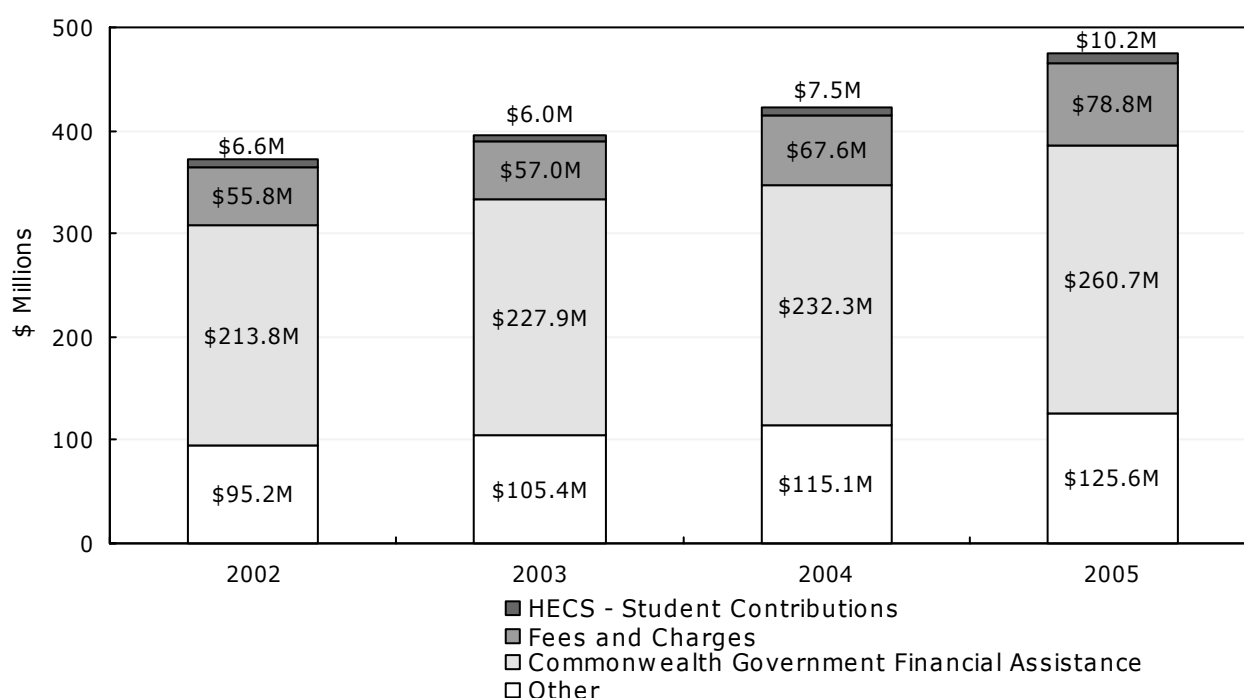
## Income Statement

### Revenue from Continuing Operations

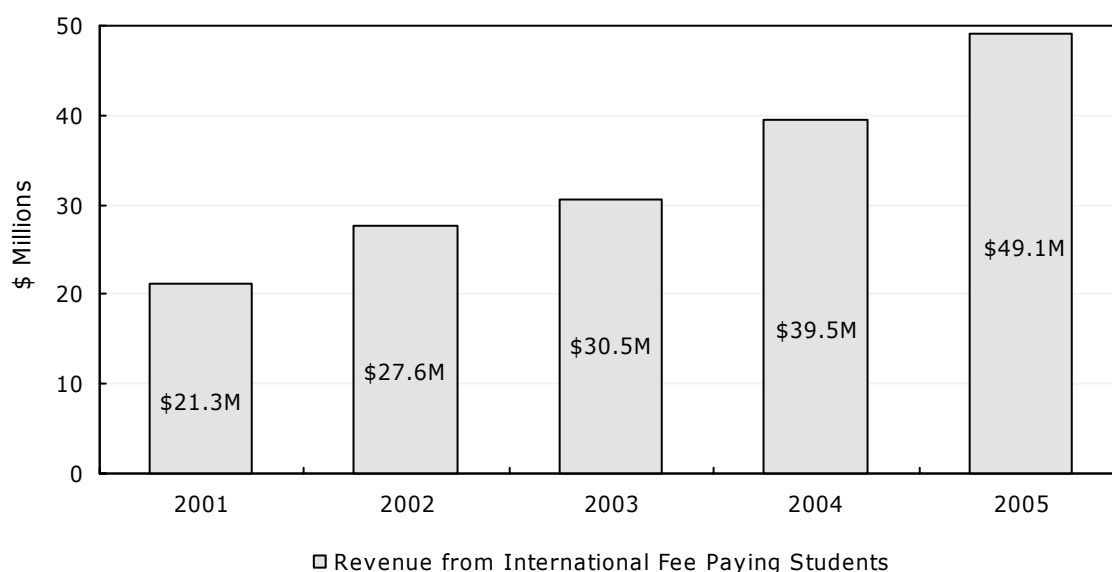
Revenue from continuing operations increased by \$52.8 million to \$475.4 million mainly as a result of an increase in:

- Commonwealth Government financial assistance of \$28.4 million of which \$11.8 million relates to a change in the timing of the payment of the Commonwealth base operating grant funding by DEST. Refer Note 3(d);
- Fees and Charges of \$11.2 million. This increase is mainly attributable to an increase in student fee income of \$10 million of which \$9 million relates to fees from international fee paying students;
- Investment income of \$4.4 million. This increase reflects the increase in investment funds held by the University and was mainly attributable to the investment of this year's surplus of \$37.3 million and the increased rates of return on investments held during the year.

A structural analysis of operating revenues for the University in the four years to 2005 is presented in the following chart.



The following chart highlights the general upward trend in the revenue received from international fee paying students.

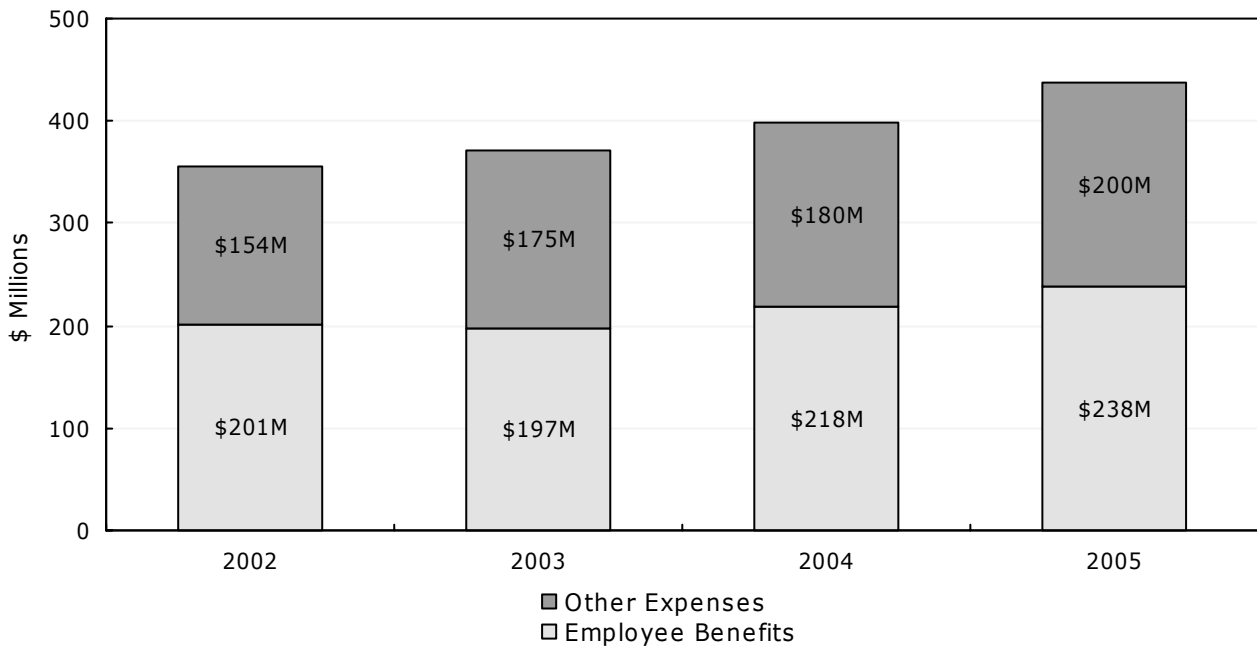


**Expenses from Continuing Operations**

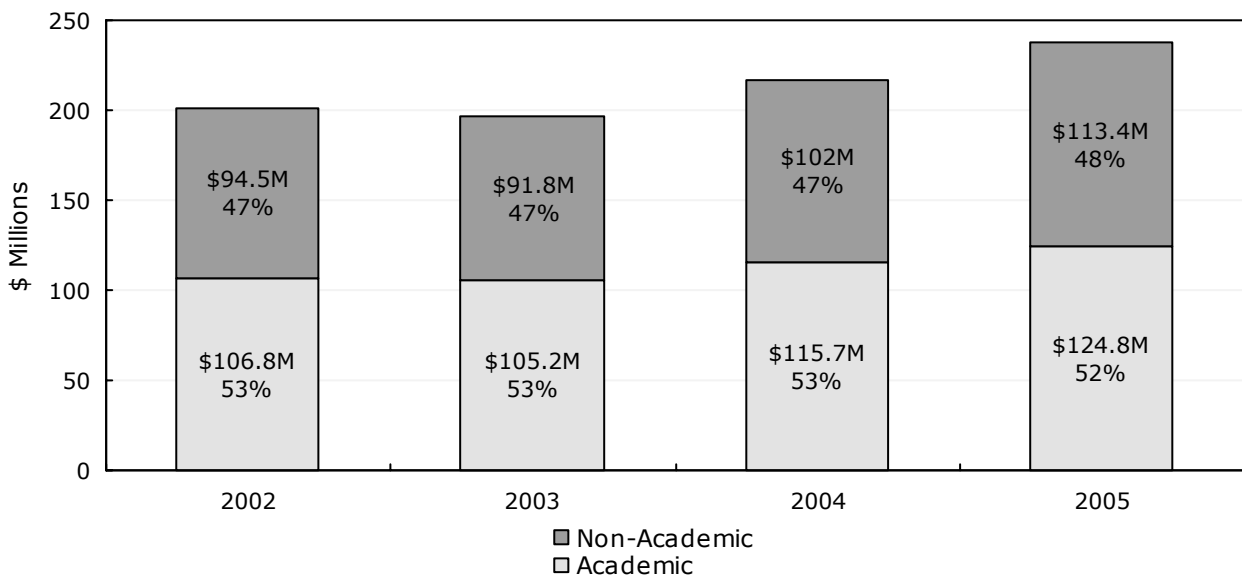
Expenditure from continuing operations increased by \$40.3 million to \$438.1 million and is attributed mainly to an increase in:

- employee benefits expenses of \$20.5 million. Increases resulting from enterprise bargaining and additional research activities were the major reasons for the increased cost of employee benefits;
- other expenses of \$9.1 million. Factors contributing to the increase include an increase in the use of consultants and specialist services, increased travel, accommodation and entertainment expenses;
- building and grounds expenditure of \$4.7 million. The increase is attributable to increased lease accommodation costs including the Student Village accommodation which was opened in July 2005.

For the four years to 2005, a structural analysis of the main operating expense items for the University is shown in the following chart.



The following chart shows the proportion of academic to non-academic employee benefits over the last four years.

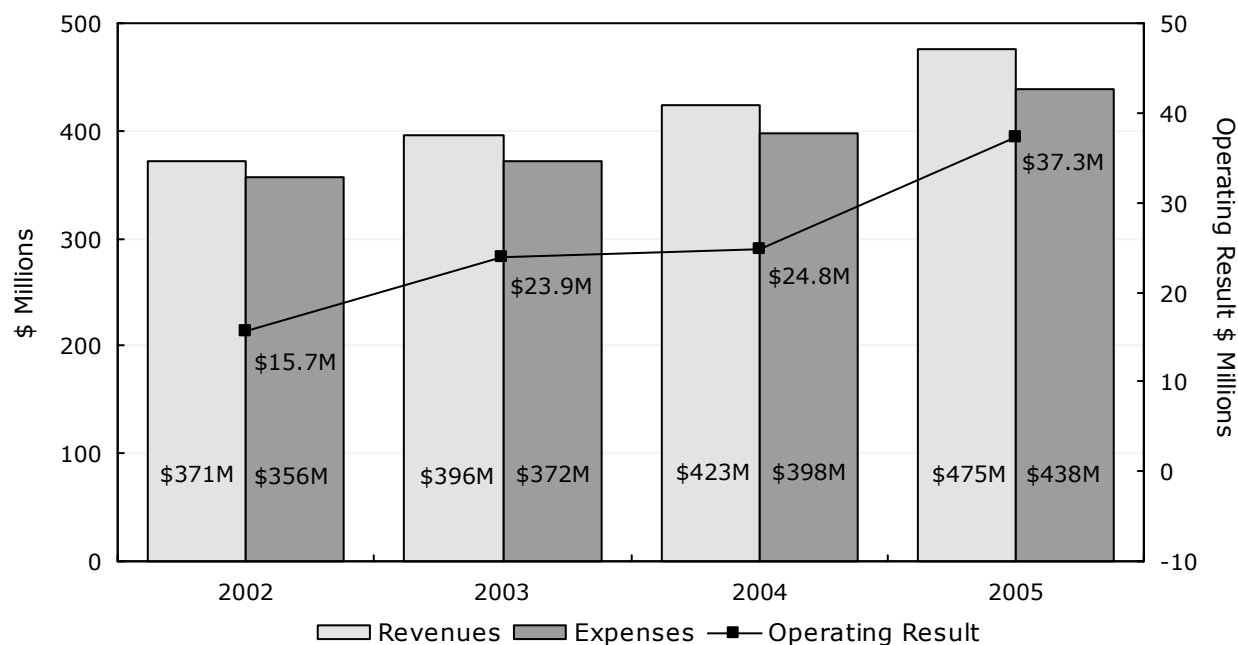




### Operating Result from Continuing Operations

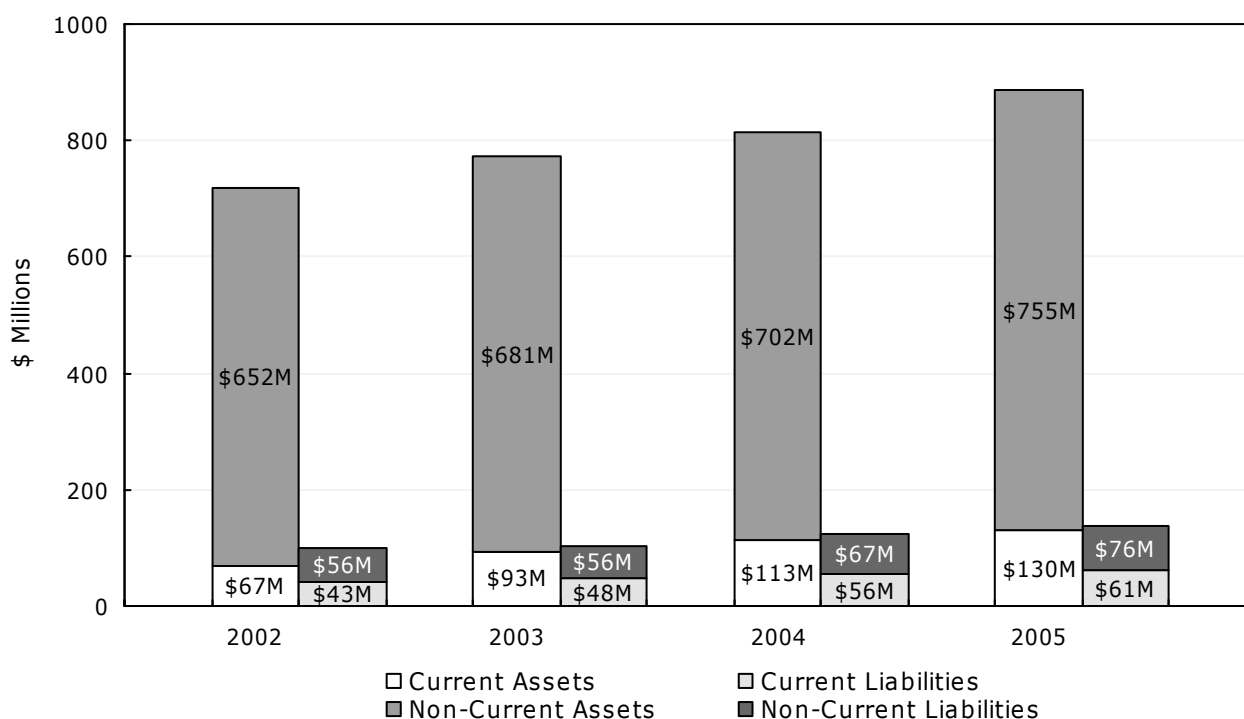
The consolidated operating result for the year was a surplus of \$37.3 million (\$24.8 million), an increase of \$12.5 million. The result reflects an increase in Revenue from Continuing Operations of \$52.8 million compared to an increase of \$40.3 million in Expenses from Continuing Operations.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2005.



### Balance Sheet

A structural analysis of assets and liabilities for the four years to 2005 is shown in the following chart.



The consolidated net assets of the University at 31 December 2005 totalled \$748.9 million (\$692.3 million), an increase of \$56.6 million.

### **Current Assets**

The increase in the value of the University's current assets of \$17.4 million is mainly attributable to an increase of \$11.8 million in cash held at 31 December 2005.

### **Non-Current Assets**

The value of the University's non-current assets increased by \$53.4 million to \$755.4 million. The increase is mainly attributable to the value of:

- the Composite Fund increased by \$11.5 million to \$76.5 million. Notes 3(j) and 9 to the Financial Statements provide details of the Composite Fund;
- property, plant and equipment increased by \$39.7 million to \$601.8 million. The University's property, plant and equipment was revalued during the year resulting in a revaluation increment of \$19 million.

### **Cash Flow Statement**

The following table summarises the net cash flows for the four years to 2005.

	<b>2005</b>	2004	2003	2002
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>49.6</b>	48.3	46.8	23.1
Investing	<b>(37.7)</b>	(27.2)	(17.0)	(18.8)
Financing	<b>(.1)</b>	(0.2)	(0.2)	(20.2)
Change in Cash	<b>11.7</b>	20.9	29.6	(15.9)
Cash at 31 December	<b>86.6</b>	74.7	53.8	24.2

The increase in cash held at 31 December 2005 is due principally to the net cash generated by the operating activities of the University.

## Income Statement for the year ended 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>REVENUE FROM CONTINUING OPERATIONS:</b>	5				
Received under <i>Higher Education Support Act</i> :					
Base operating financial assistance		<b>115 347</b>	99 692	<b>115 347</b>	99 692
Other operating financial assistance		<b>4 916</b>	5 570	<b>4 916</b>	5 570
Higher Education Contribution Scheme		<b>54 327</b>	47 854	<b>54 327</b>	47 854
		<b>174 590</b>	153 116	<b>174 590</b>	153 116
Learning and Teaching:					
Student fees	5	<b>66 429</b>	54 454	<b>66 429</b>	54 454
Grants		<b>14 768</b>	15 453	<b>14 768</b>	15 453
		<b>81 197</b>	69 907	<b>81 197</b>	69 907
Research Grants and Fees:					
National competitive grants		<b>56 536</b>	51 316	<b>56 536</b>	51 316
Public sector - Other		<b>23 613</b>	19 760	<b>23 393</b>	19 540
Industry and other		<b>10 346</b>	13 419	<b>10 346</b>	13 419
		<b>90 495</b>	84 495	<b>90 275</b>	84 275
Research Other:					
Cooperative Research Centre direct funding		<b>6 779</b>	7 754	<b>6 779</b>	7 754
Research infrastructure program		<b>15 742</b>	12 953	<b>15 742</b>	12 953
		<b>22 521</b>	20 707	<b>22 521</b>	20 707
Other:					
Investment revenue	5	<b>23 665</b>	19 277	<b>19 996</b>	17 470
Property revenue	5	<b>7 585</b>	6 693	<b>7 585</b>	6 693
Specialist services and trading	5	<b>55 010</b>	45 134	<b>18 234</b>	16 501
Deferred government superannuation contributions		<b>4 600</b>	900	<b>4 600</b>	900
Other	5	<b>17 826</b>	19 631	<b>18 993</b>	19 982
		<b>108 686</b>	91 635	<b>69 408</b>	61 546
<b>Total Operating Revenue from Continuing Operations</b>		<b>477 489</b>	419 860	<b>437 991</b>	389 551
Share of net profits (losses) of associates and joint ventures accounted for using the equity method	5	<b>(2 095)</b>	2 708	-	-
<b>Total Revenue from Continuing Operations</b>		<b>475 394</b>	422 568	<b>437 991</b>	389 551
<b>EXPENSES FROM CONTINUING OPERATIONS:</b>	6				
Salaries and related expenses	6	<b>235 571</b>	215 092	<b>221 792</b>	203 366
Student services		<b>21 764</b>	19 794	<b>21 764</b>	19 794
Teaching and research materials	6	<b>44 676</b>	44 531	<b>44 636</b>	44 491
Building and grounds	6	<b>25 896</b>	21 241	<b>25 896</b>	21 241
Borrowing costs	6	<b>163</b>	155	<b>157</b>	143
Administration, communication and travel		<b>65 473</b>	57 566	<b>42 508</b>	39 899
Finance and fund administration		<b>2 111</b>	1 308	<b>2 111</b>	1 873
Miscellaneous equipment, depreciation and net loss on disposal of assets		<b>35 131</b>	34 538	<b>33 661</b>	33 108
Deferred employee benefits for superannuation		<b>7 274</b>	3 555	<b>7 274</b>	3 555
<b>Total Expenses from Continuing Operations</b>		<b>438 059</b>	397 780	<b>399 799</b>	367 470
<b>OPERATING RESULT BEFORE MINORITY INTERESTS</b>		<b>37 335</b>	24 788	<b>38 192</b>	22 081
Operating result attributable to minority interest		<b>32</b>	58	-	-
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>37 367</b>	24 846	<b>38 192</b>	22 081

## Balance Sheet as at 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	7	86 585	74 740	72 092	62 829
Receivables	8	28 255	19 704	24 258	16 739
Other financial assets	9	2 094	2 311	2 201	2 418
Inventories	10	4 268	4 364	1 661	1 754
Other non-financial assets	11	2 721	3 244	2 528	3 021
Available-for-sale financial assets	14	6 442	6 702	-	-
		<b>130 365</b>	111 065	<b>102 740</b>	86 761
Non-current assets classified as held for sale	12	-	1 865	-	1 865
<b>Total Current Assets</b>		<b>130 365</b>	112 930	<b>102 740</b>	88 626
<b>NON-CURRENT ASSETS:</b>					
Other financial assets	9	87 712	75 541	87 712	75 541
Investments accounted for using the equity method	13	2 843	4 938	363	363
Available-for-sale financial assets	14	-	-	51 224	48 754
Property, plant and equipment	15	601 821	562 121	561 679	523 316
Investment property	16	17 717	16 017	17 717	16 017
Intangible assets	17	1 085	3 876	796	3 595
Other non-financial assets	11	1 371	1 273	1 371	1 273
Deferred Government superannuation contribution	27	42 900	38 300	42 900	38 300
<b>Total Non-Current Assets</b>		<b>755 449</b>	702 066	<b>763 762</b>	707 159
<b>Total Assets</b>		<b>885 814</b>	814 996	<b>866 502</b>	795 785
<b>CURRENT LIABILITIES:</b>					
Payables	18	34 885	32 441	24 194	22 969
Interest-bearing liabilities	19	37	108	6	6
Provisions	20	12 674	11 461	12 055	10 829
Deferred employee benefits for superannuation	27	3 200	3 000	3 200	3 000
Other	21	10 395	8 940	10 109	8 676
<b>Total Current Liabilities</b>		<b>61 191</b>	55 950	<b>49 564</b>	45 480
<b>NON-CURRENT LIABILITIES:</b>					
Payables	18	3 159	2 630	3 056	2 624
Interest-bearing liabilities	19	75	129	75	81
Provisions	20	32 758	28 647	32 091	28 427
Deferred employee benefits for superannuation	27	39 700	35 300	39 700	35 300
<b>Total Non-Current Liabilities</b>		<b>75 692</b>	66 706	<b>74 922</b>	66 432
<b>Total Liabilities</b>		<b>136 883</b>	122 656	<b>124 486</b>	111 912
<b>NET ASSETS</b>		<b>748 931</b>	692 340	<b>742 016</b>	683 873
<b>EQUITY:</b>					
Capital reserves	23	471 847	452 631	486 537	466 832
Specific purpose reserves	23	152 875	141 201	152 875	141 201
Retained surplus	23	122 448	96 631	102 604	75 840
<b>Total University Interests</b>		<b>747 170</b>	690 463	<b>742 016</b>	683 873
Minority interest		1 761	1 877	-	-
<b>TOTAL EQUITY</b>		<b>748 931</b>	692 340	<b>742 016</b>	683 873

## Statement of Changes in Equity for the year ended 31 December 2005

	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<b>TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>692 340</b>	661 685	<b>683 873</b>	656 420
Outside equity interest distribution paid	<b>(84)</b>	(100)	-	-
Defined benefits fund actuarial gain	<b>246</b>	972	<b>246</b>	972
Gain on revaluation of land and buildings	<b>18 971</b>	5 228	<b>17 235</b>	6 275
Gain on revaluation of available-for-sale financial assets	<b>74</b>	(235)	<b>2 470</b>	(1 875)
Other adjustments recognised directly in equity	<b>49</b>	2	-	-
Net Income Recognised Directly in Equity	<b>19 256</b>	5 867	<b>19 951</b>	5 372
Operating result for the year	<b>37 335</b>	24 788	<b>38 192</b>	22 081
<b>Total Recognised Income and Expense for the Year</b>	<b>56 591</b>	30 655	<b>58 143</b>	27 453
<b>Total Equity at the End of the Financial Year</b>	<b>748 931</b>	692 340	<b>742 016</b>	683 873
Total recognised income and expense for the year attributable to:				
Members of the University of Adelaide	<b>37 367</b>	24 846	<b>38 192</b>	22 081
Minority interest	<b>(32)</b>	(58)	-	-
	<b>37 335</b>	24 788	<b>38 192</b>	22 081

## Cash Flow Statement for the year ended 31 December 2005

	Consolidated		University	
	2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>Inflows</b>	Inflows	<b>Inflows</b>	Inflows
<b>INFLOWS:</b>	<b>(Outflows)</b>	(Outflows)	<b>(Outflows)</b>	(Outflows)
Australian Government Financial Assistance: Note	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
CGS and other DEST grants	74 543	62 918	74 543	62 918
Higher Education Loan Programmes	49 816	45 127	49 816	45 127
Scholarships	6 227	5 323	6 227	5 323
DEST research	59 724	52 809	59 724	52 809
ARC - Discovery	12 130	9 391	12 130	9 391
ARC - Linkages	6 154	7 813	6 154	7 813
ARC - Networks and centres	5 397	3 544	5 397	3 544
Other Australian Government grants	46 981	48 574	46 981	48 574
State and Local Government financial assistance	17 522	14 611	17 302	14 391
HECS-HELP - Student payments	9 249	7 525	9 249	7 525
OS-HELP (net of outflows)	222	-	222	-
Student fees	59 824	51 126	59 824	51 126
Fees and charges	17 284	18 428	15 950	17 316
Donations and bequests	4 647	6 018	7 147	7 252
Investment income received	7 666	4 516	6 012	5 011
Consultancy and contract research	39 352	35 352	26 597	24 309
Specialist services and produce trading	34 822	25 457	12 277	9 923
Other	10 420	12 960	9 743	10 933
<b>Total Inflows</b>	<b>461 980</b>	411 492	<b>425 295</b>	383 285
<b>OUTFLOWS:</b>				
Salaries and related expenses	<b>(241 168)</b>	(214 956)	<b>(227 719)</b>	(203 561)
Student services	<b>(21 813)</b>	(19 560)	<b>(21 773)</b>	(19 520)
Goods and services	<b>(149 266)</b>	(128 550)	<b>(127 784)</b>	(113 171)
Interest paid	<b>(163)</b>	(155)	<b>(157)</b>	(143)
<b>Total Outflows</b>	<b>(412 410)</b>	(363 221)	<b>(377 433)</b>	(336 395)
<b>Net Cash provided by Operating Activities</b>	<b>49 570</b>	48 271	<b>47 862</b>	46 890
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
<b>INFLOWS:</b>				
Proceeds from sale of property, plant and equipment	1 731	1 392	1 631	1 118
Proceeds from sale of investments	3 393	2 640	3 393	2 630
Proceeds from sale of available for sale financial assets	2 099	1 824	-	-
Increase in borrowings	-	17	-	-
Repayment of loan	333	1 023	333	1 023
<b>Total Inflows</b>	<b>7 556</b>	6 896	<b>5 357</b>	4 771
<b>OUTFLOWS:</b>				
Payments for property, plant and equipment	<b>(41 437)</b>	(26 957)	<b>(40 322)</b>	(25 117)
Payments for intangible assets	<b>(74)</b>	(1 090)	-	(951)
Purchase of investments	<b>(3 727)</b>	(6 067)	<b>(3 727)</b>	(6 067)
Repayment of borrowings	<b>(6)</b>	(6)	<b>(6)</b>	(6)
<b>Total Outflows</b>	<b>(45 244)</b>	(34 120)	<b>(44 055)</b>	(32 141)
<b>Net Cash used in Investing Activities</b>	<b>(37 688)</b>	(27 224)	<b>(38 698)</b>	(27 370)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
<b>INFLOWS:</b>				
Issue of shares to outside equity interests	50	-	-	-
<b>Total Inflows</b>	<b>50</b>	-	-	-
<b>OUTFLOWS:</b>				
Repayment of borrowings	<b>(102)</b>	(97)	-	-
Dividends paid to minority interests	<b>(84)</b>	(100)	-	-
<b>Total Outflows</b>	<b>(186)</b>	(197)	-	-
<b>Net Cash used in Financing Activities</b>	<b>(136)</b>	(197)	-	-
<b>NET INCREASE IN CASH</b>	<b>11 746</b>	20 850	<b>9 164</b>	19 520
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF REPORTING PERIOD</b>	<b>74 740</b>	53 795	<b>62 829</b>	43 214
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>99</b>	95	<b>99</b>	95
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<b>86 585</b>	74 740	<b>72 092</b>	62 829

## 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. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Urgent Issue Group Consensus Views, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Department of Education, Science and Training (DEST).

#### (a) Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the University financial statements and the Consolidated Entity, and notes comply with International Financial Reporting Standards (IFRSs).

#### (b) Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting

These financial statements are the first University financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the University until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the University's equity and its net income are given in Note 37.

#### (c) Early Adoption of Standard

The University has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 January 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### (d) Critical Accounting Estimates

Preparation of financial statements in conformity with AIFRS 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 2005 operating results and 2004 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 financial results of its controlled entities. It includes the University's interests in associated entities (Note 34) and its joint venture operations (Note 35), recognised using the equity accounting method. Refer to Note 33 'Investments in Controlled Entities'.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research and Innovation Pty Ltd as trustee for The Adelaide Research and Innovation Investment Trust
- Australian Company Number 060 292 486 Pty Ltd formerly Camtech (SA) Pty Ltd as trustee for Camtech Discretionary Trust (dissolved in 2005)
- Disc Pty Ltd (dissolved in 2005)
- Repromed Pty Ltd
- Reproductive Health Science Pty Ltd
- Lubims Pty Ltd
- Martindale Holdings Pty Ltd as trustee for
  - JS Davies Estate
  - JAT Mortlock Trust

**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.

**(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 except for Martindale Holdings Pty Ltd, which is a primary producer, and consequently has 31 March reporting period.

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.

Outside 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***Grant Revenue*

Grant revenue is recognised in the accounting period it is received.

*Financial Effects of Changes to Australian Government Payment Arrangements for 2005 Grant Year Background*

DEST made changes to payment arrangements in late 2004 so that all recurrent payments in respect of a grant year will be made in that year. The past practice of making the first payment in respect of a grant year at the end of December of the previous year was discontinued. For the 2005 grant year, the first payment was made in January 2005 instead of December 2004.

*Financial Effects for 2004*

Changes to payment arrangements will mean that those Higher Education Providers (HEPs) that reported the whole or part of the 8 percent first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Australian Government funding for the 2004 grant year in their 2004 Income Statement. The HEPs were required to identify in their 2004 financial statements, the impact of the changed treatment on their operating result by restating the Australian Government financial assistance for 2004 (by incorporating the amount received in December 2003 as revenue for the 2004 reporting period) and the total revenue from operating activities. If the restated amounts for 2004 are not reported in the Income Statement, then that information is provided below:

	\$'000
2004 Operating revenue from continuing operations (per Income Statement)	153 116
<i>Add:</i> Grants received in 2003 for 2004 Activities:	
Australian Government financial assistance	9 545
HECS - Australian Government payments	3 278
Australian Government loan programmes	-
<b>Total Restated 2004 Operating Revenue from Continuing Operations</b>	<b>165 939</b>
Restated 2004 Operating revenue from continuing operations	165 939
Reported 2004 Operating revenue from continuing operations	153 116
<b>Financial Effect on 2004 Operating Result</b>	<b>12 823</b>

The Australian Government will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

*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 as revenue 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) Goods and Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the 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) Research and Development Costs (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 in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is 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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment (refer to Note 17).

**(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 wage and salary rates as at the balance date 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 3 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.

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 27 for details relating to the individual schemes.

**(h) Receivables**

The collectibility 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, 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.

**(j) Other Financial Assets**

The Consolidated Entity classifies its investment into the following categories: financial assets held for trading, 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.

*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 32). 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 cost. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

**(k) Investments in Business Undertakings**

*Controlled Entities*

Investments in controlled entities are carried in the University's financial statements at cost. 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 the lower of cost or recoverable amount.

*Associates (continued)*

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. 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, as listed in Note 35 (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 35 (a)(ii), are accounted for using the equity method of accounting.

*Other Business Undertakings*

The Consolidated Entity holds, through The Adelaide Research & Innovation Investment Trust, significant investment in a publicly listed entity, namely GroPep Ltd. It does not exercise any significant influence over the operations of this entity. As at 31 December 2005 the investment has been valued at market value.

In addition, 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)).

**(l) Inventories***Consumable Materials and Trading Stock*

The University has a number of inventory stores at several locations. The inventory is valued at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in the Consolidated Entity at the lower of cost or net realisable value.

*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 lower of cost or net realisable value.

**(m) 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 2005 land, buildings and works of art were independently valued on a fair value basis in accordance with Australian Accounting Standards. During 2004 land was independently valued on a fair value basis, however, buildings and works of art were assessed by the valuers as still representing fair value.

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 has been carried out by Mr N Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd on 31 December 2005.

*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 2004 using an internal valuation based on the annual price movement of books and journals. The additions to the library collection during 2005 have been recognised at cost.

*Works of Art*

Works of art greater than \$2 000, are recorded at fair value on the basis of an independent valuation carried out by Mr J F B Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 31 December 2005. No provision for depreciation is made for works of art.

*Leased Plant and Equipment*

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are charged to the Income Statement in equal instalments over the accounting periods covered by the lease term.

**(n) Non-current Assets Held for Sale**

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The University intends to dispose of any assets held for sale within the next 12 months after balance date.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised in the Income Statement for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately within current assets in the Balance Sheet.

**(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, 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
Software and implementation costs	3-5 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) Workers Compensation**

The University is responsible for payments of workers compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

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.

**(r) 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 fringe benefit tax.

**(s) 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.

**(t) Rounding**

All amounts in this report are rounded to the nearest one thousand dollars.

**4. Change in Accounting Policy****Change in Useful Lives for Library Collection**

The library collection was revalued internally as at 31 December 2004. The useful life of the library collection was also reviewed at the time of the revaluation and a 10 year useful life has been adopted for the entire library collection from 1 January 2005. Depreciation recognised in prior years has not been changed, that is, the change in depreciation rate or method has been accounted for on a 'prospective' basis from 1 January 2005.

**5. Revenue from Continuing Operations**

## Student Fee Income Includes:

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Award Courses:					
Australian fee paying undergraduate students		2 042	1 419	2 042	1 419
Australian fee paying postgraduate students		3 240	3 741	3 240	3 741
International fee paying students		49 110	39 503	49 110	39 503
		<b>54 392</b>	44 663	<b>54 392</b>	44 663
Non-Award Courses:					
Continuing education		519	443	519	443
Australian fee paying		1 968	1 423	1 968	1 423
Other teaching service fees		3 212	3 576	3 212	3 576
		<b>5 699</b>	5 442	<b>5 699</b>	5 442
		<b>60 091</b>	50 105	<b>60 091</b>	50 105
Tuition Fees - Higher Education Support Act:					
FEE-HELP		5 478	3 576	5 478	3 576
Overseas postgraduate research scholarship		860	773	860	773
		<b>66 429</b>	54 454	<b>66 429</b>	54 454
Investment Revenue:					
General fund earnings		7 806	5 782	5 219	3 631
Net realised gains on Composite Fund investments		3 393	2 690	3 393	2 690
General and Composite Fund investment market valuation adjustment		8 638	7 823	8 638	7 823
Unrealised gains on investment properties		2 032	1 080	2 032	1 080
Royalty, trademarks and licences		1 563	1 621	115	151
Dividends received		233	281	188	170
Distributions from controlled entities		-	-	411	1 925
		<b>23 665</b>	19 277	<b>19 996</b>	17 470
Property Revenue:					
Rental charges/accommodation fees		5 447	4 561	5 447	4 561
Parking fees		734	915	734	915
Building development and maintenance recovery		623	391	623	391
Other property revenue		781	826	781	826
		<b>7 585</b>	6 693	<b>7 585</b>	6 693
Specialist Services and Trading:					
Consultancy fees		18 774	14 596	4 716	3 553
Library charges and fines		963	1 027	963	1 027
Sale of services		25 765	20 682	8 328	8 469
Sale of goods		6 492	6 497	2 714	2 358
Sponsorship and conference income		882	593	882	593
Other specialist services and trading		2 134	1 739	631	501
		<b>55 010</b>	45 134	<b>18 234</b>	16 501

5. <b>Revenue from Continuing Operations (continued)</b>	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other Revenue:					
Bequests and Donations received for:					
Research		1 040	4 092	3 540	4 092
General operational purposes and capital works		2 910	2 139	2 910	3 373
		<b>3 950</b>	6 231	<b>6 450</b>	7 465
Prizes and scholarships		514	842	514	842
Net gain from sale of assets and minor equipment		381	470	322	285
Recharge of costs to other organisations		3 999	4 730	3 999	4 730
Application management and late fee		482	542	482	542
Franchise fees		939	867	939	867
Bad debts recoveries		237	428	237	428
Other revenue		7 324	5 521	6 050	4 823
		<b>17 826</b>	19 631	<b>18 993</b>	19 982
Share of net profits (losses) of associates and joint ventures accounted for using the equity method:					
Joint venture operations	35	28	1 985	-	-
Associates	34	(2 123)	723	-	-
		<b>(2 095)</b>	2 708	-	-
<b>Net Foreign Exchange Gain</b>		<b>99</b>	95	<b>99</b>	95
<b>6. Expenses from Continuing Operations</b>					
<b>Salaries and related expenses</b>					
Salaries and related expenses - Academic:					
Salaries		88 093	81 982	88 093	81 982
Contributions to superannuation schemes:					
Emerging cost		1 526	1 538	1 526	1 538
Funded		12 234	11 241	12 234	11 241
		<b>13 760</b>	12 779	<b>13 760</b>	12 779
Payroll tax		5 407	4 984	5 407	4 984
Annual leave		9 711	8 797	9 711	8 797
Long service leave		3 015	2 691	3 015	2 691
Workers compensation		427	386	427	386
Other		4 425	4 122	4 425	4 122
Total Academic Salaries and Related Expenses		<b>124 838</b>	115 741	<b>124 838</b>	115 741
Salaries and related expenses - Non-academic:					
Salaries		84 092	75 333	71 809	64 555
Contributions to superannuation schemes:					
Emerging cost		1 148	1 117	1 148	1 117
Funded		10 069	9 155	9 450	8 620
		<b>11 217</b>	10 272	<b>10 598</b>	9 737
Payroll tax		4 365	3 933	4 275	3 857
Annual leave		7 903	6 808	7 580	6 786
Long service leave		2 633	2 148	2 314	2 057
Workers compensation		450	388	338	299
Other		2 747	3 124	2 714	2 989
Total Non-academic Salaries and Related Expenses		<b>113 407</b>	102 006	<b>99 628</b>	90 280
		<b>238 245</b>	217 747	<b>224 466</b>	206 021
Deferred employee benefits for superannuation		4 600	900	4 600	900
Total Salaries and Related Expenses		<b>242 845</b>	218 647	<b>229 066</b>	206 921
Total salaries and related expenses		<b>242 845</b>	218 647	<b>229 066</b>	206 921
Less: Emerging cost		2 674	2 655	2 674	2 655
Deferred employee benefits for superannuation		4 600	900	4 600	900
Salaries and related expenses		<b>235 571</b>	215 092	<b>221 792</b>	203 366

6. Expenses from Continuing Operations (continued)		Consolidated		University	
		2005	2004	2005	2004
<b>Salaries and related expenses (continued)</b>					
Teaching and research materials:	Note	\$'000	\$'000	\$'000	\$'000
Agriculture, animals and cropping		2 019	1 956	2 019	1 956
Books, subscriptions and printed material		3 367	3 009	3 367	3 009
Laboratory expenses		12 401	11 982	12 401	11 982
Research transfer to other institutions		20 104	22 736	20 104	22 736
Other teaching and research materials		6 785	4 848	6 745	4 808
		<b>44 676</b>	<b>44 531</b>	<b>44 636</b>	<b>44 491</b>
Buildings and grounds:					
Cleaning and security		4 517	3 861	4 517	3 861
Property maintenance		10 243	8 440	10 243	8 440
Building leases and rent		5 618	3 525	5 618	3 525
Utilities		5 518	5 415	5 518	5 415
		<b>25 896</b>	<b>21 241</b>	<b>25 896</b>	<b>21 241</b>
Borrowing costs:					
Interest		25	12	19	-
Finance charges		138	143	138	143
		<b>163</b>	<b>155</b>	<b>157</b>	<b>143</b>
Amortisation of intangible assets:					
Internally developed software		2 813	3 217	2 799	3 217
Amortisation:	3(p)				
Leasehold improvements		569	307	390	127
Computer software		23	168	23	168
		<b>592</b>	<b>475</b>	<b>413</b>	<b>295</b>
		<b>3 405</b>	<b>3 692</b>	<b>3 212</b>	<b>3 512</b>
Depreciation:	3(p)				
Buildings		8 601	8 509	8 505	8 416
Plant, equipment and motor vehicles		6 699	6 214	5 506	5 093
Library collection		3 946	6 488	3 946	6 488
Investment properties		332	348	332	348
		<b>19 578</b>	<b>21 559</b>	<b>18 289</b>	<b>20 345</b>
Bad and doubtful debts:					
Student loans		9	15	9	15
Student tuition		522	176	522	176
Other debtors		323	445	297	897
		<b>854</b>	<b>636</b>	<b>828</b>	<b>1 088</b>
<b>7. Cash and Cash Equivalents</b>	3(i)				
Cash at bank or on hand		5 632	13 991	2 290	2 651
Deposits at call		80 953	60 749	69 802	60 178
		<b>86 585</b>	<b>74 740</b>	<b>72 092</b>	<b>62 829</b>
<b>8. Receivables</b>	3(h)				
Current:					
Student tuition fees		4 304	3 051	4 304	3 051
Less: Provisions for doubtful debts		(1 039)	(664)	(1 039)	(664)
		<b>3 265</b>	<b>2 387</b>	<b>3 265</b>	<b>2 387</b>
Sundry debtors, trade debtors and accrued income		26 547	18 993	21 876	15 467
Less: Provision for doubtful debts		(1 601)	(1 755)	(927)	(1 175)
		<b>24 946</b>	<b>17 238</b>	<b>20 949</b>	<b>14 292</b>
Student loans		228	243	228	243
Less: Provision for doubtful debts		(184)	(183)	(184)	(183)
		<b>44</b>	<b>60</b>	<b>44</b>	<b>60</b>
Other		-	19	-	-
		<b>28 255</b>	<b>19 704</b>	<b>24 258</b>	<b>16 739</b>

**Bad and Doubtful Debts**

The University has recognised a loss of \$828 000 (2004: \$1 088 000) in respect of bad and doubtful receivables during the year ended 31 December 2005. The loss has been included in 'Finance and fund administration' expenses in the Income Statement.

9. Other Financial Assets	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:					
Loans to controlled entities		-	-	2 133	2 246
Term deposits		2 026	2 139	-	-
Other loans		68	172	68	172
		<b>2 094</b>	<b>2 311</b>	<b>2 201</b>	<b>2 418</b>
Non-current:					
Held for trading					
Composite fund at fair value	3(j)				
Australian fixed interest securities		12 743	10 037	12 743	10 037
Overseas fixed interest securities		5 690	6 416	5 690	6 416
Australian equities		25 580	21 665	25 580	21 665
Overseas equities		23 540	19 119	23 540	19 119
Property trusts		5 119	4 442	5 119	4 442
Cash and liquid assets		2 762	2 397	2 762	2 397
Alternative strategies		1 098	1 003	1 098	1 003
		<b>76 532</b>	<b>65 079</b>	<b>76 532</b>	<b>65 079</b>
Managed investment held by Unisure Pty Ltd		7 596	7 172	7 596	7 172
Other shares		2 327	1 917	2 327	1 917
<b>Total Non-current Other Financial Assets Held for Trading</b>		<b>86 455</b>	<b>74 168</b>	<b>86 455</b>	<b>74 168</b>
Other loans		1 257	1 373	1 257	1 373
<b>Total Non-current Other Financial Assets</b>		<b>87 712</b>	<b>75 541</b>	<b>87 712</b>	<b>75 541</b>
Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.					
10. Inventories	3(l)				
Consumable materials and trading stock		1 954	2 116	1 761	1 877
Livestock		2 414	2 371	-	-
Provisions for obsolescence		(100)	(123)	(100)	(123)
		<b>4 268</b>	<b>4 364</b>	<b>1 661</b>	<b>1 754</b>
11. Other Non-Financial Assets					
Current:					
Prepayments		2 297	2 864	2 120	2 682
Accrued income		424	380	408	339
		<b>2 721</b>	<b>3 244</b>	<b>2 528</b>	<b>3 021</b>
Non-current:					
Prepayments		1 371	1 273	1 371	1 273
12. Non-Current Assets Held for Sale	3(n)				
Land held for sale		-	1 815	-	1 815
Buildings held for sale		-	50	-	50
		-	1 865	-	1 865
13. Investments Accounted for using the Equity Method	3(k)				
Investments in associates:	34				
At cost		-	-	298	298
Equity accounted		392	2 515	-	-
Interests in joint ventures:	35				
At cost		-	-	65	65
Equity accounted		2 451	2 423	-	-
		<b>2 843</b>	<b>4 938</b>	<b>363</b>	<b>363</b>
14. Available-for-sale Financial Assets					
Current:					
Listed shares:	3(k)				
BresaGen Ltd		-	324	-	-
GroPep Ltd		4 013	4 368	-	-
Other listed shares		2 429	2 010	-	-
		<b>6 442</b>	<b>6 702</b>	<b>-</b>	<b>-</b>
Non-current:					
Investments in controlled entities	33	-	-	51 224	48 754



15. <b>Property, Plant and Equipment Consolidated</b>	Trust	Other	Trust	Other	WIP
	Land	Land	Buildings	Buildings	Buildings
As at 1 January 2004:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	-	220	1 703	2 068	17 910
Valuation	92 335	61 989	273 391	26 505	-
Accumulated depreciation/amortisation	-	-	(7 663)	(905)	-
<b>Net Book Amount</b>	<b>92 335</b>	<b>62 209</b>	<b>267 431</b>	<b>27 668</b>	<b>17 910</b>
Year Ended 31 December 2004:					
Opening net book amount	92 335	62 209	267 431	27 668	17 910
Revaluation increments (decrements)	11 355	3 593	-	-	-
Additions	-	-	15 217	767	(6 590)
Disposals	-	-	-	-	-
Depreciation/amortisation	-	-	(7 498)	(1 011)	-
<b>Closing Net Book Amount</b>	<b>103 690</b>	<b>65 802</b>	<b>275 150</b>	<b>27 424</b>	<b>11 320</b>
As at 31 December 2004:					
Cost	-	220	16 920	2 835	11 320
Valuation	103 690	65 582	273 391	26 505	-
Accumulated depreciation/amortisation	-	-	(15 161)	(1 916)	-
<b>Net Book Amount</b>	<b>103 690</b>	<b>65 802</b>	<b>275 150</b>	<b>27 424</b>	<b>11 320</b>
Year Ended 31 December 2005:					
Opening net book amount	103 690	65 802	275 150	27 424	11 320
Revaluation increments (decrements)	8 445	7 028	2 472	249	-
Additions	-	-	17 570	1 012	4 875
Disposals	-	-	-	-	-
Transfers	-	-	-	(31)	-
Depreciation/amortisation	-	-	(7 763)	(838)	-
<b>Closing Net Book Amount</b>	<b>112 135</b>	<b>72 830</b>	<b>287 429</b>	<b>27 816</b>	<b>16 195</b>
As at 31 December 2005:					
Cost	-	-	784	664	16 195
Valuation	112 135	72 830	286 649	27 194	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
<b>Net Book Amount</b>	<b>112 135</b>	<b>72 830</b>	<b>287 429</b>	<b>27 816</b>	<b>16 195</b>
	Leasehold	Library	Works of	Plant and	<b>Total</b>
	Improve-	Collections	Art	Equipment	<b>\$'000</b>
As at 1 January 2004:	\$'000	\$'000	\$'000	\$'000	
Cost	3 090	3 156	-	87 293	<b>115 440</b>
Valuation	-	55 819	4 188	-	<b>514 227</b>
Accumulated depreciation/amortisation	(479)	(6 380)	-	(61 272)	<b>(76 699)</b>
<b>Net Book Amount</b>	<b>2 611</b>	<b>52 595</b>	<b>4 188</b>	<b>26 021</b>	<b>552 968</b>
Year Ended 31 December 2004:					
Opening net book amount	2 611	52 595	4 188	26 021	<b>552 968</b>
Revaluation increments (decrements)	-	(9 720)	-	-	<b>5 228</b>
Additions	1 237	3 267	-	12 825	<b>26 723</b>
Disposals	-	(197)	-	(915)	<b>(1 112)</b>
Depreciation/amortisation	(307)	(6 488)	-	(6 382)	<b>(21 686)</b>
<b>Closing Net Book Amount</b>	<b>3 541</b>	<b>39 457</b>	<b>4 188</b>	<b>31 549</b>	<b>562 121</b>
As at 31 December 2004:					
Cost	4 327	-	-	99 139	<b>134 761</b>
Valuation	-	39 457	4 188	-	<b>512 813</b>
Accumulated depreciation/amortisation	(786)	-	-	(67 590)	<b>(85 453)</b>
<b>Net Book Amount</b>	<b>3 541</b>	<b>39 457</b>	<b>4 188</b>	<b>31 549</b>	<b>562 121</b>
Year Ended 31 December 2005:					
Opening net book amount	3 541	39 457	4 188	31 549	<b>562 121</b>
Revaluation increments (decrements)	-	-	777	-	<b>18 971</b>
Additions	3 138	3 180	62	11 954	<b>41 791</b>
Disposals	-	(193)	(31)	(1 000)	<b>(1 224)</b>
Transfers	31	-	-	-	-
Depreciation/amortisation	(569)	(3 946)	-	(6 722)	<b>(19 838)</b>
<b>Closing Net Book Amount</b>	<b>6 141</b>	<b>38 498</b>	<b>4 996</b>	<b>35 781</b>	<b>601 821</b>
As at 31 December 2005:					
Cost	7 495	2 987	-	104 008	<b>132 133</b>
Valuation	-	39 457	4 996	-	<b>543 261</b>
Accumulated depreciation/amortisation	(1 354)	(3 946)	-	(68 227)	<b>(73 573)</b>
<b>Net Book Amount</b>	<b>6 141</b>	<b>38 498</b>	<b>4 996</b>	<b>35 781</b>	<b>601 821</b>

15. Property, Plant and Equipment (continued)	Trust		Other		WIP
	Land	Land	Buildings	Buildings	
<b>University</b>					
As at 1 January 2004:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	-	220	1 703	1 800	17 910
Valuation	92 335	29 891	273 391	24 561	-
Accumulated depreciation/amortisation	-	-	(7 663)	(832)	-
<b>Net Book Amount</b>	<b>92 335</b>	<b>30 111</b>	<b>267 431</b>	<b>25 529</b>	<b>17 910</b>
Year Ended 31 December 2004:					
Opening net book amount	92 335	30 111	267 431	25 529	17 910
Revaluation increments (decrements)	11 355	4 640	-	-	-
Additions	-	-	15 217	682	(6 590)
Disposals	-	-	-	-	-
Depreciation/amortisation	-	-	(7 498)	(918)	-
<b>Closing Net Book Amount</b>	<b>103 690</b>	<b>34 751</b>	<b>275 150</b>	<b>25 293</b>	<b>11 320</b>
As at 31 December 2004:					
Cost	-	220	16 920	2 482	11 320
Valuation	103 690	34 531	273 391	24 561	-
Accumulated depreciation/amortisation	-	-	(15 161)	(1 750)	-
<b>Net Book Amount</b>	<b>103 690</b>	<b>34 751</b>	<b>275 150</b>	<b>25 293</b>	<b>11 320</b>
Year Ended 31 December 2005:					
Opening net book amount	103 690	34 751	275 150	25 293	11 320
Revaluation increments (decrements)	8 445	5 558	2 472	(17)	-
Additions	-	-	17 570	971	-
Disposals	-	-	-	-	-
Transfers	-	-	-	(31)	-
Depreciation/amortisation	-	-	(7 763)	(742)	-
<b>Closing Net Book Amount</b>	<b>112 135</b>	<b>40 309</b>	<b>287 429</b>	<b>25 474</b>	<b>16 195</b>
As at 31 December 2005:					
Cost	-	-	784	664	16 195
Valuation	112 135	40 309	286 649	24 852	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
<b>Net Book Amount</b>	<b>112 135</b>	<b>40 309</b>	<b>287 429</b>	<b>25 474</b>	<b>16 195</b>
Leasehold					
	Improve- ments	Library Collections	Works of Art	Plant and Equipment	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
As at 1 January 2004:					
Cost	1 278	3 156	-	78 911	<b>104 978</b>
Valuation	-	55 819	4 188	-	<b>480 185</b>
Accumulated depreciation/amortisation	(264)	(6 380)	-	(56 741)	<b>(71 880)</b>
<b>Net Book Amount</b>	<b>1 014</b>	<b>52 595</b>	<b>4 188</b>	<b>22 170</b>	<b>513 283</b>
Year Ended 31 December 2004:					
Opening net book amount	1 014	52 595	4 188	22 170	<b>513 283</b>
Revaluation increments (decrements)	-	(9 720)	-	-	<b>6 275</b>
Additions	1 214	3 267	-	11 093	<b>24 883</b>
Disposals	-	(197)	-	(636)	<b>(833)</b>
Depreciation/amortisation	(127)	(6 488)	-	(5 261)	<b>(20 292)</b>
<b>Closing Net Book Amount</b>	<b>2 101</b>	<b>39 457</b>	<b>4 188</b>	<b>27 366</b>	<b>523 316</b>
As at 31 December 2004:					
Cost	2 492	-	-	89 368	<b>122 802</b>
Valuation	-	39 457	4 188	-	<b>479 818</b>
Accumulated depreciation/amortisation	(391)	-	-	(62 002)	<b>(79 304)</b>
<b>Net Book Amount</b>	<b>2 101</b>	<b>39 457</b>	<b>4 188</b>	<b>27 366</b>	<b>523 316</b>
Year Ended 31 December 2005:					
Opening net book amount	2 101	39 457	4 188	27 366	<b>523 316</b>
Revaluation increments (decrements)	-	-	777	-	<b>17 235</b>
Additions	3 137	3 180	62	10 880	<b>40 675</b>
Disposals	-	(193)	(31)	(953)	<b>(1 177)</b>
Transfers	31	-	-	-	<b>-</b>
Depreciation/amortisation	(390)	(3 946)	-	(5 529)	<b>(18 370)</b>
<b>Closing Net Book Amount</b>	<b>4 879</b>	<b>38 498</b>	<b>4 996</b>	<b>31 764</b>	<b>561 679</b>
As at 31 December 2005:					
Cost	5 659	2 987	-	93 588	<b>119 877</b>
Valuation	-	39 457	4 996	-	<b>508 398</b>
Accumulated depreciation/amortisation	(780)	(3 946)	-	(61 824)	<b>(66 596)</b>
<b>Net Book Amount</b>	<b>4 879</b>	<b>38 498</b>	<b>4 996</b>	<b>31 764</b>	<b>561 679</b>

16. Investment Property	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
		16 017	15 051	16 017	15 051
		-	234	-	234
		(332)	(348)	(332)	(348)
		2 032	1 080	2 032	1 080
		<b>17 717</b>	<b>16 017</b>	<b>17 717</b>	<b>16 017</b>
17. Intangible Assets	3(f)			Consolidated 2005 \$'000	University 2005 \$'000
Non-current:					
As at 1 January 2004:					
Cost				17 801	17 652
Accumulated depreciation and impairment				(11 798)	(11 791)
<b>Net Book Amount</b>				<b>6 003</b>	<b>5 861</b>
Year ended 31 December 2004:					
Opening net book amount				6 003	5 861
Additions				1 090	951
Amortisation charge				(3 217)	(3 217)
<b>Closing Net Book Amount</b>				<b>3 876</b>	<b>3 595</b>
As at 31 December 2004:					
Cost				10 798	10 510
Accumulated depreciation and impairment				(6 922)	(6 915)
<b>Net Book Amount</b>				<b>3 876</b>	<b>3 595</b>
Year ended 31 December 2005:					
Opening net book amount				3 876	3 595
Additions				22	-
Amortisation charge				(2 813)	(2 799)
<b>Closing Net Book Amount</b>				<b>1 085</b>	<b>796</b>
As at 31 December 2005:					
Cost				10 820	10 510
Accumulated depreciation and impairment				(9 735)	(9 714)
<b>Net Book Amount</b>				<b>1 085</b>	<b>796</b>
18. Payables		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:					
Accounts payable		30 218	23 008	22 742	16 314
Accruals		4 214	9 433	999	6 655
OS-HELP Liability to Australian Government		453	-	453	-
		<b>34 885</b>	<b>32 441</b>	<b>24 194</b>	<b>22 969</b>
Non-current:					
Accounts payable		3 159	2 630	3 056	2 624
19. Interest-Bearing Liabilities					
Current:					
Other - Unsecured		37	108	6	6
Non-current:					
Other - Unsecured		75	129	75	81
During 2005 the University extended a \$20 million Bill Acceptance and Discount Facility for a three year period. This standby working capital facility is unsecured and has not been drawn down as at 31 December 2005.					
20. Provisions		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:					
Workers compensation provision		861	742	861	742
Annual and long service leave		10 261	9 003	9 642	8 371
Insurance provision		1 552	1 716	1 552	1 716
		<b>12 674</b>	<b>11 461</b>	<b>12 055</b>	<b>10 829</b>
Non-current:					
Workers compensation provision		2 043	1 608	2 043	1 608
Annual and long service leave		22 442	18 875	21 775	18 655
Defined benefit fund net liability		8 273	8 164	8 273	8 164
		<b>32 758</b>	<b>28 647</b>	<b>32 091</b>	<b>28 427</b>

**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(q) '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'.

**Insurance Provision**

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2005 that were expected to be paid subsequent to 1 January 2006 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 27(c) 'The University of Adelaide Super Scheme A 1985'.

**21. Other Liabilities**

	Consolidated		University	
	2005	2004	2005	2004
Current:	\$'000	\$'000	\$'000	\$'000
Outside funded positions	1 615	947	1 615	947
Income in advance	156	487	156	487
Salary and wage deductions	4 438	4 097	4 438	4 097
Student tuition fees received in advance	3 322	2 658	3 322	2 658
Residential bonds	132	32	132	32
Employee benefits - Redundancy	446	455	446	455
Other	286	264	-	-
	<b>10 395</b>	<b>8 940</b>	<b>10 109</b>	<b>8 676</b>

**22. 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 2005 relating to employee benefits:

	Note	Consolidated		University	
		2005	2004	2005	2004
Annual leave:		\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current	18	948	925	898	813
Employee benefits - Current	20	3 917	3 541	3 593	3 251
		<b>4 865</b>	<b>4 466</b>	<b>4 491</b>	<b>4 064</b>
On-costs included in payables - Non-current	18	274	238	254	238
Employee benefits - Non-current	20	1 215	1 022	1 017	924
		<b>1 489</b>	<b>1 260</b>	<b>1 271</b>	<b>1 162</b>
Long service leave:					
On-costs included in payables - Current	18	842	742	817	692
Employee benefits - Current	20	6 344	5 462	6 049	5 120
		<b>7 186</b>	<b>6 204</b>	<b>6 866</b>	<b>5 812</b>
On-costs included in payables - Non-current	18	2 861	2 392	2 802	2 386
Employee benefits - Non-current	20	21 227	17 853	20 758	17 731
		<b>24 088</b>	<b>20 245</b>	<b>23 560</b>	<b>20 117</b>
		<b>37 628</b>	<b>32 175</b>	<b>36 188</b>	<b>31 155</b>

**23. Retained Surplus and Reserves****(a) Summary**

## Capital reserves:

Capital reserve	3 020	2 970	-	-
Capital profits reserve	687	687	-	-
Asset revaluation reserve	182 850	163 879	159 087	141 852
Initial asset recognition reserve	279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve	6 166	5 971	48 326	45 856
	<b>471 847</b>	<b>452 631</b>	<b>486 537</b>	<b>466 832</b>

## Specific purpose reserves:

Special reserve	55 434	55 542	55 434	55 542
Bequests/donations unspent income reserve	13 567	12 651	13 567	12 651
Restricted purpose bequest capital reserve	56 613	53 261	56 613	53 261
Composite fund revaluation reserve	27 261	19 747	27 261	19 747
	<b>152 875</b>	<b>141 201</b>	<b>152 875</b>	<b>141 201</b>

**Retained Surplus**

	<b>122 448</b>	<b>96 631</b>	<b>102 604</b>	<b>75 840</b>
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**(b) Movements in Reserves**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital reserve:				
Opening balance	2 970	2 970	-	-
Current year movement	50	-	-	-
Closing Balance	<b>3 020</b>	2 970	-	-
Capital profits reserve:				
Opening balance	687	687	-	-
Current year movement	-	-	-	-
Closing Balance	<b>687</b>	687	-	-
Asset revaluation reserve:				
Opening balance	163 879	158 651	141 852	135 577
Add revaluation increment on property, plant and equipment	18 971	5 228	17 235	6 275
Closing Balance	<b>182 850</b>	163 879	<b>159 087</b>	141 852
Initial asset recognition reserve:				
Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing Balance	<b>279 124</b>	279 124	<b>279 124</b>	279 124
Available-for-sale financial assets revaluation reserve:				
Opening balance	5 971	6 206	45 856	47 731
Current year movement	195	(235)	2 470	(1 875)
Closing Balance	<b>6 166</b>	5 971	<b>48 326</b>	45 856
Special reserve:				
Opening balance	55 542	51 669	55 542	51 669
Transfer (to)/from retained surplus	(108)	3 873	(108)	3 873
Closing Balance	<b>55 434</b>	55 542	<b>55 434</b>	55 542
Bequests/donations unspent income reserve:				
Opening balance	12 651	12 088	12 651	12 088
Transfer from retained surplus	916	563	916	563
Closing Balance	<b>13 567</b>	12 651	<b>13 567</b>	12 651
Restricted purpose bequest capital reserve:				
Opening balance	53 261	46 310	53 261	46 310
Transfer from retained surplus	3 352	6 951	3 352	6 951
Closing Balance	<b>56 613</b>	53 261	<b>56 613</b>	53 261
Composite fund revaluation reserve:				
Opening balance	19 747	12 962	19 747	12 962
Transfer from retained surplus	7 514	6 785	7 514	6 785
Closing Balance	<b>27 261</b>	19 747	<b>27 261</b>	19 747

**(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(m).

*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.

24. Reconciliation of Net Cash provided by Operating Activities to Operating Result	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating Result		<b>37 335</b>	24 788	<b>38 192</b>	22 081
Add (Less): Non-cash items:					
Amortisation	6	<b>3 405</b>	3 692	<b>3 212</b>	3 512
Depreciation	6	<b>19 578</b>	21 559	<b>18 289</b>	20 345
Write (up) of investments		<b>(13 575)</b>	(10 948)	<b>(13 575)</b>	(10 798)
Bad debts written off		<b>16</b>	-	<b>-</b>	565
Superannuation expense		<b>(4 600)</b>	(900)	<b>(4 600)</b>	(900)
Superannuation revenue		<b>4 600</b>	900	<b>4 600</b>	900
Other revenue/expenses		<b>514</b>	(5 598)	<b>696</b>	(340)
(Profit) Loss on sale of property, plant and equipment		<b>45</b>	(315)	<b>99</b>	(284)
Changes in assets/liabilities:					
(Increase) decrease in inventories		<b>96</b>	(233)	<b>93</b>	55
(Increase) decrease in receivables		<b>(8 437)</b>	3 565	<b>(7 519)</b>	3 266
(Increase) decrease in other assets		<b>621</b>	700	<b>395</b>	727
Increase (decrease) in payables		<b>3 574</b>	6 529	<b>1 657</b>	4 805
Increase (decrease) in other current liabilities		<b>1 242</b>	891	<b>1 433</b>	627
Increase (decrease) in provisions		<b>5 156</b>	3 641	<b>4 890</b>	2 329
<b>Net Cash Provided by Operating Activities</b>		<b>49 570</b>	48 271	<b>47 862</b>	46 890
<b>25. Future Expenditure Commitments</b>					
<b>Operating Expenditure</b>					
Contracted but not provided for and payable:					
Not later than one year		<b>16 502</b>	11 572	<b>16 502</b>	11 572
Later than one year, but not later than five years		<b>11 313</b>	11 580	<b>11 313</b>	11 580
Later than five years		<b>367</b>	75	<b>367</b>	75
		<b>28 182</b>	23 227	<b>28 182</b>	23 227
<b>Capital Expenditure</b>					
<i>Property, Plant and Equipment</i>					
Contracted but not provided for and payable:					
Not later than one year		<b>10 635</b>	2 975	<b>10 635</b>	2 975
Later than one year, but not later than five years		-	-	-	-
Later than five years		-	-	-	-
		<b>10 635</b>	2 975	<b>10 635</b>	2 975
<b>Operating Lease Commitments</b>					
Future operating base rental not provided for and payable:					
Not later than one year		<b>3 775</b>	3 061	<b>3 066</b>	2 418
Later than one year, but not later than five years		<b>7 728</b>	5 604	<b>4 856</b>	3 296
Later than five years		<b>3 317</b>	2 451	<b>960</b>	789
		<b>14 820</b>	11 116	<b>8 882</b>	6 503
Representing:					
Cancellable operating leases		<b>8 882</b>	6 503	<b>8 882</b>	6 503
Non-cancellable operating leases		<b>5 938</b>	4 613	<b>-</b>	-
		<b>14 820</b>	11 116	<b>8 882</b>	6 503
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		<b>709</b>	643	-	-
Later than one year, but not later than five years		<b>2 872</b>	2 308	-	-
Later than five years		<b>2 357</b>	1 662	-	-
		<b>5 938</b>	4 613	-	-

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

## 26. Contingent Liabilities

### (a) Guarantees

The University in 1997 provided a \$4.35 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Car Park Developments Pty Ltd. The guarantee is for a 10 year period.

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Health and Aged Care, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

**(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 where by the University contributes \$0.6 million annually over the next five years. Refer to Note 27(c).

**(ii) UniSuper Limited Superannuation Schemes**

Refer to Note 27(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 \$1.6 million under the self insurance component of the University programme. Refer Note 20.

**27. 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 Investment Choice Plan
- 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 2005 for employees in either the Defined Benefit Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 9 percent of salaries. The employee contribution rate throughout 2005 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

Sufficient information is not available to account for the defined benefits provided by the Defined Benefit Plan as a defined benefit plan. As set out under paragraph 32(b) of AASB 119, the Defined Benefit Plan exposes the participating employers to actuarial risks associated with the current and former employees of other participating employers, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to participating employers.

As at 30 June 2005 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 Benefit Plan.

Historically, surplus in the Defined Benefit Plan has been used to improve members' benefits and has not affected the amount of participating employers' contributions.

As at 30 June 2005 the assets of the Defined Benefit Plan in aggregate were estimated to be \$230 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 Plan.

As at 30 June 2005 the assets of the Defined Benefit Plan in aggregate were estimated to be \$1 543 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.

**(b) UniSuper Limited Superannuation Schemes (continued)**

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 16 May 2003 on the actuarial investigation of the Defined Benefit Plan as at 31 December 2002. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% p.a.	9.1% p.a.
Net of tax investment return	6.5% p.a.	8.6% p.a.
Consumer Price Index	2.5% p.a.	2.5% p.a.
Inflationary salary increases	3.5% p.a.	3.5% 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.

Clause 34 of the UniSuper Trust Deed outlines the process UniSuper must undertake (including employer notifications and notice periods) in order to request additional contributions from employers if the UniSuper assets are considered by the Trustee to be insufficient to provide benefits payable under the Deed. At least four years notice that such a request may be made is required. If such a request was agreed to by employers then members must also contribute additional contributions equal to one-half of the rate which their employer is prepared to contribute. If employers do not agree to increase contributions the Trustee must reduce benefits on a fair and equitable basis. The Trustee notified employers during 2003 that such a request may be made in the future but it considered this was unlikely at that time.

**(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 William M Mercer Pty 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>		<b>2005</b>	2004
	Note	<b>\$'000</b>	\$'000
Present Value of Defined Benefit Obligations at the Beginning of the Year		<b>17 451</b>	17 838
<i>Add:</i> Current service costs		<b>394</b>	367
Interest cost		<b>750</b>	807
Contributions by scheme participants		<b>55</b>	67
Actuarial (gains) losses		<b>262</b>	(460)
<i>Less:</i> Benefits paid		<b>(824)</b>	(1 013)
Taxes, premiums and expenses paid		<b>(308)</b>	(155)
Present Value of Defined Benefit Obligations at the End of the Year		<b>17 780</b>	17 451
<i>Reconciliation of the Fair Value of Scheme Assets</i>			
Fair Value of Scheme Assets at the Beginning of the Year		<b>9 287</b>	9 256
<i>Add:</i> Expected return on scheme assets		<b>495</b>	495
Actuarial gains (losses)		<b>508</b>	512
Employer contributions		<b>294</b>	125
Contributions by scheme participants		<b>55</b>	67
<i>Less:</i> Benefits paid		<b>(824)</b>	(1 013)
Taxes, premiums and expenses paid		<b>(308)</b>	(155)
Fair Value of Scheme Assets at the End of the Year		<b>9 507</b>	9 287
<i>Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet</i>			
Defined Benefit Obligation Including Contributions Tax Provisions		<b>17 780</b>	17 451
<i>Less:</i> Fair value of scheme assets		<b>(9 507)</b>	(9 287)
Defined Benefit Fund Net Liability	20	<b>8 273</b>	8 164
<i>Expense Recognised in the Income Statement</i>			
Service cost		<b>394</b>	367
Interest cost		<b>750</b>	807
Expected return on assets		<b>(495)</b>	(495)
Superannuation expense		<b>649</b>	679
<i>Amounts Recognised in the Statement of Recognised Income and Expense</i>			
Actuarial (gains)		<b>(246)</b>	(972)
<i>Cumulative Amount Recognised in the Statement of Recognised Income and Expense</i>			
Cumulative Amount of Actuarial (gains)		<b>(1 218)</b>	(972)



**(c) The University of Adelaide Superannuation Scheme A 1985 (continued)**

<i>Scheme Assets</i>	<b>2005</b>	2004
The percentage invested in each asset class at the Balance Sheet date:	<b>Percent</b>	Percent
Australian equity	<b>19</b>	18
International equity	<b>12</b>	12
Fixed income	<b>55</b>	55
Property	<b>5</b>	5
Cash	<b>9</b>	10

**Fair Value of Scheme Assets**

The fair value of scheme assets does not include amounts relating to any of the University's own financial instruments or any property, occupied by, or other assets used by the University.

**Expected Rate of Return on Scheme Assets**

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
<b>Actual Return on Scheme Assets</b>	<b>1 003</b>	1 007

**Principal Actuarial Assumptions at the Balance Sheet Date**

	<b>2005</b>	2004
	<b>Percent</b>	Percent
Discount rate (active members)	<b>4.4</b>	4.5
Discount rate (pensioners)	<b>5.2</b>	5.3
Expected rate of return on plan assets (active members)	<b>6.5</b>	6.5
Expected rate of return on plan assets (pensioners)	<b>5.5</b>	5.5
Expected salary increase rate	<b>5.0</b>	5.0
Expected pension increase rate	<b>2.5</b>	2.5

**Historical Information**

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Present value of defined benefit obligation	<b>17 780</b>	17 451
Fair value of scheme assets at the beginning of the year	<b>9 507</b>	9 287
Deficit in scheme	<b>8 273</b>	8 164
Experience adjustments (gain) - scheme assets	<b>(508)</b>	(512)
Experience adjustments (gain) - scheme liabilities	<b>(7)</b>	(1 789)

**Expected Contributions**

The expected employer contributions for the year ended 31 December 2006 are \$1 million, which includes the \$0.6 million annual payment detailed below (refer to contribution recommendations).

**Funding Arrangements for Employer Contributions**

The following is a summary of the most recent financial position of the University of Adelaide Superannuation Scheme A 1985 calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	<b>2005</b>
	<b>\$'000</b>
Accrued benefits	<b>15 497</b>
Net market value of scheme assets	<b>9 664</b>
Net (deficit)	<b>(5 833)</b>

**Contribution Recommendations**

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of Scheme A 1985 as at 1 July 2004, are 14 percent of salaries of defined benefit members, plus \$25 000 per month from 1 January 2006 (\$14 000 per month from 1 July 2005 to 31 December 2005), plus additional contributions in a number of situations. The University, the Trustee and the actuary have also agreed to a contribution programme to finance the current deficit whereby the University contributes \$0.6 million annually over the next five years.

**Funding Method**

The method used to determine the employer contribution recommendations at the last actuarial review was the Accrued benefit method. The method adopted affects the timing of the cost to the employer.

Under the accrued benefit method, a 'normal cost' is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The 'normal cost' is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the 'normal' employer contribution rate over a suitable period of time.

**Economic Assumptions**

The long-term economic assumptions adopted for the last actuarial review of the scheme as at 1 July 2005 were:

	Percent per annum
Expected rate of return on assets (discount rate):	
Active members	6.5
Pensioners	5.5
Expected salary increase rate	5.0
Expected pension increase rate	2.5

**Nature of Asset/Liability**

The University has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The University has covenanted to ensure that the benefits as set down in the Trust Deed will be paid irrespective of the performance of Scheme A 1985.

**(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 Superannuation Board of South Australia. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2005 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 2005, there is an unfunded liability of \$42.9 million (2004: \$38.3 million). This represents an increase in liability of \$4.6 million since 31 December 2004. This is recognised as expenditure in the 2005 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 2005 Reporting Period' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$42.9 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred Government Superannuation Contribution	<b>42 900</b>	38 300	<b>42 900</b>	38 300
Current liability	<b>3 200</b>	3 000	<b>3 200</b>	3 000
Non-current liability	<b>39 700</b>	35 300	<b>39 700</b>	35 300
	<b>42 900</b>	38 300	<b>42 900</b>	38 300

The total employer contributions were:

UniSuper Defined Benefit Plan or Investment Choice Plan	<b>16 823</b>	15 027	<b>16 823</b>	15 027
UniSuper Award Plus Plan	<b>7 640</b>	7 084	<b>7 640</b>	7 084
State Government Superannuation Schemes (3 percent)	<b>25</b>	27	<b>25</b>	27
The University of Adelaide Superannuation Scheme A 1985	<b>114</b>	123	<b>114</b>	123
	<b>24 602</b>	22 261	<b>24 602</b>	22 261

**28. Post Balance Date Event**

Single Cell Pty Ltd made an advance payment for the purchase of shares in Reproductive Health Science Pty Ltd (a subsidiary of Adelaide Research and Innovation Pty Ltd) in December 2005. The balance of the purchase of shares in Reproductive Health Science Pty Ltd was completed in January 2006. On completion of the share purchase, Reproductive Health Science Pty Ltd will no longer be a controlled entity and will be recognised as an associate within the consolidated entity.

A business sale agreement for Repromed Pty Ltd (a subsidiary of Adelaide Research and Innovation Pty Ltd) was signed on 21 March 2006 for \$8 million. As at 31 December 2005 Repromed Pty Ltd net assets totalled \$3.8 million. Upon finalisation of the sale, all assets and liabilities, excluding cash, will be transferred to the new owners. The overall impact of this transaction cannot be determined until the sale is finalised.

**29. 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.

**30. Auditors' Remuneration**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts paid or payable were:				
South Australian Auditor-General	206	202	206	202
Other auditors of controlled entities	88	73	-	-
	<b>294</b>	275	<b>206</b>	202
Other services	18	19	-	-
	<b>312</b>	294	<b>206</b>	202

**31. 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 Bodman Rae, Professor John Charles	commenced 26.03.2005
Co-opted	Crafter, The Hon Gregory John	
Appointed	Adler AO, Mr Norman Ross Bagot, Mr Charles Castine, Ms Kate Croser AO, Mr Brian Kowalick, Mr Ian John Martin, Ms Pamela Young, Mr Stephen Elliot	
Elected	Cecchin, Mr John Cox, Ms Rosslyn Crewther, Dr Rodney James Dibb-Smith, Ms Janet Ann Gill, Dr Peter Maxwell Handshin, Ms Mia Llewellyn-Smith, Mr Michael Medlin, Dr Edwin Harry	commenced 06.03.2005 ceased 05.03.2005 commenced 01.01.2005
Student	Campbell, Ms Alice Giam, Mr Patrick Cheng Tiam Longbottom, Ms Mardi Louise Nicholson, Mr Rowan Pearson, Mr David Rai, Ms Felicity	ceased 05.03.2005 ceased 05.03.2005 ceased 05.03.2005 commenced 06.03.2005 commenced 06.03.2005 commenced 06.03.2005

*University Senior Management*

McWha, Professor James McDougall, Professor Fred Boumelha, Professor Penny Marsh, Professor Neville Taplin, Professor John Duldig, Mr Paul MacIntosh, Ms Susan Beilby, Professor Justin Frewin, Professor Derek Dowd, Professor Peter Innes, Professor Michael Quester, Professor Pascale Rathjen, Professor Peter Stoler, Mr Andrew	ceased 26.08.2005 commenced 13.06.2005 ceased 30.06.2005 commenced 12.09.2005
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**(b) Remuneration of the University Council Members and Senior Management***University Council Members*

No remuneration was received by the University Council Members from the University during 2005 or 2004.

<i>University Senior Management</i>	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Amounts paid or payable to University Senior Management	<b>3 350</b>	3 011
<hr/>		
<i>University Senior Management (continued)</i>	<b>2005</b>	2004
	<b>Number</b>	Number
\$100 000 - \$109 999	-	-
\$110 000 - \$119 999	1	-
\$130 000 - \$139 999	-	1
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	1	1
\$190 000 - \$199 999	1	1
\$200 000 - \$209 999	-	1
\$210 000 - \$219 999	2	-
\$230 000 - \$239 999	1	2
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	1
\$260 000 - \$269 999	1	-
\$280 000 - \$289 999	1	-
\$420 000 - \$429 999	1	1
\$560 000 - \$569 999	-	1
\$590 000 - \$599 999	1	-
	<b>13</b>	<b>11</b>
<hr/>		

The DEST Guidelines specify that executives 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.

## 32. 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.

	Note	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2005 Fixed Maturity Date			
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000
Financial Assets:							
Cash and Cash Equivalents	7	5.44	79 504	7 081	-	-	-
Receivables	8	0.00	-	-	-	-	-
Financial Assets Held for Trading	9	0.00	-	-	-	-	-
Other Financial Assets	9, 13	6.15	-	2 094	25	94	117
Available for Sale	14	0.00	-	-	-	-	-
			<b>79 504</b>	<b>9 175</b>	<b>25</b>	<b>94</b>	<b>117</b>
Weighted average interest rate			5.41%	5.74%	3.37%	6.03%	6.22%
Financial Liabilities:							
Payables	18	0.00	-	-	-	-	-
Interest-bearing liabilities	19	4.73	-	31	-	-	-
			-	31	-	-	-
Weighted average interest rate			0.00%	4.73%	0.00%	0.00%	0.00%

**(a) Interest Rate Risk (continued)**

		Fixed Maturity Date		Non-Interest Bearing \$'000	Total \$'000
		4 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:					
Cash and Cash Equivalents	7	-	-	-	86 585
Receivables	8	-	-	28 255	28 255
Financial Assets Held for Trading	9	-	-	86 455	86 455
Other Financial Assets Available for Sale	9, 13 14	117	777	2 970	6 194
		-	-	6 442	6 442
		<b>117</b>	<b>777</b>	<b>124 122</b>	<b>213 931</b>
Weighted average interest rate		<b>6.22%</b>	<b>6.47%</b>		
Financial Liabilities:					
Payables	18	-	-	38 044	38 044
Interest-bearing liabilities	19	-	-	81	112
		-	-	38 125	38 156
Weighted average interest rate		<b>0.00%</b>	<b>0.00%</b>		

				2004		
				Fixed Maturity Date		
		Floating Interest Rate	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000
Financial Assets:		Weighted Average Interest Rate Percent				
Cash and Cash Equivalents	Note 7	4.88	68 041	6 699	-	-
Receivables	8	0.00	-	-	-	-
Financial Assets Held for Trading	9	0.00	-	-	-	-
Other Financial Assets Available for Sale	9, 13 14	5.80 0.00	- -	2 311 -	67 -	25 -
			68 041	9 010	67	25
						117
Weighted average interest rate			4.83%	5.42%	3.37%	3.37%
Financial Liabilities:						
Payables	18	0.00	-	-	-	-
Interest-bearing liabilities	19	6.06	-	101	48	-
			-	101	48	-
Weighted average interest rate			0.00%	6.06%	6.06%	0.00%

		Fixed Maturity Date		Non-Interest Bearing \$'000	Total \$'000
		4 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:					
Cash and Cash Equivalents	7	-	-	-	74 740
Receivables	8	-	-	19 704	19 704
Financial Assets Held for Trading	9	-	-	74 168	74 168
Other Financial Assets Available for Sale	9, 13 14	117	870	5 115	8 622
		-	-	6 702	6 702
		<b>117</b>	<b>870</b>	<b>105 689</b>	<b>183 936</b>
Weighted average interest rate		<b>6.22%</b>	<b>6.43%</b>		
Financial Liabilities:					
Payables	18	-	-	35 071	35 071
Interest-bearing liabilities	19	-	-	88	237
		-	-	35 159	35 308
Weighted average interest rate		<b>0.00%</b>	<b>0.00%</b>		

**(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.

**(c) Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties failed 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 Investment 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) Fair Values of Financial Asset and Liabilities**

Fair values of financial assets and 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.

The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to 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.

**33. Investments in Controlled Entities**

Controlled entities and contribution to operating result before elimination of consolidation items:

Controlled Entity	Holding		Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2005 Percent	2004 Percent	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The Adelaide Research and Innovation Investment Trust	100	100	10 248	9 405	2 898	2 898	1 248	1 376
Lubims Pty Ltd	100	100	2 478	1 995	-	-	363	174
Martindale Holdings Pty Ltd as trustee for:								
JS Davies Estate	83	83	16 968	17 058	-	-	(200)	(347)
JAT Mortlock Trust	100	100	21 530	20 296	-	-	238	700
			51 224	48 754	2 898	2 898	1 649	1 903

All of the above controlled entities are incorporated in Australia.

**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. This 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.

**34. Investments in Associates****(a) Equity and Contribution to Operating Results**

Associate Entity	Principal Activity	Holding		Consolidated Carrying Amount		Investment at Cost	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Held by the University</b> Unisure Pty Ltd	Responsible for processing of Tertiary Institution Workers Compensation Insurance.	33	33	-	-	-	-

**(a) Equity and Contribution to Operating Results (continued)**

Associate Entity	Principal Activity	Holding		Consolidated Carrying Amount		Investment at Cost	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Held by the University</b>							
<i>Ngee Ann Adelaide Education Centre Pte Ltd</i>	Operates a graduate education centre in Singapore.	50	50	327	644	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.	31	27	65	27	-	-
<i>Australian Grain Technology Pty Ltd</i>	Responsible for the development of research into new grain varieties.	17	25	-	1 844	-	-
				<b>392</b>	<b>2 515</b>	<b>298</b>	<b>298</b>

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

Australian Grain Technology Pty Ltd ceased to be an associated entity of the University of Adelaide in 2005 in accordance with the definition of associated entities within accounting standard AASB 128 *Investments in Associates*.

**(b) Movements in Carrying Amounts of Investments in Associates**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of financial year	2 515	1 792	-	-
Share of operating result	(2 123)	723	-	-
	<b>392</b>	<b>2 515</b>	<b>-</b>	<b>-</b>

**(c) Results Attributed to Associates**

Operating result	(2 123)	723	-	-
Retained surplus attributable to associates at the beginning of the financial year	2 515	1 792	-	-
Retained surplus attributable to associates at the end of the financial year	<b>392</b>	<b>2 515</b>	<b>-</b>	<b>-</b>

**(d) Accounting for Associates**

- (i) *Capital and Other Expenditure Commitments*  
There are no material capital 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, Revenue and Expenditure*  
Since the above activities do not materially effect the Consolidated Entity figures, assets, 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 Associate, 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 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 holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2005 the Unit Trust held net assets of \$5.387 million on behalf of the University of Adelaide (2004: \$5.465 million).

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the Financial Statements.

**35. 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 2005 in accordance with the Australian Accounting Standard AASB 131 *Interests in Joint Ventures*.

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, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through 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)	11
CRC for Welded Structures Ltd	(I)	(C)	7
CRC for Molecular Plant Breeding	(U)	-	18
CRC for Clean Power from Lignite	(U)	(C)	9
CRC for Sensor Signal and Information Processing	(U)	-	13
CRC for Viticulture	(U)	(C)	7
CRC for Water Quality and Treatment	(U)	(C)	5
CRC for Australian Weed Management	(U)	(C)	7
CRC for Pest Animal Control	(U)	(C)	8
CRC for Cattle and Beef Quality	(U)	(C)	-
CRC for Freshwater Ecology	(U)	(C)	1
CRC for Smart Internet Technology Pty Ltd	(I)	-	5
CRC for Plant-Based Management of Dryland Salinity	(U)	(C)	5
CRC for Landscape Environments and Mineral Exploration	(U)	(C)	7
CRC for Aquafin	(U)	(C)	-
CRC for NPB Ltd	(I)	(C)	-
Beef CRC Limited	(I)	(C)	10
Pork CRC Ltd	(I)	-	25
eWater Ltd	(I)	(C)	2

The University is a supporting participant (but not a signatory) for the CRC for Cattle & Beef Quality, the CRC for Aquafin and the CRC for NPB Ltd.

The University over the next seven 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, of \$2.6 million in cash (2004: \$2.1 million) and \$31.8 million in kind (2004: 30.5 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



<i>(ii) Joint Ventures Accounted for Using the Equity Method (continued)</i>			
<b>Name</b>	<b>Principal Activity</b>		<b>Participation Percent</b>
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 and T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three SA 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 SA community.	(U)	33
Water Ed Australia Pty Ltd	A centre of leadership and innovation in collaborative water resources management education and training.	(I)	20
(I) Incorporated	(U) Unincorporated	(C) CSIRO is a partner	

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$2 451 000 (2004: \$2 423 000). These are included in the consolidated Balance Sheet, in accordance with the accounting policy described in Note 3(k). The Ethics Centre of South Australia and Water Ed Australia Pty Ltd joint ventures commenced during 2005.

- (iii) Other*  
The University has a 25 percent interest in the incorporated entity 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) Equity and Contribution to Operating Result**

<i>Joint Venture Entity</i>	<b>2005</b>	2004	Consolidated		Investment at Cost	
			<b>2005</b>	2004	<b>2005</b>	2004
Held by the University:	<b>Percent</b>	Percent	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Middleback Field Centre Professional Certificate in Arbitration	<b>33</b>	33	<b>31</b>	25	-	-
South Australian Centre for Economic Studies	<b>50</b>	50	<b>49</b>	73	<b>65</b>	65
South Australian Tertiary Admissions Centre	<b>25</b>	25	<b>334</b>	336	-	-
South Australian Consortium for Information Technology and Telecommunications	<b>33</b>	33	<b>972</b>	1 958	-	-
SABRENet Ltd	<b>25</b>	0	-	-	-	-
Ethics Centre of South Australia	<b>33</b>	0	<b>24</b>	-	-	-
Water Ed Australia Pty Ltd	<b>20</b>	0	<b>953</b>	-	-	-
			<b>2 451</b>	2 423	<b>65</b>	65

**(c) Movements in Carrying Amounts of Joint Ventures**

	Consolidated		University	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
At beginning of financial year	<b>2 423</b>	438	-	-
Share of operating result	<b>28</b>	1 985	-	-
	<b>2 451</b>	2 423	-	-

**(d) Results Attributed to Joint Ventures**

Operating result	<b>28</b>	1 985	-	-
Retained surplus attributable at the beginning of the financial year	<b>2 423</b>	438	-	-
Retained surplus attributable at the end of the financial year	<b>2 451</b>	2 423	-	-

**(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, Revenue and Expenditure**

Since the above activities do not materially affect the University group figures, assets, 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.

**36. 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 33, investments in associates are detailed in Note 34 and interests in joint ventures are detailed in Note 35.

**(c) Council Members and Senior Management**

Disclosures relating to the University Council Members and Senior Management are detailed in Note 31.

**(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, Australian Wine Research Institute 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 Cooperative Research Centres - refer to Note 35.

**(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 these 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.

**37. Explanation of Transition to Australian Equivalents to IFRSs****(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)****(i) As at the date of transition to AIFRS 1 January 2004**

	Previous AGAAP \$'000	Consolidated Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	University Effect of Transition to AIFRS \$'000	AIFRS \$'000
Current Assets:						
Cash and cash equivalents	14 925	38 870	53 795	4 696	38 518	43 214
Receivables	23 269	-	23 269	20 005	-	20 005
Other financial assets	46 007	(44 560)	1 447	41 493	(38 518)	2 975
Inventories	4 131	-	4 131	1 809	-	1 809
Other non-financial assets	4 737	-	4 737	3 681	-	3 681
Available-for-sale financial assets	-	7 001	7 001	-	-	-
	93 069	1 311	94 380	71 684	-	71 684
Non-current assets held-for-sale	-	1 865	1 865	-	1 865	1 865
<b>Total Current Assets</b>	<b>93 069</b>	<b>3 176</b>	<b>96 245</b>	<b>71 684</b>	<b>1 865</b>	<b>73 549</b>

## (i) As at the date of transition to AIFRS 1 January 2004 (continued)

	Previous AGAAP \$'000	Consolidated Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	University Effect of Transition to AIFRS \$'000	AIFRS \$'000
<b>Non-Current Assets:</b>						
Other financial assets	63 512	(1 311)	62 201	112 742	(50 541)	62 201
Investments accounted for using the equity method	2 230	-	2 230	363	-	363
Available-for-sale financial assets	-	-	-	-	50 629	50 629
Property, plant and equipment	576 293	(23 325)	552 968	536 608	(23 325)	513 283
Investment property	-	15 051	15 051	-	15 051	15 051
Intangible assets	142	5 861	6 003	-	5 861	5 861
Other non-financial assets	1 340	-	1 340	1 340	-	1 340
Deferred Government superannuation contribution	37 400	-	37 400	37 400	-	37 400
<b>Total Non-Current Assets</b>	<b>680 917</b>	<b>(3 724)</b>	<b>677 193</b>	<b>688 453</b>	<b>(2 325)</b>	<b>686 128</b>
<b>Total Assets</b>	<b>773 986</b>	<b>(548)</b>	<b>773 438</b>	<b>760 137</b>	<b>(460)</b>	<b>759 677</b>
<b>Current Liabilities:</b>						
Payables	26 160	(406)	25 754	18 498	(254)	18 244
Interest-bearing liabilities	114	-	114	6	-	6
Provisions	10 434	(1 312)	9 122	9 768	(1 015)	8 753
Deferred Government superannuation contribution	3 000	-	3 000	3 000	-	3 000
Other	8 049	-	8 049	8 049	-	8 049
<b>Total Current Liabilities</b>	<b>47 757</b>	<b>(1 718)</b>	<b>46 039</b>	<b>39 321</b>	<b>(1 269)</b>	<b>38 052</b>
<b>Non-Current Liabilities:</b>						
Payables	2 326	248	2 574	2 324	220	2 544
Interest-bearing liabilities	209	-	209	87	-	87
Provisions	18 734	9 797	28 531	18 710	9 464	28 174
Deferred Government superannuation contribution	34 400	-	34 400	34 400	-	34 400
<b>Total Non-Current Liabilities</b>	<b>55 669</b>	<b>10 045</b>	<b>65 714</b>	<b>55 521</b>	<b>9 684</b>	<b>65 205</b>
<b>Total Liabilities</b>	<b>103 426</b>	<b>8 327</b>	<b>111 753</b>	<b>94 842</b>	<b>8 415</b>	<b>103 257</b>
<b>NET ASSETS</b>	<b>670 560</b>	<b>(8 875)</b>	<b>661 685</b>	<b>665 295</b>	<b>(8 875)</b>	<b>656 420</b>
<b>EQUITY:</b>						
Capital reserves	451 455	(3 817)	447 638	466 161	(3 729)	462 432
Specific purpose reserves	123 029	-	123 029	123 029	-	123 029
Retained Surplus	94 041	(5 058)	88 983	76 105	(5 146)	70 959
<b>Total University Interests</b>	<b>668 525</b>	<b>(8 875)</b>	<b>659 650</b>	<b>665 295</b>	<b>(8 875)</b>	<b>656 420</b>
Minority interest	2 035	-	2 035	-	-	-
<b>TOTAL EQUITY</b>	<b>670 560</b>	<b>(8 875)</b>	<b>661 685</b>	<b>665 295</b>	<b>(8 875)</b>	<b>656 420</b>

## (ii) As at the end of the last reporting period under previous AGAAP: 31 December 2004

	Previous AGAAP \$'000	Consolidated Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	University Effect of Transition to AIFRS \$'000	AIFRS \$'000
<b>Current Assets:</b>						
Cash and cash equivalents	13 991	60 749	74 740	2 651	60 178	62 829
Receivables	19 704	-	19 704	16 739	-	16 739
Other financial assets	67 752	(65 441)	2 311	62 596	(60 178)	2 418
Inventories	4 364	-	4 364	1 754	-	1 754
Other non-financial assets	3 244	-	3 244	3 021	-	3 021
Available-for-sale financial assets	-	6 702	6 702	-	-	-
	109 055	2 010	111 065	86 761	-	86 761
Non-current assets held for sale	-	1 865	1 865	-	1 865	1 865
<b>Total Current Assets</b>	<b>109 055</b>	<b>3 875</b>	<b>112 930</b>	<b>86 761</b>	<b>1 865</b>	<b>88 626</b>
<b>Non-Current Assets:</b>						
Other financial assets	77 551	(2 010)	75 541	124 186	(48 645)	75 541
Investments accounted for using the equity method	4 938	-	4 938	363	-	363
Available-for-sale financial assets	-	-	-	-	48 754	48 754
Property, plant and equipment	584 450	(22 329)	562 121	545 506	(22 190)	523 316
Investment property	-	16 017	16 017	-	16 017	16 017
Intangible assets	127	3 749	3 876	-	3 595	3 595
Other non-financial assets	1 273	-	1 273	1 273	-	1 273
Deferred Government superannuation contribution	38 300	-	38 300	38 300	-	38 300
<b>Total Non-Current Assets</b>	<b>706 639</b>	<b>(4 573)</b>	<b>702 066</b>	<b>709 628</b>	<b>(2 469)</b>	<b>707 159</b>
<b>Total Assets</b>	<b>815 694</b>	<b>(698)</b>	<b>814 996</b>	<b>796 389</b>	<b>(604)</b>	<b>795 785</b>
<b>Current Liabilities:</b>						
Payables	32 784	(343)	32 441	23 227	(258)	22 969
Interest-bearing liabilities	108	-	108	6	-	6
Provisions	12 677	(1 216)	11 461	11 863	(1 034)	10 829
Deferred Government superannuation contribution	3 000	-	3 000	3 000	-	3 000
Other	8 940	-	8 940	8 676	-	8 676
<b>Total Current Liabilities</b>	<b>57 509</b>	<b>(1 559)</b>	<b>55 950</b>	<b>46 772</b>	<b>(1 292)</b>	<b>45 480</b>

## (ii) As at the end of the last reporting period under previous AGAAP: 31 December 2004 (continued)

	Consolidated			University		
	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
<b>Non-Current Liabilities:</b>						
Payables	2 399	231	2 630	2 393	231	2 624
Interest-bearing liabilities	129	-	129	81	-	81
Provisions	19 386	9 261	28 647	19 339	9 088	28 427
Deferred Government superannuation contribution	35 300	-	35 300	35 300	-	35 300
<b>Total Non-Current Liabilities</b>	<b>57 214</b>	<b>9 492</b>	<b>66 706</b>	<b>57 113</b>	<b>9 319</b>	<b>66 432</b>
<b>Total Liabilities</b>	<b>114 723</b>	<b>7 933</b>	<b>122 656</b>	<b>103 885</b>	<b>8 027</b>	<b>111 912</b>
<b>NET ASSETS</b>	<b>700 971</b>	<b>(8 631)</b>	<b>692 340</b>	<b>692 504</b>	<b>(8 631)</b>	<b>683 873</b>
<b>EQUITY:</b>						
Capital reserves	457 693	(5 062)	452 631	471 785	(4 953)	466 832
Specific purpose reserves	141 201	-	141 201	141 201	-	141 201
Retained Surplus	100 200	(3 569)	96 631	79 518	(3 678)	75 840
<b>Total University Interests</b>	<b>699 094</b>	<b>(8 631)</b>	<b>690 463</b>	<b>692 504</b>	<b>(8 631)</b>	<b>683 873</b>
Minority interest	1 877	-	1 877	-	-	-
<b>TOTAL EQUITY</b>	<b>700 971</b>	<b>(8 631)</b>	<b>692 340</b>	<b>692 504</b>	<b>(8 631)</b>	<b>683 873</b>

## (b) Reconciliation of profit for the year ended 31 December 2004

	Consolidated			University		
	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
<b>Revenue from Continuing Operations</b>						
received under <i>Higher Education Support Act</i> :						
Base operating financial assistance	99 692	-	99 692	99 692	-	99 692
Other operating financial assistance	5 570	-	5 570	5 570	-	5 570
Higher Education Contribution Scheme	47 854	-	47 854	47 854	-	47 854
	<b>153 116</b>	<b>-</b>	<b>153 116</b>	<b>153 116</b>	<b>-</b>	<b>153 116</b>
<b>Learning and Teaching:</b>						
Student fees	54 454	-	54 454	54 454	-	54 454
Grants	15 453	-	15 453	15 453	-	15 453
	<b>69 907</b>	<b>-</b>	<b>69 907</b>	<b>69 907</b>	<b>-</b>	<b>69 907</b>
<b>Research Grants and Fees:</b>						
National competitive grants	51 316	-	51 316	51 316	-	51 316
Public sector - Other	19 760	-	19 760	19 540	-	19 540
Industry and other	13 419	-	13 419	13 419	-	13 419
	<b>84 495</b>	<b>-</b>	<b>84 495</b>	<b>84 275</b>	<b>-</b>	<b>84 275</b>
<b>Research Other:</b>						
Cooperative Research Centre direct funding	7 754	-	7 754	7 754	-	7 754
Research infrastructure program	12 953	-	12 953	12 953	-	12 953
	<b>20 707</b>	<b>-</b>	<b>20 707</b>	<b>20 707</b>	<b>-</b>	<b>20 707</b>
<b>Other:</b>						
Investment revenue	18 197	1 080	19 277	16 390	1 080	17 470
Property revenue	6 693	-	6 693	6 693	-	6 693
Specialist services and trading	45 134	-	45 134	16 501	-	16 501
Deferred government superannuation contributions	900	-	900	900	-	900
Other	19 631	-	19 631	19 982	-	19 982
	<b>90 555</b>	<b>1 080</b>	<b>91 635</b>	<b>60 466</b>	<b>1 080</b>	<b>61 546</b>
<b>Total Operating Revenue from Continuing Operations</b>	<b>418 780</b>	<b>1 080</b>	<b>419 860</b>	<b>388 471</b>	<b>1 080</b>	<b>389 551</b>
Share of net profits of associates and joint ventures accounted for using the equity method	2 708	-	2 708	-	-	-
<b>Total Revenue from Continuing Operations</b>	<b>421 488</b>	<b>1 080</b>	<b>422 568</b>	<b>388 471</b>	<b>1 080</b>	<b>389 551</b>
<b>Expenses from Continuing Operations:</b>						
Salaries and related expenses	214 514	578	215 092	202 782	584	203 366
Student services	19 794	-	19 794	19 794	-	19 794
Teaching and research materials	44 531	-	44 531	44 491	-	44 491
Buildings and grounds	21 241	-	21 241	21 241	-	21 241
Borrowing costs	155	-	155	143	-	143
Administration, communication and travel	57 581	(15)	57 566	39 899	-	39 899
Finance and fund administration	1 308	-	1 308	1 873	-	1 873
Miscellaneous equipment, depreciation and net loss on disposal of assets	34 538	-	34 538	33 108	-	33 108
Deferred employee benefits for superannuation	3 555	-	3 555	3 555	-	3 555
<b>Total Expenses from Continuing Operations</b>	<b>397 217</b>	<b>563</b>	<b>397 780</b>	<b>366 886</b>	<b>584</b>	<b>367 470</b>
<b>Operating Result Before Minority Interests</b>	<b>24 271</b>	<b>517</b>	<b>24 788</b>	<b>21 585</b>	<b>496</b>	<b>22 081</b>
Operating result attributable to minority interest	58	-	58	-	-	-
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>24 329</b>	<b>517</b>	<b>24 846</b>	<b>21 585</b>	<b>496</b>	<b>22 081</b>

**(c) Reconciliation of Cash Flow Statement for the year ended 31 December 2004**

The adoption of AIFRS has not resulted in any material adjustments to the Cash Flow Statement.

**(d) Notes to the Reconciliations****(i) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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. Previously, short-term deposits and other liquid investments were reported as other financial assets.

**(ii) Investment Property**

Properties that are principally used to generate commercial rental income have been reclassified from Property, Plant and Equipment to Investment Property in Non-current assets. These properties are revalued in a similar manner to Property, Plant and Equipment, however the revaluation increment is recognised within the Income Statement rather than being recognised in the asset revaluation reserve.

**(iii) Intangible Assets**

Internally developed software has been reclassified from Property, Plant and Equipment to Intangible Assets. The carrying value of these assets are to be reassessed for impairment on an annual basis.

**(iv) Assets Held for Sale**

Properties that the University has an intention to sell within 12 months have been reclassified from Property, Plant and Equipment to Non-current assets held for sale within current assets. These assets are not revalued or depreciated.

**(v) Employee Benefits**

A liability has been recognised for the shortfall in net assets in The University of Adelaide Superannuation Scheme A 1985 which is a defined benefit superannuation fund. The University has elected to recognise this liability through retained earnings.

Where the employee 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 three year bond rate and reclassified from current provisions to non-current provisions.

**(vi) Available-for-Sale Financial Assets**

Certain financial assets held by the controlled entities of the University have been designated as available for sale. These assets have been disclosed as a separate category of assets, Available-For-Sale Financial Assets. Previously, under AGAAP, these assets were reported within Other Financial Assets.

The following information being Note 38 to Note 43 has been prepared in accordance with the DEST reporting guidelines.

**38. Income Statement for the Year Ended 31 December 2005**

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Australian Government financial assistance:					
Australian Government grants	39	<b>210 920</b>	188 449	<b>210 920</b>	188 449
HECS-HELP - Australian Government payments	39(b)	<b>44 338</b>	40 328	<b>44 338</b>	40 328
Other Australian Government loan programmes	39(b)	<b>5 478</b>	3 576	<b>5 478</b>	3 576
State and Local Government financial assistance	41	<b>16 894</b>	15 866	<b>16 674</b>	15 481
HECS-HELP - student payments		<b>10 215</b>	7 525	<b>10 215</b>	7 525
Fees and charges	42	<b>78 814</b>	67 568	<b>77 480</b>	66 456
Investment income		<b>22 103</b>	17 656	<b>19 882</b>	17 319
Royalties, trademarks and licenses	5	<b>1 563</b>	1 621	<b>115</b>	151
Consultancy and contract revenue	43	<b>37 333</b>	36 757	<b>24 553</b>	25 714
Other revenue		<b>43 136</b>	42 322	<b>23 736</b>	23 652
<b>Sub-total</b>		<b>470 794</b>	421 668	<b>433 391</b>	388 651
Deferred government superannuation contribution		<b>4 600</b>	900	<b>4 600</b>	900
<b>Total Revenue from Continuing Operations</b>		<b>475 394</b>	422 568	<b>437 991</b>	389 551

**38. Income Statement for the Year Ended 31 December 2005 (continued)**

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits	6	238 245	217 747	224 466	206 021
Depreciation and amortisation	6	22 983	25 251	21 501	23 857
Building and grounds	6	25 896	21 241	25 896	21 241
Bad and doubtful debts	6	854	636	828	1 088
Borrowing costs	6	163	155	157	143
Scholarships, grants and prizes		20 524	19 021	20 524	19 021
Non-capitalised equipment		11 987	9 273	11 987	9 273
Advertising, marketing and promotional expenses		2 615	2 497	2 512	2 497
Other expenses		110 192	101 059	87 328	83 429
<b>Sub-total</b>		<b>433 459</b>	<b>396 880</b>	<b>395 199</b>	<b>366 570</b>
Deferred employee benefits for superannuation		4 600	900	4 600	900
<b>Total Expenses from Continuing Operations</b>		<b>438 059</b>	<b>397 780</b>	<b>399 799</b>	<b>367 470</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>37 335</b>	<b>24 788</b>	<b>38 192</b>	<b>22 081</b>

**39. Commonwealth Government Financial Assistance****(a) DEST - Commonwealth Grants Scheme and Other DEST Grants**

Commonwealth grants scheme	70 035	55 784	70 035	55 784
Indigenous support fund	401	-	401	-
Equity programme	174	121	174	121
Workplace reform programme	1 037	2 287	1 037	2 287
Capital development pool	-	2 098	-	2 098
Superannuation programme	2 370	2 628	2 370	2 628
Collaboration and structural reform programme	73	-	73	-
	<b>74 090</b>	<b>62 918</b>	<b>74 090</b>	<b>62 918</b>

**(b) Higher Education Loan Programmes**

HECS-HELP (Australian Government payments only)	44 338	40 328	44 338	40 328
FEE-HELP	5 478	3 576	5 478	3 576
	<b>49 816</b>	<b>43 904</b>	<b>49 816</b>	<b>43 904</b>

**(c) Scholarships**

Australian postgraduate awards	4 461	4 186	4 461	4 186
International postgraduate research scholarships	860	773	860	773
Commonwealth education costs scholarships	314	100	314	100
Commonwealth accommodation scholarships	592	264	592	264
	<b>6 227</b>	<b>5 323</b>	<b>6 227</b>	<b>5 323</b>

**(d) DEST Research**

Institutional grants scheme	16 311	14 675	16 311	14 675
Research training scheme	29 640	27 670	29 640	27 670
Systemic infrastructure initiative	-	87	-	87
Research infrastructure block grants	13 773	11 218	13 733	11 218
	<b>59 724</b>	<b>53 650</b>	<b>59 724</b>	<b>53 650</b>

**(e) Australian Research Council**

(i) Discovery:				
Projects	10 677	7 923	10 677	7 923
Fellowships	1 438	1 448	1 438	1 448
Indigenous researchers development	15	20	15	20
	<b>12 130</b>	<b>9 391</b>	<b>12 130</b>	<b>9 391</b>
(ii) Linkages:				
Special research initiatives	56	-	56	-
Infrastructure	1 968	1 734	1 968	1 734
International	303	122	303	122
Projects	3 781	3 754	3 781	3 754
	<b>6 108</b>	<b>5 610</b>	<b>6 108</b>	<b>5 610</b>
(iii) Networks and Centres:				
Networks	613	300	613	300
Centres	4 784	3 544	4 784	3 544
	<b>5 397</b>	<b>3 844</b>	<b>5 397</b>	<b>3 844</b>



**(a) DEST - Commonwealth Grants Scheme and Other DEST Grants (continued)**

		Capital Development Pool		Superannuation Programme	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		-	2 098	2 370	2 308
Net accrual adjustments		-	-	-	320
<b>Revenue for the Period</b>	39(a)	-	2 098	2 370	2 628
Surplus (deficit) from the previous year			-	-	-
Total Revenue Including Accrued Revenue		-	2 098	2 370	2 628
Total Expenses Including Accrued Expenses		-	2 098	2 370	2 628
<b>Surplus (Deficit) for the Reporting Period</b>		-	-	-	-

		Collaboration and Structural Reform Programmes		Total	
	39(a)	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		73	-	74 252	69 654
Net accrual adjustments		-	-	(162)	(6 736)
<b>Revenue for the Period</b>	39(a)	73	-	74 090	62 918
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		73	-	74 090	62 918
Total Expenses Including Accrued Expenses		73	-	74 090	62 918
<b>Surplus (Deficit) for the Reporting Period</b>		-	-	-	-

**(b) Higher Education Loan Programmes**

		HECS-HELP (Australian Government payments only)		FEE-HELP	
	39(b)	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		44 338	40 328	5 442	3 176
Net accrual adjustments		-	-	36	400
<b>Revenue for the Period</b>	39(b)	44 338	40 328	5 478	3 576
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		44 338	40 328	5 478	3 576
Total Expenses Including Accrued Expenses		44 338	40 328	5 478	3 576
<b>Surplus (Deficit) for the Reporting Period</b>		-	-	-	-

		Total	
	39(b)	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		49 780	43 504
Net accrual adjustments		36	400
<b>Revenue for the Period</b>	39(b)	49 816	43 904
Surplus (deficit) from the previous year		-	-
Total Revenue Including Accrued Revenue		49 816	43 904
Total Expenses Including Accrued Expenses		49 816	43 904
<b>Surplus (Deficit) for the Reporting Period</b>		-	-



**(c) Scholarships**

	Note	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		4 461	4 186	860	790
Net accrual adjustments		-	-	-	(17)
<b>Revenue for the Period</b>	39(c)	<b>4 461</b>	<b>4 186</b>	<b>860</b>	<b>773</b>
Surplus (deficit) from the previous year		160	140	-	-
Total Revenue Including Accrued Revenue		<b>4 621</b>	<b>4 326</b>	<b>860</b>	<b>773</b>
Total Expenses Including Accrued Expenses		<b>4 304</b>	<b>4 166</b>	<b>860</b>	<b>773</b>
<b>Surplus (Deficit) for the Reporting Period</b>		<b>317</b>	<b>160</b>	<b>-</b>	<b>-</b>

	39(c)	Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		314	100	592	264
Net accrual adjustments		-	-	-	-
<b>Revenue for the Period</b>	39(c)	<b>314</b>	<b>100</b>	<b>592</b>	<b>264</b>
Surplus (deficit) from the previous year		-	-	8	-
Total Revenue Including Accrued Revenue		<b>314</b>	<b>100</b>	<b>600</b>	<b>264</b>
Total Expenses Including Accrued Expenses		<b>302</b>	<b>100</b>	<b>530</b>	<b>256</b>
<b>Surplus (Deficit) for the Reporting Period</b>		<b>12</b>	<b>-</b>	<b>70</b>	<b>8</b>

	39(c)	Total	
		2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		6 227	5 340
Net accrual adjustments		-	(17)
<b>Revenue for the Period</b>	39(c)	<b>6 227</b>	<b>5 323</b>
Surplus (deficit) from the previous year		168	140
Total Revenue Including Accrued Revenue		<b>6 395</b>	<b>5 463</b>
Total Expenses Including Accrued Expenses		<b>5 996</b>	<b>5 295</b>
<b>Surplus (Deficit) for the Reporting Period</b>		<b>399</b>	<b>168</b>

**(d) DEST Research**

	39(d)	Institutional Grants Scheme		Research Training Scheme	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		16 311	15 951	29 640	29 161
Net accrual adjustments		-	(1 276)	-	(1 491)
<b>Revenue for the Period</b>	39(d)	<b>16 311</b>	<b>14 675</b>	<b>29 640</b>	<b>27 670</b>
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		<b>16 311</b>	<b>14 675</b>	<b>29 640</b>	<b>27 670</b>
Total Expenses Including Accrued Expenses		<b>16 311</b>	<b>14 675</b>	<b>29 640</b>	<b>27 670</b>
<b>Surplus (Deficit) for the Reporting Period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(d) DEST Research (continued)**

		Systemic Infrastructure Initiative		Research Infrastructure Block Grants	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	-	95	13 773	12 194
Net accrual adjustments		-	(8)	-	(976)
<b>Revenue for the Period</b>	39(d)	-	87	13 773	11 218
Surplus (deficit) from the previous year		31	55	(448)	528
Total Revenue Including Accrued Revenue		31	142	13 325	11 746
Total Expenses Including Accrued Expenses		21	111	13 325	12 194
<b>Surplus (Deficit) for the Reporting Period</b>		10	31	-	(448)

		Total	
		2005	2004
		\$'000	\$'000
Financial assistance received in cash during the reporting period		59 724	57 401
Net accrual adjustments		-	(3 751)
<b>Revenue for the Period</b>	39(d)	59 724	53 650
Surplus (deficit) from the previous year		(417)	583
Total Revenue Including Accrued Revenue		59 307	54 233
Total Expenses Including Accrued Expenses		59 297	54 650
<b>Surplus (Deficit) for the Reporting Period</b>		10	(417)

**(e) Australian Research Council Grants - Discovery**

		Projects		Fellowships	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		10 716	8 129	1 486	1 547
Net accrual adjustments		(39)	(206)	(48)	(99)
<b>Revenue for the Period</b>	39(e)	10 677	7 923	1 438	1 448
Surplus (deficit) from the previous year		2 555	2 070	690	713
Total Revenue Including Accrued Revenue		13 232	9 993	2 128	2 161
Total Expenses Including Accrued Expenses		9 365	7 438	1 376	1 471
<b>Surplus (Deficit) for the Reporting Period</b>		3 867	2 555	752	690

		Indigenous Researchers Development		Total	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		15	20	12 217	9 696
Net accrual adjustments		-	-	(87)	(305)
<b>Revenue for the Period</b>	39(e)	15	20	12 130	9 391
Surplus (deficit) from the previous year		2	-	3 247	2 638
Total Revenue Including Accrued Revenue		17	20	15 377	12 029
Total Expenses Including Accrued Expenses		11	18	10 752	8 927
<b>Surplus (Deficit) for the Reporting Period</b>		6	2	4 625	3 102

**(f) Australian Research Council Grants - Linkages**

	Note	Special Research Initiatives		Infrastructure	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		56	-	1 968	1 734
Net accrual adjustments		-	-	-	-
<b>Revenue for the Period</b>	39(e)	<b>56</b>	-	<b>1 968</b>	1 734
Surplus (deficit) from the previous year		-	-	220	499
Total Revenue Including Accrued Revenue		<b>56</b>	-	<b>2 188</b>	2 233
Total Expenses Including Accrued Expenses		<b>2</b>	-	<b>1 417</b>	2 013
<b>Surplus (Deficit) for the Reporting Period</b>		<b>54</b>	-	<b>771</b>	220

	39(e)	International		Projects	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		331	139	4 104	3 833
Net accrual adjustments		(28)	(17)	(323)	(79)
<b>Revenue for the Period</b>		<b>303</b>	122	<b>3 781</b>	3 754
Surplus (deficit) from the previous year		137	142	1 649	558
Total Revenue Including Accrued Revenue		<b>440</b>	264	<b>5 430</b>	4 312
Total Expenses Including Accrued Expenses		<b>148</b>	127	<b>3 680</b>	2 663
<b>Surplus (Deficit) for the Reporting Period</b>		<b>292</b>	137	<b>1 750</b>	1 649

	39(e)	Total	
		2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		6 459	5 706
Net accrual adjustments		(351)	(96)
<b>Revenue for the Period</b>		<b>6 108</b>	5 610
Surplus (deficit) from the previous year		2 006	1 199
Total Revenue Including Accrued Revenue		<b>8 114</b>	6 809
Total Expenses Including Accrued Expenses		<b>5 247</b>	4 803
<b>Surplus (Deficit) for the Reporting Period</b>		<b>2 867</b>	2 006

**(g) Australian Research Council Grants - Networks and Centres**

	39(e)	Networks		Centres	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		613	300	4 784	3 544
Net accrual adjustments		-	-	-	-
<b>Revenue for the Period</b>		<b>613</b>	300	<b>4 784</b>	3 544
Surplus (deficit) from the previous year		280	120	97	1 235
Total Revenue Including Accrued Revenue		<b>893</b>	420	<b>4 881</b>	4 779
Total Expenses Including Accrued Expenses		<b>308</b>	140	<b>4 526</b>	4 682
<b>Surplus (Deficit) for the Reporting Period</b>		<b>585</b>	280	<b>355</b>	97

	39(e)	Total	
		2005 \$'000	2004 \$'000
Financial assistance received in cash during the reporting period		5 397	3 844
Net accrual adjustments		-	-
<b>Revenue for the Period</b>		<b>5 397</b>	3 844
Surplus (deficit) from the previous year		377	1 355
Total Revenue Including Accrued Revenue		<b>5 774</b>	5 199
Total Expenses Including Accrued Expenses		<b>4 834</b>	4 822
<b>Surplus (Deficit) for the Reporting Period</b>		<b>940</b>	377



# UNIVERSITY OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

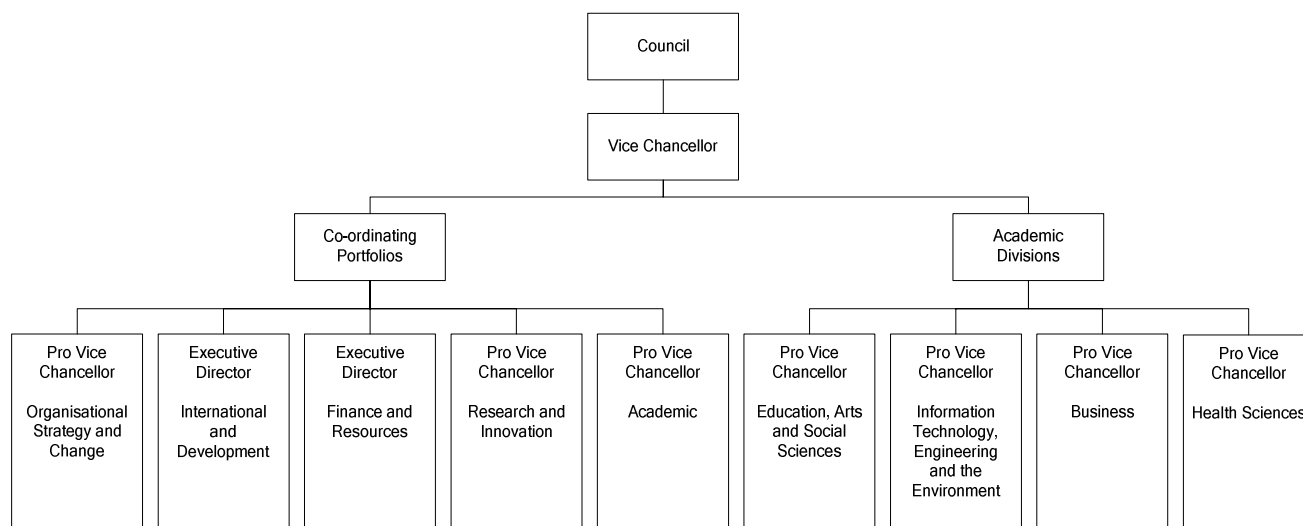
The University of South Australia (the University) was established pursuant to the *University of South Australia Act 1990*.

### Functions

The function of the University is to advance, disseminate and preserve knowledge through the provision of a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

### Structure

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



The University operated from five campuses during 2005: City East, City West, Magill, Mawson Lakes and Whyalla. As part of Blueprint 2005, the Underdale campus was closed at the end of 2004. Refer to 'Further Commentary on Operations' for details.

During 2005, the following entities were controlled by the University:

- ITEK Pty Ltd — The University established ITEK Pty Ltd as trustee for the ITEK Trust and the GTA Trust to provide University business incubation and technology commercialisation services.
- University of South Australia Foundation Incorporated (the Foundation) — The main purposes of the Foundation are to generate interest in the University and to attract broadly based levels of philanthropic support for the benefit of the University. The Council resolved to restructure the Foundation, transferring its assets and functions to the University as at 30 June 2005. The restructure was a result of a review of the Foundation's governance arrangements and its change in charity taxation status. The Foundation will continue to legally exist to accept any future donations where the Foundation is named as the beneficiary.
- Knowledge South Pty Ltd — The University established Knowledge South Pty Ltd to provide e-learning and website development services. From 30 June 2005, these services were taken over by the University and Knowledge South Pty Ltd ceased trading and the legal entity was wound up on that same date.

## **Audit and Risk Management Committee**

The University has an Audit and Risk Management Committee which comprises three external members of the Council and an academic staff representative. The Committee meets on at least a quarterly basis and reports to the Council. The Committee operates within the framework of an Audit Committee Charter with the primary function of assisting Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives of the Auditor-General attend meetings of the Committee as observers.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *University of South Australia Act 1990* 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 *Public Finance and Audit Act 1987* 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 and was directed primarily to obtaining sufficient evidence to form an audit opinion on the financial report and internal controls.

For the year ended 31 December 2005, specific areas of audit attention included:

- payroll
- expenditure
- fixed assets (including a specific review of the capital program)
- revenue, receipting and banking (including student fees)
- procurement
- financial accounting.

In addition, a follow-up review of the University's PeopleSoft system computer processing environment was undertaken.

The audit also included a review of the University's controlled entities, the Foundation and Knowledge South Pty Ltd, whereas the audit of ITEK Pty Ltd was carried out by a private accounting firm.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions:**

#### ***Audit of the Financial Report***

The following is an extract from the 2005 Independent Audit Report, which details the qualification to the University's financial report.

#### ***Qualification***

*The University has recognised Commonwealth Grants of \$18.2 million received in 2003 as revenue in 2004. In 2003, the University reported this amount as a liability representing revenue received in advance.*

*The Commonwealth Operating Grants received from the Department of Education, Science and Training (DEST) represent contributions, and in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework' should be recognised as income when the entity obtains control. The University obtained control of these funds upon receipt.*

*As a result, the 2004 Australian Government Grants and the 2004 Operating Result Before Income Tax balances are both overstated by \$18.2 million.*

*In 2004 DEST changed its payment arrangements whereby all recurrent payments for a given grant year will be made in that year and as such, there are no advance payments for the 2005 year. With this change in funding arrangement all balances that were previously effected and reported in the 2004 financial report are correctly presented in 2005.*

*The University has disclosed its accounting treatment of the operating grant received from DEST in Note 1(d) to the financial statements.*

### **Qualified Audit Opinion**

*In my opinion, except for the effect on the comparative figures in the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the economic entity as at 31 December 2005, the results of their operations and their cash flows for the year then ended.*

### **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:

- payroll - validity and accuracy of payroll transactions
- expenditure - verification of authorisations
- expenditure - segregation of duties

as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the University have been conducted properly and in accordance with law.

### **Audit Communications to Management**

Matters arising during the course of the audit were detailed in management letters to the Vice Chancellor. Responses to the management letters were generally considered to be satisfactory. Matters raised with the University and the related responses are considered herein.

### **Payroll - Validity and Accuracy of Payroll Transactions**

An essential control of a payroll process is a review of the disbursements made for each pay period to ensure payments are made to authorised employees for the correct amount. Over several years the Audit review of monitoring practices indicated that there was minimal independent review of the validity and accuracy of casual employee payments. Further, there was no requirement for staff to ensure that casual employees entered on the payroll system are valid per authorised contracts or other appropriate documentation.

The University responded that procedures would be implemented to ensure reports were generated and reviewed by relevant staff to ensure the validity and accuracy of casual employee payments. Further, procedures would be implemented to ensure that the appropriate authorisations have been evidenced prior to updating the details into the payroll system.

In early 2005, a payroll report was produced for review by the relevant Supervisors/Managers. While the report provides sufficient information to perform the review, in practice the review was not being performed in a manner to ensure the validity and accuracy of casual employee payments.

The University responded that the process and guidelines would be reviewed.

### **Expenditure – Verification of Authorisations**

Authorisations provided on documents (such as requisition forms and invoices) were not, in all instances, being verified against the Vice Chancellor's Authorisations prior to purchase and/or payment. A review of a sample of payments revealed instances where invoices were being approved by officers without any authority; and by officers where the amount was beyond their delegated limit.

The University is investigating an automatic workflow for purchase/invoice approval.

### **Expenditure - Segregation of Duties**

#### *Expenditure*

In prior years, the segregation of duties between the processing of accounts payable transactions and the maintenance of the supplier master file was considered inadequate. The accounts payable officers had access to create and/or amend the supplier master file details. These officers were also responsible for the processing of accounts payable transactions. While the University has improved the segregation of duties, the 2005 audit review revealed that the generic 'sundry creditors' code is still used to process payments to students and staff. All accounts payable officers can change the payment details of this code.

The University responded that a review of the use of sundry creditor codes will be undertaken.

#### *Purchasing*

At the individual unit level, there is no independence between purchasing, receiving goods and approving the payment for such goods.

The University will investigate a process to verify goods received and an automatic workflow for all approvals.

### **PeopleSoft System Computer Processing Environment**

Last year's Report outlined matters that were identified during a 2004 audit of the University's PeopleSoft system and associated computer processing environment. The Report also conveyed action being taken by the University to address those matters. The main matters related to information security, controls over system operation and maintenance, and backup and recovery arrangements.

A follow-up audit during the year assessed remedial action taken by the University. The audit identified positive action taken to address the matters arising from the 2004 review.

### **Other Matters**

Other matters raised by Audit mainly related to improving internal control procedures over the daily processing of transactions within the main financial systems. Improving control processes in these areas will reduce the possibility of errors or unauthorised transactions. These include:

- *Payroll* — accuracy and completeness of leave recording; leave management; employment arrangements in compliance with University policy; and ambiguity between the Vice Chancellor's Authorisations and the Enterprise Agreement regarding termination payments.
- *Revenue* — receipting and banking — timeliness of the recovery of outstanding student debt; non-compliance with delegated authority; and lack of an independent review of changes to rates in the student administration system.
- *Expenditure* – independent review of vendor master file changes; and budgetary control processes.
- *Procurement* — inadequate policies and procedures for contract variations and extensions; and the absence of a central contract register as required by University policy.
- *Financial Accounting* — inadequate segregation of duties between the preparation, authorisation and processing of journals.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration of the Audit suggestions having regard to its assessment of risk and feasibility.



**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

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

**Highlights of Financial Report (Consolidated)**

	<b>2005</b>	2004	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Australian Government financial assistance	<b>145</b>	131	11
HECS	<b>68</b>	63	8
Fees and charges	<b>70</b>	62	13
Other	<b>92</b>	69	33
<b>Total Income</b>	<b>375</b>	325	14
<b>EXPENSES</b>			
Employee benefit costs	<b>193</b>	181	7
Other	<b>162</b>	131	24
<b>Total Expenses</b>	<b>355</b>	312	14
<b>Operating Result before Income Tax</b>	<b>20</b>	13	54
<b>Net Cash Flows from Operations</b>	<b>45</b>	22	-
<b>ASSETS</b>			
Current assets	<b>129</b>	130	(1)
Non-current assets	<b>749</b>	696	8
<b>Total Assets</b>	<b>878</b>	826	6
<b>LIABILITIES</b>			
Current liabilities	<b>94</b>	73	29
Non-current liabilities	<b>311</b>	303	3
<b>Total Liabilities</b>	<b>405</b>	376	8
<b>EQUITY</b>	<b>473</b>	450	5

**Income Statement (Consolidated)**

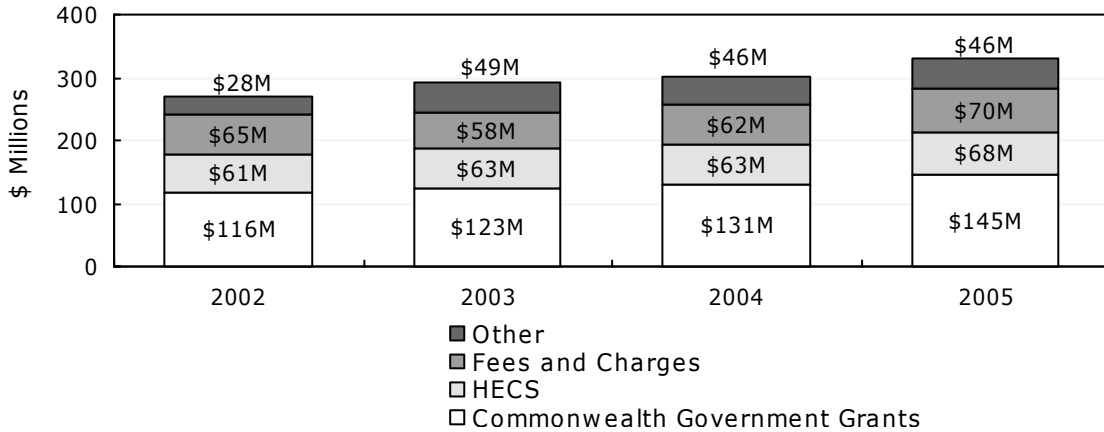
For the purposes of the following analysis, the deferred government superannuation contribution and Commonwealth supplementary funding have been excluded from the income and expenses as they have minimal effect on the operations of the University due to the income being offset by a corresponding expense. Refer to Note 34 to the financial report for further details of the University's superannuation plans and how they are accounted for.

**Income**

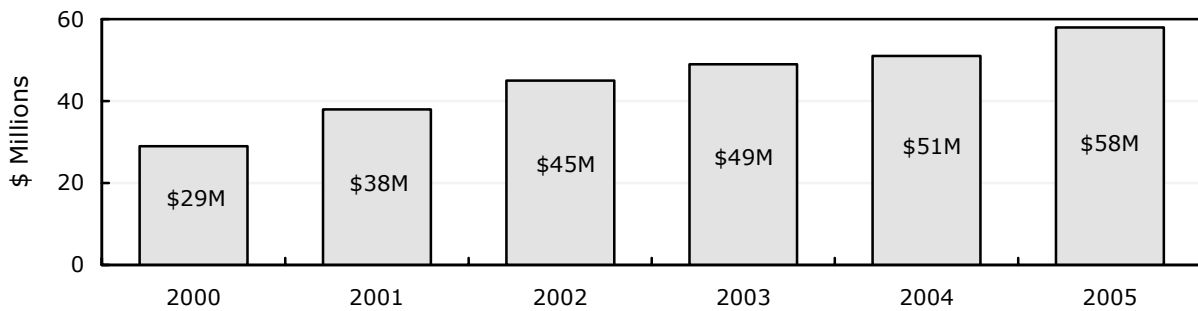
Income increased by \$27.9 million from \$301.6 million to \$329.5 million. The increase in income is due mainly to:

- funding from the University's main revenue source, Australian Government Financial Assistance, (including the Higher Education Contribution Scheme (HECS)), increased by \$20.4 million from \$192.9 million to \$213.3 million. This increase mainly resulted from the following Federal Government Higher Education Reforms:
  - increase in base operating grant
  - 25 percent increase in HECS fees for some students who commenced after 1 January 2005.
- revenue from Fees and Charges increased by \$7.6 million from \$62.4 million to \$70 million. The increase was due to an increase in fees from overseas students by \$6.4 million to \$57.7 million.

A structural analysis of the University's income for the four years to 2005 is presented in the following chart.



The chart demonstrates the success of the University in increasing the proportion of revenue from fees and charges from overseas students. This is due to an increase in both student enrolments and courses offered. The following chart highlights the upward trend in fees from overseas students.

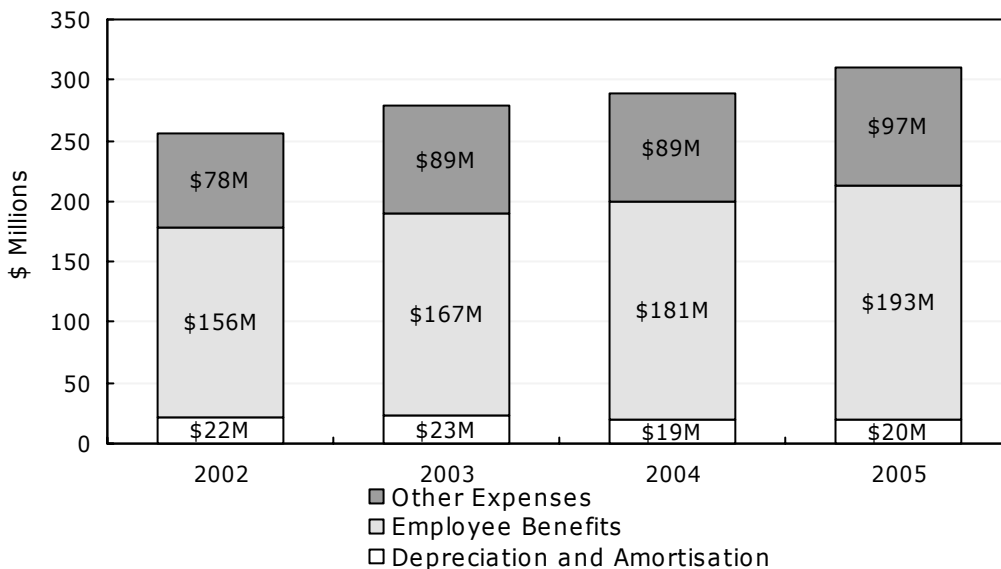


**Expenses**

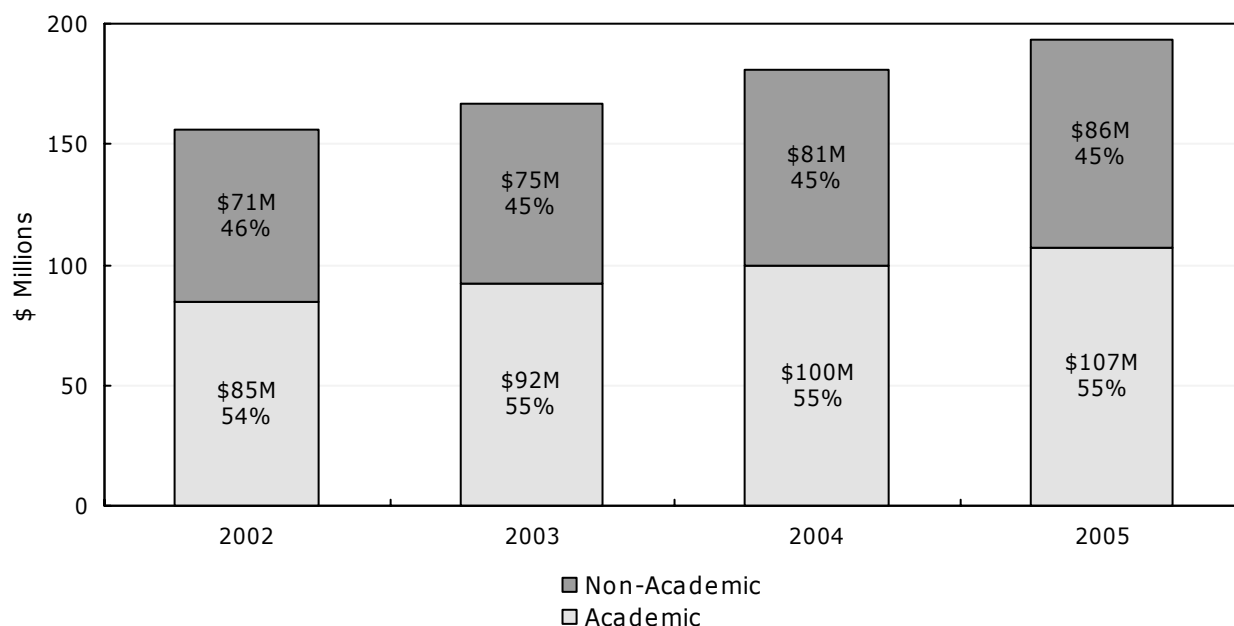
Expenses increased by \$20.5 million from \$288.8 million to \$309.3 million. The main expense of the University (as for most service entities) is employee benefits. This item increased by \$11.9 million to \$192.6 million. This was due mainly to a 5 percent wage rate increase in line with the 2004 Enterprise Agreement; increases in employee related costs; appointment of new staff; and increase in the number of terminations paid during the year (termination payments increased by \$1.8 million due primarily to the outsourcing of facilities management in the Services Unit).

Other expenses has increased by \$7.3 million due mainly to an increase in external services.

For the four years to 2005, a structural analysis of the University's main expenses is shown in the following chart.



The following chart shows the changes in employee benefits for academic and non-academic staff over recent years.

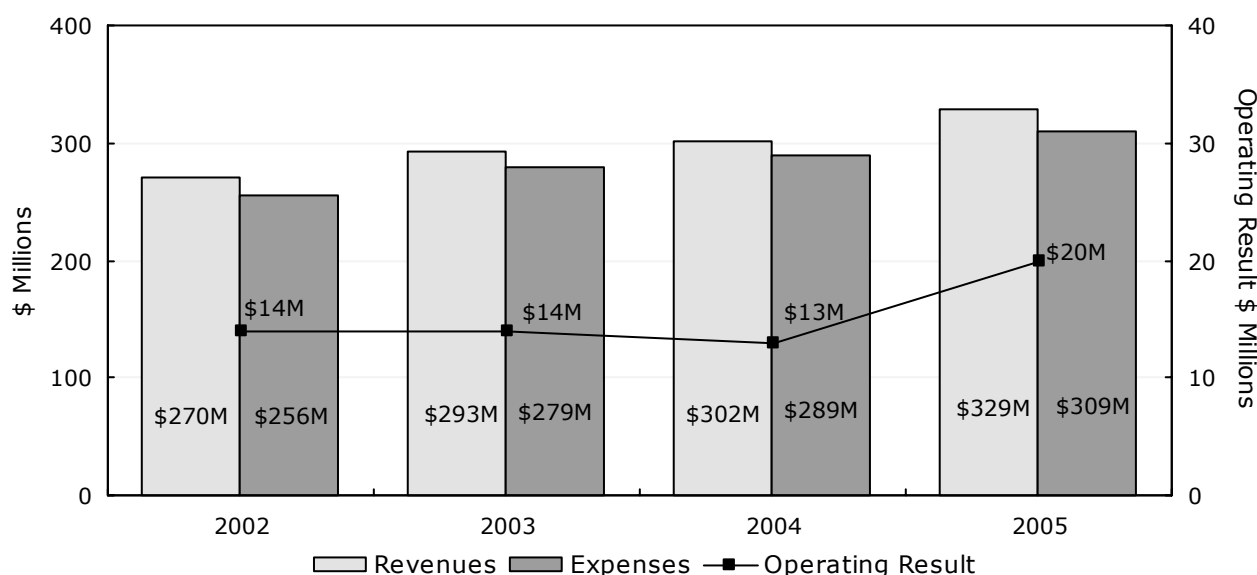


The chart highlights the steady increase in employee benefits cost since 2002 while the proportion of costs between academics and non-academics remains constant.

**Operating Result**

The result of operations for the year was a surplus of \$20.3 million (\$12.8 million), an increase of \$7.4 million. The result reflects an increase of \$27.9 million in Income compared to an increase of \$20.5 million in Expenses from Continuing Operations.

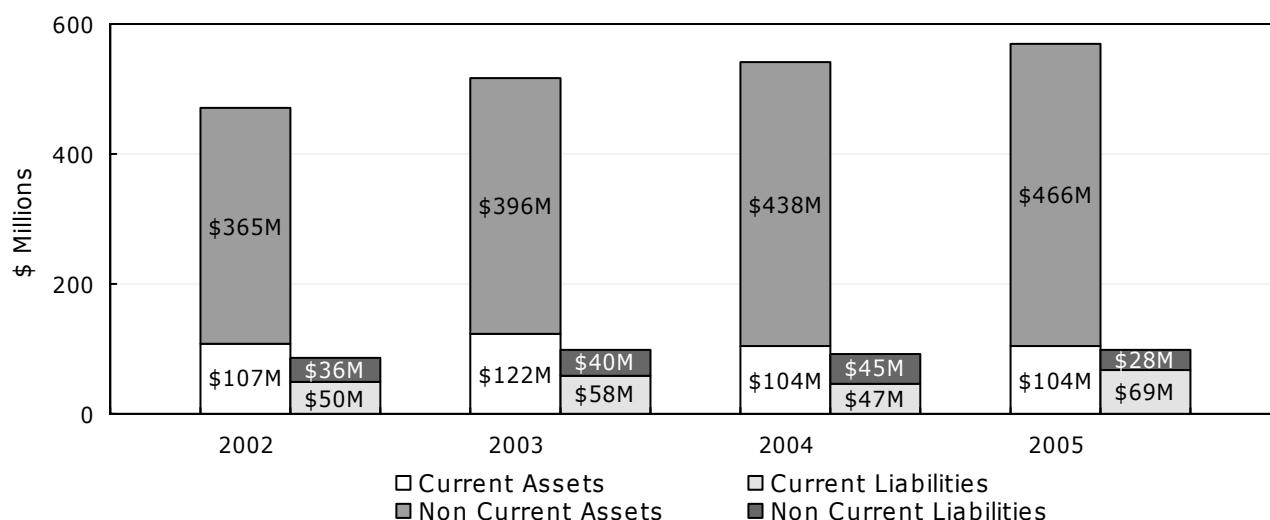
The following chart shows the movement in income, expenses and the operating result before income tax for the current and preceding three years.



**Balance Sheet (Consolidated)**

For the purposes of this analysis, the deferred Government superannuation contribution has been excluded from the assets and liabilities as it has minimal effect on the financial position of the University due to the asset being offset by a corresponding liability. Refer to Note 34 to the financial report for further details of the University’s superannuation plans.

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



### Current Assets

With the exception of 2003, there has been little change in current assets. However cash held in short term deposits has experienced significant fluctuations. In 2005 cash increased by 70 percent to \$78.5 million from \$46.1 million. This increase was partially offset by a decrease in property held for resale of \$33.7 million (the sale of the Underdale campus). Further commentary is provided under the heading 'Cash Flow Statement'.

### Non-Current Assets

Over the period of review the value of non-current assets have increased due to revaluations of property, plant and equipment and the conduct of a major capital development program.

The carrying value of property, plant and equipment has increased due to:

- the major capital redevelopment project (Blueprint 2005) which resulted in a capital spend of \$21.3 million in 2003, \$67.9 million in 2004 and \$29.9 million in 2005;
- In 2004 land and buildings were revalued resulting in an increase of \$22 million. The increase was offset by a net revaluation decrement of the library collection of \$3.2 million;
- In 2005 new buildings were revalued resulting in an increase of \$4.4 million. (Refer to Note 1(I)(ii) of the financial report for further detail).

### Liabilities

Over the period of review the value of total liabilities has remained constant. In 2005 there was a significant change in the split between current and non-current liabilities. This was due mainly to the reclassification of the loans with the SA Government Financing Authority which mature in 2006.

### Cash Flow Statement

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
<b>Net Cash Flows</b>				
Operations	45	22	41	38
Investing	(12)	(74)	(22)	(10)
Financing	(1)	(2)	(1)	(0.4)
Change in Cash	32	(54)	18	27.6
Cash at 31 December	81	49	103	85

The University's net cash flows have significantly increased during 2005 due to the increase in Australian Government grants, HECS and student fees. Although \$46.3 million was spent on major capital expenditure (including \$29.9 million on Blueprint 2005), this was offset by the proceeds from the sale of Underdale campus of \$33.7 million. Refer below for further discussion on Blueprint 2005.

## **FURTHER COMMENTARY ON OPERATIONS**

### **Blueprint 2005 Capital Program**

Blueprint 2005 represents a major \$140 million (Stage 1: \$100 million and Stage 2: \$40 million) investment by the University in the refurbishment and expansion of the City West, City East, Magill and Mawson Lakes campuses. Blueprint 2005 aims to improve the teaching and learning environment while reducing the annual costs of maintenance and operation of the University's property.

Construction of Stage 1 commenced in 2004 and was completed by early 2005 resulting in the construction of five major buildings and extensions.

Construction of Stage 2 commenced in 2005 representing a new building located at City West which will accommodate an Art Museum, the Hawke Centre, Hawke Library and other facilities for students and staff. The building is due to be completed in 2007.

A significant aspect of Blueprint 2005 was the relocation and closure of the Underdale Campus at the end of 2004. As a result, the land and buildings of the Underdale Campus were classified in the financial statements as property held for resale with a carrying value of \$33.7 million as at 31 December 2004. In early 2004, the University entered into two contracts for the sale of the Underdale campus (totalling \$33.7 million) which were settled in early 2005. These sale proceeds and the accumulation of cash held in short term deposits are the main sources of funding for Blueprint 2005.

Total Blueprint 2005 costs incurred to the end of 2005 were \$124.5 million.

## Income Statement for the year ended 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>REVENUE FROM CONTINUING OPERATIONS:</b>					
Australian Government financial assistance					
Australian Government grants	4,44	<b>142 029</b>	127 480	<b>142 029</b>	127 480
HECS-HELP Australian Government payments	4,44	<b>56 587</b>	53 828	<b>56 587</b>	53 828
FEE-HELP	4,44	<b>3 333</b>	2 349	<b>3 333</b>	2 349
State Government financial assistance	5	<b>3 145</b>	2 576	<b>3 145</b>	2 576
HECS-HELP Student payments		<b>11 391</b>	9 221	<b>11 391</b>	9 221
Fees and charges	6	<b>70 017</b>	62 412	<b>70 017</b>	62 412
Investment income	7	<b>5 087</b>	5 162	<b>4 770</b>	5 939
Royalties		<b>1 206</b>	779	<b>923</b>	678
Consultancy and contract research	8	<b>17 195</b>	17 963	<b>17 035</b>	17 963
Other revenue	9	<b>19 310</b>	19 794	<b>13 517</b>	12 670
		<b>329 300</b>	301 564	<b>322 747</b>	295 116
Superannuation:					
Commonwealth supplementation	4,34	<b>21 628</b>	20 660	<b>21 628</b>	20 660
Deferred government contributions	34	<b>24 200</b>	2 200	<b>24 200</b>	2 200
<b>Total Revenue from Continuing Operations</b>		<b>375 128</b>	324 424	<b>368 575</b>	317 976
Other income	10	<b>238</b>	80	<b>4 018</b>	13
<b>Total Income</b>		<b>375 366</b>	324 504	<b>372 593</b>	317 989
<b>EXPENSES FROM CONTINUING OPERATIONS:</b>					
Employee benefits and on-costs	11	<b>192 638</b>	180 737	<b>189 024</b>	176 968
Depreciation and amortisation	12	<b>19 799</b>	19 183	<b>19 637</b>	19 006
Repairs and maintenance	13	<b>4 433</b>	3 774	<b>4 411</b>	3 774
Borrowing cost expense	14	<b>1 728</b>	1 813	<b>1 728</b>	1 813
Bad and doubtful debts	15	<b>703</b>	682	<b>703</b>	682
Other expenses	16	<b>89 976</b>	82 628	<b>88 204</b>	79 867
		<b>309 277</b>	288 817	<b>303 707</b>	282 110
Superannuation:					
Commonwealth supplementation	4,34	<b>21 628</b>	20 660	<b>21 628</b>	20 660
Deferred employee benefits	34	<b>24 200</b>	2 200	<b>24 200</b>	2 200
<b>Total Expenses from Continuing Operations</b>		<b>355 105</b>	311 677	<b>349 535</b>	304 970
<b>OPERATING RESULT BEFORE INCOME TAX</b>		<b>20 261</b>	12 827	<b>23 058</b>	13 019
Income Tax Expense		<b>779</b>	-	<b>779</b>	-
<b>NET OPERATING RESULT FOR THE YEAR ATTRIBUTED TO THE MEMBERS OF THE UNIVERSITY OF SOUTH AUSTRALIA</b>		<b>19 482</b>	12 827	<b>22 279</b>	13 019

## Balance Sheet as at 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	17	<b>81 110</b>	49 682	<b>78 885</b>	45 339
Receivables	18	<b>17 687</b>	16 732	<b>16 506</b>	15 947
Other financial assets	21	<b>584</b>	631	<b>584</b>	631
Other non-financial assets	24	<b>4 296</b>	3 129	<b>4 289</b>	3 110
Property held for resale		-	33 700	-	33 700
Deferred government superannuation contribution	34	<b>25 700</b>	26 200	<b>25 700</b>	26 200
<b>Total Current Assets</b>		<b>129 377</b>	130 074	<b>125 964</b>	124 927
<b>NON-CURRENT ASSETS:</b>					
Available-for-sale financial assets	20	<b>4 052</b>	3 795	<b>3 073</b>	1 100
Other financial assets	21	<b>4 852</b>	5 068	<b>6 582</b>	6 798
Property, plant and equipment	22	<b>455 895</b>	426 859	<b>455 647</b>	426 517
Intangible assets	23	<b>1 329</b>	1 915	<b>1 329</b>	1 915
Deferred government superannuation contribution	34	<b>282 900</b>	258 200	<b>282 900</b>	258 200
<b>Total Non-Current Assets</b>		<b>749 028</b>	695 837	<b>749 531</b>	694 530
<b>Total Assets</b>		<b>878 405</b>	825 911	<b>875 495</b>	819 457
<b>CURRENT LIABILITIES:</b>					
Payables	25	<b>18 101</b>	16 217	<b>17 726</b>	16 174
Interest bearing liabilities	26	<b>16 169</b>	1 353	<b>16 169</b>	1 353
Provisions	27	<b>15 290</b>	12 169	<b>14 965</b>	11 930
Other liabilities	28	<b>18 192</b>	17 287	<b>18 447</b>	16 869
Income tax payable		<b>779</b>	-	<b>779</b>	-
Provision for superannuation	34	<b>25 700</b>	26 200	<b>25 700</b>	26 200
<b>Total Current Liabilities</b>		<b>94 231</b>	73 226	<b>93 786</b>	72 526
<b>NON-CURRENT LIABILITIES:</b>					
Payables	25	<b>3 302</b>	3 498	<b>3 302</b>	3 498
Interest bearing liabilities	26	<b>1 005</b>	17 108	<b>1 005</b>	17 108
Derivatives		<b>509</b>	-	<b>509</b>	-
Provisions	27	<b>23 370</b>	24 438	<b>23 370</b>	24 438
Provision for superannuation	34	<b>282 900</b>	258 200	<b>282 900</b>	258 200
<b>Total Non-Current Liabilities</b>		<b>311 086</b>	303 244	<b>311 086</b>	303 244
<b>Total Liabilities</b>		<b>405 317</b>	376 470	<b>404 872</b>	375 770
<b>NET ASSETS</b>		<b>473 088</b>	449 441	<b>470 623</b>	443 687
<b>EQUITY:</b>					
Reserves	29(a)	<b>55 480</b>	51 085	<b>55 480</b>	50 593
Retained surplus	29(b)	<b>417 608</b>	398 356	<b>415 143</b>	393 094
<b>TOTAL EQUITY</b>		<b>473 088</b>	449 441	<b>470 623</b>	443 687

## Statement of Changes in Equity as at 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Total Equity at the Beginning of the Financial Year</b>		<b>449 441</b>	418 647	<b>443 687</b>	412 985
Retained surplus (net of tax):					
Adjustment on adoption of AASB 132 and AASB 139	43(e)	<b>(230)</b>	-	<b>(230)</b>	-
Effects of changes in accounting policy -					
Revenue recognition	2	-	(1 746)	-	(1 746)
Loss on revaluation of library collection	29	-	(3 241)	-	(3 241)
Property, plant and equipment revaluation reserve (net of tax):					
Gain on revaluation of land and buildings	29	<b>4 406</b>	21 962	<b>4 406</b>	21 962
Gain (loss) on revaluation of art collection	29	<b>(250)</b>	544	<b>(250)</b>	544
Available-for-sale investments reserve (net of tax):					
Gain on revaluation Available-for-sale financial assets	29	<b>239</b>	448	<b>142</b>	164
Transfer from the University of South Australia Foundation Incorporated		-	-	<b>589</b>	-
Net Income Recognised Directly in Equity		<b>4 165</b>	17 967	<b>4 657</b>	17 683
<b>Net Operating Result for the Year</b>		<b>19 482</b>	12 827	<b>22 279</b>	13 019
<b>Total Recognised Income and Expense for the Year</b>		<b>23 647</b>	30 794	<b>26 936</b>	30 702
<b>Total Equity at the End of the Financial Year</b>		<b>473 088</b>	449 441	<b>470 623</b>	443 687
Total recognised income and expenses for the year is attributable to:					
<b>Members of the University of South Australia</b>		<b>23 647</b>	30 794	<b>26 936</b>	30 702



## Cash Flow Statement for the year ended 31 December 2005

		Consolidated		University	
		2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<b>Inflows</b>	Inflows	<b>Inflows</b>	Inflows
INFLOWS:		<b>(Outflows)</b>	(Outflows)	<b>(Outflows)</b>	(Outflows)
Australian Government financial assistance:	Note	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
CGS and Other DEST Grants	44.1	<b>133 254</b>	104 195	<b>133 254</b>	104 195
Higher Education Loan Programmes	44.2	<b>61 647</b>	54 615	<b>61 647</b>	54 615
Scholarships	44.3	<b>3 310</b>	2 418	<b>3 310</b>	2 418
DEST research	44.4	<b>13 956</b>	12 192	<b>13 956</b>	12 192
ARC grants - discovery	44.5(a)	<b>2 829</b>	2 086	<b>2 829</b>	2 086
ARC grants - linkages	44.5(b)	<b>3 337</b>	2 727	<b>3 337</b>	2 727
ARC grants - networks and centres	44.5(c)	<b>1 054</b>	882	<b>1 054</b>	882
Other Australian Government Grants		<b>7 552</b>	6 925	<b>7 552</b>	6 925
State Government grants		<b>3 145</b>	2 576	<b>3 145</b>	2 576
HECS-HELP - Student payments		<b>11 771</b>	9 558	<b>11 771</b>	9 558
OS-HELP (net)		<b>521</b>	13	<b>521</b>	13
Receipts from student fees and other customers		<b>74 682</b>	68 882	<b>74 663</b>	68 871
Dividends received		<b>179</b>	124	<b>79</b>	1 232
Interest received		<b>4 598</b>	3 972	<b>4 464</b>	3 383
Royalties		<b>1 206</b>	779	<b>923</b>	678
Consultancy and contract research		<b>15 535</b>	17 904	<b>15 728</b>	17 595
Other receipts		<b>19 440</b>	20 078	<b>13 048</b>	12 865
Taxes recovered (GST)		<b>4 924</b>	9 300	<b>4 924</b>	9 300
Proceeds from transfer of activities from University of South Australia Foundation Incorporated		-	-	<b>2 553</b>	-
<b>OUTFLOWS:</b>					
Payments to suppliers and employees (inclusive of GST)		<b>(315 997)</b>	(295 082)	<b>(309 929)</b>	(289 444)
Interest paid		<b>(1 728)</b>	(1 813)	<b>(1 728)</b>	(1 813)
<b>Net Cash Inflow from Operating Activities</b>	39	<b>45 214</b>	22 331	<b>47 101</b>	20 854
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
INFLOWS:					
Proceeds from sale of property, plant and equipment		<b>34 061</b>	241	<b>34 061</b>	229
Proceeds from sale of investments		<b>727</b>	97	<b>170</b>	4
<b>OUTFLOWS:</b>					
Payments for property, plant and equipment		<b>(46 303)</b>	(74 246)	<b>(46 249)</b>	(74 144)
Payments for investments		<b>(900)</b>	(692)	<b>(166)</b>	(450)
<b>Net Cash Outflow from Investing Activities</b>		<b>(12 415)</b>	(74 600)	<b>(12 184)</b>	(74 361)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
OUTFLOWS:					
Principal repayments under finance lease		<b>(1 371)</b>	(1 526)	<b>(1 371)</b>	(1 526)
<b>Net Cash Outflow from Financing Activities</b>		<b>(1 371)</b>	(1 526)	<b>(1 371)</b>	(1 526)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>31 428</b>	(53 795)	<b>33 546</b>	(55 033)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>49 682</b>	103 477	<b>45 339</b>	100 372
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	17	<b>81 110</b>	49 682	<b>78 885</b>	45 339
Non-cash investing and financing activities	40				

### 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**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Department of Education, Science and Training (DEST).

The financial statements comply with relevant provisions of the South Australian Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Framework issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

*Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

These financial statements are the first University financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the University until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the University 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The University has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the University's equity and its net income are given in Note 43.

*Early Adoption of Standard*

The University has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 January 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets, certain classes of property, plant and equipment and liabilities (including derivative instruments) at fair value.

*Critical Accounting Estimates*

In the application of AIFRS the University is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. 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 with these revisions flowing through to future periods.

Judgements are made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are superannuation receivable and provision, valuation and depreciation of property, plant and equipment, long service leave liability, annual leave liability, workers compensation provision. Actuary advice is obtained to estimate the long service leave and workers compensation provisions.

**(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 2005 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 (including special purpose 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 35.

(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. Where material, investments in associates are accounted for in the University's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

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 associates are set out in Note 36.

(iii) *Joint Venture Operations*

Where material the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in Note 37.

(iv) *Joint Venture Entities*

Where material the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is 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 relating to the joint venture entities are set out in Note 37.

(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**

(i) *Grants*

• *Commonwealth Financial Assistance*

The Commonwealth DEST has implemented changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. The past practice of making the first payment in respect of a grant year at the end of December of the previous year was discontinued. For the 2005 grant year, the first payment was made in January 2005 instead of December 2004.

The first instalment of the DEST financial assistance for 2004 received during December 2003 and received in advance of the operating year to which it related, was recognised by the University as revenue in advance and was presented as a liability in the 2003 Balance Sheet. Therefore the above change in the timing of the DEST financial assistance had a nil effect upon the University's 2004 Income Statement or the 2003 Balance Sheet as previously reported.

For 2004 and 2005 the University continues to recognise DEST financial assistance as revenue in the year in which it had been designated for the funding of teaching and research. Since DEST financial assistance is now received in the year in which it relates no DEST revenue in advance was recorded as at 31 December 2004 or 31 December 2005.

• *Other Grants*

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 as it accrues.

**(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 doubtful debts. 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 collectible at that point. Periodically these receivables are adjusted for any provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Income Statement in the period in which they arise.

**(h) Inventories**

Consumable supplies are recognised as an expense at the time of acquisition and are not shown as inventories in the Balance Sheet.

**(i) Other Financial Assets**

With the exception of investments in controlled entities which are carried at cost adjusted for impairment, other financial assets are measured at fair value with the movement in their value recognised through the Income Statement in the period in which they arise.

**(j) 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.

Purchases and sales of investments are recognised on trade-date (the date on which the Group 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 Group 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 (and for unlisted securities), the Group 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 Group 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.

**(k) Property Held for Resale**

Property identified as surplus to requirements and approved for sale in previous years has been recognised as property held for resale. This property is the Underdale campus which was contracted for sale in 2004 with final settlement in March 2005. In the 2004 year this property was valued at its net market value which was based upon the contracted price.

**(I) Property, Plant and Equipment**

Property, plant and equipment's 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 Group 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.

Increases in the carrying amounts arising on revaluation of land and buildings, library and art collection are credited to their asset revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset class; all other decreases are charged to the Income Statement.

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 2004 and completed independently by 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(n).

**(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 2004 the entire Buildings portfolio was re-valued independently by Southwick Goodyear Pty Ltd and in 2005 a selection of newly constructed buildings were re-valued by the same valuer. 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 or buildings purchased in the 2005 year are measured at cost.

**(iii) Library Collection**

As at 31 December 2004 the methodology in which the library collection is valued was changed from deprival value to 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. As a result of this year end valuation in 2005 a write-down in the library collection of \$0.252 million was recorded within other expenses.

**(iv) Plant and Equipment**

Plant and equipment includes computer hardware and software, general equipment, vehicles and finance-leased IT equipment. Plant and equipment is depreciated in accordance with Note 1(m). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

**(v) Art Collection**

As at 31 December 2004 the University internally valued its art collection at fair value with the offsetting adjustments to the property, plant and equipment revaluation reserve. The art collection will be internally re-valued every three years. For the 2005 year the entire art collection was not re-valued however certain assets were re-valued downwards to their estimated recoverable amount as at 31 December 2005.

**(vi) Leased Assets**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 33). 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.

**(m) 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 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.

**(n) Restrictions on Assets**

Land includes \$21.080 million of Crown Lands and \$13.050 million of land dedicated for educational use by the (State/Federal) Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990*, Section 6(3).

**(o) 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 7 years.

**(p) Unfunded Superannuation**

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs (DETYA) now known as DEST 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 34.

**(q) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(r) 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.

- (iii) **Long Service Leave**  
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 and are expensed in the Income Statement. Note 34 provides details in respect of the individual schemes.
- (v) **Redundancy/Severance**  
Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

**(s) Interest Bearing Liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

**(t) Workers Compensation**

The University is responsible for payments of workers compensation. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University. Note 36 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

**(u) Derivatives**

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the life of the swap and the associated borrowings. As at 31 December 2005 the University has an open interest rate swap with a major bank to fix interest rates on a loan facility currently arranged and expected to be drawn down in future years.

**(v) 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 28).

**(w) Goods and Services Tax (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 Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current 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.

**2. Changes in Accounting Policy – Revenue Recognition**

During the year and subsequent to year end additional professional guidance has been published or provided, which in the opinion of the University, has clarified the appropriate treatment of revenue.

In light of this the University has altered its viewpoint on the grant revenue recognition principles and has changed its policy to:

*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.*

**2. Changes in Accounting Policy – Revenue Recognition (continued)**

This policy will better align revenue with the economic outflow of University resources and therefore provide more relevant and useful information to the financial statement users.

The above change has been accounted for in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and the new policy has been applied to both the 2005 and 2004 year with the opening impact adjusted through the 1 January 2004 Retained Surplus. The effect of the above change upon the financial statements can be summarised as follows:

	Opening Balance Sheet at 1 January 2004		2004 Year		2005 Year	
	Dr \$'000	(Cr) \$'000	Dr \$'000	(Cr) \$'000	Dr \$'000	(Cr) \$'000
Balance Sheet:						
Retained Surplus	1 746	-	-	-	-	-
Revenue in Advance	-	(1 746)	-	(876)	-	(1 188)
Income Statement:						
ARC Revenue	-	-	876	-	<b>1 188</b>	-
	<b>1 746</b>	<b>(1 746)</b>	<b>876</b>	<b>(876)</b>	<b>1 188</b>	<b>(1 188)</b>

**3. Disaggregated Information (Consolidated)**

	Revenue		Results		Total Assets	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Australia	<b>311 751</b>	282 617	<b>17 902</b>	11 121	<b>878 405</b>	825 911
Asia	<b>17 198</b>	18 417	<b>1 548</b>	1 658	-	-
Other	<b>351</b>	530	<b>32</b>	48	-	-
	<b>329 300</b>	301 564	<b>19 482</b>	12 827	<b>878 405</b>	825 911

The University operates in the field of higher education principally in Australia and provides teaching and research services.

**4. Australian Government Financial Assistance including HECS-HELP and other Australian Government loan programmes**

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>(a) Commonwealth Grants Scheme and Other Grants</b>	44.1				
Commonwealth Grants Scheme		<b>104 452</b>	94 979	<b>104 452</b>	94 979
Indigenous Support Fund		<b>805</b>	790	<b>805</b>	790
Equity Programmes		<b>745</b>	263	<b>745</b>	263
Workplace Reform Programme		<b>1 463</b>	2 551	<b>1 463</b>	2 551
Capital Development Pool		<b>2 094</b>	-	<b>2 094</b>	-
Superannuation Programme		<b>21 628</b>	20 660	<b>21 628</b>	20 660
Collaboration & Structural Reform Programme		<b>1 176</b>	1 299	<b>1 176</b>	1 299
<b>Total Commonwealth Grants Scheme and Other Grants</b>		<b>132 363</b>	120 542	<b>132 363</b>	120 542
<b>(b) Higher Education Loan Programmes</b>	44.2				
HECS-HELP		<b>56 587</b>	53 828	<b>56 587</b>	53 828
FEE-HELP		<b>3 333</b>	2 349	<b>3 333</b>	2 349
<b>Total Higher Education Loan Programmes</b>		<b>59 920</b>	56 177	<b>59 920</b>	56 177
<b>(c) Scholarships</b>	44.3				
Australian Postgraduate Awards		<b>1 355</b>	1 520	<b>1 355</b>	1 520
International Postgraduate Research Scholarships		<b>294</b>	298	<b>294</b>	298
Commonwealth Education Cost Scholarships		<b>653</b>	204	<b>653</b>	204
Commonwealth Accommodation Scholarships		<b>976</b>	396	<b>976</b>	396
Indigenous Staff Scholarships		<b>32</b>	-	<b>32</b>	-
<b>Total Scholarships</b>		<b>3 310</b>	2 418	<b>3 310</b>	2 418
<b>(d) DEST Research</b>	44.4				
Institutional Grants Scheme		<b>4 664</b>	4 766	<b>4 664</b>	4 766
Research Training Scheme		<b>7 797</b>	7 157	<b>7 797</b>	7 157
Research Infrastructure Block Grants		<b>1 495</b>	1 329	<b>1 495</b>	1 329
<b>Total DEST - Research Grants</b>		<b>13 956</b>	13 252	<b>13 956</b>	13 252
<b>Total DEST Funding</b>		<b>209 549</b>	192 389	<b>209 549</b>	192 389
<b>(e) Australian Research Council</b>	44.5				
(i) Discovery Project		<b>2 334</b>	1 822	<b>2 334</b>	1 822
Fellowships		<b>10</b>	53	<b>10</b>	53
<b>Total Discovery</b>		<b>2 344</b>	1 875	<b>2 344</b>	1 875



		Consolidated		University	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
(ii)	<i>Linkages</i>	Note			
	Special Research Initiatives		52	8	52
	International		20	174	20
	Projects		1 820	2 534	1 820
	Infrastructure		755	122	755
	<b>Total Linkages</b>		<b>2 647</b>	<b>2 838</b>	<b>2 647</b>
(iii)	<i>Networks and Centres</i>				
	Research Networks		-	248	-
	Centres		752	867	752
	<b>Total Networks and Centres</b>		<b>752</b>	<b>1 115</b>	<b>752</b>
(f)	<b>Other Australian Government Financial Assistance</b>				
	Other Commonwealth Government Research Grants		6 297	7 431	6 297
	Aboriginal Tutorial Assistance Scheme Grant		234	235	234
	Other Commonwealth Grants		123	65	123
	<b>Total Australian Government Financial Assistance</b>		<b>6 654</b>	<b>7 731</b>	<b>6 654</b>
	Reconciliation:				
	Australian Government grants		127 480	142 029	127 480
	Superannuation: Commonwealth supplementation		20 660	21 628	20 660
	HECS-HELP - Australian Government payments		53 828	56 587	53 828
	Other Australian Government loan programmes		2 349	3 333	2 349
	<b>Total Australian Government Financial Assistance</b>		<b>204 317</b>	<b>223 577</b>	<b>204 317</b>
5.	<b>State Government Financial Assistance</b>				
	Research Grants		2 278	2 786	2 278
	Other		298	359	298
	<b>Total State Government Financial Assistance</b>		<b>2 576</b>	<b>3 145</b>	<b>2 576</b>
6.	<b>Fees and Charges</b>				
	Course fees and charges:				
	Continuing education		2 603	2 418	2 603
	Fee-paying overseas students		51 349	57 738	51 349
	Fee-paying domestic postgraduate students		3 635	3 785	3 635
	<b>Total Course Fees and Charges</b>		<b>57 587</b>	<b>63 941</b>	<b>57 587</b>
	Other fees and charges:				
	Open Learning Australia (OLA)		1 759	2 030	1 759
	Fees - Civil aviation		536	486	536
	Miscellaneous enrolment fees		1 253	2 655	1 253
	Seminar/workshops		1 277	905	1 277
	<b>Total Other Fees and Charges</b>		<b>4 825</b>	<b>6 076</b>	<b>4 825</b>
	<b>Total Fees and Charges</b>		<b>62 412</b>	<b>70 017</b>	<b>62 412</b>
7.	<b>Investment Income</b>				
	Dividends		124	179	1 232
	Interest		4 697	4 473	4 366
	Investment income from associated entity (Unisure Pty Ltd)		341	435	341
	<b>Total Investment Income</b>		<b>5 162</b>	<b>5 087</b>	<b>5 939</b>
8.	<b>Consultancy and Contract Research</b>				
	Consultancy		4 940	4 714	4 940
	Contract research		13 023	12 481	13 023
	<b>Total Consultancy and Contract Research</b>		<b>17 963</b>	<b>17 035</b>	<b>17 963</b>
9.	<b>Other Revenue</b>				
	Donations and bequests		2 300	1 524	1 386
	Scholarships and prizes		362	210	362
	Other fees and charges		11 291	10 782	5 166
	Other		5 841	6 794	5 756
	<b>Total Other Revenue</b>		<b>19 794</b>	<b>19 310</b>	<b>12 670</b>

10. Other Income	Consolidated		University	
	2005	2004	2005	2004
Net gain on disposal of property, plant and equipment (refer Note 10(a) below)	\$'000	\$'000	\$'000	\$'000
	219	10	210	13
Net gain on disposal of investments	19	70	9	-
Retained surplus transfer from University of South Australia Foundation Incorporated (refer Note 35(b))	-	-	3 799	-
<b>Total Other Income</b>	<b>238</b>	<b>80</b>	<b>4 018</b>	<b>13</b>
<b>(a) Net Gain on Disposal of Property, Plant and Equipment</b>				
Property, plant and equipment:				
Proceeds from sale	34 061	241	34 061	229
Carrying amount of assets sold	(33 842)	(231)	(33 851)	(216)
<b>Net Gain on Disposal of Property, Plant and Equipment</b>	<b>219</b>	<b>10</b>	<b>210</b>	<b>13</b>
<b>11. Employee Benefits and On-Costs</b>				
Academic:				
Salaries	80 861	74 399	80 861	74 399
Contributions to superannuation and pension schemes:				
Emerging cost	1 076	1 097	1 076	1 097
Funded	11 127	10 535	11 127	10 535
Payroll tax	5 272	5 172	5 272	5 172
Workers compensation	(350)	579	(350)	579
Long service leave	3 607	2 547	3 607	2 547
Annual leave	4 770	5 616	4 770	5 616
<b>Total Academic</b>	<b>106 363</b>	<b>99 945</b>	<b>106 363</b>	<b>99 945</b>
Non-Academic:				
Salaries	65 133	59 349	62 088	56 248
Contributions to superannuation and pension schemes:				
Emerging cost	982	1 003	742	743
Funded	8 444	8 107	8 444	8 107
Payroll tax	4 482	4 415	4 313	4 231
Workers compensation	413	686	391	660
Long service leave	2 440	2 164	2 373	2 110
Annual leave	4 381	5 068	4 310	4 924
<b>Total Non-Academic</b>	<b>86 275</b>	<b>80 792</b>	<b>82 661</b>	<b>77 023</b>
<b>Total Academic and Non-Academic Employee Benefits and On-Costs</b>	<b>192 638</b>	<b>180 737</b>	<b>189 024</b>	<b>176 968</b>
Contributions to superannuation and pension schemes:				
Emerging cost - Commonwealth supplemented	21 628	20 660	21 628	20 660
Deferred employee benefits for superannuation	24 200	2 200	24 200	2 200
<b>Total Deferred Employee Benefits for Superannuation</b>	<b>45 828</b>	<b>22 860</b>	<b>45 828</b>	<b>22 860</b>
<b>Total Employee Benefits and On-Costs</b>	<b>238 466</b>	<b>203 597</b>	<b>234 852</b>	<b>199 828</b>
University full and fractional time staff (full-time equivalent) comprised:			2005	2004
Academic			Number	Number
			933	933
Non-academic			1 211	1 213
<b>Total Staff</b>			<b>2 144</b>	<b>2 146</b>

Annual leave expense includes amounts paid for annual leave and the net movement in the provision for annual leave.

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

Employee benefits include Targeted Voluntary Separation Packages as follows:

	Consolidated		University	
	2005	2004	2005	2004
Number of Targeted Voluntary Separation Packages	Number	Number	Number	Number
	51	20	51	20
Targeted Voluntary Separation Package expenses	\$'000	\$'000	\$'000	\$'000
	2 227	962	2 227	962
Annual leave and long service leave entitlements paid	855	324	855	324
<b>Total Amount Associated with Separations</b>	<b>3 082</b>	<b>1 286</b>	<b>3 082</b>	<b>1 286</b>

There is no entitlement to recover separation payments from the State Government.

**11. Employee Benefits and On-Costs (continued)**

In accordance with AASB 119 *Employee Benefits*, 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 showing the total liabilities the University has as at 31 December 2005 relating to employee benefits:

	Consolidated		University	
	2005	2004	2005	2004
Annual Leave:	\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current	1 830	1 653	1 830	1 653
On-costs included in payables - Non-current	852	950	852	950
Employee benefits - Current	7 601	7 179	7 444	7 041
Employee benefits - Non-current	3 405	3 338	3 405	3 338
	<b>13 688</b>	13 120	<b>13 531</b>	12 982
Long Service Leave:				
On-costs included in payables - Current	888	525	888	525
On-costs included in payables - Non-current	2 450	2 548	2 450	2 548
Employee benefits - Current	6 861	4 061	6 693	3 960
Employee benefits - Non-current	18 483	19 230	18 483	19 230
	<b>28 682</b>	26 364	<b>28 514</b>	26 263
Separations Scheme:				
Employee benefits - Current	254	389	254	389
	<b>254</b>	389	<b>254</b>	389
<b>Total Aggregate Employee Benefits Liability</b>	<b>42 624</b>	39 873	<b>42 299</b>	39 634
<b>12. Depreciation and Amortisation</b>				
Buildings	12 418	10 849	12 360	10 791
Library collection	2 558	3 779	2 558	3 779
Plant and equipment	2 901	2 427	2 797	2 308
Amortisation - Intangible asset	586	628	586	628
Amortisation - Leased assets	1 336	1 500	1 336	1 500
	<b>19 799</b>	19 183	<b>19 637</b>	19 006
<b>13. Repairs and Maintenance</b>				
Buildings	3 649	3 390	3 631	3 390
Grounds	784	375	780	375
Leasehold improvements	-	9	-	9
	<b>4 433</b>	3 774	<b>4 411</b>	3 774
<b>14. Borrowing Costs</b>				
Interest expense	1 616	1 700	1 616	1 700
Loan guarantee fees	112	113	112	113
	<b>1 728</b>	1 813	<b>1 728</b>	1 813
<b>15. Bad and Doubtful Debts</b>				
Doubtful debts	703	682	703	682
<b>16. Other Expenses</b>				
Scholarships, grants and prizes	9 183	8 158	9 002	8 032
Non-capitalised equipment	2 138	2 019	2 138	2 019
Advertising, marketing and promotional expenses	2 610	2 113	2 601	2 128
Telecommunications	5 031	4 255	4 858	4 210
Travel, staff development and entertainment	13 030	12 658	12 871	12 547
External services*	26 635	22 709	25 967	22 792
IT hardware and software	6 693	6 147	6 645	6 137
Library subscriptions	1 363	539	1 363	539
Printing	1 992	1 800	1 991	1 800
Operating lease rental expenses	2 727	2 754	2 712	2 746
Bank charges, legal costs, insurance and taxes	3 914	3 091	3 885	3 072
General consumables	6 225	7 495	6 187	5 808
Other**	8 435	8 890	7 984	8 037
	<b>89 976</b>	82 628	<b>88 204</b>	79 867

\* Included within external services for 2005 is an amount for consultants of \$2.073 million (\$2.126 million consolidated) exclusive of GST (2004: \$1.476 million, \$1.490 million consolidated). This amount excludes consultant payments in relation to the capital works program.

\*\* Net foreign exchange losses included in other expenses for 2005 were \$0.030 million (\$0.030 million consolidated), (2004: \$0.156 million, \$0.156 million consolidated).

**17. Cash and Cash Equivalents**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and on hand	2 655	3 544	2 122	2 418
Deposits at call	78 455	46 138	76 763	42 921
	<b>81 110</b>	49 682	<b>78 885</b>	45 339
<b>(a) Reconciliation to Cash at the End of the Year</b>				
Balances as above	81 110	49 682	78 885	45 339
Less: Bank overdrafts	-	-	-	-
<b>Balance per Cash Flow Statement</b>	<b>81 110</b>	49 682	<b>78 885</b>	45 339

**(b) Cash at Bank and On Hand**

As at 31 December 2005 the deposits earned 5 percent interest (2004: 4.75 percent) and the interest is credited to the University quarterly in March, June, October and December.

**(c) Deposits at Call**

During the year the cash deposits earned interest at a floating rate between 5.40 percent and 5.58 percent (2004: between 5.39 percent and 5.51 percent). These deposits had an average maturity of 35 days.

**18. Receivables**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade debtors	12 414	10 908	11 233	10 123
Less: Provision for doubtful receivables	(538)	(319)	(538)	(319)
	<b>11 876</b>	10 589	<b>10 695</b>	9 804
Student fees	4 946	4 276	4 946	4 276
Less: Provision for doubtful receivables	(1 149)	(693)	(1 149)	(693)
	<b>3 797</b>	3 583	<b>3 797</b>	3 583
Commonwealth receivable	2 014	2 560	2 014	2 560
<b>Total Receivables</b>	<b>17 687</b>	16 732	<b>16 506</b>	15 947

**(a) Bad and Doubtful Trade Receivables**

During the year ended 31 December 2005 the University has recognised a loss of \$0.219 million (2004: \$0.027 million) in respect of bad and doubtful trade receivables and \$0.484 million (2004: \$0.655 million) in respect of bad and doubtful student fees. These losses have been included in bad and doubtful debts expense in the Income Statement.

**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 36 for the accounting methodology adopted for Unisure Pty Ltd.

**20. Available-for-sale Financial Assets**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	3 795	4 033	1 100	776
Additions	900	400	166	400
Assets transferred from the University of South Australia				
Foundation Incorporated	-	-	1 835	-
Disposals (sale and redemption)	(625)	(75)	(70)	(75)
Return of capital	(102)	-	(100)	-
Write offs	-	(1 033)	-	(165)
Revaluation surplus transfer to equity	84	470	142	164
<b>At End of Year</b>	<b>4 052</b>	3 795	<b>3 073</b>	1 100
Listed securities	2 973	900	2 973	900
Unlisted securities	1 079	2 895	100	200
	<b>4 052</b>	3 795	<b>3 073</b>	1 100

**21. Other Financial Assets**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Workers Compensation Investment Fund	<b>584</b>	631	<b>584</b>	631
Non-Current:				
Investment in controlled entity	-	-	<b>1 730</b>	1 730
Workers Compensation Investment Fund	<b>4 602</b>	4 818	<b>4 602</b>	4 818
International Development Programs (IDP) loan	<b>250</b>	250	<b>250</b>	250
<b>Total Other Financial Assets</b>	<b>5 436</b>	5 699	<b>7 166</b>	7 429

Workers compensation investment fund assets are carried at fair value while the remaining other financial assets are carried at cost, adjusted for any impairment.

**22. Property, Plant and Equipment**

Consolidated	Construction in Progress	Land	Freehold Buildings	Plant and Equipment	Leasehold Improvements
At 1 January 2004:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	26 230	-	1 681	31 040	-
Valuation	-	26 588	464 505	-	-
Accumulated depreciation	-	-	(205 850)	(20 737)	-
<b>Net Book Amount</b>	<b>26 230</b>	<b>26 588</b>	<b>260 336</b>	<b>10 303</b>	<b>-</b>
Year Ended 31 December 2004:					
Opening net book amount	26 230	26 588	260 336	10 303	-
Revaluation	-	21 122	839	-	-
Additions	67 900	-	831	4 305	672
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(230)	-
Reclassifications	(10 800)	-	10 766	(240)	10
Depreciation charge	-	-	(10 785)	(2 426)	(64)
<b>Closing Net Book Amount</b>	<b>83 330</b>	<b>47 710</b>	<b>261 987</b>	<b>11 712</b>	<b>618</b>
At 31 December 2004:					
Cost	83 330	-	-	34 875	682
Valuation	-	47 710	520 526	-	-
Accumulated depreciation	-	-	(258 539)	(23 163)	(64)
<b>Net Book Amount</b>	<b>83 330</b>	<b>47 710</b>	<b>261 987</b>	<b>11 712</b>	<b>618</b>
Year Ended 31 December 2005:					
Opening net book amount	83 330	47 710	261 987	11 712	618
Revaluation	-	-	4 407	-	-
Additions	29 918	830	5 819	5 619	15
Assets classified as held for sale and other disposals	-	-	-	(173)	-
Reclassification	(95 888)	-	94 116	-	1 772
Depreciation charge	-	-	(12 121)	(2 902)	(296)
<b>Closing Net Book Amount</b>	<b>17 360</b>	<b>48 540</b>	<b>354 208</b>	<b>14 256</b>	<b>2 109</b>
At 31 December 2005:					
Cost	17 360	830	7 914	40 321	2 469
Valuation	-	47 710	616 331	-	-
Accumulated depreciation	-	-	(270 037)	(26 065)	(360)
<b>Net Book Amount</b>	<b>17 360</b>	<b>48 540</b>	<b>354 208</b>	<b>14 256</b>	<b>2 109</b>
At 1 January 2004:	Leased Plant & Equipment	Library	Art Collection	<b>Total</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
Cost	5 250	3 663	-	<b>67 864</b>	
Valuation	-	56 361	-	<b>547 454</b>	
Accumulated depreciation	(1 104)	(38 539)	-	<b>(266 230)</b>	
<b>Net Book Amount</b>	<b>4 146</b>	<b>21 485</b>	<b>-</b>	<b>349 088</b>	
Year Ended 31 December 2004:					
Opening net book amount	4 146	21 485	-	<b>349 088</b>	
Revaluation	-	(3 241)	544	<b>19 264</b>	
Additions	895	2 020	668	<b>77 291</b>	
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	<b>(230)</b>	
Reclassifications	-	-	264	<b>-</b>	
Depreciation charge	(1 500)	(3 779)	-	<b>(18 554)</b>	
<b>Closing Net Book Amount</b>	<b>3 541</b>	<b>16 485</b>	<b>1 476</b>	<b>426 859</b>	
At 31 December 2004:					
Cost	6 473	-	-	<b>125 360</b>	
Valuation	-	32 113	1 476	<b>601 825</b>	
Accumulated depreciation	(2 932)	(15 628)	-	<b>(300 326)</b>	
<b>Net Book Amount</b>	<b>3 541</b>	<b>16 485</b>	<b>1 476</b>	<b>426 859</b>	

**22. Property, Plant and Equipment****(continued)****Consolidated (continued)**

Year Ended 31 December 2005:

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	<b>Total \$'000</b>
Opening net book amount	3 541	16 485	1 476	<b>426 859</b>
Revaluation	-	(253)	(250)	<b>3 904</b>
Additions	85	2 232	-	<b>44 518</b>
Assets classified as held for sale and other disposals	-	-	-	<b>(173)</b>
Reclassification	-	-	-	<b>-</b>
Depreciation charge	(1 336)	(2 558)	-	<b>(19 213)</b>
<b>Closing Net Book Amount</b>	<b>2 290</b>	<b>15 906</b>	<b>1 226</b>	<b>455 895</b>

At 31 December 2005:

Cost	6 558	-	-	<b>75 452</b>
Valuation	-	30 963	1 226	<b>696 230</b>
Accumulated depreciation	(4 268)	(15 057)	-	<b>(315 787)</b>
<b>Net Book Amount</b>	<b>2 290</b>	<b>15 906</b>	<b>1 226</b>	<b>455 895</b>

**University**

	Construction in Progress \$'000	Land \$'000	Freehold Buildings \$'000	Plant and Equipment \$'000	Leasehold Improvements \$'000
At 1 January 2004:					
Cost	26 230	-	1 681	30 323	-
Valuation	-	26 588	464 234	-	-
Accumulated depreciation	-	-	(205 769)	(20 262)	-
<b>Net Book Amount</b>	<b>26 230</b>	<b>26 588</b>	<b>260 146</b>	<b>10 061</b>	<b>-</b>

Year Ended 31 December 2004:

Opening net book amount	26 230	26 588	260 146	10 061	-
Revaluation	-	21 122	839	-	-
Additions	67 900	-	807	4 227	672
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(215)	-
Reclassifications	(10 800)	-	10 766	(240)	10
Depreciation charge	-	-	(10 727)	(2 307)	(64)
<b>Closing Net Book Amount</b>	<b>83 330</b>	<b>47 710</b>	<b>261 831</b>	<b>11 526</b>	<b>618</b>

At 31 December 2004:

Cost	83 330	-	-	34 095	682
Valuation	-	47 710	520 231	-	-
Accumulated depreciation	-	-	(258 400)	(22 569)	(64)
<b>Net Book Amount</b>	<b>83 330</b>	<b>47 710</b>	<b>261 831</b>	<b>11 526</b>	<b>618</b>

Year Ended 31 December 2005:

Opening net book amount	83 330	47 710	261 831	11 526	618
Revaluation	-	-	4 407	-	-
Additions	29 918	830	5 817	5 531	15
Assets classified as held for sale and other disposals	-	-	-	(151)	-
Reclassification	(95 888)	-	94 116	-	1 772
Depreciation charge	-	-	(12 064)	(2 797)	(296)
<b>Closing Net Book Amount</b>	<b>17 360</b>	<b>48 540</b>	<b>354 107</b>	<b>14 109</b>	<b>2 109</b>

At 31 December 2005:

Cost	17 360	-	7 914	39 475	2 469
Valuation	-	48 540	616 034	-	-
Accumulated depreciation	-	-	(269 841)	(25 366)	(360)
<b>Net Book Amount</b>	<b>17 360</b>	<b>48 540</b>	<b>354 107</b>	<b>14 109</b>	<b>2 109</b>

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	<b>Total \$'000</b>
At 1 January 2004:				
Cost	5 250	3 663	-	<b>67 147</b>
Valuation	-	56 361	-	<b>547 183</b>
Accumulated depreciation	(1 104)	(38 539)	-	<b>(265 674)</b>
<b>Net Book Amount</b>	<b>4 146</b>	<b>21 485</b>	<b>-</b>	<b>348 656</b>

Year Ended 31 December 2004:

Opening net book amount	4 146	21 485	-	<b>348 656</b>
Revaluation	-	(3 241)	544	<b>19 264</b>
Additions	895	2 020	668	<b>77 189</b>
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	<b>(215)</b>
Reclassifications	-	-	264	<b>-</b>
Depreciation charge	(1 500)	(3 779)	-	<b>(18 377)</b>
<b>Closing Net Book Amount</b>	<b>3 541</b>	<b>16 485</b>	<b>1 476</b>	<b>426 517</b>

22. Property, Plant and Equipment (continued) University (continued)	Leased Plant & Equipment	Library	Art Collection	Total
	\$'000	\$'000	\$'000	\$'000
At 31 December 2004:				
Cost	6 473	-	-	<b>124 580</b>
Valuation	-	32 113	1 476	<b>601 530</b>
Accumulated depreciation	(2 932)	(15 628)	-	<b>(299 593)</b>
<b>Net Book Amount</b>	<b>3 541</b>	<b>16 485</b>	<b>1 476</b>	<b>426 517</b>
Year Ended 31 December 2005:				
Opening net book amount	3 541	16 485	1 476	<b>426 517</b>
Revaluation	-	(253)	(250)	<b>3 904</b>
Additions	85	2 232	-	<b>44 428</b>
Assets classified as held for sale and other disposals	-	-	-	<b>(151)</b>
Reclassification	-	-	-	-
Depreciation charge	(1 336)	(2 558)	-	<b>(19 051)</b>
<b>Closing Net Book Amount</b>	<b>2 290</b>	<b>15 906</b>	<b>1 226</b>	<b>455 647</b>
At 31 December 2005:				
Cost	6 558	-	-	<b>73 776</b>
Valuation	-	30 963	1 226	<b>696 763</b>
Accumulated depreciation	(4 268)	(15 057)	-	<b>(314 892)</b>
<b>Net Book Amount</b>	<b>2 290</b>	<b>15 906</b>	<b>1 226</b>	<b>455 647</b>
<b>23. Intangible Assets</b>			Consolidated <b>Capitalised IT Systems</b>	University <b>Capitalised IT Systems</b>
<b>At 1 January 2004</b>			<b>\$'000</b>	<b>\$'000</b>
Cost			4 036	4 036
Accumulated amortisation			(1 493)	(1 493)
<b>Net book amount</b>			<b>2 543</b>	<b>2 543</b>
<b>Year Ended 31 December 2004</b>				
Opening net book amount			2 543	2 543
Amortisation charge			(628)	(628)
<b>Closing net book amount</b>			<b>1 915</b>	<b>1 915</b>
<b>At 31 December 2004</b>				
Cost			4 036	4 036
Accumulated amortisation			(2 121)	(2 121)
<b>Net book amount</b>			<b>1 915</b>	<b>1 915</b>
<b>Year Ended 31 December 2005</b>				
Opening net book amount			1 915	1 915
Amortisation charge			(586)	(586)
<b>Closing net book amount</b>			<b>1 329</b>	<b>1 329</b>
<b>At 31 December 2005</b>				
Cost			4 036	4 036
Accumulated amortisation			(2 707)	(2 707)
<b>Net book amount</b>			<b>1 329</b>	<b>1 329</b>
<b>24. Other Non-Financial Assets</b>			Consolidated	University
			<b>2005</b>	<b>2005</b>
		2004	\$'000	\$'000
		\$'000	\$'000	\$'000
Prepayments	<b>3 323</b>	2 370	<b>3 316</b>	2 352
Accrued income	<b>973</b>	759	<b>973</b>	758
	<b>4 296</b>	3 129	<b>4 289</b>	3 110
<b>25. Payables</b>				
Current:				
Trade creditors	<b>13 863</b>	12 798	<b>13 488</b>	12 755
Accrued expenses	<b>1 520</b>	1 241	<b>1 520</b>	1 241
Annual leave on-costs	<b>1 830</b>	1 653	<b>1 830</b>	1 653
Long service leave on-costs	<b>888</b>	525	<b>888</b>	525
	<b>18 101</b>	16 217	<b>17 726</b>	16 174
Non-Current:				
Annual leave on-costs	<b>852</b>	950	<b>852</b>	950
Long service leave on-costs	<b>2 450</b>	2 548	<b>2 450</b>	2 548
	<b>3 302</b>	3 498	<b>3 302</b>	3 498
	<b>21 403</b>	19 715	<b>21 028</b>	19 672

26. Interest Bearing Liabilities	Consolidated		University	
	2005	2004	2005	2004
Current:				
Secured:	\$'000	\$'000	\$'000	\$'000
Lease liabilities	1 169	1 353	1 169	1 353
Unsecured:				
SA Government Financing Authority (SAFA) loan	15 000	-	15 000	-
<b>Total Current Interest Bearing Liabilities</b>	<b>16 169</b>	<b>1 353</b>	<b>16 169</b>	<b>1 353</b>
Non-current:				
Secured:				
Lease liabilities	1 005	2 108	1 005	2 108
Unsecured:				
SA Government Financing Authority (SAFA) loan	-	15 000	-	15 000
<b>Total Non-Current Interest Bearing Liabilities</b>	<b>1 005</b>	<b>17 108</b>	<b>1 005</b>	<b>17 108</b>
	<b>17 174</b>	<b>18 461</b>	<b>17 174</b>	<b>18 461</b>
<b>(a) Assets pledged as Security</b>				
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:				
Non-current:				
Finance lease				
Plant and equipment	2 290	3 541	2 290	3 541
<b>Total Assets pledged as Security</b>	<b>2 290</b>	<b>3 541</b>	<b>2 290</b>	<b>3 541</b>
<b>(b) Financing Arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
<i>Credit standby arrangements:</i>				
Total facilities:				
Credit card facility with National Australia Bank (NAB)	5 000	5 000	5 000	5 000
Credit card facility with Amex	1 350	950	1 350	950
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	8 000	5 000	8 000	5 000
	<b>16 550</b>	<b>13 150</b>	<b>16 550</b>	<b>13 150</b>
Used at balance date:				
Credit card facility with NAB	714	684	714	684
Credit card facility with Amex	307	283	307	283
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	176	225	176	225
	<b>1 197</b>	<b>1 192</b>	<b>1 197</b>	<b>1 192</b>
Unused at balance date:				
Credit card facility with NAB	4 286	4 316	4 286	4 316
Credit card facility with Amex	1 043	667	1 043	667
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	7 824	4 775	7 824	4 775
	<b>15 353</b>	<b>11 958</b>	<b>15 353</b>	<b>11 958</b>
<i>Bank loan facilities:</i>				
SAFA facility	15 000	15 000	15 000	15 000
NAB facilities	35 000	35 000	35 000	35 000
<b>Total Facilities</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>
Used at balance date	15 000	15 000	15 000	15 000
<b>Unused at Balance Date</b>	<b>35 000</b>	<b>35 000</b>	<b>35 000</b>	<b>35 000</b>
<b>27. Provisions</b>				
Current:				
Annual leave	7 601	7 179	7 444	7 041
Long service leave	6 861	4 061	6 693	3 960
Separation scheme	254	389	254	389
Workers compensation liability	574	540	574	540
<b>Total Current Provisions</b>	<b>15 290</b>	<b>12 169</b>	<b>14 965</b>	<b>11 930</b>
Non-current:				
Annual leave	3 405	3 338	3 405	3 338
Long service leave	18 483	19 230	18 483	19 230
Workers compensation liability	1 482	1 870	1 482	1 870
<b>Total Non-current Provisions</b>	<b>23 370</b>	<b>24 438</b>	<b>23 370</b>	<b>24 438</b>
<b>Total Provisions</b>	<b>38 660</b>	<b>36 607</b>	<b>38 335</b>	<b>36 368</b>



**27. Provisions (continued)**

Movements in the workers compensation liability is set out below:

	Consolidated		University	
	2005	2004	2005	2004
Workers compensation liability:				
Current:	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the start of year	<b>540</b>	591	<b>540</b>	591
Additional provisions recognised	<b>34</b>	(51)	<b>34</b>	(51)
<b>Carrying Amount at the End of Year</b>	<b>574</b>	540	<b>574</b>	540
Non-current:				
Carrying amount at the start of year	<b>1 870</b>	784	<b>1 870</b>	784
Additional provisions recognised	<b>(388)</b>	1 086	<b>(388)</b>	1 086
<b>Carrying Amount at the end of Year</b>	<b>1 482</b>	1 870	<b>1 482</b>	1 870

**28. Other Liabilities**

Current:

Accrued interest	<b>255</b>	255	<b>255</b>	255
Other	<b>1 643</b>	1 560	<b>901</b>	681
Funds held on behalf of external entities	<b>2 113</b>	3 748	<b>3 110</b>	4 230
	<b>4 011</b>	5 563	<b>4 266</b>	5 166
Income in advance on incomplete projects	<b>1 987</b>	2 488	<b>1 987</b>	2 467
Other income in advance:				
Fees and charges	<b>4 361</b>	5 314	<b>4 361</b>	5 314
Commonwealth grants	<b>4 552</b>	3 205	<b>4 552</b>	3 205
HECS recovery	<b>3 281</b>	717	<b>3 281</b>	717
	<b>12 194</b>	9 236	<b>12 194</b>	9 236
<b>Total Current Other Liabilities</b>	<b>18 192</b>	17 287	<b>18 447</b>	16 869

**29. Reserves and retained surplus****(a) Reserves**

Property, plant and equipment revaluation reserve:

Land and buildings	<b>54 291</b>	49 885	<b>54 291</b>	49 885
Art collection	<b>294</b>	544	<b>294</b>	544
	<b>54 585</b>	50 429	<b>54 585</b>	50 429
Available-for-sale investments revaluation reserve	<b>895</b>	656	<b>895</b>	164
<b>Total Reserves</b>	<b>55 480</b>	51 085	<b>55 480</b>	50 593

**Movements in Reserves**

Property, plant and equipment revaluation reserve:

Land and buildings:				
Opening balance	<b>49 885</b>	27 923	<b>49 885</b>	27 923
Asset revaluation increment	<b>4 406</b>	21 962	<b>4 406</b>	21 962
	<b>54 291</b>	49 885	<b>54 291</b>	49 885

Art collection:

Opening balance	<b>544</b>	-	<b>544</b>	-
Asset revaluation increment	-	544	-	544
Asset revaluation decrement	<b>(250)</b>	-	<b>(250)</b>	-
	<b>294</b>	544	<b>294</b>	544

**Total Property, Plant and Equipment Revaluation Reserve**

	<b>54 585</b>	50 429	<b>54 585</b>	50 429
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Available-for-sale Investments Revaluation Reserve:

Opening Balance	<b>656</b>	208	<b>164</b>	-
Transfer from the University of South Australia Foundation Incorporated	-	-	<b>589</b>	-
Revaluation	<b>239</b>	448	<b>142</b>	164
<b>Closing Balance</b>	<b>895</b>	656	<b>895</b>	164

**(b) Retained Surplus**

	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Movement in retained surplus were as follows:				
Retained surplus at 1 January	<b>398 356</b>	390 516	<b>393 094</b>	385 062
Adjustment on adoption of AASB132 and AASB 139, net of tax	<b>(230)</b>	-	<b>(230)</b>	-
Effects of change in accounting policy - ARC grant revenue recognition (refer Note 2)	-	(1 746)	-	(1 746)
Net operating result for the year	<b>19 482</b>	12 827	<b>22 279</b>	13 019
Loss on revaluation of library collection	-	(3 241)	-	(3 241)
<b>Retained Surplus at 31 December 2005</b>	<b>417 608</b>	398 356	<b>415 143</b>	393 094

**(c) Nature and Purpose of Reserves**

The University has three reserves. The land and buildings reserve records revaluations in land and buildings, the available-for-sale investment reserve records revaluations in investments, and the art collection revaluation reserve records revaluations in the art collection.

**30. Responsible Persons and Executive Officers****(a) Names of Responsible Persons**

The following persons were responsible persons of the University during the 2005 year. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

*2005 Council Members*

Mr David Klingberg, AM, Chancellor  
 Professor Denise Bradley, AO Vice Chancellor and President\*  
 Ms Alice McCleary, Deputy Chancellor  
 Mr James Birch  
 Mr Andrew Christie (retired December 2005)  
 Mr William Cossey, AM  
 Mr Carl Driesener (retired December 2005)  
 Mr Terry Evans (appointed March 2005)  
 Dr Timothy Ferris\*  
 Ms Kath Higgins\*  
 Mr Justin Lee  
 Mr Bruce Linn  
 Dr Adele Lloyd (appointed March 2005)  
 Ms Jan Lowe  
 Mr Ian McLachlan  
 Ms Jillian Miller (resigned December 2005)  
 Mr Peter Smith  
 Mr Ray Stradwick\* (retired December 2005)  
 Ms Sue Vardon, AO (appointed April 2005)  
 Dr Michael Venning\*  
 Associate Professor Adrian Vicary\*

**(b) Remuneration of Council Members and Executives***Remuneration of Council Members*

No member of Council received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

	Consolidated		University	
	2005	2004	2005	2004
	Number of Executives	Number of Executives	Number of Executives	Number of Executives
\$110 000 - \$119 999	-	1	-	1
\$130 000 - \$139 999	<b>1</b>	-	<b>1</b>	-
\$200 000 - \$209 999	<b>1</b>	3	<b>1</b>	3
\$210 000 - \$219 999	-	1	-	1
\$220 000 - \$229 999	<b>1</b>	-	<b>1</b>	-
\$230 000 - \$239 999	<b>4</b>	2	<b>4</b>	2
\$250 000 - \$259 999	<b>1</b>	1	<b>1</b>	1
\$260 000 - \$269 999	<b>1</b>	2	<b>1</b>	2
\$290 000 - \$299 999	<b>1</b>	-	<b>1</b>	-
\$450 000 - \$459 999	-	1	-	1
\$460 000 - \$469 999	<b>1</b>	-	<b>1</b>	-
	<b>11</b>	11	<b>11</b>	11

<i>Remuneration of Council Members (continued)</i>	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Income paid or payable, or otherwise made available, to executive officers by entities in the Consolidated Entity	<b>2 783</b>	2 395	<b>2 783</b>	2 395

Executives are defined as the Vice Chancellor and President and those staff in a senior line position who report directly to that position. 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.

**(c) 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.

**31. 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:

<b>Assurance Services</b>	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<i>Audit Services</i>				
Fees paid to the Auditor-General's Department:				
Auditing the financial report	<b>215</b>	186	<b>211</b>	182
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the consolidated entity	<b>12</b>	12	-	-
	<b>227</b>	198	<b>211</b>	182

**32. Contingent Liabilities**

The University entered into an agreement with the Minister of the Department of Education, Training and Employment (DETAPE) 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 \$0.680 million is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2005 this contingent liability reduced to \$0.631 million.

The University has entered into an agreement to develop software based on agreed milestones. If the University causes significant delays according to the milestones, the Commonwealth Government may impose fines up to 10 percent of the full contract price of \$3.2 million.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

**33. Commitments for Expenditure**

**(a) Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Property, plant and equipment payable:				
Within one year	<b>8 127</b>	14 220	<b>8 127</b>	14 220
Later than one year but not later than five years	<b>932</b>	3 055	<b>932</b>	3 055
Later than five years	-	-	-	-
	<b>9 059</b>	17 275	<b>9 059</b>	17 275

**(b) Lease Commitments**

**(i) 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.

(i) *Operating Leases (continued)*

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	3 179	3 071	3 179	3 071
Later than one year but not later than five years	6 960	3 843	6 960	3 843
Later than five years	954	2 046	954	2 046
	<b>11 093</b>	8 960	<b>11 093</b>	8 960

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.

(ii) *Finance Leases*

Commitments in relation to finance leases are payable as follows:

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	1 568	1 847	1 568	1 847
Later than one year but not later than five years	1 324	2 783	1 324	2 783
Later than five years	-	-	-	-
Minimum lease payments	2 892	4 630	2 892	4 630
Future finance charges	(718)	(1 169)	(718)	(1 169)
<b>Total Lease Liabilities</b>	<b>2 174</b>	3 461	<b>2 174</b>	3 461
Representing lease liabilities:				
Current	1 169	1 353	1 169	1 353
Non-current	1 005	2 108	1 005	2 108
	<b>2 174</b>	3 461	<b>2 174</b>	3 461

The weighted average interest rate implicit in the finance leases is 6.87 percent (2004: 6.57 percent).

**34. 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.

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 by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2005 to be \$327.7 million (31 December 2004: \$301.4 million). The assessment took into account the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2004.

The University's liability under the schemes has been partly funded by an amount of \$19.1 million (2004: \$17.0 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$308.6 million (2004: \$284.4 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 DEST Guidelines and reflects an assessment that, while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

**(a) South Australian Superannuation Fund (Super SA) (continued)**

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

	Percent per Annum
Rate of increase in the Consumer Price Index (CPI)	2.5
Rate of salary increases	4.0
Investment earnings	7.5

These assumptions have not changed since 2001.

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 2005, an amount of \$24.2 million was brought to account (both as revenue and an expense) to reflect the increase in the net unfunded past service cost for State superannuation (2004: an increase of \$2.2 million).

	2005 \$'000	2004 \$'000
Deferred Government superannuation contribution at the beginning of the year	284 400	282 200
Increase (decrease) in amount owing for unfunded liability	24 200	2 200
<b>Deferred Government superannuation contribution at the end of the year</b>	<b>308 600</b>	<b>284 400</b>
Comprising:		
Current asset	25 700	26 200
Non-current asset	282 900	258 200
	<b>308 600</b>	<b>284 400</b>

**(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.

As at 30 June 2005 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 DBD. As at 30 June 2005 the assets of the DBD in aggregate (ie. entire multiemployer DBD plan) were estimated to be:

- \$230 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.
- \$1 543 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.

Historically surplus in the DBD has been used to improve members' benefits and has not affected the amount of each participating employer's contributions. Clause 34 of the UniSuper Trust Deed outlines the process UniSuper must undertake (including employer notifications and notice periods) in order to request additional contributions from employers if the UniSuper assets are considered by the Trustee to be insufficient to provide benefits payable under the Deed. At least four years notice that such a request may be made is required. If such a request was agreed to by employers then members must also contribute additional contributions equal to one-half of the rate at which their employer is prepared to contribute. If employers do not agree to increase contributions the Trustee must reduce benefits on a fair and equitable basis. The Trustee notified employers during 2003 that such a request may be made in the future but it considered this was unlikely at that time.

Given the process in dealing with any surplus or deficiency in the DBD, and the fact that sufficient employer specific information (obligation and plan assets) is not presently available from the Actuary, the DBD has not been accounted for by the University as a defined benefit plan.

(i) *UniSuper Defined Benefit Division (DBD) (continued)*

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 16 May 2003 on the actuarial investigation of the DBD as at 31 December 2002. The financial assumptions used were:

	<b>Vested Benefits</b>	<b>Accrued Benefits</b>
Gross of tax investment return	7.0 percent p.a.	9.1 percent p.a.
Net of tax investment return	6.5 percent p.a.	6.5 percent p.a.
Consumer Price Index	2.5 percent p.a.	2.5 percent p.a.
Inflationary salary increases	3.5 percent p.a.	3.5 percent 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.

(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 \$13.203 million (2004: \$12.430 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$6.336 million (2004: \$6.179 million) in respect of Accum 1.

**35. 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	
		<b>2005</b> Percent	2004 Percent
(a) ITEK Pty Ltd	Australia	<b>100</b>	100
(b) University of South Australia Foundation Incorporated	Australia	<b>100</b>	100
(c) Knowledge South Pty Ltd	Australia	<b>N/A</b>	100

**(a) ITEK Pty Ltd**

ITEK Pty Ltd was formed on 1 July 1999 and since this time has had a year end date of 30 June. 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 Incorporated)**

The Foundation Incorporated's purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it sought to attract broadly based levels of philanthropic support for the benefit of the University.

The University funded the operating costs of the Foundation Incorporated directly so that donations and bequests received were wholly used for their intended purpose.

Due to changes in tax law governing charities that came into effect on 1 July 2005 the Foundation no longer qualified as a tax exempt charity. As the University continues to qualify as a tax exempt body the operations and net assets of the Foundation were transferred into the University effective from 1 July 2005. During the second half of 2005 the remaining net assets (\$4.388 million) of Foundation Incorporated were transferred (at fair value) to the University. The retained surplus transferred (\$3.798 million) was recorded as other income while the investment revaluation reserve balance (\$0.589 million) was credited to the University's available-for-sale investments revaluation reserve.

Foundation Incorporated has been left as a University subsidiary with no assets, liabilities or equity as at 31 December 2005. This company will remain legally intact indefinitely to ensure that any future donations, which have named Foundation Incorporated as the beneficiary, will ultimately flow to the University as intended.

**(c) Knowledge South Pty Ltd**

Knowledge South Pty Ltd was a company wholly owned by the University. It was the commercial entity for the development, marketing and implementation of the University's portal and online learning. Its purpose was to provide e-learning and website development services. From 30 June 2005 these activities have been taken over by the University and Knowledge South ceased trading on 30 June 2005 and the legal entity has been wound up.

**36. Investments in Associates**

The University also has an interest in Unisure Pty Ltd and SABRENet Pty Ltd as described below:

**(a) Unisure Pty Ltd**

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 the Australian Accounting Standard AASB 128 *Investment in Associates* 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 2005 the Unit Trust held net assets of \$3.13 million on behalf of the University of South Australia (2004: \$3.039 million).

**(b) SABRENet Pty Ltd**

SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has recently been recognised by the Australian Tax Office as a tax exempt entity. The founding members are the three South Australian Universities and the South Australia 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.

On 11 November 2005, SABRENet executed contracts with Amcom Telecommunications Ltd to construct the network infrastructure and maintain it for 20 years. As at 31 December 2005, the University has made a capital contribution of \$150 000 to the project and will meet annual operating costs. SABRENet is not accounted for using the equity method due to it being immaterial to the University's core activities.

**Carrying Amounts:**

Information relating to associates is set out below:

Equity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		University Carrying Amount	
		2005	2004	2005	2004	2005	2004
		percent	percent	\$'000	\$'000	\$'000	\$'000
(a) <i>Unisure Pty Ltd</i> *	Manages workers compensation claims on behalf of the University	33	33	3 130	3 039	3 130	3 039

Each of the above associates is incorporated in Australia.

\* 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.

<b>Movements in carrying amounts:</b>	Consolidated	
	2005	2004
Carrying amount at the beginning of the financial year	\$'000	\$'000
Share of profits (losses)	3 039	4 104
<b>Carrying amount at the end of the financial year</b>	<b>91</b>	<b>(1 065)</b>
	<b>3 130</b>	<b>3 039</b>

**Summarised Financial Information of Associates**

	Consolidated Entity's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit (Loss) \$'000
<b>2005</b>				
Unisure Pty Ltd	5 186	2 056	435	91
<b>2004</b>				
Unisure Pty Ltd	5 449	2 410	341	(1 065)

**37. Interests in Joint Ventures****(a) Joint Venture Operations**

The University's interests in joint venture operations are as follows:

Entity	Reporting Date	Output Interest	
		2005 Percent	2004 Percent
(i) Mawson Centre Building	31 December	<b>63</b>	63
(ii) SPRI (Building)	30 June	<b>30</b>	30
(iii) SAPAC	30 June	<b>20</b>	20

**(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.

As at 31 December 2005, the University's share of the Mawson Centre development totalled \$6.3 million (2004: \$4.1 million) which is reported in Buildings. The advance contributions from the joint venturers totalled \$0.069 million at year end (2004: \$0.580 million).

**(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 2004 the building was independently re-valued and the University's 30 percent share of the asset's carrying amount as at 31 December 2005 is \$1.889 million (2004: \$1.940 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) South Australian Partnership for Advanced Computing (SAPAC)**

SAPAC is a joint venture of the three South Australian universities and its mission is to act as a point of focus for the support of advanced, high-performance and grid computing in Australia. The University's share of this joint venture has not been included in the consolidated report due to them being immaterial to the University's activities.

**(b) Joint Venture Entities**

The University has an interest in a number of joint venture entities as described below. The University's interest 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 the Australian Accounting Standard AASB 131 *Interest in Joint Ventures*.

Entity	Reporting Date	Ownership Interest	
		2005 Percent	2004 Percent
(i) ACCA	30 June	<b>20.00</b>	20.00
(ii) CIEAM	30 June	<b>11.39</b>	11.39
(iii) CRCIF	30 June	<b>2.95</b>	N/A
(iv) CRCIMST	30 June	<b>8.00</b>	8.00
(v) Rail CRC	30 June	<b>8.30</b>	11.78
(vi) CRCSS	30 June	<b>24.00</b>	26.00
(vii) CRCST Pty Ltd	30 June	<b>5.00</b>	5.00
(viii) CSSIP	30 June	<b>5.20</b>	5.20
(ix) CWQT	30 June	<b>5.13</b>	4.21
(x) DK-CRC	30 June	<b>4.60</b>	4.60
(xi) SACITT	31 December	<b>33.33</b>	33.30
(xii) SGRHS	31 December	<b>50.00</b>	50.00
(xiii) SATAC	30 June	<b>25.00</b>	25.00
(xiv) Auto CRC	30 June	<b>8.09</b>	N/A
(xv) CRC CARE	30 June	<b>16.63</b>	N/A
(xvi) CRC Polymers	30 June	<b>1.85</b>	N/A

**(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.



- (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) *CRCIMST - Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies*  
The CRCIMST is a national co-operative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing.
- (v) *Rail CRC - Co-operative Research Centre for Railway Engineering and Technologies*  
Rail CRC is a national co-operative research centre. Its purpose is 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.
- (vi) *CRCSS - Co-operative Research Centre for Satellite Systems*  
The CRCSS is a national co-operative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.
- (vii) *CRCST Pty Ltd - Co-operative Research Centre for Sustainable Tourism Pty Ltd*  
The CRCST is a national co-operative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.
- (viii) *CSSIP – Co-operative Research Centre for Sensor Signal and Information Processing*  
The CSSIP is a national co-operative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors.
- (ix) *CWQT - Centre for Water Quality and Treatment*  
The CWQT is a national co-operative research centre. 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.
- (x) *DK-CRC - Desert Knowledge Co-operative Research Centre*  
The DK-CRC is a national co-operative research centre. 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.
- (xi) *SACITT - South Australian Consortium for Information Technology and Telecommunications*  
SACITT brings together the three universities of SA 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.
- (xii) *SGRHS - Spencer Gulf Rural Health School (formerly SACRRH – South Australian Centre for Rural and Remote Health)*  
The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SGRHS and 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.
- (xiii) *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.

- (xiv) *Auto CRC - CRC for Advanced Automotive Technologies*  
The vision of the Auto CRC is to be the nation's principal industry-led collaborative research and development organisation for the advancement of an internationally competitive and sustainable Australian Automotive Industry. 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.
- (xv) *CRC CARE - Contamination Assessment and Remediation of the Environment*  
The goal of the CRC CARE is to develop a risk based approach to remediation leading to improved regulatory acceptance of commercially viable and cost-effective solutions to environmental contamination. The CRC will develop monitoring tools for contaminant groups including heavy metals, petroleum hydrocarbons, industrial solvents and persistent organics.
- (xvi) *CRC Polymers*  
The CRC 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.

**38. 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.

**39. Reconciliation of Operating Result after Income Tax to Net Cash Inflow from Operating Activities**

	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Operating result for the year	<b>19 482</b>	12 827	<b>22 279</b>	13 019
Add (Less): Items classified as investing activities				
(Profit) Loss on sale of plant and equipment	<b>(219)</b>	(10)	<b>(210)</b>	(13)
Add (Less): Non-cash items:				
Depreciation and amortisation	<b>19 799</b>	19 183	<b>19 637</b>	19 005
Non cash donations	<b>(471)</b>	(1 054)	<b>(471)</b>	(1 054)
Capital assets	<b>3 467</b>	(1 144)	<b>2 219</b>	(1 126)
Non cash investments	<b>(252)</b>	-	<b>(252)</b>	(155)
Foundation Incorporated contributions	-	-	<b>1 246</b>	-
Interest rate swap	<b>279</b>	-	<b>279</b>	-
Available-for-sale asset revaluation	<b>(180)</b>	-	<b>141</b>	-
ARC grant movement	-	876	-	876
Loss on sale of investments	-	70	-	-
Revaluation expense	-	390	-	164
Art collection	-	630	-	630
Change in assets and liabilities:				
(Increase) Decrease in receivables	<b>(954)</b>	(1 583)	<b>(559)</b>	(2 138)
(Increase) Decrease in other assets	<b>(1 161)</b>	26	<b>(2 889)</b>	(701)
Increase (Decrease) in payables	<b>1 688</b>	3 715	<b>1 358</b>	3 446
Increase (Decrease) in provisions	<b>2 053</b>	3 343	<b>1 967</b>	3 320
Increase (Decrease) in other liabilities	<b>1 683</b>	(14 938)	<b>2 356</b>	(14 419)
<b>Net Cash provided by Operating Activities</b>	<b>45 214</b>	22 331	<b>47 101</b>	20 854

**40. Non-Cash Investing and Financing Activities**

Donations of works of art and library materials	<b>471</b>	1 054	<b>471</b>	1 054
Acquisition of plant and equipment by means of finance leases	<b>85</b>	-	<b>85</b>	-
	<b>556</b>	1 054	<b>556</b>	1 054

**41. Assets and Liabilities of Trusts for which the University is Trustee**

Within the Controlled Entity, Foundation Incorporated or the University was a trustee or custodian for the following Trusts during the year:

Aborigines Advancement League  
KM Bodnar  
Constance Gordon-Johnson Fund  
Davy Scholarship  
Donald Dyer Scholarship  
Lydia Longmore Memorial Fund  
PW Stephens Engineering Prize  
Sansom Trust Fund  
William T Southcott Scholarship  
Bob Hawke Prime Ministerial Centre.

**42. Financial Instruments****(a) Financial Risk Management**

The University's activities exposes it to a variety of financial risks including:

*(i) Market Risk*

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2005 the University held US\$0.422 million (2004: US\$0.412 million) and RM\$0.135 million - Malaysian Ringgitt (2004: RM\$0.117 million) in offshore bank accounts.

*(ii) 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 doubtful debts.

The University is not materially exposed to any specific overseas country or individual customer.

*(iii) Liquidity Risk*

The University maintains a \$35.0 million bill facility with the NAB which has a drawdown facility, available to 31 December 2016. As at 31 December 2005 this facility has not been drawn down.

*(iv) Cash Flow and Fair Value Interest Rate Risk*

The University's current borrowings are at a fixed rate of interest; however the above NAB bill facilities are at a floating rate of interest. To manage the exposure to market risk for changes in interest rates, the University has entered into an interest rate swap against \$20.0 million of the NAB bill facility. When the facility is drawn down the University has agreed to exchange, at specified intervals, the difference between fixed and variable interest rates.

**(b) Derivative Financial Instruments***(i) Transition to AASB 132 and AASB 139*

The Group has taken the exemption available under AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* as described in Note 1(a). At the date of transition, 1 January 2005, the following net adjustment is noted:

*For both the Consolidated Entity and the University*

A pre tax net adjustment of a \$0.230 million decrease in net assets was recognised representing the above mentioned interest rate swap contract exchanging floating interest amounts for fixed. As at 31 December 2005 the 'break-out' fee of this swap increased to \$0.509 million and therefore an expense of \$0.279 million was recognised as an expense in 2005.

For further information refer to Note 1(u) and Note 43 (e).

*(ii) Instruments used by the Group*

From time to time the Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade and to profit from short term movements in exchange rates in accordance with the financial risk management policies described above.

*(iii) Interest Rate Swap Contracts - Cash Flow Hedges*

The University has an open interest rate swap with the NAB to fix interest rates on a loan facility currently arranged and expected to be drawn down in future years.

As at 31 December 2005 the fair value of this interest rate swap was \$0.509 million and both the University and Consolidated Entity recorded a liability of this amount. As a result of the movement in the fair value of this swap during the year a loss of \$0.279 million was recorded in the 2005 year.

**(c) Interest Rate Risk Exposures**

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. 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.

	Variable Interest Rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
2005									
Financial assets:									
Cash assets	81 110	-	-	-	-	-	-	-	81 110
Receivables	-	-	-	-	-	-	-	17 687	17 687
Available-for-sale financial assets	-	-	-	-	-	-	-	4 052	4 052
Other financial assets	5 186	-	-	-	-	-	-	250	5 436
Accrued Income	-	-	-	-	-	-	-	973	973
	86 296	-	-	-	-	-	-	22 962	109 258
Weighted average interest rate	5.38%								

**(c) Interest Rate Risk Exposures (continued)**

2005	Variable Interest Rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
Financial liabilities:									
Trade Creditors	-	-	-	-	-	-	13 863	<b>13 863</b>	
Accrued Expenses	-	-	-	-	-	-	1 520	<b>1 520</b>	
Annual Leave and long service leave on-costs	-	-	-	-	-	-	6 020	<b>6 020</b>	
Interest bearing liabilities	-	15 000	-	-	-	-	-	<b>15 000</b>	
Finance lease	-	1 169	1 005	-	-	-	-	<b>2 174</b>	
Derivatives	-	-	-	-	-	-	509	<b>509</b>	
Accrued interest	-	255	-	-	-	-	-	<b>255</b>	
Other	-	-	-	-	-	-	1 642	<b>1 642</b>	
Funds held on behalf of external entities	-	-	-	-	-	-	2 962	<b>2 962</b>	
	-	16 424	1 005	-	-	-	26 516	<b>43 945</b>	
Weighted average interest rate		9.94%	6.87%						
<b>Net Financial Assets (Liabilities)</b>	86 296	(16 424)	(1 005)	-	-	-	(3 554)	<b>65 313</b>	

2004	Variable Interest Rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
Financial assets:									
Cash assets	49 682	-	-	-	-	-	-	49 682	
Receivables	-	-	-	-	-	-	16 733	16 733	
Available-for-sale financial assets	-	-	-	-	-	-	3 795	3 795	
Other financial assets	5 449	-	-	-	-	-	250	5 699	
Accrued income	-	-	-	-	-	-	759	759	
	55 131	-	-	-	-	-	21 537	76 668	
Weighted average interest rate	5.37%								
Financial liabilities:									
Trade Creditors	-	-	-	-	-	-	12 798	12 798	
Accrued Expenses	-	-	-	-	-	-	1 241	1 241	
Annual Leave and long service leave on-costs	-	-	-	-	-	-	5 676	5 676	
Interest bearing liabilities	-	-	15 000	-	-	-	-	15 000	
Finance lease	-	1 353	1 140	968	-	-	-	3 641	
Accrued interest	-	255	-	-	-	-	-	255	
Other	-	-	-	-	-	-	1 560	1 560	
Funds held on behalf of external entities	-	-	-	-	-	-	3 748	3 748	
	-	1 608	16 140	968	-	-	25 023	43 739	
Weighted average interest rate	7.03%	9.92%	6.57%						
<b>Net Financial Assets (Liabilities)</b>	55 131	(1 608)	(16 140)	(968)	-	-	(3 486)	32 929	

**(d) Fair Value of Financial Assets and Liabilities**

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for SAFA borrowings at fixed rates of interest. The value of those borrowings are:

2005 Carrying Amount \$'000	2005 Net Fair Value \$'000	2004 Carrying Amount \$'000	2004 Net Fair Value \$'000
<b>15 000</b>	<b>15 168</b>	15 000	15 731

**43. Explanation of Transition to Australian Equivalents to IFRS****(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)**

(i) At the date of transition to AIFRS: 1 January 2004

ASSETS:	Consolidated			University		
	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
Current Assets:						
Cash and cash equivalents	103 477	-	103 477	100 372	-	100 372
Receivables	15 150	-	15 150	13 809	-	13 809
Other financial assets	583	-	583	583	-	583
Other non-financial assets	3 140	-	3 140	3 111	-	3 111
Deferred Government superannuation contribution	24 800	-	24 800	24 800	-	24 800
	147 150	-	147 150	142 675	-	142 675

## (i) At the date of transition to AIFRS: 1 January 2004 (continued)

	Consolidated			University		
	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>Non-Current Assets:</b>						
Available-for-sale financial assets	4 033	-	4 033	776	-	776
Property, plant and equipment	353 140	(4 051)	349 089	352 708	(4 051)	348 657
Intangible assets	-	2 543	2 543	-	2 543	2 543
Non-current assets classified as held for sale	33 700	-	33 700	33 700	-	33 700
Other financial assets	4 893	-	4 893	6 468	-	6 468
Deferred Government superannuation contribution	257 400	-	257 400	257 400	-	257 400
<b>Total Non-Current Assets</b>	<b>653 166</b>	<b>(1 508)</b>	<b>651 658</b>	<b>651 052</b>	<b>(1 508)</b>	<b>649 544</b>
<b>Total Assets</b>	<b>800 316</b>	<b>(1 508)</b>	<b>798 808</b>	<b>793 727</b>	<b>(1 508)</b>	<b>792 219</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Payables	13 485	(787)	12 698	13 711	(787)	12 924
Provisions	13 874	(3 323)	10 551	13 658	(3 323)	10 335
Interest bearing liabilities	1 294	-	1 294	1 294	-	1 294
Unspent financial assistance	18 615	-	18 615	18 615	-	18 615
Other	10 988	-	10 988	10 051	-	10 051
Provision for superannuation	24 800	-	24 800	24 800	-	24 800
<b>Total Current Liabilities</b>	<b>83 056</b>	<b>(4 110)</b>	<b>78 946</b>	<b>82 129</b>	<b>(4 110)</b>	<b>78 019</b>
<b>Non-Current Liabilities:</b>						
Payables	2 515	787	3 302	2 515	787	3 302
Interest bearing liabilities	17 800	-	17 800	17 800	-	17 800
Provisions	19 390	3 323	22 713	19 390	3 323	22 713
Provision for superannuation	257 400	-	257 400	257 400	-	257 400
<b>Total Non-Current Liabilities</b>	<b>297 105</b>	<b>4 110</b>	<b>301 215</b>	<b>297 105</b>	<b>4 110</b>	<b>301 215</b>
<b>Total Liabilities</b>	<b>380 161</b>	<b>-</b>	<b>380 161</b>	<b>379 234</b>	<b>-</b>	<b>379 234</b>
<b>NET ASSETS</b>	<b>420 155</b>	<b>(1 508)</b>	<b>418 647</b>	<b>414 493</b>	<b>(1 508)</b>	<b>412 985</b>
<b>EQUITY:</b>						
<b>Parent Entity Interest:</b>						
Reserves	28 131	-	28 131	27 923	-	27 923
Retained surplus	392 024	(1 508)	390 516	386 570	(1 508)	385 062
<b>TOTAL EQUITY</b>	<b>420 155</b>	<b>(1 508)</b>	<b>418 647</b>	<b>414 493</b>	<b>(1 508)</b>	<b>412 985</b>

## (ii) At the end of the last reporting period under previous AGAAP: 31 December 2004

<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	49 682	-	49 682	45 339	-	45 339
Receivables	16 732	-	16 732	15 947	-	15 947
Non-current assets	33 700	-	33 700	33 700	-	33 700
Other financial assets	631	-	631	631	-	631
Other non-financial assets	3 129	-	3 129	3 110	-	3 110
Deferred Government superannuation contribution	26 200	-	26 200	26 200	-	26 200
<b>Total Current Assets</b>	<b>130 074</b>	<b>-</b>	<b>130 074</b>	<b>124 927</b>	<b>-</b>	<b>124 927</b>
<b>Non-Current Assets:</b>						
Available-for-sale financial assets	3 795	-	3 795	1 100	-	1 100
Property, plant and equipment	429 897	(3 038)	426 859	429 555	(3 038)	426 517
Intangible assets	-	1 915	1 915	-	1 915	1 915
Other financial assets	5 068	-	5 068	6 798	-	6 798
Deferred Government superannuation contribution	258 200	-	258 200	258 200	-	258 200
<b>Total Non-Current Assets</b>	<b>696 960</b>	<b>(1 123)</b>	<b>695 837</b>	<b>695 653</b>	<b>(1 123)</b>	<b>694 530</b>
<b>Total Assets</b>	<b>827 034</b>	<b>(1 123)</b>	<b>825 911</b>	<b>820 580</b>	<b>(1 123)</b>	<b>819 457</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Payables	17 167	(950)	16 217	17 124	(950)	16 174
Interest bearing liabilities	1 353	-	1 353	1 353	-	1 353
Provisions	15 507	(3 338)	12 169	15 268	(3 338)	11 930
Unspent financial assistance	3 922	-	3 922	3 922	-	3 922
Other	13 365	-	13 365	12 947	-	12 947
Provision for superannuation	26 200	-	26 200	26 200	-	26 200
<b>Total Current Liabilities</b>	<b>77 514</b>	<b>(4 288)</b>	<b>73 226</b>	<b>76 814</b>	<b>(4 288)</b>	<b>72 526</b>

## (ii) At the end of the last reporting period under previous AGAAP:31 December 2004 (continued)

	Consolidated			University		
	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>Non-Current Liabilities:</b>						
Payables	2 548	950	3 498	2 548	950	3 498
Interest bearing liabilities	17 108	-	17 108	17 108	-	17 108
Provisions	21 100	3 338	24 438	21 100	3 338	24 438
Provision for superannuation	258 200	-	258 200	258 200	-	258 200
<b>Total Non-Current Liabilities</b>	<b>298 956</b>	<b>4 288</b>	<b>303 244</b>	<b>298 956</b>	<b>4 288</b>	<b>303 244</b>
<b>Total Liabilities</b>	<b>376 470</b>	<b>-</b>	<b>376 470</b>	<b>375 770</b>	<b>-</b>	<b>375 770</b>
<b>NET ASSETS</b>	<b>450 564</b>	<b>(1 123)</b>	<b>449 441</b>	<b>444 810</b>	<b>(1 123)</b>	<b>443 687</b>
<b>EQUITY:</b>						
Parent Entity Interest:						
Reserves	51 085	-	51 085	50 593	-	50 593
Retained surplus	399 479	(1 123)	398 356	394 217	(1 123)	393 094
<b>TOTAL EQUITY</b>	<b>450 564</b>	<b>(1 123)</b>	<b>449 441</b>	<b>444 810</b>	<b>(1 123)</b>	<b>443 687</b>

## (b) Reconciliation of profit for the year ended 31 December 2004

**Revenue from Continuing Operations:**

Australian Government Financial assistance						
Australian Government Grants	127 480	-	127 480	127 480	-	127 480
HECS-HELP Australian Government payments	53 828	-	53 828	53 828	-	53 828
FEE-HELP	2 349	-	2 349	2 349	-	2 349
State and Local Government financial assistance	2 576	-	2 576	2 576	-	2 576
HECS-HELP student contributions	9 221	-	9 221	9 221	-	9 221
Superannuation - Deferred Government contributions	2 200	-	2 200	2 200	-	2 200
Fees and charges	62 412	-	62 412	62 412	-	62 412
Investment income	5 162	-	5 162	5 939	-	5 939
Royalties, trademarks and licences	779	-	779	678	-	678
Consultancy and contract research	17 963	-	17 963	17 963	-	17 963
Other revenue	19 794	-	19 794	12 670	-	12 670
Superannuation - Commonwealth supplementation	20 660	-	20 660	20 660	-	20 660
<b>Total Revenue from Continuing Operations</b>	<b>324 424</b>	<b>-</b>	<b>324 424</b>	<b>317 976</b>	<b>-</b>	<b>317 976</b>
Other income	80	-	80	13	-	13
<b>Total Income</b>	<b>324 504</b>	<b>-</b>	<b>324 504</b>	<b>317 989</b>	<b>-</b>	<b>317 989</b>

**Expenses from Continuing Operations:**

Employee benefits and on-costs	180 737	-	180 737	176 968	-	176 968
Depreciation and amortisation	19 567	(384)	19 183	19 390	(384)	19 006
Repairs and maintenance	3 774	-	3 774	3 774	-	3 774
Borrowing costs	1 813	-	1 813	1 813	-	1 813
Bad and doubtful debts	682	-	682	682	-	682
Other expenses	82 628	-	82 628	79 867	-	79 867
Superannuation - deferred Government contributions	2 200	-	2 200	2 200	-	2 200
Superannuation Commonwealth supplementation	20 660	-	20 660	20 660	-	20 660
<b>Total Expenses from Continuing Operations</b>	<b>312 061</b>	<b>(384)</b>	<b>311 677</b>	<b>305 354</b>	<b>(384)</b>	<b>304 970</b>
<b>Net Operating Result for the Year</b>	<b>12 443</b>	<b>(384)</b>	<b>12 827</b>	<b>12 635</b>	<b>(384)</b>	<b>13 019</b>

## (c) Reconciliation of Cash Flow Statements for the year ended 31 December 2004

The adoption of AIFRSs has not resulted in any material adjustments to the Cash Flow Statement.

## (d) Notes to the Reconciliations

## (i) Property, Plant and Equipment

Under AIFRS, the economic entity recognises software assets as an Intangible Asset. This has resulted in a reclassification of some Property, Plant and Equipment assets to Intangible Assets.

## (ii) Intangible Assets

Development costs of internally generated software were recognised under previous AGAAP, but do not qualify for recognition as an asset under AASB 138 *Intangible Assets*. This has resulted in a decrease to the Intangible Asset carrying value of \$1.5 million at 1 January 2004 and an offsetting decrease to Retained Surplus.



44.1 <b>Commonwealth Grants Scheme and Other Grants (continued)</b>	Collaboration & Structural Reform		Total			
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000		
Financial assistance received in cash during reporting period	1 176	1 299	133 254	104 195		
Net accrual adjustments	-	-	(891)	16 347		
<b>Revenue for the Period</b>	<b>1 176</b>	<b>1 299</b>	<b>132 363</b>	<b>120 542</b>		
Surplus (Deficit) from the previous year	1 441	-	1 661	1 437		
<b>Total Revenue Including Accrued Revenue</b>	<b>2 617</b>	<b>1 299</b>	<b>134 024</b>	<b>121 979</b>		
Less expenses including accrued expenses	(556)	142	(131 575)	(120 318)		
<b>Surplus (Deficit) for Reporting Period</b>	<b>2 061</b>	<b>1 441</b>	<b>2 449</b>	<b>1 661</b>		
<b>44.2 HECS and other Commonwealth Loan Programmes</b>	HECS-HELP		FEE-HELP		OS-HELP	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	58 771	51 808	2 876	2 807	521	13
Net accrual adjustments	(2 184)	2 020	436	(471)	(500)	-
<b>Revenue for the Period</b>	<b>56 587</b>	<b>53 828</b>	<b>3 312</b>	<b>2 336</b>	<b>21</b>	<b>13</b>
Surplus (Deficit) from the previous year	-	-	-	-	-	-
<b>Total Revenue Including Accrued Revenue</b>	<b>56 587</b>	<b>53 828</b>	<b>3 312</b>	<b>2 336</b>	<b>21</b>	<b>13</b>
Less expenses including accrued expenses	(56 587)	(53 828)	(3 312)	(2 336)	(21)	(13)
<b>Surplus (Deficit) for Reporting Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>Total</b>	
Financial assistance received in cash during reporting period					2005 \$'000	2004 \$'000
Net accrual adjustments					62 168	54 628
<b>Revenue for the Period</b>					<b>(2 248)</b>	<b>1 549</b>
Surplus (Deficit) from the previous year					59 920	56 177
<b>Total Revenue Including Accrued Revenue</b>					<b>59 920</b>	<b>56 177</b>
Less expenses including accrued expenses					(59 920)	(56 177)
<b>Surplus (Deficit) for Reporting Period</b>					<b>-</b>	<b>-</b>
<b>44.3 Scholarships</b>	Australian Postgraduate Award		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	1 355	1 520	294	298	653	204
Net accrual adjustments	-	-	-	-	-	-
<b>Revenue for the Period</b>	<b>1 355</b>	<b>1 520</b>	<b>294</b>	<b>298</b>	<b>653</b>	<b>204</b>
Surplus (Deficit) from the previous year	374	203	35	-	13	-
<b>Total Revenue Including Accrued Revenue</b>	<b>1 729</b>	<b>1 723</b>	<b>329</b>	<b>298</b>	<b>666</b>	<b>204</b>
Less expenses including accrued expenses	(1 388)	(1 349)	(291)	(263)	(600)	(191)
<b>Surplus (Deficit) for Reporting Period</b>	<b>341</b>	<b>374</b>	<b>38</b>	<b>35</b>	<b>66</b>	<b>13</b>



**44.3 Scholarships (continued)**

	Commonwealth Accommodation Scholarships		Indigenous Staff Scholarships		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	976	396	32	-	3 310	2 418
Net accrual adjustments	-	-	-	-	-	-
<b>Revenue for the Period</b>	<b>976</b>	<b>396</b>	<b>32</b>	<b>-</b>	<b>3 310</b>	<b>2 418</b>
Surplus (Deficit) from the previous year	8	-	-	-	430	203
<b>Total Revenue Including Accrued Revenue</b>	<b>984</b>	<b>396</b>	<b>32</b>	<b>-</b>	<b>3 740</b>	<b>2 621</b>
Less expenses including accrued expenses	(907)	(388)	(26)	-	(3 212)	(2 191)
<b>Surplus (Deficit) for Reporting Period</b>	<b>77</b>	<b>8</b>	<b>6</b>	<b>-</b>	<b>528</b>	<b>430</b>

**44.4 DEST - Research**

	Institutional Grants Scheme		Research Training Scheme		Research Infrastructure Block Grants	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	4 664	4 385	7 797	6 584	1 495	1 223
Net accrual adjustments	-	381	-	573	-	106
<b>Revenue for the Period</b>	<b>4 664</b>	<b>4 766</b>	<b>7 797</b>	<b>7 157</b>	<b>1 495</b>	<b>1 329</b>
Surplus (Deficit) from the previous year	-	-	-	-	-	-
<b>Total Revenue Including Accrued Revenue</b>	<b>4 664</b>	<b>4 766</b>	<b>7 797</b>	<b>7 157</b>	<b>1 495</b>	<b>1 329</b>
Less expenses including accrued expenses	(4 664)	(4 766)	(7 797)	(7 157)	(1 495)	(1 329)
<b>Surplus (Deficit) for Reporting Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Total	
	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	13 956	12 192
Net accrual adjustments	-	1 060
<b>Revenue for the Period</b>	<b>13 956</b>	<b>13 252</b>
Surplus (Deficit) from the previous year	-	-
<b>Total Revenue Including Accrued Revenue</b>	<b>13 956</b>	<b>13 252</b>
Less expenses including accrued expenses	(13 956)	(13 252)
<b>Surplus (Deficit) for Reporting Period</b>	<b>-</b>	<b>-</b>

**44.5 Australian Research Council Grants**

(a) Discovery	Projects		Fellowships		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	2 819	2 089	10	(2)	2 829	2 087
Net accrual adjustments:						
Movement in accrued income	(71)	128	-	-	(71)	128
Movement in deferred income	(414)	(395)	-	55	(414)	(340)
<b>Revenue for the Period</b>	<b>2 334</b>	<b>1 822</b>	<b>10</b>	<b>53</b>	<b>2 344</b>	<b>1 875</b>
Movement in deferred income	414	395	-	(55)	414	340
Surplus (Deficit) from the previous year	942	547	-	55	942	602
<b>Total Revenue Including Accrued Revenue</b>	<b>3 690</b>	<b>2 764</b>	<b>10</b>	<b>53</b>	<b>3 700</b>	<b>2 817</b>
Less expenses including accrued expenses	(2 334)	(1 822)	(10)	(53)	(2 344)	(1 875)
<b>Surplus (Deficit) for Reporting Period</b>	<b>1 356</b>	<b>942</b>	<b>-</b>	<b>-</b>	<b>1 356</b>	<b>942</b>

**44.5 Australian Research Council Grants (continued)**

	Special Research Initiatives		Infrastructure		International	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	-	-	-	696	288	41
Net accrual adjustments:						
Movement in accrued income	-	-	-	181	-	-
Movement in deferred income	8	52	122	(122)	(114)	(21)
<b>Revenue for the Period</b>	<b>8</b>	<b>52</b>	<b>122</b>	<b>755</b>	<b>174</b>	<b>20</b>
Movement in deferred income	(8)	(52)	(122)	122	114	21
Surplus (Deficit) from the previous year	8	60	122	-	44	23
<b>Total Revenue Including Accrued Revenue</b>	<b>8</b>	<b>60</b>	<b>122</b>	<b>877</b>	<b>332</b>	<b>64</b>
Less expenses including accrued expenses	(8)	(52)	(122)	(755)	(174)	(20)
<b>Surplus (Deficit) for Reporting Period</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>122</b>	<b>158</b>	<b>44</b>

	Projects		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	3 049	1 990	3 337	2 727
Net accrual adjustments:				
Movement in accrued income	316	32	316	213
Movement in deferred income	(831)	(202)	(815)	(293)
<b>Revenue for the Period</b>	<b>2 534</b>	<b>1 820</b>	<b>2 838</b>	<b>2 647</b>
Movement in deferred income	831	202	815	293
Surplus (Deficit) from the previous year	1 106	994	1 280	1 077
<b>Total Revenue Including Accrued Revenue</b>	<b>4 471</b>	<b>3 016</b>	<b>4 933</b>	<b>4 017</b>
Less expenses including accrued expenses	(2 534)	(1 910)	(2 838)	(2 737)
<b>Surplus (Deficit) for Reporting Period</b>	<b>1 937</b>	<b>1 106</b>	<b>2 095</b>	<b>1 280</b>

	Research Networks		Centres		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Financial assistance received in cash during reporting period	306	150	748	732	1 054	882
Net accrual adjustments:						
Movement in accrued income	20	-	-	113	20	113
Movement in deferred income	(78)	(150)	119	(93)	41	(243)
<b>Revenue for the Period</b>	<b>248</b>	<b>-</b>	<b>867</b>	<b>752</b>	<b>1 115</b>	<b>752</b>
Movement in deferred income	78	150	(119)	93	(41)	243
Surplus (Deficit) from the previous year	150	-	250	157	400	157
<b>Total Revenue Including Accrued Revenue</b>	<b>476</b>	<b>150</b>	<b>998</b>	<b>1 002</b>	<b>1 474</b>	<b>1 152</b>
Less expenses including accrued expenses	(248)	-	(867)	(752)	(1 115)	(752)
<b>Surplus (Deficit) for Reporting Period</b>	<b>228</b>	<b>150</b>	<b>131</b>	<b>250</b>	<b>359</b>	<b>400</b>

**44.6 Summary of Unspent Financial Assistance**

	Amount of unspent grant as at 31 December 2005 \$'000	Amount of unspent grant that it is more likely to be approved by the Commonwealth for carry forward \$'000	Amount of unspent grant which the University has a performance obligation or is likely to be recovered by the Commonwealth \$'000
Commonwealth Grants Scheme and other Grants:			
Commonwealth Grants Scheme	-	-	-
Indigenous Support Fund	-	-	-
Equity Programmes	388	388	-
Workplace Reform Programme	-	-	-
Capital Development Pool	-	-	-
Collaboration and Structural Reform	2 061	2 061	-
	<b>2 449</b>	<b>2 449</b>	<b>-</b>
HECS and other Commonwealth loan programmes:			
HECS-HELP	-	-	-
FEE-HELP	-	-	-
OS-HELP	-	-	-

**44.6 Summary of Unspent Financial Assistance (continued)**

	Amount of unspent grant as at 31 December 2005 \$'000	Amount of unspent grant that it is more likely to be approved by the Commonwealth for carry forward \$'000	Amount of unspent grant which the University has a performance obligation or is likely to be recovered by the Commonwealth \$'000
Scholarships:			
Australian postgraduate awards	341	341	-
International postgraduate research scholarships	38	38	-
Commonwealth education costs scholarships	66	66	-
Commonwealth accommodation scholarships	77	77	-
Indigenous staff scholarships	6	6	-
	<b>528</b>	<b>528</b>	<b>-</b>
DEST - Research			
Institutional grants scheme	-	-	-
Research training scheme	-	-	-
Research infrastructure block grants	-	-	-
Australian Research Council			
(i) Discovery:			
Projects	1 356	1 356	1 356
Fellowships	-	-	-
	<b>1 356</b>	<b>1 356</b>	<b>1 356</b>
(ii) Linkages:			
Special Research Initiatives	-	-	-
Infrastructure	-	-	-
International	158	158	158
Projects	1 937	1 937	1 937
	<b>2 095</b>	<b>2 095</b>	<b>2 095</b>
(iii) Networks and Centres			
Research Networks	228	228	228
Centres	131	131	131
	<b>359</b>	<b>359</b>	<b>359</b>
<b>Total</b>	<b>6 787</b>	<b>6 787</b>	<b>3 810</b>

# DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) was established as an Administrative Unit pursuant to the *Public Sector Management Act 1995*, on 8 April 2002.

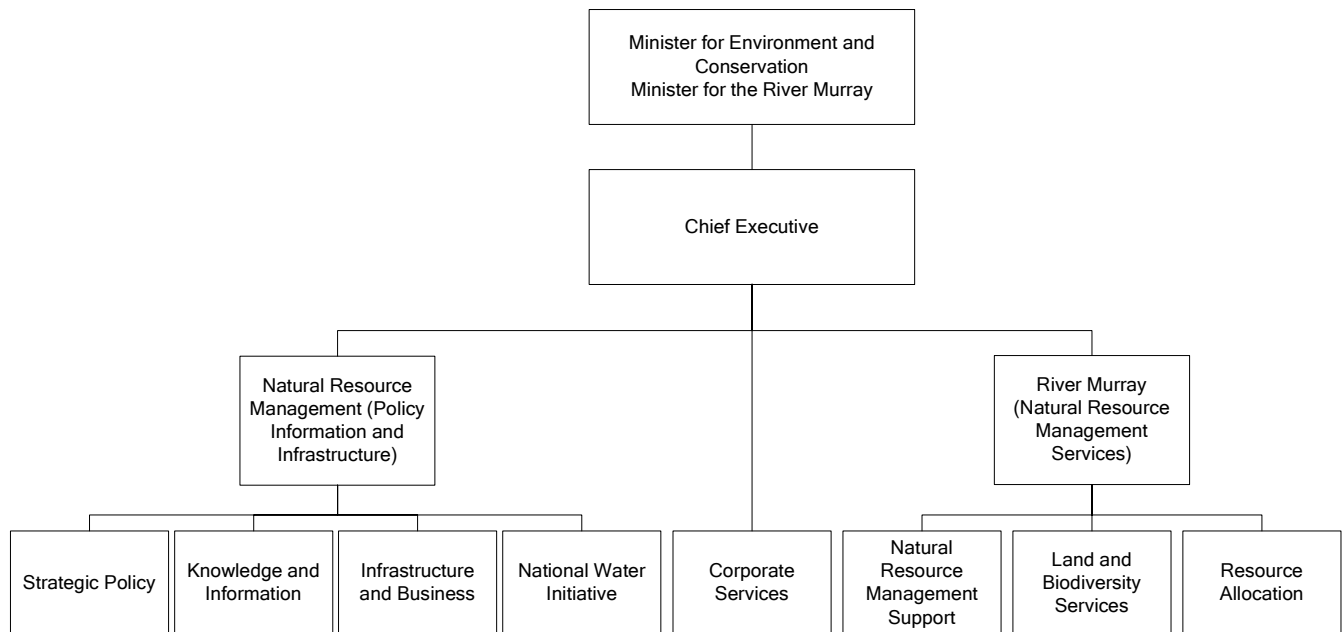
### Functions

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. The Department’s functions include:

- provision of natural resource management policy advice to Government;
- issuing of water licences and permits and managing the allocation of the State's water resources;
- providing advice on development;
- supporting land managers with technical advice on sustainable land management practices;
- community capacity building;
- working with the community in the management of pest animals and pest plants;
- assessments in response to native vegetation clearance applications;
- salinity management advice;
- coordination of joint State/Federal initiatives;
- management of infrastructure assets.

### Structure

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

### *Audit of the Financial Report*

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Water, Land and Biodiversity Conservation for each financial year.

## **Assessment of Controls**

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department of 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.

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

## **Scope of Audit**

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

Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2.

During 2005-06, specific areas of audit attention included:

- corporate governance and risk management
- fixed assets
- water licensing transactions
- expenditure including payroll
- grants
- computing environment.

In undertaking its operations for the 2005-06 financial year, DWLBC utilised a number of financial systems of the Department for Administrative and Information Services (DAIS). In conducting audit work, consideration was given to control processes performed in these outsourced arrangements.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Water, Land and Biodiversity Conservation as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

### **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 control environment and fixed assets – asset management, as outlined under 'Audit Communications with Management', 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.

### **Audit Communications with Management**

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

### **Control Environment**

In past years, Audit has reported opportunities to improve DWLBC's control environment. With regard to these matters DWLBC has acknowledged there is a need to improve its overall control environment. An internal review of the Department's control environment was performed during 2005-06 with the objective of developing an Internal Controls Framework. Audit was advised that this framework will seek to provide the following:

- An articulation of the Internal Control Environment within the Department.
- Specific mechanisms by which the Chief Executive obtains assurance on the reliability, efficiency and effectiveness of internal controls operating within the Department.
- A description of individual key internal controls by major business cycle, recognising the administrative and system 'interfaces' presented by the Service Level Agreement arrangements with DAIS.

Notwithstanding this progress, the following Audit observations emphasise the need to implement these initiatives and to perform processes to monitor the operation of key controls and ensure that failures in the control environment are identified and addressed on a timely basis.

#### *Monitoring of Grant Programs*

Audit noted that the Department had not established a framework outlining the minimum requirements to effectively manage its various grant programs. In addition, there was no register encompassing all of the various grants programs controlled by the Department. As a result, the Department's corporate and business function was unable to readily provide Audit with grant information which Audit considered to be important to their management and reporting role. Information for which there were no central records maintained included that necessary for timely reporting of the Department's commitments, restricted contributions and accruals. Further, a register would better facilitate the production of meaningful and reliable management information and reports, necessary for monitoring and review of grant agreements by both grant managers and a central reviewing body, including key grant obligations and dates.

The Department responded that it had established a number of procedures associated with the governance of National Action Plan for Salinity and Water Quality (NAP) and Natural Heritage Trust (NHT) grant programs. The Department acknowledged that a more encompassing document, covering all external grants managed was necessary. In this respect, the Department advised the proposed development of an overarching document including better practice guidelines and prescribed elements under the Financial Management Framework. Further, the Department advised it would conduct a review of the grant management system it uses for NAP and NHT grants with a view to extending its application to all grants managed by the Department.

#### *Review of Expenditure Processing*

In 2004-05 Audit reported a need for timely, complete and consistent performance of integrity reviews of expenditure information in the general ledger. Audit raised in 2005-06 that for the period July 2005 to February 2006 controls over the validity of transactions processed and disbursed through the expenditure system were not adequate or were not being performed. The absence of adequate control over the validity of expenditure processed presented a risk that invalid or erroneous payments could be processed without detection.

The Department responded that during the later part of the 2005-06 financial year a series of new control processes were progressively being introduced to provide improvements to the control environment. These controls incorporated more comprehensive analysis and accountability over financial expenditure on a monthly basis including analysis to budget and internal cash flows and increased accountability with respect to financial performance.

#### *Reconciliation of WILMA*

The reconciliation of the Department's Water Information Licensing Management Application (WILMA) system and the general ledger did not reconcile debtors and revenue balances and excluded some activity generated through WILMA. Further, Audit identified variances between revenue raised in WILMA and revenue recorded in the general ledger.

The Department rectified these imbalances prior to completion of its 2005-06 financial report. Further it responded that it would reconcile revenue and debtor balances on a monthly basis from July 2006.

### *Payroll Controls*

Prior year Audit reports have identified a need to improve the level of monitoring and review of controls operating within the payroll cycle. Follow up review in 2005-06 revealed that some areas of concern remain over DWLBC's monitoring and review of payroll controls, including:

- some Directorates did not have processes in place to monitor the operation of key payroll controls (ie review of Bona Fide and Leave Taken reports);
- concerns as to the completeness of review and approval of employee attendance records.

DWLBC's response indicated that its Human Resources Group will establish a policy for management of bona fide reports, leave taken reports and timesheets. This policy is intended to outline the purpose of these reports and the associated responsibilities of staff. Further, it indicated an intention to establish a central register which will be prepared and maintained by each Directorate to monitor the operation of the controls.

### *General Ledger Integrity*

In 2004-05 Audit reported a need for improvement in the controls over the general ledger processing including:

- a lack of formal policies for the creation and authorisation of journals to the general ledger;
- no independent check of journals/adjustments posted to the general ledger;
- no periodic reviews of general ledger user access profiles.

The 2005-06 audit revealed that these issues remained outstanding. Audit further raised that review of key reconciliations between subsidiary systems and the general ledger (ie Accounts Payable, Accounts Receivable and Fixed Assets) had not been consistently performed.

The Department responded that a revised procedure for the creation, authorisation and processing of journals to the general ledger had been completed. Further, it indicated that its Financial Services Group now receives a full set of key reconciliations each month and any reconciliation not received is followed up.

### ***Fixed Assets – Asset Management***

The Department has responsibilities for a number of significant infrastructure assets which it owns or has some other association being either an administration, management or construction role. Formal asset management planning and monitoring is considered vital to the effective management of DWLBC's asset related responsibilities.

Audit, since 2002-03, has raised with the Department, the establishment of asset management plans as critical to the achievement of responsibilities for the usage of and control over major assets. In 2004-05 DWLBC responded that it had appointed an asset manager who had initiated a review of existing asset management plans and policies and is considering establishing a new formal asset management plan. Further, DWLBC advised that various asset groups were being assessed to meet DWLBC's operational and financial responsibilities including asset identification, ownership clarification, risk assessment and valuations.

In 2005-06 the Department developed an Asset Management Strategic Plan. Notwithstanding this, Audit raised that some key elements of this plan are still in the process of being implemented. These include the development of a set of asset management policies and asset management group plans. In addition, some asset groups are still being assessed for asset identification, ownership, risk and management arrangements.

The Department responded that the implementation of the Asset Management Strategic Plan involves the implementation of the Asset Management Framework which is expected to be completed progressively from August 2006 to June 2007.

### ***Natural Resources Management Fund***

Administered items disclosed in DWLBC's Financial Report incorporate financial transactions of the Natural Resources Management Fund (NRM Fund), established as at 1 July 2005 pursuant to the *Natural Resources Management Act 2004* (the NRM Act).

Provisions under the NRM Act require various monies to be deposited into the NRM Fund. The Department advised that certain provisions of the NRM Act remain open to interpretation, particularly in relation to whether levies and penalties collected under the NRM Act should be paid into the NRM Fund. The Department has indicated that it is seeking legal advice to clarify which monies are required to be paid into the Fund.

During 2005-06 receipts and payments from the NRM Fund predominantly related to the transfer in of cash balances, \$273 000, from funds established prior to the NRM Act and meeting expenditure obligations in relation to these opening transfers. Levies and penalties collected under the NRM Act were not paid into the NRM Fund, however these collections are disclosed separately in the administered items of the Department's Financial Report under the headings 'Natural Resources Management Board Levies' and 'Penalty Charges'.

Section 117(4) of the NRM Act allows money paid into the NRM Fund to be applied by the Minister. To date, current Departmental operating delegations have been used as the basis for authorisation of the application of the Fund. The Department has advised that it intends to establish guidelines to provide for key elements of accountability and governance of the NRM Fund including specific delegation instruments and provision of a reporting framework. DWLBC prepares a separate report on the NRM Fund as required by the Act.

### ***Water Information Licensing Management Application***

The 2004-05 Report included commentary in regard to a review that was undertaken in 2005 of the Department's Water Information Licensing Management Application (WILMA). The WILMA system and the related computer processing environment (CPE) was developed to support the administration of the *Water Resources Act 1997* (and as superseded by the NRM Act) and to enhance state economic development through the facilitation of trading of water allocations and salinity credits.

The WILMA system was designed to manage the workflow of applications for water licences and permits, and includes financial functions to manage notices, invoices and payments. WILMA has a central role in providing core functionality to DWLBC. DWLBC entered into a contractual agreement with an external service provider for the detailed design, development and provision of the WILMA software and associated maintenance and support services.

The main observations arising from the 2005 review related to Agreements between DWLBC and key agencies and external contractors; information access security and integrity; alignment to the Government's Information Security Management Framework requirements; operational documentation; application change and problem management; and business recovery arrangements.

Last year's report also advised that the Department had identified a range of measures to be taken in relation to the matters raised by Audit.

During the year, a follow up review of matters identified in the 2005 review and action taken in respect of those matters was undertaken. The follow up revealed that many areas had been satisfactorily addressed. There remained, however, other matters that were in need of further management attention, including notably:

- A DWLBC review of the Agreement between the then Minister for Water Resources and the external service provider was to be undertaken. Audit recommended that DWLBC continue to utilise advice from the Crown Solicitor's Office.
- Data exchange arrangements between the DWLBC WILMA and certain key agency systems have not been formally established.
- Alignment of certain DWLBC information security policies and procedures to the government mandated Information Security Management Framework and the development of a data classification policy and procedures was yet to commence. It is acknowledged, that several information security policies and procedures had been endorsed and implemented since the 2005 review, and an employee security awareness program had been undertaken.
- Aspects of business continuity planning and testing for DWLBC business and information technology components for key financial and operational systems, including the WILMA system, was to be completed.

The Department advised that matters outstanding would be addressed during 2006-07.



**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT****Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>EXPENSES</b>			
Employment expenses	<b>39.2</b>	34.9	12
Grants and subsidies	<b>39.3</b>	42.0	(6)
Other expenses	<b>61.9</b>	53.7	15
<b>Total Expenses</b>	<b>140.4</b>	130.6	8
<b>INCOME</b>			
Grants	<b>31.4</b>	23.2	35
Other	<b>16.0</b>	14.9	7
<b>Total Income</b>	<b>47.4</b>	38.1	24
<b>Net Cost of Providing Services</b>	<b>93.0</b>	92.5	1
<b>REVENUES FROM SA GOVERNMENT</b>			
Government appropriations	<b>85.1</b>	85.4	-
<b>Net Cash Flows from Operations</b>	<b>(4.5)</b>	(1.5)	-
<b>ASSETS</b>			
Current assets	<b>17.8</b>	21.3	(16)
Non-current assets	<b>76.3</b>	58.6	30
<b>Total Assets</b>	<b>94.1</b>	79.9	18
<b>LIABILITIES</b>			
Current liabilities	<b>7.6</b>	6.7	13
Non-current liabilities	<b>8.2</b>	8.0	3
<b>Total Liabilities</b>	<b>15.8</b>	14.7	7
<b>EQUITY</b>	<b>78.3</b>	65.2	20

**Income Statement****Income**

Income increased by \$9.3 million. The major factors influencing this increase were:

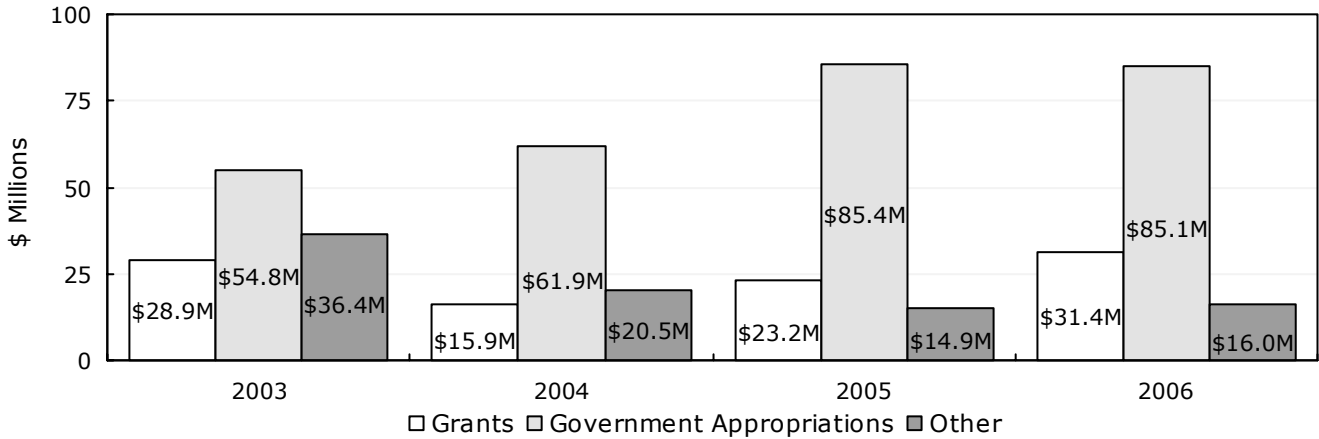
- grants revenue increased by \$8.2 million to \$31.4 million in 2005-06. As grant revenue relates to specific grants programs, this item is not necessarily comparable from year to year. Reference should be made to Note 16 of DWLBC's financial report which details current and prior year amounts for each major grant program. Of particular note is increased revenue associated with the following grant programs Branch Broomrape Eradication Program, \$2.1 million (\$nil); National Water Initiative, \$4.4 million (\$nil); and from SA Water Corporation for the prescription of the Western Mount Lofty Ranges, \$2.4 million (\$0.9 million);
- income from fees and charges increased by \$2 million to \$14.1 million due primarily to an increase in revenue received for the construction of salinity interception schemes and for administrative charges associated with applications for new water allocations due to the prescription of the Western Mount Lofty Ranges;
- interest income decreased by \$700 000 as a result of a decrease in cash balances during 2005-06.

Revenues from SA Government

Revenues from the South Australian Government remained relatively consistent with last year. Included in these revenues was an appropriation to the Save the River Murray Fund which increased from \$17.6 million to \$21.7 million in 2005-06. 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.

Revenue from South Australian Government includes only funds provided pursuant to the *Appropriations Act* and does not include specific purpose grants provided by the State Government, such grants are recognised as Grant Revenue.

A structural analysis of Income and Revenues from SA Government in the four years to 2006 is presented in the following chart.



Expenses

Grants and Subsidies

Grants and Subsidies totalling \$39.3 million account for 28 percent of DWLBC expenditure. Of this, 49 percent, \$19.3 million, relates to the State’s contributions to the Murray Darling Basin Commission 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 9 of DWLBC’s financial report which details current and prior year amounts for each major grant program.

Employee Expenses

Employee expenses increased by \$4.3 million to \$39.2 million and accounts for 28 percent of DWLBC expenditure.

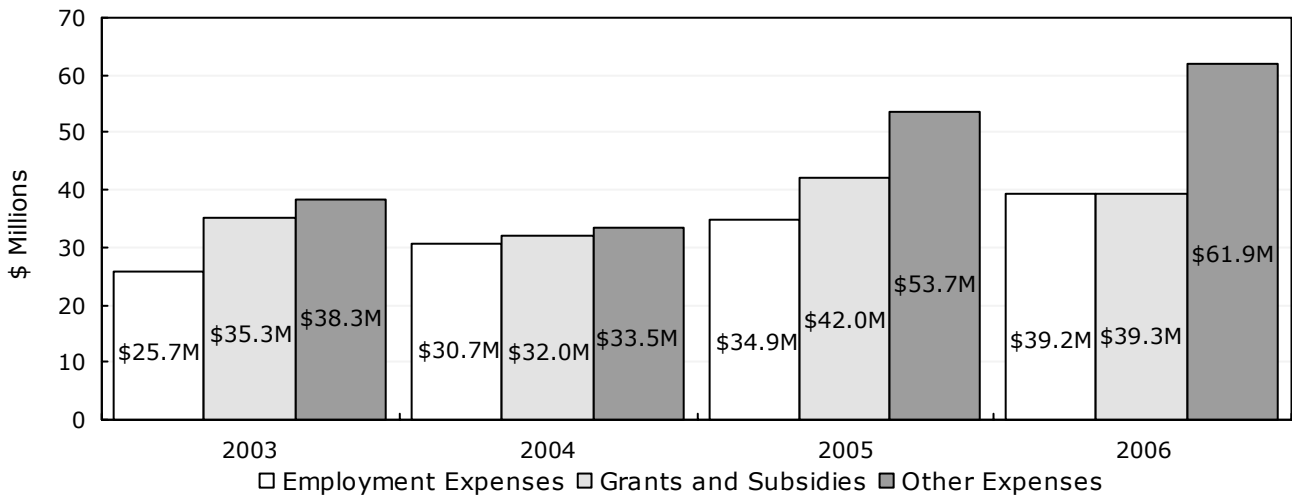
Other Expenses

Included within supplies and services expenses of \$43.6 million is \$24.9 million (\$30.9 million) paid to contractors related to various projects managed and controlled by DWLBC. Other expenses includes payments for the following major projects:

- \$3.7 million (\$8.1 million) associated with the Upper South East Dryland Salinity Project;
- \$3.8 million (\$4.8 million) associated with the Bookpurnong and Loxton Salt Interception Schemes;
- \$2.7 million (\$0.4 million) for Loxton District Irrigation;
- \$1.9 million (\$1.4 million) associated with the Branch Broomrape eradication and fumigation program.

Included in Other Expenses is payment for water licenses of \$16.1 million of which a majority, \$15.3 million, related to purchases of 10 gigalitres (GL) in water licenses from SA Water Corporation on 30 June 2006. The Department advised that this purchase was approved by the Major Projects and Infrastructure Cabinet Committee for purposes of meeting a water recovery target of 35 GL under the South Australian Water Recovery Package and to be included on the Murray-Darling Basin Commission’s Environmental Water Register. Purchases of these water licenses have been expensed in 2005-06 as they form part of the State’s contributions arising from intergovernmental agreements in relation to the Murray-Darling Basin and to the National Water Initiative. Refer to further discussion as to the non-recognition by the Department of Murray-Darling Basin Commission assets below.

For the four years to 2006, a structural analysis of the main expense items for the Department is shown in the following chart.



**Balance Sheet**

**Non-Current Assets**

Property, Plant and Equipment, \$70.6 million, dominates DWLBC’s asset balances. The Patawalonga Seawater Circulation and Barcoo (26 percent), Salinity Disposal Basins (26 percent) and Ground Water Monitoring Well’s (24 percent) make up \$58.1 million of the non-current asset balance.

The increase in Non-Current Assets of \$17.7 million is due mainly to:

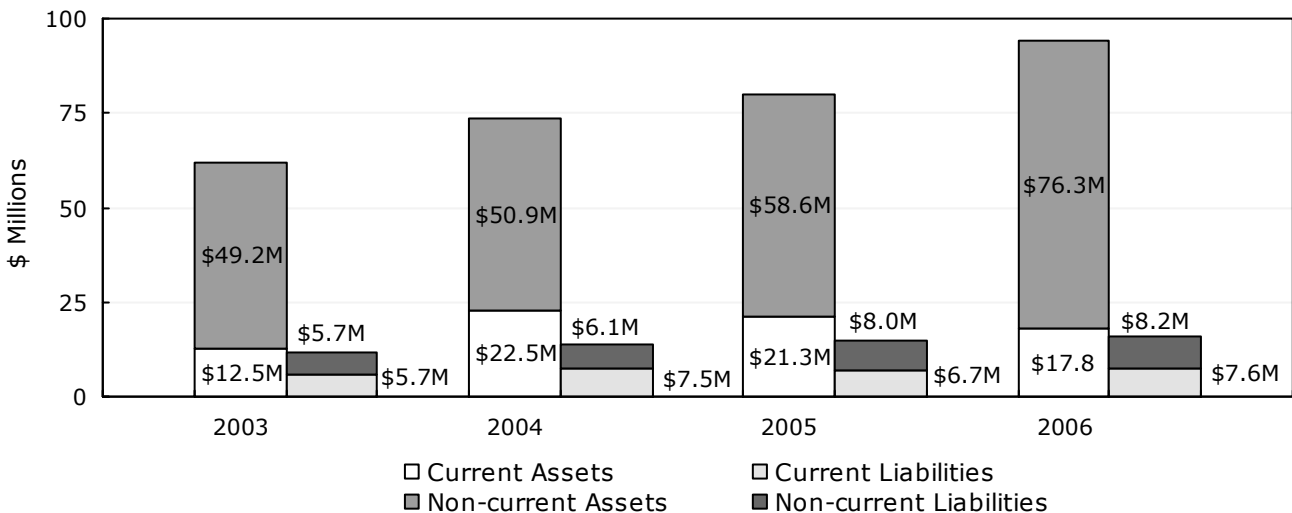
- revaluation of ground water monitoring wells resulting in a net increment of \$9.2 million;
- ground water monitoring wells recognised for the first time of \$5.3 million;
- included in Land and Buildings were levee banks recognised for the first time of \$2.2 million;
- included within Intangible Assets were water licenses recognised for the first time of \$2.6 million;
- depreciation of non-current assets amounting to \$2.2 million.

For detail in relation to these movements refer to the Department’s Financial Report Notes 2(d), 22 and 23.

**Capital Contributions**

During 2005-06 DWLBC received \$1.1 million as a capital contribution from the South Australian Government.

For the four years to 2006, a structural analysis of assets and liabilities is shown in the following chart.



## Cash Flow Statement

The following table summarises the net cash flows for the four years to 2006.

	<b>2006</b>	2005	2004	2003
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>(4.5)</b>	(1.5)	(3.4)	(1.7)
Investing	<b>(0.5)</b>	(0.7)	(2.4)	(2.5)
Financing	<b>1.1</b>	-	14.1	8.6
Change in Cash	<b>(3.9)</b>	(2.2)	8.3	4.4
Cash at 30 June	<b>11.0</b>	14.9	17.1	8.8

The analysis shows that cash decreased by \$3.9 million. Over the four years DWLBC has consistently experienced cash out flows from operating and investing activities. Cash inflows from financing activities include the following major items:

- In 2006 \$1.1 million capital contributions from the SA Government.
- In 2004 \$7.3 million cash transferred from PIRSA on transfer of functions and capital contributions from the State Government of \$7.1 million.
- In 2003 \$8.7 million cash transferred from PIRSA on transfer of functions.

Cash at 30 June 2006 amounted to \$11 million exceeding current liabilities of \$7.6 million. However, cash balances are exceeded by the total of current liabilities and restricted contributions received and yet to be expended, \$10.6 million. Reference should be made to Note 30 of DWLBC's financial report.

### Administered Items

Included in items recorded as administered by DWLBC are the results and cash position in relation to the State's involvement in the National Action Plan for Salinity and Water Quality (NAP) and Natural Heritage Trust (NHT).

#### **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 dry-land 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 revenues from the State Government, \$18.1 million, grant revenues, \$14.2 million, grant expenses, \$27.5 million and cash balances, \$32.5 million.

#### **Natural Heritage Trust**

The Natural Heritage Trust was established by the *Natural Heritage Trust of Australia Act 1997* (Commonwealth Act). 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 substantial resource use.

The NHT items administered by DWLBC include grant revenues, \$22.9 million, grant expenses, \$25 million and cash balances, \$8.6 million.

## **FURTHER COMMENTARY ON OPERATIONS**

### ***Save the River Murray Fund***

DWLBC's financial report incorporates 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 Treasurer's Consolidated Account by SA Water Corporation. These monies are then to be paid into the Fund. Money paid into the Fund 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, and
  - if the State's contributions to the Murray-Darling Basin Commission for a particular financial year exceed \$15 million (indexed from 2003-03) - payment of the excess,
  - if the Minister is satisfied that it may be appropriate to provide rebates in particular cases-the costs of rebates (including the costs of administering the rebate scheme).

Receipts paid into the Fund in 2005-06 amounted to \$21.7 million, payments were \$26.2 million and the balance of the Fund as at 30 June 2006 was \$7.2 million. In addition, receipts totalling \$143 000 paid by SA Water to the Consolidated Account prior to 30 June 2006 are yet to be transferred to the Fund.

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 report. DWLBC prepares a separate annual report on the Fund as required by the Act.

### ***Natural Resources Management Act 2004***

The *Natural Resources Management Act 2004* (the NRM Act) was assented to on 5 August 2004. The main purposes of the Act 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. DWLBC has had a significant role in the implementation and administration of the NRM Act.

While the NRM Act commenced operation on 2 September 2004, significant components were implemented as at 1 July 2005.

The NRM Act provided for the creation of a range of entities with specific responsibilities. These entities include:

- a Natural Resources Management Council;
- eight Regional Natural Resources Management Boards;
- Natural Resources Management Groups;
- Committees.

In addition, section 117 of the Act establishes the Natural Resources Management Fund which is included in DWLBC's financial report as an Administered Item for the first time in 2005-06.

The aforementioned entities are to replace boards existing at 1 July 2005 under different legislation, including eight catchment water management boards, 27 soil conservation boards, 29 animal and plant control boards and eight regional integrated natural resource management groups. A number of these boards continued to exist into 2005-06 with the majority being wound up and dissolved and the residual assets, liabilities and contractual obligations transferred to the new NRM entities in the first half of 2006. The remainder continue to exist into 2006-07 awaiting resolution of a number of matters prior to dissolution.

### ***Fixed Assets - Control and Recognition***

Certain assets were highlighted in prior years' Reports which were not considered to be controlled by DWLBC and therefore were not recognised in DWLBC's financial report. Examples of these assets included infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc) and controlled by the Murray-Darling Basin Commission. The 2005-06 audit included a follow up review of these assets.

In relation to this review DWLBC advised that, as was the case in the prior year, it did not own or control these assets and as such the assets were not recognised in DWLBC's accounts. The significant matters are briefly discussed below.

#### *Murray-Darling Basin Commission Assets*

A number of structures along the River Murray, including locks, weirs, barrages and specific saline water disposal basins were constructed under the Murray-Darling Basin Agreement. Audit has been advised by DWLBC that the Murray-Darling Basin Commission (MDBC) exercises effective control of these assets.

The Murray-Darling Basin Agreement specifies that the State cannot undertake any work or other actions in relation to these assets without the permission of the MDBC. As South Australia does not have the capacity to dominate the decision making of the Commission, DWLBC, as the lead agency responsible for the State's water resource management, does not have control over these assets. While DWLBC contributes funds to the MDBC on an annual basis, it has not recognised any interest in the net assets of the MDBC as any such interest in MDBC was undetermined and reliant on further investigation. DWLBC advised in September 2006 that the principles for accounting for interests in the MDBC's assets remain under consideration by the MDBC. Reference should be made to Note 2(d) of DWLBC's financial report.

Notwithstanding, the Commonwealth's interest in the MDBC was included in the administered items of the Commonwealth Department of Agriculture, Fisheries and Forestry. To indicate the significance of the matter, the Commonwealth reported a 20 percent interest in the net assets of MDBC, which at 30 June 2005, amounted to \$272.6 million. In view of the magnitude of this item, in Audit's opinion, it is necessary for all matters associated with the financial reporting to be fully resolved before recognition of any amounts in the financial report of DWLBC.

#### *Newly Constructed River Murray Structures*

Over recent years, DWLBC has been involved in a number of construction projects in relation to the River Murray Salt Interception Infrastructure Program. Two major aspects of this program are the Bookpurnong and Loxton Salt Interception Schemes which will provide infrastructure to discharge saline water into the Noora Disposal Basin. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the National Action Plan for Salinity and Water Quality and MDBC funding.

DWLBC has advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBC. Consequently the assets have not been recognised as assets controlled in DWLBC's accounts based on the same rationale discussed above in 'Murray-Darling Basin Commission Assets'. During 2005-06 certain payments in relation to this program are recognised as expenses in DWLBC's Income Statement in the form of employee expenditure, operating costs and grant payments. Reference should be made to Note 2(d) of DWLBC's financial report.

#### *Newly Constructed Upper South East Drainage Assets*

Over recent years DWLBC has been 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 National Action Plan for Salinity and Water Quality. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002*, on completion, the resulting assets are to be maintained by the South Eastern Water Conservation and Drainage Board.

As discussed further in Note 2(d) of DWLBC's financial report these assets are not recognised as DWLBC's assets. Amounts expended in relation to the scheme are recognised as expenses in DWLBC's Income Statement.

**Income Statement  
for the year ended 30 June 2006**

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee expenses	6(a)	<b>39 184</b>	34 862
Supplies and services	7	<b>43 647</b>	48 168
Depreciation and amortisation expense	8	<b>2 184</b>	2 100
Grants and subsidies	9	<b>39 272</b>	41 992
Other expenses	10	<b>16 074</b>	3 499
<b>Total Expenses</b>		<b>140 361</b>	130 621
<b>INCOME:</b>			
Fees and charges	13	<b>14 054</b>	12 099
Interest	14	<b>520</b>	1 228
Grant revenue	16	<b>31 397</b>	23 186
Net gain on disposal of non-current assets	15	-	23
Other revenue	17	<b>1 407</b>	1 574
<b>Total Income</b>		<b>47 378</b>	38 110
<b>NET COST OF SERVICES</b>		<b>92 983</b>	92 511
<b>REVENUES FROM SA GOVERNMENT</b>	12	<b>85 106</b>	85 438
<b>NET RESULT</b>		<b>(7 877)</b>	(7 073)

## Balance Sheet as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash on hand and deposits	2(l), 18	11 038	14 886
Receivables	21	4 746	5 552
Inventory	2(f)	1 224	885
Other assets		16	-
Non-current assets classified as held for sale	19	789	-
<b>Total Current Assets</b>		<b>17 813</b>	<b>21 323</b>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	22	70 616	55 229
Intangible assets	23	5 641	3 373
<b>Total Non-Current Assets</b>		<b>76 257</b>	<b>58 602</b>
<b>Total Assets</b>		<b>94 070</b>	<b>79 925</b>
<b>CURRENT LIABILITIES:</b>			
Payables	24	4 112	3 668
Employee benefits	25	3 298	2 911
Provisions	26	183	141
<b>Total Current Liabilities</b>		<b>7 593</b>	<b>6 720</b>
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	834	952
Employee benefits	25	6 887	6 637
Provisions	26	496	388
<b>Total Non-Current Liabilities</b>		<b>8 217</b>	<b>7 977</b>
<b>Total Liabilities</b>		<b>15 810</b>	<b>14 697</b>
<b>NET ASSETS</b>		<b>78 260</b>	<b>65 228</b>
<b>EQUITY:</b>			
Contributed capital		8 164	7 107
Retained earnings		46 028	43 301
Asset revaluation reserve		24 068	14 820
<b>TOTAL EQUITY</b>		<b>78 260</b>	<b>65 228</b>
Commitments for Expenditure	27		
Contingent Assets and Liabilities	28		



## Statement of Changes in Equity for the year ended 30 June 2006

	Note	Asset			Total
		Contributed Capital	Revaluation Reserve	Retained Earnings	
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2004</b>		7 107	2 770	49 960	59 837
Gain on revaluation of property during 2004-05		-	12 050	-	12 050
<b>Net income recognised directly in equity for 2004-05</b>		-	12 050	-	12 050
<b>Net Result for 2004-05</b>		-	-	(7 073)	(7 073)
<b>Total Recognised Income and Expense for 2004-05</b>		-	12 050	(7 073)	4 977
<b>Balance at 30 June 2005</b>		7 107	14 820	42 887	64 814
Error correction	4	-	-	414	414
<b>Restated balance at 30 June 2005</b>		7 107	14 820	43 301	65 228
Gain on revaluation of property during 2005-06		-	9 248	-	9 248
Error correction	2(d)	-	-	10 604	10 604
<b>Net income recognised directly in equity for 2005-06</b>		-	9 248	10 604	19 852
<b>Net Result for 2005-06</b>		-	-	(7 877)	(7 877)
<b>Total Recognised Income and Expense for 2005-06</b>		-	9 248	2 727	11 975
Equity contribution from SA Government		1 057	-	-	1 057
<b>Balance at 30 June 2006</b>		8 164	24 068	46 028	78 260

All changes in equity are attributable to SA Government as owner

**Cash Flow Statement  
for the year ended 30 June 2006**

	2006	2005
	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:	Note	
Employee payments	<b>(38 397)</b>	(32 378)
Supplies and services	<b>(44 862)</b>	(49 837)
Grants and subsidies	<b>(39 167)</b>	(41 992)
Other expenses	<b>(15 312)</b>	-
GST payments on purchases	<b>(9 220)</b>	(9 422)
GST remitted to the ATO	<b>(291)</b>	(8)
<b>Cash used in Operating Activities</b>	<b>(147 249)</b>	(133 637)
CASH INFLOWS:		
Fees and charges	<b>13 959</b>	11 598
Grant receipts	<b>31 397</b>	23 186
Interest received	<b>581</b>	1 174
Other receipts	<b>1 407</b>	1 430
GST receipts on sales	<b>2 923</b>	2 224
GST receipts from the ATO	<b>7 426</b>	7 107
<b>Cash generated from Operating Activities</b>	<b>57 693</b>	46 719
Receipts from SA Government	<b>85 106</b>	85 438
<b>Cash generated from SA Government</b>	<b>85 106</b>	85 438
<b>Net Cash used in Operating Activities</b>	29 <b>(4 450)</b>	(1 480)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	<b>(455)</b>	(945)
<b>Cash used in Investing Activities</b>	<b>(455)</b>	(945)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	-	202
<b>Cash generated from Investing Activities</b>	-	202
<b>Net Cash used in Investing Activities</b>	<b>(455)</b>	(743)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH INFLOWS:		
Capital contributions from Government	<b>1 057</b>	-
<b>Net Cash provided by Financing Activities</b>	<b>1 057</b>	-
<b>NET DECREASE IN CASH HELD</b>	<b>(3 848)</b>	(2 223)
<b>CASH AT 1 JULY</b>	<b>14 886</b>	17 109
<b>CASH AT 30 JUNE</b>	18, 29 <b>11 038</b>	14 886

## Program Schedule of Income and Expenses for the year ended 30 June 2006

	NRM	NRM (River Murray)	General	<b>2006</b>
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	<b>\$'000</b>
Employee expenses	24 494	8 144	6 546	<b>39 184</b>
Supplies and services	21 936	13 479	8 232	<b>43 647</b>
Depreciation and amortisation	11	-	2 173	<b>2 184</b>
Grants and subsidies	12 653	26 469	150	<b>39 272</b>
Other expenses	-	16 074	-	<b>16 074</b>
<b>Total Expenses</b>	<b>59 094</b>	<b>64 166</b>	<b>17 101</b>	<b>140 361</b>
<b>INCOME:</b>				
Fees and charges	6 763	7 039	252	<b>14 054</b>
Grant revenue	22 079	9 312	6	<b>31 397</b>
Interest	193	5	322	<b>520</b>
Other revenue	690	111	606	<b>1 407</b>
<b>Total Income</b>	<b>29 725</b>	<b>16 467</b>	<b>1 186</b>	<b>47 378</b>
<b>NET COST OF SERVICES</b>	<b>(29 369)</b>	<b>(47 699)</b>	<b>(15 915)</b>	<b>(92 983)</b>
<b>REVENUES FROM SA GOVERNMENT:</b>				
Revenues from SA Government	-	21 711	63 395	<b>85 106</b>
<b>NET RESULT</b>	<b>(29 369)</b>	<b>(25 988)</b>	<b>47 480</b>	<b>(7 877)</b>

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

#### 1. Objectives of the Department of Water, Land and Biodiversity Conservation

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) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with the applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. The accounts are prepared on the accrual basis of accounting using historical cost accounting, except for certain classes of physical non-current assets which are valued at fair value.

These Financial Statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP).

The Income Statement, Cash Flow Statement, Statement of Changes in Equity and the Program Schedule report the financial activities from 1 July 2005 to 30 June 2006. The Balance Sheet and the Schedules of Administered Items report financial activity for the 12 months ending 30 June 2006.

In addition, a number of Australian Accounting Standards have been issued or amended and are applicable to the Agency but are not yet effective. The Agency has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Agency.

**(b) The Reporting Entity**

The financial activities of the Department are primarily conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987* and held with the Department of Treasury and Finance.

The Department's sources of funds consist of monies appropriated by Parliament together with grants revenue and income derived from user charges and fees for services to the public and industry.

*Administered Activities*

The Department administers, but does not control, certain activities on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these activities, the Department acts on behalf of the South Australian Government.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Schedules of Administered Items.

**(c) Income Recognition**

All revenues are recognised when the Department obtains control over them. User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedules of Administered Items. Such amounts are paid to the Consolidated Account or other Funds not controlled by the Department.

**(d) Non-Current Assets**

The Balance Sheet includes those non-current assets where identification, ownership, control and valuations can be reliably determined.

The Department has adopted an asset capitalisation threshold of \$5 000. Minor assets with an individual value of less than \$5 000 are expensed in the Income Statement at the time they are acquired. The capitalisation threshold has not been applied to the Groundwater Monitoring Wells and the Hydrometric Gauging Stations 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 Balance Sheet regardless of their initial cost of acquisition.

All items of property, plant and equipment controlled by the Department have been brought to account at fair value, where the fair value is generally determined by its written-down current cost. Land is brought to account at market value.

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

*Intangible Assets*

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 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$10 000, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.15. All research and development costs that do not meet the capitalisation criteria outline 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 (WILMA).

*Assets Recognised for the First Time and Asset Revaluations*

- *Error Correction*  
The error correction for \$10 604 000 disclosed in the Statement of Changes in Equity comprises assets recognised for the first time relating to Levee Banks (\$2 244 000), intangible assets (\$2 610 000) and groundwater monitoring wells (\$5 751 000). No retrospective adjustment has been made as it is deemed impractical given the uncertainty of the fair value of each respective asset prior to the current reporting period.
- *Levee Banks*  
Following the conversion of Government Irrigation Districts in the Lower Murray to Private Irrigation Districts during 2004-05, all associated infrastructure, other than levee banks, was transferred to the Private Irrigation Trusts, who manage the districts. The Department has responsibility for the management of the levee bank operations and maintenance activities. The levee banks were recognised for the first time and valued by an external consultant with the assistance of technically qualified Department personnel as at 31 January 2006. Levee banks are included in the Land and Buildings asset class. Refer to Note 22.
- *Intangible Assets*  
An intangible asset for water licences has been recognised for the first time. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition is not available. The assets have been 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. Refer Notes 22 and 23.

- *Groundwater Monitoring Wells*  
An independent revaluation of the Groundwater Monitoring Wells was undertaken by GHD Pty Ltd as at 30 June 2006. Arising from the review, additional Groundwater Monitoring Wells were recognised for the first time in 2005-06.

The valuation encompassed a desktop review of the existing asset information on the wells contained in the SA Geodata and Microfiche records maintained by the Department. The independent valuer's terms of reference included defining the ownership of wells in the monitoring network, performing a condition assessment and valuation of the well controlled by the Department. Visual inspections of the wells were considered to be unsuitable for the purpose of valuing the wells, other than for surface structures.

The independent valuation resulted in an increment to the Asset Revaluation Reserve of \$9 248 000 and increased the value of the well assets to \$18 365 000 at 30 June 2006 (\$3 905 000).

The valuation was constrained by a number of limitations, primarily the following factors:

- replacement cost estimates were based on unit rates and not on detailed design;
- unit rates were in turn derived from comparative data, including industry data and extrapolation of closely related project data and quotations for specific items.

As a consequence, the methodology applied to the valuation has resulted in some inherent variability in the final values, which has been estimated by GHD Pty Ltd to be in the order of +/- 25 percent. This assessed level of variability is considered to have resulted in 'significant uncertainty' in the value of the wells asset class, but not in terms of the Department's overall valuation of non-current assets. Refer to Note 22.

- *Patawalonga Seawater Circulation and Barcoo*  
Patawalonga Seawater Circulation and Barcoo were independently valued by Currie and Brown (Australia) Pty Ltd as at 1 January 2005. Refer to Note 22.
- *Salinity Disposal Schemes*  
The Noora Drainage Disposal Scheme was independently valued by Currie and Brown (Australia) Pty Ltd as at 30 June 2005. Refer to Note 22.
- *Hydrometric Gauging Stations*  
A complete assessment of Hydrometric Gauging Stations was undertaken as at 30 June 2003. This assessment was performed using technically qualified Department personnel and this resulted in no change to the assets fair value. Refer to Note 22.
- *Land and Buildings*  
Land and Buildings were independently valued by Valcorp Pty Ltd as at 30 June 2003. The Department has commenced a cyclical valuation process for valuing all Land and Buildings. Refer to Note 22.
- *Waste Disposal Stations*  
The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 2003. Refer to Note 22.
- *Plant and Equipment*  
Plant and equipment are brought to account at cost or at officers' valuation for initial recognition purposes. Refer to Note 22.

#### *Assets Not Recognised*

- *Murray Darling Basin Commission (MDBC)*  
Under the *Murray Darling Basin Act 1993*, the MDBC controls the assets in the Murray Darling Basin including assets in South Australia such as Locks 1 to 9 on the River Murray, the barrages at the Murray Mouth, the Lake Victoria works, Woolpunda and Waikerie Salinity Interception Works and the associated drainage basin. The South Australian Government has an interest in these assets (and all of the assets controlled by the MDBC) through the funding provided to the Commission for the construction of the assets and through its involvement in the operations of the Commission.

These assets are recognised in the MDBC financial statements.

The jurisdictions involved in the MDBC have not yet agreed on the accounting treatment or the appropriate amount of each jurisdiction's interest in the assets constructed under the various Murray-Darling Basin Agreements. Further consultation is pending in order to resolve these matters.

- Lower Murray Reclaimed Irrigation Area (LMRIA)*  
 The LMRIA consists of irrigation and drainage infrastructure which enable dairy farmers in the Lower Murray region between Mannum and Wellington to irrigate the floodplain along the river, predominately for irrigated pasture production. The River Murray Water Allocation Plan and the Environmental Protection Policy (Water Quality) provide for the implementation of new water entitlements and environmental standards which can only be achieved by the rehabilitation of the existing infrastructure.

A scheme to rehabilitate the infrastructure is currently being implemented in conjunction with the irrigators.

During 2004-05 the majority of Government Irrigation Districts in the area were converted to Private Irrigation Districts. All of the associated infrastructure, other than the levee banks, has been transferred to the Private Irrigation Trusts, who manage the districts.

During 2005-06 transfer of the Burdett Government district was formally agreed to take place in September 2006. Negotiations are continuing over the status of the Mobilong district.

- 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 Income Statement 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 Murray Darling Basin Commission, 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 Murray Darling Basin Commission and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Income Statement in the form of employee expenditures, operating costs and grant payments.

**(e) Depreciation and Amortisation of Non-Current Assets**

All non-current assets, with the exception of land and certain acquired intangible assets, have a limited useful life and are systematically depreciated/amortised in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as internally developed software, while depreciation is applied to tangible assets such as property, plant and equipment. No depreciation is applied to capital work in progress. No amortisation is applied to Water Licences (included in the acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

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

Assets are subject to straight line depreciation/amortisation over the following periods.

	Years
Buildings	13-56
Groundwater Monitoring Wells	1-100
Patawalonga Seawater Circulation and Barcoo	10-97
Hydrometric Gauging Stations	25-60
Waste Disposal Stations	22-50
Salinity Disposal Schemes	28-86
Plant and Equipment	3-42
Internally Developed Intangible Assets	12
Acquired Intangible Assets	3-infinite

The revaluation of Groundwater Monitoring Wells at 30 June 2006 also comprised a re-assessment of their estimated useful lives. This resulted in a change in the useful lives of these assets from 30 years to 1-100 years. There was no effect on the depreciation charge for 2005-06 given the revaluation was completed at 30 June 2006.

An assessment during 2005-06 identified that the Salinity Disposal Schemes asset could be componentised in accordance with Accounting Policy Framework III *Asset Accounting Framework*. This resulted in a change in the useful life of this asset from 60 years to 28-86 years.

**(e) Depreciation and Amortisation of Non-Current Assets (continued)**

The effect of the change in the reporting period during 2005-06 was to increase the depreciation charge from \$335 000 to \$349 000. The impact of this change in future periods will be to reflect a correspondingly higher depreciation charge in subsequent years. No retrospective adjustment has been made as it is deemed impractical given that the asset was revalued at 30 June 2005, resulting in a revised depreciable amount from this date onwards.

**(f) Inventories**

Inventories are measured at the lower of cost or net market value. Inventories include plants and materials held by State Flora and the Branched Broomrape Eradication Program.

**(g) Payables**

Payables include creditors, accrued expenses and employee on-costs. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 *Expenditure for Supply Operations and Other Goods and Services* following the receipt of a valid invoice.

Creditors and accrued expenses represent amounts owing for goods and services received prior to the end of the reporting period that were unpaid at the end of the reporting period.

**(h) Employee Benefits**

**(i) Sick Leave**

The Department's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those periods. No sick leave liability has been recorded as it is probable that sick leave taken in future periods will be less than the sick leave benefits accrued in those periods.

**(ii) Salary and Wages**

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

**(iii) Annual Leave**

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at the reporting date using the remuneration rate expected to apply at the time of settlement. The estimated rate of inflation is 4 percent.

**(iv) Long Service Leave**

The liability for long service leave is calculated by using the product of the current liability for all employees who have completed seven or more years of service and the current rate of remuneration for each of these employees respectively. The seven years has been based on an actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. The liability is measured as the amount unpaid at the reporting date.

**(v) Employee Benefit On-Costs**

Related on-costs of payroll tax and superannuation are recorded under the item payables for any salaries and wages, annual leave and long service leave accrued at the end of the year.

**(vi) Superannuation**

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes. The Department made contributions of \$3 566 000 (\$3 217 000) for the 2005-06 financial year.

**(i) Provisions**

**Workers Compensation**

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. The provision is based on an actuarial assessment performed for the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Occupational Health and Injury Management Branch.

**(j) Leases**

The Department has entered into non-cancellable operating lease agreements 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 to Note 27 for further details.

Operating lease payments are representative of the pattern of benefit derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

The Department has not entered into any finance leases.

**(k) Receivables**

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

The provision for doubtful debts has been calculated based on a specific assessment of the recoverability of certain receivables.

**(l) Cash**

For the purpose of the Cash Flow Statement, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Refer to Notes 18 and 29.

**(m) Taxation**

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

In accordance with the requirements of Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as a part of the cost of acquisition of the asset, or as part of the expense item.

The net amount of GST recoverable from the ATO is included as a current asset in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis.

**(n) Comparative Figures**

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

**(o) Rounding**

All amounts are rounded to the nearest thousand dollars (\$'000).

**(p) Future developments in financial reporting**

The financial report is prepared in compliance with the framework set out in Note 2(a). In view of the diverse nature of the Department's activities and relatively complex funding arrangements some important areas remain under consideration. These areas are:

- Establishing the Save the River Murray Fund (STRMF) as a separate general-purpose reporting entity, where separate statements would be prepared and then consolidated with the Department (newly defined), recognising that the latter retains control. This is intended to improve the overall 'understandability', an essential qualitative characteristic of financial reporting. Recent transactions in respect of water license transfers have further emphasised the need for separation of reporting. This reporting relationship is not provided for in existing statutory arrangements.
- The resolution of accounting treatment with respect to Murray-Darling Basin Commission (MDBC) assets and liabilities. The Department has been advised that the MDBC has agreed to develop principles for accounting for jurisdictions' interest in the assets of the Murray-Darling Basin Commission by the first quarter of 2007. While the Department is aware that various jurisdictions are accounting for their interest in MDBC assets at 30 June 2006, the Department considers that adopting a position interim to this decision of the MDBC would not meet relevant qualitative characteristics of financial reports. Any future position is likely to result in a major change in the Department's assets and liabilities.
- A review of the current accounting treatment of expensing various project costs where assets are developed on behalf of/transferred to other entities. This is contingent on a more detailed review of questions surrounding questions of control. Project expenditure that will be subject to review in this area includes that associated with the Upper South East Dryland Salinity and Flood Management Program and the Salt Interception Schemes. In some instances the accounting decisions may be impacted by determinations in regard to MDBC assets.

**3. Financial Risk Management**

The Department has significant non-interest bearing assets and liabilities. The Department's exposure to market risk and cash flow interest risk is minimal.

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.



#### 4. **Changes in Accounting Policies**

##### **Transition to Australian International Financial Reporting Standards**

The Adoption of AIFRS has not resulted in any material adjustments to the Balance Sheet, Income Statement or Cash Flow Statement.

##### **Impacts of adopting AIFRS**

###### *Changes in Accounting Policies, Changes in Estimates and Errors*

AASB 108 *Accounting Policies, Changes in Estimates and Errors*, requires that changes to accounting policies are to be applied retrospectively except for specific exemptions in accordance with another standard.

Under previous AGAAP, the Department recognised net revenue resulting from a correction of an error for assets recognised for the first time within its Income Statement. AIFRS now requires prior period errors to be corrected by restating comparative information and opening retained earnings of the earliest prior period. For the financial year ended 30 June 2005 the Department recognised net revenue for assets recognised for the first time of \$414 000. The net result under AIFRS would have been \$414 000 less than that reported under previous AGAAP. The adjustment has been recognised directly in retained earnings for the financial year ended 30 June 2005. See Statement of Changes in Equity.

###### *Non-Current Asset Acquisition and Recognition*

AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires the separate disclosure of assets that are to be sold within the next 12 months as current assets. They are measured at the lower of carrying amount and fair value less cost to sell. Further these assets are not to be depreciated. They are disclosed separately under AIFRS and there will be a difference between the net result in the Income Statement under AGAAP and that reported under AIFRS to the extent of the depreciation on those assets during the financial year. The level of depreciation is not considered material.

###### *Impairment of Assets*

AASB 136 *Impairment of Assets* requires the Department establish asset impairment indicators. On an annual basis the Department will determine whether there is an indication or evidence that an asset or group of assets are impaired based on the impairment indicators. There have not been any assets held by the Department that have been identified as being impaired.

Previously the Department recognised a general provision for doubtful debts. In accordance with AASB 136 a provision is now only recognised where there is objective evidence relating to the non-payment of debts as at the balance date. This has resulted in the Department reducing the provision for doubtful debts by \$144 000 as measured using previous AGAAP. The adjustment has been recognised directly in retained earnings for the financial year ended 30 June 2005.

###### *Intangible Assets*

In accordance with AASB 138, the Department will no longer capitalise research costs in relation to research and development projects as this is prohibited by the Standard.

The Department currently recognises internally developed software on a fair value basis. The Standard requires recognition at original cost or fair value where the software is traded in an active market. The original cost information is available for software which has been specifically developed for the Department and as there is no active market for this software it will continue to be recognised at its original cost, which has been deemed as fair value.

The Department recognised \$3 520 000 in Property, Plant and Equipment at 30 June 2005 that related to software which was specifically developed for the use of the Department. This amount has been reclassified from Property, Plant and Equipment to Intangible Assets under AIFRS.

###### *Employee Benefits*

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts. The Department has recognised annual leave provisions at nominal value in its Balance Sheet. To the extent that this leave is not taken within 12 months from year end it will be recognised at present value under AIFRS. The adjustment to the carrying value of annual leave provisions is not expected to be material.

#### 5. **Programs of the Department**

##### **Program 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.

##### **Program 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.

##### **General/Not Attributable**

Certain items of the Department are not allocated to programs.

<b>6. Employee Expenses</b>		<b>2006</b>	2005
<b>(a) Employee Expenses</b>		<b>\$'000</b>	\$'000
Wages and salaries		<b>31 418</b>	26 478
Superannuation		<b>3 566</b>	3 217
Annual leave		<b>2 626</b>	2 411
Long service leave		<b>1 107</b>	1 951
Workers compensation		<b>334</b>	632
Board fees		<b>133</b>	173
<b>Total Employee Expenses</b>		<b>39 184</b>	34 862
<b>(b) Remuneration of Employees</b>		<b>2006</b>	2005
The number of employees whose remuneration received or receivable falls within the following bands:		<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999		<b>13</b>	1
\$110 000 - \$119 999		<b>4</b>	6
\$120 000 - \$129 999		<b>3</b>	2
\$130 000 - \$139 999		<b>2</b>	-
\$140 000 - \$149 999		<b>2</b>	5
\$150 000 - \$159 999		<b>3</b>	2
\$160 000 - \$169 999		<b>1</b>	1
\$170 000 - \$179 999		<b>2</b>	1
\$180 000 - \$189 999		<b>-</b>	1
\$250 000 - \$259 999		<b>-</b>	1
\$260 000 - \$269 999		<b>1</b>	-
<b>Total Number of Employees</b>		<b>31</b>	20

The table includes all employees who received remuneration of \$100 000 or more during the year.

The total remuneration received or receivable by these employees for the year was \$3 954 000 (\$2 859 000).

<b>7. Supplies and Services</b>		SA Govt	Non-SA Govt	<b>2006</b>	2005
Supplies and service expenses for the reporting period comprised of:		\$'000	\$'000	<b>\$'000</b>	\$'000
Contractors		6 885	18 031	<b>24 916</b>	30 855
Service level agreement		3 506	-	<b>3 506</b>	2 995
Accommodation		2 669	436	<b>3 105</b>	2 484
Vehicles		1 680	321	<b>2 001</b>	2 003
Computing		750	630	<b>1 380</b>	1 719
Travel and accommodation		61	1 191	<b>1 252</b>	1 216
Printing, publishing and stationery		150	791	<b>941</b>	799
Telephones		378	224	<b>602</b>	584
Chemical analysis		56	246	<b>302</b>	875
Minor plant and equipment purchases		5	1 060	<b>1 065</b>	1 145
Maps, photographs and plans		8	51	<b>59</b>	171
Consultancies		-	276	<b>276</b>	227
Materials and consumables		16	590	<b>606</b>	605
Equipment repairs and maintenance		3	354	<b>357</b>	303
Advertising, exhibition and promotion		14	412	<b>426</b>	331
Legal fees		154	88	<b>242</b>	271
Audit remuneration		205	-	<b>205</b>	212
Other supplies and services		460	1 946	<b>2 406</b>	1 373
<b>Total Supplies and Services</b>		<b>17 000</b>	<b>26 647</b>	<b>43 647</b>	48 168

The number and dollar amount of consultancies paid/payable that fell within the following bands:		<b>2006</b>	<b>2006</b>	2005
		<b>Number</b>	<b>\$'000</b>	\$'000
Below \$10 000		<b>22</b>	<b>89</b>	-
Between \$10 000 and \$50 000		<b>5</b>	<b>124</b>	63
Above \$50 000		<b>1</b>	<b>63</b>	164
<b>Total Paid/Payable to the Consultants Engaged</b>		<b>28</b>	<b>276</b>	227

<b>8. Depreciation and Amortisation Expense</b>		<b>2006</b>	2005
		<b>\$'000</b>	\$'000
Patawalonga Seawater Circulation and Barcoo		<b>351</b>	464
Groundwater monitoring wells		<b>555</b>	544
Plant and equipment		<b>397</b>	454
Salinity disposal schemes		<b>349</b>	143
Hydrometric gauging stations		<b>87</b>	80
Waste disposal stations		<b>63</b>	63
Buildings		<b>40</b>	59
Intangible Assets		<b>342</b>	293
<b>Total Depreciation and Amortisation Expense</b>		<b>2 184</b>	2 100

<b>9. Grants and Subsidies</b>	<b>2006</b>	2005
Non-SA Government Entities:	<b>\$'000</b>	\$'000
Transfer to Murray Darling Basin Commission	<b>19 328</b>	20 359
Primary Industries and Fisheries Qld - Red imported fire ants	<b>1 032</b>	1 300
Soil Conservation Boards	-	395
Irrigators - Lower Murray reclaimed irrigation areas	<b>3 572</b>	2 664
CSIRO land and water	-	108
Agriculture, Fisheries, Forestry Australia (AFFA)	<b>30</b>	320
Lake Eyre Basin - Environment Australia	<b>125</b>	125
CRC for plant based management	-	100
Department of Sustainability and Environment	<b>807</b>	-
Trees for Life	<b>150</b>	-
Murray Darling Basin Association Inc	<b>253</b>	-
Other grants	<b>916</b>	1 399
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>26 213</b>	26 770
SA Government Entities:		
Animal and Plant Control Commission	-	3 321
GH Mitchell trade waste subsidy	<b>1 798</b>	1 755
Department of Transport, Energy and Infrastructure - Catchment Management subsidy scheme	<b>3 968</b>	3 700
River Murray improvement program - SA Government agencies	<b>1 840</b>	3 162
Loxton irrigation - Trust subsidy	-	1 122
Natural resources management transition and board support	-	850
Dog Fence Board	<b>416</b>	413
Department of Transport, Energy and Infrastructure - Regional flood mitigation program	<b>264</b>	144
Dingo Control Fund	-	18
Alinytjara Wilurara NRM Board	<b>334</b>	-
Adelaide and Mount Lofty Ranges NRM Board	<b>451</b>	-
Eyre Peninsula NRM Board	<b>427</b>	-
Northern and Yorke NRM Board	<b>910</b>	-
South East NRM Board	<b>451</b>	-
Kangaroo Island NRM Board	<b>269</b>	-
South Australian Arid Lands NRM Board	<b>263</b>	-
South Australian Murray Darling Basin NRM Board	<b>789</b>	-
Primary Industries and Resources SA - Rural Finance	<b>699</b>	-
Onkaparinga Catchment Water Management Board	<b>34</b>	-
Other grants	<b>146</b>	737
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>13 059</b>	15 222
<b>Total Grants and Subsidies</b>	<b>39 272</b>	41 992
<b>10. Other Expenses</b>		
Non-SA Government Entities:		
Bad and doubtful debts	-	43
Revaluation decrement	-	3 456
Water licences	<b>762</b>	-
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>762</b>	3 499
SA Government Entities:		
Water licences	<b>15 312</b>	-
<b>Total Other Expenses - SA Government Entities</b>	<b>15 312</b>	-
<b>Total Other Expenses</b>	<b>16 074</b>	3 499
<b>11. Auditors' Remuneration</b>		
Audit fees paid or payable to the Auditor-General's Department	<b>205</b>	212
<b>Total Audit Fees</b>	<b>205</b>	212
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>12. Revenues from SA Government</b>		
Appropriation from consolidated account pursuant to the <i>Appropriation Act</i>	<b>85 106</b>	85 438
<b>Total Revenues from SA Government</b>	<b>85 106</b>	85 438

The revenues from SA Government include \$21 711 000 which was paid into the save the River Murray 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 Save the River Murray Fund was established under section 100 of the *Waterworks Act 1932* and monies credited to the Fund may only be applied to purposes set out in the *Waterworks Act 1932*. The total monies applied from the fund were \$26 167 000. A specific purpose financial report is prepared for the Fund.

<b>13. Fees and Charges</b>	<b>2006</b>	2005
SA Government Entities:	<b>\$'000</b>	\$'000
Sale of goods and services	<b>4 533</b>	3 150
Fees, levies and licences	<b>30</b>	65
Other fees and charges	<b>298</b>	57
<b>Total Fees and Charges - SA Government Entities</b>	<b>4 861</b>	3 272
Non-SA Government Entities:		
Sale of goods and services	<b>5 820</b>	6 103
Fees, levies and licences	<b>2 494</b>	1 854
Pastoral rents	<b>871</b>	868
Other fees and charges	<b>8</b>	2
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>9 193</b>	8 827
<b>Total Fees and Charges</b>	<b>14 054</b>	12 099
<b>14. Interest</b>		
Interest from entities within the SA Government	<b>519</b>	1 226
Other interest	<b>1</b>	2
<b>Total Interest Revenue</b>	<b>520</b>	1 228
<b>15. Net Gain (Loss) from Disposal of Assets</b>		
Groundwater Monitoring Wells:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	14
<b>Net (Loss) from Disposal of Groundwater Monitoring Wells</b>	<b>-</b>	(14)
Plant and Equipment:		
Proceeds from disposal	-	37
Net book value of assets disposed	-	-
<b>Net Gain (Loss) from Disposal of Plant and Equipment</b>	<b>-</b>	37
Land and Buildings:		
Proceeds from disposal	-	165
Net book value of assets disposed	-	165
<b>Net Gain (Loss) from Disposal of Land and Buildings</b>	<b>-</b>	-
Total Assets:		
Total proceeds from disposal	-	202
Total value of assets disposed	-	179
<b>Total Gain (Loss) from Disposal of Assets</b>	<b>-</b>	23
<b>16. Grant Revenue</b>		
<b>(a) Grant Revenue Received Directly from the Commonwealth</b>		
Department of Agriculture Fisheries and Forestry - Branched Broomrape Eradication Program	<b>2 106</b>	-
National Water Commission - National Water Initiative	<b>4 400</b>	-
Department of Agriculture Fisheries and Forestry - Loxton District Irrigation Rehabilitation	-	1 025
Flora Search	<b>247</b>	150
Department for Transport, Energy and Infrastructure - Regional Flood Mitigation Program	<b>263</b>	321
Natural Heritage Trust	<b>223</b>	-
CRC for Plant Based Management of Dryland Salinity	<b>106</b>	-
Miscellaneous Grants	<b>543</b>	470
<b>Total Grant Revenue Received Directly from the Commonwealth</b>	<b>7 888</b>	1 966
<b>(b) Grant Revenue Received Directly from SA Government</b>		
SA Water Corporation - Western Mount Lofty Ranges	<b>2 400</b>	900
Primary Industries SA - Red imported Fire Ants	-	342
South East Catchment Water Management Board - South East Conversion to Volumetric	<b>60</b>	240
River Murray Catchment Water Management Board - Eastern Mount Lofty Ranges Prescription	-	193
River Murray Policy Information and Infrastructure	-	165
Department for Environment and Heritage	<b>150</b>	-
Mount Lofty Ranges Water Use Efficiency Assessment	-	97
River Murray Catchment Water Management Board	<b>533</b>	45
Torrens Catchment Water Management Board	<b>400</b>	-
Northern Adelaide and Barossa Catchment Water Management Board	<b>182</b>	-
Onkaparinga Catchment Water Management Board	<b>167</b>	-
Native Vegetation Fund	<b>390</b>	-
Other Grants	<b>165</b>	452
<b>Total Grant Revenue Received Directly from SA Government</b>	<b>4 447</b>	2 434

<b>(c) Grant Revenue - NAP</b>	<b>2006</b>	<b>2005</b>
Grant Revenue State NAP Unmatched:	<b>\$'000</b>	<b>\$'000</b>
National Action Plan - Administration Contribution	<b>650</b>	651
National Action Plan - Regional Liaison Officers Annual Payment	<b>300</b>	300
CRC Drylands Salinity	-	100
Other NAP	-	150
<b>Total Grant Revenue State NAP Unmatched</b>	<b>950</b>	<b>1 201</b>
Grant Revenue NAP via INRM Groups:		
Lower Murray Irrigation Rehabilitation - (INRM Group for the SA Murray Darling Basin)	<b>1 138</b>	1137
Salinity Response Team (INRM Group for the SA Murray Darling Basin)	<b>64</b>	460
Policy Integrated Management (INRM Group for the SA Murray Darling Basin)	-	230
Policy Framework - Accountability (INRM Group for the SA Murray Darling Basin)	-	160
Accounting for Salinity (INRM Group for the SA Murray Darling Basin)	<b>75</b>	125
Chowilla Hydrodynamic Model (INRM Group for the SA Murray Darling Basin)	-	100
SWA - Fleurieu Assessment (MLR and Greater Adelaide INRM Group)	<b>255</b>	280
Northern and Yorke Agricultural District INRM Committee	<b>190</b>	-
INRM Group for the SA Murray Darling Basin - Other	<b>424</b>	347
NAP via INRM Group - Other	<b>66</b>	-
<b>Total Grant Revenue NAP via INRM Groups</b>	<b>2 212</b>	<b>2 839</b>
NAP Joint Commonwealth and State Funding:		
Upper South East Program	<b>6 216</b>	5 831
Lower Murray Reclaimed Irrigation Areas	<b>3 565</b>	2 725
SIS Lock 4 Bookpurnong (Regional Investment Strategy)	<b>1 444</b>	1 000
SIS Loxton (Regional Investment Strategy)	<b>493</b>	125
SIS Pike/Munro	<b>125</b>	550
SIS Murtho	<b>100</b>	615
SIS Chowilla	<b>75</b>	500
SIS Other	<b>45</b>	265
Other NAP	<b>99</b>	14
<b>Total Grant Revenue Received NAP Joint Commonwealth and State Funding</b>	<b>12 162</b>	<b>11 625</b>
<b>Total NAP Grant Revenue</b>	<b>15 324</b>	<b>15 665</b>
<b>(d) Grant Revenue - NHT</b>		
Natural Heritage Trust - Regional Liaison Officers Annual Payment	<b>680</b>	510
Regional NRM Condition Monitoring Review	<b>60</b>	125
Administration of National Landcare Community Support	<b>60</b>	120
Administration grant for completion of NHT 1	-	65
<b>Total Grant Revenue Received from NHT</b>	<b>800</b>	<b>820</b>
<b>(e) Grant Revenue Received from Other Entities</b>		
Loxton District Irrigation Rehabilitation - Growers	<b>742</b>	741
Branched Broomrape Eradication Program (Other State Governments)	<b>884</b>	863
Upper South East Salinity Accession (Centre for Natural Resource Management)	<b>395</b>	144
Centre for Natural Resource Management	<b>428</b>	-
Sundry grants and contribution	<b>489</b>	553
<b>Total Grant Revenue Received from Other Entities</b>	<b>2 938</b>	<b>2 301</b>
<b>Total Grant Revenue</b>	<b>31 397</b>	<b>23 186</b>
<b>17. Other Revenue</b>		
Operating expenses recouped	<b>602</b>	403
Wages and salaries recouped	<b>195</b>	301
Other revenue	<b>610</b>	870
<b>Total Other Revenue</b>	<b>1 407</b>	<b>1 574</b>
<b>18. Cash</b>		
Deposits with the Treasurer	<b>10 989</b>	14 841
Deposits at call	<b>42</b>	38
Other	<b>7</b>	7
<b>Total Cash</b>	<b>11 038</b>	<b>14 886</b>

**Deposits with the Treasurer**

Includes Accrual Appropriation Account and Surplus Cash Working Account balances. The level of cash held by the Department has not been adjusted as a result of the implementation of the SA Government cash alignment policy.

**Interest Rate Risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer bearing an interest rate of 5.4 percent. The carrying amount of cash approximates net fair value.

<b>19. Non-Current Assets Held for Sale</b>		<b>2006</b>	2005
Current:		<b>\$'000</b>	\$'000
Land and buildings		<b>789</b>	-
<b>Total Non-Current Assets Classified as Held for Sale</b>		<b>789</b>	-

The land and buildings at Pasadena are surplus to the Department's requirements. They will be sold in September 2006.

<b>20. Inventory</b>			
Current - Held for distribution:			
Materials at cost		<b>1 224</b>	885
<b>Total Current Inventory Held for Distribution</b>		<b>1 224</b>	885

<b>21. Receivables</b>	SA Govt	Non-SA Govt	<b>2006</b>	2005
Current:	\$'000	\$'000	<b>\$'000</b>	\$'000
Receivables	1 637	2 076	<b>3 713</b>	3 639
Less: Provision for doubtful debts	-	(74)	<b>(74)</b>	(97)
Accrued interest	9	-	<b>9</b>	70
Workers compensation recoveries	-	19	<b>19</b>	24
GST receivable	-	1 079	<b>1 079</b>	1 915
<b>Total Current Receivables</b>	<b>1 646</b>	<b>3 100</b>	<b>4 746</b>	5 552

**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. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

<b>22. (a) Property, Plant and Equipment and Intangibles</b>			<b>2006</b>	
	<b>Cost</b>	<b>Valuation</b>	<b>Accumulated Depreciation</b>	<b>Written Down Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Land and buildings	-	4 571	138	4 433
Groundwater monitoring wells	-	19 341	976	18 365
Hydrometric gauging stations	157	3 972	1 216	2 913
Waste disposal stations	-	1 383	189	1 194
Patawalonga seawater circulation and Barcoo	-	20 545	526	20 019
Plant and equipment	5 277	687	4 187	1 777
Salinity disposal schemes	-	20 031	352	19 679
Work in progress	2 236	-	-	2 236
Intangible assets	6 276	-	635	5 641
	<b>13 946</b>	<b>70 530</b>	<b>8 219</b>	<b>76 257</b>
			<b>2005</b>	
	<b>Cost</b>	<b>Valuation</b>	<b>Accumulated Depreciation</b>	<b>Written Down Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Land and buildings	-	3 137	119	3 018
Groundwater monitoring wells	-	4 439	534	3 905
Hydrometric gauging stations	157	3 972	1 129	3 000
Waste disposal stations	-	1 383	126	1 257
Patawalonga seawater circulation and Barcoo	-	20 545	175	20 370
Plant and equipment	4 548	687	3 792	1 443
Salinity disposal schemes	-	20 031	3	20 028
Work in progress	2 208	-	-	2 208
Intangible assets	3 666	-	293	3 373
	<b>10 579</b>	<b>54 194</b>	<b>6 171</b>	<b>58 602</b>

For further details of valuation methodologies adopted by the Department refer to Note 2(d).

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

	Land and Buildings	Groundwater Monitoring Wells	Hydrometric Gauging Stations	Waste Disposal Stations	Patawalonga Seawater Circulation	Plant and Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value:						
Balance as at 1 July	3 137	4 439	4 129	1 383	20 545	5 235
Additions	-	-	-	-	-	335
Assets recognised first time	2 244	5 346	-	-	-	-
Assets reclassified to assets held for sale	(810)	-	-	-	-	-
Transfers between classes	-	18	-	-	-	394
Net revaluation increments	-	9 248	-	-	-	-
Revaluation adjustments	-	290	-	-	-	-
<b>Balance as at 30 June</b>	<b>4 571</b>	<b>19 341</b>	<b>4 129</b>	<b>1 383</b>	<b>20 545</b>	<b>5 964</b>
Accumulated Depreciation:						
Balance as at 1 July	(119)	(534)	(1 129)	(126)	(175)	(3 792)
Assets recognised first time	-	-	-	-	-	-
Assets reclassified to assets held for sale	21	-	-	-	-	-
Transfers between classes	-	(2)	-	-	-	2
Revaluation adjustments	-	115	-	-	-	-
Depreciation and amortisation expense	(40)	(555)	(87)	(63)	(351)	(397)
<b>Balance as at 30 June</b>	<b>(138)</b>	<b>(976)</b>	<b>(1 216)</b>	<b>(189)</b>	<b>(526)</b>	<b>(4 187)</b>
Net Book Value:						
<b>As at 30 June 2006</b>	<b>4 433</b>	<b>18 365</b>	<b>2 913</b>	<b>1 194</b>	<b>20 019</b>	<b>1 777</b>

	Salinity Disposal Schemes	Work in Progress	Internally Dvlpd Intangible Assets	Acquired Intangible Assets	<b>2006 Total \$'000</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value:					
Balance as at 1 July	20 031	2 208	3 520	146	<b>64 773</b>
Additions	-	440	-	-	<b>775</b>
Assets recognised first time	-	-	-	2 610	<b>10 200</b>
Assets reclassified to assets held for sale	-	-	-	-	<b>(810)</b>
Transfers between classes	-	(412)	-	-	-
Net revaluation increments	-	-	-	-	<b>9 248</b>
Revaluation adjustments	-	-	-	-	<b>290</b>
<b>Balance as at 30 June</b>	<b>20 031</b>	<b>2 236</b>	<b>3 520</b>	<b>2 756</b>	<b>84 476</b>
Accumulated Depreciation:					
Balance as at 1 July	(3)	-	(293)	-	<b>(6 171)</b>
Assets recognised first time	-	-	-	-	-
Assets reclassified to assets held for sale	-	-	-	-	<b>21</b>
Transfers between classes	-	-	-	-	-
Revaluation adjustments	-	-	-	-	<b>115</b>
Depreciation and amortisation expense	(349)	-	(293)	(49)	<b>(2 184)</b>
<b>Balance as at 30 June</b>	<b>(352)</b>	<b>-</b>	<b>(586)</b>	<b>(49)</b>	<b>(8 219)</b>
Net Book Value:					
<b>As at 30 June 2006</b>	<b>19 679</b>	<b>2 236</b>	<b>2 934</b>	<b>2 707</b>	<b>76 257</b>

<b>23. Intangible Assets</b>	<b>2006</b>	2005
Internally Developed Intangible Assets:	<b>\$'000</b>	\$'000
Internally developed computer software	<b>3 520</b>	3 520
Accumulated amortisation	<b>586</b>	293
<b>Total Internally Developed Intangible Assets</b>	<b>2 934</b>	3 227
Acquired Intangible Assets:		
Computer and Water licenses	<b>2 756</b>	146
Accumulated amortisation	<b>49</b>	-
<b>Total Acquired Intangible Assets</b>	<b>2 707</b>	146
<b>Total Intangible Assets</b>	<b>5 641</b>	3 373

<b>24. Payables</b>	SA Govt	Non-SA Govt	<b>2006</b>	2005
	\$'000	\$'000	<b>\$'000</b>	\$'000
Current:				
Creditors	-	6	<b>6</b>	14
Accrued expenses	1 162	2 177	<b>3 339</b>	2 986
Employee costs	767	-	<b>767</b>	668
<b>Total Current Payables</b>	<b>1 929</b>	<b>2 183</b>	<b>4 112</b>	3 668
Non-Current:				
Employee costs	834	-	<b>834</b>	952
<b>Total Non-Current Payables</b>	<b>834</b>	<b>-</b>	<b>834</b>	952
<b>Total Payables</b>	<b>2 763</b>	<b>2 183</b>	<b>4 946</b>	4 620

**Interest Rate Risk and Credit Risk**

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

<b>25. Employee Benefits</b>	<b>2006</b>	2005
<b>Provision for Employee Benefits</b>	<b>\$'000</b>	\$'000
Current:		
Annual leave	<b>2 341</b>	2 209
Long service leave	<b>359</b>	277
Accrued salaries and wages	<b>598</b>	425
<b>Total Current Employee Benefits</b>	<b>3 298</b>	2 911
Non-Current:		
Long service leave	<b>6 887</b>	6 637
<b>Total Non-Current Employee Benefits</b>	<b>6 887</b>	6 637
<b>Total Employee Benefits</b>	<b>10 185</b>	9 548

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2005-06 is \$4 065 000 and \$7 721 000 respectively.

<b>26. Provisions</b>		
Current:		
Provision for workers compensation	<b>183</b>	141
<b>Total Current Provisions</b>	<b>183</b>	141
Non-Current:		
Provision for workers compensation	<b>496</b>	388
<b>Total Non-Current Provisions</b>	<b>496</b>	388
<b>Total Provisions</b>	<b>679</b>	529
Carrying amount at 1 July	<b>529</b>	265
Additional provisions recognised	<b>334</b>	632
Amounts used	<b>(184)</b>	(368)
<b>Carrying Amount at 30 June</b>	<b>679</b>	529

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

<b>27. Commitments for Expenditure</b>		
<b>Operating Lease Commitments</b>		
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:		
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>1 421</b>	1 398
Later than one year but not later than five years	<b>5 328</b>	3 897
Later than five years	<b>5 292</b>	651
<b>Total Operating Lease Commitments</b>	<b>12 041</b>	5 946

The Department's operating leases are mainly for accommodation leases 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 employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>8 560</b>	8 165
Later than one year but not later than five years	<b>8 360</b>	2 004
<b>Total Remuneration Commitments</b>	<b>16 920</b>	10 169

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer remuneration contracts greater than 5 years.



**Other Commitments**

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

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>27 472</b>	8 165
Later than one year but not later than five years	<b>73 683</b>	2 004
<b>Total Other Commitments</b>	<b>101 155</b>	10 169

**28. Contingent Assets and Liabilities**

The Department is not aware of any contingent assets or liabilities. In addition the Department has made no guarantees.

**29. Cash Flow Reconciliation**

Reconciliation of Cash - Cash at 30 June as per:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash Flow Statement	<b>11 038</b>	14 886
Balance Sheet	<b>11 038</b>	14 886

Reconciliation of Net Cash used in Operating Activities to Net Cost of Services:

Net cash used in operating activities	<b>(4 450)</b>	(1 480)
Less: Revenue from Government	<b>(85 106)</b>	(85 438)
Add/Less: Non-Cash Items:		
Depreciation of property, plant and equipment	<b>(2 184)</b>	(2 100)
Gain on disposal of non-current assets	-	23
Revaluation Decrement	-	(3 456)
Changes in Assets/Liabilities:		
(Decrease) Increase in receivables	<b>(806)</b>	754
Increase in inventories	<b>339</b>	356
(Decrease) Increase in other assets	<b>16</b>	(50)
Decrease (Increase) in payables	<b>(5)</b>	1 364
(Increase) in employee benefits	<b>(637)</b>	(2 220)
Increase in provisions	<b>(150)</b>	(264)
<b>Net Cost of Services</b>	<b>(92 983)</b>	(92 511)

**30. Restrictions on Contributions Received**

The Department received contributions from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2006 \$10 597 000 (\$18 686 000) of contributions, which have been recognised as revenues in the Income Statement, are yet to be spent in the manner specified by the contributors.

**31. Events after Balance Date**

From 1 July 2006, the Department will no longer administer funds with respect to stormwater management. Funding previously received for the Catchment Management Subsidy Scheme and Gawler River Flood Mitigation is to be redirected to the Stormwater Management Authority. The latter will focus on the ongoing working relationship for stormwater management issues between the State and Local Governments.

**Statement of Administered Income and Expenses  
for the year ended 30 June 2006**

	Note	<b>2006</b> <b>\$'000</b>	2005 \$'000
<b>INCOME:</b>			
Revenues from SA Government		<b>20 873</b>	17 222
Fees and charges		<b>7 616</b>	6 588
Grant revenue		<b>41 617</b>	36 998
Other revenue		<b>2 595</b>	2 147
<b>Total Income</b>		<b>72 701</b>	62 955
<b>EXPENSES:</b>			
Employee expenses		<b>614</b>	319
Supplies and services		<b>905</b>	780
Grants and subsidies		<b>57 671</b>	54 537
Payments to consolidated account		<b>607</b>	1 217
Payments to Natural Resources Management Boards		<b>6 115</b>	6 893
Payments to South Eastern Water Conservation Drainage Board		<b>1 922</b>	1 685
<b>Total Expenses</b>		<b>67 834</b>	65 431
<b>OPERATING SURPLUS (DEFICIT)</b>	A1	<b>4 867</b>	(2 476)
<b>THE OPERATING SURPLUS (DEFICIT) IS ATTRIBUTABLE TO SA GOVERNMENT AS OWNER</b>			

**Statement of Administered Assets and Liabilities  
as at 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>			
Cash	A3	42 292	36 274
Receivables	A2(a), A2(c)	3 044	1 848
Other current assets		174	175
<b>Total Current Assets</b>		<b>45 510</b>	<b>38 297</b>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	A2(e)	32 938	28 600
<b>Total Non-Current Assets</b>		<b>32 938</b>	<b>28 600</b>
<b>Total Assets</b>		<b>78 448</b>	<b>66 897</b>
<b>CURRENT LIABILITIES:</b>			
Payables		2 422	57
Short-term and long-term employee benefits		13	4
<b>Total Current Liabilities</b>		<b>2 435</b>	<b>61</b>
<b>NON-CURRENT LIABILITIES:</b>			
Payables		-	-
Long-term employee benefits		6	6
<b>Total Non-Current Liabilities</b>		<b>6</b>	<b>6</b>
<b>Total Liabilities</b>		<b>2 441</b>	<b>67</b>
<b>NET ASSETS</b>		<b>76 007</b>	<b>66 830</b>
<b>EQUITY:</b>			
Contributed capital		-	-
Retained earnings		66 652	61 813
Asset revaluation reserve	A2(e)	9 355	5 017
<b>TOTAL EQUITY</b>		<b>76 007</b>	<b>66 830</b>

## Statement of Administered Changes in Equity for the year ended 30 June 2006

	Asset			Total \$'000
	Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 30 June 2004</b>	-	5 017	64 289	69 306
<b>Net income (expense) recognised directly in equity for 2004-05</b>	-	-	-	-
<b>Net Result for 2004-05</b>	-	-	(941)	(941)
<b>Total Recognised Expense for 2004-05</b>	-	-	(941)	(941)
<b>Balance at 30 June 2005</b>	-	5 017	63 348	68 365
Changes in accounting policy	-	-	-	-
Error correction	-	-	(1 535)	(1 535)
<b>Restated Balance at 30 June 2005</b>	-	5 017	61 813	66 830
Gain on revaluation of property during 2005-06	-	4 338	-	4 338
<b>Net income recognised directly in equity for 2005-06</b>	-	4 338	-	4 338
<b>Net Result for 2005-06</b>	-	-	4 867	4 867
<b>Total Recognised Income for 2005-06</b>	-	4 338	4 867	9 205
Funds transferred pursuant to the <i>NRM Act 2004</i>	-	-	(28)	(28)
<b>Balance at 30 June 2006</b>	-	<b>9 355</b>	<b>66 652</b>	<b>76 007</b>

All changes in equity are attributable to SA Government as owner

**Statement of Administered Cash Flows  
for the year ended 30 June 2006**

		<b>2006</b>	2005
		<b>Inflows</b>	Inflows
		<b>(Outflows)</b>	(Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH INFLOWS:	Note	<b>\$'000</b>	\$'000
Receipts from SA Government		<b>20 873</b>	17 222
Fees and charges		<b>6 420</b>	7 440
Grant receipts		<b>41 617</b>	36 958
Other receipts		<b>2 596</b>	2 147
<b>Total Inflows from Operating Activities</b>		<b>71 506</b>	63 767
<b>CASH OUTFLOWS:</b>			
Employee payments		<b>(605)</b>	(314)
Supplies and services		<b>(617)</b>	(3 899)
Grants and subsidies		<b>(55 594)</b>	(54 537)
Payments to consolidated account		<b>(607)</b>	(1 217)
Payments to Natural Resources Management Boards		<b>(6 115)</b>	(6 893)
Payments to South Eastern Water Conservation Drainage Board		<b>(1 922)</b>	(1 685)
<b>Total Outflows from Operating Activities</b>		<b>(65 460)</b>	(68 545)
<b>Net Cash Inflows (Outflows) from Operating Activities</b>	A3	<b>6 046</b>	(4 778)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
<b>CASH OUTFLOWS:</b>			
Funds transferred pursuant to the <i>NRM Act 2004</i>		<b>(28)</b>	-
<b>Total Outflows from Financing Activities</b>		<b>(28)</b>	-
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>6 018</b>	(4 778)
<b>CASH AT 1 JULY</b>		<b>36 274</b>	41 052
<b>CASH AT 30 JUNE</b>	A3	<b>42 292</b>	36 274

All GST receipts and payments are recognised in the Department's Cash Flow Statement.

## NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

## A1. Program Schedule of Administered Revenues and Expenses

## Administered Revenues and Expenses for the year ending 30 June 2006

	Natural Resources Mgt Boards	Qualco Sunlands	Penalty Charges	Remittance to South Eastern Water Conservtn and Drainage Board	Pastoral Board	Land Technology Alliances
(Programs refer Note A2)	Levies	A2(b)	A2(c)	A2(d)	A2(e)	A2(f)
Administered Income:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SA Government entities:	A2(a)	A2(b)	A2(c)	A2(d)	A2(e)	A2(f)
Revenues from SA Government	-	250	-	1 922	9	-
Fees and charges	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-
Other revenue	59	13	-	-	-	-
<b>Total Administered Revenue - SA Government Entities</b>	<b>59</b>	<b>263</b>	<b>-</b>	<b>1 922</b>	<b>9</b>	<b>-</b>
Administered Expenses:						
SA Government entities:						
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Payments to Consolidated Account	-	229	378	-	-	-
Payments to Natural Resources Management Boards	6 115	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	1 922	-	-
<b>Total Administered Expenses - SA Government Entities</b>	<b>6 115</b>	<b>229</b>	<b>378</b>	<b>1 922</b>	<b>-</b>	<b>-</b>
Administered Income:						
Non-SA Government entities:						
Fees and charges	6 454	230	894	-	-	-
Grant revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	103
<b>Total Administered Revenue - Non-SA Government Entities</b>	<b>6 454</b>	<b>230</b>	<b>894</b>	<b>-</b>	<b>-</b>	<b>103</b>
Administered Expenses:						
Non-SA Government entities:						
Employee expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	230	-	-	-	-
<b>Total Administered Expenses - Non-SA Government Entities</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Surplus (Deficit)</b>	<b>398</b>	<b>34</b>	<b>516</b>	<b>-</b>	<b>9</b>	<b>103</b>

	Natural Resources Mgt Boards	Natural Heritage Trust	National Action Plan for Salinity and Water Quality	Mt Lofty Ranges Catchmnt Support	Centre for Natural Resource Mgt	Soil Conservtn and Landcare
(Programs refer Note A2)	Tax	Grants	Quality	Support	Mgt	Landcare
Administered Income:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SA Government entities:	A2(g)	A2(h)	A2(i)	A2(j)	A2(k)	A2(l)
Revenues from SA Government	408	-	18 072	-	-	-
Fees and charges	-	-	-	-	-	-
Grant revenue	-	-	-	698	-	-
Other revenue	-	444	1 471	38	-	-
<b>Total Administered Revenue - SA Government Entities</b>	<b>408</b>	<b>444</b>	<b>19 543</b>	<b>736</b>	<b>-</b>	<b>-</b>
Administered Expenses:						
SA Government entities:						
Supplies and services	-	-	-	347	-	-
Grants and subsidies	288	18 144	12 434	1 121	1 270	-
Payments to Consolidated Account	-	-	-	-	-	-
Payments to Natural Resources Management Boards	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-
<b>Total Administered Expenses - SA Government Entities</b>	<b>288</b>	<b>18 144</b>	<b>12 434</b>	<b>1 468</b>	<b>1 270</b>	<b>-</b>

**Administered Revenues and Expenses for the year ending 30 June 2006 (continued)**

	Natural Resources Mgt Boards Payroll	Natural Heritage Trust Grants	National Action Plan for Salinity and Water Quality	Mt Lofty Ranges Catchmnt Support	Centre for Natural Resource Mgt	Soil Conservtn and Landcare
(Programs refer Note A2)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Income:	A2(g)	A2(h)	A2(i)	A2(j)	A2(k)	A2(l)
Non-SA Government entities:						
Fees and charges	-	-	-	21	-	-
Grant revenue	-	22 945	14 184	1 662	2 128	-
Other revenue	-	-	12	21	-	-
<b>Total Administered Revenue - Non-SA Government Entities</b>	-	22 945	14 196	1 704	2 128	-
Administered Expenses:						
Non-SA Government entities:						
Employee expenses	-	-	-	237	-	-
Supplies and services	-	177	12	241	-	-
Grant and subsidies	-	6 845	15 039	1 391	909	-
<b>Total Administered Expenses - Non-SA Government Entities</b>	-	7 022	15 051	1 869	909	-
<b>Operating Surplus (Deficit)</b>	120	(1 777)	6 254	(897)	(51)	-

	River Murray Minister	Regional NRM Board Funds	Natural Resources Mgt Fund	2006 Total \$'000
(Programs refer Note A2)	\$'000	\$'000	\$'000	
Administered Income:	A2(m)	A2(n)	A2(o)	
SA Government entities:				
Revenues from SA Government	212	-	-	<b>20 873</b>
Fees and charges	-	-	17	<b>17</b>
Grant revenue	-	-	-	<b>698</b>
Other revenue	-	144	282	<b>2 451</b>
<b>Total Administered Revenue - SA Government Entities</b>	212	144	299	<b>24 039</b>
Administered Expenses:				
SA Government entities:				
Supplies and services	-	-	-	<b>347</b>
Grants and subsidies	-	-	-	<b>33 257</b>
Payments to Consolidated Account	-	-	-	<b>607</b>
Payments to Natural Resources Management Boards	-	-	-	<b>6 115</b>
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	<b>1 922</b>
<b>Total Administered Expenses - SA Government Entities</b>	-	-	-	<b>42 248</b>
Administered Income:				
Non-SA Government entities:				
Fees and charges	-	-	-	<b>7 599</b>
Grant revenue	-	-	-	<b>40 919</b>
Other revenue	-	8	-	<b>144</b>
<b>Total Administered Revenue - Non-SA Government Entities</b>	-	8	-	<b>48 662</b>
Administered Expenses:				
Non-SA Government entities:				
Employee expenses	229	60	88	<b>614</b>
Supplies and services	-	92	36	<b>558</b>
Grant and subsidies	-	-	-	<b>24 414</b>
<b>Total Administered Revenue - Non-SA Government Entities</b>	229	152	124	<b>25 586</b>
<b>Operating Surplus (Deficit)</b>	(17)	-	175	<b>4 867</b>

**Administered Revenues and Expenses for the year ending 30 June 2005**

	Natural Resources Mgt Board Levies	Qualco Sunlands	Penalty Charges	Remittance to South Eastern Water Conservtn and Drainage Board	Pastoral Board	Land Technology Alliances	Natural Resources Mgt Board Payroll Tax
(Programs refer Note A2)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Income:	A2(a)	A2(b)	A2(c)	A2(d)	A2(e)	A2(f)	A2(g)
SA Government Entities:							
Revenues from SA Government	-	250	-	1 685	9	-	400
Grant revenue	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
<b>Total Administered Revenue - SA Government Entities</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>1 685</b>	<b>9</b>	<b>-</b>	<b>400</b>
Administered Expenses:							
SA Government Entities:							
Supplies and services	-	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-	221
Payments to Consolidated Account	-	251	562	-	-	387	17
Payments to Natural Resources Management Boards	6 893	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	1 685	-	-	-
<b>Total Administered Expenses - SA Government Entities</b>	<b>6 893</b>	<b>251</b>	<b>562</b>	<b>1 685</b>	<b>-</b>	<b>387</b>	<b>238</b>
Administered Income:							
Non-SA Government Entities:							
Fees and charges	5 847	250	487	-	-	-	-
Grant revenue	-	-	-	-	-	-	-
Other revenue	55	14	-	-	-	13	-
<b>Total Administered Revenue - Non-SA Government Entities</b>	<b>5 902</b>	<b>264</b>	<b>487</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>
Administered Expenses:							
Non-SA Government Entities:							
Employee expenses	-	-	-	-	-	(5)	-
Supplies and services	-	-	-	-	-	-	-
Grants and subsidies	-	250	-	-	-	-	-
<b>Total Administered Expenses - Non-SA Government Entities</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>-</b>
<b>Operating Surplus (Deficit)</b>	<b>(991)</b>	<b>13</b>	<b>(75)</b>	<b>-</b>	<b>9</b>	<b>(369)</b>	<b>162</b>

	Natural Heritage Trust Grants	National Action Plan for Salinity and Water Quality	Mt Lofty Ranges Catchmnt Support	Centre for Natural Resource Mgt	Soil Conserv and Landcare	River Murray Minster	2005 Total
(Programs refer Note A2)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Income:	A2(h)	A2(i)	A2(j)	A2(k)	A2(l)	A2(m)	
SA Government Entities:							
Revenues from SA Government	-	14 667	-	-	-	211	17 222
Grant revenue	-	147	-	-	-	-	147
Other revenue	514	1 429	-	-	-	-	1 943
<b>Total Administered Revenue - SA Government Entities</b>	<b>514</b>	<b>16 243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211</b>	<b>19 312</b>
Administered Expenses:							
SA Government Entities:							
Supplies and services	-	-	352	-	-	-	352
Grants and subsidies	965	13 393	2 682	340	-	-	17 601
Payments to Consolidated Account	-	-	-	-	-	-	1 217
Payments to Natural Resources Management Boards	-	-	-	-	-	-	6 893
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-	1 685
<b>Total Administered Expenses - SA Government Entities</b>	<b>965</b>	<b>13 393</b>	<b>3 034</b>	<b>340</b>	<b>-</b>	<b>-</b>	<b>27 748</b>



**Administered Revenues and Expenses for the year ending 30 June 2005 (continued)**

	Natural Heritage Trust Grants \$'000 A2(h)	National Action Plan for Salinity and Water Quality \$'000 A2(i)	Mt Lofty Ranges Catchmnt Support \$'000 A2(j)	Centre for Natural Resource Mgt \$'000 A2(k)	Soil Conserv and Landcare \$'000 A2(l)	River Murray Minster \$'000 A2(m)	2005 Total \$'000
(Programs refer Note A2)							
Administered Income:							
Non-SA Government Entities:							
Fees and charges	-	-	4	-	-	-	6 588
Grant revenue	21 133	9 917	5 536	265	-	-	36 851
Other revenue	-	27	94	-	1	-	204
<b>Total Administered Revenue - Non-SA Government Entities</b>	<b>21 133</b>	<b>9 944</b>	<b>5 634</b>	<b>265</b>	<b>1</b>	<b>-</b>	<b>43 643</b>
Administered Expenses:							
Non-SA Government Entities:							
Employee expenses	-	-	110	-	-	214	319
Supplies and services	145	28	255	-	-	-	428
Grants and subsidies	21 479	12 414	2 272	521	-	-	36 936
<b>Total Administered Expenses - Non-SA Government Entities</b>	<b>21 624</b>	<b>12 442</b>	<b>2 637</b>	<b>521</b>	<b>-</b>	<b>214</b>	<b>37 683</b>
<b>Operating Surplus (Deficit)</b>	<b>(942)</b>	<b>352</b>	<b>(37)</b>	<b>(596)</b>	<b>1</b>	<b>(3)</b>	<b>(2 476)</b>

**A2. Summary of Significant Administered Schedule Accounting Policies**

All the Department's accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department Financial Statements and Administered Statements unless otherwise noted below.

The Administered Statements are an accumulation of the balances of each of the Department's administered items. Transactions between administered items have not been eliminated from the Administered Statements.

The Department has applied Australian equivalents to International Financial Reporting Standards (AIFRS) to the Administered items from 1 July 2005. Due to the nature of the activities of the Administered Items it is considered that the introduction of AIFRS has not had a significant impact.

**(a) Natural Resources Management Board Levies**

Under section 133(1)(c)(ii) of the *Water Resources Act 1997*, and section 116(1)(a)(ii)(A) and Schedule 4 of the *Natural Resources Management Act 2004*, water levies are collected by the Department for prescribed water resources in Natural Resources Management boards and these levies are paid to the respective boards together with any interest earned on those levy funds. Unpaid levies at the end of the reporting period of \$812 000 (\$406 000) have been recognised as current receivables and levies are paid to the boards once received.

During the reporting period the following revenue was recognised for levies:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
SA Murray-Darling Basin Natural Resources Management Board	<b>4 329</b>	3 877
South East Natural Resources Management Board	<b>1 490</b>	1 301
Adelaide and Mount Lofty Ranges Natural Resources Management Board	<b>395</b>	438
Eye Peninsula Natural Resources Management Board	<b>240</b>	231
	<b>6 454</b>	5 847

Levies received but not paid to the Natural Resources Management Boards at the end of the reporting period were \$nil (\$59 000).

From 9 December 2004 Natural Resources Management Boards covered all of South Australia and all catchment water management boards were dissolved on 25 January 2006.

**(b) Qualco Sunlands**

The *Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and waterlogging of horticultural land due to irrigation induced factors. In accordance with the Act the Department collects levies and pays instalments in accordance with the provisions of the Act.

**(c) Penalty Charges**

Penalty charges under section 116(1)(b) of the *Natural Resources Management Act 2004* are collected by the Department and paid into the NRM Fund (previously under section 133(1)(a) of the *Water Resources Act 1997* and paid into Consolidated Revenue). Unpaid penalty charges at the end of the reporting period of \$1 701 000 (\$1 105 000) have been recognised as current receivables. During the reporting period the Department paid \$378 000 (\$562 000) of penalty charges collected into Consolidated Revenue.

**(d) South Eastern Water Conservation and Drainage Board**

The South Eastern Water Conservation and Drainage Board (Board) is responsible for the administration of the *South Eastern Water Conservation and Drainage Act 1992* as amended. The Board is predominantly funded by Parliamentary appropriations for the operations, maintenance and capital works for the drainage system in the south east of South Australia. The appropriation is received by the Department and disbursed directly to the Board. During the reporting period an appropriation of \$1 922 000 (\$1 685 000) was received by the Department and this was disbursed to the Board.

**(e) 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 \$9 000 (\$9 000) was received and this amount is yet to be disbursed.

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989*. The land lease assets were revalued at \$32 938 000 as at 1 November 2005 by Robin Norris, Senior Valuer, Valuation SA, Land Services Group, Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$9 355 000. At the end of the reporting period this amount was recorded as Property, Plant and Equipment in the Statement of Administered Assets and Liabilities at that value.

The revenue generated by the pastoral leases is recorded within the Department's Income Statement, in accordance with the *Pastoral Land Management and Conservation Act 1989*, to cover the costs incurred by the Department in administering the pastoral leases.

**(f) Land Technologies Alliances**

An arrangement exists between the Department, South Australian Research and Development Institute, Commonwealth Scientific and Industrial Research Organisation, the Department of Primary Industries of Victoria and the University of Adelaide to review and project manage certain project development, staff development and training across each organisation. The Department administers funds on behalf of these organisations.

**(g) Natural Resources Management Board Payroll Tax**

An appropriation of \$408 000 (\$400 000) was received to fund the payroll tax expenses of the Natural Resources Management Boards for 2005-06.

**(h) Natural Heritage Trust and Natural Heritage Trust Extension**

The Natural Heritage Trust 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 South Australian 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.

During the reporting period the following Commonwealth grants were received:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Natural Heritage Trust Extension Program	<b>18 774</b>	16 573
Natural Heritage Trust National Landcare Program	<b>3 688</b>	3 737
Natural Heritage Trust Refunds	<b>479</b>	823
Natural Heritage Trust National Landcare Program Refunds	<b>4</b>	-
	<b>22 945</b>	21 133

During the reporting period the following grants were paid:

Natural Heritage Trust Extension Program	<b>18 818</b>	16 687
Natural Heritage Trust National Landcare Program	<b>4 090</b>	3 298
Refunds	<b>2 081</b>	2 429
Natural Heritage Trust	<b>-</b>	30
	<b>24 989</b>	22 444

**(i) National Action Plan for Salinity and Water Quality**

The National Action Plan is a bilateral agreement between the Commonwealth and South Australian 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 South Australian Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

During the reporting period appropriations of \$18 072 000 (\$14 667 000) were received from the SA Government and the following grants were received:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
AFFA - National Action Plan Investment Strategy	<b>10 808</b>	9 543
AFFA - National Action Plan Priority Rounds 1 and 2	<b>3 045</b>	193
Refunds	<b>331</b>	328
	<b>14 184</b>	10 064

During the reporting period the following grants were paid:

AFFA - National Action Plan Priority Rounds 1 and 2	<b>10 278</b>	11 616
AFFA - National Action Plan Investment Strategy	<b>16 866</b>	14 191
Refunds	<b>329</b>	-
	<b>27 473</b>	25 807

**(j) 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, Natural Resources Management Boards, local Government and other South Australian Government Departments together with the management of associated projects. Funds are disbursed subject to the National Action Plan and Natural Heritage Trust bilateral processes.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
During the reporting period the following grants were received:		
Natural Heritage Trust Extension Program	<b>402</b>	1 158
National Action Plan Investment Strategy	<b>369</b>	2 018
National Action Plan Priority Rounds 1 and 2	<b>665</b>	320
Natural Heritage Trust Investment Strategy	<b>923</b>	2 040
	<b>2 359</b>	5 536

During the reporting period the following grants were paid:

Natural Heritage Trust Extension Program	<b>591</b>	732
National Action Plan Priority Rounds 1 and 2	-	229
National Action Plan Investment Strategy	<b>881</b>	1 587
Natural Heritage Trust Investment Strategy	<b>1 040</b>	2 302
Natural Heritage Trust	-	104
	<b>2 512</b>	4 954

**(k) 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 National Action Plan (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 \$2 128 000 (\$265 000) from the National Action Plan Priority Rounds 1 and 2 and disbursed \$2 179 000 (\$861 000) of these funds as grants and subsidies.

**(l) Soil Conservation and Landcare**

The Soil Conservation and Land Care Fund (the Fund) was established under the *Soil Conservation and Land Care Act 1989*. Industry and SA Government funding was used by the Soil Conservation Council to provide for the conservation and rehabilitation of land in South Australia. The *Soil Conservation and Land Care Act 1989* was repealed on 1 July 2005. During the reporting period, cash balances in the Fund were transferred to the Natural Resources Management Fund pursuant to the *Natural Resources Management Act 2004*.

**(m) River Murray Minister**

Reflects the Minister's salary and on-costs which are reimbursed through the Department of Treasury and Finance.

**(n) Regional NRM Board Funds**

The Regional NRM Board Funds were established in 2004-05 to facilitate payments on behalf of the NRM Boards during their establishment. The use of these funds continued in 2005-06 as clearing accounts with the Boards being invoiced for the expenditure made on behalf of the Boards.

**(o) Natural Resources Management Fund**

The Natural Resources Management Fund was established under the *Natural Resources Management Act 2004* (the Act). The NRM Fund consists of among other things, SA Government funding and the receipt of prescribed fees. The Minister may apply the Fund towards payments to regional NRM Boards and grants or subsidies for the purposes of the Act. Pursuant to the Act, the cash balances of the following funds were transferred to the NRM Fund during 2005-06.

- Animal and Plant Control Commission Fund
- Dingo Control Fund
- Soil Conservation and Land Care Fund
- Water Resources Levy Fund

The total of cash balances transferred was \$273 000. With the repeal of their establishing legislation, the Animal and Plant Control Commission Fund, the Dingo Control Fund and the Soil Conservation and Land Care Fund were abolished during 2005-06.

**(p) Changes to Administered Items**

The changes to the Department's administered items for 2005-06 include the establishment of the Regional NRM Board Funds, and the Natural Resources Management Fund. Cash balance in the Soil Conservation and Landcare Fund were transferred to the Natural Resources Management Fund during 2005-06.

<b>A3. Administered Cash Flow Reconciliation - Cash at 30 June as per:</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Natural Resources Management Board levies	<b>195</b>	198
Qualco Sunlands	<b>60</b>	11
Penalty charges	<b>8</b>	(23)
Remittance to South Eastern Water Conversation and Drainage Board	<b>(107)</b>	(118)
Pastoral Board	<b>27</b>	18
Land Technology Alliances	<b>2</b>	(104)
Natural Resources Management Boards payroll tax	<b>328</b>	203
Natural Heritage Trust Grants	<b>8 633</b>	8 594
National Action Plan for Salinity and Water Quality	<b>32 513</b>	25 993
Mount Lofty Ranges Catchment support	<b>363</b>	1 457
Centre for Natural Resource Management	<b>179</b>	230
Soil Conversation and Landcare	<b>-</b>	28
River Murray Minister	<b>(19)</b>	(213)
Regional NRM Board Funds	<b>(65)</b>	-
Natural Resources Management Fund	<b>175</b>	-
Statement of Administered Assets and Liabilities	<b>42 292</b>	36 274
Statement of Administered Cash Flows	<b>42 292</b>	36 274
Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating Surplus (Deficit):		
Net cash Inflows (Outflows) from operating activities	<b>6 046</b>	(4 778)
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	<b>1 196</b>	(852)
(Decrease) Increase in other assets	<b>(1)</b>	40
(Increase) Decrease in payables	<b>(2 365)</b>	3 119
(Increase) in employee benefits	<b>(9)</b>	(5)
<b>Operating Surplus (Deficit)</b>	<b>4 867</b>	(2 476)

**APPENDIX TO**  
**AUDITOR-GENERAL'S**  
**ANNUAL REPORT**  


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**TREASURER'S**  
**FINANCIAL STATEMENTS**

**(Pursuant to section 22 of the Public Finance and Audit Act 1987)**

**2005-06**

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**STATEMENT A**

SUMMARY OF THE CONSOLIDATED  
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget \$	Actual \$
<b>RECEIPTS</b>		
Taxation	2 661 870 000	2 782 948 003
Commonwealth General Purpose Grants	3 510 800 000	3 505 957 114
Commonwealth Specific Purpose Grants	73 453 000	74 793 485
Contributions from State Undertakings	586 871 000	594 072 975
Fees and Charges	133 493 000	231 756 872
Recoveries	88 986 000	113 225 714
Royalties	94 000 000	121 893 191
Other Receipts	296 218 000	270 148 856
<b>Total Receipts</b>	<b>7 445 691 000</b>	<b>7 694 796 210</b>
<b>PAYMENTS</b>		
Appropriation Act	7 420 370 000	7 553 518 120
Specific Appropriation Authorised in Various Acts	109 581 000	117 723 235
<b>Total Payments</b>	<b>7 529 951 000</b>	<b>7 671 241 355</b>
<b>CONSOLIDATED ACCOUNT FINANCING REQUIREMENT (SURPLUS)</b>	<b>84 260 000</b>	<b>(23 554 855)</b>

The surplus for 2005-06 has been applied, pursuant to section 16(4) (a) of the *Public Finance and Audit Act 1987*, to reduce 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 2006  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget 2005-06	Actual 2005-06
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	932 600 000	959 680 998
Commonwealth Places Mirror Payroll Tax <sup>(a)</sup>	16 300 000	16 788 547
Stamp Duties	997 530 000	1 124 019 659
Commonwealth Places Mirror Stamp Duties <sup>(a)</sup>	1 000 000	651 881
Land Tax	272 400 000	251 706 113
Commonwealth Places Mirror Land Tax <sup>(a)</sup>	1 300 000	754 385
Debits Tax	5 100 000	5 551 926
Commonwealth Places Mirror Debits Tax <sup>(a)</sup>	—	38 578
Other Taxes on Property	10 000	64 161
River Murray Levy	19 700 000	20 142 888
Gaming Machines Tax	307 400 000	293 156 834
Contribution from Lotteries Commission of South Australia	78 324 000	76 453 663
Contribution from Casino Operations	18 200 000	22 905 243
Contribution from South Australian Totalizator Agency Board	8 900 000	9 100 673
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	2 906 000	1 932 454
Recoup from Recreation and Sport Fund	200 000	—
Total Taxation Receipts	<u>2 661 870 000</u>	<u>2 782 948 003</u>
COMMONWEALTH GENERAL PURPOSE GRANTS		
Competition Grants	50 300 000	51 349 523
GST Revenue Grants	3 460 500 000	3 454 607 591
Total Commonwealth General Purpose Payments	<u>3 510 800 000</u>	<u>3 505 957 114</u>
COMMONWEALTH SPECIFIC PURPOSE GRANTS <sup>(b)</sup>		
Companies Code - Fees	12 264 000	12 264 283
Concessions to Pensioners and Others	19 519 000	19 538 000
Debt Redemption Assistance	29 848 000	29 849 662
Legal Aid	11 349 000	13 141 540
Native Title Legislation – Administration	473 000	—
Total Commonwealth Specific Purpose Payments	<u>73 453 000</u>	<u>74 793 485</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 retained by the State.

(b) Refers only to those Commonwealth Specific Purpose Grants paid to the Consolidated Account and not those paid directly to agencies.

**STATEMENT A**  
**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS**  
**TO THE CONSOLIDATED ACCOUNT, 2005-06 - *continued***

	Budget 2005-06	Actual 2005-06
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Department for Administrative and Information Services <sup>(c)</sup> —		
Dividend	100 552 000	16 514 416
Income Tax Equivalent	3 562 000	1 824 897
Local Government Rate Equivalent	623 000	493 932
Department of Trade and Economic Development —		
Dividend	1 196 000	—
Forestry SA—		
Dividend	20 181 000	34 664 780
Income Tax Equivalent	13 573 000	15 521 127
Local Government Rate Equivalent	1 000	—
Funds SA—		
Local Government Rate Equivalent	170 000	142 291
HomeStart Finance—		
Income Tax Equivalent	1 007 000	2 011 870
Land Management Corporation—		
Dividend	14 180 000	35 686 000
Income Tax Equivalent	2 645 000	5 584 000
Local Government Rate Equivalent	110 000	114 097
Lotteries Commission—		
Income Tax Equivalent	7 687 000	7 760 587
Local Government Rate Equivalent	12 000	—
Police Security Services—		
Income Tax Equivalent	112 000	164 864
Public Trustee Office—		
Dividend	769 000	1 194 700
Income Tax Equivalent	474 000	1 409 698
Local Government Rate Equivalent	28 000	24 700
SA Water Corporation—		
Dividend	201 357 000	217 455 000
Income Tax Equivalent	79 929 000	95 398 762
Local Government Rate Equivalent	1 930 000	—
South Australian Asset Management Corporation—		
Dividend	6 000 000	6 000 000
South Australian Government Captive Insurance Corporation—		
Income Tax Equivalent	1 552 000	3 916 094
South Australian Government Employee Residential Properties—		
Dividend	1 156 000	1 156 000
Income Tax Equivalent	493 000	256 782
South Australian Government Financing Authority—		
Dividend	89 000 000	87 553 313
Income Tax Equivalent	14 000 000	15 446 687
South Australian Housing Trust—		
Income Tax Equivalent	15 015 000	7 510 822

(c) Land services fees previously paid to Consolidated Account as a dividend by the Department for Administrative and Information Services now appear under Fees and Charges.



**STATEMENT A**  
**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS**  
**TO THE CONSOLIDATED ACCOUNT, 2005-06 - *continued***

	Budget 2005-06	Actual 2005-06
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS - <i>continued</i>		
TransAdelaide—		
Dividend	4 063 000	34 757 000
Income Tax Equivalent	1 262 000	—
Local Government Rate Equivalent	83 000	77 298
Department for Transport, Energy and Infrastructure—		
Dividend	3 688 000	987 095
Local Government Rate Equivalent	82 000	—
West Beach Trust—		
Income Tax Equivalent	379 000	446 163
Total Contributions from State Undertakings	<u>586 871 000</u>	<u>594 072 975</u>
FEES AND CHARGES <sup>(d)</sup>		
Auditor-General's Department - Fees for audit and other sundry receipts	8 963 000	9 084 886
Court and Probate fees	17 720 000	18 628 230
Court fines	9 070 000	15 047 316
Guarantee fees	16 278 000	19 623 044
Infringement Notice Schemes - Expiation fees	80 411 000	55 902 471
Land Services <sup>(e)</sup>	—	113 053 703
Natural Resources Management penalties	1 025 000	408 850
Sundry fees	26 000	8 372
Total Fees and Charges	<u>133 493 000</u>	<u>231 756 872</u>
RECOVERIES		
Child Abuse Protection Program	200 000	200 000
Contribution to the cost of private plated vehicles	10 000	756
Environmental Enhancement Levy	3 663 000	—
Essential Services Commission of SA	4 977 000	5 048 500
Helicopter service - Recovery of costs and sponsorships	1 757 000	2 031 428
Independent Gaming Corporation contribution to Gamblers' Rehabilitation Fund	1 500 000	1 500 000
Legislature - Sale of publications	564 000	6 599
Light motor vehicle fleet - Rental payments recovery	4 300 000	341 363
National Tax Equivalent Program	12 000	—
Proceeds from sale of residual CBA Lease Vehicles	—	11 108 078
Qualco-Sunlands Groundwater	250 000	229 047
Return of cash to Consolidated Account – Cash Alignment Policy	68 685 000	41 912 000

(d) Refers only to those fees and charges paid to the Consolidated Account.

(e) Land services fees paid to Consolidated Account were previously shown as a dividend from the Department for Administrative and Information Services.

**STATEMENT A**  
**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS**  
**TO THE CONSOLIDATED ACCOUNT, 2005-06 - continued**

	Budget 2005-06	Actual 2005-06
RECEIPTS - <i>continued</i>	\$	\$
RECOVERIES - <i>continued</i>		
Return of deposit account balances	—	14 003 548
Return of deposit account balances - Superannuation	—	34 000 000
Sale of evidence/transcripts	1 235 000	941 264
Sale of Government Gazette	150 000	—
Sundry recoupment	121 000	182 459
Unclaimed monies	1 562 000	1 720 672
Total Recoveries	<u>88 986 000</u>	<u>113 225 714</u>
ROYALTIES		
Department of Primary Industries and Resources	94 000 000	121 893 191
Total Royalties	<u>94 000 000</u>	<u>121 893 191</u>
OTHER RECEIPTS		
Interest on investments	78 597 000	80 527 646
Interest recoveries from general government entities	15 708 000	11 082 116
Interest recoveries from public non-financial corporations	46 883 000	43 213 767
Interest recoveries from universities	1 414 000	1 414 000
Interest recoveries private sector	82 000	407 075
Repayment of advances—		
Adelaide Festival Centre Trust	926 000	—
Administered Items for the Department for Transport, Energy and Infrastructure	151 000	151 289
Department for Transport, Energy and Infrastructure	—	1 319 241
Department of Health	551 000	566 480
Department of Primary Industries and Resources	1 017 000	200 353
Land Management Corporation	79 000	73 134
Lotteries Commission of South Australia	1 637 000	1 637 110
Medical Board of South Australia	12 000	12 153
Minister for Education and Children's Services	1 500 000	2 500 000
Renmark Irrigation Trust	91 000	90 522
SA Country Arts Trust	20 000	20 000
South Australian Government Employee Residential Properties	1 193 000	—
South Australian Housing Trust	18 558 000	18 559 546
South Australian Tourism Commission	147 000	147 767
TransAdelaide	5 381 000	6 165 350
University of South Australia	15 000 000	15 000 000
West Beach Trust	80 000	—
Other	4 000	—

**STATEMENT A**  
**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS**  
**TO THE CONSOLIDATED ACCOUNT, 2005-06 - continued**

	Budget 2005-06	Actual 2005-06
RECEIPTS - <i>continued</i>	\$	\$
OTHER RECEIPTS - <i>continued</i>		
Repayment of equity capital contributions—		
Department for Administrative and Information Services	9 545 000	—
Department of Health	16 963 000	—
SA Water Corporation	74 340 000	74 340 000
South Australia Police	—	6 256 000
Other—		
Other recoveries	382 000	420 800
Sale of land and buildings	5 957 000	6 044 509
Total Other Receipts	<u>296 218 000</u>	<u>270 148 856</u>
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	<u><u>7 445 691 000</u></u>	<u><u>7 694 796 210</u></u>

**STATEMENT A – continued**

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA  
FOR THE YEAR ENDED 30 JUNE 2006  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget 2005-06	Actual 2005-06
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
<b>SALARIES AND ALLOWANCES</b>		
Agent-General - <i>Pursuant to Agent-General Act 1901</i>	289 000	278 357
Auditor-General - <i>Pursuant to Public Finance and Audit Act 1987</i>	228 000	234 098
Commissioner of Police - <i>Pursuant to Police Act 1988</i>	241 000	319 135
Electoral Commissioner and Deputy Electoral Commissioner - <i>Pursuant to Electoral Act 1985</i>	412 000	251 013
Employee Ombudsman - <i>Pursuant to the Industrial and Employee Relations Act 1994</i>	94 000	69 007
Governor - <i>Pursuant to Constitution Act 1934</i>	212 000	228 926
Judges - <i>Pursuant to Remuneration Act 1990</i> —		
Chief Justice	483 000	509 923
Judges	15 903 000	15 819 629
Magistrates - <i>Pursuant to Remuneration Act 1990</i>	10 528 000	10 723 580
Members of various Standing Committees - <i>Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991</i>	558 000	567 881
Ombudsman - <i>Pursuant to Ombudsman Act 1972</i>	215 000	235 993
Parliamentary Salaries and Electorate and Expense Allowances—Ministers, Officers and Members of Parliament - <i>Pursuant to Parliamentary Remuneration Act 1990</i>	10 785 000	10 994 101
Senior Judge and Judges of the Industrial Relations Commission - <i>Pursuant to Remuneration Act 1990</i>	1 466 000	2 062 114
Solicitor-General - <i>Pursuant to Solicitor-General Act 1972</i>	254 000	410 950
Valuer-General - <i>Pursuant to Valuation of Land Act 1971</i>	108 000	43 903
Total Salaries and Allowances	<u>41 776 000</u>	<u>42 748 610</u>
<b>OTHER</b>		
Contribution for injuries suffered as a result of the commission of criminal offences – <i>Pursuant to Victims of Crime Act 2001</i>	6 205 000	6 200 000
Electoral Districts Boundaries Commission - <i>Pursuant to Constitution Act 1934</i>	—	75 000
First Home Owners' Grants - <i>Pursuant to First Home Owner Grant Act 2000</i>	61 600 000	68 699 625
Total Other	<u>67 805 000</u>	<u>74 974 625</u>
TOTAL PAYMENTS AUTHORISED BY VARIOUS ACTS	<u>109 581 000</u>	<u>117 723 235</u>

**STATEMENT A – continued**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT, 2005-06 - *continued*

	Budget (Appropriation Act 2005)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2005-06
PAYMENTS	\$	\$	\$	\$
Department of the Premier and Cabinet	63 025 000	(3 674 000)	59 351 000	57 533 000
Administered Items for the Department of the Premier and Cabinet	17 732 000		17 732 000	25 876 000
State Governor's Establishment	2 725 000		2 725 000	2 725 000
Arts SA	95 071 000	218 000	95 289 000	96 226 000
South Australian Tourism Commission	45 314 000		45 314 000	47 596 000
Minister for Tourism	4 634 000		4 634 000	4 634 000
Auditor-General's Department	10 386 000		10 386 000	10 407 000
Administered Items for the Auditor-General's Department	812 000		812 000	459 558
Department of Treasury and Finance	45 050 000		45 050 000	39 400 000
Administered Items for the Department of Treasury and Finance	1 029 798 000	14 223 000	1 044 021 000	1 107 341 323
Independent Gambling Authority	1 386 000		1 386 000	1 386 000
Department of Trade and Economic Development	59 469 000	(10 696 000)	48 773 000	45 536 000
Office of the Venture Capital Board	10 520 000		10 520 000	2 520 000
Department of Primary Industries and Resources	116 141 000		116 141 000	116 577 000
Administered Items for the Department of Primary Industries and Resources	202 287 000		202 287 000	214 117 000
Office of Local Government	2 626 000		2 626 000	3 375 996
Administered Items for the Office of Local Government	1 082 000		1 082 000	1 074 000
Offices for Sustainable Social, Environmental and Economic Development	1 816 000		1 816 000	1 816 000
Planning SA	15 689 000		15 689 000	15 300 000
Administered Items for Planning SA	870 000		870 000	857 517
Attorney-General's Department	68 761 000	(190 000)	68 571 000	68 634 000
Administered Items for Attorney-General's Department	47 046 000		47 046 000	50 849 000
Courts Administration Authority	71 263 000		71 263 000	71 940 000
Department for Correctional Services	134 305 000		134 305 000	133 369 000
South Australia Police	439 438 000		439 438 000	427 046 000
Administered Items for Police and Emergency Services	5 306 000		5 306 000	6 566 000
State Electoral Office	9 843 000		9 843 000	9 972 000
Department of Health	1 475 210 000	190 000	1 475 400 000	1 501 307 525
Administered Items for the Department of Health	46 907 000		46 907 000	42 210 000
Department for Families and Communities	585 245 000		585 245 000	605 087 675
Administered Items for the Department for Families and Communities	134 929 000		134 929 000	119 909 000
Department of Education and Children's Services	1 494 042 000		1 494 042 000	1 505 967 000
Administered Items for the Department of Education and Children's Services	133 773 000		133 773 000	135 803 000
Department of Further Education, Employment, Science and Technology	256 273 000		256 273 000	241 176 000
Department for Environment and Heritage	121 759 000		121 759 000	121 573 000
Administered Items for the Department for Environment and Heritage	3 587 000		3 587 000	3 589 000

**STATEMENT A – continued**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT, 2005-06 – *continued*

	Budget			Actual
	(Appropriation Act 2005)			2005-06
	Initial Section 4(1)	Transfers Section 5	Balance	
PAYMENTS - <i>continued</i>	\$	\$	\$	\$
Department of Water, Land and Biodiversity Conservation	84 859 000		84 859 000	85 089 000
Administered Items for the Department of Water, Land and Biodiversity Conservation	28 719 000		28 719 000	21 891 001
Environment Protection Authority	7 074 000		7 074 000	8 889 000
Department of Transport, Energy and Infrastructure	354 873 000	( 71 000)	354 802 000	394 001 000
Administered Items for the Department of Transport, Energy and Infrastructure	13 767 000		13 767 000	13 730 401
TransAdelaide	2 787 000		2 787 000	2 336 439
Department for Administrative and Information Services	153 425 000		153 425 000	167 046 000
Administered Items for the Department for Administrative and Information Services	2 743 000		2 743 000	2 743 000
House of Assembly	6 604 000		6 604 000	6 344 939
Joint Parliamentary Services	7 332 000		7 332 000	7 684 342
Legislative Council	4 067 000		4 067 000	4 007 404
Total Payments Appropriated for Departments and Ministers	7 420 370 000	—	7 420 370 000	7 553 518 120
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	7 529 951 000	—	7 529 951 000	7 671 241 355

KEVIN FOLEY, Treasurer

**STATEMENT B**

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER  
DURING THE YEAR ENDED 30 JUNE 2006  
(Section 22 (a) (ii) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	2005-06 \$'000	2004-05 \$'000
<b>SOURCE OF FUNDS</b>		
Consolidated Account Receipts —		
Taxation	2 782 948	2 772 895
Commonwealth General Purpose Grants	3 505 957	3 341 773
Commonwealth Specific Purpose Grants	74 793	47 204
Contributions from State Undertakings	594 073	541 111
Fees and Charges	231 757	112 024
Recoveries	113 226	165 142
Royalties	121 893	101 728
Other Receipts	270 149	346 994
<b>Total Receipts</b>	<b>7 694 796</b>	<b>7 428 871</b>
Increase in balance of Special Deposit Accounts	183 715	—
Increase in balance of Deposits lodged with the Treasurer	61 390	—
Decrease in balance of Imprest Accounts	200	—
Decrease in cash at bank	18 017	15 987
Decrease in deposits by the Treasurer with SAFA	—	192 490
Decrease in deposits by the Treasurer with LGFA	300	—
Increase in the value of cheques drawn but not presented	—	8 780
	<b>7 958 418</b>	<b>7 646 128</b>
<b>APPLICATION OF FUNDS</b>		
Consolidated Account Payments	7 671 241	7 051 381
Repayment of borrowings to the South Australian Government Financing Authority <sup>(a)</sup>	23 555	377 490
Increase in deposits by the Treasurer with SAFA	251 445	—
Increase in deposits by the Treasurer with LGFA	—	1 400
Decrease in balance of Special Deposit Accounts	—	138 594
Decrease in balance of Deposits lodged with the Treasurer	—	77 263
Decrease in the value of cheques drawn but not presented	12 177	—
	<b>7 958 418</b>	<b>7 646 128</b>

(a) As reported in Statement A and Statement J, the surplus on Consolidated Account for 2005-06 was used to repay the Treasurer's borrowings from the South Australian Government Financing Authority.

KEVIN FOLEY, Treasurer

**STATEMENT C**

FUNDS OF THE TREASURER AS AT 30 JUNE 2006  
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

	2005-06 \$'000	2004-05 \$'000
<b>BALANCE OF FUNDS</b>		
CONSOLIDATED ACCOUNT - See Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES - See Statement F	1,262,133	1,078,418
DEPOSITS LODGED WITH THE TREASURER - See Statement G	462,311	400,922
CHEQUES DRAWN BUT NOT PRESENTED	48,817	60,994
	<u>1,773,261</u>	<u>1,540,334</u>
<b>REPRESENTED BY</b>		
CASH AT BANK	188,146	206,164
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY - See Statement J	1,541,667	1,290,222
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA - See Statement E	42,100	42,400
DEPARTMENTAL IMPREST ACCOUNTS - See Statement H	1,348	1,548
	<u>1,773,261</u>	<u>1,540,334</u>

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KEVIN FOLEY, Treasurer



**STATEMENT D**

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES  
FOR THE YEAR ENDED 30 JUNE 2006 <sup>(a)</sup>  
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

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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	78 181	—	78 181	
State Governor's Establishment	2 725	—	2 725	
Arts SA	96 226	—	96 226	
South Australian Tourism Commission	47 596	—	47 596	
Minister for Tourism	4 634	—	4 634	
Auditor-General's Department	10 867	9 085	1 782	
Department of Treasury and Finance	1 127 515	909 975	217 540	
Independent Gambling Authority	1 386	—	1 386	
Department of Trade and Economic	45 536	—	45 536	
Office of the Venture Capital Board	2 520	—	2 520	
Department of Primary Industries and Resources	352 760	—	352 760	
Attorney-General's Department	119 483	25 617	93 866	
Courts Administration Authority	68 800	39 985	28 815	
Department for Correctional Services	133 369	—	133 369	
South Australia Police Department	433 612	52 457	381 155	
State Electoral Office	9 972	52	9 920	
Department of Health	1 485 487	—	1 485 487	
Department for Families and Communities	714 234	—	714 234	
Department of Education and Children's Services	1 641 770	—	1 641 770	
Department of Further Education, Employment, Science & Technology	241 176	—	241 176	
Department for Environment and Heritage	125 162	6 045	119 117	
Department of Water, Land and Biodiversity Conservation	105 923	638	105 285	
Environmental Protection Authority	8 889	—	8 889	
Department of Transport, Energy and Infrastructure	390 068	45	390 023	
Department for Administrative and Information Services	161 789	113 054	48 735	
Legislature	18 037	6	18 031	
Payments authorised under various acts	117 723	—	117 723	
<b>Total</b>	<b>7 545 440</b>	<b>1 156 959</b>	<b>6 388 481</b>	

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES

6 388 481

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**STATEMENT D - continued**

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES  
FOR THE YEAR ENDED 30 JUNE 2006 <sup>(a)</sup>  
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

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RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST —

	\$'000	\$'000	\$'000
State Taxation—			
Payroll Tax	959 681		
Stamp Duties	1 124 020		
Land Tax	251 706		
Debits Tax	5 552		
Commonwealth Places Mirror Tax	18 233		
River Murray Levy	20 143		
Other Taxes on Property	64		
Gaming Machines Tax	293 157		
Contribution from Lotteries Commission	76 454		
Contribution from Casino Operations	22 905		
Contribution from Totalizator Agency Board	9 101		
Contribution from On-course Totalizators,	1 932		
Total Receipts from State Taxation		2 782 948	
Commonwealth Government General Purpose Grants		3 505 957	
Royalties		121 893	
Total Direct Receipts			6 410 798
LEAVING A SURPLUS ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			22 317
THIS WAS INCREASED BY THE NET OF—			
Payments for investing activities		(107 775)	
Payments for financing activities		(18 026)	
Receipts from investing activities		127 039	
RESULTING IN A CONSOLIDATED ACCOUNT SURPLUS FOR THE YEAR OF			1 238
			23 555

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(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.

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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 2006  
(Section 22 (a) (iv) Public Finance and Audit Act 1987)

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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 2006 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$42.1 million.

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KEVIN FOLEY, Treasurer

**STATEMENT F**

SPECIAL DEPOSIT ACCOUNTS – BALANCES AT 30 JUNE 2006  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
<b>Interest bearing—</b>	
Accrual Appropriation Excess Funds	385 084 715
Adelaide Convention Centre Future Asset Replacement Account	9 148 333
Adelaide Convention Centre Operating Account	10 168 988
Administrative and Information Services Operating Account	58 091 962
Attorney-General's Operating Account	8 982 750
Auditor-General's Operating Account	1 987 416
AusLink Sturt Highway Advance Account	100 000 000
Citrus Growers Fund	8 027
Community Emergency Services Fund	9 027 154
Community Road Safety Fund	462 290
Correctional Services Operating Account	2 345 825
Country Equalisation Scheme	12 192 638
Dog Fence Fund	116 925
Education and Children's Services Operating Account	44 990 225
Electoral Office Operating Account	743 609
Electricity Sale/Lease Proceeds Account	—
Emergency Services Administrative Unit Operating Account	—
Environment and Heritage Operating Account	14 632 950
Environment Protection Authority Operating Account	2 978 030
Families and Communities Operating Account	23 466 000
Fleet SA Operating Account	—
Forestry SA – Insurance Reserve Account	—
Further Education, Employment, Science and Technology Operating Account	9 779 922
Gamblers Rehabilitation Fund	2 724 024
Governors' Pensions Account	8 049
Health Operating Account	64 331 027
HIH Builders' Indemnity Assistance Account	1 387 866
Home Purchase Assistance Account	—
HomeStart Finance Account	(191 566)
Housing Loans Redemption Fund	7 374 616
Judges' Pensions Account	23 015
Local Government Disaster Fund	26 150
Natural Disaster Relief Fund	—
Office of Public Employment Operating Account	(154 446)
Office of the Venture Capital Board Operating Account	2 789 638
Office of Venue Management Operating Account	—
Ombudsman's Office Operating Account	—
Parliamentary Superannuation Scheme Account	27 890
Playford Centre Operating Account	1 788 831
Police Complaints Authority	—
Police Operating Account	15 112 821
Police Superannuation Scheme Contribution Account	132 096
Port Adelaide Maritime Corporation	668 670
Premier and Cabinet Operating Account	15 179 531
Primary Industries and Resources Operating Account	7 259 851
Primary Industries (Log Rebate Funding) Operating Account	—

**STATEMENT F**

SPECIAL DEPOSIT ACCOUNTS – BALANCES AT 30 JUNE 2006  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Interest bearing— continued</b>	
Public Trustee Office Operating Account	3 831 266
Rural Finance Account	28 075 707
Rural Industry Adjustment and Development Fund	17 021 574
School Loans Scheme	872 237
South Australian Aboriginal Heritage Fund	898 328
South Australian Ambulance Superannuation Scheme	1 172 706
South Australian Government Insurance and Risk Management Fund	27 576 313
South Australian Local Government Grants Commission Account	3 968 261
South Australian Superannuation Fund Account	4 404 458
Southern State Superannuation Fund Account	12 509 654
State Governor's Establishment Operating Account	379 427
TAB Sale – Proceeds	—
Trade and Economic Development Operating Account	4 526 406
Transport, Energy and Infrastructure Operating Account	24 391 374
Treasury and Finance Operating Account	7 842 354
Victims of Crime Fund	17 608 647
Water, Land and Biodiversity Conservation Operating Account	534 352
 Sub-Total	 <u>968 308 886</u>
<b>Non-interest bearing—</b>	
Administrative and Information Services Administered Items Account	295 447
Attorney-General's Administered Items Account	7 077 752
Auditor-General's Administered Items Account	318 009
Charitable and Social Welfare Fund	1 915 641
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Community Development Fund	—
Dingo Control Fund	—
Education and Children's Services Administered Items Account	(1 242 558)
Egg Industry Deregulation Account	464 709
Environment and Heritage Administered Items Account	—
Essential Services Commission of SA	4 312 009
Families and Communities Administered Items Account	16 475 169
Firearms Acquisition/Compensation Account	—
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	—
Government Workers Rehabilitation and Compensation Fund	(487 462)
Health Administered Items Account	—
Highways Fund	166 770 483
Hospitals Fund	—
Industry Development Fund	—
Industry Financial Assistance Account	11 690 294
Local Government Concessions - Seniors Cardholders	2 117 671
Local Government Disaster Fund	42 100 000
Motor Vehicles - Clearing Account	2 740 787
Office for Government Enterprises Asset Sales Operating Account	—

**STATEMENT F**

SPECIAL DEPOSIT ACCOUNTS – BALANCES AT 30 JUNE 2006  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Non-interest bearing—continued</b>	
Planning SA Administered Items Account	9 537
Police and Emergency Services Administered Items Account	235 865
Premier and Cabinet Administered Items Account	8 668 286
Primary Industries and Resources Administered Items Account	—
Sale of Government Land and Property	10 056 610
Save the River Murray Fund	7 200 454
Save the River Murray Voluntary Contributions Fund	4 415
South Australian Electricity Supply Industry Planning Council Operating Account	1 217 695
Sport and Recreation Fund	2 371 407
Surplus Cash Working Account	—
Targeted/Voluntary Separation Package Scheme	4 656
Transport, Energy and Infrastructure Administered Items Account	4 991 362
Treasurer's Interest in the National Wine Centre	901 087
Treasury and Finance Administered Items Account	—
Treasury – Working Account	296 330
Water, Land and Biodiversity Conservation Administered Items Account	3 318 456
Sub-Total	<u>293 824 111</u>
TOTAL SPECIAL DEPOSIT ACCOUNTS	<u><u>1 262 132 997</u></u>

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KEVIN FOLEY, Treasurer

**STATEMENT F (1)**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006  
(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.
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.
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 Sturt Highway Advance Account	To record all activities associated with the advance funding provided by the Commonwealth for the Sturt Highway Upgrade Project.
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>

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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.
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.
Dingo Control Fund	To record rates paid by landholders inside and outside the State's dog fence and to provide payments for the destruction of dingoes and any other purpose relating to the control of dingoes.
Dog Fence Fund	To record receipts and disbursements relating to the operation of the Dog Fence Board.
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.
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.



**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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.
Emergency Services Administrative Unit Operating Account	To record all of the activities of the Emergency Services Administrative Unit (including those formerly carried on by the Country Fire Service, SA Metropolitan Fire Service and State Emergency Service SA) including operating, investing and financing activities, transfer and receipt of funds from/to other special deposit accounts, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
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.
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.
Firearms Acquisition/Compensation Account	To record receipts and disbursements relating to the purchase of firearms from members of the public.
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	To record receipts and disbursements relating to the operation of firearms and disposal.
Fleet SA Operating Account	To record all of the activities of Fleet SA as manager of the State's vehicle fleet including (without limitation): recurrent and capital expenditure; revenues and receipts from activities; making and receiving of funds in respect of investments, borrowing and interest rate hedging activities with South Australian Government Financing Authority; making and receiving of funds to and from agencies and related to vehicle leases; making and receiving of funds to and from the Department of Administrative and Information Services; and making and receiving of funds to and from Consolidated Account.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Forestry SA – Insurance Reserve Account	To record receipts and payments associated with the self-insurance of Forestry SA's growing timber assets.
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 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.
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.
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.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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 Development Fund	For the purpose of recording payments and receipts associated with providing industry development packages.
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.
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.
Motor Vehicles - Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
Natural Disaster Relief Fund	To facilitate the administration of natural disaster relief particularly by way of loans to farmers.
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.
Office for Government Enterprises Asset Sales Operating Account	To record all of the financial transactions of the Office for Government Enterprises Asset Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from the various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government's indebtedness to SAFA or for other approved purposes.
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.
Office of Venue Management Operating Account	To record all the activities of the Office of Venue Management including recurrent and capital expenditures, revenue from various activities, injections of funds provided from Consolidated Account and borrowings.
Ombudsman's Office Operating Account	To record all the activities of the Ombudsman's Office including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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 Complaints Authority	To record costs incurred while investigating complaints against the Police.
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.
Port Adelaide Maritime Corporation	To record all of the activities of the Port Adelaide Maritime Corporation including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
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.
Primary Industries (Log Rebate Funding) Operating Account	To record the receipt and the disbursement of rebates as per the agreement for the sale of Forwood Products and Mount Burr Mill.
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.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Rural Finance Account	<p>To provide for the administration of separate funds covering -</p> <ul style="list-style-type: none"> <li>· the agreement between the Commonwealth and the States relating to:               <ul style="list-style-type: none"> <li>- rural reconstruction entered into on 4 June 1971</li> <li>- rural assistance entered into on 1 January 1977</li> <li>- rural assistance entered into on 1 July 1985</li> <li>- rural assistance entered into on 1 January 1989</li> <li>- rural assistance entered into on 1 January 1993</li> <li>- Marginal Dairy Farms and Dairy Adjustment;</li> </ul> </li> <li>· loans under the Commercial Rural Loans Scheme;</li> <li>· loans made to producer Co-operatives and borrowings required to fund the scheme;</li> </ul> <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> .
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.
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 Government Insurance and Risk Management Fund	To record receipts and payments associated with the operation of the Government's insurance and risk management program.
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.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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 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.
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.
TAB Sale – Proceeds	To apply proceeds of the sale in accordance with Section 14 of the <i>TAB (Disposal) Act 2000</i> and to account for the net proceeds.
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.
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 all the activities of the Department (including Transport Services, Transport Planning, Office of Public Transport, Planning SA and the Offices for Sustainable Social, Environmental and Economic Development) including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings
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 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.

**STATEMENT F (1) - continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2006 - *continued*  
 (Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
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.

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KEVIN FOLEY, Treasurer

**STATEMENT F (2)**

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2006  
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

Account	Purpose
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.
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.
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.
AusLink Sturt Highway Advance Account	To record all activities associated with the advance funding provided by the Commonwealth for the Sturt Highway Upgrade Project.
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> .
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.
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.
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.
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.
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.
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.
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.
Port Adelaide Maritime Corporation	To record all of the activities of the Port Adelaide Maritime Corporation including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
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.



**STATEMENT F (2) - continued**

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2006  
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

Account	Purpose
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.
South Australian Ambulance Superannuation Scheme	To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme.
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.
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.
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.

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KEVIN FOLEY, Treasurer

**STATEMENT G****DEPOSITS LODGED WITH THE TREASURER – BALANCES AT 30 JUNE 2006**

(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
	\$
<b>Interest bearing—</b>	
Adelaide and Mt Lofty Ranges Natural Resources Management Board	10 542 751
Adelaide Festival Centre Trust	8 658 292
Adelaide Hills Wine Industry Fund	69 914
Agents Indemnity Fund	3 853 217
Alinytjara Wilurara Natural Resources Management Board	1 291 629
Aquaculture Resource Management Fund	599 071
Arid Areas Catchment Water Management Board	—
Art Gallery Board Bequests Account	2 674 674
Bio-Innovation SA	1 022 632
Boating Administration - Working Account	2 820 629
Botanic Gardens Board Endowment and Commercial Fund	1 946 461
Carrick Hill Trust	123 193
Cattle Compensation Fund	2 107 642
Cooperative Research Centre for Sustainable Aquaculture of Finfish	1 284 400
Courts Administration Authority	10 036 783
Crown Solicitor's Trust Account	6 772 052
Daniel Livingston Scholarship	28 599
Deer Keepers' Compensation Fund	122 444
Distribution Lessor Corporation Account	19 528
District Court Suitors' Fund	761 368
Dog and Cat Management Fund	363 863
Education Department - Scholarships and Prizes	133 082
Employment and Technical and Further Education – College Council Funds	1 588 114
Environment Protection Fund	1 332 985
Eyre Peninsula Catchment Water Management Board	—
Eyre Peninsula Natural Resources Management Board	2 651 814
Generation Lessor Corporation Account	23 254
Grains Industry Levy Fund	438 512
Gulf St Vincent Prawn Fishery Voluntary Contributions	23 231
History Trust of South Australia	1 593 423
Independent Gambling Authority	1 240 165
Institute of Medical and Veterinary Science	6 627 046
Land Management Corporation	19 390 152
Land Technologies Alliance Fund	2 263
Langhorne Creek Wine Industry Fund	72 780
Legal Practitioners Act	251 480
Libraries Board of South Australia	2 941 043
Local Government Taxation Equivalents Fund	782 489
Lower Murray Reclaimed Irrigation Areas Operating Account	255 386
Marine Scalefish Industry Fund	9 615
McLaren Vale Wine Industry Fund	92 483
Motor Accident Commission Account	1 440 196
Museum Board – Bequests Account	3 701 660
National Action Plan for Salinity and Water Quality	32 512 977

**STATEMENT G - continued**

## DEPOSITS LODGED WITH THE TREASURER – BALANCES AT 30 JUNE 2006

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Interest bearing—continued</b>	
National Parks General Reserves Account	1 830 345
National Sirex Fund	239 790
Native Vegetation Fund	1 411 088
Natural Heritage Trust Extension (NHT2)	6 293 587
Natural Resources Management Fund	174 748
Northern Adelaide and Barossa Catchment Water Management Board	—
Office of Catchment Water Management Boards'	—
Onkaparinga Catchment Water Management Board	—
Outback Areas Community Development Fund	334 953
Passenger Transport Research and Development Fund	260 788
Phylloxera and Grape Industry Fund	621 700
Planning and Development Fund	11 451 109
Pleuro Pneumonia Fund	78 755
Police Superannuation Fund	329 700
Rail Transport Facilitation Fund	38 715 840
Real Property Act Assurance Fund	5 598 084
Real Property Act Trust Account	48 938
Recreational Boating Facilities Fund	2 952 169
RESI Corporation Account	190 916
Residential Tenancies Fund	6 928 406
Retail Shop Leases Fund	552 472
Returned and Services League of Australia - Poppy Day Trust Inc - Enfield Project Account	410 156
Returned and Services League of Australia (South Australian Branch) Incorporated	497 549
River Murray Catchment Water Management Board	—
Riverland Wine Industry Fund	138 587
SA BITS Funds Pty Ltd – Playford Centre Capital	4 403 086
SAFECOM Operating Account	6 327 845
Second-Hand Vehicles Compensation Fund	930 963
Soil Conservation and Land Care Fund	—
South Australian Aboriginal Housing Authority	17 522 679
South Australian Apiary Industry Fund	191 508
South Australian Arid Lands Natural Resources Management Board	1 301 949
South Australian Centre for Trauma and Injury Recovery	331 371
South Australian Community Housing Development Fund	4 436 555
South Australian Country Arts Trust	1 555 198
South Australian Film Corporation Investors Returns Account	469 890
South Australian Forestry Corporation	28 294 850
South Australian Government Financing Authority	49 913 704
South Australian Housing Trust	29 418 163
South Australian Infrastructure Corporation	295 833
South Australian Metropolitan Fire Service	22 076 586
South Australian Murray Darling Basin Natural Resources Management Board	10 067 693
South Australian Pig Industry Fund	1 921 011
South Australian Sheep Industry Fund	2 917 598
South Australian Timber Corporation	1 650 523
South Australian Tourism Commission	4 896 289
South East Catchment Water Management Board	—

**STATEMENT G - continued**

## DEPOSITS LODGED WITH THE TREASURER – BALANCES AT 30 JUNE 2006

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Interest bearing—continued</b>	
South East Natural Resources Management Board	3 233 599
State Emergency Relief Fund	109 705
State Supply Board – Gaming Machine Operations	1 531 589
Superannuation Funds Management Corporation Operating Account	2 042 753
Supreme Court Sutors Fund	3 016 809
Teachers' Registration Board	3 704 288
TransAdelaide	22 290 296
Transmission Lessor Corporation Account	32 917
Upper South East Dryland Salinity Project	3 920 918
Waste to Resources Fund	4 285 506
Wildlife Conservation Fund	522 535
Woods and Forests - Research into Forest Pest Disease	—
Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account	1 899
2007 World Police and Fire Games Corporation	—
Sub-Total	<u>444 879 080</u>
<b>Non-interest bearing—</b>	
Adelaide Children's Court	3 514
Adelaide Magistrates Court	—
Agriculture – Research and Services Grants	5 276 942
Animal and Plant Control Commission Fund	—
Children's Services Office – Capital Assistance Fund	192 235
Coast Protection Fund	66 466
Companies Liquidation Account	18 548
Contractors' Deposits	332 109
Co-operatives Liquidation Account	64 993
Correctional Services - Prisoners' Monies	330 622
Economic Development Authority	—
Extractive Areas Rehabilitation Fund	5 289 924
Fisheries – Research and Development Fund	3 569 418
Government's Light Motor Vehicle Replacement Program	252 691
Metropolitan Drainage Maintenance Fund	23 784
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	444 316
Sheriff's Office Account	2 948
South Eastern Water Conservation and Drainage Board	103 994
State Heritage Fund	183 249
Unclaimed Salaries and Wages Account	295 105
Workmen's Liens	981 122
Sub-Total	<u>17 431 980</u>
TOTAL DEPOSITS LODGED WITH THE TREASURER	<u><u>462 311 060</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	Department for Administrative and Information Services	108 950
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
Chief Executive	Department for Families and Communities	285 000
Chief Executive	Department of Further Education, Employment, Science and Technology	498 700
Clerk	House of Assembly	344
Chief Executive	Department of the Premier and Cabinet	36 380
Chief Executive	South Australia Police	—
Electoral Commissioner	State Electoral Office	200
Chief Executive	Department of Trade and Economic Development	3 000
Chief Executive	Department for Transport, Energy and Infrastructure	<u>247 590</u>
<b>TOTAL</b>		<u><u>1 348 284</u></u>

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 KEVIN FOLEY, Treasurer

## STATEMENT I

### INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2006

(Section 22 (a) (viii) Public Finance and Audit Act 1987)

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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 2006 was \$2 639.8 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 2005-06 the Consolidated Account surplus was \$23.5 million and was used to repay borrowings of that amount to 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:

	2005-06 \$'000	2004-05 \$'000
<b>Loans to State Government Departments</b>		
Department for Environment and Heritage	38 054	38 054
Office of Public Transport	—	1 319
Department of Primary Industries and Resources—Rural Loans	1 260	1 461
Department for Transport, Energy and Infrastructure	47 761	47 761
	87 075	88 595
<b>Loans to Statutory Authorities and Other Bodies</b>		
Adelaide Bank	115	223
Adelaide Festival Centre Trust	27 250	27 163
Basketball Association of South Australia Incorporated	11 651	10 451
Flinders Medical Centre	24 778	24 733
Land Management Corporation	9 829	9 903
Lotteries Commission	2 250	3 887
Lyrup Village Association	50	50
Medical Board of South Australia	—	12
Minister for Education and Children's Services	2 960	5 460
Renmark Irrigation Trust	1 490	1 581
South Australian Country Arts Trust	15 677	15 697
South Australian Housing Trust	756 505	775 064
South Western Suburbs Drainage	2 635	2 778

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**STATEMENT I – continued**INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2006 – *continued*

(Section 22 (a) (viii) Public Finance and Audit Act 1987)

	2005-06 \$'000	2004-05 \$'000
<b>Loans to Statutory Authorities and Other Bodies-continued</b>		
South Australian Tourism Commission	750	898
TransAdelaide	75 205	81 371
University of South Australia	—	15 000
West Beach Trust	2 716	2 716
Women's and Children's Hospital	4 449	4 999
Woodville, Henley and Grange Drainage	245	253
	<u>938 555</u>	<u>982 239</u>
<b>Equity Contributions</b>		
Adelaide Convention Centre	77 794	77 794
Adelaide Entertainments Corporation	55 536	55 536
Department for Administrative and Information Services—		
Operations	159 544	151 544
Government Commercial Properties	63 529	63 529
Courts Administration Authority	3 140	—
Distribution Lessor Corporation	28 273	28 273
Department of Education and Children's Services	4 463	4 463
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Department for Families and Communities	10 763	—
Department of Health	177 749	119 719
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Planning SA	1 173	816
South Australia Police	—	6 256
Department of the Premier and Cabinet	5 228	—
Department of Primary Industries and Resources	1 059	1 059
SA Water Corporation	173 610	247 950
South Australian Asset Management Corporation	52 716	52 716
South Australian Film Corporation	8 460	8 460
Department for Transport, Energy and Infrastructure	174 500	154 500
Department of Water, Land and Biodiversity Conservation	8 164	7 107
	<u>1 035 807</u>	<u>1 009 828</u>
<b>Other Indebtedness</b>		
Debt associated with prior operations of the Consolidated Account	578 319	593 244
	<u>578 319</u>	<u>593 244</u>
<b>TOTAL TREASURER'S INDEBTEDNESS TO SAFA</b>	<u><u>2 639 756</u></u>	<u><u>2 673 906</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 - *continued***INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2006 – *continued*  
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

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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 2006 was \$502.3 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.

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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)

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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 2005-06 is summarised as follows—

	\$million
Balance at 30 June 2005	2 674
Less - Consolidated Account repayment of borrowings in 2005-06	23
Add - Realised loss (net)	7
Less - Repayment of borrowing	18
Balance at 30 June 2006	2 640
Market value at 30 June 2006 <sup>(a)</sup>	2 715

(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 2005-06 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 2006 the Treasurer's deposit with SAFA was \$1 542 million (SAFA's market valuation \$1 551 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2006 and the form in which those balances were held.

The size of SAFA's operating surplus in 2005-06 prior to income tax was \$51.8 million. SAFA and its controlled entities operate within the Tax Equivalent Regime (TER) and under this arrangement \$15.4 million from the surplus was paid to Consolidated Account in 2005-06 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the net profit after tax in 2005-06, the amount of SAFA's surplus potentially available for distribution at 30 June 2006 was \$137.4 million. The Treasurer determined that the distribution for 2005-06 would be \$87.5 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.

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KEVIN FOLEY, Treasurer

**STATEMENT K**

## STATEMENT OF APPROPRIATION AUTHORITIES

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GOVERNOR'S APPROPRIATION FUND  
(Section 22 (a) (xi) (A) and (B) Public Finance and Audit Act 1987)

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\$

Maximum amount that could have been appropriated from the Fund in 2005-06 206 823 000

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Purpose of Appropriation Amounts Issued and Applied

\$

Administered Items for the Department of the Premier and Cabinet	8 144 000
Arts SA	937 000
South Australian Tourism Commission	2 282 000
Auditor-General's Department	21 000
Department of Primary Industries and Resources	436 000
Administered Items for the Department of Primary Industries and Resources	11 830 000
Office of Local Government	749 996
Attorney-General's Department	63 000
Administered Items for the Attorney-General's Department	3 803 000
Courts Administration Authority	677 000
Administered Items for Police and Emergency Services	1 260 000
State Electoral Office	129 000
Department of Health	25 907 525
Department for Families and Communities	19 842 675
Department of Education and Children's Services	11 925 000
Administered Items for the Department of Education and Children's Services	2 030 000
Administered Items for the Department for Environment and Heritage	2 000
Department of Water, Land and Biodiversity Conservation	230 000
Environment Protection Authority	1 815 000
Department for Transport, Energy and Infrastructure	39 199 000
Department for Administrative and Information Services	13 621 000
Joint Parliamentary Services	352 342
TOTAL	<u><u>145 256 538</u></u>

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**STATEMENT K - continued**STATEMENT OF APPROPRIATION AUTHORITIES - *continued*


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 TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987  
 (Section 22 (a) (xii) Public Finance and Audit Act 1987)
 

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No transfers were made during 2005-06.

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 REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987  
 (Section 22 (a) (xiv) Public Finance and Audit Act 1987)
 

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No reductions were made during 2005-06.

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 APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987  
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)
 

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\$

Administered Items for the Department of Treasury and Finance	125 358 000
Total	<u>125 358 000</u>

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 APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2005-06  
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)
 

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	Appropriation Authority	Actual Payments
	\$	\$
<i>Appropriation Act 2005, Section 4</i>	7 420 370 000	7 282 903 582
<i>Public Finance and Audit Act 1987, Section 15</i>	<u>125 358 000</u>	<u>125 358 000</u>
	7 545 728 000	7 408 261 582
The Governor's Appropriation Fund - <i>Public Finance and Audit Act 1987, Section 12</i>	<u>206 823 000</u>	<u>145 256 538</u>
	7 752 551 000	7 553 518 120
Specific appropriation authorised by various Acts	<u>117 723 235</u>	<u>117 723 235</u>
TOTAL	<u>7 870 274 235</u>	<u>7 671 241 355</u>

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 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 2006  
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

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Transfers were made to the following agencies:	\$
Department of the Premier and Cabinet	7 006 085
Arts SA	676 311
South Australian Tourism Commission	370 153
Auditor-General's Department	144 000
Department of Treasury and Finance	1 135 000
Administered Items for the Department of Treasury and Finance	130 000
Independent Gambling Authority	26 000
Department of Trade and Economic Development	732 305
Office of the Venture Capital Board	5 000
Department of Primary Industries and Resources	1 793 183
Department for Correctional Services	3 029 283
South Australia Police	1 929 821
Courts Administration Authority	1 442 927
Attorney-General's Department	2 717 896
Administered Items for the Attorney-General's Department	444 000
State Electoral Office	129 000
South Australian Fire and Emergency Services Commission	38 267
Department of Health	53 745 153
Administered Items for the Department of Health	4 400 000
Department for Families and Communities	10 660 547
South Australian Community Housing Authority	314 314
South Australian Housing Trust	427 109
Department of Education and Children's Services	62 203 836
Administered Items for the Department of Education and Children's Services	236 000
Department of Further Education, Employment, Science and Technology	9 897 006
Bio-Innovation SA	25 000
Department for Environment and Heritage	1 155 694
Environment Protection Authority	419 387
Department of Water, Land and Biodiversity Conservation	1 074 000
Office of Local Government	5 000
Offices for Sustainable Social, Environmental and Economic Development	5 000
Planning SA	19 000
Department for Transport, Energy and Infrastructure	4 394 681
TransAdelaide	182 738
Department for Administrative and Information Services	13 720 917
<b>TOTAL</b>	<b><u>184 634 613</u></b>

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KEVIN FOLEY, Treasurer

**General Index to Part B**

**of the**

**Report**

**of the**

**Auditor-General**

**for the**

**Year ended 30 June 2006**



## A

Accrual Appropriation Excess Funds Account  
Treasury and Finance, Department of, 1424  
Adelaide Convention Centre Corporation, 3  
Adelaide Entertainments Corporation, 19  
Adelaide Festival Centre Trust, 38  
Current Assets and Liabilities – Solvency, 42  
Expenditure Processing, 40  
User Charges and Interest, 41  
Adelaide Festival Corporation, 57  
Biennial Operating Result, 59  
Administrative and Information Services,  
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