

SOUTH AUSTRALIA

Report
of the
Auditor-General
for the
Year ended 30 June 2005

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2005

Report of the Auditor-General 2004-05

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VOLUMES I, II, III, IV AND V

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.

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SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Superannuation Funds Management Corporation of South Australia (operating under the business name Funds SA) is a statutory authority established pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act).

Functions

The functions of Funds SA, as detailed in section 5 of the Act are:

- to invest and manage the public sector superannuation funds pursuant to strategies formulated by Funds SA;
- such other functions as are assigned to Funds SA by this Act or any other Act.

Section 7 of the Act further provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the public sector superannuation funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level;
- the need for liquidity in the funds;
- such other matters as are prescribed by regulation.

Restrictions on Operations

Although the Minister may not issue directives to Funds SA, section 21 of the Act requires Funds SA to have regard to Government policy, at the Minister's request, when preparing a performance plan or performing its functions under this or any other Act.

Funds SA has, by virtue of the Act, broad powers over the investment of public sector superannuation funds. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the Act impose restrictions on the investment of public sector superannuation funds as follows:

- Funds SA must not invest the public sector superannuation funds in property outside Australia or in real property outside the State, unless the Minister has authorised the investment specifically or by reference to the class of investment to which it belongs.
- Funds SA must not enter into derivative transactions (eg futures contracts, forward contracts, swaps etc), unless the contract or dealing has been authorised by the Minister specifically or by reference to the class of contracts or dealings to which it belongs.

Management of Superannuation Funds and Schemes

The various public sector superannuation funds managed and invested by Funds SA, as defined under the Act, are identified in Note 1 to the financial report.

Funds SA is not responsible for the administration (ie receipt of contributions and payment of benefits) of any of the public sector superannuation funds. This responsibility rests with the following entities:

- The South Australian Superannuation Board — South Australian Superannuation Scheme (comprising the South Australian Superannuation Fund and the associated Employer Contribution Accounts) and the Southern State Superannuation Scheme (comprising the Southern State Superannuation Fund, the associated Employers Fund and the post retirement investment products).

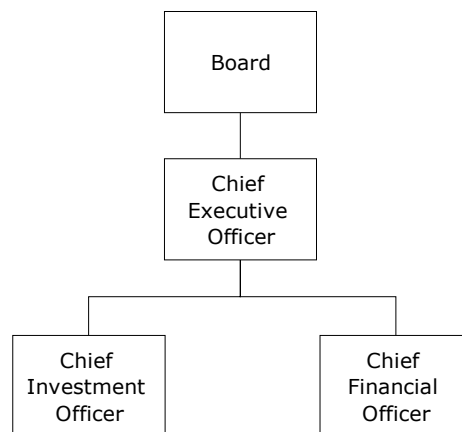
Superannuation Funds Management

- The Police Superannuation Board — Police Superannuation Scheme (comprising the Police Superannuation Fund and the associated Employer Contribution Account).
- The South Australian Parliamentary Superannuation Board — Parliamentary Superannuation Scheme.
- The Department of Treasury and Finance — the Governors' Pensions Scheme and the Judges' Pensions Scheme.

Additional information on the administration of the superannuation schemes is available in the financial reports of the various schemes included elsewhere in Part B of this Report.

Structure

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



Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external funds management firms. Fund managers are utilised for all investment types, and there is a single custodian (who is responsible for the integrity and holding of the assets) for the majority of those fund managers. Each fund manager is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements. The custodian, JP Morgan, is also appointed pursuant to a similar agreement.

Funds SA also has a number of controlled entities (fully owned). Refer Note 20 to the financial report for details.

Audit Committee

The Act specifically requires Funds SA to establish an Audit Committee. As at 30 June 2005, the Committee comprised four Board members operating within the framework of an Audit Committee Charter. Pursuant to that charter, the Committee is responsible for assessing the quality of both internal and external financial reporting; assessing the effectiveness of Funds SA's internal control structure; and maintaining an effective and efficient liaison with both internal and external audit. Audit representatives attended Audit Committee meetings throughout the year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995* specifically provides for the Auditor-General to audit the accounts of Funds SA 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 Funds SA 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 2004-05, specific areas of audit attention included:

- investment policy and strategy
- investments (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- administration expenses.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Superannuation Funds Management Corporation of South Australia as at 30 June 2005, 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 Superannuation Funds Management Corporation of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Superannuation Funds Management Corporation of South Australia have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chairman. A satisfactory response to the management letter has been received.

As part of this communication Audit raised the need to review and clarify existing Minister's authorisations. In accordance with the Regulations to the Act, the Minister has provided specific authorisations over a number of years for Funds SA to invest in property outside Australia.

During 2004-05 a number of changes were made to investment policy (for example, introduction of a new investment choice; and post retirement products). In reviewing these changes, it was not clear how they fit within the existing Ministerial authorisations. Audit therefore recommended that Funds SA review all current authorisations, clarify requirements and obtain the appropriate amended authorisations from the Minister. This review has since been completed and revised Ministerial authorisations obtained.

While Funds SA has a sound control environment, suggestions were also made to strengthen the existing risk reporting process by summarising the key elements of the risk analysis; and reviewing compliance processes over Investment Management Agreements. Funds SA responded positively to these suggestions.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2005	2004	Percentage
	\$'million	\$'million	Change
NET FUNDS MADE AVAILABLE FOR INVESTMENT	293	289	1
INCOME EARNED FROM INVESTMENT ACTIVITIES			
Inflation linked funds	93	16	-
Property	74	65	14
Australian equities	553	405	37
International equities	204	426	(52)
Fixed interest	67	20	-
Other	21	8	-
Total Income Earned from Investment Activities	1 012	940	8
ADMINISTRATION EXPENSES	3	3	-
Change in Net Assets	1 302	1 226	6
Net Cash Flows from Operations	77	144	(47)
Net Cash Flows from Investing Activities	(320)	(403)	(21)
Net Cash Flows from Financing Activities	293	289	1
ASSETS			
Investments	7 932	6 634	20
Other assets	2	1	-
Total Assets	7 934	6 635	20
LIABILITIES			
Current liabilities	12	10	20
Non-current liabilities	21	26	(19)
Total Liabilities	33	36	(8)
EQUITY	7 901	6 599	20

Statement of Changes in Net Assets**Net Funds made available for Investment**

Net funds made available for investment consists of the net of receipts from and payments to the public sector superannuation funds. Net funds made available for investment increased by \$4 million to \$293 million. Details of receipts and payments for the various funds are provided in Note 4 to the financial report.

Of the \$293 million, an amount of \$215 million (\$232 million) was made available by the Treasurer for the accruing employers' superannuation liabilities for the South Australian Superannuation Scheme.

Income from Investments

Net income from investment activities resulted in a return of \$1012 million compared to a return of \$940 million in the previous year. This result predominantly reflects the recording of assets at net market values where unrealised gains or losses are brought to account. In 2005 unrealised gains were \$664 million or 66 percent of the reported net income of \$1012 million (\$552 million or 55 percent in 2004).

The strong investment returns of 2005 are attributable to the following:

- The Australian equity market has continued its strong performance with unrealised gains of \$415 million and other income earned from investments of \$103.8 million.

- Returns on Inflation Linked Securities increased significantly with unrealised gains of \$30.1 million and other income earned from investments of \$46.6 million. Income earned from these investments are linked to inflation or the average weekly earnings. In 2004-05 inflation increased due mainly to high and volatile oil prices and the property market.
- Returns on fixed interest also increased significantly due to realised gains. During 2004-05, investments of \$852 million were redeemed resulting in realised gains of \$42.7 million (as compared to \$5.5 million in 2003-04).
- Although the global equity markets also experienced strong returns for the year, the returns were significantly lower than the previous year due to market concerns of a slowdown in growth and rising inflation.

Note 5 to the financial statements reports full details of income earned from investment activities for each of the investment classes comprising the Fund.

It is relevant to observe the later comments, particularly on stock market risks, included under 'Asset Allocation and Risk'.

A structural analysis of net income earned by Funds SA for the four years to 2005 is presented in the following table.

Net Income Earned From Investment Activities

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Inflation Linked Funds	92.8	16.6	75.3	50.4
Property	74.3	65.2	50.8	53.4
Australian Equities	553.2	404.6	5.8	(28.3)
International Equities	203.7	425.8	(175.8)	(372.3)
Fixed Interest	66.7	19.8	52.0	35.7
Cash and other	21.5	8.2	6.0	4.9
	1 012.2	940.2	14.1	(256.2)

The above table reflects that Funds SA's investment strategy is weighted towards equity holdings. Refer to the chart and discussions under Statement of Net Assets. The volatile nature of equities will cause returns from these investments to fluctuate from year to year due to the effect of prevailing economic conditions.

Investment Expenses

Investment expenses are deducted from income to determine Net Income Earned from Investments in the Statement of Changes in Net Assets. In 2005 these expenses amounted to \$38 million of which \$30 million (79 percent) were fund management fees. These fees equate to 0.4 percent of funds under management.

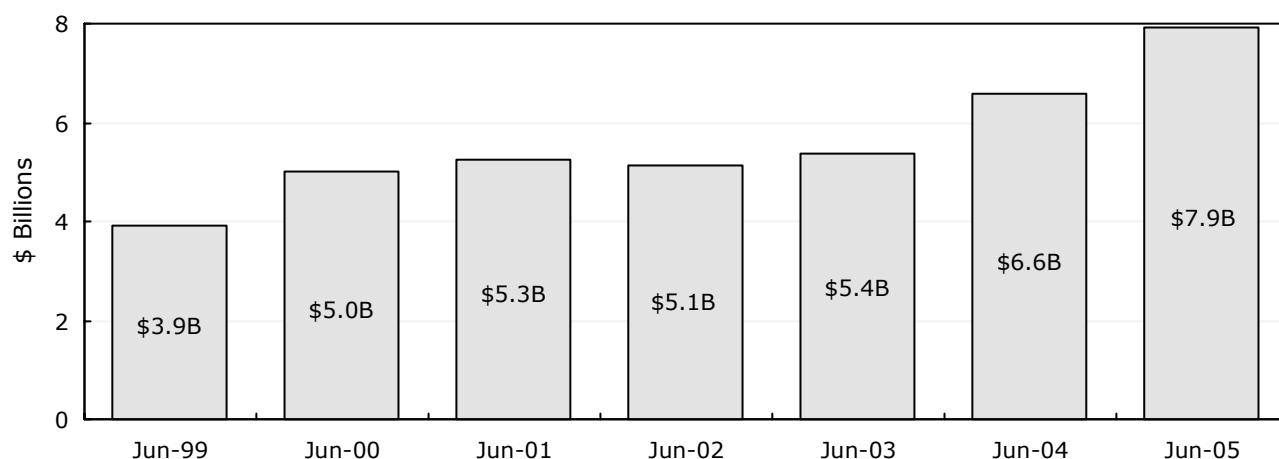
Year	\$'million
2002	16.3
2003	21.9
2004	25.3
2005	29.9

Although fund manager fees have generally increased over the past four years they remain under 0.5 percent of average funds under management.

Statement of Net Assets

As Funds SA's main function is to invest and manage the public sector superannuation funds, assets predominantly consist of investments. Total liabilities as a percentage of total assets are 0.4 percent.

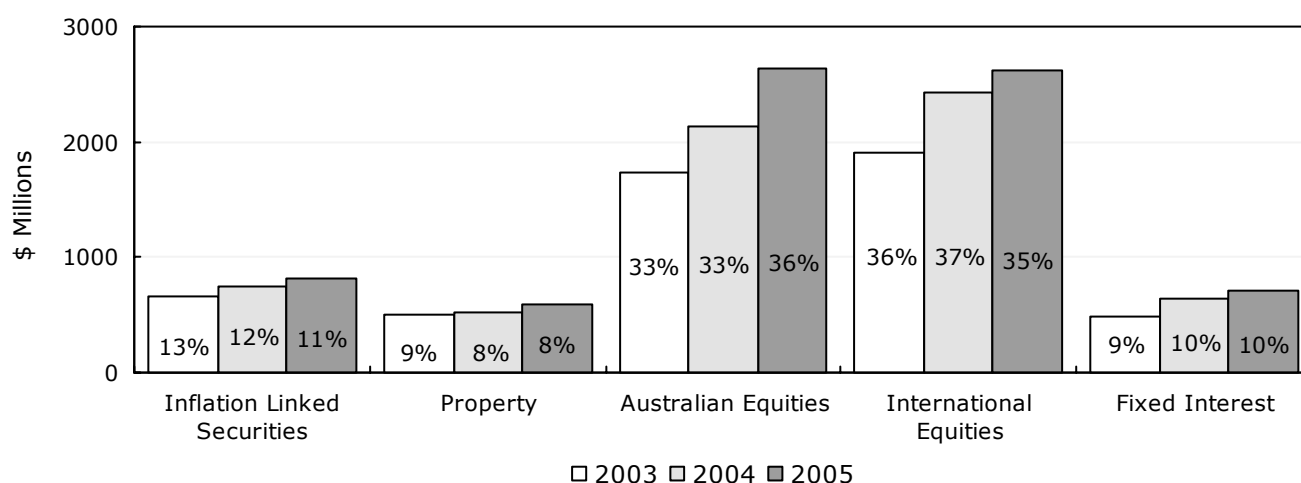
As a result of the decision by the Government to move to full funding of the public sector superannuation liability, the introduction of new superannuation products and as a result of investment earnings, Funds SA continues to experience growth in total funds under management (net assets) as illustrated in the following chart.



Asset Classes

Funds SA is an investment organisation with broad powers and \$7.9 billion of funds under management. These funds are represented by eight asset classes. From 1 April 2005, two new asset classes were created, Diversified Strategies (Growth) and Diversified Strategies (Income). Refer to Note 2(b) of the financial report for further details.

The value of each asset class (excluding cash and diversified strategies which in total only represents 7 percent of total funds under management) and the holding of each asset class as a percentage of total funds under management at 30 June for the last three financial years is illustrated in the following chart.



As previously noted the above chart reflects Funds SA's investment strategy's weighting towards equity holdings.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	77.0	144.0	83.3	78.9
Investing	(319.8)	(403.2)	(369.7)	(54.2)
Financing	293.1	289.0	216.2	145.1
Change in Cash	50.3	29.9	(70.2)	169.8
Cash at 30 June	208.7	158.4	128.5	198.7

Net cash flows from Investing Activities reflects the level of redemptions and purchases of investments. During 2005 the purchase of investments increased by \$2275 million to \$2933 million while sales from investments increased by \$2358 million to \$2613 million. This reflects fund manager transitions; and strategic asset allocation rebalancing of the Australian Equities, International Equities, and Fixed Interest portfolios.

For details relating to Financing Activities, which reflect receipts and payments from and to the various superannuation schemes, refer to Note 4 of the financial statements.

FURTHER COMMENTARY ON OPERATIONS

Asset Allocation and Risk

The decision as to how the superannuation funds will be invested is established through an investment policy. Underpinning the investment policy and decision making process is an understanding of the risks facing Funds SA. It should be noted that in the investment market at large there exist a range of financial risks which may impact on Funds SA's operations. These include:

- Share Market Risk — The impact on earnings of movements in share prices of investments. This is particularly relevant for Funds SA's holdings of Australian equities and International equities.
- Interest Rate Risk — The sensitivity of earnings to future movements in interest rates. This is particularly relevant to Funds SA's holdings of inflation-linked and fixed-interest securities.
- Concentration Risk — The risk of an over-exposure in the weighting ascribed to an individual investment or asset class.
- Currency Exposure — The impact that movements in currencies have on the value of, and earnings on, overseas investments. This is particularly relevant for Funds SA's holdings of International equities and fixed interest (international component).

In managing some of these risks Funds SA utilises derivative instruments. Refer to Note 23(b) of the financial report for further details.

Investment Returns

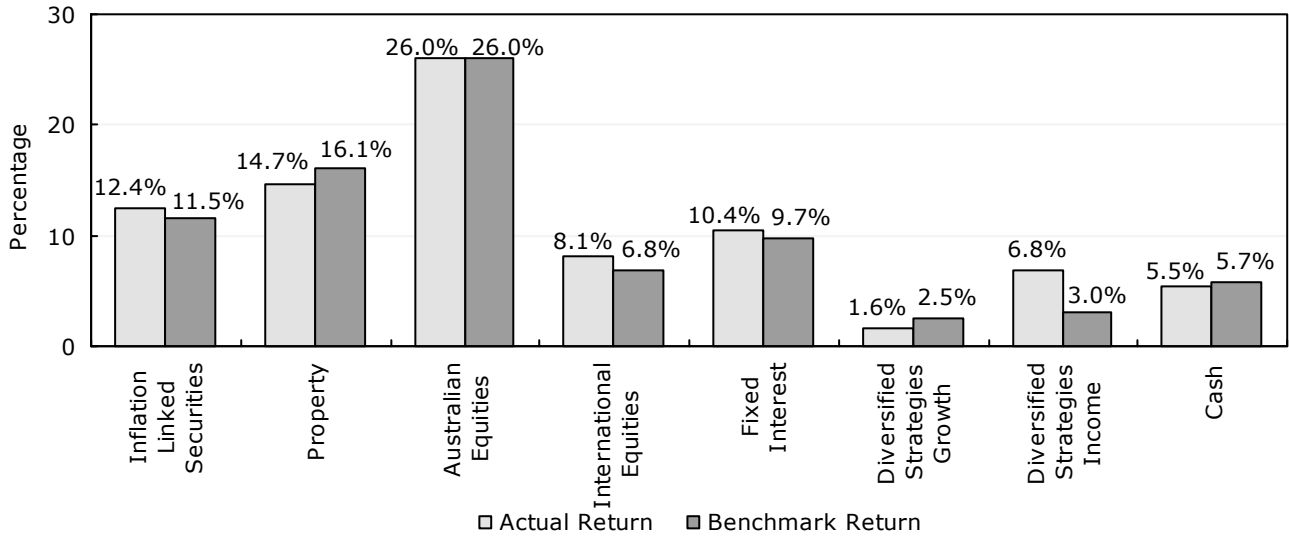
As mentioned earlier, Funds SA values its investments at net market value, in accordance with the requirements of Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'. Any increases or decreases in the market value are brought to account through the Statement of Changes in Net Assets. As such, the valuation of the investments under management has a direct impact upon the level of income earned by Funds SA in any one year. Funds SA has established performance benchmarks for each asset class as follows:

Asset Class	Performance Benchmark
Australian equities	Standard and Poor's/ASX 300 Accumulation Index
International equities	Tailored benchmark incorporating specific sub sectors and hedge
Property	Tailored benchmark comprising Mercer Australian Unlisted Property Index and Standard and Poor's/ASX Property 300 Accumulation Index
Inflation linked	UBS Warburg Australian Inflation Linked Bond Index
Fixed interest	(Australia) UBS Warburg Australian Composite Bond Index and (International) Lehman Global Aggregate 300 AUD Index Hedged
Diversified strategies (Growth)	UBS Warburg Australian Bank Bill Index plus 4 percent per annum
Diversified strategies (Income)	Tailored benchmark comprising specific indices
Cash	UBS Warburg Australian Bank Bill Index

Funds SA's objective is to exceed the relevant benchmark in each asset class.

Return Performance by Asset Class

The return performance of each of the eight distinct asset classes (after fees), against their relevant benchmark, for the 2004-05 financial year, is depicted in the following chart:

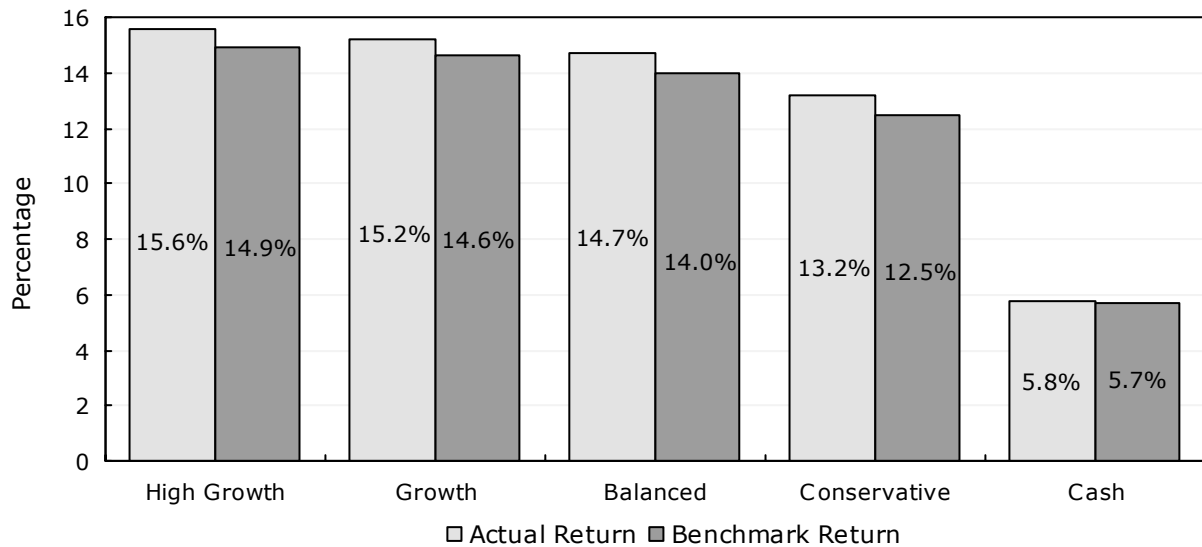


Return Performance by Product

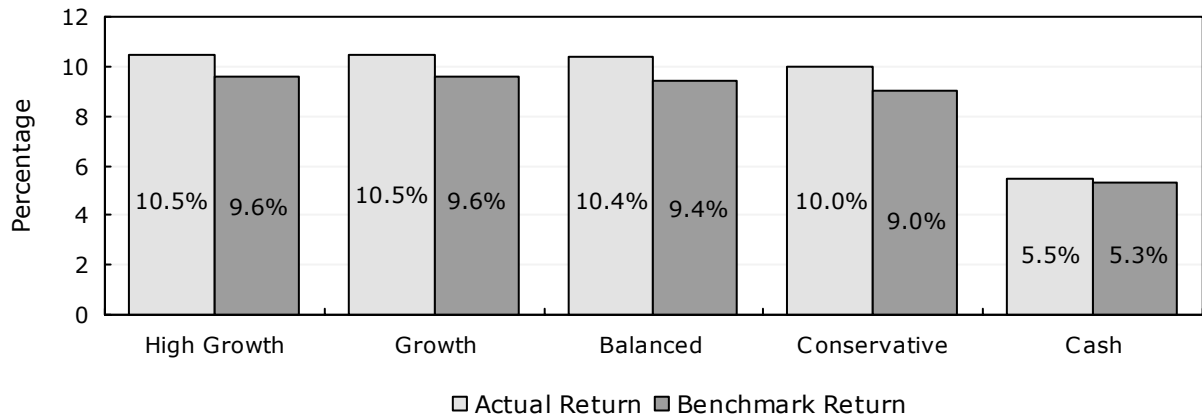
Members of the Triple S Scheme and the South Australian Superannuation Scheme (new scheme division) are provided with investment choices to enable them to tailor the investment strategy towards their individual risk/return preferences and financial circumstances. These investment choices comprise: high growth, growth, balanced, conservative, capital defensive and cash. All other public sector superannuation funds are invested in the growth option. The investment choices are also available for members investing in the post retirement products. For the purposes of this analysis, the returns relating to the post retirement products have been excluded as they are relatively new. Refer to Note 3 to the Financial Statements.

The return performance of each of the distinct products (excluding the new 'capital defensive' product), against their relevant benchmark, for the 2004-05 financial year, the last three years and the last five years is depicted in the following charts.

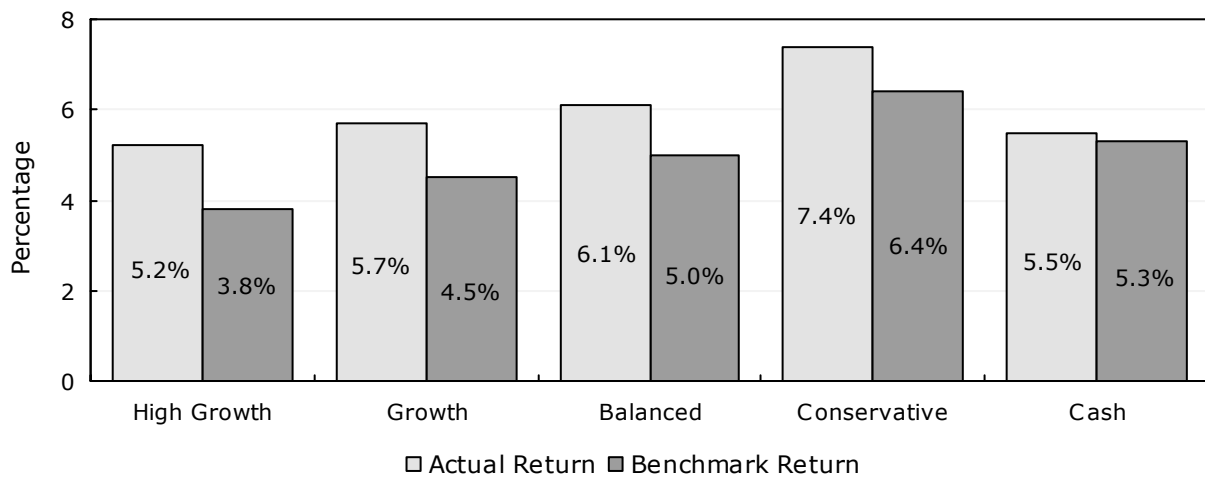
2004-05 Financial Year (Returns Percent)



Three Years ending 30 June 2005 (Returns Percent per annum)



Five Years ending 30 June 2005 (Returns Percent per annum)



The foregoing charts show that, of all the products, high growth and growth have produced greater returns in the 2004-05 financial year as compared to conservative. In comparison, the opposite has occurred over a five year period. This outcome reflects Funds SA's investment strategy where the high growth and growth products have a significantly higher allocation of equity holdings than the conservative product. As previously noted, the volatile nature of equities will cause returns from these investments to fluctuate over a short period of time which is why Funds SA's investment strategy is designed to provide a consistent return over a longer term.

**Statement of Changes in Net Assets
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
NET ASSETS AS AT 1 JULY		6 598 675	5 372 247
NET FUNDS MADE AVAILABLE FOR INVESTMENT	4	293 134	289 009
INCOME EARNED AND EXPENDITURE INCURRED AS A RESULT OF INVESTMENT ACTIVITIES			
Net Income earned from:			
Inflation linked securities	5(a)	92 756	16 591
Property	5(a)	74 258	65 195
Australian equities	5(a)	553 185	404 621
International equities	5(a)	203 739	425 836
Fixed interest	5(a)	66 712	19 771
Diversified strategies (Growth)	5(a)	2 061	-
Diversified strategies (Income)	5(a)	8 678	-
Cash	5(a)	10 818	8 185
		1 012 207	940 199
Less: Administration expenses	6	2 999	2 780
Net Income from Investment Activities	5(b)	1 009 208	937 419
NET ASSETS AS AT 30 JUNE		7 901 017	6 598 675

Statement of Net Assets as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
BALANCE OF ACCOUNTS OPERATED IN RESPECT OF:			
South Australian Superannuation Scheme	25(a)	3 559 669	3 136 682
Police Superannuation Scheme	25(b)	595 751	493 882
Southern State Superannuation Scheme	25(c)	3 481 412	2 729 008
Parliamentary Superannuation Scheme	25(d)	134 569	125 523
Judges' Pensions Scheme	25(e)	128 883	113 139
Governors' Pensions Scheme	25(f)	733	441
BALANCE OF ACCOUNTS		7 901 017	6 598 675
INVESTMENTS:			
Inflation linked securities	7	813 116	752 378
Property	8	594 083	528 258
Australian equities	9	2 636 377	2 135 114
International equities	10	2 612 456	2 420 958
Fixed interest	11	708 339	640 050
Diversified strategies (Growth)	12	145 995	-
Diversified strategies (Income)	13	213 124	-
Cash	14	208 324	157 647
		7 931 814	6 634 405
OTHER ASSETS:			
Cash at bank		550	617
Accrued income		823	188
Fixed Assets	15	497	146
Other		65	86
		1 935	1 037
Total Assets		7 933 749	6 635 442
<i>Less:</i>			
CURRENT LIABILITIES:			
Rent paid in advance		1 448	1 725
Accrued expenses		10 476	8 602
Provisions	16(a)	295	140
		12 219	10 467
NON-CURRENT LIABILITIES			
	16(b)	20 513	26 300
Total Liabilities		32 732	36 767
NET ASSETS		7 901 017	6 598 675
Commitments and Contingent Liabilities	17		

**Statement of Cash Flows
for the year ended 30 June 2005**

	Note	2005 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflation linked securities		25 116	25 800
Property		599	2 823
Australian equities		5 702	12 808
International equities		34 395	98 458
Fixed interest		(1 615)	(1 290)
Diversified strategies (Growth)		5 167	-
Diversified strategies (Income)		(120)	-
Cash		10 430	8 174
Administration		(2 630)	(2 734)
Net Cash provided by Operating Activities	22(b)	77 044	144 039
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments:			
Inflation linked securities		-	(110 000)
Property		(2 283)	(2 581)
Australian equities		(415 190)	(25 175)
International equities		(1 307 993)	(258 442)
Fixed interest		(852 083)	(261 933)
Diversified strategies (Growth)		(150 943)	-
Diversified strategies (Income)		(204 318)	-
Fixed assets		(471)	(128)
		(2 933 281)	(658 259)
Sale of Investments:			
Inflation linked securities		5 473	13 534
Property		4 051	35 645
Australian equities		463 378	10 156
International equities		1 286 752	68 639
Fixed interest		852 082	127 090
Diversified strategies (Growth)		1 675	-
Diversified strategies (Income)		-	-
Fixed assets		(2)	-
		2 613 409	255 064
Net Cash used in Investing Activities		(319 872)	(403 195)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipts		639 214	621 009
Payments		(346 080)	(332 000)
Net Cash provided by Financing Activities	4	293 134	289 009
NET INCREASE IN CASH HELD		50 306	29 853
CASH AS AT 1 JULY		158 396	128 543
CASH AS AT 30 JUNE	22(a)	208 702	158 396

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. Format of the Financial Report

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA. The public sector superannuation funds (the funds) are defined under the Act as:

- the South Australian Superannuation Fund;
- the Police Superannuation Fund;
- the Southern State Superannuation Fund;
- the employer contributions made pursuant to section 5 of the *Superannuation Act 1988* where the arrangement requires contributions to be invested and managed by Funds SA;
- funds determined by the Minister to be public sector superannuation funds; and
- the money belonging to public sector superannuation beneficiaries invested with Funds SA by the South Australian Superannuation Board under section 47B of the *Southern State Superannuation Act 1994*.

The purpose of the financial report is to discharge Funds SA's reporting obligations in respect of its financial affairs under section 26(1) of the Act, and in respect of each of the funds, as required by section 26(2) of the Act. Funds SA's investment activities are reported on in the Statement of Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows.

Statements of Changes in Net Assets Under Management and Statements of Net Assets Under Management in respect of each public sector superannuation fund are reported upon in Note 25 to this financial report as required by section 26(2) of the Act.

Funds SA is not responsible for the administration of the superannuation schemes associated with the public sector superannuation funds. All scheme administration activities are undertaken by the Superannuation Boards established by scheme legislation, or by the Department of Treasury and Finance. Consequently, the financial report of Funds SA reports only on the investment activities of the public sector superannuation funds under management. For information on the nature and overall operations of the various superannuation schemes, reference should be made to annual reports and financial reports prepared by the responsible Superannuation Boards and/or the Department of Treasury and Finance.

2. Statement of Significant Accounting Policies

(a) Basis of Accounting

This financial report is a general purpose financial report and has been prepared on an accrual basis 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, except as provided below.

The financial report of Funds SA, although not recording the administration activities of the public sector superannuation funds, is prepared in accordance with the principles of the AAS 25 Australian Accounting Standard on Financial Reporting by Superannuation Plans where relevant. Directors believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial reports of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

As investments are revalued to their respective net market values at balance date, depreciation and amortisation are not provided for in this financial report.

Funds SA utilises the consolidation method of accounting. Assets and liabilities of Funds SA's controlled entities have been consolidated into the financial report at their net market values. The effects of transactions between entities in the economic entity are eliminated in full. Financial information in respect of the parent entity separate to that of the economic entity has not been provided as the application of market value reporting concepts results in the parent entity's financial report fully reflecting the economic activities of controlled entities. It is believed that disclosure of the parent entity's results separate to those of the economic entity would not provide information which would add value to users of the financial report.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where applicable.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at 30 June 2005 was performed by an independent valuer, Macquarie Bank Limited.

- (i) *Inflation Linked Securities (continued)*
- *Externally Managed*
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date. Investments held by the external manager in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.
- (ii) *Property*
The Property portfolio comprises three sub-sectors:
- *Directly Held Property*
The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.
 - *Listed Property Trusts*
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
 - *Unlisted Property Vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.
- (iii) *Australian Equities*
The Australian Equities portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (iv) *International Equities*
The International Equities portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (v) *Fixed Interest*
The fixed interest sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's fixed interest investments were administered through two separate sector funds, Australian fixed interest and International fixed interest. These sector funds were merged to create a single fixed interest sector fund.
- The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date. Investments held by the external managers in pooled funds have been valued in accordance with the valuations supplied by the pooled fund managers.
- (vi) *Diversified Strategies (Growth)*
The diversified strategies (growth) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's private equity and opportunistic real estate investments were administered through three existing sector funds: Australian equities (domestic private equity), international equities (international private equity) and property (opportunistic real estate).
- The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds, and is invested and managed by external managers. Valuations of these funds are based on the most recently available valuations by the relevant managers. In the case of domestic funds, the valuations are generally in accordance with the Australian Development Capital Association Limited exposure draft guidelines. In the case of international funds, the valuations are generally in accordance with the National Venture Capital Association (NVCA) guidelines. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (vii) *Diversified Strategies (Income)*
The diversified strategies (income) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy.
- The Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.

- (viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.
- (ix) *Fixed Assets*
Fixed assets have been valued at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. It is considered that this provides a reasonable estimate of net market value.
- (x) *Other Assets and Liabilities*
These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Taxation

All of the public sector superannuation funds under the management of Funds SA, with the exception of money invested under section 47B of the *Southern State Superannuation Act 1994*, are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*.

In relation to the 'constitutionally protected funds', no income tax expense has been brought to account in this financial report as these are tax-exempt.

In relation to the money invested under section 47B of the *Southern State Superannuation Act 1994* (comprising the Super SA Flexible Rollover Product and Super SA Allocated Pension), these monies are subject to income tax. However, the income tax expense or rebates associated with these monies are payable by the relevant products, not by Funds SA. Consequently, no income tax expenses or rebates have been brought to account in this financial report in relation to these products. For tax information relating to these products, reference should be made to the financial reports of the Southern State Superannuation Scheme prepared by the administrator of the products, the South Australian Superannuation Board.

(d) Accounting for Leases

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

(e) Employee Benefits

Liabilities for salaries, annual leave and long service leave have been recognised in respect of employees' services up to the balance date and are measured at amounts expected to be paid when the liabilities are settled.

As at 30 June 2005 the provision for long service leave has been determined for Funds SA's employees who have completed seven or more years of service. The benchmark for the measurement of long service leave liabilities has been revised up from five years to seven years. This is consistent with the guidelines issued by the Treasurer per Accounting Policy Statement 9 'Employee Benefits'. The 30 June 2004 comparative liabilities are based on a benchmark of five years. The effect of the change in benchmark to both the current and future years' long service leave liability calculations, is immaterial. The current component of the long service leave liability has been determined based on internal estimates of long service leave due to be taken during the 12 months ending 30 June 2006.

Sick leave entitlements are non-vesting and have therefore not been recognised as a liability.

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

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

Managing the Process

The Funds SA board of directors, through its Audit Committee, is responsible for ensuring that the annual financial report complies with Generally Accepted Accounting Principles (GAAP). During the 2003-04 financial year, the Audit Committee established a steering committee to assess the impact of the AIFRS on operations and financial reporting. The steering committee membership included senior management from Funds SA as well as representation from the South Australian Auditor-General's Department. A detailed project plan was developed and approved by the Audit Committee in December 2003 to guide the activities of the steering committee and to develop a plan to manage the transition to the new standards. In May 2004, the Audit Committee approved the steering committee's assessment of the impact of AIFRS and the proposed approach to complying with those standards going forward.

Managing the Process (continued)

In May 2005, Deloitte were engaged to review and comment on Funds SA's proposed approach with respect to compliance with AIFRS. The findings from the review were reported to the Funds SA board of directors in June 2005 and can be summarized as follows:

- The Australian Accounting Standards Board (AASB) has stated that AAS 25 will continue to apply for the foreseeable future. Deloitte concluded that AAS 25 would still be applicable for Funds SA and, consequently, AIFRS would have little or no impact;
- Funds SA will be able to continue to apply AAS 25 in its reporting of its management of superannuation funds; and
- Funds SA is well prepared for the introduction of AIFRS in 2005-06 and will continue to apply AAS 25.

Financial Impacts of Adopting AIFRS

There would be no financial impact on the 2004-05 Financial Report had it been prepared using the Australian equivalents to IFRSs. The reason for this is that the use of AAS 25 takes precedence over AIFRS and the report would continue to be prepared using the principles espoused in AAS 25. Furthermore, there is no requirement to establish AIFRS compliant opening balances as at 1 July 2005. However, there may be some additional disclosure requirements emanating from the adoption of AIFRS.

3. Operation of Investment Portfolio

Funds SA operates a pooled investment portfolio utilising a number of sector funds, each of which holds assets of a different category. The sector funds are:

- Australian Equities;
- International Equities;
- Property;
- Diversified Strategies (Growth);
- Diversified Strategies (Income);
- Fixed Interest;
- Inflation Linked Securities; and
- Cash.

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2005, Funds SA managed six separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Conservative;
- Capital Defensive; and
- Cash.

During the financial year all of the above investment options were available to members of the Southern State Superannuation Scheme and the South Australian Superannuation Scheme (New Scheme Division). All other public sector superannuation funds under Funds SA's management are invested in the Growth option.

On 1 April 2005, the South Australian Superannuation Board launched two new post-retirement products under section 47B of the *Southern State Superannuation Act 1994*, namely the Super SA Flexible Rollover Product and the Super SA Allocated Pension. Funds SA introduced six new tailored investment options to facilitate the provision of investment choice to members investing in these new products. The new investment options have the same labels as the options listed above, but with slightly different asset allocations.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

Each public sector superannuation fund holds units in an investment option, which in turn holds units in each of the sector funds according to the target strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the net market value of underlying investments.

The interest which each public sector superannuation fund holds in the unitised investment portfolio is disclosed in each fund's Statement of Net Assets Under Management in Note 25. Each fund's allocation of total net investment income is disclosed in Note 5(b) and in each fund's Statement of Changes in Net Assets Under Management in Note 25.

4. Net Funds made Available for Investment

The receipts below represent the total of monies received by Funds SA from the public sector superannuation funds for investment, and payments represent the total of monies redeemed by the funds to meet scheme payments.

	2005 \$'000	2004 \$'000
South Australian Superannuation Scheme:		
Receipts	268 500	285 859
Less: Payments	316 700	289 650
	(48 200)	(3 791)
Police Superannuation Scheme:		
Receipts	37 375	36 275
Less: Payments	12 150	13 650
	25 225	22 625
Southern State Superannuation Scheme:		
Receipts	327 619	293 475
Less: Payments	450	-
	327 169	293 475
Parliamentary Superannuation Scheme:		
Receipts	2 450	2 890
Less: Payments	12 370	21 180
	(9 920)	(18 290)
Judges' Pensions Scheme:		
Receipts	2 940	2 510
Less: Payments	4 310	7 430
	(1 370)	(4 920)
Governors' Pensions Scheme:		
Receipts	330	-
Less: Payments	100	90
	230	(90)
Total	293 134	289 009

5. Investment Income**(a) Composition of Investment Income**

	2005				2005 Total \$'000
	Rent, Interest and Dividends \$'000	Realised Gains (Losses) ⁽¹⁾ \$'000	Unrealised Gains (Losses) ⁽²⁾ \$'000	Expenses \$'000	
<i>Assets Sector</i>					
Inflation Linked Securities	(3)46 608	16 735	30 146	(733)	92 756
Property	32 958	5 091	40 807	(4 598)	74 258
Australian Equities	103 798	46 795	415 038	(12 446)	553 185
International Equities	44 217	3 569	170 808	(14 855)	203 739
Fixed Interest	27 496	42 734	(1 664)	(1 854)	66 712
Diversified Strategies (Growth)	5 850	(103)	(295)	(3 391)	2 061
Diversified Strategies (Income)	-	(120)	9 203	(405)	8 678
Cash	10 845	-	172	(199)	10 818
Total	271 772	114 701	664 215	(38 481)	1 012 207

	2004				2004 Total \$'000
	Rent, Interest and Dividends \$'000	Realised Gains (Losses) ⁽¹⁾ \$'000	Unrealised Gains (Losses) ⁽²⁾ \$'000	Expenses \$'000	
<i>Assets Sector</i>					
Inflation Linked Securities	(3)43 566	(966)	(25 643)	(366)	16 591
Property	31 142	512	38 476	(4 935)	65 195
Australian Equities	90 314	48 493	276 032	(10 218)	404 621
International Equities	30 659	168 851	239 173	(12 847)	425 836
Australian Fixed Interest	13 366	(1 324)	(3 796)	(521)	7 725
International Fixed Interest	8 528	6 824	(2 302)	(1 004)	12 046
Cash	8 465	-	(132)	(148)	8 185
Total	226 040	222 390	521 808	(30 039)	940 199

- (1) Realised gains (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.
- (2) Unrealised gains (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period.
- (3) In accordance with the disclosure requirements of Accounting Policy Statement No. 13 'Form and Content of General Purpose Financial Reports', a total of \$8.8 million (\$9 million) of investment income was earned from investments with SA Government entities.

(b) Allocation of Net Investment Income

The allocation of net investment income to each public sector superannuation fund managed by Funds SA is as follows:

South Australian Superannuation Scheme:	2005	2004
South Australian Superannuation Fund:	\$'000	\$'000
Old Scheme Division	176 893	185 718
New Scheme Division	64 899	63 717
Employer Contribution Accounts	229 395	217 311
Police Superannuation Scheme:		
Police Superannuation Fund:		
Old Scheme Division	38 242	38 689
New Scheme Division	2 177	2 042
Employer Contribution Account	36 225	31 009
Southern State Superannuation Scheme:		
Southern State Superannuation Fund	62 327	48 432
Southern State Superannuation (Employers) Fund	362 722	310 713
Super SA flexible rollover product	107	-
Super SA allocated pension	79	-
Parliamentary Superannuation Scheme	18 966	21 794
Judges' Pensions Scheme	17 114	17 920
Governors' Pensions Scheme	62	74
Total	1 009 208	937 419

Subscriptions and redemptions are regularly made from unitised sector funds in line with each fund's cash flow requirements. It is therefore not possible to determine accurately the separate contribution of realised and unrealised gains to each fund's share of net investment income.

6. Administration Expenses

(a) General

Administration expenses incurred by Funds SA totalling \$2 998 868 (\$2 780 008) have been charged against the sector funds under management. This cost is recorded in the Statement of Changes in Net Assets.

(b) Fees paid to consultants

Fees paid or payable to consultants for services not related to the management of specific investments amounted to \$34 688 (\$19 758), and are included as part of the administration expenses of Funds SA. Funds SA also makes payments for services provided in relation to the acquisition, ongoing management and disposal of investments. These payments are incurred in the normal course of business, and have been either capitalised or expensed within the sector funds to which they relate.

7. Inflation Linked Securities

The net market value of individual assets or portfolios that comprise the inflation linked securities sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Inflation Linked Securities held by sub-sector at the balance date comprise:

	2005	2004
	\$'000	\$'000
Internally managed investments	⁽¹⁾ 418 195	⁽¹⁾ 397 680
Externally managed investments	394 921	354 698
Total	813 116	752 378

As at 30 June 2005, the composition of each sub-sector is as follows:

Internally Managed Investments:

- Omni Midland Pty Ltd - Loan
- Obtala Pty Ltd - Loan
- Kite Street, Orange, NSW - Lease
- SA Housing Trust Leaseholds, various locations, SA - Lease
- Sir Samuel Way Building, Victoria Square, Adelaide, SA - Lease
- Roma Mitchell Building, North Terrace, Adelaide, SA - Lease
- Shell Australia Service Station Leases, various locations ⁽²⁾ - Leases
- Blue Mountains Sewage Transfer Scheme, NSW ⁽³⁾ - Licence agreement

Externally Managed Investments:

- Credit Suisse Asset Management (Australia) Limited

(1) In accordance with the disclosure requirements of Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', a total of \$120.9 million (\$118.2 million) were lease investments with SA Government entities.

(2) The leases provide for Funds SA to receive rental payments adjusted annually by the greater of inflation or an agreed percentage amount. The market valuation of these arrangements also incorporates the present value of the property residual, this being determined as the unimproved land value at lease expiry.

(3) The market value of the Blue Mountains Sewage Transfer Scheme represents the present value of a stream of cash flows arising from a series of bonds, indexed to the Average Weekly Earnings, under a contract with the Sydney Water Board to transfer sewage from the Blue Mountains to the Winmalee Sewage Treatment Plant.

8. Property

The net market value of individual assets or portfolios that comprise the property sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Property interests held by sub-sector at balance date comprise:

	2005	2004
	\$'000	\$'000
Directly held properties	26 347	31 680
Externally managed listed property trusts	353 531	299 744
Externally managed unlisted property vehicles *	214 205	196 834
Total	594 083	528 258

As at 30 June 2005, the composition of each sub-sector is as follows:

Directly Held Properties:

- Australian Taxation Office, 200 Collins Street, Hobart, Tasmania ⁽¹⁾
- Net present value of lease residual, Department of Land Administration Offices, Midland, Western Australia ⁽²⁾

Externally Managed Listed Property Trusts:

- Macquarie Investment Management Limited
- SG Hiscock and Company Limited

Externally Managed Unlisted Property Vehicles:

- AMP Life Limited
- Private Property Syndicate

(1) The Australian Taxation Office, Hobart has been the subject of a redirection of the rental stream arising from a long term lease. The value of this property has been determined by the Directors having regard to the nature of the arrangements currently in force over the property, and anticipated market conditions at the expiration of these arrangements. The offsetting non-current liability is reported in Note 15(b).

(2) The value of a future interest in the lease residual associated with the Department of Land Administration Offices, Midland, Western Australia, has been determined by Directors using the discounted cash flow method.

* Refer to Note 12 - Diversified Strategies (growth) for current year's information on Funds SA's investments in real estate private equity.

9. Australian Equities

The net market value of individual assets or portfolios that comprise the Australian equities sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses fund managers to manage its externally managed Australian equities portfolio. Each manager has been given a mandate to invest in discretely held portfolios of listed Australian equities, but for market timing purposes, they may also hold some cash from time to time. Assets under management are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at balance date comprise:

	2005	2004
	\$'000	\$'000
Active Broad Market Mandate:		
Credit Suisse Asset Management (Australia) Limited	-	410 419
Balanced Equity Management Pty Ltd	637 434	511 793
Barclays Global Investors Australia Limited	367 736	289 608
Barclays Global Investors Australia Limited - Long/Short	103 429	72 777
Perennial Value Management Limited	705 640	550 629
Orion Asset Management Limited	529 748	-
Active Small Capitalisation Mandate:		
Jenkins Investment Management Pty Ltd	151 802	118 375
SG Hiscock and Company Ltd	141 588	125 912
Private Equity Investments	*	55 601
Total	2 636 377	2 135 114

* Refer to Note 12 - Diversified Strategies (Growth) for current year's information on Funds SA's investments in domestic private equity.

10. International Equities

The net market value of individual assets or portfolios that comprise the international equities sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its international equities portfolio. Each manager has been given a mandate to invest either in discretely held listed equities or pooled unit trusts, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian. The nature of mandates given to investment managers and the value of the individual portfolios as at the balance date comprise:

10. International Equities (continued)	2005	2004
	\$'000	\$'000
All Countries Mandates:		
Capital International Inc.	-	243 323
Alliance Capital Australia Limited	308 618	-
MFS International (U.K.) Limited	252 875	-
AQR Capital Management, LLC	259 159	-
Europe Australasia Far East (EAFE) Mandates:		
Capital International Inc.	-	326 896
The Boston Company Asset Management LLC	223 940	150 859
Mondrian Investment Partners Limited	229 145	193 350
Fidelity International Limited	226 257	166 931
North America Mandates:		
Rainier Investment Management	113 218	108 669
Jacobs Levy Equity Management Inc.	352 837	408 632
Barclays Global Investors - US Alpha Tilts Fund	-	405 346
Barclays Global Investors - MSCI Canada Index Fund	-	44 875
Barclays Global Investors - Russell 2000 Alpha Tilts Fund	-	58 091
Barclays Global Investors - Index Fund	137 324	-
Turner Investment Partners Inc	49 512	45 046
Sterling Johnston Capital Management LP	29 055	30 477
Lord Abbett & Co. LLC	37 971	35 433
Kenwood Capital Management, LLC	78 557	-
Emerging Markets Mandates:		
Genesis Management Australia Limited	118 415	92 954
GMO Australia Limited	125 483	97 023
Lloyd George Management (Europe) Limited	53 193	-
Currency Hedge Overlay*	16 897	(42 829)
Private equity investments	**	55 882
Total	2 612 456	2 420 958

* The value of the currency hedge overlay as at 30 June is represented by either the expense or income associated with closing out the forward rate agreements in place, at that date, as part of Funds SA's currency management strategy. The positive hedge overlay position, as at 30 June 2005, reflects appreciation in the Australian dollar relative to cross-currencies during the June quarter.

** Refer to Note 12 – Diversified Strategies (Growth) for current year's information on Funds SA's investments in international private equity.

11. Fixed Interest

The fixed interest sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's fixed interest investments were administered through two separate sector funds, Australian fixed interest and International fixed interest. These sector funds were merged to create a single fixed interest sector fund. The 2004 figures in the table below reflect the previous years' structure for comparative purposes.

The net market value of individual assets or portfolios that comprise the fixed interest sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its fixed interest portfolio. Each manager has been given a mandate to invest either in discretely held or pooled unit trust portfolios of fixed interest investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at the balance date comprise:

	2005	2004
	\$'000	\$'000
Australian Fixed Interest Mandates:		
Credit Suisse Asset Management (Australia) Limited	238 885	159 601
UBS Brinson	-	159 464
Sub-Total Australian Mandates	238 885	319 065
International Fixed Interest Mandates:		
PIMCO Australia Pty Limited	234 547	161 362
Bridgewater Associates, Inc.	234 907	159 623
Sub-Total International Mandates	469 454	320 985
Total	708 339	640 050

12. Diversified Strategies - Growth

The diversified strategies (growth) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. Prior to that date, Funds SA's private equity and opportunistic real estate investments were administered through three existing sector funds: Australian equities (domestic private equity), international equities (international private equity) and property (opportunistic real estate).

The net market value of individual assets or portfolios that comprise the diversified strategies (growth) sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its diversified strategies (growth) portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

The nature of mandates given to investment managers and the value of the individual portfolios as at the balance date comprise:

	2005	2004*
	\$'000	\$'000
Externally Managed:		
Private equity- Domestic	45 591	*
Private equity - International	94 912	*
Opportunistic real estate	4 912	*
Currency hedge overlay	579	*
Total	145 995	*

* For 2004 comparative figures, reference should be made to the Australian Equities, International Equities and Property sector funds.

As at 30 June 2005, the composition of each of the sub-sectors in the table is as follows:

Domestic Private Equity:

- Arrow Development Fund (Rothschild)
- Australian Mezzanine Investment #2 Trust
- Hambro-Grantham Development Trust
- Macquarie Investment #2 Trust
- AMP Business Development Fund #2
- Catalyst Fourth Management Buyout Fund
- Castle Harlan Australian Mezzanine Partners No.1A Trust
- Business Equity Fund
- Equity Partners #2
- Technology Venture Partners #3
- Advent IV Private Equity Fund #1
- CHAMP Ventures Investments Trust No. 5
- Quay Secondaries 1 Fund
- Archer Capital Fund 2 (previously the GS Private Equity Fund #2)
- Archer Capital Fund 3

International Private Equity:

- Wilshire Private Markets Funds
- Brinson Partnership Trusts
- Adams Street Partnership Funds
- Pantheon Europe Funds
- Pantheon Global Secondary Fund II Limited
- Goldman Sachs Vintage Fund III Offshore, LP
- Lexington Middle Market Investors, LP

Opportunistic Real Estate:

- Lend Lease Real Estate Partners
- ING Retail Property Partnership Southern Europe, C.V.
- TransEuropean Property Limited Partnership III

13. Diversified Strategies - Income

The diversified strategies (income) sector fund was created on 1 April 2005 following a review of Funds SA's investment strategy. The net market value of individual assets or portfolios that comprise the diversified strategies (income) sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its diversified strategies (income) portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager. The nature of mandates given to investment managers and the value of the individual portfolios as at the balance date comprise:

	2005	2004
	\$'000	\$'000
Externally Managed:		
GMO Trust - Emerging Country Debt Fund	70 913	-
PIMCO Funds - Diversified Income Fund	72 642	-
Challenger Managed Investments Ltd - High Yield Fund	70 527	-
Currency Hedge Overlay	(958)	-
Total	213 124	-

14. Cash	The cash sector fund comprised the following investments as at the balance date: Externally Managed: Macquarie Investment Management Ltd Total	<table border="0"> <tr> <td style="text-align: right;">2005</td> <td style="text-align: right;">2004</td> </tr> <tr> <td style="text-align: right;">\$'000</td> <td style="text-align: right;">\$'000</td> </tr> <tr> <td style="text-align: right;">208 324</td> <td style="text-align: right;">157 647</td> </tr> <tr> <td style="text-align: right;">208 324</td> <td style="text-align: right;">157 647</td> </tr> </table>	2005	2004	\$'000	\$'000	208 324	157 647	208 324	157 647						
2005	2004															
\$'000	\$'000															
208 324	157 647															
208 324	157 647															
15. Fixed Assets	Fixed assets comprise fixtures, fittings, plant and equipment. Movements in this account over the financial year are summarised below: Fixed assets (At cost) at 1 July Add: Purchases Less: Disposals (At cost) Fixed assets (At cost) at 30 June Less: Accumulated depreciation at 30 June Total	<table border="0"> <tr> <td style="text-align: right;">887</td> <td style="text-align: right;">759</td> </tr> <tr> <td style="text-align: right;">471</td> <td style="text-align: right;">128</td> </tr> <tr> <td style="text-align: right;">1 358</td> <td style="text-align: right;">887</td> </tr> <tr> <td style="text-align: right;">507</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">851</td> <td style="text-align: right;">887</td> </tr> <tr> <td style="text-align: right;">354</td> <td style="text-align: right;">741</td> </tr> <tr> <td style="text-align: right;">497</td> <td style="text-align: right;">146</td> </tr> </table>	887	759	471	128	1 358	887	507	-	851	887	354	741	497	146
887	759															
471	128															
1 358	887															
507	-															
851	887															
354	741															
497	146															
16. Liabilities	(a) Current Provisions Current provisions as at balance date comprise: Provision for employee entitlements Lease incentive Other Total	<table border="0"> <tr> <td style="text-align: right;">254</td> <td style="text-align: right;">140</td> </tr> <tr> <td style="text-align: right;">25</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">16</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">295</td> <td style="text-align: right;">140</td> </tr> </table>	254	140	25	-	16	-	295	140						
254	140															
25	-															
16	-															
295	140															
	(b) Non-Current Liabilities Non-Current liabilities as at balance date comprise: Provision for employee entitlements Bank bill facility ⁽¹⁾ Lease incentive Other Total	<table border="0"> <tr> <td style="text-align: right;">407</td> <td style="text-align: right;">355</td> </tr> <tr> <td style="text-align: right;">15 871</td> <td style="text-align: right;">21 792</td> </tr> <tr> <td style="text-align: right;">59</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">4 176</td> <td style="text-align: right;">4 153</td> </tr> <tr> <td style="text-align: right;">20 513</td> <td style="text-align: right;">26 300</td> </tr> </table>	407	355	15 871	21 792	59	-	4 176	4 153	20 513	26 300				
407	355															
15 871	21 792															
59	-															
4 176	4 153															
20 513	26 300															
	(1) The future income stream arising from the long term lease to the Australian Taxation Office (ATO) of the whole of a Hobart office property has been redirected to a syndicate of international banks. The redirection was in the form of a concurrent lease of the property to the banks under which the banks received the right to the rental and fixed outgoings payments made by the ATO. The concurrent lease requires the banks to make rental payments to Funds SA equal in value to the payments receivable from the ATO. As part of the transaction, the banks provided a bank bill facility to Funds SA. Under a set-off agreement, the rental payments due to Funds SA under the concurrent lease are applied by the banks to service the bill facility. The amounts outstanding under the facility are predetermined and are capable of being fully serviced and repaid from the concurrent lease rentals.															
17. Commitments and Contingent Liabilities	(a) Commitments As at the balance date, Funds SA had commitments associated with future capital calls on private equity investments entered into before that date, other than transactions which have been provided for in the financial report as unsettled purchases of investments. The timing of the commitments disclosed in the table below are based on management's expectations of the likely timing of future capital calls on private equity investments. The commitments are as follows, with no allowance having been made for the time value of money:	<table border="0"> <tr> <td style="text-align: right;">2005</td> <td style="text-align: right;">2004</td> </tr> <tr> <td style="text-align: right;">\$'000</td> <td style="text-align: right;">\$'000</td> </tr> <tr> <td style="text-align: right;">87 906</td> <td style="text-align: right;">75 358</td> </tr> <tr> <td style="text-align: right;">184 441</td> <td style="text-align: right;">176 603</td> </tr> <tr> <td style="text-align: right;">8 384</td> <td style="text-align: right;">5 230</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">280 731</td> </tr> <tr> <td style="text-align: right;">280 731</td> <td style="text-align: right;">257 191</td> </tr> </table>	2005	2004	\$'000	\$'000	87 906	75 358	184 441	176 603	8 384	5 230	Total	280 731	280 731	257 191
2005	2004															
\$'000	\$'000															
87 906	75 358															
184 441	176 603															
8 384	5 230															
Total	280 731															
280 731	257 191															
	(b) Contingent Liabilities There were no contingent liabilities in existence at the balance date.															
18. Employee Benefits	(a) Employees' Remuneration Funds SA had 12.9 full time equivalent employees as at 30 June 2005. Remuneration, paid or payable, including salary, bonuses, superannuation and other benefits, of Funds SA officers which exceeds the disclosure threshold required by Accounting Policy Statement No. 13 'Form and Content of General Purpose Financial Reports' is as follows:															

(a) Employees' Remuneration (continued)

	Number of Officers	
	2005	2004
Total Remuneration:		
\$100 001 - \$110 000	1	2
\$110 001 - \$120 000	3	1
\$140 001 - \$150 000	-	1
\$160 001 - \$170 000	1	-
\$200 001 - \$210 000	-	1
\$210 001 - \$220 000	1	-
\$260 001 - \$270 000	-	1
\$340 001 - \$350 000	1	-

The aggregate remuneration of employees exceeding the disclosure threshold was \$1 170 475 (\$937 656).

(b) Employee Benefits

The administration expenses incurred by Funds SA include recognition of the liabilities associated with employee benefits of Funds SA officers resulting from service up to the balance date.

Superannuation liabilities recognised in the Statement of Net Assets represent employer contributions due but not yet paid as at the balance date. Funds SA Directors and officers are either members of the South Australian Superannuation Scheme, Southern State Superannuation Scheme or private superannuation funds.

Funds SA makes periodic payments to these superannuation funds. These payments extinguish any future liability for superannuation for all employees and directors. In 2004-05, the periodic amounts paid, or due and payable, to the South Australian Superannuation Scheme and the Southern State Superannuation Scheme totalled \$120 419 (\$112 933). In 2004-05, the periodic amounts paid, or due and payable, to private superannuation funds totalled \$39 635 (\$37 224).

The employee benefits recognised as liabilities as at 30 June 2005 comprise:

	2005			2004 Total \$'000
	Current \$'000	Non- Current \$'000	Total \$'000	
Salaries and wages	120	-	120	56
Annual leave	53	-	53	72
Long service leave	72	358	430	365
Superannuation	9	49	58	2
	254	407	661	495

19. Related Parties**(a) Directors**

The following are directors of Funds SA who have served during the course of the 2004-05 financial year, along with the period served.

Helen Nugent	Chairman	Throughout the year
Julie Brennan	Director	Throughout the year
Kevin Crawshaw	Director	Throughout the year
Leigh Hall	Director	Throughout the year
Jan McMahon	Director	Throughout the year
Jim Wright	Director	Throughout the year

(b) Remuneration of Directors

Directors' remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on both the Funds SA Board and the boards of associated controlled entities. Directors' fees for the 2004-05 year were set by the Governor of South Australia. The aggregate remuneration of directors was \$174 173 (\$189 292).

	2005	2004
	Number of Directors	Number of Directors
\$0 - \$10 000	-	1
\$20 001 - \$30 000	1	1
\$30 001 - \$40 000	3	3
\$50 001 - \$60 000	1	-
\$60 001 - \$70 000	-	1

(c) Transactions with Directors and Director-related Entities

The Chairman of Funds SA, Dr Helen Nugent, is a non-executive director of the Macquarie Bank Group Limited. Macquarie Bank Group Limited (or its wholly-owned subsidiaries) has provided funds management and other services to Funds SA during 2004-05 on normal commercial terms and conditions. Dr Nugent has taken no part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Bank Group Limited (or its wholly-owned subsidiaries). Dr Nugent has also advised the Board that she does not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

20. Controlled Entities

Funds SA's share holdings in controlled entities are as follows:

Name of Entity	Ownership Percent
Carwell Pty Ltd	100
Kantilla Pty Ltd	100
Narana Pty Ltd	100
Pipetch Pty Ltd	100
• SILT Trust	100

The net market values of these companies have been consolidated into this financial report.

The above entities were established to hold Funds SA's interests in a number of specific investments. As at 30 June 2005, Carwell Pty Ltd, Narana Pty Ltd and Kantilla Pty Ltd did not hold any investments and were dormant. Pipetch Pty Ltd is the trustee company of the SILT Trust, which holds Funds SA's inflation linked investment in the Shell Australia Service Station Leases. This investment is reported in Note 7.

21. Remuneration of Auditors

Amounts received, or due and receivable, by the auditors are:

	2005 \$'000	2004 \$'000
Auditor-General's Department:		
Auditing of Funds SA and certain controlled entities	83	83
Bird Cameron Partners (Sydney):*		
Auditing of Pipetch Pty Ltd and SILT Trust	10	7
	<u>93</u>	<u>90</u>

* Bird Cameron Partners also provide income tax return preparation services to the SILT Trust on normal commercial terms and conditions.

22. Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash is considered to include cash on hand, cash at bank and investments in money market instruments, where such investments are considered to be part of the day to day cash management function. Such investments include 11am at call deposits and other deposits of very short duration, and bank bills.

Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to related items in the Statement of Net Assets as follows:

	2005 \$'000	2004 \$'000
Cash	208 324	157 647
Add: Unrealised (gains) losses on revaluation of cash investments	(172)	132
Short-term money market investments utilised in day-to-day cash management activities	208 152	157 779
Cash at bank	550	617
Cash as at 30 June reported in the Statement of Cash Flows	<u>208 702</u>	<u>158 396</u>

(b) Reconciliation of Net Cash provided by Operating Activities to Investment Income

Investment income reported in the statement of changes in net assets	1 009 208	937 419
Unrealised (gains) losses on revaluation of investments	(656 892)	(516 335)
Interest capitalised on inflation linked securities	(4 562)	(6 634)
Income realised by external managers, but not remitted	(193 916)	(149 851)
(Excess) Shortfall of realisations over market values previously taken	(73 424)	(114 849)
Depreciation of fixed assets and provisions	403	56
(Increase) Decrease in investment related debtors	(610)	40
Decrease in investment related creditors	(3 163)	(5 807)
Net Cash provided by Operating Activities	<u>77 044</u>	<u>144 039</u>

For asset classes other than property, operating outgoings are normally minor and incidental in nature. Funds SA's directly held property is managed by an external agent who is responsible for the collection of rents and the payment of property outgoings. Funds SA receives payments from the managing agent representing the net cash income from the property. For these reasons, items comprising Net cash provided by (used in) operating activities in the Statement of Cash Flows are presented on a net cash flow basis.

(c) Credit Facilities

An international bank has made a bank bill facility available to Funds SA as a result of transactions associated with Funds SA's investment in a property in Hobart, Tasmania. The facility has been fully drawn down and does not provide any standby credit. Further reference to this facility may be found under Note 16(b).

23. Additional Disclosures with Respect to Financial Instruments

(a) Interest Rate Risk

Funds SA's investments are exposed to various risks from fluctuations in market interest rates, which can impact on both the net market values of and expected cash flows from those investments. Funds SA is not exposed to interest rate risk on any of its liabilities. The following table summarises interest rate risk exposure on investments:

	Effective Interest Rate	3 Months or Less	2005				Total \$'million
			Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 5 Years	Over More than 5 Years	
Australian Fixed Interest:	Percent	\$'million	\$'million	\$'million	\$'million	\$'million	
Commonwealth bonds	5.15	-	-	-	-	18.3	18.3
Semi-Government bonds	5.25	-	-	-	-	53.2	53.2
Corporate bonds	4.23	6.3	1.0	5.7	124.5	71.5	209.0
Inflation Linked - Internal:							
Corporate loans	3.29	-	-	-	-	87.8	87.8
Land and buildings	3.81	-	-	-	20.7	127.6	148.3
Indexed licence agreement	2.35	-	-	-	-	182.1	182.1
Inflation Linked - External:							
Commonwealth bonds	2.53	-	-	-	-	191.5	191.5
Semi-Government bonds	2.46	0.0	0.5	-	0.6	43.8	44.9
Corporate bonds	2.33	-	-	-	12.0	36.2	48.2
International Fixed Interest:							
United States	4.47	1.1	1.3	1.2	9.2	132.2	145.0
United Kingdom	4.13	-	-	-	3.9	3.6	7.5
European Community	2.97	-	1.7	0.2	7.8	64.6	74.3
Canada	4.37	-	-	-	-	2.3	2.3
Poland	4.57	-	-	-	-	0.4	0.4
Japan	0.87	-	-	-	1.9	23.9	25.8
Discounted Securities:							
Bank bills	5.65	111.7	26.4	8.6	-	-	146.7
US Bank bills	3.05	7.8	-	-	-	-	7.8
Cash (floating interest)	3.54	135.1	-	-	-	-	135.1
Total		262.0	30.9	15.7	180.6	1 039.0	1 528.2

	Effective Interest Rate	3 Months or Less	2004				Total \$'million
			Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 5 Years	Over More than 5 Years	
Australian Fixed Interest:	Percent	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million
Commonwealth bonds	5.71	-	-	-	8.1	15.6	23.7
Semi-Government bonds	5.79	-	-	7.3	34.9	30.1	72.3
Corporate bonds	4.82	-	2.3	2.9	142.9	86.9	235.0
Inflation Linked - Internal:							
Corporate loans	4.01	-	-	-	-	88.3	88.3
Land and buildings	4.45	-	-	-	22.4	125.5	147.9
Indexed licence agreement	3.14	-	-	-	-	161.5	161.5
Inflation Linked - External:							
Commonwealth bonds	3.25	-	-	-	14.5	256.9	271.4
Semi-Government bonds	3.22	-	-	-	0.1	38.4	38.5
Corporate bonds	3.93	-	-	-	-	5.1	5.1
International Fixed Interest:							
United States	4.40	0.9	0.6	2.1	1.5	61.4	66.5
United Kingdom	5.06	-	-	-	-	11.3	11.3
European Community	3.88	-	0.4	1.8	5.6	53.0	60.8
Canada	4.72	-	-	-	1.0	1.7	2.7
Switzerland	0.00	-	-	-	0.4	-	0.4
Japan	1.13	-	-	-	3.2	12.1	15.3
Discounted Securities:							
Bank bills	5.45	206.7	21.6	-	-	-	228.3
US Bank bills	1.18	26.8	1.6	-	-	-	28.4
Cash (floating interest)	2.32	77.9	-	-	-	-	77.9
Total		312.3	26.5	14.1	234.6	947.8	1 535.3

(b) Use of Derivatives

In accordance with the Regulations under the Act, the Treasurer of South Australia has authorised Funds SA to utilise derivative contracts for the purpose of the investment of funds or the management of portfolio risk.

Funds SA's external managers are empowered, pursuant to their respective investment management agreements, to enter into derivative contracts as part of their investment role. Derivative contracts may be used, for example, to provide efficient entry to or exit from markets or as a cost efficient substitute for the actual acquisition of securities. However, managers cannot gear the portfolio; that is, sufficient cash or assets must be maintained in the portfolio to support the liability underlying each contract.

(b) Use of Derivatives (continued)

Funds SA has engaged a manager to manage a static currency hedge against a strategic proportion of the international equities portfolio. The hedge is achieved by purchasing forward rate agreements to the required Australian dollar value with currencies matching the underlying country weighting in the Morgan Stanley Capital International (MSCI) Index. The purpose of the hedge is to remove the impact of currency movements from the proportions of the hedged sectors, namely international equities (one third hedged), diversified strategies growth (100 percent hedged) and diversified strategies income (100 percent hedged).

The following table summarises Funds SA's external managers' use of derivative instruments:

	2005	
	Principal Amount \$'000	Net Market Value \$'000
Derivative Instrument:		
Futures - Australian fixed interest	161 715	428
Futures - International fixed interest	282 966	823
Futures - Australian share price index	9 080	(106)
Futures - International share price index	49 813	311
Futures - Discount securities	(468 448)	(153)
Options - Australian exchange traded	13 241	13 504
Options - International exchange traded	(47 550)	(48 899)
Options - Australian share price index	31 969	30
Currency forward rate agreements	1 113 427	16 519
Total	1 146 213	(17 543)
	2004	
	Principal Amount \$'000	Net Market Value \$'000
Derivative Instrument:		
Futures - Australian fixed interest	29 320	291
Futures - International fixed interest	110 228	(153)
Futures - Share price index	(97 795)	12
Futures - Discount securities	(290 366)	72
Options - Australian exchange traded	13 744	11 186
Options - International exchange traded	(54 304)	(54 304)
Options - International over the counter	(217)	(217)
Currency forward rate agreements	780 194	(42 829)
Total	490 804	(85 942)

(c) Currency Risk

A number of Funds SA's external fund managers, particularly within the international equities sector fund, are permitted to invest in assets denominated in currencies other than the Australian dollar. The following table summarises the currency exposures associated with these assets and also the extent to which these exposures have either been hedged directly by Funds SA's external fund managers or hedged indirectly through Funds SA's overlaid currency hedging program (refer discussion under Note 23(b)).

	2005 \$'000	2004 \$'000
Currency:		
United States, Dollar	1 614 563	1 475 787
Europe, Euro	470 549	388 786
Japan, Yen	240 049	234 473
United Kingdom, Pound	247 036	227 909
Switzerland, Franc	63 306	64 987
Sweden, Krona	20 506	9 736
Hong Kong, Dollar	29 689	18 111
Canada, Dollar	47 340	70 014
Singapore, Dollar	25 362	14 002
Norway, Krone	9 142	7 216
Denmark, Kroner	4 473	4 933
New Zealand, Dollar	38 048	40 366
South Korea, Won	28 841	2 916
Brazil, Real	6 448	408
South Africa, Rand	12 356	7 486
China, Yuan	9 855	-
Other	30 545	5 370
	2 898 108	2 572 500
Less: Amount effectively hedged	(1 113 452)	(946 086)
Total	1 784 656	1 626 414

24. Events Occurring after Reporting Date

There were no events occurring after the reporting date which, in the opinion of directors, are required to be disclosed in either the Statement of Changes in Net Assets, Statement of Net Assets, Statement of Cash Flows or in the Notes to and Forming Part of the Financial Report.

25. Financial Information of Funds Under Management

Statements of Net Assets Under Management and Statements of Changes in Net Assets in respect of each of the public sector superannuation funds under the investment management of Funds SA are reported upon below, as required by section 26(2) of the Act. As indicated in Note 1, these statements report only upon the investment activities of the public sector superannuation funds under management, and not scheme administration activities. The Statements are numbered on the following pages as follows:

- (a) South Australian Superannuation Scheme
 - (i) South Australian Superannuation Fund – Old and New Scheme Divisions
 - (ii) South Australian Superannuation Scheme – Employer Contribution Accounts
- (b) Police Superannuation Scheme
 - (i) Police Superannuation Fund – Old and New Scheme Divisions
 - (ii) Police Superannuation Scheme – Employer Contribution Account
- (c) Southern State Superannuation Scheme
 - (i) Southern State Superannuation Fund
 - (ii) Southern State Superannuation (Employers) Fund
 - (iii) Super SA Flexible Rollover Product
 - (iv) Super SA Allocated Pension
- (d) Parliamentary Superannuation Scheme
- (e) Judges' Pensions Scheme
- (f) Governors' Pensions Scheme

(a) South Australian Superannuation Scheme**Statement of Changes in Net Assets Under Management for the year ended 30 June 2005**

	2005 \$'000	2004 \$'000
Funds held at 1 July	3 136 682	2 673 727
Add: Receipts	268 500	285 859
Net investment earnings	471 187	466 746
Less: Payments	316 700	289 650
Funds held at 30 June	3 559 669	3 136 682

Statement of Net Assets under Management as at 30 June 2005

	2005 \$'000	2004 \$'000
Inflation linked securities	361 949	363 941
Property	283 446	264 956
Australian equities	1 244 137	1 065 636
International equities	1 233 565	1 212 628
Fixed interest	205 365	179 830
Diversified strategies (Growth)	64 475	-
Diversified strategies (Income)	93 319	-
Cash	87 979	67 474
Other assets	832	461
	3 575 067	3 154 926
Less: Liabilities	15 398	18 244
Net Assets at 30 June	3 559 669	3 136 682

(i) South Australian Superannuation Fund**Statement of Changes in Net Assets Under Management for the year ended 30 June 2005**

	2005 Old Scheme Division \$'000	2004 Old Scheme Division \$'000	2005 New Scheme Division \$'000	2004 New Scheme Division \$'000
Funds held at 1 July	1 191 899	1 054 231	424 274	349 407
Add: Receipts	1 000	3 500	10 400	12 650
Net investment earnings	176 893	185 718	64 899	63 717
Less: Payments	58 800	51 550	4 200	1 500
Funds held at 30 June	1 310 992	1 191 899	495 373	424 274

(i) South Australian Superannuation Fund (continued)

Statement of Net Assets under Management as at 30 June 2005

	2005 Old Scheme Division \$'000	2004 Old Scheme Division \$'000	2005 New Scheme Division \$'000	2004 New Scheme Division \$'000
Inflation linked securities	133 562	138 293	49 764	49 228
Property	104 447	100 680	39 313	35 838
Australian equities	458 295	404 928	172 924	144 140
International equities	454 401	460 783	171 453	164 023
Fixed interest	75 400	68 333	29 126	24 324
Diversified strategies (Growth)	23 697	-	9 086	-
Diversified strategies (Income)	34 281	-	13 191	-
Cash	32 276	25 639	12 537	9 127
Other assets	306	175	118	62
	1 316 665	1 198 831	497 512	426 742
Less: Liabilities	5 673	6 932	2 139	2 468
Net Assets at 30 June	1 310 992	1 191 899	495 373	424 274

(ii) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Funds held at 1 July	1 520 509	1 270 089
Add: Receipts	257 100	269 709
Net investment earnings	229 395	217 311
Less: Payments	253 700	236 600
Funds held at 30 June	1 753 304	1 520 509

Statement of Net Assets under Management as at 30 June 2005

	2005 \$'000	2004 \$'000
Inflation linked securities	178 623	176 420
Property	139 686	128 438
Australian equities	612 918	516 568
International equities	607 711	587 822
Fixed interest	100 839	87 173
Diversified strategies (Growth)	31 692	-
Diversified strategies (Income)	45 847	-
Cash	43 166	32 708
Other assets	408	224
	1 760 890	1 529 353
Less: Liabilities	7 586	8 844
Net Assets at 30 June	1 753 304	1 520 509

(b) Police Superannuation Scheme

Statement of Changes in Net Assets Under Management for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Funds held at 1 July	493 882	399 517
Add: Receipts	37 375	36 275
Net investment earnings	76 644	71 740
Less: Payments	12 150	13 650
Funds held at 30 June	595 751	493 882

(b) Police Superannuation Scheme (continued)**Statement of Net Assets under Management as at 30 June 2005**

	2005	2004
	\$'000	\$'000
Inflation linked securities	60 694	57 304
Property	47 464	41 717
Australian equities	208 263	167 789
International equities	206 492	190 933
Fixed interest	34 263	28 314
Diversified strategies (Growth)	10 768	-
Diversified strategies (Income)	15 579	-
Cash	14 668	10 624
Other assets	138	74
	598 329	496 755
Less: Liabilities	2 578	2 873
Net Assets at 30 June	595 751	493 882

(i) Police Superannuation Fund**Statement of Changes in Net Assets under Management for the year ended 30 June 2005**

	2005	2004	2005	2004
	Old	Old	New	New
	Scheme	Scheme	Scheme	Scheme
	Division	Division	Division	Division
	\$'000	\$'000	\$'000	\$'000
Funds held at 1 July	252 780	216 691	13 730	10 988
Add: Receipts	450	800	1 151	850
Net investment earnings	38 242	38 689	2 177	2 042
Less: Payments	3 175	3 400	50	150
Funds held at 30 June	288 297	252 780	17 008	13 730

Statement of Net Assets under Management as at 30 June 2005

	2005	2004	2005	2004
	Old	Old	New	New
	Scheme	Scheme	Scheme	Scheme
	Division	Division	Division	Division
	\$'000	\$'000	\$'000	\$'000
Inflation linked securities	29 371	29 330	1 733	1 593
Property	22 969	21 352	1 355	1 159
Australian equities	100 783	85 878	5 946	4 665
International equities	99 926	97 724	5 895	5 308
Fixed interest	16 581	14 492	978	787
Diversified strategies (Growth)	5 211	-	307	-
Diversified strategies (Income)	7 539	-	445	-
Cash	7 098	5 438	419	295
Other assets	66	37	4	3
	289 544	254 251	17 082	13 810
Less: Liabilities	1 247	1 471	74	80
Net Assets at 30 June	288 297	252 780	17 008	13 730

(ii) Police Superannuation Scheme - Employer Contribution Account**Statement of Changes in Net Assets under Management for the year ended 30 June 2005**

	2005	2004
	\$'000	\$'000
Funds held at 1 July	227 372	171 838
Add: Receipts	35 774	34 625
Net investment earnings	36 225	31 009
Less: Payments	8 925	10 100
Funds held at 30 June	290 446	227 372

(ii) *Police Superannuation Scheme - Employer Contribution Account (continued)*

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	29 590	26 381
Property	23 140	19 206
Australian equities	101 534	77 246
International equities	100 671	87 901
Fixed interest	16 704	13 035
Diversified strategies (Growth)	5 250	-
Diversified strategies (Income)	7 595	-
Cash	7 151	4 891
Other assets	68	34
	291 703	228 694
<i>Less: Liabilities</i>	1 257	1 322
Net Assets at 30 June	290 446	227 372

(c) ***Southern State Superannuation Scheme***

Statement of Changes in Net Assets Under Management for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Funds held at 1 July	2 729 008	2 076 388
<i>Add: Receipts</i>	327 619	293 475
Net investment earnings	425 235	359 145
<i>Less: Payments</i>	450	-
Funds held at 30 June	3 481 412	2 729 008

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	363 558	303 391
Property	242 126	201 388
Australian equities	1 091 623	820 458
International equities	1 080 830	924 960
Fixed interest	453 516	418 196
Diversified strategies (Growth)	65 977	-
Diversified strategies (Income)	97 318	-
Cash	99 173	74 406
Other assets	904	468
	3 495 025	2 743 267
<i>Less: Liabilities</i>	13 613	14 259
Net Assets at 30 June	3 481 412	2 729 008

(i) *Southern State Superannuation Fund*

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Funds held at 1 July	383 527	256 720
<i>Add: Receipts</i>	83 425	78 375
Net investment earnings	62 327	48 432
<i>Less: Payments</i>	-	-
Funds held at 30 June	529 279	383 527

(i) Southern State Superannuation Fund (continued)

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	51 603	40 476
Property	36 725	28 114
Australian equities	166 867	115 189
International equities	165 318	130 379
Fixed interest	65 902	56 870
Diversified strategies (Growth)	10 497	-
Diversified strategies (Income)	15 666	-
Cash	18 625	14 417
Other assets	158	85
	531 361	385 530
Less: Liabilities	2 082	2 003
Net Assets at 30 June	529 279	383 527

(ii) Southern State Superannuation (Employers) Fund

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Funds held at 1 July	2 345 481	1 819 668
Add: Receipts	238 100	215 100
Net investment earnings	362 722	310 713
Less: Payments	-	-
Funds held at 30 June	2 946 303	2 345 481

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	311 296	262 915
Property	205 030	173 274
Australian equities	922 846	705 269
International equities	914 148	794 581
Fixed interest	386 649	361 326
Diversified strategies (Growth)	55 473	-
Diversified strategies (Income)	81 514	-
Cash	80 112	59 989
Other assets	744	383
	2 957 812	2 357 737
Less: Liabilities	11 509	12 256
Net Assets at 30 June	2 946 303	2 345 481

(iii) Super SA Flexible Rollover Product

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
Funds held at 1 July	-	-
Add: Receipts	3 877	-
Net investment earnings	107	-
Less: Payments	433	-
Funds held at 30 June	3 551	-

(iii) Super SA Flexible Rollover Product (continued)

Statement of Net Assets under Management as at 30 June 2005

	2005 \$'000	2004 \$'000
Inflation linked securities	363	-
Property	229	-
Australian equities	1 182	-
International equities	845	-
Fixed interest	471	-
Diversified strategies (Growth)	5	-
Diversified strategies (Income)	84	-
Cash	384	-
Other assets	2	-
	<hr/> 3 565	-
Less: Liabilities	14	-
Net Assets at 30 June	<hr/> 3 551 <hr/>	-

(iv) Super SA Allocated Pension

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Funds held at 1 July	-	-
Add: Receipts	2 217	-
Net investment earnings	79	-
Less: Payments	17	-
Funds held at 30 June	<hr/> 2 279 <hr/>	-

Statement of Net Assets under Management as at 30 June 2005

	2005 \$'000	2004 \$'000
Inflation linked securities	296	-
Property	142	-
Australian equities	728	-
International equities	519	-
Fixed interest	494	-
Diversified strategies (Growth)	2	-
Diversified strategies (Income)	54	-
Cash	52	-
Other assets	-	-
	<hr/> 2 287	-
Less: Liabilities	8	-
Net Assets at 30 June	<hr/> 2 279 <hr/>	-

(d) **Parliamentary Superannuation Scheme**

Statement of Changes in Net Assets under Management for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Funds held at 1 July	125 523	122 019
Add: Receipts	2 450	2 890
Net investment earnings	18 966	21 794
Less: Payments	12 370	21 180
Funds held at 30 June	<hr/> 134 569 <hr/>	<hr/> 125 523 <hr/>

(d) Parliamentary Superannuation Scheme (continued)**Statement of Net Assets under Management as at 30 June 2005**

	2005	2004
	\$'000	\$'000
Inflation linked securities	13 710	14 564
Property	10 721	10 603
Australian equities	47 042	42 644
International equities	46 643	48 527
Fixed interest	7 740	7 197
Diversified strategies (Growth)	2 432	-
Diversified strategies (Income)	3 519	-
Cash	3 313	2 700
Other assets	31	18
	135 151	126 253
Less: Liabilities	582	730
Net Assets at 30 June	134 569	125 523

(e) Judges' Pensions Scheme**Statement of Changes in Net Assets under Management for the year ended 30 June 2005**

	2005	2004
	\$'000	\$'000
Funds held at 1 July	113 139	100 139
Add: Receipts	2 940	2 510
Net investment earnings	17 114	17 920
Less: Payments	4 310	7 430
Funds held at 30 June	128 883	113 139

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	13 130	13 127
Property	10 268	9 557
Australian equities	45 055	38 437
International equities	44 672	43 739
Fixed interest	7 413	6 487
Diversified strategies (Growth)	2 330	-
Diversified strategies (Income)	3 370	-
Cash	3 173	2 434
Other assets	30	16
	129 441	113 797
Less: Liabilities	558	658
Net Assets at 30 June	128 883	113 139

(f) Governors' Pensions Scheme**Statement of Changes in Net Assets under Management for the year ended 30 June 2005**

	2005	2004
	\$'000	\$'000
Funds held at 1 July	441	457
Add: Receipts	330	-
Net investment earnings	62	74
Less: Payments	100	90
Funds held at 30 June	733	441

Statement of Net Assets under Management as at 30 June 2005

	2005	2004
	\$'000	\$'000
Inflation linked securities	75	51
Property	58	37
Australian equities	257	150
International equities	254	171
Fixed interest	42	26
Diversified strategies (Growth)	13	-
Diversified strategies (Income)	19	-
Cash	18	9
Other assets	-	-
	736	444
Less: Liabilities	3	3
Net Assets	733	441

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

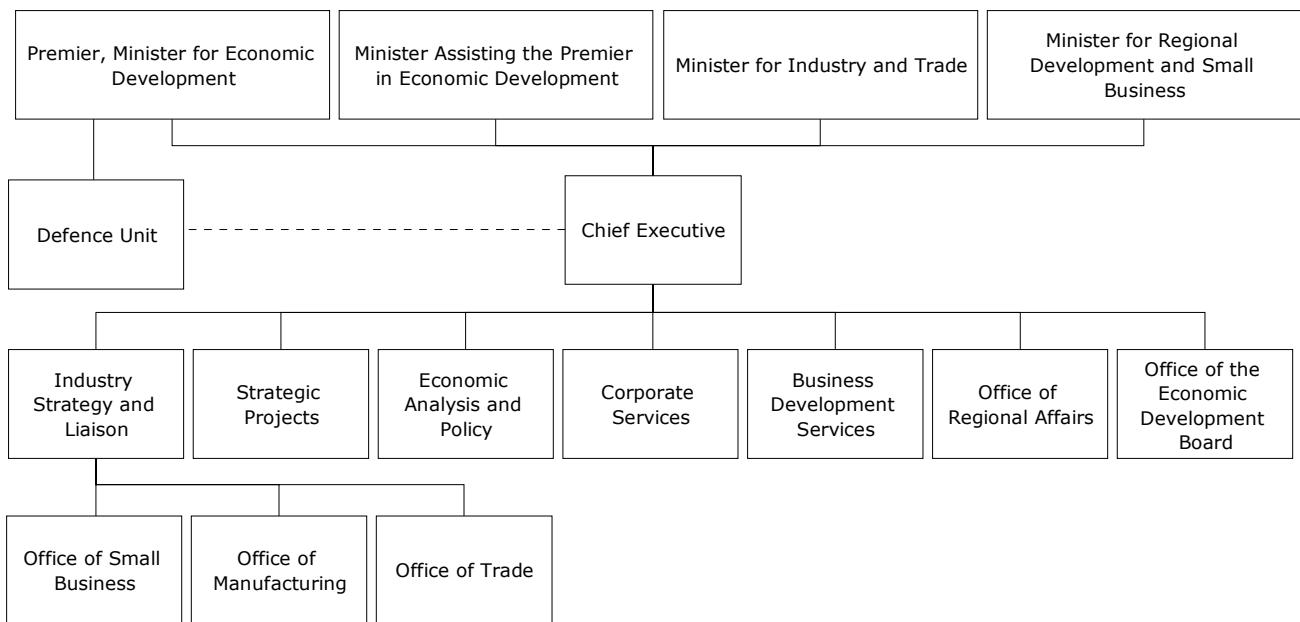
The Department of Trade and Economic Development is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The function of the Department is to facilitate long term sustainable economic development in South Australia by working in partnership with industry and other stakeholders in line with the State Strategic Plan.

Structure

The structure of the Department at 30 June 2005 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

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

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

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

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provision of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Trade and Economic Development as at 30 June 2005, 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
- risk management,

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.

Administration of Grants and Subsidies

The 2004-05 audit of grants and subsidies included a review of the transfer of administrative responsibility for the Industry and Investment Attraction Fund (IIAF) from the Department to the Department of Treasury and Finance.

As reported in the 2003-04 Auditor-General's Report to Parliament under the heading 'Further Commentary on Operations' a review of the provision of assistance to the private sector by the Department of Trade and Economic Development was requested in February 2003 by the Treasurer and the Minister for Trade and Regional Development. The review recommended the wind up of IIAF effective 1 July 2004 and the transfer of administration of the existing IIAF contracts to the Department of Treasury and Finance (DTF).

Audit review in 2004-05 identified the administration arrangements had not been resolved. Audit noted that in January 2005, the Minister for Industry and Trade provided Power of Attorney to the South Australian Financing Authority (SAFA) giving the authority to monitor existing IIAF contracts and milestones.

Audit raised with the Department of Trade and Economic Development that, notwithstanding the Power of Attorney, specific administrative and financial roles and responsibilities covering important matters were not formally documented to define and clarify the respective roles and responsibilities of the Department of Trade and Economic Development, the DTF and SAFA. Important matters include:

- responsibility for financial accounting and reporting of financial transactions;
- arrangements for approving changes to contract conditions;
- monitoring and reporting on key contract responsibilities and outcomes.

In response, the Department advised that financial resources of \$1.2 million were transferred to DTF on 1 July 2004 to fund the DTF role in monitoring of IIAF contracts and milestones.

It was the Department's understanding that, effective 1 July 2004, DTF was responsible for performing the monitoring function. Whilst DTF did not have authority to act on behalf of the Minister for Industry and Trade with IIAF clients until the Power of Attorney was entered into, contact with IIAF clients was undertaken by the Department of Trade and Economic Development on behalf of DTF.

Since January 2005, the Department of Trade and Economic Development have only provided policy advice and financial processing functions such as the receipt of monies and raising of invoices for DTF.

Effective 1 July 2005 administrative responsibility has been transferred to DTF.

Reconciliation of EDID System to the General Ledger

The EDID system is utilised by the Department to maintain details of all industry assistance agreements, including associated receipts and payments.

Audit review identified that EDID financial transaction activity had not been reconciled to the general ledger this financial year. In addition, the Department has not established a policy and procedure to support the reconciliation of EDID and the general ledger.

The Department advised all reconciliations have been prepared as at 30 June 2005 to enable the administration of industry assistance to be transferred to DTF with effect from 1 July 2005.

In addition, the Department have formulated a policy and procedure which will be implemented for the 2005-06 financial year.

Expenditure Processing

The processing and recording of expenditure by the Department was outsourced to the Department of Primary Industries and Resources (PIRSA) effective 1 July 2004.

Audit's review of the Department of Trade and Economic Development's control environment identified a number of control weaknesses. In addition, the conduct of the expenditure audit within PIRSA identified a number of weaknesses which impacted on Audit's ability to rely on the overall expenditure control environment. Control weaknesses specific to the Department of Trade and Economic Development control environment include:

- operating without expenditure related policies and procedures;
- purchase requisitions and purchase orders were not used;
- procedure had not been implemented ensuring the completeness and timely preparation of reconciliations between Accounts Payable and the General ledger;
- absence of a signature register to enable Accounts Payable officers of the service provider to verify payments were authorised by a financial delegate prior to payment of an invoice.

The Department's detailed response to the Audit findings identified a range of actions to be implemented to address the findings and recommendations.

Risk Management

Audit reported in 2003-04 that the Department had not implemented effective risk management practices in accordance with the Financial Management Framework.

The Department acknowledged that there was scope to improve risk management practices and advised a contractor had been engaged to develop a risk management framework for the Department addressing the specific issues raised by Audit.

Audit review in 2004-05 identified a Risk Management Policy was developed in June 2004, however a systematic evaluation of departmental risks had not been performed. Audit identified the Department had not implemented the audit recommendations raised in 2003-04 and established that there was a need to:

- document the processes for reporting risks;
- define the roles and responsibilities of all Departmental officers participating in risk management;
- establish risk management practices including evaluation criteria, risk identification, evaluation processes, documentation of risks and approaches to mitigating risks identified.

The Department responded advising the Executives and the Risk Advisor engaged from PIRSA have identified risks and developed a risk matrix and plan. The Executive Risk Management Plan was expected to be finalised by June 2005 with the development of divisional risk plans to commence during 2005-06.

Internal Audit

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

In response, the Department advised an Audit and Risk Management Committee had been established during 2004-05 and it anticipated resources will be provided early in 2005-06 to implement the Internal Audit process.

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 and had developed a Department Strategic Plan and commenced work on Divisional Strategic Plans.

The review identified scope for improvement with aspects of the Department's strategic planning and analysis processes including the need to:

- enhance the performance measures at a Department level and ensure both Departmental and Divisional targets are quantifiable;
- allocate specific timeframes or expected completion dates to all key tasks and initiatives outlined in Departmental and Divisional Strategic Plans;
- assign responsibility to specific officers for the implementation of key tasks and initiatives outlined in Departmental and Divisional Strategic Plans;
- finalise and endorse all Divisional Strategic Plans.

In response the Department advised that Divisional Strategic Plans were finalised and performance measures were reflected in the performance agreements of each Director. It further indicated that, where possible, measurable targets have been identified at both the departmental and divisional levels, however the Department recognise that these will be enhanced as the Department further refines and develops its corporate planning process. The Department noted that it had sought to link Departmental and Divisional strategic performance with the employee performance development program it had implemented.

Contracts Register

Audit review of the Department's contractual arrangements identified that the EDID system acts as a Contracts Register for all Industry Assistance Contracts but that no effective contract register is maintained for other contracts as is required by Treasurer's Instruction 27 'Disclosures of Government Contracts'.

The Department responded to Audit's findings by indicating a review has commenced to identify all contracts not captured on EDID.

Bona Fide Certificates and Leave Returns

Audit review identified that Employee Services at PIRSA provide the Department with Bona Fide Certificates and Leave Returns for each pay point. The Certificate and Returns are produced directly from the CHRIS payroll system, and supports an effective control to ensure validity of employees, their classification, attendance and leave details.

Audit testing established that Department Directors have delegated review of the certificates and returns to their Personal Assistants which Audit considered compromised the effectiveness of the control.

In response to Audit's findings the Department indicated it had implemented an 'Attendance Policy and Procedure' which addressed the issues raised by Audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

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

Highlights of Financial Statements

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Fees and charges	1.8	5.7	(68)
Interest	2.4	3.4	(29)
Other	0.5	2.6	(81)
Total Operating Revenue	4.7	11.7	(60)
OPERATING EXPENDITURE			
Employee expenses	14.0	16.6	(16)
Supplies and services	17.5	21.3	(18)
Grants and subsidies	19.1	35.8	(47)
Write off industry assistance loans	101.3	0.7	-
Write down of inventory	-	7.2	-
Other expenses	4.7	5.4	(13)
Total Operating Expenses	156.6	87.0	80
REVENUES FROM/PAYMENTS TO SA GOVERNMENT			
Revenues from Government	61.9	112.8	(45)
Payments to Government	86.8	-	-
Net Result before Restructuring	(176.8)	37.5	-
Net (Expense) Revenue from administrative restructure	-	(7.6)	-
Net Result after Restructuring	(176.8)	29.9	-
Net Cash Flows from Operations	(70.4)	42.1	-
ASSETS			
Current assets	31.0	121.6	(74)
Non-current assets	23.4	109.4	(79)
Total Assets	54.4	231.0	(76)
LIABILITIES			
Current liabilities	2.6	2.6	(11)
Non-current liabilities	1.7	1.5	13
Total Liabilities	4.3	4.1	(2)
EQUITY	50.1	226.9	(78)

Statement of Financial Performance

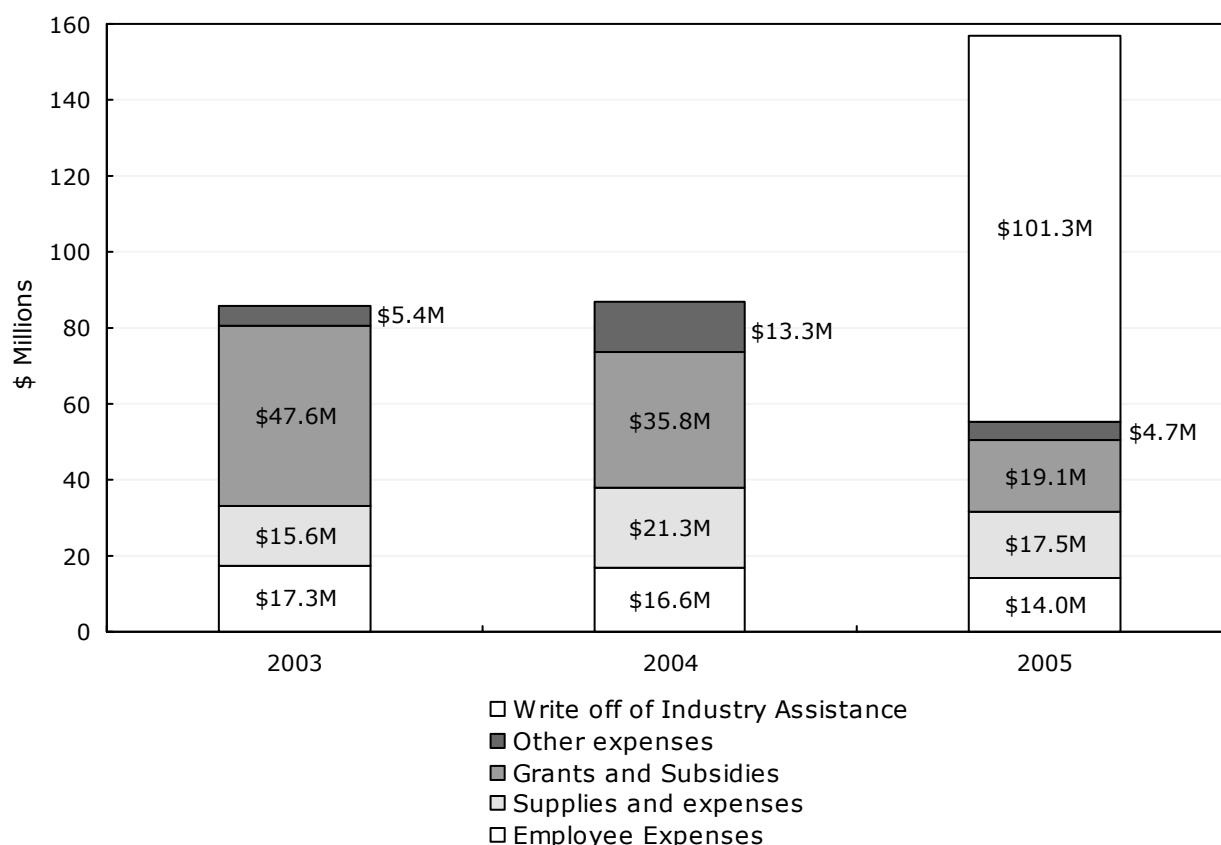
Operating Revenue

The Department's operating revenue has decreased by \$7.0 million to \$4.7 million due mainly to:

- fees and charges decreasing by \$3.9 million to \$1.8 million largely attributable to a reduction in financial assistance grants and other recoveries;
- other revenue decreasing by \$2.1 million to \$0.5 million with the decrease being due mainly to the reduction in Commonwealth grants received and the recognition of a prior period error in 2003-04.

Operating Expenses

For the three years to 2005, a structural analysis of the main operating expenses for the Department are shown in the following chart.



The chart highlights that the net expenses of the Department have increased by \$69.6 million to \$156.5 million. The net increase was due mainly to the following:

- Accounting Policy Statement 17 'Interest Free Loans' became effective during 2004-05, resulting in a once off expense of \$101.3 million reflecting the write off of interest free industry assistance loans.
- Employee expenses decreased by \$2.6 million due to a reduction in FTE's of 59 between 2003-04 and 2004-05, reflecting a decrease of \$1.3 million in TVSP expenditure and a decrease of \$1.7 million in salaries and wages expense.
- Supplies and services decreased by \$3.8 million due mainly to a reduction in accommodation costs of \$1.4 million and a reduction in capital works in progress expense of \$2.3 million which was a once off expense in 2003-04.
- Grants and subsidies decreased by \$16.7 million due mainly to:
 - no assistance provided for the construction of the Adelaide to Darwin Railway in 2004-05 compared with \$7.6 million in 2003-04,
 - a reduction of \$6.3 million in investment and attraction grants provided,

Trade and Economic Development

- a reduction of \$2.0 million in industry development grants provided,
- a reduction of \$1.0 million in regional infrastructure grants provided.
- Other expenses decreased by \$8.0 million due mainly to once off expenditure of \$9.9 million during 2003-04 for the write down of inventory and costs associated with the transfer of Edinburgh Parks to the Land Management Corporation. This reduction is offset by an increase in bad and doubtful debts of \$2.4 million.

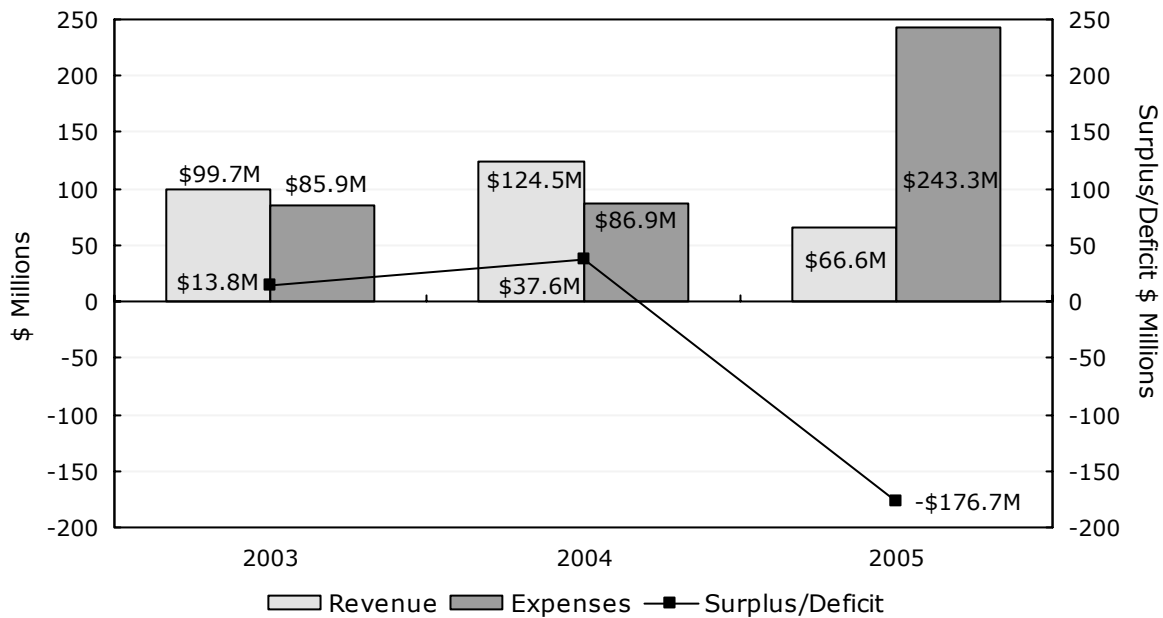
Revenues from/Payments to SA Government

The Department’s revenue from Government decreased by \$50.9 million to \$61.9 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.

Operating Result

The Department reported a deficit for 2004-05 of \$176.7 million compared to a surplus of \$37.6 million in 2003-04.

The following chart shows the operating revenues, operating expenses and surpluses and deficit for the three years to 2005.



Statement of Financial Position

Net assets reported by the Department at 30 June 2005 decreased by \$176.8 million to \$50.1 million. The decrease is due to:

- a reduction in the financial assistance debtors of \$101.3 million associated with the write off as outlined under the heading ‘Operating Expenses’ and an increase in the provision for doubtful debts of \$4.6 million;
- a reduction in cash held by \$70.8 million due mainly to the payment to the Treasurer of \$86.8 million in accordance with the Cash Alignment Policy.

Inventories and Receivables

During 2003-04 the Department recognised \$19.3 million of inventory for the first time in relation to the ownership of the Edinburgh Parks precinct. As at 1 July 2004 the Department transferred the ownership of Edinburgh Parks to the Land Management Corporation.

The Departments inventory balance during 2004-05 reduced to \$nil, however Receivables increased by \$20.5 million to recognise amounts owed to the Department by the Land Management Corporation which is payable by the Corporation to the Department upon sale of the land.

Statement of Cash Flows

The following table summarises the net cash flows for the two years to 2005.

	2005	2004
	\$'million	\$'million
Net Cash Flows		
Operations	(70.4)	42.1
Investing	(0.3)	(0.1)
Financing	-	(5.2)
Change in Cash	(70.7)	36.8
Cash at 30 June	21.7	92.4

The analysis of cash flows shows that the Department of Trade and Economic Development's cash reserves have decreased. This decrease is attributable mainly to the payment of \$86.8 million to the Department of Treasury and Finance in accordance with the Cash Alignment Policy.

FURTHER COMMENTARY ON OPERATIONS

Transfer of Administration of Industry Assistance Contracts

As reported under the heading 'Administration of Grants and Subsidies' effective 1 July 2004 the administration of the existing IIAF contracts was to transfer to the Department of Treasury and Finance (DTF).

In May 2005, a joint Cabinet submission between the Treasurer and the Minister for Industry and Trade was approved. The Cabinet submission transferred administrative responsibility effective 1 July 2005 from the Department to 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.

As outlined in the Cabinet submission, the Department's Strategic Projects Division will provide a policy role with respect to DTF providing new industry assistance in the future.

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 has taken a role in supporting 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. The Department of Defence called for a Request for Proposal to build the warships in October 2004 with submissions closing for shipbuilders in December 2004.

To ensure the success of the South Australian bid by the Australian Submarine Corporation, the Defence Unit developed a support package involving:

- supporting the availability of the infrastructure for the construction of the warships;
- facilitate the development of a maritime industrial suppliers precinct at Osborne;
- support initiatives to address the attraction, development and retention of a skilled workforce in the State to meet the needs of constructing the warships;
- develop a Maritime Skills Centre.

The support package will be delivered by a number of State Government agencies.

The financial commitment by the South Australian Government to assist the Australian Submarine Corporation with the construction of the warships is estimated to be \$145 million (2004 dollar value) over the life of the project.

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 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.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	13 988	16 640
Supplies and services	6	17 509	21 272
Depreciation	7	223	411
Grants and subsidies	8	19 083	35 765
Net loss from disposal of assets	9	142	7
Borrowing costs		-	470
Write down of inventory	10	-	7 152
Write down of financial assistance debtors	3.2	101 315	689
Other expenses	11	4 347	4 547
Total Expenses from Ordinary Activities		156 607	86 953
REVENUE FROM ORDINARY ACTIVITIES:			
Fees and charges	13	1 770	5 711
Commonwealth grants		-	964
Interest	14	2 462	3 418
Net revenue resulting from a correction of an error	15	-	863
Other revenue	16	459	731
Total Revenues from Ordinary Activities		4 691	11 687
Net Cost of Services from Ordinary Activities		(151 916)	(75 266)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government	17	61 871	112 823
Payments to SA Government	17	(86 760)	-
Net Result Before Restructuring		(176 805)	37 557
Decrease in net assets due to administrative restructuring	31	-	(7 643)
Net Result after Restructuring		(176 805)	29 914
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Transfer from asset revaluation reserve	28	-	19
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(176 805)	29 933

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	19	21 683	92 373
Receivables	20	6 590	3 142
Financial assistance debtors	21, 29	2 794	6 715
Inventories	22	-	19 321
Other assets	23	17	52
Total Current Assets		31 039	121 603
NON-CURRENT ASSETS:			
Receivables	20	16 536	-
Financial assistance debtors	21, 29	5 247	108 403
Property, plant and equipment	24	1 570	1 013
Total Non-Current Assets		23 353	109 416
Total Assets		54 392	231 019
CURRENT LIABILITIES:			
Payables	25	1 406	1 488
Employee benefits	26	1 161	1 051
Provisions	27	26	24
Total Current Liabilities		2 593	2 563
NON-CURRENT LIABILITIES:			
Payables	25	129	120
Employee benefits	26	1 463	1 339
Provisions	27	70	55
Total Non-Current Liabilities		1 662	1 514
Total Liabilities		4 255	4 077
NET ASSETS		50 137	226 942
EQUITY:			
Accumulated surplus		50 137	226 856
Asset revaluation reserve		-	86
TOTAL EQUITY	28	50 137	226 942
Commitments for Expenditure	30		
Contingent Assets and Liabilities	32		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:	(Outflows)	(Outflows)
CASH OUTFLOWS:	\$'000	\$'000
	Note	
Employee expenses	(13 673)	(17 539)
Supplies and services	(17 609)	(20 850)
Grants and subsidies	(19 083)	(35 765)
Borrowing costs	-	(470)
Other expenses	(3)	(2 802)
Payments to SA Government	(86 760)	-
GST payments on purchases	(6 779)	(4 241)
GST remitted to ATO	(3 936)	(988)
Financial assistance granted	-	(2 211)
Payments for restructured activities	-	(3 947)
Total Outflows from Operating Activities	(147 843)	(88 813)
CASH INFLOWS:		
Receipts from SA Government	61 871	112 823
Fees and charges	1 210	5 492
Commonwealth revenue	-	964
Interest received	2 374	3 237
GST recovered from ATO	7 361	4 045
GST receipts on receivables	2 043	739
Repayment of financial assistance	1 184	2 872
Other revenue	1 381	731
Total Inflows from Operating Activities	77 424	130 903
Net Cash (Outflows) Inflows from Operating Activities	(70 419)	42 090
	33	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(945)	(317)
Total Outflows from Investing Activities	(945)	(317)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	629	200
Total Inflows from Investing Activities	629	200
Net Cash Outflows from Investing Activities	(316)	(117)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayments of borrowings	-	(5 223)
Total Outflows from Financing Activities	-	(5 223)
Net Cash Outflows from Financing Activities	-	(5 223)
NET (DECREASE) INCREASE IN CASH HELD	(70 735)	36 750
CASH AT 1 JULY	92 373	55 623
CASH AT 30 JUNE	21 638	92 373
	19, 33	

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

	Program					
	(refer Note 4)	1	2	3	4	5
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:						
Employee expenses	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	
Net loss from disposal of assets	-	-	-	-	-	
Borrowing costs	-	-	-	-	-	
Write down of inventory	-	-	-	-	-	
Write down of financial assistance debtors	-	-	-	-	-	
Other expenses	-	-	-	3	4 247	
Total Expenses from Ordinary Activities	3 863	3 033	4 956	5 712	15 358	
REVENUE FROM ORDINARY ACTIVITIES:						
Fees and charges	-	11	60	(2)	121	
Commonwealth grants	-	-	-	-	-	
Interest	-	-	-	12	148	
Net revenue resulting from a correction of an error	-	-	-	-	-	
Other revenue	-	30	86	39	24	
Total Revenues from Ordinary Activities	-	41	146	49	293	
Net Cost of Services from Ordinary Activities	(3 863)	(2 992)	(4 810)	(5 663)	(15 065)	
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:						
Revenues from SA Government	-	-	-	-	-	
Payments to SA Government	-	-	-	-	-	
Net Result before Restructuring	(3 863)	(2 992)	(4 810)	(5 663)	(15 065)	

	Program			2005	2004
	(refer Note 4)	6	7	Program Total	Program Total
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	4 876	972	1 033	13 988	16 640
Supplies and services	5 692	849	494	17 509	21 272
Depreciation	223	-	-	223	411
Grants and subsidies	196	1 124	6 672	19 083	35 765
Net loss from disposal of assets	142	-	-	142	7
Borrowing costs	-	-	-	-	470
Write down of inventory	-	-	-	-	7 152
Write down of financial assistance debtors	101 315	-	-	101 315	689
Other expenses	97	-	-	4 347	4 547
Total Expenses from Ordinary Activities	112 541	2 945	8 199	156 607	86 953
REVENUE FROM ORDINARY ACTIVITIES:					
Fees and charges	1 533	52	(5)	1 770	5 711
Commonwealth grants	-	-	-	-	964
Interest	2 302	-	-	2 462	3 418
Net revenue resulting from a correction of an error	-	-	-	-	863
Other revenue	191	12	77	459	731
Total Revenues from Ordinary Activities	4 026	64	72	4 691	11 687
Net Cost of Services from Ordinary Activities	(108 515)	(2 881)	(8 127)	(151 916)	(75 266)
REVENUE FROM/PAYMENTS TO SA GOVERNMENT:					
Revenues from SA Government	61 871	-	-	61 871	112 823
Payments to SA Government	(86 760)	-	-	(86 760)	-
Net Result before Restructuring	(133 404)	(2 881)	(8 127)	(176 805)	37 557

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development facilitates the long-term sustainable economic development of South Australia by working in partnership with industry and other stakeholders and provides leadership across Government on economic development.

The Department's objectives are:

- a clear strategic direction for the economic development of South Australia;
- a sustainable and competitive business environment;
- development of major projects of strategic importance;
- increased trade and investment in South Australia;
- improved well being of regional communities;
- targeted development of manufacturing and traded services sector;
- promote the growth and profitability of the small business sector.

Through a focus on:

- skills/education;
- innovation;
- infrastructure;
- exports.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

The Department's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were reported and measured at fair value.

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs.

2.2 Reporting Entity

The entity of the Department of Trade and Economic Development operated for the full 12 months ending 30 June 2005 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's financial statements include the use of assets, liabilities, revenues and expenses controlled and administered or incurred by the Department in its own right. As Administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

30 June 2004

Effective 8 April 2004 the Department for Business, Manufacturing and Trade changed its name to become the Department of Trade and Economic Development (DTED) pursuant to the *Public Sector Management Act 1995*.

2.3 Transferred Function

There have been no transferred functions during 2004-05.

On 1 December 2003 the Office of Economic Development was abolished and the employees, functions and duties together with the assets and liabilities were transferred to the Department for Business, Manufacturing and Trade (DBMT) pursuant to the *Public Sector Management Act 1995*.

Effective 8 April 2004 the employees of the Department of Transport and Urban Planning who work in the Office of Local Government were transferred to the Department of Trade and Economic Development pursuant to the *Public Sector Management Act 1995*. Effective as at 30 June 2004, the employees of the Office of Local Government were transferred to the Department of Transport and Urban Planning.

Due to the timing of the transfer in and out of the Office of Local Government, the financial statements do not include any transactions relating to the transfer. The full financial year transactions for the Office of Local Government have been reported by the Department of Transport and Urban Planning.

2.3 Transferred Function 2003-04 (continued)

Effective from 1 January 2004 employees of the Department for Business, Manufacturing and Trade were transferred to the following administrative unit:

- employees in the Business Skilled Migration Unit were transferred to the Department of the Premier and Cabinet;
- employees engaged in the Reinvest function of the administrative unit relating to primary production, the Food Team in the Centre for Innovation, Business and Manufacturing and the Wine Industry Council were transferred to the Department of Primary Industries and Resources;
- employees in the State Infrastructure Division, other than employees engaged in work related to telecommunications or energy issues were transferred to the Department for Administrative and Information Services.

Effective from 1 January 2004 specific employees of the Department for Business, Manufacturing and Trade were transferred to the Office of the Venture Capital Board.

Cabinet approval was obtained to transfer the function and employees engaged to work on the State's broadband telecommunications strategy to the Department of Further Education, Employment, Science and Technology (DFEEST) effective from 1 January 2004.

Thebarton Biosciences Precinct was transferred to BioInnovations SA on 1 March 2004.

Full details of the financial transactions relating to these transfers can be found in Note 31.

2.4 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required. The comparatives are for the period 1 July 2003 to 30 June 2004.

2.5 Rounding

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

2.6 Taxation

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

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

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

2.7 Revenues and Expenses

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

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

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

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

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

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

2.8 Revenues from/Payments to SA Government

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

Payments include the return of surplus cash pursuant to the cash alignment policy paid directly to the Consolidated Account

2.9 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department of Trade and Economic Development has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash

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

Foreign Currency

Cash holdings that are in a foreign currency have been recognised at the 'spot' exchange rate applying as at 30 June 2005. Income, expenses, assets and liabilities arising from transactions in a foreign currency are recognised at the 'spot' exchange rate that applied on the day they occurred. Unrealised losses resulting from currency transactions have been recognised in the Statement of Financial Performance.

In October 2003, the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During 2004-05 the Department has transferred \$86 760 000 of its cash balance to the Consolidated Account.

2.11 Receivables

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

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

Financial Assistance Debtors

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

With respect to 99 year interest free loans, in accordance with Accounting Policy Statement 17 'Interest Free Loans', the Department has expensed the full balance of loan receivables (refer to Note 3.2) 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 has been fulfilled, after which they were no longer recognised as assets in the Statement of Financial Position. They do, however, continue to be administered as debts due to the Department.

2.12 Inventories

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

2.13 Capital Works in Progress

Under the investment attraction program the Department engages in projects that include land acquisition, development and ultimate disposal through sale and various leasing arrangements.

The Department accounts for the projects with various stages of completion as work in progress. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed.

During the year the Department undertook preparatory work in relation to the infrastructure for the Air Warfare Destroyer contract awarded by the Federal Government to the Australian Submarine Corporation. This expenditure has been classified as works in progress due to the uncertainty surrounding the final classification of components of work which will result in infrastructure owned by the South Australian Government.

2.14 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any assets transferred, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of \$2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

2.15 Revaluation of Non-Current Assets

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

The Department revalues its land every three years. However, if at any time management considers that the carrying amount materially differs from its fair value then the land will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation.

2.16 Depreciation and Amortisation of Non-Current Assets

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

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

Depreciation of plant and equipment is on a straight line basis, with useful lives between 3 and 10 years.

2.17 Payables

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

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

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 by the end of the financial period.

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

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

2.18 Employee Benefits

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

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

Long service leave is recognised at nominal amounts based on estimated future pay rates on a pro-rata basis in respect of services provided by employees up to the reporting date. In accordance with Accounting Policy Statement 9 'Employee Benefits', a benchmark of seven years has been applied to estimate long service leave liability.

2.19 Provisions

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

2.20 Leases

The Department leases premises for its administrative and operating activities. Lease payments are included as expenditure in equal instalments over the terms of the leases.

3. Changes in Accounting Policies

3.1 Government/Non-Government Disclosures

In accordance with APS 13, the Department has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a note to the accounts.

3.2 Interest Free Loans

In accordance with APS 17, Government assistance loans provided for 99 years have been expensed. This has resulted in a write-off of these loans within the financial statements.

3.3 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

The Department have assessed the significance of the adoption of the standards for the purpose of their implementation. This has involved assessment of accounting policy and topics in existing Australian Accounting Standards and Australian equivalents to International Financial Reporting Standards to determine any key differences and significant financial impacts.

The assessment that has been undertaken identifies no key differences or financial impacts that will result from the adoption of Australian Equivalents to International Financial Reporting Standards.

4. Programs of the Department

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

Program 1: Economic Strategy and Policy

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 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 of naval, land force, aerospace and electronics.

Program 3: Business and Manufacturing Capability

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: Trade Development

The objective of this program is to maximise export opportunities for South Australian based companies and to ensure that South Australia's interest 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: Strategic Initiatives

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 Australia 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 focussed, timely and effective and in support of all Department of Trade and Economic Development divisions and offices

Program 7: Small Business

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.

5. Employee Expenses	2005	2004
	\$'000	\$'000
Salaries and wages	11 124	12 841
TVSP (refer below)	-	1 341
Long service leave	205	(558)
Superannuation	1 311	1 366
Employee on-costs	737	1 252
Board fees (refer below)	611	398
Total Employee Expenses	13 988	16 640

Board Fees

Board Fees are paid to members of the following Boards and Committees:

Economic Development Advisory Board
 Defence Industry Advisory Board
 Manufacturing Consultative Council
 Small Business Development Council
 Regional Communities Consultative Council

Targeted Voluntary Separation Packages

	2005	2004
	\$'000	\$'000
TVSPs paid to employees during the reporting period:		
TVSPs	-	603
Annual leave and long service leave paid during the reporting period	-	738
	-	1 341
Recovery from the Department of the Premier and Cabinet	-	1 341

	2005	2004
	Number of Employees	Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	11

Employee Remuneration Packages

The number of employees whose total remuneration package was \$100 000 or more in relation to the reporting period was as follows:

\$100 000 - \$109 999	12	10
\$110 000 - \$119 999	3	3
\$120 000 - \$129 999	1	2
\$130 000 - \$139 999	1	2
\$140 000 - \$149 999	1	1
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	4	-
\$170 000 - \$179 999	-	2
\$180 000 - \$189 999	-	1
\$200 000 - \$209 999	-	1
\$210 000 - \$219 999	1	-
\$230 000 - \$239 999 *	-	1
\$240 000 - \$249 999 *	1	1
\$290 000 - \$299 999 *	-	2
\$300 000 - \$309 999	1	-
	26	26

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration received by these employees for the year was \$3.573 million (\$3.873 million).

* Included in bands are employees whose normal remuneration exceeds \$100 000 and received a TVSP during 2003-04.

Average Number of Employees during the Reporting Period

On average, the Department employed 131 (190) people throughout the reporting period.

6. Supplies and Services	2005	2004
Supplies and Services provided by entities within the SA Government:	\$'000	\$'000
Accommodation and service costs	1 669	2 922
Accounting and audit fees	96	132
Advertising	-	23
Capital works (refer below)	-	32
Communications and information technology expense	995	1 118
Payment to contractors	5	-
Payments to consultants (refer below)	34	50
Staff related expenses	33	107
Travel and related expenses	347	10
Other office administration expenses	1 044	804
Total Supplies and Services - SA Government Entities	4 223	5 198
Supplies and Services provided by entities external the SA Government:	662	800
Accommodation and service costs	138	74
Accounting and audit fees	2 121	1 277
Advertising	-	2 349
Capital works (refer below)	-	1 300
Communications and information technology expense	731	3 493
Payment to contractors	1 862	745
Payments to consultants (refer below)	485	623
Staff related expenses	1 118	1 099
Travel and related expenses	2 844	4 314
Other office administration expenses	13 286	16 074
Total Supplies and Services - Non-SA Government Entities	17 509	21 272

The dollar amount of consultancies paid/payable that fell within the following bands:

Below \$10 000	252	94
Between \$10 000 and \$50 000	980	466
Above \$50 000	664	235
	1 896	795

7. Depreciation

Plant and equipment	223	411
Total Depreciation	223	411

8. 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.

<i>Class of Assistance</i>	Interest Free \$'000	Interest Bearing \$'000	2005			2004	
			Total Loans \$'000	Total Grants \$'000	Total Assistance \$'000	Total Loans \$'000	Total Grants \$'000
Adelaide to Darwin Railway construction	-	-	-	-	-	-	7 000
AustralAsia Railway Corporation operating cost	-	-	-	-	-	-	600
Investment attraction	-	-	-	6 390	6 390	273	12 736
Industry development	-	-	-	5 310	5 310	1 063	7 309
Regional Development Boards	-	-	-	4 725	4 725	-	4 829
Regional Infrastructure	-	-	-	1 692	1 692	875	2 644
Other	-	-	-	966	966	-	647
	-	-	-	19 083	19 083	2 211	35 765

In relation to assistance to Industry, under the provisions of the *Industries Development Act 1941*, the Minister may refer any matter to the Industries Development Committee for review and recommendation by the Committee. No assistance was referred to the Committee in 2004-05.

9. Net Loss from Disposal of Assets	2005	2004
	\$'000	\$'000
Proceeds from disposal	(19 343)	(200)
Net book value of assets disposed	19 485	207
Net Loss from Disposal of Assets	142	7
10. Write Down of Inventory		
Write down of Inventory - Edinburgh Parks	-	7 152
11. Other Expenses		
Other Expenses paid/payable to entities within the SA Government:		
Bad debts and doubtful debts	220	-
Funds transferred - Edinburgh Park (refer Note 21)	-	2 167
Other funds transferred		528
Total Other Expenses - SA Government Entities	220	2 695
Other Expenses paid/payable to entities external to the SA Government:		
Bad debts and doubtful debts	4 124	1 852
Other funds transferred	3	-
Total Other Expenses - Non-SA Government Entities	4 127	1 852
Total Other Expenses	4 347	4 547
12. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department included in Supplies and Services	96	93
The Auditor-General's Department supplied no other services during the year.		
13. Fees and Charges		
Fees and Charges received/receivable from entities within the SA Government:		
Recoveries - Other	32	-
TVSP recoveries from the Office of the Commissioner for Public Employment	-	1 341
Other fees and charges	154	-
Total Fees and Charges - SA Government Entities	186	1 341
Fees and Charges received/receivable from entities external to the SA Government:		
Recoveries - Financial assistance grants	668	1 761
Recoveries - Other	-	2 418
Other fees and charges	916	191
Total Fees and Charges - Non-SA Government Entities	1 584	4 370
Total Fees and Charges	1 770	5 711
14. Interest		
Interest from Department of Treasury and Finance	2 251	3 228
Other - Financial assistance debtors	199	186
Other - Overseas offices	12	4
Total Interest Received	2 462	3 418
15. Net Revenue Resulting from a Correction of an Error		
Adjustment on reconciliation of financial assistance debtors:		
99 year loans	-	1 050
Other loans	-	(187)
Total Net Revenue Resulting in an Error Correction		863
16. Other Revenue		
Other Revenue received/receivable from entities within the SA Government:		
Other	98	-
Total Other Revenue - SA Government Entities	98	-
Other Revenue received/receivable from entities external to the SA Government:		
Proceeds from sale of attractive assets	-	21
Facility hire	(7)	640
Other	368	70
Total Other Revenue - Non-SA Government Entities	361	731
Total Other Revenue	459	731

17. Revenue from/Payments to SA Government						2005	2004
Revenue from SA Government						\$'000	\$'000
Appropriations from Consolidated Account pursuant to <i>Appropriation Act</i>						61 871	112 823
Total Revenue from SA Government						61 871	112 823
Payments to SA Government							
Return of surplus cash pursuant to cash alignment policy						(86 760)	-
Total Payments to SA Government						(86 760)	-
18. 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	Hong Kong	Singapore	Kuala Lumpur	Dubai	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	Total	Total
Operating expenses	349	889	620	87	523	2 468	3 802
Operating revenues	112	-	-	7	21	140	48
Funds advanced to overseas offices towards operating expenses	525	354	780	190	510	2 358	2 326
19. Cash						2005	2004
						\$'000	\$'000
Deposits at call - Westpac						5 650	90 697
Accrual Appropriation Excess Fund						14 648	-
Deposits at call - Overseas offices						1 334	1 666
Other						6	10
Total Cash						21 638	92 373
20. Receivables							
Current:							
Receivables						5 446	1 318
Less: Provision for doubtful debts						(269)	(19)
						5 177	1 299
GST receivable						887	1 405
Accrued Interest on loans and deposits						526	438
						6 687	3 142
Non-Current:							
Receivable						16 536	-
						16 536	-
Total Receivables						23 126	3 142
Government/Non-Government Receivables:							
Receivables from SA Government entities:							
Receivables						21 410	1 000
Accrued revenues						526	438
Total Receivables - SA Government Entities						21 936	1 438
Receivables from Non-Government entities:							
Receivables						303	299
GST receivable						887	1 405
Total Receivables - Non-SA Government Entities						1 190	1 704
Total Receivables						23 126	3 142
21. Financial Assistance Debtors							
Current:							
Financial assistance debtors						9 402	8 126
Less: Provision for doubtful debts						(6 608)	(1 411)
						2 794	6 715
Non-Current:							
Financial assistance debtors						9 615	113 483
Less: Provision for doubtful debts						(4 368)	(5 080)
						5 247	108 403
Total Financial Assistance Debtors						8 041	115 118

* Financial Assistance Debtors are Non-SA Government entities only.

22. Inventories	2005	2004
Current:	\$'000	\$'000
Inventory - Edinburgh Parks	-	19 321
Total Current Inventories	-	19 321

Edinburgh Parks

On 10 May 2004 Cabinet approved the transfer of assets in Edinburgh Parks stages 0, 1 and 3 from the Department of Trade and Economic Development to the Land Management Corporation. The transfer was affected on 1 July 2004 for a value of \$19.45 million less any sales proceeds received prior to 30 June 2004. Payment for assets transferred will be received on a deferred payment basis. As at 30 June 2005 no proceeds had been received and the transfer price has been recognised as a debtor allocated between current (\$4.049 million) and non-current (\$16.536 million).

In preparation for the sale affected on 1 July 2004, the Department recognised in the 2003-04 financial statements the value of inventory held for resale. Previous to 1 July 2003, the Department's financial statements did not reflect the ownership of the land. The land has been brought to account by recognising a portion of capital costs from Work in Progress and the balance recorded as an expense.

23. Other Assets	2005	2004
Current:	\$'000	\$'000
Prepayments	2	43
Other	15	9
Total Other Assets	17	52

24. Property, Plant and Equipment

Land:		
Land at fair value	335	335
Capital Works in Progress:		
Works in progress at cost	688	-
Plant and Equipment:		
Plant and equipment at fair value	1 178	596
Less: Accumulated depreciation	(631)	(163)
Plant and equipment at cost	-	632
Less: Accumulated depreciation	-	(387)
Total Plant and Equipment	547	678
Total Property Plant and Equipment	1 570	1 013

Reconciliation of Property, Plant and Equipment

	Land	Work in	Plant and	2005	2004
	\$'000	Progress	Equipment	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:					
Opening balance at 1 July	335	-	1 228	1 563	32 717
Additions	-	688	257	945	317
Transfer to other Departments	-	-	-	-	(3 461)
Disposals	-	-	(254)	(254)	(102)
Other asset write-offs	-	-	(53)	(53)	(196)
Transfer to inventories (Note 10, 22)	-	-	-	-	(26 473)
Capital works write-off (Note 6)	-	-	-	-	(1 239)
Balance at 30 June	335	688	1 178	2 201	1 563
Accumulated Depreciation:					
Opening balance at 1 July	-	-	550	550	244
Depreciation expense	-	-	223	223	411
Transfer to other Departments	-	-	-	-	(18)
Disposals	-	-	(109)	(109)	(33)
Other asset write-offs	-	-	(33)	(33)	(54)
Balance at 30 June	-	-	631	631	550
Net Book Value:					
At 1 July	335	-	678	1 013	32 473
At 30 June	335	688	547	1 570	1 013

25. Payables	2005	2004
Current:	\$'000	\$'000
Creditors and accrued expenses	1 160	1 128
GST payable	-	35
Employee on-costs	246	325
	1 406	1 488
Non-Current:		
Employee on-costs	129	120
Total Payables	1 535	1 608

25. Payables (continued)		2005	2004
Government/Non-Government Payables		\$'000	\$'000
Payables to SA Government entities:			
Creditors and accrued expenses		347	464
Employee on-costs		306	380
Total Payables - SA Government Entities		653	844
Payables to Non-Government entities:			
Creditors and accrued expenses		813	699
Employee on-costs		69	65
Total Payables - Non-SA Government Entities		882	764
Total Payables		1 535	1 608
26. Employee Benefits			
(a) Employee Benefits			
Current:			
Accrued salaries and wages		168	258
Annual leave		830	644
Long service leave		163	149
		1 161	1 051
Non-Current:			
Long service leave		1 463	1 339
Total Employee Benefits		2 624	2 390
(b) Employee Benefits and Related On-Costs			
Accrued Salaries and Wages:			
On-costs included in payables (Note 25)		99	206
Provision for employee benefits (Note 26(a))		168	258
		267	464
Annual Leave:			
On-costs included in payables (Note 25)		133	104
Provision for employee benefits (Note 26(a))		830	644
		963	748
Long Service Leave:			
On-costs included in payables (Note 25)		143	135
Provision for employee benefits (Note 26(a))		1 626	1 488
		1 769	1 623
Aggregate Employee Benefit and Related On-Costs		2 999	2 835
27. Provisions			
Current:			
Provision for workers compensation		26	24
Non-Current:			
Provision for workers compensation		70	55
Total Provisions		96	79
Carrying amount at 1 July		79	71
Increase in the provision		17	8
Carrying Amount at 30 June		96	79
28. Equity			
Accumulated surplus		50 137	226 856
Asset revaluation reserve		-	86
		50 137	226 942
Accumulated Surplus:			
Balance at 1 July		226 856	196 923
Operating (deficit) surplus		(176 805)	37 557
Decrease in net assets due to administrative restructure		-	(7 643)
Transfers from reserves		86	19
Balance at 30 June		50 137	226 856
Asset Revaluation Reserve:			
Balance at 1 July		86	105
Transfer to accumulated surplus		(86)	(19)
Balance at 30 June		-	86

29. Financial Instruments**(a) Terms, Conditions and Accounting Policies****(i) Financial Assets**

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) Credit Risk

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

(c) Interest Rate Risk

	2005				2004				Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non-Bearing Interest \$'000	Total Carrying Amount \$'000	Weighted Average Effective Interest Rate Percent	Floating Interest Rate \$'000	Non-Bearing Interest \$'000	Total Carrying Amount \$'000	Fair Value Total \$'000	
Financial Assets:									
Cash	21 638	-	21 638	5.16	92 373	-	92 373	92 373	5.1
Receivables	20 994	2 401	23 395		3 161	1 950	5 111	5 111	
Interest bearing 99 year loans	4 159	-	4 159	7.50	1 909	-	1 909	1 705	5.8
Interest free loans	-	-	-		-	40 280	40 280	3 063	
	-	14 858	14 858		-	77 470	77 470	35 300	
	46 791	17 259	64 050		97 443	119 700	217 143	137 552	
Financial Liabilities:									
Borrowings	-	-	-		-	-	-	-	
Payables	-	1 535	1 535		1 608	-	1 608	1 608	-
	-	1 535	1 535		1 608	-	1 608	1 608	

(d) Net Fair Value

The Department's financial instruments as at 30 June 2005 are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. In addition, APS 17 'Interest Free Loans' required financial assistance loans to be written down in the Statement of Financial Position to fair value. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

The Department's financial loans as at 30 June 2004 were reported in the Statement of Financial Position at book value, which at the time was not fair value. The Department have disclosed both the book value and fair value in the comparative table.

30. Commitments**Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

Not later than one year

Later than one year and not later than five years

2005 2004
\$'000 \$'000

564 551

1 372 2 229

1 936 2 780

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.

31. Transferred Functions**Comparative Figures**

A list of assets and liabilities transferred and assumed from other Departments in 2003-04 is detailed herein:

	OED	VCB	PIRSA	DAIS	DPC	DFEEST	BioInnov- ation SA	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets assumed (transferred):								
Cash	4 537	(860)	(2 653)	(1 273)	(445)	(1 551)	(1 702)	(3 947)
Receivables	242	-	-	-	-	-	-	242
Property, plant and equipment	94	-	(28)	(2)	(14)	(57)	(3 438)	(3 445)
	4 873	(860)	(2 681)	(1 275)	(459)	(1 608)	(5 140)	(7 150)
Payables	(1 040)	-	-	-	-	-	-	(1 040)
Employee benefits and on-costs	(506)	108	447	307	114	77	-	547
Total Liabilities	(1 546)	108	447	307	114	77	-	(493)
Net Assets	3 327	(752)	(2 234)	(968)	(345)	(1 531)	(5 140)	(7 643)

32. 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 2005.

Transfer of Cast Metal Precinct

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

During the year, the Cast Metal Precinct Stage 2 land was transferred from the Department of Environment and Heritage to the Land Management Corporation. The terms of the transfer provides for a receivable from Land Management Corporation to the Department of Trade and Economic Development of up to and no more than \$990 000 upon sale of the land by the Corporation. The Department have recognised a receivable in the statement of financial performance of \$800 000 with the remaining \$190 000 recognised as a contingent asset.

Contingent Liabilities*Financial Assistance*

As at 30 June 2004 the Department has financial obligations under agreements with various bodies. The payment of funds in future years is subject to certain performance criteria being met by these bodies.

	2004-05	2003-04
	\$'million	\$'million
Not later than one year	12.0	34.4
Later than one year but not later than three years	29.9	16.5
Later than three years but not later than eight years	6.2	21.1
	48.1	72.0

Guarantees and Indemnities

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

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

Non-Quantifiable Contingent Liabilities

In prior years the Department of Trade and Economic Development reported a contingent liability relating to the construction of the Alice Springs to Darwin Railway. Responsibility for this project transferred to the Department of the Premier and Cabinet in 2003-04, and therefore the contingent liability no longer lies with the Department of Trade and Economic Development.

33. Cash Flow Reconciliation

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

	2005	2004
	\$'000	\$'000
Reconciliation of Cash - Cash at 30 June 2005 as per:		
Deposits at call - Westpac	5 650	90 697
Accrual Appropriation Excess Fund	14 648	-
Deposits at call - Overseas offices	1 334	1 666
Other	6	10
Statement of Financial Position	21 638	92 373

Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities:

(Deficit) Surplus from ordinary activities	(176 805)	37 557
Net cash paid to restructure	-	(3 947)
Loss (Gain) from disposals of assets	141	(200)
Non-Cash Items:		
Depreciation of property, plant and equipment	223	411
Asset write-downs and transfers	-	(211)
Doubtful debts expense	4 344	1 852
99 year loan write-off	101 315	-
Write off capital work in progress	-	1 239
Changes in Assets/Liabilities (net of restructure transfer):		
(Increase) in receivables	(19 171)	(2 743)
Decrease in inventories	19 321	7 152
Decrease in other assets	35	2 372
Increase (Decrease) in payables and provisions	178	(1 392)
Net Cash (used in) provided by Operating Activities	(70 419)	42 090

34. Events After Balance Date

Financial Assistance Agreements

Effective 1 July 2005 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.

The effect of the transfer will be reported in the financial statements for the year ending 30 June 2006.

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.

Disclosure of Administered Items as at 30 June 2005

	2005	2004
	\$'000	\$'000
ADMINISTERED REVENUES:		
Revenues from SA Government	-	3 791
Total Administered Revenues	-	3 791
ADMINISTERED EXPENSES:		
Employees expenses	230	205
Grants and subsidies	-	3 586
Total Administered Expenses	230	3 791
Net Operating Deficit	(230)	-
ADMINISTERED CURRENT ASSETS:		
Receivables		
Total Administered Current Assets	-	-
ADMINISTERED NON-CURRENT ASSETS:		
Total Administered Non-Current Assets	-	-
Total Administered Assets	-	-
ADMINISTERED CURRENT LIABILITIES:		
Payables	230	-
Total Administered Current Liabilities	230	-
ADMINISTERED NON-CURRENT LIABILITIES:		
Total Administered Non-Current Liabilities	-	-
Total Administered Liabilities	230	-
NET ADMINISTERED ASSETS	(230)	-
ADMINISTERED EQUITY:		
Accumulated deficit	(230)	-
TOTAL ADMINISTERED EQUITY	(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.

	2005	2004
	\$'000	\$'000
Payables		
Bank overdraft - Administered items	230	-
	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.

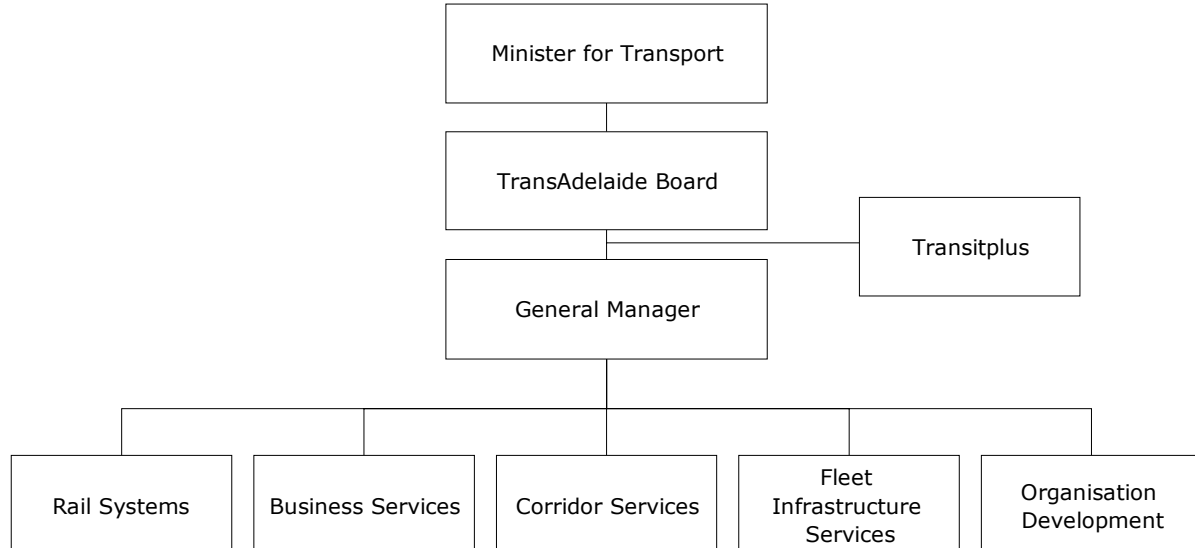
Functions

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

On 28 May 2000 a Joint Venture Agreement was established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the former Passenger Transport Board. The joint venture is known as the TransAdelaide/ATE joint venture. 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 Statements'.

Audit Committee

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

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

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

Audit representatives attend Audit Committee meetings as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of TransAdelaide in respect of each financial year.

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 2004-05, 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.

In addition the audit was extended to cover:

- Corporate Governance and Risk Management;
- Procurement review.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of TransAdelaide as at 30 June 2005, 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: Corporate Governance and Risk Management — Policy and Planning; Procurement; Salaries and Wages; Non-Current Assets; and Accounts Payable as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide have been conducted properly and in accordance with law.

Audit Communications to Management

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

Corporate Governance and Risk Management

Audit's review revealed that TransAdelaide exhibited most of the key elements considered to be consistent with sound corporate governance practices. For example, TransAdelaide had robust governance processes covering; corporate and business planning; risk management and monitoring and reporting. However, there is scope to improve certain aspects of the control framework. A précis of these issues is provided hereunder.

Organisation Structure and Responsibilities

The review revealed that TransAdelaide exhibited most of the key elements associated with sound organisational structure and responsibilities. However, a number of matters were noted in this area:

- No formal documentation is maintained between the Minister or Government which outlines and acknowledges the significant roles and responsibilities of Board members.
- TransAdelaide's Board has no formal mechanism between the Minister and the Board for the communication of matters on a timely and ongoing basis.
- Executive agreements may not comply with current government policy.
- There is scope to improve the consistency and measurability of performance measures in some executive contracts.

Policy and Planning

A summary of findings with respect to policy and planning include:

- a formal Business Continuity Plan has not been established which looks at specific matters from an enterprise-wide perspective and consolidates all of the individual elements in existence;
- no formal documentation which outlines a detailed overview of the alignment of corporate documents from the Strategic Plan through to the Business Plan with underlying management reports;
- critical aspects of the asset management planning process are currently not documented;

TransAdelaide Response

TransAdelaide responded positively to the review findings and had implemented Audit recommendations with the main actions being as follows:

- The Minister has approved revised corporate governance arrangements for the relationship between the Board, the General Manager and the Minister, which includes regular meetings with the Minister to discuss strategic issues.
- The Board has approved a change in executive contracts, and Executive Employment agreements will continue to be reviewed to ensure that performance standards are documented consistently and that performance measures wherever possible are clearly linked to performance indicators and benchmarks that are clearly defined and measured.
- TransAdelaide has formalised its Business Continuity Plan and has developed a 15 year Strategic Plan which includes a more detailed 5 year Strategic Plan.

Procurement Review

The Audit revealed that TransAdelaide do have a number of policies, procedures and processes in place aimed at ensuring that procurement activities are appropriately authorised and are conducted in a manner consistent with the principles of open and fair competition, probity, accountability and value for money. However, a number of issues which impact on the probity and accountability of the procurement process were identified during the course of the review.

A précis of the issues identified is included below.

- *Policies and Procedures* — Policies and procedures were lacking for a number of areas of the procurement process.
- *Mechanisms To Invite Offers* — Review of offer documents issued to the market revealed the inclusion of disclaimers and reservation of rights which may not reduce TransAdelaide's implicit obligations to conduct procurement processes in a fair and equitable manner.
- *Documentation/Evidence Supporting The Procurement Process* — Audit experienced difficulty in obtaining appropriate supporting documentation for the procurement processes reviewed as records were not filed in a structured manner or in a central location.
- *Establishment Of Evaluation Criteria* — The review of a sample of procurement activities revealed that detailed criteria for the evaluation of tender or expression of interest documentation was in some instances not documented or had not been approved by the Evaluation Panel prior to the closing date for receipt of tenders or Expressions of Interest.
- *Use Of Probity Advisors* — Audit made a number of observations on the use of a probity advisor in the procurement process covering the scope of responsibility of the Probity Advisor which in one instance had not been clearly documented.
- *Conflicts Of Interest* — The review of a sample of procurement activities revealed that potential conflicts of interest from staff involved in the procurement process are not always identified.
- *Disclosure Of Contract Details* — Audit observed that TransAdelaide have entered into a number of eligible and significant contracts during the current financial year that have not been disclosed on the South Australian Government Contracts website as required by Treasurer's Instruction 27 'Disclosure of Government Contracts'.
- *Contract Registers* — At the time of review, the Contract Registers were not up-to-date with all current contract information. The contract registers were reviewed and updated during the course of the audit.

TransAdelaide has responded positively to the issues indicating either specific action to address matters raised or noting the recommendations made for consideration.

Salaries and Wages

There is a risk of incorrect payment being made to staff as:

- policies and procedures are not appropriately updated;
- ineffective review and approval of payroll master-file changes;
- lack of documentation to support some allowances paid in addition to the award rate.

Non-Current Assets

Audit review revealed that the current arrangements do not provide for sufficient independent and higher level review. In particular there is a:

- lack of documentation to support the review of the accuracy of depreciation calculations;
- absence of regular and ongoing review of depreciation rates used to calculate the depreciation expense;
- lack of timely transfer of some projects from Work in Progress to fixed assets;
- inadequate documentation supporting salaries capitalised to capital projects.

Accounts Payable

The audit of accounts payable revealed:

- some purchase orders are not appropriately authorised prior to issue;
- lack of segregation of duties between the person raising the purchase order and the person authorising it.

TransAdelaide Responses

TransAdelaide responded positively and in detail to all the audit issues raised. The responses 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.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

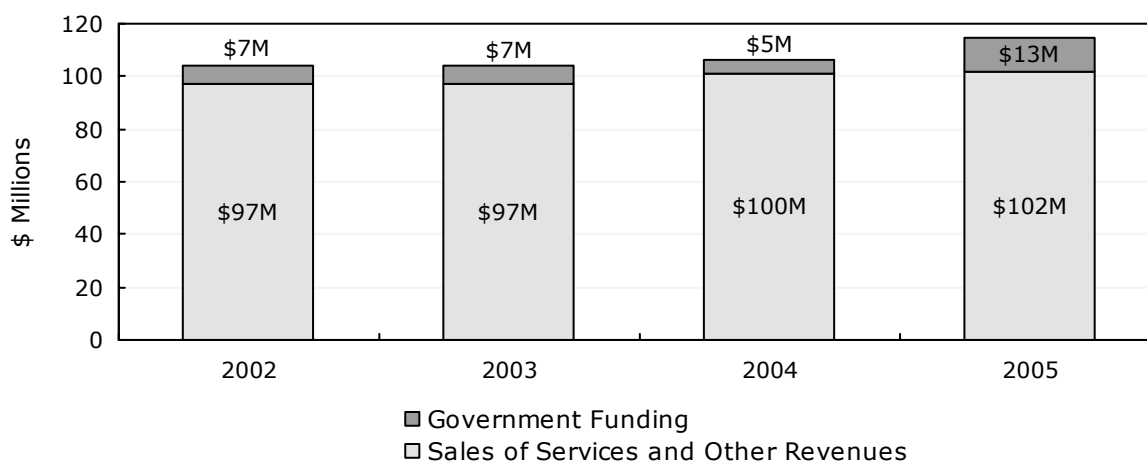
	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Government Funding	13.3	5.3	-
Sales of services and other revenue	100.4	99.2	1
Total Operating Revenue	113.7	104.5	9
OPERATING EXPENDITURE			
Employment expenses	37.8	40.3	(6)
Depreciation and amortisation	21.4	20.8	3
Other expenses	44.4	43.1	3
Total Operating Expenses	103.6	104.2	(1)
Share of Profits from Associates	0.8	0.9	(11)
Profit (Loss) before Tax	10.9	1.2	-
Income Tax (Expense) Benefit	(3.2)	0.6	-
Net Profit (Loss)	7.7	1.8	-
Net Cash Flows from Operations	24.6	17.0	45

	2005 \$'million	2004 \$'million	Percentage Change
ASSETS			
Current assets	30.1	19.7	52
Non-current assets	696.1	601.0	16
Total Assets	726.2	620.7	17
LIABILITIES			
Current liabilities	32.5	25.8	26
Non-current liabilities	111.4	113.9	(2)
Total Liabilities	143.9	139.7	3
EQUITY	582.3	481.0	21

Statement of Financial Performance

Operating Revenues

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 2005, 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 was due to funding provided of \$9.9 million by the Department for Transport, Energy and Infrastructure to reimburse TransAdelaide for the expenditure incurred in upgrading the Glenelg tram line.

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.

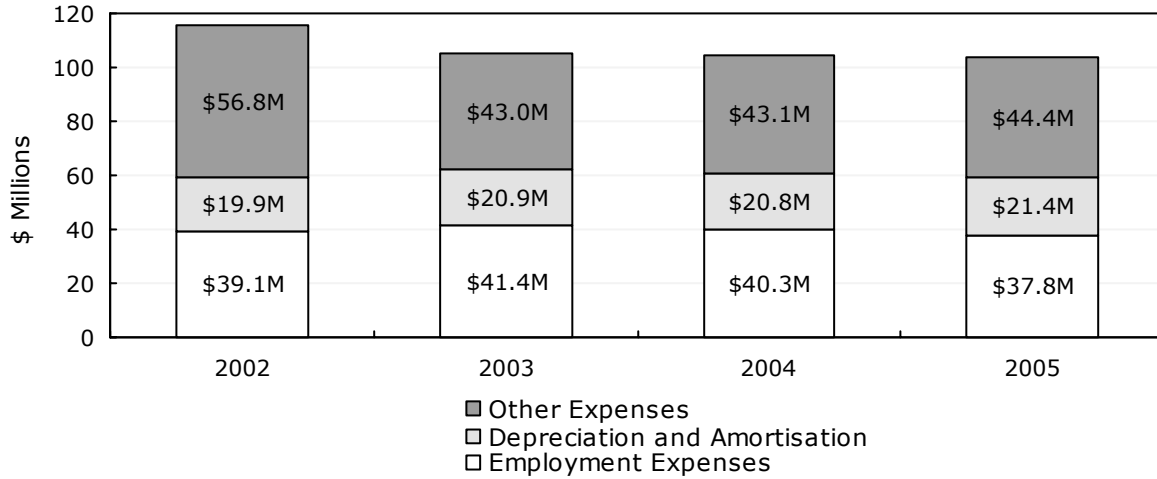
Contract Income - Financial Dependence

Income of \$87.8 million (\$85.6 million) from the Department for Transport, Energy and Infrastructure for the provision of passenger services represented 77 percent (82 percent) of TransAdelaide's revenue from ordinary activities 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 1 to the Financial Statements.

Operating Expenses

As TransAdelaide’s primary functions are to provide rail passenger transport services under a rail contract, the significant expenses are employment expenses and depreciation and amortisation.

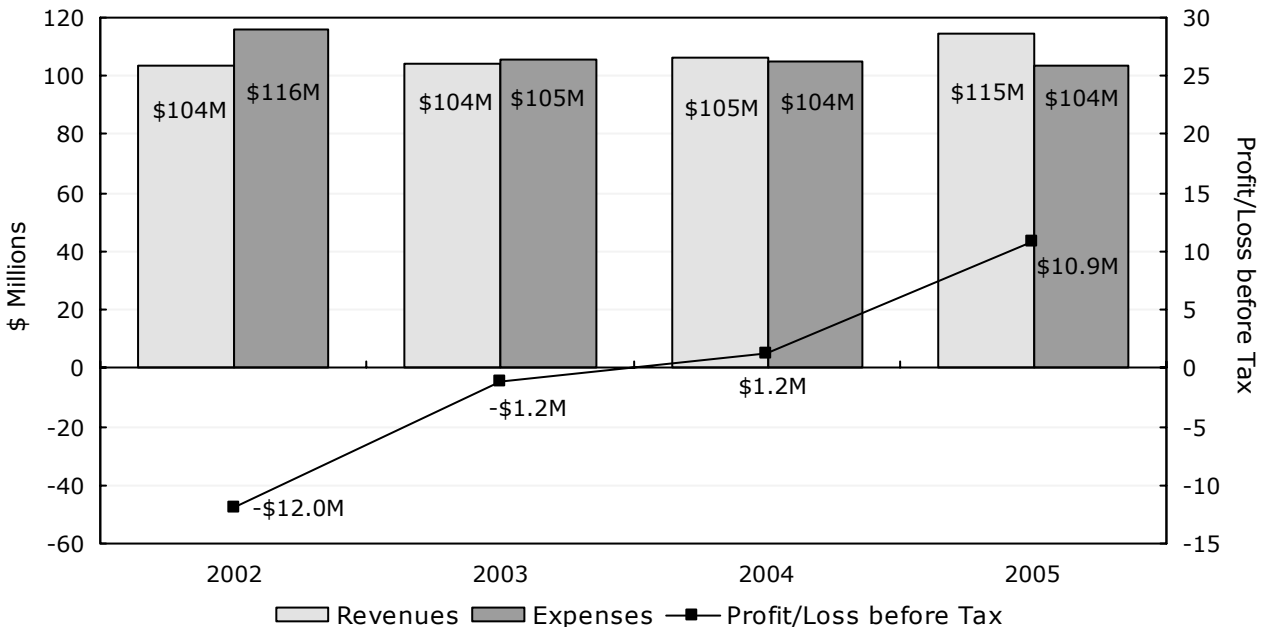
For the four years to 2005, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



The chart indicates a trend over four years towards a slight reduction in operating expenditure due mainly to a reduction in employment expenses associated with a reduction in staff numbers.

Operating Result

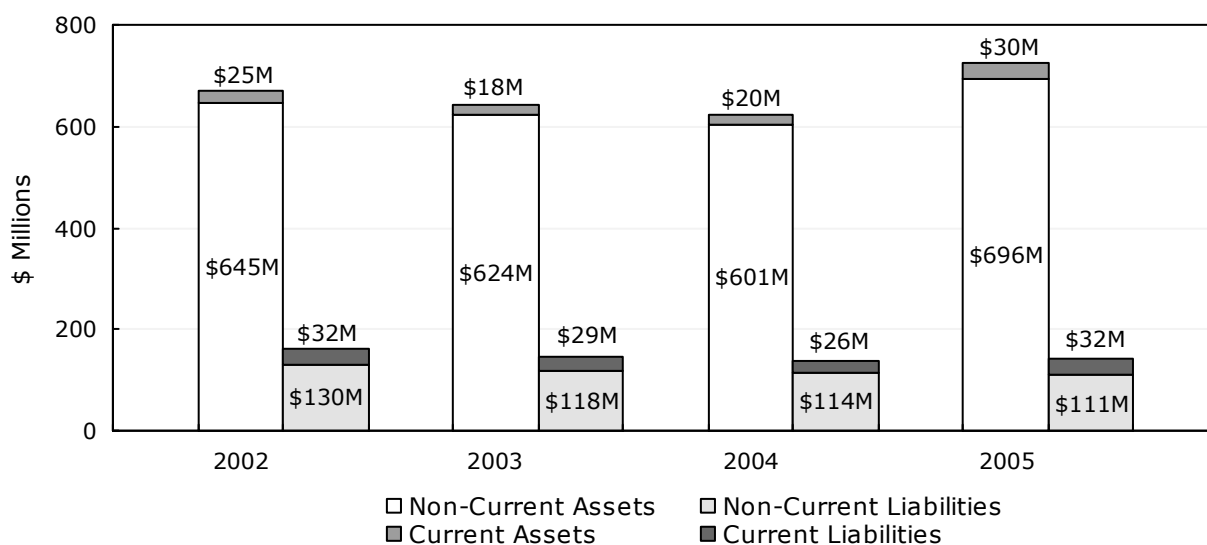
The following chart shows the operating revenues, operating expenses and profit/loss before tax for the four years to 2005.



TransAdelaide achieved a \$10.9 million profit result before tax and that reflects an improvement from the previous year’s profit of \$1.2 million. Revenues have increased significantly, due to an increase of \$9.9 million in Government funding for the upgrade of the Glenelg tram line. The expenditure of these monies is reflected in the Statement of Financial Position as work in progress.

Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Assets

Total rollingstock, property, plant and equipment and work in progress non-current assets increased by \$97.1 million which mainly reflects revaluation increments of \$95.9 million following the revaluation of non-current assets, additions of \$23 million, offset by the depreciation and amortisation charge of \$21 million.

Liabilities

Interest bearing liabilities (non-current liabilities) decreased by \$5.4 million reflecting the repayment of borrowings from the State Treasurer.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	24.6	17.0	21.4	18.3
Investing	(13.8)	(9.7)	(7.4)	(17.2)
Financing	(7.7)	(7.7)	(18.0)	(7.1)
Change in Cash	3.1	(0.4)	(4.0)	(6.0)
Cash at 30 June	14.5	11.4	11.8	15.8

The inflow from operating activity increase in 2005 by \$7.6 million was due to government funding (on a cash basis) of \$5.1 million for the upgrade of the Glenelg tram line and a reduction in outflows.

The cash flow from operations reflects the fact that the small profit result is converted to a significant cash inflow from operating activities as a result of the add-back of the main non-cash item being depreciation and amortisation of \$21.4 million. Cash flow from operating activities of \$24.6 million was used to finance the following:

- Investing activities with the main item being the acquisition of non-current assets of \$15.8 million.
- Financing activities being special dividend payments to the Department of Treasury and Finance of \$2.3 million and loan repayments of \$5.4 million.

FURTHER COMMENTARY ON OPERATIONS

Cessation of Operations - Austrics

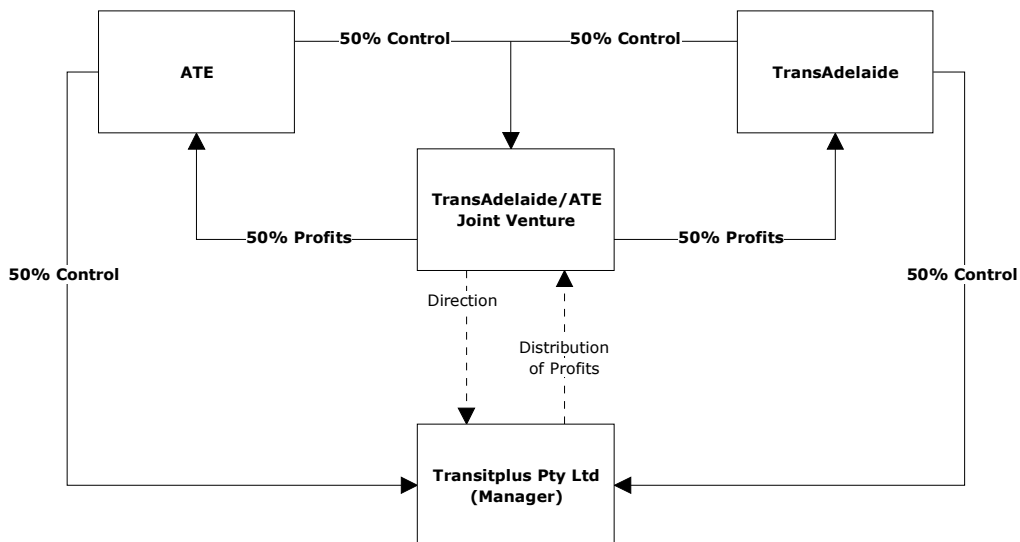
Austrics was a wholly-owned subsidiary of TransAdelaide established by Regulations under the *Public Corporations Act 1993*. Austrics was dissolved by regulation, and ceased to be a subsidiary of TransAdelaide from 18 December, 2003. From then on the assets, liabilities and operation of the former Austrics were transferred to TransAdelaide. During the 2004-05 financial year, the intellectual property of Austrics was sold (refer Notes 5 and 17(a) to the financial statements for details).

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 \$797 000 (\$875 000) for its share of net profit from the joint venture.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Sales of services		91 971	90 947
Government funding	3(a)	13 289	5 292
Property rental		4 873	4 382
Net gain (loss) on disposal of assets	5	1 286	(518)
Interest		826	845
Other		1 506	3 592
Total Revenue	3	113 751	104 540
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expense		33 881	33 709
Supplies and services expense		32 708	30 759
Depreciation and amortisation expense	6	21 446	20 792
Movement in employee benefits provisions	7	3 887	4 028
Borrowing costs expense	8	6 145	6 505
Other expenses from ordinary activities		5 592	5 874
Separation package payments	26	-	2 513
Total Expenses	4	103 659	104 180
Share of net profits from associates and joint ventures accounted for using the equity method		797	875
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		10 889	1 235
INCOME TAX (EXPENSE) BENEFIT RELATING TO ORDINARY ACTIVITIES	9	(3 239)	558
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	10	7 650	1 793
Increase (Decrease) in the asset revaluation reserve	11	95 908	(14 113)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		103 558	(12 320)

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
ASSETS:	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	18	14 498	11 405
Receivables	12	10 289	4 694
Stores inventories	13	4 684	3 296
Work in progress		234	21
Dividend receivable		353	307
Total Current Assets		30 058	19 723
NON-CURRENT ASSETS:			
Rollingstock	14	211 824	194 322
Property, plant and equipment	14	437 108	374 277
Work in progress	14	27 359	10 608
Investment in related entities	17	200	200
Future income tax benefit	2.6	19 628	21 646
Total Non-Current Assets		696 119	601 053
Total Assets		726 177	620 776
LIABILITIES:			
CURRENT LIABILITIES:			
Interest bearing liabilities	19	5 381	5 381
Payables	20	18 305	12 376
Provisions	21	8 799	8 075
Total Current Liabilities		32 485	25 832
NON-CURRENT LIABILITIES:			
Interest bearing liabilities	19	75 990	81 371
Payables	20	1 365	1 078
Provisions	21	21 284	20 008
Provisions for deferred income tax	2.6	12 759	11 455
Total Non-Current Liabilities		111 398	113 912
Total Liabilities		143 883	139 744
NET ASSETS		582 294	481 032
EQUITY:			
Reserves	11	464 730	369 727
Retained profits	10	117 564	111 305
TOTAL EQUITY		582 294	481 032
Commitments	15, 16		
Contingent Liabilities	31		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
RECEIPTS:		
Sales of goods and services	94 697	96 153
Government funding	7 617	3 906
Separation packages	730	2 084
Interest received	818	824
GST received from customers	10 515	9 415
Other revenue	1 413	188
Total Receipts	115 790	112 570
PAYMENTS:		
Wages and salaries	(36 434)	(38 852)
Separation packages	-	(2 513)
Goods and services	(38 178)	(36 417)
Interest on borrowings/leases	(6 213)	(8 375)
GST paid to suppliers	(6 324)	(4 419)
GST paid to Australian Taxation Office	(4 048)	(4 994)
Total Payments	(91 197)	(95 570)
Net Cash provided by Operating Activities	24 593	17 000
	18(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
RECEIPTS:		
Dividend receipts	751	844
Proceeds from asset sales	1 202	43
Total Receipts	1 953	887
PAYMENTS		
Purchase on non-current assets	(15 776)	(10 591)
Total Payments	(15 776)	(10 591)
Net Cash used in Investing Activities	(13 823)	(9 704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PAYMENTS:		
Dividend payments	(2 296)	(2 296)
Repayment of borrowings	(5 381)	(5 381)
Total Payments	(7 677)	(7 677)
Net Cash used in Financing Activities	(7 677)	(7 677)
NET INCREASE (DECREASE) IN CASH	3 093	(381)
CASH AT 1 JULY	11 405	11 786
CASH AT 30 JUNE	14 498	11 405
	18	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Economic Structure

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. On 18 December 2003, it was published in The South Australian Government Gazette that Austrics was dissolved as a subsidiary of TransAdelaide as invoked by the Public Corporations (Austrics) (Dissolution and Revocation) (No 2) Regulations 2003 with immediate effect. All liabilities and assets were transferred to TransAdelaide at this time, leaving TransAdelaide as a single reporting entity. TransAdelaide also has a 50 percent interest in TransitPlus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

1.1 Economic Dependency and Going Concern

The Economic Entity is dependent on contract payments from the Public Transport division of the Department for Transport, Energy and Infrastructure (DTEI) relating to the provision of train and tram services in the Adelaide metropolitan area.

2. Statement of Significant Accounting Policies

2.1 General

The financial report is a General Purpose Financial Report which has been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory reporting requirements (Urgent Issues Group Consensus Views), the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. In the case of a conflict between the abovementioned standards and policies, the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions take precedent.

The Financial Report has been prepared in accordance with the historical cost convention, with the exception of non-current assets. Non-current assets are primarily valued applying the fair value method of valuation, as per the Department of Treasury and Finance Accounting Policy Statement No. 3 and Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'. Where the non-current assets have not been revalued, historical cost has been used.

2.2 Comparative Figures

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

APS 13 'Form and Content of General Purpose Financial Reports' requires revenues, expenses, assets and liabilities, where the transaction is with an entity within the SA Government, to be separately disclosed in the Notes to the accounts. This is the first year this information has been required and as such, comparative data was not able to be reliably gathered and therefore no comparative data is shown.

Financial statements prepared for the 2003-04 financial year identified TransAdelaide's financial performance as a parent entity separately from the performance of the economic entity, which included the performance of its previously controlled entity (refer Note 1). From 19 December 2003 all operations have existed in the one reporting entity. For the current year, only the comparative figures for the economic entity, which include the 2004 full year of Austrics operations, have been provided.

2.3 Rounding

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

2.4 Principles of Consolidation

The comparative figures in the financial report of TransAdelaide include the financial statements of TransAdelaide and its controlled entity, AUSTRICS up until its dissolution on 18 December 2003. All inter-entity transactions during that time have been eliminated in line with Australian Accounting Standard AASB 1024, 'Consolidated Accounts'.

Joint Ventures

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

The Economic Entity's investment in the joint venture entity is based upon the equity method of accounting for investment in associates as per Australian Accounting Standard AASB 1016, 'Accounting for Investments in Associates'.

2.5 Recognition of Revenue

Sales of services represent:

- Contract Income earned from the provision of passenger transport services provided on behalf of the Public Transport division of DTEI.
- Other revenue earned from the provision of products, advertising and property to entities outside the Economic Entity.

All revenue is recognised when the service is provided.

2.6 Taxation Equivalents

TransAdelaide is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, TransAdelaide has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding of NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

TransAdelaide adopts the liability method of tax-effect accounting for income tax equivalents whereby the income tax expense is based on the net profit (loss) from operating activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the assumption that the TransAdelaide will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by relevant legislation.

Land tax and council rate equivalents have been calculated by the Department of Treasury and Finance, based on valuations supplied by the Valuer General.

2.7 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

2.8 Financial Instruments Included in Liabilities

All financial instruments included within the liabilities category are recognised when they are incurred.

2.9 Financial Instruments Included in Assets

Receivables are initially recorded at the current value of the sales proceeds.

Provision for doubtful debts is recognised to the extent the recovery of outstanding amounts is less than likely. The provision is based on a review of all outstanding amounts at balance date.

Dividend revenue is recognised when dividends are declared.

2.10 Non-Current Assets

(a) Basis of Valuation

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 South Australian State Treasurer's Accounting Policy Statements, 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 contains no 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 South Australian State Treasurer's Accounting Policy Statement Number 3 'Valuation of Non-Current Assets'.

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.

(b) Revaluations

Under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', each class of non-current assets are required to be measured on either the cost or fair value basis. An independent valuation was conducted at 1 July 2004 for the Tramcars, Railcars, Land, Permanent Way and Buildings asset classes to reflect their fair value. Refer Note 14 for details of the valuation undertaken for 2004-05.

(c) *Disposal of Revalued Assets*

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the Profit (Loss) from Ordinary Activities in the year of disposal.

Where a revalued asset is disposed of, the balance of the Asset Revaluation Reserve which relates to that asset has been transferred from the Asset Revaluation Reserve to Retained Profits.

(d) *Depreciation and Amortisation*

Rollingstock, property, plant and equipment, buildings and assets under finance lease are depreciated/amortised over their estimated useful lives using the straight-line method.

Assets are depreciated or amortised from the date of acquisition.

Estimated useful lives applicable to each class of asset is detailed below:	Useful Life Range
Rollingstock:	(Years)
Railcars	20 -42
Tramcars	10 -80
Buildings	10 - 100
Permanent way	20 - 242
Machinery, plant and equipment	3 - 100

(e) *Leases*

Leases of plant and equipment, under which TransAdelaide assumes substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

(i) *Finance Leases*

TransAdelaide has no finance lease obligations.

(ii) *Operating Leases*

Minimum lease payments for assets subject to operating lease agreements where the risk and rewards incidental to ownership rest with the lessor, are treated as an expense in the Statement of Financial Performance. (Refer Note 16).

2.11 Inventories

Stores inventories are valued on a weighted average cost basis. As they are only held for use in providing services, net realisable value, as specified in Australian Accounting Standard AASB 1019, 'Inventories' is not applicable.

2.12 Work in Progress

Work in progress is valued at cost plus on-charges.

2.13 Receivables

Trade Debtors to be settled in 30 days are carried at amounts due. The collectability is assessed at balance date and specific provision is made for any doubtful amounts.

2.14 Employee Benefits

(a) *Annual Leave*

Liabilities arising in relation to Annual Leave are accrued on the basis of statutory or contractual obligations. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement 9, 'Employee Benefits'.

(b) *Long Service Leave*

Entitlements to Long Service Leave are based on legislation applicable to Government employees. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement 9 'Employee Benefits'.

In accordance with AASB 1028 'Employee Benefits', unlike the calculation for annual leave, the calculation of the long service leave liability has regard to the probability that long service leave will either be taken or have to be paid even though an employee may not have met the qualifying period. Furthermore, AASB 1028 requires that long service leave benefits expected to be settled more than twelve months from the reporting date shall be measured as the present value of the estimated future cash flows.

In prior years a shorthand method of estimation was used. During 2004-05 a comprehensive calculation was performed, resulting in changes to the short-cut assumptions to use for the future. If the previous shorthand method had been applied in the current financial year, the long service leave liability would have been approximately \$0.7 million higher.

- (c) *Retiring and Death Gratuity*
Provision is made for the Retiring and Death Gratuity payable under a scheme, which applies to daily paid employees of the former Municipal Tramways Trust. The amount provided covers benefits accrued to all members of the scheme.
- (d) *Workers Compensation*
A provision has been established relating to claims under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971*. TransAdelaide's outstanding claims liability is valued by an independent actuary.
- (e) *Superannuation*
During 2004-05 TransAdelaide paid amounts to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

There is no liability for payments to beneficiaries as they have been assumed by the superannuation funds.
- (f) *Sick Leave*
No provision has been made for sick leave as entitlements are non-vesting and it is considered leave is taken from the current year's accrual.

2.15 Insurance

TransAdelaide is self-insured for the following risks:

- Workers compensation claims;
- Public liability claims relating to all self owned assets, except for claims covered by Motor Accident Commission insurance;
- Property claims for all self owned assets.

The workers compensation and third party insurance provisions were assessed as at 30 June 2005 by Laurie Brett, FIA, FIAA of independent consulting actuaries Brett & Watson Pty Ltd.

The above self-insurance (excluding workers compensation) is for amounts up to \$1 million for the total of each incident. Insurance cover for amounts above \$1 million is arranged through the South Australian Government Captive Insurance Corporation (SAICORP). In addition, insurance cover has been arranged with AON Insurance Services in relation to the Adelaide Railway Station building and also the Heath Lambert Group through the ASER Services Corporation for the area above the Adelaide Railway Station Platforms.

3. Revenue from Ordinary Activities	2005
From Operating Activities - SA Government Entities:	\$'000
Sales of services	87 850
Property rental	843
Government funding (Note 3(a))	13 289
Interest	826
	102 808
From Operating Activities - Non-SA Government Entities:	
Sales of services	4 121
Property rental	4 030
Net gain (loss) on disposal assets (refer to Note 5)	1 286
Net bad and doubtful debts	15
Other revenue	1 491
	10 943
Total Revenue	113 751
(a) Government Funding	
Includes \$9.9 million for the upgrade of the Glenelg Tram Line.	
4. Expenses from Ordinary Activity	
From Operating Activities - SA Government Entities:	
Employee expenses	4 936
Supplies and services expense	3 528
Borrowing costs	6 145
Other expenses from ordinary activities	1 918
	16 527
From Operating Activities - Non-SA Government Entities:	
Employee expenses	28 945
Supplies and services expense	29 180
Depreciation and amortisation expense	21 446
Movement in employee benefits provisions	3 887
Other expenses from ordinary activities	3 674
	87 132
Total Expenses	103 659

5. Gain (Loss) on Sale/Disposal of Assets	2005	2004
	\$'000	\$'000
Gross proceeds from asset sales ⁽¹⁾	1 435	43
Less: Written down value	149	561
Net Loss on Sale/Disposal	1 286	(518)
(1) During the year the intellectual property of Austrics was sold and the gain from sale is included in this figure.		
6. Depreciation and Amortisation Expense		
Railcars	7 727	6 535
Tramcars ⁽¹⁾	2 564	821
Permanent way	7 363	8 539
Buildings	2 649	2 905
Machinery, plant and equipment	1 143	1 654
Amortisation of railcars	-	338
	21 446	20 792
(1) The revaluation, in conjunction with a review of the tramcar estimated useful lives, resulted in depreciation expense for previously fully depreciated vehicles.		
7. Movements in Employee Benefits Provisions		
Long service leave	660	1 054
Annual leave	2 645	2 941
Block Book Off	577	16
Retiring and death gratuity	5	17
	3 887	4 028
8. Borrowing Costs Expense		
Ordinary borrowings interest	5 528	5 758
Treasury guarantee fee	617	667
Borrowing costs - SA Government	6 145	6 425
Interest on leases	-	80
	6 145	6 505
9. Income Tax (Expense) Benefit		
Profit (Loss) from ordinary activities before income tax expense	10 889	1 235
Prima facie tax thereon at 30 percent	(3 267)	(370)
Prior year adjustments	2	861
Tax expense arising from Austrics performance 1.7 - 17.12.03 not assessable - refer FITB provision write off	-	64
Write off of FITB - Austrics carry forward losses not able to be realised	-	(465)
Tax effect of permanent difference:		
Non-deductible expenses	(4)	-
Grant funding	30	468
Income Tax (Expense) Benefit Relating to Ordinary Activities	(3 239)	558
Total Income Tax (Expense) Benefit comprises movements in:		
Provision for deferred income tax	(1 304)	(1 237)
Future income tax benefit	(1 935)	1 795
	(3 239)	558
10. Retained Profits		
Balance at 1 July	111 305	111 878
Add: Current year profits (losses)	7 650	1 793
Dividends provided for or paid	(2 296)	(2 296)
Transfers from Reserves	905	(70)
Balance at 30 June	117 564	111 305
11. Reserve		
Asset revaluation reserve	464 730	369 727
Movements During the Year		
Asset Revaluation Reserve:		
Balance at 1 July	369 727	383 770
Revaluation increment (decrement) on non-current assets:		
Land and buildings	72 714	-
Infrastructure	(4 632)	(14 909)
Rollingstock	27 826	796

Movements During the Year (continued)

	2005	2004
	\$'000	\$'000
Transferred to retained profits amounts realised on disposal of:		
Land and buildings	(88)	170
Infrastructure	(817)	(61)
Rollingstock	-	(39)
	464 730	369 727

Nature and Purpose of Reserves*Asset Revaluation*

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041.

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

12. Receivables	2005	2004
	\$'000	\$'000
Receivables - SA Government	7 849	
Receivables - Non-SA Government	2 558	
	10 407	4 854
Less: Provision for doubtful debts	202	208
	10 205	4 646
Add: Prepayments	84	48
	10 289	4 694
13. Stores Inventories		
Stores inventories	4 778	3 396
Less: Provision for obsolescence	94	100
	4 684	3 296
14. Non-Current Assets		
ROLLINGSTOCK:		
Railcars:		
At fair value ⁽¹⁾	5 300	7 744
At independent valuation 1 July 2004	402 500	-
At Directors valuation 30 June 2004 ⁽²⁾	-	2 882
At Directors valuation 30 June 2003	-	17 400
At independent valuation 30 June 2001	-	275 342
Less: Accumulated depreciation	201 365	113 609
Total Railcars	206 435	189 759
Tramcars:		
At fair value ⁽¹⁾	79	5 168
At independent valuation 1 July 2004	72 425	-
At independent valuation 30 June 2001	-	52 951
Less: Accumulated depreciation	67 115	53 556
Total Tramcars	5 389	4 563
TOTAL ROLLINGSTOCK	211 824	194 322
PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings:		
Freehold Land:		
At fair value	1 378	-
At independent valuation 1 July 2004	142 927	-
At independent valuation 30 June 2001	-	89 904
Total Land	144 305	89 904
Buildings:		
At fair value	1 101	6 829
At independent valuation 1 July 2004	186 909	-
At independent valuation 30 June 2001	-	71 955
At Directors valuation 30 June 2001	-	94 214
Less: Accumulated depreciation	98 245	101 168
Total Buildings	89 765	71 830
Total Land and Buildings	234 070	161 734
Permanent Way:		
At fair value	2 118	22 959
At independent valuation 1 July 2004	407 936	-
At Directors valuation 31 May 2004 ⁽³⁾	-	29 131
At independent valuation 30 June 2001	-	308 472
Less: Accumulated depreciation	213 532	154 056
Total Permanent Way	196 522	206 506

14. Non-Current Assets (continued)	2005	2004
Plant and Equipment:	\$'000	\$'000
At fair value	20 870	19 919
Less: Accumulated depreciation	14 354	13 882
Total Plant and Equipment	6 516	6 037
Total Property, Plant And Equipment	437 108	374 277
TOTAL ROLLINGSTOCK, PROPERTY, PLANT AND EQUIPMENT	648 932	568 599
WORK IN PROGRESS		
Rollingstock:		
Railcars	964	480
Tramcars	239	81
Corridor infrastructure, machinery and plant	24 740	9 508
Land and buildings	1 416	539
Total Works In Progress	27 359	10 608
TOTAL NON-CURRENT ASSETS	676 291	579 207

All major non-current assets are usually revalued every three years on an existing use, fair value basis. During 2004-05 an independent valuation of major asset classes: Trams, Trains, Land, Buildings and Permanent Way was undertaken by Valuation Chambers as at 1 July 2004.

The valuation was conducted under instruction from TransAdelaide by certified practising valuer Mr John L Morgan B. App. Sc. (Val.) Fellow, Australia Property Institute. As a result of the valuation, assets with a book value of \$562.6 million were revalued upwards to \$658.5 million. This has resulted in an increase in TransAdelaide's asset revaluation reserve of \$95.9 million.

- (1) The fair value for railcars and tramcars includes spare units and associated equipment.
- (2) A directors valuation was conducted for a previously stored railcar rollingstock asset at 30 June 2004 due to its return to services
- (3) A directors valuation was conducted on railway timber sleeper assets as at 31 May 2004 in conjunction with a change to the estimated useful life to 20 years.

In accordance with South Australia State Treasurer's Accounting Policy Statement Number 3, TransAdelaide has assessed that assets recorded at cost reflect fair value where such assets have not been independently revalued.

(a) Non-Current Assets	2005	2004
<i>Reconciliation of Carrying Amounts</i>	\$'000	\$'000
Railcars:		
Carrying amount at 1 July	189 759	168 002
Additions	19	1 122
Disposals	(52)	(698)
Transfers	-	27 072
Revaluation increment	24 436	796
Depreciation	(7 727)	(6 535)
Carrying Amount at 30 June	206 435	189 759
Leased Railcars:		
Carrying amount at 1 July	-	27 400
Additions	-	10
Disposals	-	-
Transfers	-	(27 072)
Amortisation	-	(338)
Carrying Amount at 30 June	-	-
Tramcars:		
Carrying amount at 1 July	4 563	5 280
Additions	-	104
Disposals	-	-
Revaluation increment	3 390	-
Depreciation	(2 564)	(821)
Carrying Amount at 30 June	5 389	4 563
Freehold Land:		
Carrying amount at 1 July	89 904	89 944
Additions	1 378	-
Disposals	(178)	(40)
Revaluation increment	53 201	-
Carrying Amount at 30 June	144 305	89 904

(a) Non-Current Assets (continued)	2005	2004
	\$'000	\$'000
Buildings:		
Carrying amount at 1 July	71 830	73 113
Additions	1 203	1 986
Disposals	(45)	(45)
Transfers	(88)	(319)
Revaluation increment	19 514	-
Depreciation	(2 649)	(2 905)
Carrying Amount at 30 June	89 765	71 830
Permanent Way:		
Carrying amount at 1 July	206 506	229 266
Additions	1 971	1 114
Disposals	(48)	(426)
Transfers	88	-
Revaluation decrement	(4 632)	(14 909)
Depreciation	(7 363)	(8 539)
Carrying Amount at 30 June	196 522	206 506
Plant and Equipment:		
Carrying amount at 1 July	6 037	6 099
Additions	1 690	1 292
Disposals	(68)	(17)
Transfers	-	317
Depreciation	(1 143)	(1 654)
Carrying Amount at 30 June	6 516	6 037
Capital Work in Progress:		
Carrying amount at 1 July	10 608	4 678
Additions	22 767	11 194
Transfers to property, plant and equipment	(6 016)	(5 264)
Carrying Amount at 30 June	27 359	10 608
Total Carrying Amounts	676 291	579 207
15. Capital Commitments		
Aggregate capital expenditure commitments contracted for:		
Not later than one year	10 820	3 513
Later than one year but not later than two years	-	-
	10 820	3 513
Net Capital expenditure incurred	22 768	11 223
16. Operating Lease Commitment		
Operating lease commitments are due as follows:		
Not later than one year	1 010	1 115
Later than one year but not later than five years	316	623
Later than five years	-	-
Minimum Lease Payments	1 326	1 738
Operating lease expenses paid	2 386	2 298
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 on either movements in the Consumer Price Index or operating criteria.		
17. Investment in Related Entities	2005	2004
	\$'000	\$'000
Ownership Interest		
Joint Venture:		
Transitplus Pty Ltd	50 percent	50 percent
Investment in Related Entities:		
Transitplus Pty Ltd	200	200
	200	200
Principal Activities:		
Transit Plus Pty Ltd - Provision of bus services		
Investment in Transitplus Pty Ltd:		
Carrying amount at 1 July	200	200
Carrying Amount at 30 June	200	200

(a) Net Expenses from restructuring in 2004

TransAdelaide had a subsidiary corporation - Austrics, which was incorporated pursuant to the *Public Corporations Act 1993* to December 18, 2003. Austrics was a software development company involved in the provision of computerised scheduling software, marketed both domestically and internationally. Austrics main function was to develop, market, promote and sell transport related software products.

On December 18, 2003, it was published in the South Australian Government Gazette that Austrics was dissolved as a subsidiary of TransAdelaide as invoked by the Public Corporations (Austrics) (Dissolution and Revocation) (No 2) Regulations 2003 with immediate effect.

All of the assets and liabilities of Austrics were transferred to TransAdelaide and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Accounting Policy Statements and Urgent Issues Group Extract 38 'Contributions by Owners to Wholly Owned Public Sector Entities'.

During the 2004 reporting period assets and liabilities amounting to \$0.706 million and \$1.690 million respectively were transferred to TransAdelaide. The \$1.690 million liability value transferred included the inter entity loan of \$0.840 million and the inter entity payables of \$0.27 million.

Refer to the previous year's financial report for the differentiation of the 2004 result between the economic entity (as is included in the comparatives) and the parent entity.

18. Notes to Statement of Cash Flows	2005	2004
(a) Reconciliation of Cash	\$'000	\$'000
Cash at 30 June	14 498	11 405
(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense		
Net profit (loss)	7 650	1 793
Depreciation	21 446	20 454
Amortisation	-	338
(Gain) Loss on sale of assets	(1 286)	518
Dividend receipts	(797)	(875)
Contributed capital	-	(220)
Net Cash provided by Operating Activities Before Change in Assets and Liabilities	27 013	22 008
Movements in:		
Lease liability	-	(1 882)
Receivables	(6 672)	(1 603)
Interest payable	(68)	12
Payables	607	(269)
Provisions	2 075	(312)
Stores inventory	(1 388)	(396)
Work in progress (current)	(213)	-
Future income tax benefit	1 935	(1 795)
Provision for deferred income tax	1 304	1 237
Net Cash provided by Operating Activities After Related Income Tax Expense	24 593	17 000
19. Interest Bearing Liabilities		
Current Liability:		
Borrowings - SA Government	5 381	5 381
	5 381	5 381
Non-Current Liability:		
Borrowings - SA Government	75 990	81 371
	75 990	81 371
Total Interest Bearing Liabilities	81 371	86 752
20. Payables		
Current Liability:		
SA Government	2 956	
Other	15 349	
	18 305	
Non-Current Liability:		
SA Government	1 365	
Total Payables	19 670	13 454
21. Provisions		
Employee Benefits:		
Long service leave (refer to Note 2.14(b))	9 851	9 878
Annual leave	4 361	4 341
Block book off	700	652
Retiring and death gratuity	185	180
Total Employee Benefits	15 097	15 051

21. Provisions (continued)	2005	2004
	\$'000	\$'000
Workers compensation claims	10 797	10 093
Third party accident damage	2 626	2 884
Railcar maintenance debt	1 563	-
Site remediation	-	55
Total Provisions	30 083	28 083
Current Liability		
Employee Benefits:		
Long service leave	763	1 100
Annual leave	2 885	3 841
Block book off	700	652
Retiring and death gratuity	115	54
Total Employee Benefits	4 463	5 647
Workers compensation claims	1 510	1 510
Third party accident damage	1 263	863
Railcar maintenance debt	1 563	-
Site remediation	-	55
Total Provisions (Current Liability)	8 799	8 075
Non-Current Liability		
Employee Benefits:		
Long service leave	9 088	8 778
Annual leave	1 476	500
Retiring and death gratuity	70	126
Total Employee Benefits	10 634	9 404
Workers compensation claims	9 287	8 583
Third party accident damage	1 363	2 021
Total Provisions (Non-Current Liability)	21 284	20 008
22. Employee Benefits		
Aggregate Liability Including On-Costs		
Current Liability:		
Payables	573	847
Employee benefits provisions	4 463	5 647
Total Employee Benefit Provisions (Current Liability)	5 036	6 494
Non-Current Liability:		
Payables	1 365	1 078
Employee benefits provisions	10 634	9 404
Total Employee Benefit Provisions (Non-Current Liability)	11 999	10 482
Total Employee Benefit	17 035	16 976
23. Remuneration of Employees		
The number of employees whose remuneration falls within the following remuneration bands were:	2005	2004
	Number of Employees	Number of Employees
\$100 000 - \$109 999	1	3
\$110 000 - \$119 999	2	-
\$120 000 - \$129 999	4	-
\$130 000 - \$139 999	-	3
\$150 000 - \$159 999	2	-
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	1	-
\$240 000 - \$249 999	-	1
	11	8
	2005	2004
	\$'000	\$'000
Total Remuneration for employees greater than \$100 000 ⁽¹⁾	1 493	1 130
24. Remuneration of Directors		
Income paid or payable to all directors ⁽¹⁾	140	78

(1) Includes payments of long service leave entitlements to some positions in 2005.

24. Remuneration of Directors (continued)

The number of directors whose income was within the following bands were:

\$0 000 - \$9 999
\$10 000 - \$19 999
\$20 000 - \$29 999
\$30 000 - \$39 999
\$40 000 - \$49 999

2005	2004
Number of Directors	Number of Directors
-	4
-	2
3	1
1	-
1	-
5	7

(1) During 2004 there were unfilled positions.

The names of the directors who have held office during the financial year are:
Kevin Benger, Virginia Hickey, Roger Jowett, Elizabeth Kosmala and Frances Magill.

25. Remuneration of Auditors

Amounts due and receivable by the Auditors for auditing the accounts for the year were \$150 000 (\$145 000) GST exclusive. The Auditors received no other benefits.

26. Separation Packages

No separation payments were made in the financial year ended 30 June 2005. In the prior year, separation payments totalling \$2.513 million related to the redeployment of 44 employees. These payments were met by TransAdelaide and were recovered from the Department of the Premier and Cabinet. Leave entitlements totalling \$1.103 million were paid to these employees who received a separation payment.

27. Consultants

During the financial year, TransAdelaide engaged consultants for a total cost of \$149 000 (\$240 000) GST exclusive.

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

Details of Directors' remuneration payments are set out in Note 24. TransAdelaide carried out transactions with Directors during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to members of the general public.

(b) Transactions with related Parties in the Economic Entity

There were no related entity transactions during the current financial year. The following transactions were entered into prior to the dissolution of Austrics as a separate Public Corporation (to 18 December 2003).

	2005	2004
	\$'000	\$'000
Purchases of Goods and Services:		
Austrics	-	29
Total Purchases of Goods and Services	-	29
Sales of goods and services:		
Austrics	-	20
Total Sales of Goods and Services	-	20

29. Financial Instruments**Terms, Conditions and Accounting Policies**

Outlined below are the terms and conditions of financial assets and liabilities held by TransAdelaide as at 30 June 2005

(i) Financial Assets

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

Investments held are able to be withdrawn upon request.

(ii) Financial Liabilities

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

Borrowings are with Department of Treasury and Finance. Interest is payable quarterly calculated using Common Public Sector Interest Rates (CPSIR) with annual principal repayments in August.

Interest Rate Risk Exposure

The following table summarises interest rate risk for the economic entity, together with effective interest rates as at balance date.

	Cash		Receivables		Payables		Borrowings	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Floating interest rate ⁽¹⁾	14 498	11 405	-	-	-	-	81 371	86 752
One year or less	-	-	-	-	-	-	-	-
One to five years	-	-	-	-	-	-	-	-
Over five years	-	-	-	-	-	-	-	-
Non-interest bearing	-	-	10 289	4 694	19 670	13 454	-	-
Total	14 498	11 405	10 289	4 694	19 670	13 454	81 371	86 752
Weighted average interest rate (percent)	6.7	6.52	-	-	-	-	7.5	7.25

(1) Floating interest rates represent the rate applicable to the instrument at balance date.

Credit Risk Exposure

Credit risk exposure represents the extent of credit related losses TransAdelaide may be subject to in respect of amounts to be received from financial assets. The total credit risk on financial assets is the carrying amounts net of any provision for doubtful debts.

TransAdelaide, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligation.

In addition, TransAdelaide does not have a significant exposure to any individual non-government counterparty.

Receivables due from major counterparties are not normally secured by collateral, however the credit worthiness of counterparties is monitored. Therefore based on the above, no losses are expected.

The concentration of credit risk on financial assets is indicated in the following table by percentage of the total balance receivable from customers in the specified categories:

Customer/Industry Classification	2005 Percent	2004 Percent
Transport Industry	16	18
Federal, State Government and Councils	76	73
Private Businesses and Individuals	8	9

Net Fair Value of Financial Assets and Liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or a liability settled in a current transaction between willing parties after allowing for transaction costs.

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are as per the previous table.

The non-current borrowings are a static amount that changes by the occurrence of specific events, for example, increased borrowings, repayment of borrowings and debt reduction through the transfer of assets to other Government Departments. As such events are not determinable, the carrying amount and the net fair value have been reported as the same.

30. Events Subsequent to Balance Date

On 23 August 2005, the Treasurer approved amendments to Treasurer's Instruction 22 'Tax and Tax Equivalents Applicable to Government Businesses'.

These amendments include the requirement for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent from 1 July 2005.

As a result, the net balance of Future Income Tax Benefit (\$6.869 million) in the Statement of Financial Position as at 30 June 2005 will not be able to be realised and will need to be written off in the 2005-06 financial year.

31. Contingent Liabilities

TransAdelaide currently has a legal claim against its 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 during the current financial year and provision of annual support of the same.

The live 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.

31. Contingent Liabilities (continued)

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 Financing Authority and Transport SA monitor the majority of foregoing obligations. To balance date, no event has occurred which would give rise to the encumbrances/consequences.

32. Impact of Adopting Australian Equivalents to International Financial Reporting Standards (AIFRS)

	Amount currently reported per GAAP	Known or reliably estimated impact on the financial report		Amount to be reported after adopting AIFRS
		AASB 140 Investment Property ⁽¹⁾	AASB 120 Government Grants ⁽²⁾	
Reconciliation of key aggregates				
Profit (Loss) from Ordinary Activities before				
Income Tax Equivalents	10 889	18 046	(9 944)	18 991
Total Assets	726 177	572	-	726 749
Total Liabilities	143 883	-	9 944	153 827
Net Assets	582 294	572	(9 944)	572 922
Cash Flows from Operating Activities	24 593	-	-	24 593

- (1) Under AASB 140 'Investment Property' the portion of the revaluation performed in 2004-05 related to investment properties would have been brought to account as part of reported Profit instead of adjusting directly to the Revaluation Reserve and Investment Property would not have been depreciated.
- (2) Under AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance', TransAdelaide would be carrying forward the value of capital grants to amortise over the future life of the funded assets.

AASB 136 'Impairment of Assets' is likely to have an immaterial impact on the carrying value of some non-current assets.

Other changes have been assessed as having presentation implications only.

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*.

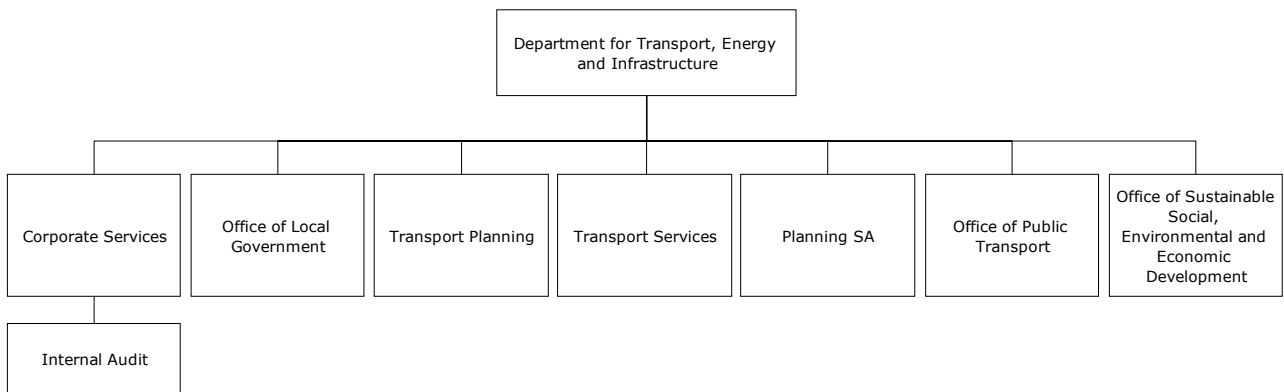
Functions

The functions of the Department are to integrate urban and regional development, local government initiatives, transport infrastructure and services. The Department's objectives are to:

- plan effectively to facilitate economic growth and social well-being;
- increase the effectiveness of public transport in terms of both patronage and social inclusion;
- maximise the contribution of transport to the South Australian economy;
- increase the effective working relationship between the State Government and local government;
- encourage environmental sustainability.

Structure

The structure of the Department as at 30 June 2005 is illustrated in the following organisation 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 on 30 May 2005.

Pursuant to a proclamation in the Government Gazette on 30 June 2005 and effective from 1 July 2005 employees and functions will be 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.

In addition, 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 will be transferred to the Department of Primary Industries and Resources from the Department for Transport, Energy and Infrastructure.

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

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department 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 2004-05, specific areas of audit attention included:

- revenue including:
 - driver and vehicle licensing
 - Metroticket sales
 - Planning and Development fees and charges
 - Concessional Income
- expenditure:
 - e-procurement
 - accounts payable
 - bus and rail contract payments
 - corporate purchase cards
- grants and subsidies
- payroll
- fixed assets:
 - network assets
 - land, buildings and facilities
 - plant and equipment
 - work in progress
- general ledger
- procurement and contracting
- job costing
- budgetary control
- Community Road Safety Fund
- Rail Transport Facilitation Fund
- Indenture Ports.

In addition, during 2004, Audit undertook a review of key aspects of Transport's DRIVERS system. The review focus was to identify key components of the DRIVERS application system and their respective functionality in the overall operation and control process and undertake an assessment of controls in place.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Department for Transport, Energy and Infrastructure internal controls. Specific areas in which reliance was placed on internal audit work included:

- Audit of accounts and records to support Commonwealth certificates issued under the following Acts:
 - *Australian Land Transport Development Act 1988*
 - *Interstate Road Transport Act 1985*
 - *Roads to Recovery Act 2000*
- Registration and Licensing:
 - Customer Service Centre audits.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Transport, Energy and Infrastructure as at 30 June 2005 and the results of its operations and 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 network assets, land, buildings and facilities, accounts payable and payroll, 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

Network Assets

Audit has over the past few years raised a number of issues relating to the absence of effective controls over the recognition of acquisitions, disposals, maintenance works and valuation of network assets, particularly road assets. The issues identified by Audit were the symptoms of an inadequate asset capitalisation process.

Audit acknowledges that the Department has made a number of improvements in this area by introducing a number of high level reconciliations and re-engineering the investing capitalisation processes. The review has, however, identified a number of areas where there is scope for the Department to further strengthen the internal control environment.

The key issues raised by Audit related to the following:

- The need to formally document policies and procedures for the key control activities for network assets and obtain approval as part of the Department's policy and procedure framework.
- Due to the large dollar value and quantity of network assets recorded in the Department's network asset registers, Audit recommended that the reconciliations between the Masterpiece Fixed Asset Register and the subsidiary network asset registers, which are currently performed on an annual basis, be performed more frequently (at least every 6 months).
- Key reconciliations should be reviewed by an independent officer and in a timely manner.

The Department advised that documented policies and procedures would be prepared or updated as appropriate and key reconciliations would be independently reviewed. It did not accept the recommendation that the Masterpiece fixed asset register to subsidiary network asset registers should be reconciled more frequently than the current annual reconciliation due to a significant volume of transactions occurring late in the financial year.

Audit does not consider the Department's response to this recommendation is satisfactory. The reconciliations are important controls which provide assurance to, both the Department and Audit, that the Department's records may be relied upon.

While significant work was undertaken by the Department during 2003-04 to re-engineer existing processes and address the control issues raised by Audit, the new processes were in transition stage at the time of the 2004-05 audit review. The new policies and procedures will be reviewed during 2005-06 and assessed for effectiveness.

Transport, Energy and Infrastructure

The Department has since 2002-03 committed significant resources to reviewing the Work In Progress (WIP) accounts and identifying and adjusting amounts incorrectly recorded in WIP. As a result, an adjustment of \$24 million was processed at 30 June 2005. Prior year WIP adjustments totalled \$22.4 million in 2003-04 and \$105.3 million in 2002-03. Refer to Note 12 of the Department's financial statements.

Land, Buildings and Facilities

During the 2003-04, Audit identified a number of assets recorded on the Masterpiece Fixed Asset Register as fully depreciated although the assets were still being used by the Department. Audit was advised that this was as a result of the assets being recorded as fully depreciated at the time when the Department transferred its assets to Masterpiece in 1996 (the commencement of accrual accounting).

The Department commenced the appropriate action to rectify the incorrect recording of these assets during 2003-04 and completed this review in 2004-05. In the 30 June 2004 accounts, the Department recorded a prior period adjustment to depreciation expense of \$2.1 million, an adjustment to accumulated depreciation of \$10 million and an adjustment to the Asset Revaluation Reserve of \$11.1 million. In the 30 June 2005 accounts, the Department has recorded a prior period adjustment to depreciation expense of \$620 000, an adjustment to accumulated depreciation of \$1.262 million and an adjustment to the Asset Revaluation Reserve of \$1.9 million.

Audit reviewed the adjustments arising from the Department's review and also tested arrangements for controlling and accounting for transactions with its Land, Buildings and Facilities were reviewed during 2004-05. The review identified weaknesses in control arrangements and transactions which were not appropriately accounted for. The audit findings included:

- Audit were unable to identify controls which provide assurance that all transactions, including revaluations, acquisitions and disposals, were recorded and updated to the Department's Property Asset System and therefore, the Department's financial ledgers;
- transactions were identified which were not recognised in the correct accounting period or were not correctly accounted for.

In response to the Audit findings the Department identified specific action it will implement to prevent the errors identified by Audit's review of transactions and indicated it would review processes for recording acquisitions and disposals as part of an upgrade of the Department's system.

Project and Contract Management

Project and contract management activities within the Department support the acquisition of the plant and equipment, including buses and trams, used by the Department in its operations and the development and construction of roads and other transport infrastructure.

The audit of the Department incorporated a review of project management arrangements associated with infrastructure and road construction projects and management of significant contracts to acquire plant and equipment and public transport assets.

The review concluded that the Departments controls over its project and contract management activities were generally satisfactory and identified areas for improvement in practices or recommended other specific action. The more significant matters arising from the audit were:

- the Department does not currently publish copies of contracts which, in Audit's view were required to be published on the South Australian Government's Contracts website;
- the Department had not sought liquidated damages from a contractor for non-compliance with delivery schedules where the contract specified the delivery schedule and provided for liquidated damages.

At the time that this report was finalised the Department had not responded to the audit findings.

Payroll

Audit's review of the Department's payroll processing function identified a number of areas in which controls were ineffective or were not consistently applied throughout the year. The more significant findings included:

- Departmental managers are provided with Bona Fide Reports and Leave Returns which enable review of transactions processed through the payroll and leave recording system. The audit identified that not all Bona Fide Reports or Leave Returns were reviewed and returned to the payroll area and the payroll area did not follow up the Reports and Returns which were not returned;

- the Department has not mandated a consistent approach to time recording and approval of times recorded for employees who are entitled to flexi time. The review also indicated documented policies and procedures had not been prepared.

At the time that this report was finalised the Department had not responded to the audit findings.

Accounts Payable and Credit Cards

The audit of the Department included consideration of the system implemented by the Department to support on-line authorisation of payments for goods and services and for project related expenses. The audit considered controls which provide assurance that all payments are authorised by staff with appropriate delegated authority. Findings arising from the review included:

- 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 employees;
- the system was not configured to provide assurance that project payments were authorised in accordance with the Department's delegations of authority;
- 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.

At the time that this report was finalised the Department had not responded to the audit findings.

The audit of the Department's administration of Corporate Purchasing Cards noted:

- instances where established procedures for certification and substantiation of monthly statements were not complied with;
- inconsistency in practice across the Department in reconciling purchase details from the Credit card system to the General Ledger;
- reconciliations of the Department's Credit Card holding account were not prepared on a regular and timely basis. This is an important control which provides assurance that other control procedures have been performed.

In response to the Audit findings the Department advised that it has implemented new software to support processing of credit card transactions which were expected to address the matters raised by Audit.

Driver and Vehicle Licensing

The review of the Driver and Vehicle Licensing operations identified a number of areas where there is a need for improvements to internal controls. Some of the more significant issues arising from the audit include the need to 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;
- independent reviews of key system reports and reconciliations are undertaken;
- the Service Level Agreement with DAIS for revenue collected by Services SA is signed by both parties.

The Department responded to the Audit findings by identifying action to address each matter raised by Audit. The response noted that the TRUMP system, currently under development to replace the DRIVERS system, will incorporate features which address a number of audit findings.

DRIVERS Review

DRIVERS is the application used by the Department to manage licensing and registration information. DRIVERS is maintained by Transport Services while EDS provide network, operating system and database support.

In 2004, Audit undertook a review of aspects of the DRIVERS application including:

- information security
- information systems operations
- application access
- application system implementation and maintenance
- database and network management
- backup and recovery.

The review did not include a technical assessment of the DRIVERS computer processing environment at EDS Glenside.

The review of access controls noted developers of the system had full access to production and processes for managing user access needed to be improved. Review of back up and recovery procedures identified that the Business Continuity Plan was out of date.

Consideration of systems operations and maintenance activities noted:

- the procedural documentation for change management was inconsistently formatted and database policies and procedures were not formally documented;
- post implementation reviews of changes were not conducted;
- change management processes in place did not formally track all changes to the database that may have been initiated by EDS;
- the Department was reliant upon one staff member to fill the database administration role.

In response to the audit findings the Department advised that:

- actions would be taken to improve processes relating to the management of user access;
- reviewing of an existing security report was considered appropriate for auditing unsuccessful logins;
- access to production was assigned based upon the developer's assigned tasks and was controlled by transaction logging and review of production access and considered sufficient;
- documenting all non-standard configurations and procedures would be undertaken;
- investigating contracting a third party service provider to provide backup for the current database administrator;
- the review and update of the Business Continuity Plan and related documentation would occur.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	\$'million	\$'million	Change
<i>OPERATING EXPENDITURE</i>			
Employment expenses	110	108	2
Supplies and services	220	211	4
Bus and rail service contracts	197	101	95
Depreciation	133	140	(5)
Other expenses	104	63	65
Total Operating Expenses	764	623	23
<i>OPERATING REVENUE</i>			
Registration and licensing fees	241	230	5
Commonwealth revenue	106	69	54
Fees and charges	84	52	62
Other revenues	94	94	-
Total Operating Revenue	525	445	18
Net Cost of Services from Ordinary Activities	(238)	(178)	34

	2005 \$'million	2004 \$'million	Percentage Change
REVENUES FROM/PAYMENTS TO SA GOVERNMENT			
Appropriations	296.6	154.2	
Payments to SA Government	0.4	6.5	
Total Revenues from/Payments to SA Government	296.2	147.7	101
Net Result before Restructuring	58	(30)	
Net Cash Inflows from Operations	235	133	77
Net Cash Outflows from Investing	226	115	97
ASSETS			
Current assets	240	208	15
Non-current assets	5 012	4 844	3
Total Assets	5 252	5 052	4
LIABILITIES			
Current liabilities	85	78	9
Non-current liabilities	89	82	9
Total Liabilities	174	160	9
EQUITY	5 078	4 892	4

Statement of Financial Performance

The interpretation and analysis of the Statement of Financial Performance includes the activity for the Office of Public Transport for the 12 month period 1 July 2004 to 30 June 2005 and for the 6 month period 1 January 2004 to 30 June 2004. Refer Note 3.4.

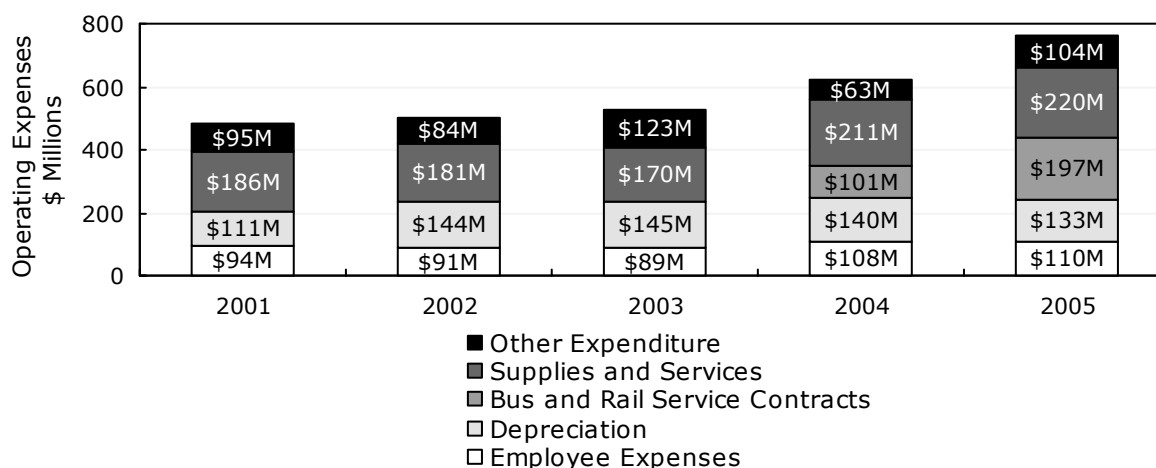
Expenses from Ordinary Activities

Expenses from Ordinary Activities for the year totalled \$763.5 million (\$623 million). This represents an increase of \$140.5 million (22 percent).

The increase is attributable mainly to:

- the inclusion of the Office of Public Transport's expenses for the 12 month period as compared to 6 months in the previous year. The most significant expenses of the Office of Public Transport are the bus and rail service contract payments which totalled \$196.9 million for 2004-05 compared to \$100.7 million for the 6 month period for 2003-04;
- the recognition of a net expense resulting from correction of an error of \$30.4 million in 'other expenses' which relates mainly to the recognition of prior years depreciation for assets held by the Department but recognised for the first time in 2004-05. Refer Note 11 and commentary under 'Statement of Financial Position' below.

For the five years to 2005 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled \$525.2 million (\$445.3 million), an increase of \$79.9 million (18 percent). This increase is due mainly to the following:

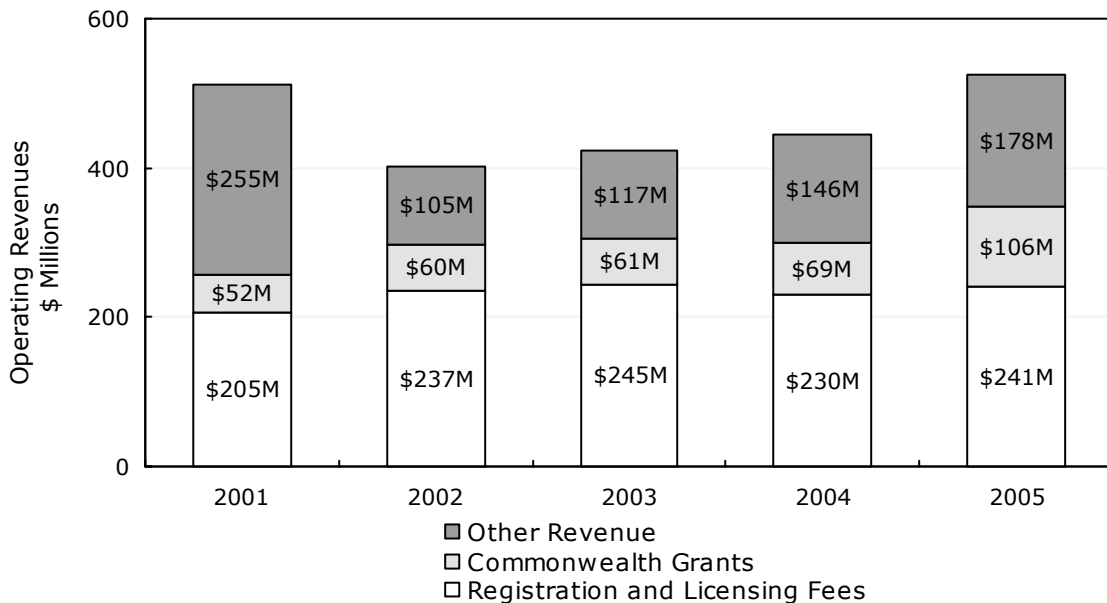
- An increase in fees and charges of \$32.4 million (63 percent). The increase is attributable mainly to the recognition of 12 months revenue for the Office of Public Transport. The most significant revenues relating to the Office of Public Transport are the 'Metroticket' sales which account for \$29.6 million of the \$32.4 million increase in fees and charges.
- Commonwealth revenue increased by \$37.1 million to \$106.3 million, of which \$17.9 million relates to specific funding received in 2004-05 for the Eyre Peninsula Rail System and the Auslink Rail Network. Refer Note 45.
- Concessional income contributions received from other Government Agencies increased by \$18.1 million to \$34.3 million which again reflects the full year activity for the Office of Public Transport.
- Registration and licensing fees increased by \$10.7 million to \$240.9 million.
- Recognition of net revenue resulting from a correction of an error of \$47.8 million following the recognition of assets. Refer Note 22 and commentary under 'Statement of Financial Position' below.

This year the Department recorded a net loss from disposal of assets of \$22.6 million compared to a net gain of \$2.4 million in 2003-04.

The Department received assets free of charge totalling \$4.2 million in 2004-05, a decrease of \$8.3 million compared to the previous year.

Bus and depot lease revenue has decreased by \$15.6 million. This decrease reflects the elimination of bus leases on consolidation of Transport Services and the Office of Public Transport's financial transactions.

For the five years to 2005, a structural analysis of the main operating revenue items for the Department is shown in the following chart.

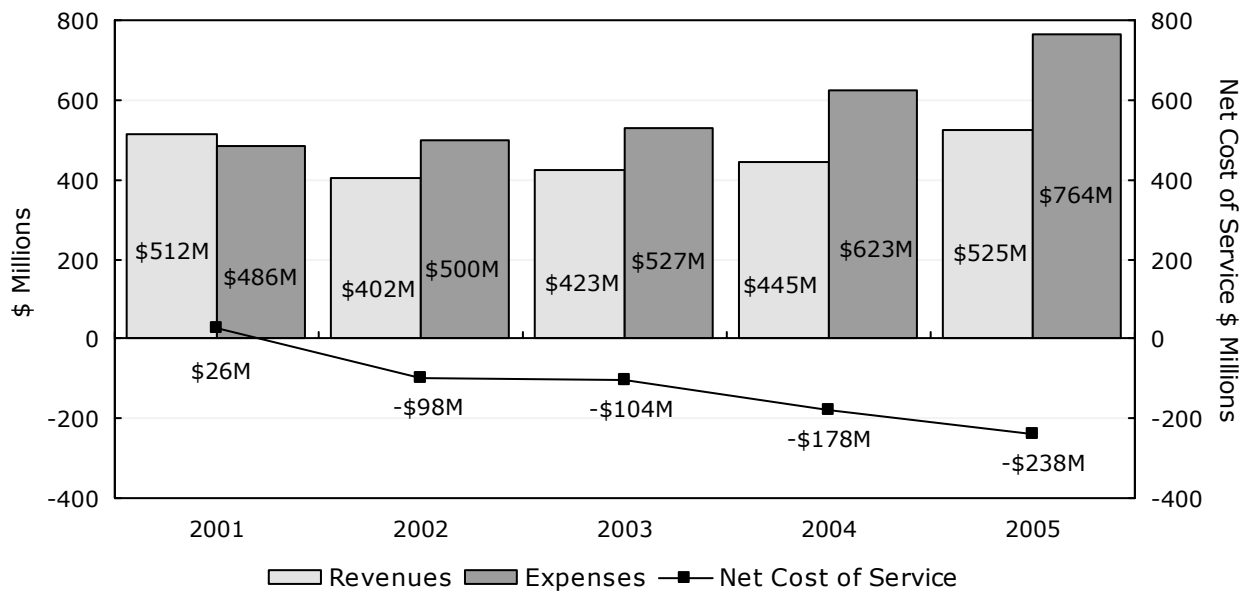


Registration and licensing fees for 2005 represent 46 percent (52 percent) of total revenues from ordinary activities.

Net Cost of Services from Ordinary Activities

The Net Cost of Services from Ordinary Activities for the year was a deficit from ordinary activities of \$238.3 million as compared to a deficit of \$177.7 million the previous year.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the five years to 2005.



Revenues from SA Government

Revenues from SA Government increased by \$142.3 million to \$296.6 million. The increase is attributable mainly to:

- an increase in appropriation to Transport Services of \$42.6 million. This increase is attributable mainly to additional capital funding received in 2004-05 of \$40.5 million for the Adelaide Light Rail (Trams) project;
- recognition of a full year's appropriation for the Office of Public Transport. The appropriation for 2004-05 totalled \$179.8 compared to \$82.9 million for the 6 month period for 2004.

Net Result before Restructuring

The Net Result before Restructuring was a surplus of \$57.8 million, an improvement of \$87.7 million on the 2004 result.

This improvement predominately reflects the increase in revenues received from the State Government. In addition, the Department has recorded a revenue from a correction of an error of \$47.8 million and a corresponding expense from correction of error of \$30.4 million resulting in a positive impact on the Department's net result before restructuring of \$17.4 million.

Statement of Financial Position

The net assets of the Department as at 30 June 2005 totalled \$5.1 billion (\$4.9 billion), of which \$4.3 billion (\$4.2 billion) represents the written down value of the network assets.

Network assets represent 85 percent (87 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of \$2 billion (47 percent) and earthworks with a written down value of \$1.5 billion (35 percent).

The Department revalued traffic signals and road lighting during the year.

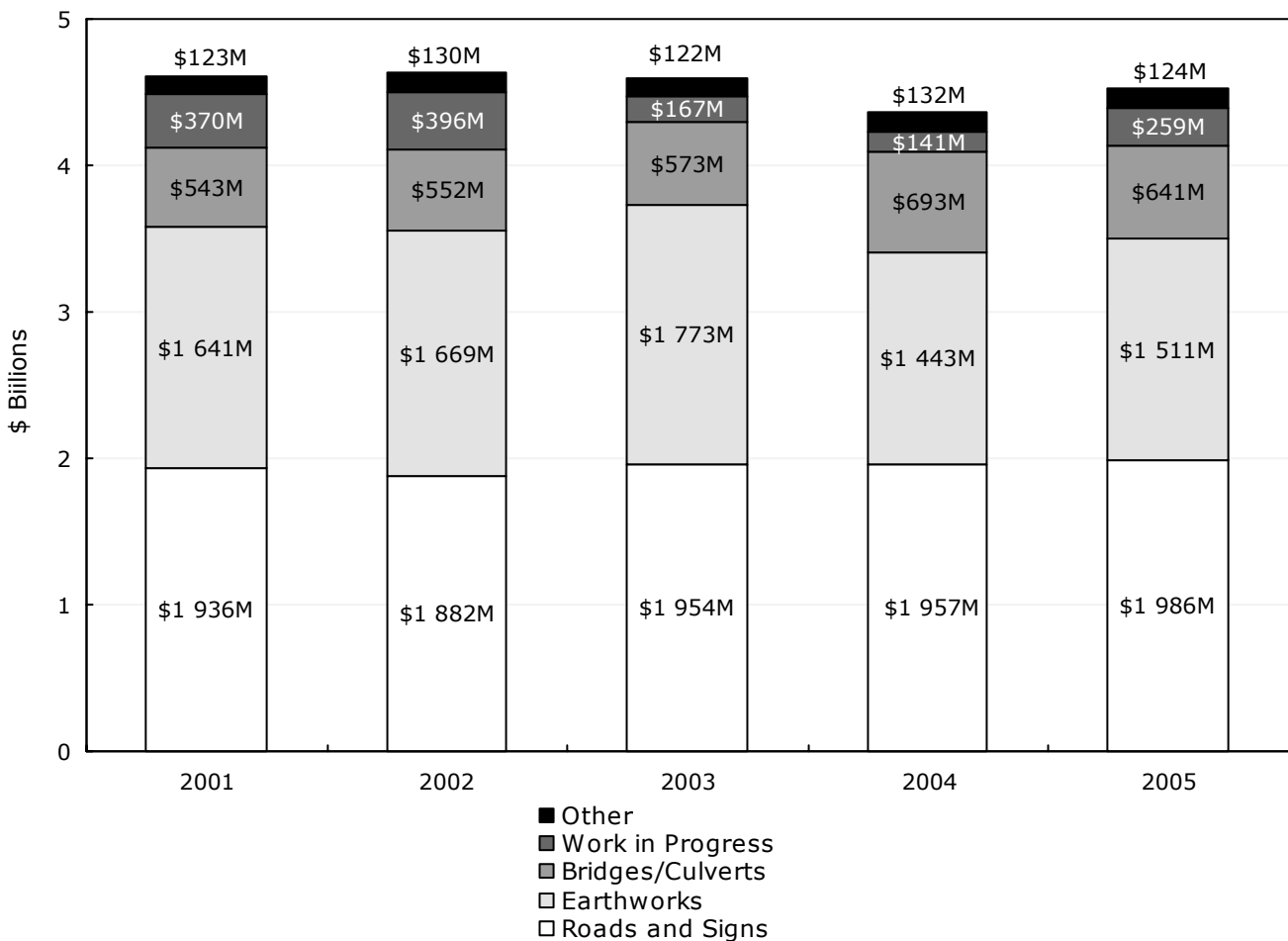
Over the past few years Audit has raised concerns with the adequacy of reconciliations between the Department's Fixed Asset Register and the network asset subsidiary systems. The Department has undertaken a detailed review of these reconciliations during 2004-05 and has identified and taken the action to rectify the incorrect recording of these assets and ensure that the Fixed Asset Register and the sub systems reconcile.

The more significant discrepancies related to:

- *traffic signals and road lighting* — the correction has resulted in net revenue of \$32.8 million and a corresponding net expense for the depreciation relating to prior years of \$17.3 million. Refer to Notes 11 and 22;
- *bridge assets* — the corrections processed by the Department during 2004-05 to rectify the incorrect recording of bridges resulted in the recognition of a net revenue of \$10.8 million and a corresponding net expense of \$4.1 million. Refer to Note 11 and 22.

It is relevant to note that a value for land under roads has not been recognised in accordance with the transitional provisions of AAS 29A 'Amendments to the Transitional Provisions in AAS 29'.

For the 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 \$240.9 million (\$230.2 million) and grants from the Commonwealth Government of \$106.3 million (\$69.3 million). This regular source of funding explains the low level of outstanding borrowings \$49.1 million (\$49.8 million) recorded in the Statement of Financial Position.

Statement of Cash Flows

The net cash inflows from operating activities increased by \$105.2 million to \$235.3 million. This increase is attributable mainly to an increase in revenue from SA Government of \$142.3 million.

The net cash outflows for investing activities increased by \$110.8 million to \$225.9 million. This increase is mainly attributable to increased capital expenditure during the year on projects including the Adelaide Light Rail (Trams), Port River Expressway and Auslink network projects. Expenditure on these projects for 2004-05 totalled \$121.3 million compared to \$40.2 million in 2003-04.

This cash balance includes monies held on behalf of specific funds including the Highways Fund.

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 2004-05 amounts collected on behalf of third parties totalled \$ 684.7 million (\$647.7 million) and included \$418.2 million (\$386.5 million) for Compulsory Third Party Insurance, \$139.3 million (\$138.6 million) for stamp duty and \$36 million (\$35.3 million) for the Emergency Services Levy.

Registration and licensing receipts represents 99 percent (99 percent) of revenues administered by the Department.

FURTHER COMMENTARY ON OPERATIONS

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 \$39.7 million (\$29.5 million) from monies collected from speeding fines and additional Appropriation from the Consolidated Account of \$18.8 million (\$9.2 million). Interest of \$178 000 (\$60 000) was also credited to the Fund during the year.

During the year the Department spent \$60.9 million (\$57.9 million) on road safety related initiatives, of which \$58.5 million (\$38.5 million) was met from the Fund and the remaining \$2.4 million (\$19.4 million) was funded from the Highways Fund. Refer Note 46.

The balance of the Fund at 30 June 2005 was \$468 000 (\$276 000).

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	6	110 037	107 739
Supplies and services	7	219 731	211 330
Bus and rail service contracts	8	196 916	100 731
Depreciation and amortisation	9	133 111	139 647
Grants and subsidies	10	27 159	20 717
Borrowing costs		3 717	3 544
Net expense resulting from correction of an error	11	30 417	5 813
Work in progress adjustment	12	23 984	22 435
Other	13	18 442	10 996
Total Expenses from Ordinary Activities		763 514	622 952
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	15	84 067	51 676
Commonwealth revenue	16	106 347	69 291
Concessional income	17	34 313	16 243
Interest	18	3 153	2 115
Registration and licensing fees	19	240 931	230 183
Net gain or loss from disposal of assets	20	(22 587)	2 374
Bus and depot leases		443	16 075
Resources received free of charge	21	4 235	12 570
Net revenue resulting from a correction of an error	22	47 822	-
Commissions		7 202	6 710
Other	23	19 250	38 025
Total Revenues from Ordinary Activities		525 176	445 262
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	43	(238 338)	(177 690)
REVENUES FROM/PAYMENT TO SA GOVERNMENT:			
Revenues from SA Government	24	296 618	154 361
Payments to SA Government	24	440	6 507
Total Revenues from/Payments to SA Government		296 178	147 854
NET RESULT BEFORE RESTRUCTURING		57 840	(29 836)
INCREASE (DECREASE) IN NET ASSETS DUE TO ADMINISTRATIVE RESTRUCTURE	25	-	32 837
NET RESULT AFTER RESTRUCTURING		57 840	3 001
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase (Decrease) in the asset revaluation reserve	39	107 871	(149 396)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		107 871	(149 396)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		165 711	(146 395)

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	25	196 838	168 219
Receivables	26	25 176	33 616
Inventories	27	5 780	5 286
Other	28	12 229	493
Total Current Assets		240 023	207 614
NON-CURRENT ASSETS:			
Receivables	26	40	40
Land, buildings and facilities	29	350 942	354 472
Plant and equipment	30	139 525	122 654
Network assets	31	4 262 204	4 225 128
Capital works in progress	32	258 592	141 456
Intangibles	33	544	820
Total Non-Current Assets		5 011 847	4 844 570
Total Assets		5 251 870	5 052 184
CURRENT LIABILITIES:			
Payables	34	68 413	59 256
Interest bearing liabilities	35	-	1 100
Employee benefits	36(a)	12 542	10 314
Provisions	37	1 966	1 112
Other	38	1 758	6 030
Total Current Liabilities		84 679	77 812
NON-CURRENT LIABILITIES:			
Payables	34	2 239	3 133
Interest bearing liabilities	35	49 079	48 728
Employee benefits	36(a)	30 287	27 548
Provisions	37	7 510	2 595
Total Non-Current Liabilities		89 115	82 004
Total Liabilities		173 794	159 816
NET ASSETS		5 078 076	4 892 368
EQUITY:			
Contributed capital	39	197 011	176 993
Accumulated surplus	39	3 639 181	3 581 362
Asset revaluation reserve	39	1 241 884	1 134 013
TOTAL EQUITY		5 078 076	4 892 368
Commitments for Expenditure	41		
Contingent Liabilities and Assets	42		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:	(Outflows)	(Outflows)
CASH OUTFLOWS:	\$'000	\$'000
	Note	
Employee payments	(105 975)	(107 686)
Supplies and services	(210 063)	(206 145)
Bus and rail service contracts	(197 550)	(96 412)
Grants and subsidies	(26 713)	(20 779)
Borrowing costs	(3 700)	(3 531)
GST payments on purchases	(63 851)	(40 579)
Other	(15 543)	(11 462)
Total Outflows from Ordinary Activities	(623 395)	(486 594)
CASH INFLOWS:		
Fees and charges	84 522	51 488
Receipts from Commonwealth	106 347	69 291
Concessional income received	34 383	17 730
Interest received	3 156	2 152
Registration and licensing fees	240 931	230 183
Bus and depot leases	5 926	16 243
Commissions	7 202	6 710
GST receipts on sales	11 705	28 159
GST input tax credits from ATO	51 659	9 017
Other	21 696	35 184
Total Inflows from Ordinary Activities	567 527	466 157
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	296 618	154 361
Payments to SA Government	(5 497)	(3 913)
Total Cash Flows from SA Government	291 121	150 448
Net Cash Inflows from Operating Activities	235 253	130 011
	43	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(85 163)	(36 679)
Purchase of network assets	(149 490)	(100 025)
Total Outflows from Investing Activities	(234 653)	(136 704)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	8 750	21 624
Total Inflows from Investing Activities	8 750	21 624
Net Cash Outflows from Investing Activities	(225 903)	(115 080)

**Statement of Cash Flows
for the year ended 30 June 2005 (continued)**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Repayment of borrowings		(749)	(1 100)
Total Outflows from Financing Activities		(749)	(1 100)
CASH INFLOWS:			
Capital contributions from Government (not operations)		20 018	255
Proceeds from restructuring activities			13 495
Total Inflows from Financing Activities		20 018	13 750
Net Cash Inflows from Financing Activities		19 269	12 650
NET INCREASE IN CASH HELD		28 619	27 581
CASH AT 1 JULY		168 219	140 638
CASH AT 30 JUNE	25	196 838	168 219

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

(Program - Refer Note 5)	Policy Coordination Development and Investment Strategy				Regulatory Services		Operations		Community Information and Education	
EXPENSES FROM ORDINARY	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	19 933	16 395	32 492	30 659	45 744	50 226	1 656	1 636		
Supplies and services	7 121	9 054	21 948	21 195	179 890	171 363	4 930	4 349		
Bus and rail service contracts	-	-	-	-	196 916	100 731	-	-		
Depreciation and amortisation	378	146	655	295	131 621	138 792	71	21		
Grants and subsidies	5 071	4 213	760	85	19 701	15 708	487	124		
Borrowing costs	2	1	31	24	3 683	3 515	1	2		
Net expense resulting from a correction of an error	520	-	1 677	776	28 032	4 956	188	81		
Work in progress adjustment	-	-	-	-	23 984	22 435	-	-		
Other	1 808	702	8 521	8 099	6 188	2 010	92	48		
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	34 833	30 511	66 084	61 133	635 759	509 736	7 425	6 261		
REVENUES FROM ORDINARY ACTIVITIES:										
Fees and charges	-	570	14 373	3 229	68 082	45 686	-	380		
Commonwealth revenue	-	-	-	-	106 347	69 291	-	-		
Concessional income	-	-	-	-	34 313	16 243	-	-		
Interest	64	123	125	1 643	2 922	299	-	-		
Registration and licensing fees	-	-	240 931	230 183	-	-	-	-		
Net Gain (Loss) from disposal of assets	(1)	-	109	-	(22 694)	2 374	-	-		
Bus and depot leases	-	-	-	-	443	16 075	-	-		
Resources received free of charge	-	-	-	-	4 235	12 570	-	-		
Net revenue resulting from a correction of an error	-	-	-	-	47 822	-	-	-		
Commissions	-	-	7 202	6 710	-	-	-	-		
Other	3 913	437	4 410	470	10 643	35 195	-	889		
TOTAL REVENUES FROM ORDINARY ACTIVITIES	3 976	1 130	267 150	242 235	252 113	197 733	-	1 269		
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(30 857)	(29 381)	201 066	181 102	(383 646)	(312 003)	(7 425)	(4 992)		
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:										
Revenues from Government	13 508	13 350	1 965	8 564	263 989	120 808	-	-		
Payments to Government	-	-	-	-	440	6 507	-	-		
TOTAL REVENUES FROM/PAYMENTS TO SA GOVERNMENT	13 508	13 350	1 965	8 564	263 549	114 301	-	-		
NET RESULT BEFORE RESTRUCTURING	(17 349)	(16 031)	203 031	189 666	(120 097)	(197 702)	(7 425)	(4 992)		

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

	(Program - Refer Note 5)		Office for the					
			Information Services		Southern Suburbs		Office of the North	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY								
ACTIVITIES:								
Employee expenses	4 613	2 514	284	230	411	354		
Supplies and services	3 436	2 952	106	176	132	176		
Bus and rail service contracts	-	-	-	-	-	-		
Depreciation and amortisation	36	48	-	-	-	-		
Grants and subsidies	1	2	277	1	9	1		
Borrowing costs	-	2	-	-	-	-		
Net expense resulting from a correction of an error	-	-	-	-	-	-		
Work in progress adjustment	-	-	-	-	-	-		
Other	55	23	39	25	12	6		
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	8 141	5 541	706	432	564	537		
REVENUES FROM ORDINARY								
ACTIVITIES:								
Fees and charges	-	5	-	-	-	-		
Commonwealth revenue	-	-	-	-	-	-		
Concessional income	-	-	-	-	-	-		
Interest	8	14	-	-	-	-		
Registration and licensing fees	-	-	-	-	-	-		
Net Gain (Loss) from disposal of assets	-	-	-	-	-	-		
Bus and depot leases	-	-	-	-	-	-		
Resources received free of charge	-	-	-	-	-	-		
Net revenue resulting from a correction of an error	-	-	-	-	-	-		
Commissions	-	-	-	-	-	-		
Other	29	38	51	33	172	-		
TOTAL REVENUES FROM ORDINARY ACTIVITIES	37	57	51	33	172	-		
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(8 104)	(5 484)	(655)	(399)	(392)	(537)		
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:								
Revenues from Government	8 027	5 399	655	404	8	-		
Payments to Government	-	-	-	-	-	-		
TOTAL REVENUES FROM/PAYMENTS TO SA GOVERNMENT	8 027	5 399	655	404	8	-		
NET RESULT BEFORE RESTRUCTURING	(77)	(85)	-	5	(384)	(537)		

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005 (continued)**

(Program - Refer Note 5)	Office of the		Regional Ministerial		Development	
	North West		Offices		Assessment	
EXPENSES FROM ORDINARY	2005	2004	2005	2004	2005	2004
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	89	-	264	291	2 841	2 863
Supplies and services	82	-	163	143	1 242	1 251
Bus and rail service contracts	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	350	345
Grants and subsidies	-	-	-	-	2	17
Borrowing costs	-	-	-	-	-	-
Net expense resulting from a correction of an error	-	-	-	-	-	-
Work in progress adjustment	-	-	-	-	-	-
Other	2	-	27	11	158	72
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	173	-	454	445	4 593	4 548
REVENUES FROM ORDINARY						
ACTIVITIES:						
Fees and charges	-	-	-	-	1 612	1 806
Commonwealth revenue	-	-	-	-	-	-
Concessional income	-	-	-	-	-	-
Interest	-	-	-	-	17	29
Registration and licensing fees	-	-	-	-	-	-
Net Gain (Loss) from disposal of assets	-	-	-	-	(1)	-
Bus and depot leases	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-
Net revenue resulting from a correction of an error	-	-	-	-	-	-
Commissions	-	-	-	-	-	-
Other	-	-	-	37	30	3
TOTAL REVENUES FROM ORDINARY ACTIVITIES	-	-	-	37	1 658	1 838
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(173)	-	(454)	(408)	(2 935)	(2 710)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:						
Revenues from Government	202	-	481	469	2 745	2 564
Payments to Government	-	-	-	-	-	-
TOTAL REVENUES FROM/PAYMENTS TO SA GOVERNMENT	202	-	481	469	2 745	2 564
NET RESULT BEFORE RESTRUCTURING	29	-	27	61	(190)	(146)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

(Program - Refer Note 5)	Local Government		General		Total	
	System		Not Attributable			
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY	2005	2004	2005	2004	2005	2004
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	1 710	1 874	-	697	110 037	107 739
Supplies and services	681	671	-	-	219 731	211 330
Bus and rail service contracts	-	-	-	-	196 916	100 731
Depreciation and amortisation	-	-	-	-	133 111	139 647
Grants and subsidies	851	566	-	-	27 159	20 717
Borrowing costs	-	-	-	-	3 717	3 544
Net expense resulting from a correction of an error	-	-	-	-	30 417	5 813
Work in progress adjustment	-	-	-	-	23 984	22 435
Other	-	-	1 540	-	18 442	10 996
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	3 242	3 111	1 540	697	763 514	622 952
REVENUES FROM ORDINARY						
ACTIVITIES:						
Fees and charges	-	-	-	-	84 067	51 676
Commonwealth revenue	-	-	-	-	106 347	69 291
Concessional income	-	-	-	-	34 313	16 243
Interest	17	7	-	-	3 153	2 115
Registration and licensing fees	-	-	-	-	240 931	230 183
Net Gain (Loss) from disposal of assets	-	-	-	-	(22 587)	2 374
Bus and depot leases	-	-	-	-	443	16 075
Resources received free of charge	-	-	-	-	4 235	12 570
Net revenue resulting from a correction of an error	-	-	-	-	47 822	-
Commissions	-	-	-	-	7 202	6 710
Other	2	226	-	697	19 250	38 025
TOTAL REVENUES FROM ORDINARY ACTIVITIES	19	233	-	697	525 176	445 262
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(3 223)	(2 878)	(1 540)	-	(238 338)	(177 690)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:						
Revenues from Government	3 498	2 803	1 540	-	296 618	154 361
Payments to Government	-	-	-	-	440	6 507
TOTAL REVENUES FROM/PAYMENTS TO SA GOVERNMENT	3 498	2 803	1 540	-	296 178	147 854
NET RESULT BEFORE RESTRUCTURING	275	(75)	-	-	57 840	(29 836)

Program Schedule of Assets and Liabilities as at 30 June 2005

(Program - Refer Note 5)	Policy Coordination		Development and		Information Services		Development	
	Investment Strategy	2004	Operations	2004	Information Services	2004	Assessment	2004
	2005		2005		2005		2005	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:								
Current assets	2 226	2 872	23 500	16 242	626	328	263	363
Non-current assets	353	316	4 662 956	4 492 006	521	421	676	956
Total Assets	2 579	3 188	4 686 456	4 508 248	1 147	749	939	1 319
LIABILITIES:								
Current liabilities	2 366	3 372	2 890	2 785	513	728	441	411
Non-current liabilities	3 737	3 288	49 938	49 545	809	849	532	503
Total Liabilities	6 103	6 660	52 828	52 330	1 322	1 577	973	914
NET ASSETS	(3 524)	(3 472)	4 633 628	4 455 918	(175)	(828)	(34)	405

	Local Government		General		Total	
	System	2004	Not Attributable	2004	2005	2004
	2005		2005		2005	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Current assets	456	73	212 952	187 736	240 023	207 614
Non-current assets	-	-	347 341	350 871	5 011 847	4 844 570
Total Assets	456	73	560 293	538 607	5 251 870	5 052 184
LIABILITIES:						
Current liabilities	314	296	78 155	70 220	84 679	77 812
Non-current liabilities	356	312	33 743	27 507	89 115	82 004
Total Liabilities	670	608	11 898	97 727	173 794	159 816
NET ASSETS	(214)	(535)	448 395	440 880	5 078 076	4 892 368

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

The objectives of the Department for Transport, Energy and Infrastructure (the Department) in the 2004-05 financial year were:

- Achieve a transport system that supports State development and leads to an improved quality of life for all South Australians, by implementing government priorities and in collaboration with other tiers of government, industry groups and the community.
- Develop and provide policy advice and strategic transport plans including road safety, infrastructure and industry development plans.
- Provide improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility for all to enhance the quality of life of South Australians.
- Develop and manage contracted passenger bus, train and tram services within the metropolitan area.
- Efficiently and effectively maintain and operate rail infrastructure, facilities and equipment within the metropolitan area.
- Guide and administer the South Australian planning and development system that includes land use planning, building, urban design, and development proposals.

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

- Facilitate a whole of government approach to improve economic development, social and environmental outcomes in the following regions identified as being of high need:
 - the Metropolitan North
 - the Southern Suburbs
 - the Upper Spencer Gulf, Flinders Ranges and Outback
 - the River Murray communities.
- Strengthen South Australian communities through close cooperation between the State Government and Local Government.

The Department's principal sources of funds are vehicle registration and driver licence fees, public transport ticket sales, State Government appropriations and Commonwealth Government Grants.

2. Departmental Organisation

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

- Planning SA
- Office of Local Government
- Transport Services (trading as Transport SA)
- Transport Planning
- Office of Public Transport
- Office for the Southern Suburbs
- Office of the North
- Office of the North West (created 1 July 2004)
- Regional Ministerial Offices (incorporating Office of the Murray and Office of the Upper Spencer Gulf, Flinders Ranges and Outback).

From 30 May 2005, the Department's name changed from the Department of Transport and Urban Planning to the Department for Transport, Energy and Infrastructure in preparation for structural changes to occur on 1 July 2005, as reported in the Government Gazette (dated 18 April 2005).

There were no changes to the Department's Agency structure during 2004-05 other than on 1 July 2004, when the Office of the North West was created with the same aim as the already established metropolitan and regional offices, addressing the specific needs of the North Western suburbs of Adelaide.

On 1 July 2004, the operations of the Passenger Transport Asset Management Business Unit (PTAM) were amalgamated with those of the Office of Public Transport to improve efficiencies in managing the Adelaide Metro bus contractors. Effective from that date, the sector status of the Office of Public Transport was reclassified to general government.

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

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

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

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

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

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

3.2 Reporting Entity

The Department for Transport, Energy and Infrastructure 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 Transitional Reporting Arrangements

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', certain assets acquired prior to 1 July 1996 have not been recognised as assets in the Statement of Financial Position because of inherent difficulty in the reliable measurement of these assets. The assets concerned are land under roads and within carriageway reserves.

3.4 Comparative Figures

In 2003-04, the Department of Treasury and Finance issued the first model financial report for South Australian Government Departments to ensure a consistent and uniform presentation for financial reporting in the SA Public Sector. These model accounts, although not mandated through the issue of a Treasurer's Instruction, indicate the preferred form and content of financial statements for Departments.

The Department has continued to adopt the model financial report content and format for its financial statements for the 2004-05 financial year.

Where appropriate, the comparative data for 2003-04 have been changed in order to ensure the consistency of information presented.

The 2003-04 comparative data for the Office of Public Transport is for six months only, from the date when the Office was first established on 1 January 2004. The Department's 2004-05 financial statements have full year data for the Office.

3.5 Rounding

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

3.6 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 the cost is therefore not readily apparent. A reliable means of allocating costs between investing and operating has been established based on the history of work performed or an apportionment relevant to the nature of the units' operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Statement of Financial Performance. Revenue arising from intra-agency operations has been eliminated.

3.7 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.

3.8 Taxation

In accordance with 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, which has been subject to the taxation equivalent regime, is the Passenger Transport Asset Management (PTAM) Business Unit.

PTAM no longer bears the status of a taxable entity within the scope of this regime, but is still required to fulfil any outstanding obligations to the Department of Treasury and Finance.

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

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

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

3.9 Revenue and Expenses

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

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

Registration and licence fees are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

3.9 Revenue and Expenses (continued)

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

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

The provision of assets to the Department at no value or minimal value is recorded in the Statement of Financial Performance as revenue at an amount equal to the fair value of the asset received.

Grants provided by the Department to other entities for general assistance or for a particular purpose are recognised as expenses in the period when these resources are provided. Grants provided to other entities may be in the form of monies or other assets.

Grants received by the Department from other entities are generally monies given to fund capital or recurrent activities. These grants are recognised by the Department as revenue at the time of receipt.

All grants are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

Revenues collected but not controlled by the Department are not recognised as Departmental revenues but instead are reported as administered revenues. Such amounts are required to be paid to the Consolidated Account or funds controlled by other Departments.

3.10 Revenues from/Payments to SA Government

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

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department. These funds are recorded as contributed capital.

Payments include taxation revenues and expiation fees paid directly to the consolidated account.

3.11 Current and Non-Current Items

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 will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3.12 Cash

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

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. This policy came into effect during the course of 2003-04. The Department was not required to transfer any cash balances in that year or in 2004-05.

Administered cash is reported separately in the Administered Financial Statements.

3.13 Receivables

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

Other debtors arise outside the normal course of providing goods and services to other agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

The provision for doubtful debts is calculated at different rates because each Agency within the Department has very different business operations. The rates used to calculate the provision for doubtful debts for 2004-05 are:

- Transport Services – 1 percent
- Transport Planning – 1 percent
- Offices for Sustainable Social, Environmental and Economic Development – 1 percent
- Office of Public Transport – 1 percent
- Planning SA – nil
- Office of Local Government – nil

3.14 Inventories

Inventories are stated at the lower of cost or their net realisable 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. Departmental work in progress for clients external to the Department is valued at cost.

3.15 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. 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.

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.

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 Statement 2 'Asset Recognition'.

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', the Department has elected not to recognise land under roads and land within carriageway reserves acquired prior to 1 July 1996 as assets in the Statement of Financial Position. Refer Note 3.4 above.

3.16 Intangible Assets

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with existing Departmental policies and where the amount of expenditure is greater than or equal to \$10 000, in accordance with Accounting Policy Statement 2 Asset Recognition, paragraph 23.

3.17 Revaluation of Non-Current Assets

In accordance with AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement (APS) 3 'Valuation of Non-Current Assets':

- all non-current physical assets are revalued to their estimated fair value;
- the revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, the Department revalues its land, buildings and leasehold improvements. Information Technology and Minor Plant assets are valued at historic cost or written down historic cost and are not revalued.

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

Revaluation increments are credited directly to the Asset Revaluation Reserve. If an increment reverses a revaluation decrement previously recognised as an expense in the Statement of Financial Performance in respect of that same class of assets, it is recognised as revenue in the Statement of Financial Performance, but only to the extent of the value of any decrement previously recognised in the statement.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for that particular class of asset and any remaining balance is expensed.

The valuation methodology of specific classes of non-current assets is as follows.

Land Under Roads

The Department has elected not to recognise land under roads acquired or transferred to the Department before 1 July 1996 in the Statement of Financial Position in accordance with Accounting Standard AAS 29A.

Land under roads, which the Department has recognised, is either held in fee simple in the name of the Commissioner of Highways or designated as Public Road.

Land under roads that was acquired and owned in fee simple by the Commissioner of Highways between 1 July 1996 and 30 June 2003 is valued based upon the Valuer General's latest valuations.

Land under roads acquired in the name of the Commissioner of Highways and transferred to Public Road between 1 July 1996 and 30 June 2003 is valued at nil value or at cost (for land that was acquired as Public Road during that period.)

Land under roads acquired since 30 June 2003 is valued at cost.

Land

All Land held by the Department, except Land Under Roads, is valued at fair value, based on information received by the Valuer-General of South Australia. It was agreed with the Department of Treasury and Finance that the use of the Valuer-General's valuations for Land constitutes the fair value of those assets.

- Former SA Ports Corporation Land and Associated Assets*
 On 25 June 2002, substantial portions of previous Ports Corporation land assets, navigation aids and various dredged channels were transferred to the Minister for Transport. These assets are being progressively defined and titled, at which time they will be included in the Department's asset register. To date, all Navigational Aids have been included in the Department's asset register at written down replacement cost under Network Assets.

Most of these assets are leased to Flinders Ports under an arrangement whereby no lease rental is payable in consideration of the payment made by Flinders Ports to buy the improvements and operate the seven principal commercial ports.

- Former 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.

Network Assets

Network assets are valued at written down replacement cost (current replacement cost less accumulated depreciation) and are revalued every three years either by independent valuers, or by suitably qualified officers of the Department. These constructed assets have no market and are therefore valued at written down replacement cost which is considered to be equivalent to fair value. The reasonableness of this valuation approach for roads 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 the road network includes the recognition of salvage values to ensure that depreciation expense on the road network is in accordance with the treatment prescribed in Australian Accounting Standard AASB 1021 'Depreciation'.

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 is valued at historic cost deemed to be the fair value of these assets.

Works in Progress

All works in progress are valued at cost.

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

Asset Class	Last Valued/ Revalued	By Whom
Network		
Roads pavements, including small sings, drainage, pavement marking and median kerbing	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Earthworks	30 June 2004	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Bridges/Culverts	30 June 2004	Peter Wilson CPEng (Civil)
Major signs	30 June 2004	Peter Wilson CPEng (Civil)
Traffic Signals	30 June 2002	Brendan McIntosh BEng (Electrical)
Road lighting	30 June 2002	Rick Burt (Cert in electrical Eng)
Busway track and structures	30 June 2004	Peter Wilson CPEng (Civil)
Busway interchanges	30 June 2004	Currie and Brown
Other:		
Ferry landings	30 June 2004	Peter Wilson CPEng (Civil)
Navigational aids	30 June 2004	Alex Colligan
Drainage	30 June 2003	Bill Lipp B Tech Civil Eng, Grad Dip Maths
Weighbridges and weigh slabs	30 June 2004	Modern Weighbridge and Scale Service Pty Ltd and various agency officers
Land		
Land under roads (post 1996)	1 July 2003	Valuer-General
Rail land	30 June 2005	Valuer-General
Bus Depots	30 June 2003	Valuation Chambers
All other land	30 June 2003	Valuer-General
Buildings and Facilities		
Road (Residential)	1 July 2003	Valuer-General
Road (Commercial)	30 June 2003	Adderley and Partners
Marine	30 June 2004	Liquid Pacific Holdings Pty Ltd
Rail	30 June 2005	Various
Bus depots	30 June 2003	Valuation Chambers
Departmental	30 June 2004	Liquid Pacific Holdings Pty Ltd

Works in Progress (continued)

Asset Class	Last Valued/ Revalued	By Whom
Plant and Equipment		
Buses	30 June 2004	Australian Valuation Office
Bus depot plant and equipment	30 June 2003	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 2003	K. Tech Marine

3.18 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 in relation to their useful life.

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.

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

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

Asset Class	Depreciation Method	Estimated Useful Life
Network Assets		
Roads and signs	Straight line	40-58 years depending on road category
Bridges/Culverts	Straight line	60-100 years based on individual structures
Major signs	Straight line	37-60 years
Traffic signals and road lighting	Straight line	15 years
Busway (including interchanges)	Straight line	4-100 years based on individual structures
Other	Straight line	Useful life depends on individual asset items
Buildings and Facilities		
Bus depots	Straight line	40 years
Other	Straight line	3-100 years, depending on individual asset items
Plant and Equipment		
Information technology equipment	Straight line	3 years
Buses	Diminishing value	20 years
Bus depot plant and equipment	Straight line	1-25 years, depending on individual asset items
Other plant and equipment	Straight line	5-99 years, depending on individual asset items
Intangible Assets		
Software	Straight line	5 years

3.19 Remediation of Non-Current Assets

Land remediation undertaken within the Department is designed to restore the asset to its original state or condition. To the extent that land remediation does not meet the recognition criteria of an asset under Statement of Accounting Concept 4 (SAC4), the costs of remediation are generally 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.

3.20 Payables

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

Creditors represent the amounts owed by the Department 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 to the Department by other parties during the period that are unpaid at the end of the reporting period and 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.

3.20 Payables (continued)

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. The only payable outstanding at balance 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 8 Expenditure for Supply Operations and Other Goods and Services.

3.21 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid for salaries and wages, annual and long service leave.

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

The provision for long service leave has been calculated on the basis of current wages and salaries rates using the Department of Treasury and Finance benchmark of seven years service as a shorthand estimation of long service leave liability. The liability payable within 12 months has been measured at nominal value, while the liability payable later than 12 months as at 30 June 2005 has been measured at a discounted value in accordance with Accounting Standard AASB 1028 'Employee Benefits' and guidelines of Accounting Policy Statement 9 'Employee Entitlements'.

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 Statement of Financial Position.

3.22 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 discounted net present value of budgeted forward expenditure estimates as agreed under the 2004-05 Budget Bilateral deliberations.

3.23 Leases

The Department has entered into finance leases and operating leases.

Finance Leases

The Department has entered into finance leases as lessor, in regards to the Government's Recreational Jetties Divestment Program. As a result of this program, 29 jetties have been leased to Councils throughout the State.

The jetties were previously recognised as assets of the Department and were valued at \$19.6 million with \$7.3 million accumulated depreciation, to give a written down replacement value of \$12.3 million as at 30 June 2002. Under the terms of the lease agreement, the leases have been assessed as being finance leases due to the passing of risks and benefits incidental to ownership of the leased items to the lessees. There is no material revenue to the Department as peppercorn rentals of \$1 per annum apply over each of the 50 or 99-year lease terms.

While the Department retains ownership of these jetties, control has effectively passed to various local councils, who bear the entire risks and benefits incidental to ownership of the leased items. As a result, these jetties are no longer recorded on the Department's asset register.

Operating Leases

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

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

The Department will be re-examining the nature of its operating leases to determine if the accounting treatment of these items is appropriate in the context of a review of whole of government leasing guidelines.

3.24 Transactions by the Government as Owner

Appropriations to the Department designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

4. Changes in Accounting Policies

4.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006. The new requirements will apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards'.

In accordance with the requirements of AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Standards*, a table has been prepared summarising any known or reliably estimated information about the impacts on the financial report had it been prepared using AIFRS.

Reconciliation of key aggregates	Amount currently reported per GAAP	Known or reliably estimated impact on the financial report			Amount to be reported after adopting AIFRS
		AAS 29/29A Reporting by Government Departments	AASB 5 Assets Held for Sale	AASB 138 Intangible Assets	
		APS 9 Land and Improvements	AASB 116 Property, Plant and Equipment		
Net cost of services	(238 338)	-	-	-	(238 338)
Net result from ordinary activities	57 840	-	-	-	57 840
Total assets	5 251 870	(20 873)	-	(934)	5 230 063
Total liabilities	173 794	-	-	-	173 794
Net assets	5 078 076	(20 873)	-	(934)	5 056 269
Cash flows from operating activities	235 253	-	-	-	235 253
Cash flows from investing activities	(225 038)	-	-	-	(225 038)
Cash flows from financing activities	19 269	-	-	-	19 269

AAS 29/AAS 29A 'Reporting by Government Departments'

Under the revised AAS 29 standard and its transitional provisions (AAS 29A), reporting entities will be expected to adopt and apply a policy on recognition of land under roads that is consistent with that to be applied at the time of transition. The Department's current policy is to recognise land under roads acquired on or after 30 June 1996.

Regardless of these transitional provisions, under the Accounting Policy Framework (APS 9.6) as issued by the Department of Treasury and Finance, the Department will be required to de-recognise any land under roads brought to account if it cannot measure reliably all land under roads within its control. Any future disclosure of land under roads will be limited to the notes to the financial statements. This restriction on recognition and disclosure will also apply to the Department's holdings of land under water.

As at 30 June 2005, the Department recorded a value of \$12.336 million for land under roads and \$8.537 million for land under water in its corporate asset register and ledger. These items will be de-recognised and disclosed in the notes to the financial statements until such time as all land under this type of infrastructure can be measured reliably.

AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations'

This standard will require the Department to measure the value of assets which meet the criteria of 'held for sale' at lower of carrying amount and fair value less costs to sell. The standard will also require the Department to separately disclose any asset held for sale either on the face or in the notes to the financial statements under the category 'Current Assets'.

As at 30 June 2005, the Department has 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 currently have a carrying amount of \$3.557 million in the corporate asset register and financial ledger based on Valuer-General's assessment.

The following standards will have some impact on the financial statements, although the impact will not be significant.

AASB 116 'Property, Plant and Equipment'

Under this standard, the Department is required to separately recognise and depreciate any parts of items of property, plant or equipment where such parts are significant in cost and have useful lives materially different from the assets to which they relate. As from 1 July 2005, the Department will therefore be recognising and separately depreciating components of its administrative office building located at Walkerville.

AASB 116 'Property, Plant and Equipment' (continued)

As at 30 June 2005, lifts within the Walkerville building structure were independently assessed with a current replacement value of \$1.29 million and estimated useful life of 30 years from installation. The passenger lifts were given an upgrade 10 years ago. The goods lift is nearing its end of life with only 3 years remaining. The air-conditioning system, which was fully depreciated, was only recently upgraded at a cost of \$3.647 million with an estimated useful life of 20 years.

Although the reduction in annual depreciation expense derived from the separate recognition of the air conditioning and lifts is expected to be minor, both components will be separately recognised in the corporate asset register from the building structure itself, which has a remaining useful life of 14 years. Since the air-conditioning upgrade was completed in early-mid July 2005, the requirement for separate recognition will not be applied to the opening Statement of Financial Position for 1 July 2005 under AIFRS.

The Department currently reports information on its Network Assets using an appropriate level of grouping of like or similar functioning assets for this particular asset class.

AASB 116 also provides reporting entities a choice in using the 'gross' or 'net' method of accounting for accumulated depreciation on the revaluation of non-current assets. The Accounting Policy Framework as issued by the Department of Treasury and Finance recommends the 'net' method as the preferred method across SA Government, however the Department currently uses the 'gross' method and will continue to apply this basis in future with respect to the revaluation treatment of its asset base.

AASB 138 'Intangible Assets'

The Department currently recognises intangible assets such as software and will continue to capitalise and amortise the costs of acquiring or internally developing major software applications such as TRUMPS (Transport Regulation User Management Processing System) under this standard.

As at 30 June 2005, costs incurred to date in the development of this application as reflected under 'works in progress' amounted to \$7.238 million of which only \$6.304 million is likely satisfy the recognition criteria for intangibles under AAS 138. The difference of \$0.934 million will be expensed at the date of adopting AIFRS instead of when the project is completed.

AASB 102 'Inventories'

The definition of inventories under this standard will require the Department to separately disclose in the notes to the financial statements 'inventories held for distribution' from 'inventories held for sale'.

As at 30 June 2005, the Department held \$5.729 million relating to roadside materials, stores and supplies that would qualify for disclosure as inventories held for distribution, and \$0.051 million relating to metro tickets that would qualify as inventories held for sale.

The following standards deal with matters for which the Department is either unable to quantify its disclosures with sufficient reliability, or the likely impact on the financial statements in future is unknown.

UIG 1055 'Accounting for Earthworks'

This abstract will require the Department to identify and undertake an annual review of depreciable road earthworks. A recent investigation performed by the Transport Information Section of the Department revealed that circumstances or factors that would normally support the need to recognise depreciation on road earthworks do not apply to the road network in this State.

The Department will therefore continue its current practice of not depreciating road earthworks and simply recognise this asset as a separate grouping or component of its Network Asset class. At the same time, the Department will review the depreciable nature of earthworks on an annual basis in accordance with UIG 1005 requirements. The extent to which factors that determine the depreciable nature of earthworks may change is unknown.

AASB 136 'Impairment of Assets'

Under this standard, the Department will be required to apply an annual test to ensure that the financial statements at year-end reflect the impact of any asset impairments.

The Department believes that its asset base is re-valued at a frequency sufficient to ensure that changes in values of assets will not vary materially from one reporting period to the next. The risk of any event or circumstance that may give rise to the Department reporting impairment in future is considered to be minimal.

AASB 1004 'Contributions'/AASB 118 'Revenue'

Grants from the Australian Commonwealth Government for the funding of road construction or maintenance are currently recognised by the Department as revenue at the time of receipt.

Under the changes likely to be proposed by the Australian Accounting Standards Board with respect to the recognition of contributions and revenues in AASB 1004 and AASB 118, the Department may be required to recognise grant revenue only when goods or services to be provided under these transfer arrangements have been fulfilled.

AASB 1004 'Contributions'/AASB 118 'Revenue' (continued)

The Department anticipates that the revised AASB 29 'Financial Reporting by Government Departments' will outline principles for the accounting treatment of grants similar to those specified under ED 125 'Financial Reporting by Local Government'. However, the Accounting Policy Framework as issued by the Department of Treasury and Finance has not been updated to outline the general treatment of 'revenue' for SA Government reporting entities under AIFRS as the Board has yet to release its amendments to AASB 29, AASB 1004 and AASB 118.

Until such time as the revisions in the Accounting Standards and Accounting Policy Framework are released, the Department must assume no change to the existing accounting treatment for grant revenue, ie grant revenue will continue to be recorded at the time the monies are received. The Department is therefore unable to fully disclose the impact of these likely changes.

AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'

This standard requires a reporting entity to recognise provisions associated with the costs of disposal or retirement of non-current assets. Although such provisions have normally been excluded from the scope of AASB 1044 under GAAP (Generally Accepted Accounting Principles), the Department does not expect the new standard to alter its general accounting treatment for items such as land remediation.

The Department's current policy is to expense the costs of land remediation where these do not meet the criteria of assets or liabilities. The Department's current practice is also one of recognising a provision for future land remediation where an obligation exists to a third party and the costs can be reliably measured.

As at 30 June 2005, the Department has disclosed a provision of \$6.030 million for future land remediation of assets subject to the Ports Corp Business and Sale Agreement (Refer to Note 37), and a non-quantifiable contingent liability for possible material exposure to future costs for the remediation of other contaminated land (Refer to Note 42).

With respect to the contingent liability, the adoption of AASB 137 is not likely to change the Department's uncertainties surrounding the amount of this exposure. The Department expects these costs to be quantifiable at a later date when more information is known as to the full extent and nature of activities required to restore or remediate these assets.

5. Programs of the Department

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

Program 1 Policy Coordination, Development and Investment Strategy

Development and provision of policy advice, strategic transport and road safety plans for and on behalf of the Government. Provision of an effective policy framework, advice and strategic planning services surrounding legislation committed to the Minister.

Program 2 Regulatory Services

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

Program 3 Operations

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

Program 4 Community Information and Education

Provision of transport (incorporating safety) information, advertising, promotional, educational and behavioural change material.

Program 5 Office for the Southern Suburbs

To facilitate a whole of Government approach to the Southern Suburbs and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 6 Office of the North

To facilitate a whole of Government approach to the North and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 7 Office of the North West

To facilitate a whole of Government approach to the North West and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 8 Regional Ministerial Offices

The two Regional Ministerial Offices, being the Office of the Upper Spencer Gulf, Flinders Ranges and Outback in Port Augusta and the Office of the Murray in Murray Bridge, aim to facilitate a whole of Government approach to the regions they serve, and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 9 Development Assessment

Processing of development assessments to provide consistency, certainty and efficiency in the development assessment process for proponents and the community.

Program 10 Information Services

Provision of transport information including timetable, marketing and promotional material. Provision of planning, socio-economic and environmental information.

Program 11 Local Government System and Local Government Relations

Maintenance and development of the Local Government System and State Local Government Relations.

General/Not Attributable

Certain Items of the Department are not allocated to Programs.

6. Employee Expenses

	2005	2004
	\$'000	\$'000
Wages and salaries	80 954	74 367
Employment on-costs ⁽¹⁾	15 580	14 539
Annual leave	8 114	7 597
Long service leave	3 097	2 930
Workers compensation and other expenses	1 920	2 109
Workers compensation actuarial adjustment	275	(2 017)
TVSPs (refer below)	-	8 141
Other	97	73
Total Employee Expenses	110 037	107 739

(1) Employment On-costs is made up of Superannuation of \$9.943 million (\$9.219 million) and Payroll Tax of \$5.637 million (\$5.320 million).

Comparative Data

Employee Expenses are higher in 2004-05 because the 2003-04 comparative data contains only six months of activity for the Office of Public Transport, from the date when the Office was first established on 1 January 2004. The 2004-05 employee expenses reflect a full years activity.

Targeted Voluntary Separation Packages (TVSPs)

	2005	2004
	\$'000	\$'000
TVSPs paid to employees during the reporting period	-	8 141
Annual leave and long service leave accrued over the period	-	2 945
Recovery from the Department of the Premier and Cabinet	-	1 775

	2005	2004
	Number of Employees	Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	98

The Department is not owed any monies in relation to TVSPs as at 30 June 2005. As at 30 June 2004 an amount of \$6.4 million was owed to the Department and was included in the item Receivables, with payments recorded under the item Employee Expenses.

Remuneration of Employees

	2005	2004
	Number of Employees	Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	11	12
\$110 000 - \$119 999	12	9
\$120 000 - \$129 999	10	9
\$130 000 - \$139 999	6	3
\$140 000 - \$149 999	4	1
\$150 000 - \$159 999	3	2
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	2	-
\$200 000 - \$209 999	1	-
\$240 000 - \$249 999	1	1
\$270 000 - \$279 999	1	-
\$400 000 - \$409 999	-	1
Total Number of Employees	53	40

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration received by the 53 employees (40 employees) was \$7.1 million (\$5.1 million), which included salary and related payments, superannuation benefits, motor vehicle benefits and separation payments.

7. Supplies and Services	2005	2004
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Contribution for policing services	35 064	29 599
External contract services	19 340	16 207
Operating leases	4 664	4 893
Utilities	3 818	3 460
Materials	675	1 058
Administration	289	177
Contract labour	74	127
Plant and vehicles	73	76
External consultancy services	4	4
Other	95	50
Total Supplies and Services - SA Government Entities	64 093	55 651
Supplies and services provided by entities external to the SA Government:		
External contract services	83 431	79 345
Materials	22 314	25 822
Contract labour	11 303	13 228
Administration	10 673	9 432
Plant and vehicles	8 597	12 593
Utilities	7 686	9 195
Site remediation	6 031	-
Operating leases	2 961	1 737
External consultancy services	370	408
Other	2 272	3 919
Total Supplies and Services - Non-SA Government Entities	155 638	155 679
Total Supplies and Services	219 731	211 330

Consultancies

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2005		2004	
	Number	\$'000	Number	\$'000
Below \$10 000	1	4	4	20
Between \$10 000 and \$50 000	7	124	10	171
Above \$50 000	2	246	3	221
Total Paid/Payable to the Consultants Engaged	10	374	17	412

8. Bus and Rail Service Contracts	2005	2004
Bus and Rail Service Contracts provided by entities within the SA Government:	\$'000	\$'000
Rail contract payments	86 720	42 588
Bus and depot leases	2 586	5 052
Total Bus and Rail Service Contracts - SA Government Entities	89 306	47 640
Bus and Rail Service Contracts provided by entities external to the SA Government:		
Bus contract payments	107 177	51 958
Bus and depot leases	433	1 133
Total Bus and Rail Service Contracts - Non-SA Government Entities	107 610	53 091
Total Bus and Rail Service Contracts	196 916	100 731

Bus Contract Payments

Represents payments made to Serco, Torrens Transit, Australian Transit Enterprises and TransitPlus for the provision of bus passenger transport services in the metropolitan area. Bus contracts payments for 2004-05 includes an offset of \$0.915 million. This amount relates to Compressed Natural Gas (CNG) rebates for the period July 2000 to February 2003.

Rail Contract Payments

Represents payments made to TransAdelaide for the provision of rail passenger transport services in the metropolitan area.

Comparative Data

Contract Payments are higher in 2004-05 because the 2003-04 comparative data is for six months only, from the date when the Office was first established on 1 January 2004. The 2004-05 contract payments reflect a full years activity.

9. Depreciation and Amortisation	2005	2004
Depreciation:	\$'000	\$'000
Network assets	106 582	115 678
Plant and equipment	20 129	16 360
Buildings and facilities	6 124	7 333
Total Depreciation	132 835	139 371
Amortisation:		
Intangible assets	276	276
Total Amortisation	276	276
Total Depreciation and Amortisation	133 111	139 647

Comparative Data

Revaluation increments and decrements and the revision of the useful lives of certain assets has resulted in adjustments to 2004-05 depreciation expense. The Department is unable to quantify the impact.

This is partially offset because the 2003-04 comparative data contains only six months of activity for the Office of Public Transport, from the date when the Office was first established on 1 January 2004. The 2004-05 depreciation expense reflect a full years activity.

10. Grants and Subsidies		2005	2004
	Grants and subsidies paid/payable to entities within the SA Government:	\$'000	\$'000
	Recurrent grant	132	25
	Total Grants and Subsidies - SA Government Entities	132	25
	Grants and subsidies paid/payable to entities external to the SA Government:		
	Recurrent Grant:		
	Transport Subsidy Scheme	8 574	4 149
	Grants to Local Councils	5 195	2 668
	Subsidies for Concessional Travel in Regional Areas	3 969	1 783
	Country Bus Operating Subsidy	1 211	466
	Regional Cities Bus Operating Subsidies	1 148	607
	Grants to Local Government Associations	352	358
	Other	4 169	3 056
	Capital Grant:		
	Grants to Local Councils	2 409	7 381
	Other	-	224
	Total Grants and Subsidies - Non-SA Government Entities	27 027	20 692
	Total Grants and Subsidies	27 159	20 717

Comparative Data

Grants and subsidies are higher in 2004-05 because the 2003-04 comparative data contains only six months of activity for the Office of Public Transport, from the date when the Office was first established on 1 January 2004. The 2004-05 grants and subsidies reflect a full year's activity.

11. Net Expenses Resulting from the Correction of Errors		2005	2004
	Prior Period Depreciation Expense:	\$'000	\$'000
	Road lighting	17 272	-
	Bridges	4 318	-
	Property	1 665	842
	Other	1 302	352
	Asset recognition adjustments	6 424	3 286
	Inventories write-off	-	1 160
	Other	(564)	173
	Total Net Expenses Resulting from Correction of Errors	30 417	5 813

The prior period depreciation expenses for the Road Lighting and Bridges categories are associated with the net revenue resulting from correction of errors recognised in Note 22.

12. Work in Progress Adjustment			
	During 2004-05, various projects that had been included as capital work in progress as at 30 June 2004 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 \$23.984 million (\$22.4 million) was brought to account by means of an adjustment to the Statement of Financial Performance.		

13. Other Expenses		2005	2004
	Other expenses paid/payable to entities within the SA Government:	\$'000	\$'000
	Commissions - Transaction Processing	2 785	2 118
	Donated Asset	1 540	-
	Other	1 001	5
	Total Other Expenses - SA Government Entities	5 326	2 123
	Other expenses paid/payable to entities external to the SA Government:		
	Commissions - Transaction processing	5 344	5 157
	Staff related expenditure (travel and training)	3 758	2 786
	Bad and doubtful debts expense	1 379	9
	Other	2 635	921
	Total Other Expenses - Non-SA Government Entities	13 116	8 873
	Total Other Expenses	18 442	10 996

14. Auditor's Remuneration			
	Audit fees paid/payable to entities within the SA Government:		
	Audit fees paid/payable to the Auditor-General's Department	296	254

Other Services

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

15. Fees and Charges	2005	2004
Fees and charges received/receivable from entities within the SA Government:	\$'000	\$'000
Planning related fees	773	888
Total Fees and Charges - SA Government Entities	773	888
Fees and charges received/receivable from entities external to the SA Government:		
Metroticket sales	57 926	28 374
Road and marine related charges	17 302	15 647
Road and marine related fees	3 938	3 330
Planning related fees	839	918
Other	3 289	2 519
Total Fees and Charges - Non- SA Government Entities	83 294	50 788
Total Fees and Charges	84 067	51 676

Comparative Data

Fees and Charges are higher in 2004-05 because the 2003-04 comparative data contains only six months of activity for the Office of Public Transport, from the date when the Office was first established on 1 January 2004. The 2004-05 fees and charges reflect a full years activity.

16. Commonwealth Revenue	2005	2004
Commonwealth revenue received/receivable from entities external to the SA Government comprised:	\$'000	\$'000
Australian Land Transport Development Act 1988	85 130	63 322
Eyre Peninsula Grain Transport Plan	15 000	-
Interstate Road Transport Act 1985	5 217	4 968
Roads to Recovery Act 2000	1 000	1 001
Total Commonwealth Revenue - Non-SA Government entities	106 347	69 291
Total Commonwealth Revenue	106 347	69 291

17. Concessional Income		
Concessional Income received/receivable from entities within the SA Government:		
Contributions from SA Government Agencies	33 716	16 080
Contributions from Home and Community Care (HACC)	597	163
Total Concessional Income - SA Government Entities	34 313	16 243
Total Concessional Income	34 313	16 243

Contributions from SA Government Agencies

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

Comparative Data

Concessional Income is higher in 2004-05 because the 2003-04 comparative data is for six months only, from the date when the Office was first established on 1 January 2004. The 2004-05 concessional income reflects a full years activity.

18. Interest	2005	2004
Interest received/receivable from entities within the SA Government:	\$'000	\$'000
Interest from entities within the SA Government	3 153	2 105
Total Interest - SA Government Entities	3 153	2 105
Interest received/receivable from entities external to the SA Government:		
Australian Taxation Office	-	10
Total Interest - Non-SA Government Entities	-	10
Total Interest	3 153	2 115

19. Registration and Licensing Fees		
Received/receivable from entities within the SA Government:		
Motor registration fees	2 785	2 574
Total Registration and Licensing Fees - SA Government Entities	2 785	2 574
Received/receivable from entities external to the SA Government:		
Motor registration fees	170 758	161 146
Heavy vehicle registration fees	46 394	45 329
Drivers' licence fees	20 994	21 134
Total Registration and Licensing Fees - Non- SA Government Entities	238 146	227 609
Total Registration and Licensing Fees	240 931	230 183

Road Safety

In accordance with the *Highways Act 1926*, \$3.5 million (\$3.5 million) being 1/6 of drivers' licence collections and \$464 000 (\$453 000) being 1/100 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.

20. Net Gain or Loss on Disposal of Assets	2005	2004
Land, Buildings and Facilities:	\$'000	\$'000
Proceeds from disposal	8 343	21 071
Net book value of assets disposed	16 229	14 101
Net Gain (Loss) from Disposal of Land, Buildings and Facilities	(7 886)	6 970
Plant and Equipment:		
Proceeds from disposal	407	553
Net book value of assets disposed	249	354
Net Gain from Disposal of Plant and Equipment	158	199
Network Assets:		
Net book value of assets disposed	14 859	4 795
Net (Loss) from Disposal of Network Assets	(14 859)	(4 795)
Total Assets:		
Proceeds from disposal	8 750	21 624
Net book value of assets disposed	31 337	19 250
Total Net (Loss) Gain from Disposal of Assets	(22 587)	2 374
21. Resources Received Free of Charge		
Land, buildings and facilities	4 235	10 778
Network assets	-	1 792
Total Resources Received Free of Charge	4 235	12 570
This represents land and other associated assets received by the Department for no consideration and recognised at fair value.		
22. Net Revenue Resulting from Correction of Errors		
Road lighting asset recognition adjustment	31 959	-
Government radio network revenue	1 748	-
Bridges and gantries asset recognition adjustment	11 711	-
Property asset recognition adjustment	1 333	-
Traffic signal asset recognition adjustment	880	-
Other adjustments	191	-
Total Net Revenue Resulting from Correction of Errors	47 822	-
Asset recognition adjustments reflect network assets and plant that have been recognised in the 2004-05 financial year, which were purchased in prior years. The adjustments are a result of more accurate and complete information being recorded in the Department's subsidiary ledgers, which better reflects the Department's asset base.		
23. Other Revenue	2005	2004
Other Revenue received/receivable from entities within the SA Government:	\$'000	\$'000
Motor Accident Commission funding	2 056	1 463
Reimbursement works and external project contributions	875	4 004
Public transport asset management	605	797
Property rentals	210	280
Registration and insurance contributions	-	4 702
TVSP recoup	-	8 125
Government radio network contributions	-	1 872
National environmental protection measure diesel funding	-	1 767
Sale of information	5	3
Sundry revenue	561	37
Total Other Revenue - SA Government Entities	4 312	23 050
Other Revenue received/receivable from entities external to the SA Government:		
Property rentals	3 469	5 121
Metropolitan street lighting/Traffic signal contributions	3 169	2 287
Reimbursement works and external project contributions	1 633	2 135
Sale of information	1 428	1 444
Rider safe revenue	617	526
Commercial shipping	579	661
Marine pollution control	505	-
Sundry revenue	3 538	2 801
Total Other Revenue - Non-SA Government Entities	14 938	14 975
Total Other Revenue	19 250	38 025

24. Revenues from/Payments to SA Government	2005	2004
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	293 511	154 309
Transfers from contingency provisions	2 507	-
Inter-agency funding transfer from Treasury	600	-
Appropriations under other Acts	-	52
Total Revenues from SA Government	296 618	154 361
Payments to SA Government:		
Income tax equivalent payments (Refer Note 3.8)	-	3 546
Dividend distribution to Government (Refer Note 44)	440	2 961
Total Payments to SA Government	440	6 507

Revenues from SA Government

Comparative Data

The inclusion of the Office of Public Transport in the Department's accounts has resulted in an increase in the overall revenue received from SA Government. Appropriations are higher in 2004-05 because the 2003-04 comparative data is for six months only, from the date when the Office was first established on 1 January 2004. The 2004-05 Appropriation reflects a full years activity.

25. Cash	2005	2004
	\$'000	\$'000
Deposits at call - Westpac	193 461	154 302
Deposits with the Treasurer (Accrual Appropriation)	3 286	13 825
Other	91	92
Total Cash	196 838	168 219

Deposits at Call and with the Treasurer

With the implementation of the cash alignment policy, the Department has not been required to transfer any cash balances this year, but it may be required to transfer a portion of its cash balance to the Consolidated Account in future years.

Other

Includes Petty Cash Floats, Cashiers' Floats and other cash on hand.

26. Receivables	2005	2004
Current:	\$'000	\$'000
Receivables	14 253	16 768
Less: Provision for doubtful debts	(1 477)	(660)
GST receivable	10 551	9 891
Accrued revenues	1 849	7 617
Total Current Receivables	25 176	33 616
Non-Current:		
Receivables	40	40
Total Non-Current Receivables	40	40
Total Receivables	25 216	33 656

Government/Non-Government Receivables

Receivables from SA Government Entities:

Receivables	5 953	9 435
Accrued revenues	547	4 353
Total Receivables from SA Government Entities	6 500	13 788

Receivables from Non-SA Government Entities:

GST receivables	10 551	9 891
Receivables	6 839	6 713
Accrued revenues	1 302	3 264
Receivables - ATO (Other than GST)	24	-
Total Receivables from Non-SA Government Entities	18 716	19 868
Total Receivables	25 216	33 656

27. Inventories

Current:

Roadside materials	4 589	4 696
Supplies	1 191	590
Total Current Inventories	5 780	5 286
Total Inventories	5 780	5 286

28. Other Assets	2005	2004
Current:	\$'000	\$'000
Prepayments	12 012	402
Other	217	91
Total Current Other Assets	12 229	493
Total Other Assets	12 229	493
Government/Non-Government Other Assets		
Other Assets from SA Government Entities:		
Prepayments	49	-
Other	2	1
Other Assets from SA Government Entities	51	1
Other Assets from Non-SA Government Entities:		
Prepayments	11 963	402
Other	215	90
Other Assets from Non-SA Government Entities	12 178	492
Total Other Assets	12 229	493

29. Land, Buildings and Facilities		
Land:		
Land at fair value	201 348	193 518
Total Land	201 348	193 518
Buildings and Facilities:		
Buildings and facilities at cost (deemed fair value)	268 066	276 049
Accumulated depreciation	118 472	115 094
Total Buildings and Facilities	149 594	160 955
Total Land, Buildings and Facilities	350 942	354 473

Valuation of Land, Buildings and Facilities

Refer to Note 3.18 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 2004-05:		Land under	Buildings	
	Land	Roads	and Facilities	2005
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	180 991	12 527	160 955	354 473
Additions	4 748	725	1 058	6 531
Disposals	(15 253)	-	(975)	(16 228)
Revaluation increment (decrement)	23 858	126	(4 776)	19 208
Depreciation and amortisation	-	-	(6 124)	(6 124)
Acquisition (Disposal) from transfer	(5 384)	5 384	-	-
Other movements	52	(6 426)	(544)	(6 918)
Carrying Amount at 30 June	189 012	12 336	149 594	350 942

Additions

Additions include land and other associated assets received by the Department for no consideration and recognised at their 2004 fair value.

30. Plant and Equipment	2005	2004
	\$'000	\$'000
Plant and equipment at cost (deemed fair value)	414 745	387 253
Accumulated depreciation	275 220	264 599
Total Plant and Equipment	139 525	122 654

Valuation of Plant and Equipment

Refer to Note 3.18 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 2004-05:	Plant and	Information	Other	
	Equipment	Technology		2005
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	120 348	2 057	249	122 654
Additions	36 608	370	25	37 003
Disposals	(247)	(484)	-	(731)
Revaluation increment (decrement)	1 165	-	-	1 165
Depreciation and amortisation	(19 714)	146	(83)	(19 651)
Acquisition (Disposal) from transfer	132	18	-	150
Other Movements	-	(1 065)	-	(1 065)
Carrying Amount at 30 June	138 292	1 042	191	139 525

31. Network Assets		2005	2004
		\$'000	\$'000
Network assets at cost (deemed fair value)		8 157 514	7 887 161
Accumulated depreciation		3 895 310	3 662 033
Total Network Assets		4 262 204	4 225 128

Valuation of Network Assets

Refer to Note 3.18 for details of when Network Assets were last revalued and by whom. Network Assets are revalued using 'fair value' methodology.

Reconciliation of Network Assets								
The following table shows the movement of Network Assets during 2004-05:	Roads and Signs	Earthworks	Bridges and Culverts	Traffic Signals and Road Lighting	Busway	Other		2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Carrying amount at 1 July	1 956 827	1 443 400	693 041	71 197	53 121	7 542		4 225 128
Additions	36 248	9 697	7 343	17 618	-	118		71 024
Disposals	(190)	-	(3 217)	(11 337)	-	(114)		(14 858)
Revaluation increment (decrement)	74 813	57 736	(41 983)	(448)	(2 656)	36		87 498
Depreciation and amortisation	(82 002)	-	(13 835)	(9 253)	(1 156)	(333)		(106 579)
Other movements	-	-	-	-	-	(9)		(9)
Carrying Amount at 30 June	1 985 696	1 510 833	641 349	67 777	49 309	7 240		4 262 204

32. Capital Work in Progress		2005	2004
		\$'000	\$'000
Capital work in progress at cost (deemed fair value)		258 592	141 456

Valuation of Work in Progress

Refer to Note 3.18 for details regarding Work in Progress valuations.

Reconciliation of Work in Progress

The following table shows the movement of Work in Progress during 2004-05.

		2005
		Works in Progress
		\$'000
Carrying amount at 1 July		141 456
Additions		202 604
Adjustments (Refer Note 12)		(23 984)
Transfer to operating		(12 556)
Transfer to capital		(48 928)
Carrying Amount at 30 June		258 592

33. Intangible Assets		2005	2004
Software:		\$'000	\$'000
Computer software (EDALA)		1 283	1 283
Accumulated amortisation		739	463
Total Intangible Assets		544	820

Valuation of Intangible Assets

The EDALA Software System was brought to account during the 2002-03 financial year. The intangible assets of the Department are valued at historical cost.

Reconciliation of Intangible Assets

The following table shows the movement of intangible assets during 2004-05.

		2005
		Intangibles
		\$'000
Carrying amount at 1 July		820
Depreciation and Amortisation		(276)
Carrying Amount at 30 June		544

34. Payables		2005	2004
Current:		\$'000	\$'000
Creditors		50 672	35 320
Accrued expenses		15 230	21 611
Employment on-costs		1 802	1 514
Other		709	811
Total Current Payables		68 413	59 256
Non-Current:			
Employment on-costs		2 239	3 133
Total Non-Current Payables		2 239	3 133
Total Payables		70 652	62 389

Government/Non-Government Payables		2005	2004
Payables to SA Government Entities:		\$'000	\$'000
Creditors		10 106	2 307
Accrued expenses		2 452	2 438
Employment on-costs		4 041	4 647
Total Payables to SA Government Entities		16 599	9 392
Payables to Non-SA Government Entities:			
Creditors		40 566	33 013
Accrued expenses		12 778	19 173
Other		709	811
Total Payables to Non-SA Government Entities		54 053	52 997
Total Payables		70 652	62 389
35. Interest Bearing Liabilities			
Balance as at 1 July		49 828	47 760
Increase in debt due to:			
Interest applied to loan		3 411	3 099
Administrative restructure		-	3 168
Less: Repayments:			
Public Transport assets		4 062	4 107
General road and bridge loan		98	92
Balance as at 30 June		49 079	49 828
Current		-	1 100
Non-Current		49 079	48 728
Total Interest Bearing Liabilities		49 079	49 828
36. (a) Employee Benefits			
Current:			
Annual leave		8 924	7 288
Long service leave		2 129	1 991
Accrued salaries and wages		1 489	1 035
Total Current Employee Benefits		12 542	10 314
Non-Current:			
Long service leave		30 287	27 548
Total Non-Current Employee Benefits		30 287	27 548
Total Employee Benefits		42 829	37 862
<i>Annual Leave</i>			
Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.			
<i>Long Service Leave</i>			
Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.			
(b) Aggregate Employee Benefits and Related On-Cost Liabilities		2005	2004
Accrued Salaries and Wages:		\$'000	\$'000
Included in payables - Current (Note 34)		250	192
Provision for employee benefits - Current (Note 36(a))		1 489	1 035
Total Accrued Salaries and Wages		1 739	1 227
Annual Leave:			
Included in payables - Current (Note 34)		1 397	1 100
Provision for employee benefits - Current (Note 36(a))		8 924	7 288
Total Annual Leave		10 321	8 388
Long Service Leave:			
Included in payables - Current (Note 34)		155	222
Provision for employee benefits - Current (Note 36(a))		2 129	1 991
Included in payables - Non-Current (Note 34)		2 239	3 133
Provision for employee benefits - Non-Current (Note 36(a))		30 287	27 548
Total Long Service Leave		34 810	32 894
Aggregate Employee Benefits and Related On-Costs		46 870	42 509
37. Provisions			
Current:			
Provision for workers compensation		991	1 112
Site remediation		975	-
Total Current Provisions		1 966	1 112

37. Provisions (continued)		2005	2004
Non-Current:		\$'000	\$'000
Site remediation		5 055	-
Provision for workers compensation		2 455	2 595
Total Non-Current Provisions		7 510	2 595
Total Provisions		9 476	3 707
Carrying amount at 1 July		3 707	5 257
Increase in the provision		6 597	44
Decrease in the provision		828	1 594
Carrying Amount at 30 June		9 476	3 707
38. Other Liabilities			
Current:			
Unearned revenue		1 410	815
Provision for tax equivalent		-	5 057
Other		348	158
Total Current Other Liabilities		1 758	6 030
Total Other Liabilities		1 758	6 030
39. Equity			
Contributed capital		197 011	176 993
Accumulated surplus		3 639 181	3 581 362
Asset revaluation reserve		1 241 884	1 134 013
Total Equity		5 078 076	4 892 368
Accumulated Surplus			
Balance at 1 July		3 581 362	3 598 855
Net result before administrative restructure		57 840	(29 836)
Increase (Decrease) due to administrative restructure		-	12 362
Other		(21)	(19)
Balance at 30 June		3 639 181	3 581 362
Asset Revaluation Reserve			
Balance at 1 July		1 134 013	1 279 734
Increment (Decrement) in network assets due to revaluation		87 498	(184 741)
Increment (Decrement) in land, buildings and facilities due to revaluation		19 208	34 821
Increment (Decrement) in plant and equipment due to revaluation		1 165	524
Increase (Decrease) in asset revaluation reserve due to administrative restructure		-	3 675
Balance at 30 June		1 241 884	1 134 013
40. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
(i) <i>Financial Assets</i>			
Cash is available at call and is recorded at cost. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.			
Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days. Refer Note 26.			
(ii) <i>Financial Liabilities</i>			
Creditors and accruals are raised for all amounts billed but unpaid, when the goods and services have been provided. Sundry creditors are normally settled within 30 days.			
Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.75 percent (as at 30.6.05). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).			
(b) Interest Rate Risk		2005	Weighted Average Effective Interest Rate
	Floating Interest Rate	Interest Bearing	Non-Interest Bearing
<i>Financial Instrument</i>	Percent	\$'000	\$'000
Financial Assets:			Total \$'000
Cash assets	5.35	58 688	138 150
Receivables		-	25 216
		58 688	163 366
Financial Liabilities:			
Payables		-	70 652
Borrowings	6.75	49 079	-
		49 079	70 652
			119 731

(b) Interest Rate Risk (continued)	2004			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non- Interest Bearing \$'000	
<i>Financial Instrument</i>				
Financial Assets:				
Cash assets	5.9	49 561	118 658	168 219
Receivables		-	33 659	33 659
		<u>49 561</u>	<u>152 317</u>	<u>201 878</u>
Financial Liabilities:				
Payables		-	62 390	62 390
Borrowings	6.75	49 828	-	49 828
		<u>49 828</u>	<u>62 390</u>	<u>112 218</u>

(c) Net Fair Values

Financial Instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand.

The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

41. Commitments for Expenditure	2005	2004
Capital Commitments	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	37 357	68 257
Total Capital Commitments	37 357	68 257

The Department's Capital Commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks. During 2004-05, the Department has moved towards purchasing its major capital assets instead of leasing.

Other Commitments	2005	2004
	\$'000	\$'000
Not later than one year	241 699	218 545
Later than one year but not later than five years	742 677	151
Later than five years	-	198
Total Other Commitments	984 376	218 894

The Department's Other Commitments are for agreements equally and proportionately unperformed. This has increased significantly from 2003-04 due to the Metropolitan Bus Contracts being re-tendered and new leases entered into during 2004-05 as the old leases were due to expire on 23 April 2005, and the Rail Contracts were due to expire on 1 July 2005.

Operating Lease Commitments	2005	2004
	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	9 075	8 244
Later than one year but not later than five years	18 023	14 429
Later than five years	27 141	25 394
Total Operating Lease Commitments	54 239	48 067

The Department's Operating Leases include motor vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and computer and office equipment. These commitments are not recognised as liabilities in the financial report.

The property leases are non-cancellable leases with terms ranging from 1 to 10 years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The computer equipment leases are non-cancellable leases with the lease term being 3-4 years. The lease contains three options at the conclusion of the current 3-4 year term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value.

Operating Lease Commitments (continued)

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.

The Department will be re-examining the nature of its operating leases to determine if the accounting treatment of these items is appropriate in the context of a review of whole of government leasing guidelines.

42. Contingent Assets and Liabilities
Quantifiable

At year-end, the Department had the following contingent asset that it was able to quantify in dollar terms:

The Department is currently in dispute with AGL over energy savings for the final quarter of 2003-04. If successful the savings will be received in 2005-06.	2005 \$'000
	375
Total Quantifiable Contingent Assets	375

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, 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 sale.

In addition, the Department has a possible obligation to the Department of Treasury and Finance relating to Indentured Ports, which is reliant on payment being received from a third party regarding outstanding debts for the use of the Ports.

During the year, the Australian Tax Office (ATO) conducted a GST audit. Discussions with the ATO have indicated that there may be an issue in relation to the treatment of recipient created tax invoices. The Department has forwarded a report to the ATO outlining its position in relation to this matter. If accepted, the Department is of the view that the financial impact will be minimal.

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

43. Cash Flow Reconciliation

Reconciliation of Cash - Cash at year end as per:	2005	2004
Statement of Cash Flows	\$'000	\$'000
Statement of Financial Position	196 838	168 219
	196 838	168 219

Reconciliation of Net Cash inflows from Operating Activities to Net Cost of

Services from Ordinary Activities:		
Net cash inflows from operating activities	235 253	130 011
Less: Revenues from SA Government	296 618	154 361
Add: Payments to SA Government	5 497	3 913
Add (Less) Non-Cash Items:		
Net gain (loss) from disposal of assets	(22 587)	2 374
Depreciation/amortisation of assets	(133 111)	(139 647)
Prior period expense write-off	(54 401)	(28 248)
Revaluation increments (decrements)	-	17
Fair value of assets received	4 235	12 570
Net revenue resulting from correction of an error	47 822	-
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	(8 266)	4 440
Increase (Decrease) in inventories	494	280
Increase (Decrease) in Other assets	(1 510)	(3 550)
(Increase) Decrease in payables and provisions	(15 756)	(5 486)
(Increase) Decrease in other liabilities	610	(3)
Net Cost of Services from Ordinary Activities	(238 338)	(177 690)

44. Indenture Ports

Transport Services manages the indenture and private ports. Funds in regard to cargo services and harbour services charges are collected by Transport Services and applied to the maintenance of indenture ports. Any remaining funds are paid to the Department of Treasury and Finance by way of a dividend. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 2004-05 was \$440 000 (\$3 million).

45. Rail Transport Facilitation Fund

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

Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account up to 20 September 2002.

45. Rail Transport Facilitation Fund (continued)	2005	2004
Inflows:	\$'000	\$'000
Income into the fund	22 528	6 972
Total Inflows	22 528	6 972
Outflows:		
Expenditure from the fund	6 321	2 821
Total Outflows	6 321	2 821
Net Surplus	16 207	4 151
Fund Balance		
Balance at 1 July	10 301	6 150
Net Surplus	16 207	4 151
Balance at 30 June	26 508	10 301

Income into the Fund

The increased income into the Fund in 2004-05 results predominantly from a Federal payment of \$15 million for the Eyre Peninsula Rail System, a payment under the Federal Government Auslink Network (Rail) of \$2.920 million and a payment of \$0.721 million from the Department of Administrative and Information Services for the purposes of the Port River Expressway Stage 3 works (Rail).

Expenditure from the Fund

The increased expenditure in 2004-05 results predominantly from \$3.259 million on Port River Expressway Stage 3 works (Rail).

46. 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.

	2005	2004
Inflows:	\$'000	\$'000
Income into the fund	58 678	38 760
Total Inflows	58 678	38 760
Outflows:		
Expenditure from the fund	58 486	38 484
Total Outflows	58 486	38 484
Net Surplus	192	276
Fund Balance		
Balance at 1 July	276	-
Net Surplus (Deficit)	192	276
Balance at 30 June	468	276

Expenditure from the Fund

Road Safety related expenditure for 2004-05 totalled \$60.9 million (\$57.9 million). An amount of \$2.4 million (\$19.4 million) was met from the Highways Fund.

During 2004-05, SAPOL received an amount of \$34.7 million from the Fund. During 2003-04, SAPOL received a total of \$29.6 million, of which \$14.7 million was met from the Highways Fund.

47. After Balance Date Events

The following occurred/was announced after balance date:

- Effective 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

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

- Effective 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)
 - Natural Gas Authority of SA (from PIRSA)
 - Microeconomic Reform and Infrastructure Branch (from Department of Treasury and Finance)

47. After Balance Date Events (continued)

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

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

- On 7 July 2005, the Full Industrial Relations Commission of SA handed down its decision concerning the salary increases, and duration of the new Award, for the SA Government (Public Service Salaried Employees) Salaries Award. The decision provides for the following salary increases payable from the first pay period commencing on or after 1 October 2004 and 2005 respectively and will incorporate the interim increase (3.5 percent pa in October 2004) already granted by the Full Commission:
 - ASO1 to ASO3 (and equivalents) – 4 percent pa
 - ASO4 to ASO6 (and equivalents) – 3.75 percent pa
 - ASO7 and above (and equivalents) – 3.5 percent pa

The Award will have a life until 30 September 2006. The estimated expenditure resulting from this decision is \$194 000. This estimate relates only to the Divisions included in the Department as at 30 June 2005.

**Statement of Administered Revenues and Expenses
for the year ended 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from SA Government	A7	2 683	2 100
Fees and charges	A8	1 162	1 551
Registration and licensing receipts from third parties	A9	684 685	647 684
Grants	A10	3 844	2 948
Transfer receipts	A11	1 049	888
Interest		60	50
Total Administered Revenues from Ordinary Activities		693 483	655 221
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		173	177
Supplies and services		13	17
Grants and subsidies	A12	5 853	4 703
Registration and licensing payments to third parties	A13	684 685	647 684
Transfer payments	A14	2 248	3 196
Total Administered Expenses from Ordinary Activities		692 972	655 777
OPERATING SURPLUS (DEFICIT)	A23	511	(556)
CHANGES IN EQUITY:			
Increase (Decrease) in net assets due to administrative restructure		-	(120)
TOTAL ADMINISTERED REVENUE, EXPENSES AND VALUATION			
ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		-	(120)
TOTAL ADMINISTERED CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		511	(676)

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
ADMINISTERED CURRENT ASSETS:			
Cash	A15	4 246	2 092
Receivables	A16	554	840
Other	A17	4	2
Total Administered Current Assets		4 804	2 934
ADMINISTERED NON-CURRENT ASSETS:			
Receivables	A16	2 880	3 031
Total Administered Non-Current Assets		2 880	3 031
Total Administered Assets		7 684	5 965
ADMINISTERED CURRENT LIABILITIES:			
Payables	A18	3 033	1 683
Interest bearing liabilities	A19	151	142
Total Administered Current Liabilities		3 184	1 825
ADMINISTERED NON-CURRENT LIABILITIES:			
Interest bearing liabilities	A19	2 880	3 031
Total Administered Non-Current Liabilities		2 880	3 031
Total Administered Liabilities		6 064	4 856
ADMINISTERED NET ASSETS		1 620	1 109
ADMINISTERED EQUITY:			
Accumulated surplus	A20	1 620	1 109
TOTAL ADMINISTERED EQUITY		1 620	1 109
Commitments for Expenditure	A22		
Contingent Liabilities and Assets	A23		

**Administered Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
ADMINISTERED CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from Government		2 983	1 931
Taxes, fees and charges		1 161	1 691
Registration and licensing receipts from third parties		684 685	647 684
Grants		3 844	2 948
Transfer receipts		1 049	888
Interest		58	48
Total Cash Inflows		693 780	655 190
CASH OUTFLOWS:			
Employee payments		(172)	(177)
Supplies and services		(51)	(2)
Grants and subsidies		(6 134)	(4 373)
Registration and licensing payments to third parties		(682 978)	(646 960)
Transfer payments		(2 291)	(3 339)
Total Cash Outflows		(691 626)	(654 851)
Net Administered Cash Inflows from Operating Activities	A23	2 154	339
ADMINISTERED CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Restructuring activities		-	809
Total Cash Inflows		-	809
Net Administered Cash Inflows from Financing Activities		-	809
NET INCREASE IN CASH HELD		2 154	1 148
CASH AT 1 JULY		2 092	944
CASH AT 30 JUNE	A15	4 246	2 092

Program Schedule of Administered Revenues and Expense for the year ended 30 June 2005

	Policy Coordination, Development and Investment Strategy		Regulatory Services		Operations	
	2005	2004	2005	2004	2005	2004
ADMINISTERED REVENUES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:						
Revenue from SA Government	1 909	1 411	-	-	173	177
Fees and charges	-	-	-	-	240	524
Registration and licensing receipts from third parties	-	-	684 685	647 684	-	-
Grants	-	-	-	-	3 844	2 948
Transfer receipts	-	-	-	-	-	-
Interest	23	15	-	-	-	-
Total Administered Revenues	1 932	1 426	684 685	647 684	4 257	3 649

ADMINISTERED EXPENSES FROM ORDINARY						
ACTIVITIES:						
Employee expenses	-	-	-	-	173	177
Supplies and services	-	-	-	-	13	17
Grants and subsidies	2 009	1 755	-	-	3 844	2 948
Registration and licensing payments to third parties	-	-	684 685	647 684	-	-
Transfer payments	-	-	-	-	227	509
Total Administered Expenses	2 009	1 755	684 685	647 684	4 257	3 651
OPERATING SURPLUS (DEFICIT)	(77)	(329)	-	-	-	(2)

	Development Assessment		Local Government System		Total	
	2005	2004	2005	2004	2005	2004
ADMINISTERED REVENUES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:						
Revenue from SA Government	-	-	601	512	2 683	2 100
Fees and charges	922	1 027	-	-	1 162	1 551
Registration and licensing receipts from third parties	-	-	-	-	684 685	647 684
Grants	-	-	-	-	3 844	2 948
Transfer receipts	-	-	1 049	888	1 049	888
Interest	-	-	37	35	60	50
Total Administered Revenues	922	1 027	1 687	1 435	693 483	655 221

ADMINISTERED EXPENSES FROM ORDINARY						
ACTIVITIES:						
Employee expenses	-	-	-	-	173	177
Supplies and services	-	-	-	-	13	17
Grants and subsidies	-	-	-	-	5 853	4 703
Registration and licensing payments to third parties	-	-	-	-	684 685	647 684
Transfer payments	922	1 025	1 099	1 662	2 248	3 196
Total Administered Expenses	922	1 025	1 099	1 662	692 972	655 777
OPERATING SURPLUS (DEFICIT)	-	2	588	(227)	511	(556)

Program Schedule of Assets and Liabilities as at 30 June 2005

	Policy Coordination, Development and Investment Strategy		Regulatory Services		Operations	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Current assets	650	1 008	2 430	724	252	316
Non-current assets	-	-	-	-	2 880	3 031
Total Assets	650	1 008	2 430	724	3 132	3 347
LIABILITIES:						
Current liabilities	224	505	2 430	724	252	316
Non-current liabilities	-	-	-	-	2 880	3 031
Total Liabilities	224	505	2 430	724	3 132	3 347
NET ASSETS	426	503	-	-	-	-

	Development Assessment		Local Government System		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Current assets	255	257	1 217	629	4 804	2 934
Non-current assets	-	-	-	-	2 880	3 031
Total Assets	255	257	1 217	629	7 684	5 965
LIABILITIES:						
Current liabilities	278	280	-	-	3 184	1 825
Non-current liabilities	-	-	-	-	2 880	3 031
Total Liabilities	278	280	-	-	6 064	4 856
NET ASSETS	(23)	(23)	1 217	629	1 620	1 109

NOTES TO THE ADMINISTERED ITEMS STATEMENTS

- A1. Objectives of the Department for Transport, Energy and Infrastructure**
The objectives of the Department for Transport, Energy and Infrastructure outlined in Note 1 apply to both the Department and 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.
- A3. Summary of Significant Accounting Policies**
The policies of the Department for Transport, Energy and Infrastructure outlined in Note 3 apply to both the Department and the Administered Financial Statements.
- A4. Changes in Accounting Policies**
The Changes in Accounting policies outlined in Note 4 in the controlled items Notes apply to both the Department and the Administered Financial Statements.
- A5. Programs of the Department**
The Programs of the Department for Transport, Energy and Infrastructure outlined in Note 5 in the controlled items notes apply to both the Department and the Administered Financial Statements.

A6. Administered Items of the Department

The Administered Items of the Department for Transport, Energy and Infrastructure are comprised of the following:

- Catchment Management Subsidy Scheme
- Development Application Fees
- Emergency Services Levy Receipts
- Expiation Receipts including the Victims of Crime Levy
- Firearm Receipts
- Flood Mitigation
- Hospital Fund – Contribution
- Lincoln Cove Marina
- Local Government Taxation Equivalent (TER) Fund
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- State Local Government Reform Fund – Stormwater Subsidies
- Minister’s Salary
- Unclaimed Salaries and Wages
- Contractors Deposits
- Motor Accident Commission Receipts
- Passenger Transport Research and Development Fund
- Registration and Licensing Collections and Disbursements
- South-Western Suburbs Drainage Scheme
- Stamp Duties Receipts
- West Beach Trust (trading as Adelaide Shores) – Taxation Equivalent Regime (TER)

A7. Revenues from SA Government	2005	2004
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	2 683	2 100
Total Revenues from SA Government	2 683	2 100

A8. Fees and Charges		
Fees and charges received/receivable from entities external to the SA Government:		
Other fees and charges	1 162	1 551
Total Fees and Charges - Non-SA Government Entities	1 162	1 551
Total Fees and Charges	1 162	1 551

A9. Registration and Licensing Receipts from Third Parties		
Registration and Licensing Receipts on behalf of the SA Government:		
Stamp duties	139 305	138 562
Hospital fund	55 315	54 155
Emergency services levy	36 009	35 270
Expiation notices	10 975	10 180
Other	6 059	6 675
Total Registration and Licensing Receipts on behalf of the SA Government	247 663	244 842

Registration and Licensing Receipts on behalf of Entities external to the SA Government:		
Third party insurance	418 244	386 477
Refunds	11 078	9 825
Federal registrations	5 992	5 823
Other	1 708	717
Total Registration and Licensing Receipts on behalf of Entities External to the SA Government	437 022	402 842
Total Registration and Licensing Receipts	684 685	647 684

A10. Grants		
Grants received/receivable from entities within the SA Government:		
Recurrent grant	3 844	2 948
Total Grants - SA Government Entities	3 844	2 948
Total Grants	3 844	2 948

A11. Transfer Receipts		
Receipts from the Local Government Finance Authority (into Local Government Tax Equivalent Regime Fund)	1 049	888
Total Transfer Receipts	1 049	888

A12. Grants and Subsidies		
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	1 909	1 411
Total Grants and Subsidies - SA Government Entities	1 909	1 411

A12. Grants and Subsidies (continued)	2005	2004
Grants and Subsidies Paid/Payable to Entities External to the SA Government:	\$'000	\$'000
Recurrent grant	3 844	2 948
Capital grant	100	344
Total Grants and Subsidies - Non-SA Government Entities	3 944	3 292
Total Grants and Subsidies	5 853	4 703
A13. Registration and Licensing Payments to Third Parties		
Registration and Licensing Payments to Third Parties paid/payable to Entities within the SA Government:		
Stamp Duties - Treasury and Finance	139 305	138 562
Hospital fund - Treasury and Finance	55 315	54 155
Emergency Services Levy	36 009	35 270
Expiation notices - SAPOL	10 304	9 506
Expiation notices - Courts Administration Authority	671	674
Total Registration and Licensing Payments to Third Parties - SA Government Entities	241 604	238 167
Registration and Licensing Payments to Third Parties paid/payable to Entities External to the SA Government:		
Third party insurance	418 244	386 477
Refunds	11 078	9 825
Federal registrations	5 992	5 823
Other	7 767	7 392
Total Registration and Licensing Payments to Third Parties - Non-SA Government Entities	443 081	409 517
Total Registration and Licensing Payments to Third Parties	684 685	647 684
A14. Transfer Payments		
Planning fees paid to Councils and other bodies	922	1 025
Payment to Local Government from the Local Government TER Fund	498	1 150
Interagency funding for the Local Government Grants Commission	365	275
Interagency funding for the Outback Areas Community Development Trust	236	237
South West Suburbs Drainage Scheme	188	196
Woodville Henley and Grange Drainage Scheme	29	30
Contractor deposits	10	283
Total Transfer Payments	2 248	3 196
A15. Cash		
Deposits at Call - Westpac	3 033	1 465
Deposits with the Treasurer	1 213	627
Total Cash	4 246	2 092
A16. Receivables		
Current:		
Receivables	330	312
Accrued revenues	224	528
Total Current Receivables	554	840
Non-Current:		
Receivables	2 880	3 031
Total Non-Current Receivables	2 880	3 031
Total Receivables	3 434	3 871
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Receivables	179	169
Accrued revenues	224	528
Total Receivables from SA Government Entities	403	697
Receivables from Non-SA Government Entities:		
Receivables	3 031	3 174
Total Receivables from Non-SA Government Entities	3 031	3 174
Total Receivables	3 434	3 871

A17. Other Assets	2005	2004
Current:	\$'000	\$'000
Other	4	2
Total Current Other Assets - SA Government Entities	4	2
Total Other Assets	4	2
<hr/>		
A18. Payables		
Current:		
Creditors	2 531	898
Accrued expenses	502	785
Total Current Payables	3 033	1 683
Total Payables	3 033	1 683
<hr/>		
Government/Non-Government Payables		
Payables to SA Government Entities:		
Creditors	2 523	891
Accrued expenses	224	505
Total Payables to SA Government Entities	2 747	1 396
Payables to Non-SA Government Entities:		
Creditors	8	7
Accrued expenses	278	280
Total Payables to Non-SA Government Entities	286	287
Total Payables	3 033	1 683
<hr/>		
A19. Interest Bearing Liabilities		
Balance as at 1 July	3 173	3 311
Increases in debt due to:		
Interest applied to Loan	217	226
Less: Repayments:		
Woodville, Henley and Grange Drainage Scheme	37	42
South West Suburbs Drainage Scheme	322	322
Balance as at 30 June	3 031	3 173
<hr/>		
Current	151	142
Non-Current	2 880	3 031
Total Interest Bearing Liabilities	3 031	3 173
<hr/>		
A20. Equity		
Accumulated Surplus		
Balance at 1 July	1 109	856
Operating Surplus (Deficit)	511	(556)
Increase in net assets due to restructure	-	809
Balance at 30 June	1 620	1 109
<hr/>		
A21. Financial Instruments		
(a) Terms, Conditions and Accounting Policies		
(i) <i>Financial Assets</i>		
Cash is available at call and is recorded at cost.		
Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in line with agreements entered into for specific Administered Items.		
(ii) <i>Financial Liabilities</i>		
Creditors and accruals are raised for all amounts billed but unpaid, when the goods and services have been provided. Sundry creditors are normally settled within 30 days or in line with agreements entered into for specific Administered Items.		
Borrowings are recorded at the amount still owing, taking into account repayments and interest accrued. Interest expense is recognised on an accrual basis. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.75 percent (as at 30 June 2005). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).		

(b) Interest Rate Risk

<i>Financial Instrument</i>	2005				Weighted Average Effective Interest Rate Percent
	Floating Interest Rate Percent	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Asset:					
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>	
	2004				
<i>Financial Instrument</i>	Floating Interest Rate Percent	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Effective Interest Rate Percent
Financial Assets:					
Cash assets	5.90	2 088	4	2 092	5.01
Receivables	-	3 258	613	3 871	-
		<u>5 346</u>	<u>617</u>	<u>5 963</u>	
Financial Liabilities:					
Payables	-	-	1 598	1 598	-
Borrowings	6.84	3 258	-	3 258	6.84
		<u>3 258</u>	<u>1 598</u>	<u>4 856</u>	

(c) Net Fair Values

Financial Instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand.

The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

A22. Commitments for Expenditure	2005 \$'000	2004 \$'000
Other Commitments:		
Not later than one year	-	106
Total Other Commitments	<u>-</u>	<u>106</u>

The Department's Other Commitments are for agreements equally and proportionately unperformed.

A23. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June:		
Statement of Cash Flows	4 246	2 092
Statement of Financial Position	4 246	2 092

Reconciliation on Net Cash Inflows from Operating Activities to Operating Surplus (Deficit):

Net cash inflows from operating activities	2 154	339
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	(437)	36
Increase in other assets	2	2
(Increase) in liabilities	(1 208)	(933)
Operating Surplus (Deficit)	<u>511</u>	<u>(556)</u>

A24. Criminal Injuries Compensation Fund

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Office of Public Transport collects criminal injuries compensation levies from expiation notices issued.

	2005 \$'000	2004 \$'000
Levies collected during the year	3	5
Amount paid to Attorney-General's Department	3	5
Amount Payable to Attorney-General's Department	<u>-</u>	<u>-</u>

A25. Passenger Transport Research and Development Fund

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Office of Public Transport administrators, 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.

	2005	2004
	\$'000	\$'000
Inflows:		
Income into the fund	23	15
Total Inflows	23	15
Outflows:		
Expenditure from the fund	100	344
Total Outflows	100	344
Net Deficit	(77)	(329)
 Fund Balance		
Balance at 1 July	480	809
Net Deficit	(77)	(329)
Balance at 30 June	403	480

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.

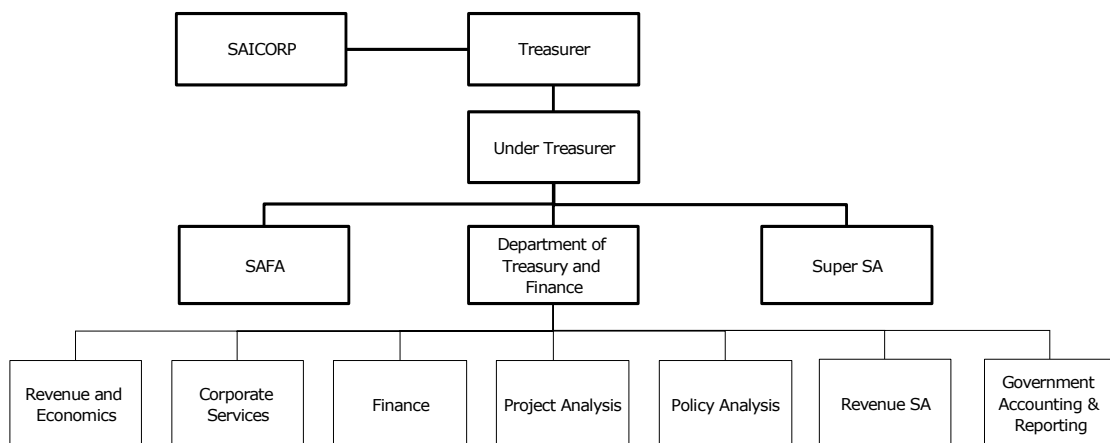
In turn the Department is a major service provider by:

- 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 Statement of Financial Performance or Statement of Financial Position, 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 Expenses and Revenues, Statement of Administered Assets and Liabilities and Administered Statement of Cash Flows appearing in the Department's financial statements.

Structure

The structure of the Department of Treasury and Finance is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of 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 2004-05, 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 Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Treasury and Finance as at 30 June 2005, 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 are contained herein.

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.

RevNet Computer Processing Environment (CPE)

The RevNet application provides a lodgement and payment facility for taxpayers via the internet. RevNet was implemented in 2003 and a post implementation review of RevNet was finalised in early 2005.

The audit of RevNet revealed that while CPE controls in relation to RevNet implementation, maintenance and operation were generally satisfactory, there was a need to improve documentation regarding access security matters, including procedures for:

- access approval for RevenueSA and other Government users;
- review of RevenueSA and other Government user accounts;
- amendment of RevenueSA and other Government users access rights;
- notification of terminated, promoted or relocated employees.

In response the Department indicated that documentation of user access approval and termination procedures along with periodic access reviews will be established by 30 September 2005.

RISTEC Project Management

In July 2002 Cabinet approved the expenditure of \$22.6 million over four years for the development and implementation of a replacement information technology system for the collection of State taxation revenue, known as RevenueSA Information System to Enable Compliance (RISTEC).

In June 2005 Audit undertook an overview review of aspects of RISTEC project management. Although the project was not subject to a detailed project management review by Audit, the review revealed that appropriate governance of the project was in place, project costs were captured and reported against forecast values and variations explained.

Considering the importance, financial magnitude and extended duration for the completion of the project, Audit recommended that the project continue to be closely monitored and corrective action applied to minimise any potential time and cost overruns.

In response the Department indicated it will continue to maintain regular risk management assessment of the RISTEC project and apply corrective action to minimise time and cost overruns.

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

Last year Audit commented on aspects of operations of 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 advised:

- it intended to review the current procedures and principles relating to accrual appropriations to agencies in 2004-05 to assess whether they remain consistent with the recently approved Cash Alignment Policy;
- the outcome of that review may well obviate the need to review whether agencies have deposited all required funds into the Account since the implementation of the accrual appropriation methodology.

During 2004-05 a follow-up review was undertaken of action taken by the Department to address the matters raised by Audit.

The follow-up review revealed that the Department had commenced the review of current procedures and principles relating to accrual appropriations to agencies and will be releasing a formal policy and future direction on the funding of accrual items by December 2005.

As at 30 June 2005 the Account balance was \$278 million (\$270 million).

Appropriation of Administered Items

In most cases appropriations for administered items are paid to agencies ex-post, ie at the end of a month/year after advising the Department of their actual administered expenditure. This differs from the treatment of appropriation for departments, where a monthly cash flow is agreed at the beginning of each year by the agency and the Department and can only be altered by specific approvals during the year. This different approach arises because most agencies have nowhere to deposit the appropriation for administered

items if it were provided on an agreed cash flow basis, ie into a special deposit account as they do for their departmental appropriation. The ex-post model for disbursing appropriation exposes the risk that it would be too late for the Department to take corrective action if an agency overspends their authority (particularly for large transactions carried out in June).

Audit considers that the ex-post model can result in agency bank accounts going into overdraft in cases where they have insufficient funds to cash flow both their departmental and administered expenditures. In 2004-05 Audit observed two agency bank accounts (ie Department of Education and Children's Services and Department of the Premier and Cabinet) going into overdraft due to the ex-post model.

In June 2004 GAR Branch considered a number of strategies aimed at improving control over appropriation for administered items of departments.

In July 2004 the Under-Treasurer approved the implementation of a strategy requiring the establishment of non-interest bearing special deposit accounts to receive appropriation for those operations of Departments which are currently on a reimbursement basis. GAR Branch were required to develop a formal proposal for the Treasurer to establish the special deposit accounts and commence consultation with affected agencies. It was anticipated that the new arrangements would commence as early as practicable in the 2004-05 financial year.

A formal proposal to establish the special deposit accounts for the above purpose has yet to be forwarded to the Treasurer.

Department's Response

The above matters were raised by Audit in August 2005. While the Department has accepted Audit's observations, at the time of this Report a formal response had not been received from the Department.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

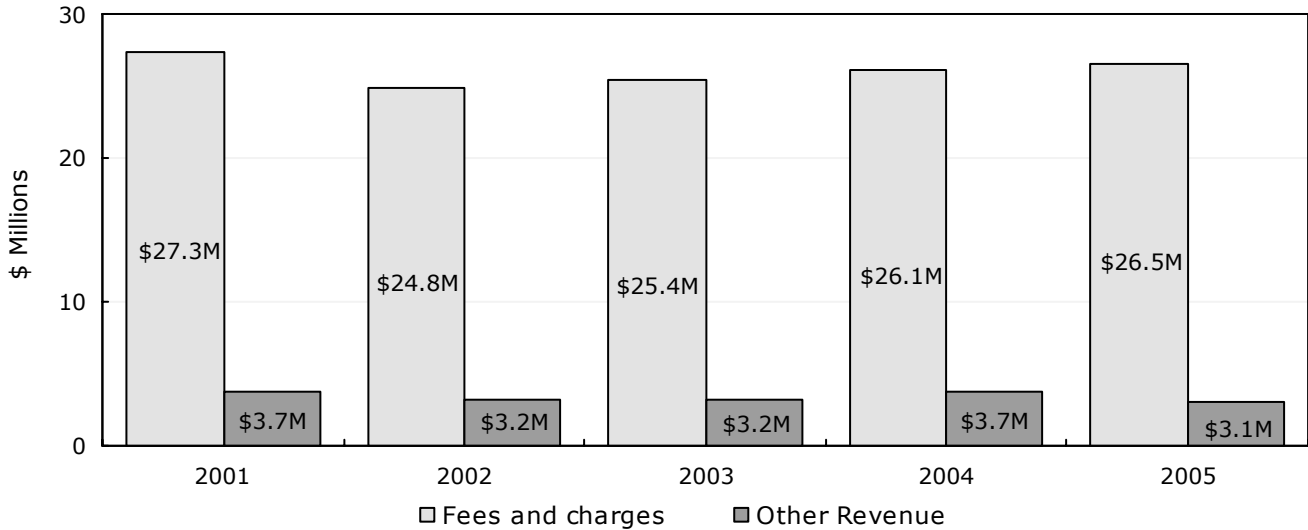
	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Fees and charges	26.5	26.1	2
Other revenue	3.1	3.7	(16)
Total Operating Revenue	29.6	29.8	1
OPERATING EXPENDITURE			
Employee expenses	40.9	40.3	1
Other expenses	30.6	28.1	9
Total Operating Expenses	71.5	68.4	5
Net Cost of Services	41.9	38.6	9
Government appropriation	43.4	40.6	7
Return of surplus cash	(13.4)	-	N/A
Net Result from Ordinary Activities	(11.9)	2.0	N/A
ASSETS			
Current assets	12.4	25.8	(52)
Non-current assets	11.4	8.6	33
Total Assets	23.8	34.4	(31)
LIABILITIES			
Current liabilities	6.5	5.3	23
Non-current liabilities	8.3	8.2	1
Total Liabilities	14.8	13.5	10
EQUITY	9.0	20.9	(57)

Statement of Financial Performance

Operating Revenues

Fees and charges are the main source of operating revenue for the Department, and represent the recovery of costs from other reporting entities (for example, South Australian Government Financing Authority and South Australian Government Captive Insurance Corporation). Fees and charges have remained relatively steady in 2005.

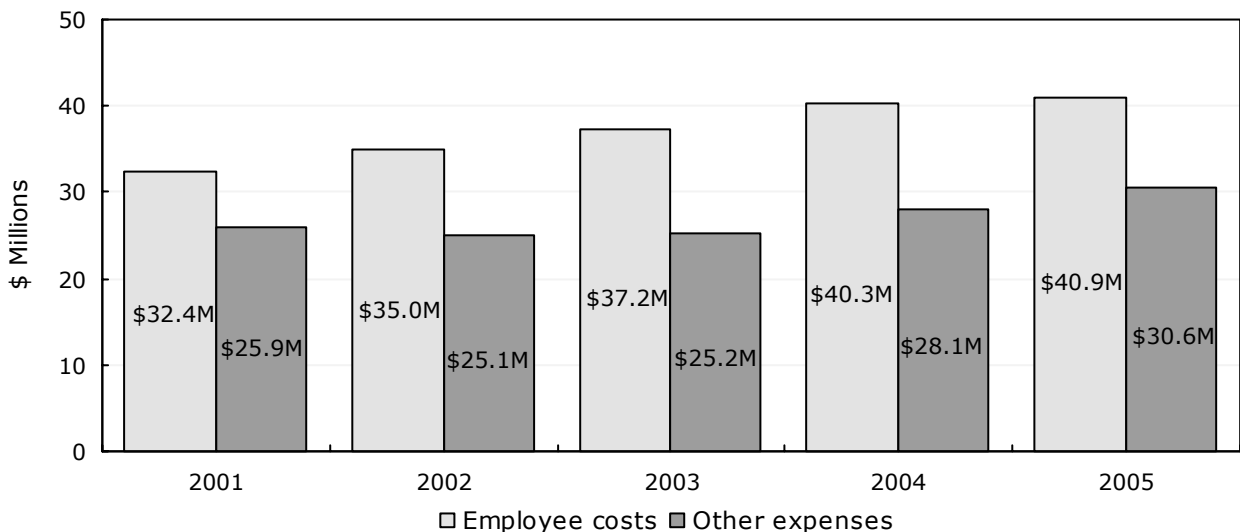
The following chart reflects the trend for the past five years.



Operating Expenses

Total expenses from ordinary activities increased by \$3.1 million (5 percent) to \$71.5 million (\$68.4 million) due to a \$600 000 increase in employee expenses and \$2.5 million increase in other expenses.

The trend in operating expenses over the past five years is shown in the following chart.



Other expenses rose primarily as a result of:

- de-recognition of furniture and fittings and intangible assets (\$778 000);
- adjustment for cash reserves held in respect of the South Australian Superannuation Board (\$918 000); and
- increased amortisation (\$1.1 million) for new software assets.

Operating Result

The Net Cost of Services from ordinary activities increased by 9 percent to \$41.9 million (\$38.6 million). This increase is consistent with the trend from the previous year, and is due mainly to the increase in other expenses as previously discussed. Costs are not passed on and recovered through fees and charges. They are recovered by increased appropriations.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	(7.6)	5.6	5.8	1.4
Investing	(5.8)	(2.4)	(2.3)	(3.8)
Change in Cash	(13.4)	3.2	3.5	(2.4)
Cash at 30 June	10.5	23.9	20.7	17.2

During the year cash decreased by \$13.4 million to \$10.5 million. The decrease is primarily the result of the return of surplus cash (\$13.4 million) to the Consolidated Account pursuant to the *Cash Alignment Policy*. This transaction also contributed to the reduction of \$11.8 million in the net assets of the Department as reported in the Statement of Financial Position.

Administered Items

The Administered financial statements mainly reflect the Department's transactions on behalf of the South Australian Government for the Consolidated Account.

	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Taxation	2 649	2 508	6
Commonwealth revenues	3 382	3 192	6
Revenues from SA Government	1 064	1 169	(9)
Other revenues	1 092	779	40
Total Operating Revenue	8 187	7 648	7
OPERATING EXPENDITURE			
Payments to SA Government	7 033	6 421	10
Other expenses	1 150	1 287	(11)
Total Operating Expenses	8 183	7 708	6
Operating Surplus (Deficit)	4	(60)	N/A
Net revenue from administrative restructure	-	29	N/A
Net Result	4	(31)	113
ASSETS			
Current assets	1 078	440	145
Non-current assets	1	1	-
Total Assets	1 079	441	145
LIABILITIES			
Current liabilities	1 025	387	165
Non-current liabilities	503	506	(1)
Total Liabilities	1 528	893	71
EQUITY	(449)	(452)	1
Net Cash Flows from Operating Activities	644	(637)	N/A
Net Cash Flows from Investing Activities	-	-	-
Net Cash Flows from Financing Activities	-	-	-
Net Increase (Decrease) in Cash Held	644	(637)	N/A
Cash at 1 July	426	1 063	(60)
Cash at 30 June	1 070	426	151

Part A of this Report includes comments in relation to the Consolidated Account result for 2004-05 which are reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	40 879	40 331
Supplies and services	6	26 351	25 978
Depreciation and amortisation	7	2 455	1 908
Other	8	1 796	191
Total Expenses from Ordinary Activities		71 481	68 408
REVENUE FROM ORDINARY ACTIVITIES:			
Fees and charges	10	26 501	26 121
Interest	11	836	1 304
Other	12	2 271	2 395
Total Revenues from Ordinary Activities		29 608	29 820
NET COSTS OF SERVICES FROM ORDINARY ACTIVITIES		(41 873)	(38 588)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government	13	43 380	40 560
Payments to SA Government	13	(13 450)	-
NET RESULT FROM ORDINARY ACTIVITIES		(11 943)	1 972
Net revenue from administrative restructure	26	122	-
NET RESULT AFTER RESTRUCTURING		(11 821)	1 972
TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		(11 821)	1 972

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	14	10 511	23 934
Receivables	15	923	1 147
Other	18	943	768
Total Current Assets		12 377	25 849
NON-CURRENT ASSETS:			
Property, plant and equipment	16	653	1 290
Intangibles	17	10 748	7 252
Total Non-Current Assets		11 401	8 542
Total Assets		23 778	34 391
CURRENT LIABILITIES:			
Payables	19	2 648	1 965
Employee benefits	20(a)	3 764	3 321
Provisions	21	48	49
Other	22	-	6
Total Current Liabilities		6 460	5 341
NON-CURRENT LIABILITIES:			
Payables	19	827	819
Employee benefits	20(a)	7 317	7 245
Provisions	21	123	114
Total Non-Current Liabilities		8 267	8 178
Total Liabilities		14 727	13 519
NET ASSETS		9 051	20 872
EQUITY:			
Accumulated surplus	23	8 943	20 764
Asset revaluation reserve	23	108	108
TOTAL EQUITY		9 051	20 872
Commitments for Expenditure	25		
Contingent Assets and Liabilities	27		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	\$'000	\$'000
Employee payments	(40 159)	(38 611)
Supplies and services	(26 026)	(25 798)
GST payments on purchases	(3 471)	(2 914)
GST remitted to Australian Taxation Office	(1 995)	(2 138)
Other	(968)	-
Total Outflows from Operating Activities	(72 619)	(69 461)
CASH INFLOWS:		
Fees and charges	26 528	25 904
Interest received	873	1 276
GST receipts on receivables	2 021	2 153
GST input tax credits	3 609	2 793
Other	2 086	2 387
Total Inflows from Operating Activities	35 117	34 513
CASH FLOWS FROM GOVERNMENT:		
Receipts from SA Government	43 380	40 560
Payments to SA Government	(13 450)	-
Total Cash Flows from SA Government	29 930	40 560
Net Cash (Outflows) Inflows from Operating Activities	(7 572)	5 612
	28(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(366)	(314)
Purchase of intangibles	(5 485)	(2 077)
Total Outflows from Investing Activities	(5 851)	(2 391)
Net Cash Outflows from Investing Activities	(5 851)	(2 391)
NET (DECREASE) INCREASE IN CASH HELD	(13 423)	3 221
CASH AT 1 JULY	23 934	20 713
CASH AT 30 JUNE	10 511	23 934
	28(a)	

**Program Schedule of Department's Expenses and Revenues
for the year ended 30 June 2005**

	Program 1		Program 2		Program 3	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	12 580	11 536	26 170	26 883	1 865	1 656
Supplies and services	6 712	6 432	18 449	18 052	1 144	1 467
Depreciation and amortisation	656	221	1 781	1 672	16	14
Other	232	1	1 527	190	32	-
Total Expenses from Ordinary Activities	20 180	18 190	47 927	46 797	3 057	3 137
REVENUES FROM ORDINARY ACTIVITIES:						
Fees and charges	1 327	1 177	25 147	24 900	23	40
Interest	310	438	476	790	43	66
Other	825	831	1 202	1 411	241	151
Total Revenues from Ordinary Activities	2 462	2 446	26 825	27 101	307	257
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(17 718)	(15 744)	(21 102)	(19 696)	(2 750)	(2 880)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:						
Revenues from SA Government	18 811	16 645	21 328	20 586	2 919	3 045
Payments to SA Government	(5 833)	-	(6 612)	-	(905)	-
NET RESULT FROM ORDINARY ACTIVITIES	(4 740)	901	(6 386)	890	(736)	165

	Program 4		Program Total	
	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000
Employee expenses	264	256	40 879	40 331
Supplies and services	46	27	26 351	25 978
Depreciation and amortisation	2	1	2 455	1 908
Other expenses	5	-	1 796	191
Total Expenses from Ordinary Activities	317	284	71 481	68 408
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	4	4	26 501	26 121
Interest	7	10	836	1 304
Other revenue	3	2	2 271	2 395
Total Revenues from Ordinary Activities	14	16	29 608	29 820
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(303)	(268)	(41 873)	(38 588)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:				
Revenues from SA Government	322	284	43 380	40 560
Payments to SA Government	(100)	-	(13 450)	-
NET RESULT FROM ORDINARY ACTIVITIES	(81)	16	(11 943)	1 972

The allocations to programs are indicative and are based on broad costing methodologies. Program descriptions are contained in Note 4.

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:

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 Budget and Financial Management Processes

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector - Productivity

Strengthen State Finances

Related SASP Objective: Growing Prosperity

Target Area: Credit Rating

Effective Industry Regulation and Infrastructure Development

Related SASP Objective: Growing Prosperity, Improving Wellbeing

Target Areas: Strategic Infrastructure Development, Regional Infrastructure

Improve Service Delivery

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector - Productivity and Quick Decision Making

Corporate Priorities

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector - Productivity

To achieve these Objectives, the Department delivers a number of programs for the Government. The program information is summarised in Note 4.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

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

2.2 Reporting Entity

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

2.3 Administrative Restructure

The Lotteries and Gaming unit was transferred to the Office of the Liquor and Gambling Commissioner, effective 1 July 2004. No revenue and expense for this function were included in the financial statements for 2004-05. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in Note 26.

2.4 Comparative Figures

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

2.5 Rounding

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

2.6 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax and goods and services tax.

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

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

2.7 Revenue and Expenses

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

Revenue and Expenses have been classified according to their nature in accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public.

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

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

2.8 Revenues from/Payments to SA Government

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

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

2.9 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash

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 also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During 2004-05, the Department transferred \$13.45 million of its cash balance to the Consolidated Account.

2.11 Receivables

Receivables arise in the normal course of selling 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 under a contractual arrangement.

The Department determines the provision for doubtful debts based on a review of debtor balances that are unlikely to be collected.

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 Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

2.12 Non-Current Assets Acquisition and Recognition (continued)

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

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

2.13 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets':

- all non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation); 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.

2.14 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, while depreciation is applied to physical 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:

Class of Asset	Depreciation Method	Useful Life (Years)
Furniture and fittings	Straight Line	10
Intangibles	Straight Line	3-10
Information Technology equipment	Straight Line	4
Office equipment	Straight Line	3

2.15 Intangible Assets

The acquisition or internal development of software is capitalised as intangible assets when the expenditure meets the definition and recognition criteria of an asset, and when the amount of expenditure is greater than or equal to \$5 000, in accordance with Accounting Policy Statement 2 'Asset Recognition'.

Capitalised software is amortised over the useful life of the asset, with the maximum time frame for amortisation of 10 years.

2.16 Payables

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

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

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

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

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

The Department makes contributions to several 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.

2.17 Employee Benefits

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

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

2.18 Provisions

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

2.19 Leases

The Department has entered into operating leases. More information on operating leases is contained in Note 25.

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. Changes in Accounting Policies**3.1 Government/Non-Government Disclosure**

In accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', the Department has included details of revenue, expenses, financial assets and financial liabilities according to whether the transactions are with entities internal or external to the SA Government in Notes to the financial statements.

3.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standard

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

In accordance with requirements of AASB 1047 'Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards', the following table has been prepared summarising any known or reliably estimated information about the impact of the 2004-05 financial report had it been prepared using AIFRS. The major impact is that the Department will derecognise research costs in relation to research and development tasks associated with internally developed software in accordance with AASB 138 'Intangible Assets'. The impact on key financial aggregates is estimated as:

Reconciliation of key aggregates	Amount currently reported per GAAP	Known or reliably estimated impact on the financial report	Amount to be reported after adopting AIFRS
Net Cost of Services	(42 121)	(938)	(43 059)
Net Result from Ordinary Activities	(12 191)	(938)	(13 129)
Total Assets	23 530	(1 573)	21 957
Total Liabilities	14 727	-	14 727
Net Assets	8 803	(1 573)	7 230
Cash Flows from Operating Activities	(7 572)	(934)	(8 506)
Cash Flows from Investing Activities	(5 851)	934	(4 917)

The Department performed a review in relation to the Administered Items. The review did not reveal any known or reliably estimated information having an impact on the Administered Financial Statements due to the introduction of AIFRS.

4. 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.

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.

5. Employee Expenses	2005	2004
	\$'000	\$'000
Salaries and wages	29 997	28 695
TVSP (refer below)	-	241
Long service leave	971	1 612
Annual leave	2 900	2 831
Employment on-costs	5 952	5 862
Board fees ⁽ⁱ⁾	224	218
Other employee related expenses	835	872
Total Employee Expenses	40 879	40 331

(i) Represents fees paid to members of the SA Superannuation Board, South Australian Government Financing Authority, Energy Consumers Council and the Board of Directors of SAICORP.

Targeted Voluntary Separation Packages (TVSPs)

Amount paid to these employees:

TVSPs	-	241
Accrued annual leave and long service leave paid during the reporting period	-	55
	-	296
Recovery from the Department of the Premier and Cabinet	-	(241)

	2005	2004
	Number of Employees	Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	4

Remuneration of Employees

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

\$100 000 - \$109 999	5	12
\$110 000 - \$119 999	10	6
\$120 000 - \$129 999	10	7
\$130 000 - \$139 999	9	8
\$140 000 - \$149 999	1	3
\$150 000 - \$159 999	5	4
\$160 000 - \$169 999	2	1
\$170 000 - \$179 999	1	2
\$180 000 - \$189 999	3	-
\$190 000 - \$199 999	1	2
\$220 000 - \$229 999	-	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	-
\$310 000 - \$319 999	1	1
	49	48

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 \$6 874 000 (\$6 642 000).

Average Number of Employees during the Reporting Period

On average the Department employed 560 (546) people throughout the reporting period.

6. Supplies and Services	2005	2004
	\$'000	\$'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation and telecommunication	4 687	4 617
Information technology expenses	3 433	3 305
Minor works, maintenance and equipment	621	102
Legal costs	1 116	1 012
Valuation fees	1 262	1 282
Other	2 259	1 760
Total Supplies and Services - SA Government Entities	13 378	12 078
Supplies and Services provided by Entities external to SA Government:		
Accommodation and telecommunication	70	61
Information technology expenses	3 119	3 778
Minor works, maintenance and equipment	431	926
Consultants	1 085	1 778
Contractors	3 701	2 928
General administration and consumables	2 557	2 523
Other	2 010	1 906
Total Supplies and Services - Non-SA Government Entities	12 973	13 900
Total Supplies and Services	26 351	25 978

The expenditure split between SA Government entities and non-SA Government entities is based on a materiality threshold of \$100 000.

The number and dollar amount of Consultancies paid/payable that fell within the following bands:

	2005	2004	2005	2004
	Number	Number	\$'000	\$'000
Below \$10 000	14	13	26	47
Between \$10 000 and \$50 000	10	4	264	71
Above \$50 000	4	6	795	1 660
	28	23	1 085	1 778

7. Depreciation and Amortisation	2005	2004
Depreciation:	\$'000	\$'000
Furniture and fittings	26	506
Information technology equipment	112	174
Office equipment	102	94
Total Depreciation	240	774

Amortisation:		
Intangible assets	2 215	1 134
Total Amortisation	2 215	1 134
Total Depreciation and Amortisation	2 455	1 908

8. Other Expenses		
South Australian Superannuation Board reserve	918	-
Intangible asset derecognised	25	-
Furniture and fittings derecognised	753	-
Property, plant and equipment write-offs	50	191
Other	50	-
Total Other Expenses	1 796	191

Adjustments were incorporated into the 2004-05 financial statements to recognise that some of the cash reserves held within the Department's Statement of Financial Position 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 in order to correct the Statement of Financial Position.

9. Auditor's Remuneration	2005	2004
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	368	348

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

10. Fees and Charges		
Fees and Charges Received/Receivable from Entities within the SA Government:		
Agencies for the provision of Corporate Services	1 661	1 643
South Australian Government Captive Insurance Corporation	2 013	1 900
South Australian Government Financing Authority	5 544	5 054
Community Emergency Services Fund	6 100	6 178
Other recoveries	1 766	1 727
Total Fees and Charges - SA Government Entities	17 084	16 502
Fees and Charges Received/Receivable from Entities external to the SA Government:		
South Australian Superannuation Board	9 145	9 289
Other recoveries	272	330
Total Fees and Charges - Non-SA Government Entities	9 417	9 619
Total Fees and Charges	26 501	26 121

The revenue split between SA Government entities and Non-SA Government entities is based on a materiality threshold of \$100 000.

11. Interest		
Interest from entities within the SA Government	836	1 304
Total Interest	836	1 304

12. Other Revenues	2005	2004
Other Revenues received/receivable from Entities within the SA Government:	\$'000	\$'000
Banking recoveries	565	707
Land tax certificates	418	392
Core client access licences	248	-
Reimbursement for TVSPs paid	-	241
Other reimbursements	1	139
Other	4	117
Total Other Revenues - SA Government Entities	1 236	1 596
Other Revenues received/receivable from Entities external to SA Government:		
Banking recoveries	45	44
Land tax certificates	197	189
Regulatory fees	214	212
Commissions	145	131
Other reimbursements	325	172
Other	109	51
Total Other Revenues - Non-SA Government Entities	1 035	799
Total Other Revenues	2 271	2 395
The revenue split between SA Government entities and Non-SA Government entities is based on a materiality threshold of \$100 000.		
13. Revenues from/Payments to SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	43 380	40 560
Total Revenues from SA Government	43 380	40 560
Payments to SA Government:		
Return of surplus cash pursuant to Cash Alignment Policy	13 450	-
Total Payments to SA Government	13 450	-
14. Cash		
Deposits with the Treasurer	10 508	23 930
Other	3	4
Total Cash	10 511	23 934
The Deposits with the Treasurer include the Accrual Appropriation Account and Surplus Cash Working Account balances. Due to the initial clearing of the surplus cash working account balances, in accordance with the Cash Alignment Policy, there has been a reduction of \$13.45 million in the level of cash held by the Department at June 2005.		
15. Receivables	2005	2004
Current:	\$'000	\$'000
Receivables	276	113
Accrued revenues	467	740
GST	180	294
Total Receivables	923	1 147
SA Government/Non-SA Government Entities Receivables		
Receivables from SA Government entities:		
Receivables	74	46
Accrued revenues	391	368
Total Receivables from SA Government Entities	465	414
Receivables from Non-SA Government entities:		
Receivables	202	67
Accrued revenues	76	372
Goods and Services Tax (GST)	180	294
Total Receivables from Non-SA Government Entities	458	733
Total Receivables	923	1 147
16. Property, Plant and Equipment		
Furniture and Fittings:		
Furniture and fittings at cost (deemed fair value)	272	314
Accumulated depreciation	(106)	(52)
Furniture and fittings at fair value	-	1 139
Accumulated depreciation	-	(413)
Total Furniture and Fittings	166	988

16. Property, Plant and Equipment (continued)	2005	2004
Information Technology Equipment:	\$'000	\$'000
Information technology equipment at cost (deemed fair value)	623	399
Accumulated depreciation	(374)	(262)
Total Information Technology Equipment	249	137
Office Equipment:		
Office equipment at cost (deemed fair value)	476	301
Accumulated depreciation	(238)	(136)
Total Office Equipment	238	165
Total Property, Plant and Equipment	653	1 290

Furniture and fitting assets with fair value of \$1.1 million were recognised as an accounting error during 2004-05 due to certain items not meeting the accounting definition of an asset.

During 2004-05, equipment relating to information technology was separated from office equipment as the Department expects the value of this class of asset to increase significantly due to changes in Government's approach to managing information technology infrastructure.

Reconciliation of Property, Plant and Equipment	Furniture	Information	Office	2005
The following table shows the movement of property, plant and equipment during 2004-05:	& Fittings	Technology	Equipment	Total
	\$'000	Equipment	\$'000	\$'000
Carrying amount at 1 July	988	137	165	1 290
Additions	7	224	175	406
Write-off non-current assets	(50)	-	-	(50)
Depreciation expense	(26)	(112)	(102)	(240)
Other movements	(753)	-	-	(753)
Carrying Amount at 30 June	166	249	238	653

17. Intangible Assets	2005	2004
	\$'000	\$'000
Computer software	18 525	12 814
Accumulated amortisation	(7 777)	(5 562)
Total Intangible Assets	10 748	7 252

Reconciliation of Intangible Assets	2005
The following table shows the movement of intangible assets during 2004-05:	\$'000
Carrying amount at 1 July	7 252
Additions	5 736
Amortisation expense	(2 215)
Other movements	(25)
Carrying Amount at 30 June	10 748

18. Other Assets	2005	2004
Current:	\$'000	\$'000
Prepayments	943	768
Total Other Assets	943	768

19. Payables		
Current:		
Creditors	834	(2)
Accrued expenses	1 241	1 461
Employee on-costs	573	506
Total Current Payables	2 648	1 965
Non-Current:		
Employee on-costs	827	819
Total Non-Current Payables	827	819
Total Payables	3 475	2 784

SA Government/Non-SA Government Entities Payables

Payables from SA Government entities:		
Creditors	420	(2)
Accrued expenses	1 016	1 155
Employment on-costs	651	620
Total Payables to SA Government Entities	2 087	1 773

SA Government/Non-SA Government Entities Payables (continued)		2005	2004
Payables to Non-SA Government entities:		\$'000	\$'000
Creditors		414	-
Accrued expenses		225	306
Employment on-costs		749	705
Total Payables to Non-SA Government Entities		1 388	1 011
Total Payables		3 475	2 784
20. (a) Employee Benefits			
Current:			
Accrued salaries and wages		543	334
Annual leave		2 563	2 423
Long service leave		658	564
Total Current Employee Benefits		3 764	3 321
Non-Current:			
Long service leave		7 317	7 245
Total Non-Current Employee Benefits		7 317	7 245
Total Employee Benefits		11 081	10 566
(b) Employee Benefits and Related On-Costs			
Accrued Salaries and Wages:			
On-costs included in payables - Current (Note 19)		87	54
Employee benefits - Current (Note 20(a))		543	334
		630	388
Annual Leave:			
On-costs included in payables - Current (Note 19)		411	388
Employee benefits - Current (Note 20 (a))		2 563	2 423
		2 974	2 811
Long Service Leave:			
On-costs included in payables - Current (Note 19)		75	64
Employee benefits - Current (Note 20 (a))		658	564
		733	628
On-costs included in payables - Non-Current (Note 19)		827	819
Employee benefits - Non-current (Note 20 (a))		7 317	7 245
		8 144	8 064
Aggregate Employee Benefits and Related On-Costs		12 481	11 891
21. Provisions			
Current:			
Provisions for workers compensation		48	49
Total Current Provisions		48	49
Non-Current:			
Provisions for workers compensation		123	114
Total Non-Current Provisions		123	114
Total Provisions		171	163
Carrying amount at 1 July		163	159
Payments made		(18)	(76)
Increase in the Provision		26	80
Carrying Amount at 30 June		171	163
22. Other Liabilities			
Current:			
Unearned revenue		-	6
Total Other Liabilities		-	6
23. Equity			
Accumulated Surplus:			
Balance at 1 July		20 764	18 792
Net result from ordinary activities		(11 821)	1 972
Balance at 30 June		8 943	20 764
Asset Revaluation Reserve:			
Balance at 1 July		108	108
Increase (decrease) in asset revaluation reserve		-	-
Balance at 30 June		108	108

24. Financial Instruments**(a) Terms, Conditions and Accounting Policies***(i) Financial Assets*

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) Interest Rate Risk

	2005			Weighted Average Effective Interest Rate Percent	2004			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
<i>Financial Instrument</i>								
Financial Assets:								
Cash	10 508	3	10 511	5.16	23 930	4	23 934	4.87
Receivables	-	923	923	-	-	1 147	1 147	-
	10 508	926	11 434		23 930	1 151	25 081	
Financial Liabilities:								
Payables	-	3 475	3 475	-	-	2 784	2 784	-
	-	3 475	3 475		-	2 784	2 784	

(c) Net Fair Values

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

25. Commitments For Expenditure**(a) Operating Lease Commitments**

At the reporting date, the Department's operating leases are for the lease of office accommodation.

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate review taking into account movements in market rental values or CPI. Rent is payable in arrears.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$2 985 000 (\$3 295 000).

	2005 \$'000	2004 \$'000
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	2 693	2 906
Later than one year but not later than five years	9 745	9 595
Later than five years	-	2 378
	12 438	14 879

(b) Other Commitments

The Department's other commitments are for agreements for the provision of cars to senior executive officer's or sections (ie pool cars) with Fleet SA (there are no purchase options available to the Department) and commitments for software license agreements.

	2005 \$'000	2004 \$'000
Not later than one year	1 417	435
Later than one year but not later than five years	3 278	349
Later than five years	-	-
	4 695	784

For the current financial year, the total amount paid to Fleet SA for the provision of cars was \$472 000 (\$393 000).

26. Net Revenue from Administrative Restructure

Liabilities transferred to the Office of the Liquor and Gambling Commissioner:

Annual leave	23	-
Long service leave	82	-
Employment on-costs	17	-
Net Revenue from Administrative Restructure	122	-

27. 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.

28. Cash Flow Reconciliation

(a) Reconciliation of Cash - Cash at Year End

As per:

	2005	2004
	\$'000	\$'000
Statement of Cash Flows	10 511	23 934
Statement of Financial Position	10 511	23 934

(b) Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services from Ordinary Activities

Net cash (outflows) inflows from operating activities	(7 572)	5 612
Add: Cash flows from government	(29 930)	(40 560)
Add: Non-cash items:		
Depreciation and amortisation	(2 455)	(1 908)
Asset write-offs	(50)	(191)
Assets de-recognised	(778)	-
Net revenue from administrative restructure	(122)	-
Assets acquired at no cost	248	-
Non-current assets accrual in payables	43	25
Change in Assets/Liabilities:		
Increase (Decrease) in receivables	(224)	357
Increase (Decrease) in other assets	175	(164)
(Increase) Decrease in payables	(691)	(52)
(Increase) Decrease in employee benefits	(515)	(1 700)
(Increase) Decrease in provisions	(8)	(4)
(Increase) Decrease in other liabilities	6	(3)
Net Cost of Services from Ordinary Activities	(41 873)	(38 588)

29. Economic Dependency

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.

30. Events after Balance Date

On 7 July 2005, the Full Industrial Relations Commission of SA handed down its decision on the current Enterprise Bargaining Agreement. The decision provides for salary increases to be back-paid to the first pay period commencing on or after 1 October 2004 and will incorporate the interim increase already granted by the Full Commission in October 2004. The financial implications of these salary increases have been taken into account in preparing these financial statements.

**Statement of Administered Revenues and Expenses
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Taxation	32	2 649 043	2 507 900
Commonwealth revenues	33	3 381 989	3 191 957
Dividends	34	403 070	398 081
Interest	35	159 152	153 024
Revenues from SA Government	36	1 063 889	1 168 850
Fees and charges	37	-	122
Other	38	530 399	227 867
Total Revenues from Ordinary Activities		8 187 542	7 647 801
EXPENSES FROM ORDINARY ACTIVITIES:			
Payments to SA Government	36	7 032 787	6 421 305
Employee expenses	39	260 626	253 995
Supplies and services	40	5 041	6 464
Interest		284 819	306 804
Grants, subsidies and transfers	41	542 691	643 531
Depreciation	42	14	523
Other expense	43	57 689	75 466
Total Expenses from Ordinary Activities		8 183 667	7 708 088
OPERATING SURPLUS (DEFICIT)		3 875	(60 287)
Net revenue from administrative restructure	54	-	29 033
TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		3 875	(31 254)

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
CURRENT ASSETS:			
Cash	44	1 069 870	426 266
Receivables	45	8 631	13 396
Other financial assets	46	108	131
Total Current Assets		1 078 609	439 793
NON-CURRENT ASSETS:			
Other financial assets	46	115	223
Property, plant and equipment	47	538	552
Total Non-Current Assets		653	775
Total Assets		1 079 262	440 568
CURRENT LIABILITIES:			
Payables	48	1 022 703	387 172
Interest bearing liabilities	49	108	131
Other	50	1 791	25
Total Current Liabilities		1 024 602	387 328
NON-CURRENT LIABILITIES:			
Payables	48	502 338	504 660
Interest bearing liabilities	49	115	223
Other	50,56	930	955
Total Non-Current Liabilities		503 383	505 838
Total Liabilities		1 527 985	893 166
NET ASSETS		(448 723)	(452 598)
EQUITY:			
Accumulated deficit	51	(448 723)	(452 598)
TOTAL EQUITY		(448 723)	(452 598)
Commitments for Expenditure	53		
Contingent Assets and Liabilities	55		

**Administered Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH INFLOWS:	Note	\$'000	\$'000
Taxation revenues		2 649 043	2 583 530
Receipts from Commonwealth		3 381 989	3 191 957
Dividends		403 070	398 081
Interest received		159 151	154 156
Receipts from SA Government		1 063 889	1 168 850
Fees and charges		16	68
GST receipts on receivables		4 544	3 989
GST input tax credits		9 284	1 710
Other		528 265	150 347
Total Inflows from Operating Activities		8 199 251	7 652 688
CASH OUTFLOWS:			
Payments to SA Government		(6 399 167)	(7 016 548)
Employee payments		(260 626)	(244 127)
Supplies and services		(5 093)	(6 588)
Interest payments		(284 819)	(307 857)
Grants, subsidies and transfers		(542 652)	(642 645)
GST payments on purchases		(3 585)	(8 084)
GST remitted to Australian Taxation Office		(3 717)	(3 985)
Other		(55 988)	(60 498)
Total Outflows from Operating Activities		(7 555 647)	(8 290 332)
Net Cash Inflows (Outflows) from Operating Activities	57(b)	643 604	(637 644)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from other financial assets		170	8 363
Total Inflows from Financing Activities		170	8 363
CASH OUTFLOWS:			
Repayment of interest bearing liabilities		(170)	(8 363)
Total Outflows from Financing Activities		(170)	(8 363)
Net Cash Inflows from Financing Activities		-	-
NET INCREASE (DECREASE) IN CASH HELD		643 604	(637 644)
CASH AT 1 JULY		426 266	1 063 435
CASH INCREASE AS A RESULT OF RESTRUCTURING		-	475
CASH AT 30 JUNE	57(a)	1 069 870	426 266

Schedule of Administered Revenue and Expenses for the year ended 30 June 2005

	Admin Items on behalf of the Consolidated Account	Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	Community Development Fund	Community Emergency Services Fund	ETSA Sales/Lease Proceeds Account	Hospitals Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:						
Taxation	2 584 701	-	-	64 432	-	-
Commonwealth revenues	3 364 416	17 573	-	-	-	-
Revenues from SA Government	981 370	-	20 000	62 519	-	-
Interest	156 056	-	-	177	-	-
Dividends	403 070	-	-	-	-	-
Fees and charges	-	-	-	-	-	-
Other	361 826	-	-	6 504	2 115	146 051
Total Administered Revenues	7 851 439	17 573	20 000	133 542	2 115	146 051
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:						
Payments to SA Government	6 869 145	17 573	-	-	-	146 051
Employee expenses	260 578	-	-	-	-	-
Supplies and services	4 904	-	-	-	-	-
Interest	284 819	-	-	-	-	-
Grants, subsidies and transfers	388 081	-	20 000	133 534	-	-
Depreciation	-	-	-	-	-	-
Other expenses	43 912	-	-	-	-	-
Total Administered Expenses	7 851 439	17 573	20 000	133 534	-	146 051
OPERATING SURPLUS (DEFICIT)	-	-	-	8	2 115	-

	Local Govt Disaster Fund	TAB Sales Proceeds Account	Treasurer's Interest in the National Wine Centre Account Account	Treasury Working Account	Other ⁽¹⁾ \$'000	Total \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES:						
Taxation	-	-	-	-	-	2 649 043
Commonwealth revenues	-	-	-	-	-	3 381 989
Revenues from SA Government	-	-	-	-	-	1 063 889
Interest	2 271	46	-	-	602	159 152
Dividends	-	-	-	-	-	403 070
Fees and charges	-	-	-	-	-	-
Other	-	-	45	12 024	1 834	530 399
Total Administered Revenues	2 271	46	45	12 024	2 436	8 187 542
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:						
Payments to SA Government	-	-	-	-	18	7 032 787
Employee expenses	-	-	48	-	-	260 626
Supplies and services	40	-	94	-	3	5 041
Interest	-	-	-	-	-	284 819
Grants, subsidies and transfers	1 076	-	-	-	-	542 691
Depreciation	-	-	14	-	-	14
Other expenses	-	2	(19)	12 024	1 770	57 689
Total Administered Expenses	1 116	2	137	12 024	1 791	8 183 667
OPERATING SURPLUS (DEFICIT)	1 155	44	(92)	-	645	3 875

(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 for taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants, subsidies and transfers to public sector agencies, the private sector and communities and the transfer of revenues to the Consolidated Account.

The administered financial statements also include some transactions relating 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 Sale/Lease Proceeds Account
- Home Purchases Assistance Account
- Hospitals Fund
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- TAB Sales Proceeds Account
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account

31. 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.

31.1 Comparatives

Comparative figures have been adjusted to align the classification of some revenue and expense items with whole-of-government reporting under accounting standard AAS 31 'Financial Reporting by Governments'. The significant changes for revenue have been the transfer of income tax equivalents and local government rate equivalents previously reported under dividend and distributions to taxation. The major change for expenses included items titled 'Transfers to entities within SA Government' being moved from employee expenses, and supplies and services to grants, subsidies and transfers.

The 2003-04 financial statements did not include the figures for the Community Services Emergency Fund, which is a control account established to record all fixed property revenue collected by RevenueSA and transferred to the Community Emergency Services Fund administered by the Attorney-General's Department. These figures were incorporated in the financial statements prepared by Attorney General's, however a review of the account during 2004-05 resulted in the view that the transactions should also be incorporated in these statements. The comparatives have been adjusted for this change.

31.2 Administrative Restructure

In August 2003 the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* (the Restructuring Act) was proclaimed and the *National Wine Centre Act 1997* was repealed. As a result the corporate body known as the 'National Wine Centre' was dissolved and all of its assets and liabilities were vested with the Treasurer.

31.3 Depreciation and Amortisation of Non-Current Assets

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

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight Line	40

32. Taxation

Taxation received/receivable from Entities within the SA Government:

	2005	2004
	\$'000	\$'000
Payroll tax	163 259	155 924
Land tax	113 457	82 844
Emergency Services Levy	1 621	1 794
Local Government rate equivalents	2 955	1 845
Income Tax Equivalents	134 426	105 177
Recoup from Recreation and Sport	-	253
Contribution from Lotteries Commission	75 308	75 615
Total Taxation - SA Government Entities	491 026	423 452

32. Taxation (continued)	2005	2004
Taxation received/receivable from entities external to the SA Government:	\$'000	\$'000
Stamp duties	1 104 095	1 120 623
Commonwealth Places Mirror - Stamp duties	689	1 400
Payroll tax	731 715	699 807
Commonwealth Places Mirror - Payroll tax	15 660	14 974
Land tax	161 066	116 937
Commonwealth Places Mirror - Land tax	808	705
Debits tax	60 063	59 901
Commonwealth Places Mirror - Debits tax	415	414
Emergency Services Levy	62 721	55 708
Local Government rate equivalents	661	-
Save the River Murray levy	19 351	12 773
Hindmarsh Island Bridge levy	13	-
Contributions from on-course totalizators and small lotteries	760	1 206
Total Taxation - Non-SA Government Entities	2 158 017	2 084 448
Total Taxation	2 649 043	2 507 900
33. Commonwealth Revenues		
Commonwealth General Purpose Grants:		
GST revenue grants	3 291 365	3 146 430
Competition grants	50 409	40 679
Transitional grant overpayment (recovery)	-	(34 715)
Commonwealth Places Mirror taxes	17 573	17 493
Total Commonwealth General Purpose Grants	3 359 347	3 169 887
Commonwealth Specific Purpose Grants:		
Concessions to pensioners and others	18 862	18 297
Debt redemption assistance	3 745	3 773
Additional First Home Owner grant	35	-
Total Commonwealth Specific Purpose Grants	22 642	22 070
Total Commonwealth Revenues	3 381 989	3 191 957
34. Dividends		
Administrative and Information Services	102 857	71 411
Forestry SA	11 566	21 793
Land Management Corporation	2 180	51 479
Lotteries Commission	6 374	-
Motor Accident Commission	-	5 000
Public Trustee Office	1 372	1 176
SA Water Corporation	165 189	164 110
South Australian Asset Management Corporation	73 200	58 500
South Australian Government Financing Authority	37 564	19 000
TransAdelaide	2 296	2 296
Transport SA	472	2 961
Other	-	355
Total Dividends	403 070	398 081
35. Interest		
Interest from entities within the SA Government	156 877	150 364
Other	2 275	2 660
Total Interest	159 152	153 024
36. Revenues from/Payments to SA Government		
Revenues from SA Government:		
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i>	1 002 038	1 110 974
Appropriations under other Act	61 851	57 876
Total Revenues from SA Government	1 063 889	1 168 850
Payments to SA Government:		
Transfer of revenue received on behalf of Consolidated Account	6 869 145	6 240 538
Payment to SAFA for retirement of state debt	-	26 049
Other payments to the Consolidated Account	163 642	154 718
Total Payments to SA Government	7 032 787	6 421 305
37. Fees and Charges		
Food and beverage sales	-	68
Other	-	54
Total Fees and Charges	-	122

38. Other Revenues	2005	2004		
Other revenues received/receivable from entities within the SA Government:	\$'000	\$'000		
Contributions towards public hospital costs	146 051	137 200		
Repayment of advances	116 991	33 995		
Return of cash to Consolidated Account - Cash Alignment Policy	150 474	-		
Return of capital	42 432	-		
Return of deposit account balances	15 059	-		
Guarantee fees	18 782	17 370		
Essential Services Commission of SA	4 632	4 924		
Light motor vehicle fleet - Rental payment recoveries	3 026	4 854		
Support services to Parliamentarians	796	1 151		
Other	25 086	18 692		
Total Other Revenues - SA Government Entities	523 329	218 186		
Other revenues received/receivable from entities external to the SA Government:				
Support services to Parliamentarians	127	55		
Other	6 943	9 626		
Total Other Revenues - Non-SA Government Entities	7 070	9 681		
Total Other Revenues	530 399	227 867		
39. Employee Expenses				
Superannuation contribution to various schemes	249 779	243 765		
Support services to Parliamentarians	10 566	9 967		
Minister's salary, electorate and expense allowance	233	225		
Other employee related expenses	48	38		
Total Employee Expenses	260 626	253 995		
40. Supplies and Services				
Supplies and services provided by entities within the SA Government:				
Support services to Parliamentarians	2 308	1 859		
General administration	696	1 792		
Total Supplies and Services - SA Government Entities	3 004	3 651		
Supplies and services provided by entities external to the SA Government:				
Unclaimed monies	709	110		
Support services to Parliamentarians	1 322	2 005		
General administration	2	291		
Consultants	4	407		
Total Supplies and Services - Non-SA Government Entities	2 037	2 813		
Total Supplies and Services	5 041	6 464		
The expenditure split between SA Government entities and Non-SA Government entities is based on a materiality threshold of \$100 000.				
The number and dollar amount of consultancies paid/payable that fell within the following bands:	2005	2004	2005	2004
	Number	Number	\$'000	\$'000
Below \$10 000	1	1	4	1
Between \$10 000 and \$50 000	-	-	-	-
Above \$50 000	-	1	-	406
	1	2	4	407
41. Grants, Subsidies and Transfers	2005	2004		
Grants, subsidies and transfers paid to entities within the SA Government:	\$'000	\$'000		
Recurrent grants	410 521	471 983		
Capital grants	-	-		
Total Grants, Subsidies and Transfers - SA Government Entities	410 521	471 983		
Grants, subsidies and transfers paid to entities external to the SA Government:				
Recurrent grants	132 170	170 655		
Capital grants	-	893		
Total Grants, Subsidies and Transfers - Non-SA Government Entities	132 170	171 548		
Total Grants, Subsidies and Transfers	542 691	643 531		
42. Depreciation				
Buildings	14	523		
Total Depreciation	14	523		

Change in Depreciation due to a Revaluation

The National Wine Centre's buildings and land were revalued downwards at 30 June 2004. As a result of the revaluation, depreciation on the building assets will decrease in subsequent reporting periods.

43. Other Expenses	2005	2004
Other expenses paid/payable to entities within SA Government:	\$'000	\$'000
Repayment of borrowings	4 436	7 762
Other	8 960	1 394
Total Other Expenses - SA Government Entities	13 396	9 156
Other expenses paid/payable to entities external to the SA Government:		
Asset revaluation decrement	-	26 826
Refunds and remissions	39 458	28 010
Payment to TABQ under sales agreement	-	4 374
Other	4 835	7 100
Total Other Expenses - Non-SA Government Entities	44 293	66 310
Total Other Expenses	57 689	75 466
44. Cash		
Deposits with the Treasurer	1 027 470	385 266
Other	42 400	41 000
Total Cash	1 069 870	426 266
45. Receivables		
Current:		
Receivables	47	63
Provision for doubtful debts	(4)	(25)
Accrued revenues	8 588	6 867
GST receivables	-	6 491
Total Receivables	8 631	13 396
SA Government/Non-SA Government Entities Receivables		
Receivables from SA Government entities:		
Receivables	40	-
Accrued revenues	8 259	6 569
Total Receivables from SA Government Entities	8 299	6 569
Receivables from Non-SA Government Entities:		
Receivables	3	38
Accrued revenues	329	298
GST receivables	-	6 491
Total Receivables from Non-SA Government Entities	332	6 827
Total Receivables	8 631	13 396
46. Other Financial Assets		
Other Financial Assets from Non-SA Government Entities:		
Current:		
Investments with Adelaide Bank	108	131
Total Current Other Financial Assets	108	131
Non-Current:		
Investments with Adelaide Bank	115	223
Total Non-Current Other Financial Assets	115	223
Total Other Financial Assets	223	354
These assets have liabilities with corresponding values in the accounts and are disclosed in Note 49.		
47. Property, Plant and Equipment		
Buildings:		
Buildings at cost (deemed fair value)	539	539
Accumulated depreciation	(14)	-
Total Buildings	525	539
Land:		
Land at cost (deemed fair value)	13	13
Total Land	13	13
Total Property, Plant and Equipment	538	552

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 Statement 3 'Valuation of Non-Current Assets'. This approach resulted in the site being revalued downwards to \$552 000.

Reconciliation of Property, Plant and Equipment

	Buildings \$'000	Land \$'000	Total 2005 \$'000
Carrying amount at 1 July	539	13	552
Depreciation expense	(14)	-	(14)
Carrying Amount at 30 June	525	13	538

48. Payables	2005	2004
Current:	\$'000	\$'000
Electricity entities - Lease proceeds	2 322	2 115
Creditors - Other	1 004 277	372 405
Accrued expenses	16 055	12 652
GST payable	49	-
Total Current Payables	1 022 703	387 172
Non-Current:		
Electricity entities - Lease proceeds	502 338	504 660
Total Non-Current Payables	502 338	504 660
Total Payables	1 525 041	891 832

SA Government/Non-SA Government Entities Payables

Payables from SA Government entities:		
Electricity entities - Lease proceeds	504 660	506 775
Creditors	1 004 276	372 405
Accrued expenses	15 393	7 597
Total Payable from SA Government Entities	1 524 329	886 777
Payables from Non-SA Government Entities:		
Creditors	1	-
Accrued expenses	662	5 055
GST payable	49	-
Total Payables from Non-SA Government Entities	712	5 055
Total Payables	1 525 041	891 832

49. Interest Bearing Liabilities		
Current:		
Adelaide Bank	108	131
Total Current Interest Bearing Liabilities	108	131
Non-Current:		
Adelaide Bank	115	223
Total Non-Current Interest Bearing Liabilities	115	223
Total Interest Bearing Liabilities	223	354

These liabilities have assets with corresponding values in the accounts and are disclosed in Note 46.

50. Other Liabilities		
Current:		
Unearned revenue	1 791	25
Total Current Liabilities	1 791	25
Non-Current:		
Unearned revenue	930	955
Total Non-Current Liabilities	930	955
Total Other Liabilities	2 721	980

51. Equity		
Accumulated Deficit:		
Balance at 1 July	(452 598)	(421 344)
Operating surplus (deficit)	3 875	(60 287)
Net revenue from administrative restructure	-	29 033
Balance at 30 June	(448 723)	(452 598)

54. Net Revenue from Administrative Restructure (continued)

On 21 August 2003, the Restructuring Act was proclaimed as coming into operation on that day. As a consequence, the body corporate known as the National Wine Centre was dissolved and the assets and the liabilities of the Centre vested in the Treasurer.

55. 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 2005 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 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 five 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 2005 is capped at \$350 000.
- Under an agreement, date 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 2005 is capped at \$1 500 000.

56. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and building 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.

57. Cash Flow Reconciliation

	2005	2004
(a) Reconciliation of Cash	\$'000	\$'000
Cash at 30 June per:		
Statement of Cash Flows	1 069 870	426 266
Statement of Financial Position	1 069 870	426 266
(b) Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating Surplus (Deficit)		
Net cash inflows (outflows) from operating activities	643 604	(637 644)
Add: Non-cash items:		
Asset revaluation decrement	-	(26 826)
Depreciation	(14)	(523)
Grant and subsidies for no consideration	-	(752)
Net liabilities from administrative restructure	-	95
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	(4 765)	4 490
(Increase) Decrease in payables	(633 209)	601 853
(Increase) Decrease in other liabilities	(1 741)	(980)
Operating Surplus (Deficit)	3 875	(60 287)

58. Events after Balance Date

In May 2005, Cabinet approved the transfer of responsibility for the administration of various industry assistance programs from the Department of Trade and Economic Development to the Department of Treasury and Finance. The programs comprise the Industry Investment Attraction Fund, the Rail Reform Transition Program, the Structural Adjustment Fund for South Australia and the Strategic Industry Support Fund. The transfer will be effective from 1 July 2005 and these functions are therefore not incorporated within the 2004-05 financial statements.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

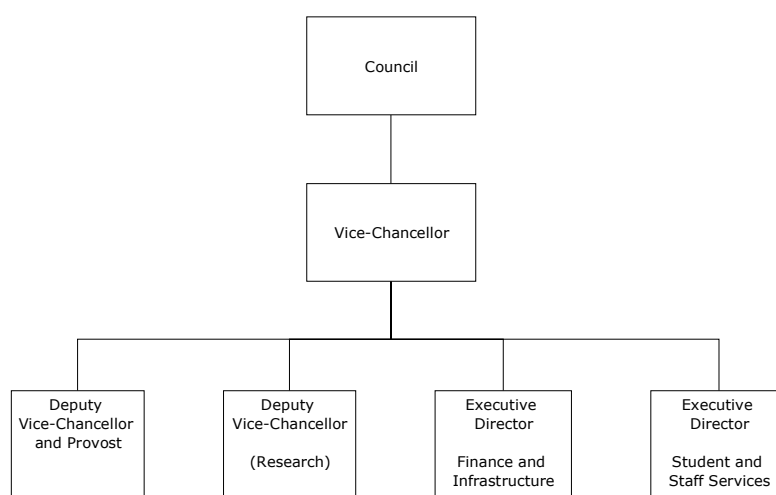
The University is established by the *University of Adelaide Act 1971*.

Functions

The University's major product and service is the provision of higher education and research.

Structure

The structure of the University of Adelaide is illustrated in the following organisation chart.



The University is dependent to a large extent on Commonwealth Government grants which may be approved for general spending or for specific purposes. In addition to these sources of funds, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2004 the University had a number of controlled entities as detailed in Notes 2 and 30 to the Financial Statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the 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 2004, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants, student fees and sundry raisings
- student financial system
- non-current assets, including revaluation of land
- liabilities, including provisions and borrowings
- general ledger
- internal audit activities.

Audit also completed a review of key aspects of the University's PeopleSoft system. This system is used to administer student records and financial transactions and consequently is critical to the University's operations. The review focus was directed to aspects of information security access controls, operational and business continuity considerations.

The audits of the controlled entities for the year ending 31 December 2004 were carried out by private accounting firms.

The work done by the internal auditor was considered in designing the audit programs.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, 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 of the economic entity as at 31 December 2004, their financial performance 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 Student Debtors, 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.

Student Debtors

The audit indicated that there was inadequate follow-up of outstanding student debtors. Both the level of outstandings and the provision for doubtful debts had increased.

The University advised that a more comprehensive approach has been taken, in 2005, in following-up outstanding student fees.

Accounting Policies and Procedures

The University has undertaken significant work to prepare an updated accounting policies and procedures manual, however, those policies and procedures remain in draft form and therefore have not been approved nor have they been promulgated to relevant staff.

The University indicated that the policies and procedures are being given a high priority and will be promulgated to relevant personnel in 2005 and 2006.

PeopleSoft Computer Processing Environment

The PeopleSoft Financial System is used to administer the University's financial information. Audit undertook a review of the PeopleSoft Financial System and its Computer Processing Environment (CPE).

The review identified weaknesses associated with access to the financial system, systems operations and maintenance and backup and recovery. It is important to note that at the time of this review the University was undertaking an upgrade of its financial system.

Issues identified included:

PeopleSoft Financial System

- excessive access privileges granted to users of the financial system;
- absence of formal procedures for removing and deactivating users and lack of ongoing review of user activity.

Computer Processing Environment

- sharing of database access;
- lack of effective control over passwords that allow access to the operating system;
- quality assurance checklists covering system performance functionality were not completed in some instances and formal approvals of changes to the system were not obtained in all instances;
- there was an identified need for the documentation of procedures relating to the handling, management and periodic testing of backup tapes to demonstrate system recovery should an adverse event occur.

The University's response indicated that the audit findings had been actioned. A number of issues had been addressed during an upgrade of the financial system which was completed in December 2004. Specific corrective action included:

PeopleSoft Financial System

- specific user roles with system-based access and security were created to ensure adequate segregation of duties exists. There was a substantial reduction in the number of users given access to the upgraded financial system;
- as part of the financial system upgrade, formal procedures were established to improve the monitoring of users.

Computer Processing Environment

- reviewed and investigated certain measures to strengthen control access to database functionality and the operating system;
- formalised the use of a structured quality assurance methodology associated with system implementation and maintenance processes;
- procedures have been formalised with regard to system backup arrangements, together with filling a new staff position to manage backup and computer operation processes.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS (CONSOLIDATED)

Highlights of Financial Statements

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Commonwealth Government financial assistance	232	228	2
HECS - Student contributions	7	6	17
Fees and charges	68	57	19
Other	115	105	10
Total Operating Revenue	422	396	7
OPERATING EXPENSES			
Employment benefits	218	197	11
Other expenses	180	175	3
Total Operating Expenses	398	372	7
Surplus	24	24	-

	2004	2003	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	109	93	17
Non-current assets	707	681	4
Total Assets	816	774	5
LIABILITIES			
Current liabilities	58	48	21
Non-current liabilities	57	55	4
Total Liabilities	115	103	12
EQUITY	701	671	4

Operating Revenues

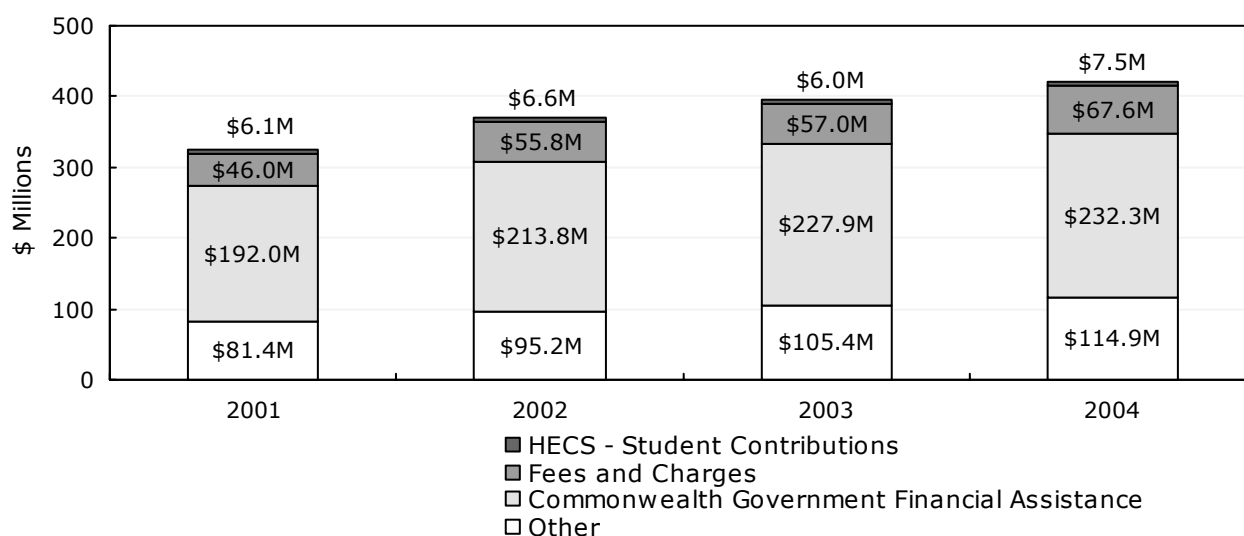
Operating revenue increased by \$26.1 million to \$422.4 million mainly as a result of an increase in:

- Commonwealth Government financial assistance of \$4.4 million;
- investment income of \$8 million;
- Student fee income of \$11.1 million.

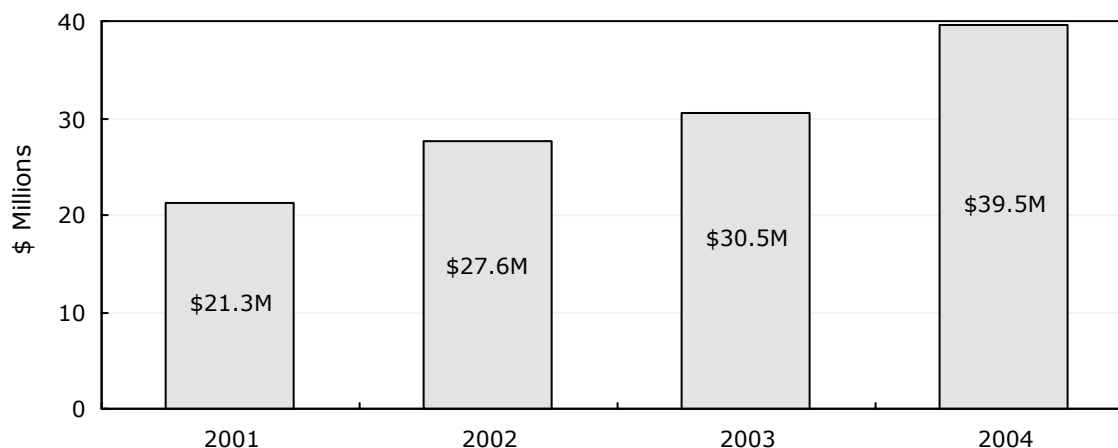
The increase in investment income is mainly the result of an increase in a net realised gain of \$2.2 million on the composite fund investments and a increase of \$4.1 million resulting from a market value adjustment for the general and specific funds.

Fees from international fee paying students increased by \$9 million to \$39.5 million.

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



The following chart highlights the general upward trend in the revenue received from international fee paying students.



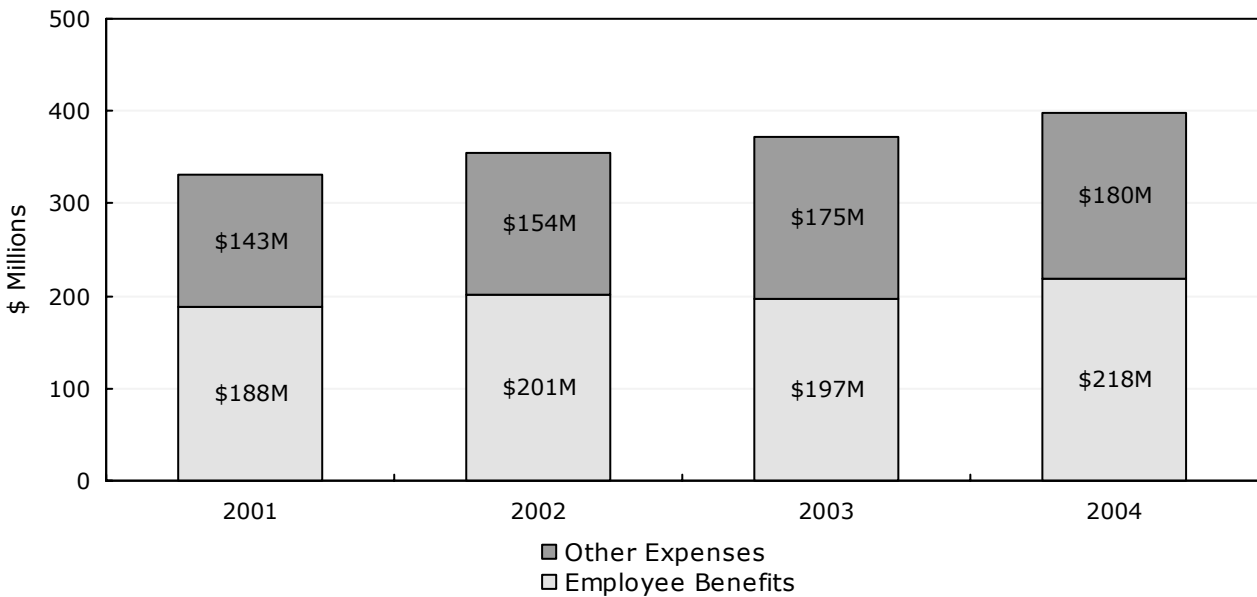
Operating Expenses

Operating expenditure increased by \$25.9 million to \$398.1 million and is attributed mainly to:

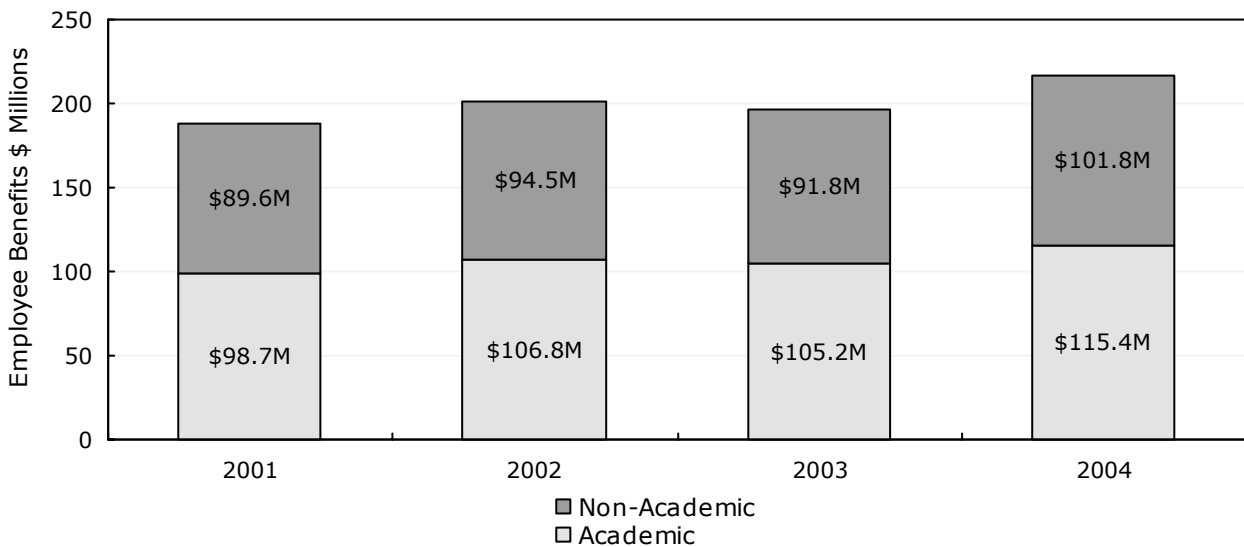
- an increase in employee benefits of \$21.5 million;
- an increase in teaching and research materials of \$8.7 million;
- a reduction in the disposals of assets whereby the written down value of these assets decreased by \$9.0 million.

Increases resulting from enterprise bargaining and additional research activities were the major reasons for the increased cost of employee benefits

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



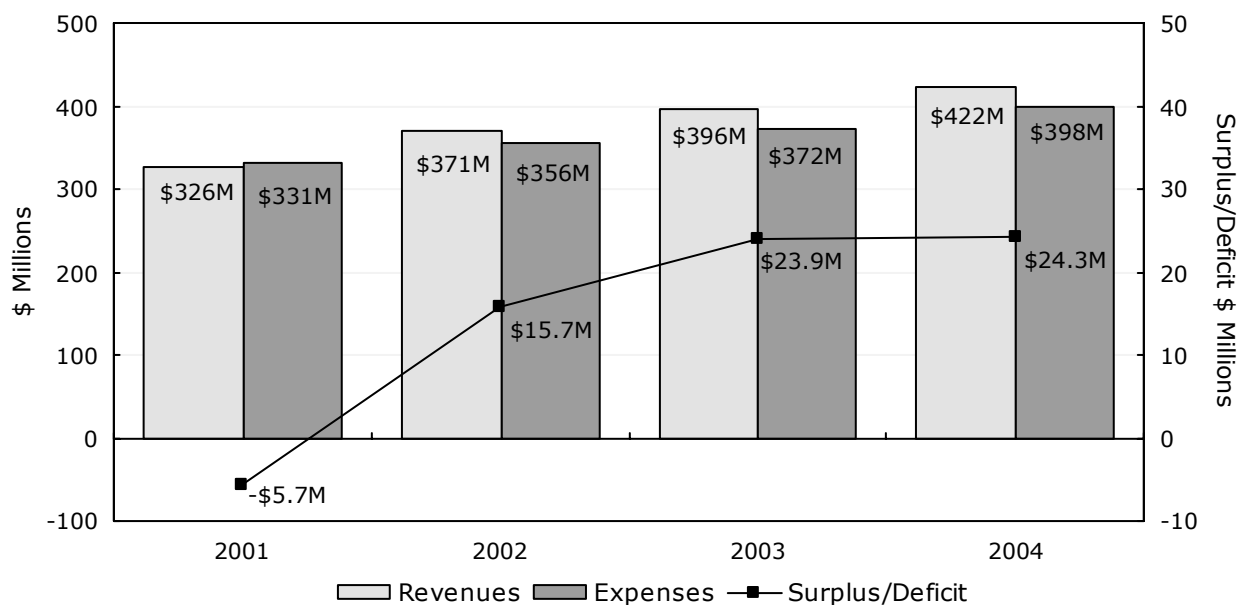
The following chart shows that the proportion of academic to non-academic employee benefits has remained fairly static over the last four years.



Operating Result

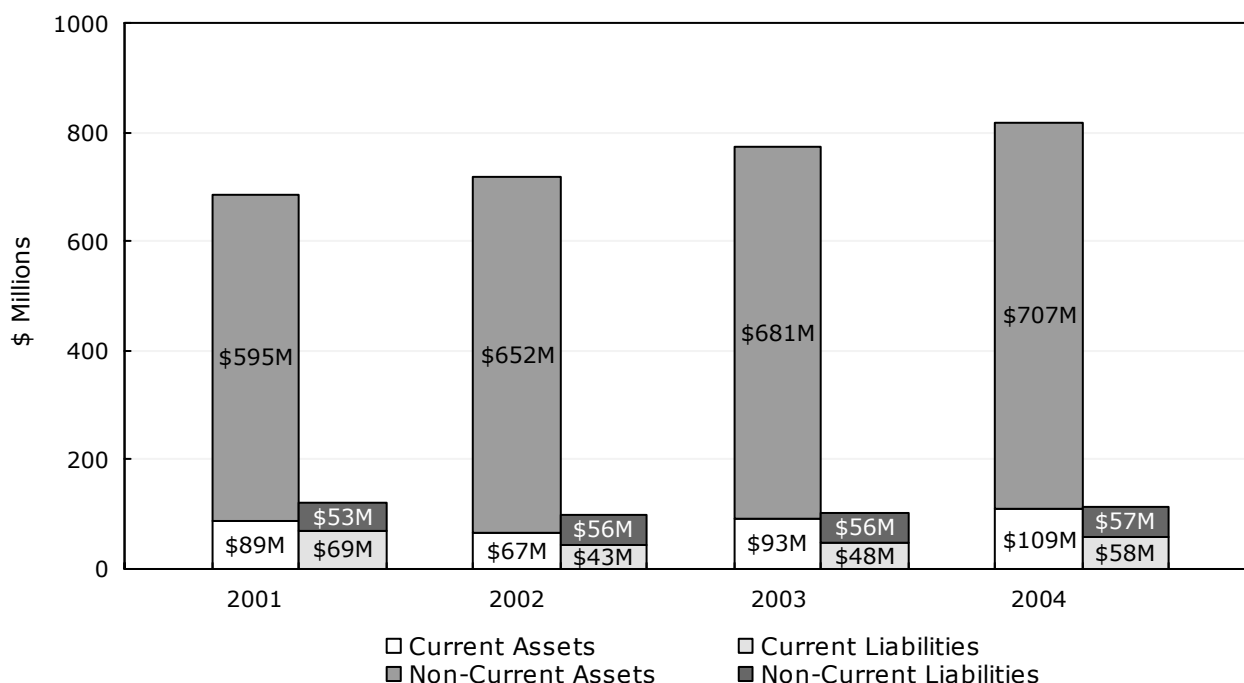
The consolidated operating surplus for the year was \$24.3 million (\$23.9 million). The University operations disclose a surplus of \$21.6 million (\$20.2 million).

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



Statement of Financial Position

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



In 2004, the value of the Composite Fund increased by \$13.7 million to \$65.1 million and contributed to the increase in non-current assets. Notes 3(i) and 8 to the Financial Statements provide details of the Composite Fund.

Statement of Cash Flows

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

	2004	2003	2002	2001
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	48.3	46.8	23.1	14.3
Investing	(27.2)	(17.0)	(18.8)	(22.6)
Financing	(0.2)	(0.2)	(20.2)	-
Change in Cash	20.9	29.6	(15.9)	(8.3)
Cash at 31 December	74.7	53.8	24.2	40.1

The increase in cash held at 31 December 2004 is directly related to the net cash generated by the operating activities of the University.

Statement of Financial Performance for the year ended 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES:					
Received under <i>Higher Education Funding Act 1988</i> :					
Base operating financial assistance		99 692	105 375	99 692	105 375
Other operating financial assistance		5 570	5 428	5 570	5 428
Higher Education Contribution Scheme		47 854	47 370	47 854	47 370
		153 116	158 173	153 116	158 173
Learning and Teaching:					
Student fees	5	54 454	42 051	54 454	42 051
Grants		15 453	14 004	15 453	14 004
		69 907	56 055	69 907	56 055
Research Grants and Fees:					
National competitive grants		51 316	49 365	51 316	49 365
Public sector - Other		19 760	14 110	19 540	13 890
Industry and other		13 419	11 481	13 419	11 481
		84 495	74 956	84 275	74 736
Research Other:					
Cooperative Research Centre direct funding		7 754	5 691	7 754	5 691
Research infrastructure program		12 953	11 893	12 953	11 893
		20 707	17 584	20 707	17 584
Other:					
Investment revenue	5	18 197	10 176	16 390	8 663
Property revenue	5	6 693	6 590	6 693	6 590
Specialist services and trading	5	45 134	44 454	16 501	15 402
Deferred employee superannuation benefits	24	900	(400)	900	(400)
Other	5	20 553	27 335	20 815	26 226
		91 477	88 155	61 299	56 481
Total Operating Revenue from Ordinary Activities		419 702	394 923	389 304	363 029
Share of net profits of associates and joint ventures accounted for using the equity method	5	2 708	1 423	-	-
Total Revenue from Ordinary Activities		422 410	396 346	389 304	363 029
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Salaries and related expenses	3(o), 6	214 514	194 834	202 782	185 505
Student services		19 794	17 308	19 794	17 308
Teaching and research materials		44 531	35 792	44 491	35 779
Building and grounds		21 241	19 749	21 241	19 749
Borrowing costs	6	155	150	143	133
Administration, communication and travel		57 581	55 471	39 899	37 037
Finance and fund administration		1 308	2 271	1 873	2 271
Misc equipment, depreciation and WDV of assets sold		35 460	44 900	33 941	43 247
Deferred and HEFA superannuation	6	3 555	1 763	3 555	1 763
		398 139	372 238	367 719	342 792
Total Operating Expenses from Ordinary Activities		398 139	372 238	367 719	342 792
OPERATING SURPLUS BEFORE MINORITY INTERESTS		24 271	24 108	21 585	20 237
Operating surplus (deficit) attributable to outside equity interest	30	58	(257)	-	-
OPERATING SURPLUS FROM ORDINARY ACTIVITIES		24 329	23 851	21 585	20 237
CHANGE IN EQUITY - NET INCREASE (DECREASE):					
Outside equity interest		(158)	137	-	-
Asset revaluation reserve	19	6 238	25 371	5 624	27 178
TOTAL CHANGES IN EQUITY		30 409	49 359	27 209	47 415

Statement of Financial Position as at 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS:					
Cash		13 991	14 925	2 651	4 696
Receivables	7	19 704	23 269	16 739	20 005
Other financial assets	8	65 613	44 728	62 596	41 493
Inventories	9	4 364	4 131	1 754	1 809
Other non-financial assets	10	5 383	6 016	3 021	3 681
Total Current Assets		109 055	93 069	86 761	71 684
NON-CURRENT ASSETS:					
Other financial assets	8	77 551	63 512	124 186	112 742
Investments accounted for using the equity method	11	4 938	2 230	363	363
Property, plant and equipment	12	584 449	576 293	545 506	536 608
Intangibles	13	127	142	-	-
Other non-financial assets	10	1 273	1 340	1 273	1 340
Deferred Government superannuation contribution	24	38 300	37 400	38 300	37 400
Total Non-Current Assets		706 638	680 917	709 628	688 453
Total Assets		815 693	773 986	796 389	760 137
CURRENT LIABILITIES:					
Payables	14	32 784	26 160	23 227	18 498
Interest-bearing liabilities	15	108	114	6	6
Provisions	16	12 677	10 434	11 863	9 768
Deferred Government superannuation benefits	24	3 000	3 000	3 000	3 000
Other	17	8 940	8 049	8 676	8 049
Total Current Liabilities		57 509	47 757	46 772	39 321
NON-CURRENT LIABILITIES:					
Payables	14	2 399	2 326	2 393	2 324
Interest-bearing liabilities	15	129	209	81	87
Provisions	16	19 386	18 734	19 339	18 710
Deferred Government superannuation benefits	24	35 300	34 400	35 300	34 400
Total Non-Current Liabilities		57 214	55 669	57 113	55 521
Total Liabilities		114 723	103 426	103 885	94 842
NET ASSETS		700 970	670 560	692 504	665 295
EQUITY:					
Capital reserves	19	457 693	451 455	471 785	466 161
Specific purpose reserves	19	141 201	123 029	141 201	123 029
Accumulated results - of operations	19	100 199	94 041	79 518	76 105
Total University Interests		699 093	668 525	692 504	665 295
Accumulated results - Outside equity interest		1 877	2 035	-	-
TOTAL EQUITY		700 970	670 560	692 504	665 295

Statement of Cash Flows for the year ended 31 December 2004

	Consolidated		University	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	Inflows	Inflows	Inflows	Inflows
INFLOWS:	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Commonwealth Government Financial Assistance: Note	\$'000	\$'000	\$'000	\$'000
Teaching and learning	62 918	67 635	62 918	67 635
HECS and other loan programmes	45 127	41 701	45 127	41 701
Scholarships	5 323	5 013	5 323	5 013
DEST research	52 809	53 644	52 809	53 644
ARC - Discovery	9 391	9 431	9 391	9 431
ARC - Linkages	11 357	7 866	11 357	7 866
Other Commonwealth Government financial assistance	48 574	37 984	48 574	37 984
State and Local Government financial assistance	14 611	15 641	14 391	15 421
HECS - Student contributions	7 525	7 904	7 525	7 904
Student fees	51 126	41 451	51 126	41 451
Fees and charges	18 428	13 325	17 316	12 282
Donations and bequests	6 018	7 426	7 252	7 426
Investment income received	4 516	5 491	5 011	6 007
Consultancy and contract research	35 352	33 181	24 309	22 678
Specialist services and produce trading	25 457	29 374	9 923	11 625
Other	12 960	4 504	10 933	3 978
Total Inflows	411 492	381 571	383 285	352 046
OUTFLOWS:				
Salaries and related expenses	(214 956)	(192 490)	(203 561)	(183 303)
Student services	(19 560)	(17 322)	(19 520)	(17 308)
Goods and services	(128 550)	(124 703)	(113 171)	(106 053)
Interest paid	(155)	(292)	(143)	(275)
Total Outflows	(363 221)	(334 807)	(336 395)	(306 939)
Net Cash provided by Operating Activities	48 271	46 764	46 890	45 107
CASH FLOWS FROM INVESTING ACTIVITIES:				
INFLOWS:				
Proceeds from sale of property, plant and equipment	1 392	10 221	1 118	9 624
Proceeds from sale of investments	4 464	5 061	2 630	3 889
Increase in borrowings	17	-	-	-
Repayment of loan	1 023	184	1 023	483
Total Inflows	6 896	15 466	4 771	13 996
OUTFLOWS:				
Payments for property, plant and equipment	(28 047)	(32 183)	(26 068)	(29 553)
Payments for interest in joint ventures	-	(98)	-	-
Increase in investments	(6 067)	-	(6 067)	-
Decrease in borrowings	(6)	(8)	(6)	(7)
Additional lending	-	(176)	-	(176)
Total Outflows	(34 120)	(32 465)	(32 141)	(29 736)
Net Cash used in Investing Activities	(27 224)	(16 999)	(27 370)	(15 740)
CASH FLOWS FROM FINANCING ACTIVITIES:				
OUTFLOWS:				
Repayment of borrowings	(97)	(91)	-	-
Dividends paid to minority interests	(100)	(120)	-	-
Total Outflows	(197)	(211)	-	-
Net Cash used in Financing Activities	(197)	(211)	-	-
NET INCREASE IN CASH HELD	20 850	29 554	19 520	29 367
CASH AT 1 JANUARY	53 795	24 253	43 214	13 859
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	95	(12)	95	(12)
CASH AT 31 DECEMBER	74 740	53 795	62 829	43 214

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 applicable Australian Accounting Standards and Urgent Issue Group Consensus Views, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Commonwealth Department of Education, Science and Training (DEST).

2. Scope of Reporting

The financial statements and notes disclose the operating results and 2003 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 accounts for the University's interests in associated entities and its joint venture operations. Refer to Note 30 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
- Disc Pty Ltd
- Lubims Pty Ltd
- Martindale Holdings Pty Ltd as trustee for
 - JS Davies Estate
 - JAT Mortlock Trust
- Repromed Pty Ltd
- Reproductive Health Science Pty Ltd

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

The 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 except where there is a change in accounting policy, are consistent with those of the previous year.

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').

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 included in the consolidated financial statements have been eliminated.

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

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 Financial Statements. 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 or when there is a right to receive the grant revenue.

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(i)).

Asset Sales

The gross proceeds of asset sales are included as revenue of the Consolidated Entity. 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 and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian 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 Statement of Financial Position.

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

(f) Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is treated as deferred expenditure and is brought to account in the Statement of Financial Position.

(g) Employee Benefits*Wages, Salaries and Annual Leave*

The employees' entitlements to wages, salaries and annual leave represents 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 expected when leave is taken. The employee on-costs relating to annual leave are reported within 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 employee entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee 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 reported within 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 Statement of Financial Performance. Refer to Note 24 for details relating to the individual schemes.

(h) Doubtful and Bad Debts

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) Other Financial Assets

Funds are invested in the following categories under guidelines determined by the University. Details of these other financial assets are disclosed in Note 8.

Cash on Deposit

These are cash balances held in interest earning facilities with financial institutions.

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 portfolio managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These investments are reported in the Statement of Financial Position at market values obtained from the portfolio managers. Unrealised gains or losses are recognised in the Statement of Financial Performance.

Recognition of movements in value

The movement in value of investments held for trading at the financial year end, is brought to account as income. The movement in value of investments of a non-trading nature is reflected in the asset revaluation reserve.

(j) Investments in Business Undertakings

Controlled Entities

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Statement of Financial Performance when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises 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.

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 Statement of Financial Performance 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 32 (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 year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in Other Joint Ventures, as described in Note 32 (a)(ii), are accounted for using the equity method of accounting.

Other Business Undertakings

The Consolidated Entity holds, through The Adelaide Research and 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 2004 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.

(k) 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 Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(l) Non-Current Assets

Acquisitions

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(m).

Revaluations

During 2002 buildings and works of art were independently valued on a fair value basis in accordance with Australian Accounting Standards and in compliance with changes to the Accounting Policy Statements (APS) pronounced by the Treasurer of South Australia. During 2004 land was independently revalued on a fair value basis. Buildings and works of art were assessed by the valuers as still representing fair value.

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 is recorded at fair value. Fair value for land has been determined on the basis of an independent valuation carried out by Mr N. Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd on 31 December 2004. Buildings are recorded at fair value on the basis of an independent valuation carried out by Mr N Satchell, APPI, B.App.Sc (Val) of Edwards Rushton Australia Pty Ltd on 21 December 2002.

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 Statement of Financial Position. 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 was revalued on 31 December 2004 using an internal valuation based on the annual price movement of books and journals.

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 12 December 2002. No provision for depreciation is made for works of art.

Software

The University capitalises certain software costs with a purchase price greater than \$100 000 and an expected useful life greater than 12 months, together with all external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational.

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.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer to Note 21 Future Expenditure Commitments.

Payments made under operating leases are charged to the Statement of Financial Performance in equal instalments over the accounting periods covered by the lease term.

(m) 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:

	Range
Buildings	20-160 years
Leasehold improvements	10-50 years
Library	5-50 years
Plant and equipment including motor vehicles	5-10 years
Software and implementation costs	3-5 years
Leased plant and equipment	10 years

(n) 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 the past experience. These development factors are used, together with the adopted payment rates, to project payments and estimates for future payment years.

(o) 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.

(p) 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.

(q) Recognition of Donations and Bequests

All donations and bequests received by the University are brought to account as income.

(r) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

(s) Comparative Information

These financial statements and Notes display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DEST.

4. Change in Accounting Policy

(a) Change in Depreciation Method for Buildings

Prior to 2003, buildings were depreciated over their estimated useful lives on a straight line basis. During 2003 the University elected to depreciate buildings on a diminishing value method as this method more closely reflects deterioration of the asset value. The adoption of the diminishing value method resulted in an increase in depreciation expense in 2003 of \$2.7 million.

(b) 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 will be adopted for the entire library collection from 1 January 2005.

(c) Financial Effect of Changes to Commonwealth Payment Arrangements for 2005 Grant Year

Background

Payment to universities in respect of programmes under the *Higher Education Funding Act 1988* (HEFA) are made on the second and last Thursdays of each month. In the recent past, the first payment in respect of a grant year (equalling 8 percent of the total recurrent funding for that year) had been made at the end of December of the previous year.

Funding for most programmes under HEFA ends on 31 December 2004 while most new programmes under the *Higher Education Support Act 2003* (HESA) commence on 1 January 2005. Continuing the current practice of making the first payment in December 2004 for the 2005 grant year would mean that commonwealth payments are treated by majority of universities as revenue for 2004. This has considerable accountability implications for the Australian Government Department of Education, Science and Training (DEST) in administering and accounting for the programme payments.

Higher Education Providers (HEPs) (even those within the same State) do not treat the early payment uniformly and the payment is treated in at least three different ways - as revenue when it is received, as an advance (a liability), and part as revenue and the other as liability. Such varied treatment creates a lack of transparency and distorts both the Commonwealth funding and the HEPs' financial year results.

DEST has announced changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. For the 2005 grant year, the first payment will be made in January 2005 instead of December 2004.

The changes to payment arrangements will mean, that from 2005 reporting period, the financial statements of all higher education providers will accurately reflect the Commonwealth financial assistance in respect of a grant year.

Financial Effects for 2004

Changes to payment arrangements will mean that those 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 Commonwealth funding for the 2004 grant year in their 2004 Statement of Financial Performance.

Financial Effects for 2004 (continued)

To identify the impact of the changed treatment on the operating result, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period.

	\$'000
2004 Revenue from operating activities (per Statement of Financial Performance)	153 116
Add: Grants received in 2003 for 2004 Activities:	
Commonwealth Government financial assistance	9 545
HECS - Commonwealth payments	3 278
Commonwealth loan programmes	-
Total Restated 2004 Revenue from Operating Activities	165 939
Restated 2004 Operating revenue	165 939
Reported 2004 Operating revenue	153 116
Financial Effect on 2004 Operating Result	12 823

The Commonwealth will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

(d) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained surplus as at 1 January 2004.

The consolidated entity has initiated a review of the Australian equivalents to IFRS under the management of the Chief Financial Officer. To date most of the Australian equivalents to IFRS have been analysed and a number of accounting policy changes have been identified. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB '1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Financial Instruments

Under the new AASB 132 'Financial Instruments: Disclosure and Presentation' the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the new AASB 139 'Financial Instruments: Recognition and Measurement' there may be impacts as a result of financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. It is most likely that investments in equity securities will be classified as held for trading and measured at fair value, with changes in fair value recognised in the University's operating result. This treatment is similar to the current treatment of unrealised gains and losses.

(ii) Internally Developed Software

Under the new AASB 138 'Intangible Assets' intangibles internal costs incurred to develop software are to be expensed and not capitalised. The internally developed software is currently recognised as property, plant and equipment and will be reclassified to intangibles.

(iii) Property, Plant and Equipment

Under the new AASB 140 'Investment Property', properties held for investment are to be measured at fair value with any adjustments to fair value recognised as revenue or expense. Currently fair value adjustments for investment properties are recognised in the asset revaluation reserve. These adjustments will be derecognised and transferred to accumulated results.

(iv) Post Employment Benefits

Under the new AASB 119 'Employee Benefits' the net position of each defined benefit superannuation scheme must be recognised as an asset or liability, as applicable. AASB 119 was amended in December 2004 to allow an election to recognise movements in the carrying amount of this liability or asset directly to accumulated results. It is the intention of the University to adopt this election and to adopt this amendment from 1 January 2004.

(v) *Impairment of Assets*

Under the new AASB 136 'Impairment of Assets' non-current assets will be subject to assessment for impairment. Impairment must be measured for non-current assets with indications of impairment and for intangible assets not yet available for use. Impairment is measured by comparing the asset's fair value less costs to sell and its value in use. The greater of these two measurements must not exceed the asset's carrying value. 'Value in use' is determined as depreciated replacement cost.

(vi) *Employee Benefits*

In the preparation of the financial statements annual leave is assumed to be paid within 12 months however where annual leave will not be taken within 12 months the balance will be included as non-current and measured as the present value of future cash flows. In accordance with the Department of Treasury and Finance Accounting Policy Statements the discount rate to be applied is the market yield on Government bonds.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

5. Operating Revenue

Student Fee Income Includes:	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Award Courses:				
Australian fee paying undergraduate students	1 419	717	1 419	717
Australian fee paying postgraduate students	3 741	3 480	3 741	3 480
International fee paying students	39 503	30 539	39 503	30 539
	44 663	34 736	44 663	34 736
Non-Award Courses:				
Continuing education	443	371	443	371
Australian fee paying	1 423	978	1 423	978
Other teaching service fees	3 576	2 874	3 576	2 874
	5 442	4 223	5 442	4 223
	50 105	38 959	50 105	38 959
Tuition Fees - Higher Education Funding Act				
Postgraduate Education Loan Scheme	3 576	2 235	3 576	2 235
Overseas postgraduate research scholarship	773	857	773	857
	54 454	42 051	54 454	42 051
Investment Revenue:				
General fund earnings	5 782	4 641	3 631	2 779
Net realised gains on Composite Fund investments	2 690	481	2 690	481
General and Composite Fund investment market valuation adjustment	7 823	3 731	7 823	3 731
Royalty, trademarks and licences	1 621	935	151	343
Dividends received	281	388	170	329
Distribution from controlled entities	-	-	1 925	1 000
	18 197	10 176	16 390	8 663
Property Revenue:				
Rental charges/accommodation fees	4 561	4 103	4 561	4 103
Parking fees	915	940	915	940
Building development and maintenance recovery	391	757	391	757
Other property revenue	826	790	826	790
	6 693	6 590	6 693	6 590
Specialist Services and Trading:				
Consultancy fees	14 596	13 359	3 553	2 849
Library charges and fines	1 027	1 082	1 027	1 082
Sale of services	20 682	18 846	8 469	8 087
Sale of goods	6 497	7 554	2 358	2 203
Sponsorship and conference income	593	630	593	630
Other specialist services and trading	1 739	2 983	501	551
	45 134	44 454	16 501	15 402

5. Operating Revenue (continued)

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Other Revenue:					
Bequests and Donations received for:					
Research		4 092	3 129	4 092	3 129
General operational purposes and capital works		2 139	3 181	3 373	3 616
		6 231	6 310	7 465	6 745
Prizes and scholarships		842	681	842	681
Gross proceeds from sale of assets		1 392	10 221	1 118	9 624
Recharge of costs to other organisations		4 730	1 633	4 730	1 633
Application management and late fee		542	601	542	601
Contribution of assets		-	367	-	367
Assets acquired for nil consideration		-	492	-	492
Franchise fees		867	1 120	867	1 120
Bad debts recoveries		428	6	428	6
Other revenue		5 521	5 904	4 823	4 957
		20 553	27 335	20 815	26 226
Share of net profits (losses) of associates, joint ventures accounted for using the equity method:					
Associates	31	723	1 352	-	-
Joint venture operations	32	1 985	71	-	-
		2 708	1 423	-	-

6. Operating Surplus

Operating surplus is arrived at after crediting and charging the following items:

Credits:

Net Foreign Exchange Gain		95	-	95	-
Proceeds from Sale of Assets:					
Investments		4 464	5 061	2 630	3 889
Property, plant and equipment		1 392	10 221	1 117	9 624
Total Proceeds from Sale		5 856	15 282	3 747	13 513
Carrying Amount of Assets Sold:					
Investments		2 630	3 652	2 630	3 889
Property, plant and equipment		1 077	10 097	833	9 746
Total Carrying Amount of Assets Sold		3 707	13 749	3 463	13 635
Net Gain (Loss) on Sale of Assets		2 149	1 533	284	(122)
<i>Charges:</i>					
Salaries and Related Expenses - Academic:					
Salaries		81 982	74 918	81 982	74 918
Contributions to superannuation schemes:					
Emerging cost		1 538	1 250	1 538	1 250
Funded		10 928	10 033	10 928	10 033
		12 466	11 283	12 466	11 283
Payroll tax		4 984	4 578	4 984	4 578
Annual leave		8 780	7 840	8 780	7 840
Long service leave		2 691	2 057	2 691	2 057
Workers compensation		386	348	386	348
Other		4 122	4 154	4 122	4 154
Total Academic Salaries and Related Expenses		115 411	105 178	115 411	105 178
Salaries and Related Expenses - Non-Academic:					
Salaries		75 333	67 671	64 555	59 155
Contributions to superannuation schemes:					
Emerging cost		1 117	911	1 117	911
Funded		8 914	8 092	8 379	7 611
		10 031	9 003	9 496	8 522
Payroll tax		3 933	3 653	3 857	3 579
Annual leave		6 801	6 283	6 773	6 131
Long service leave		2 148	1 632	2 057	1 612
Workers compensation		388	344	299	273
Other		3 124	3 231	2 989	3 216
Total Non-Academic Salaries and Related Expenses		101 758	91 817	90 026	82 488
Total Academic and Non-Academic Salaries and Related Expenses		217 169	196 995	205 437	187 666
Deferred employee superannuation benefits		900	(398)	900	(398)
Total Salaries and Related Expenses		218 069	196 597	206 337	187 268

6. Operating Surplus (continued)

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Emerging cost		2 655	2 161	2 655	2 161
Deferred employee superannuation benefits		900	(398)	900	(398)
		3 555	1 763	3 555	1 763
Salaries and related expenses		214 514	194 834	202 782	185 505
Total Salaries and Related Expenses		218 069	196 597	206 337	187 268
Bad and Doubtful Debts Cost:					
Student loans		15	205	15	205
Student tuition		176	462	176	462
Other debtors		445	233	897	138
		636	900	1 088	805
Amortisation of Intangibles:					
Goodwill		15	7	-	-
Amortisation:					
Leasehold improvements		307	289	127	114
Software and system development costs		3 385	3 470	3 385	3 470
		3 692	3 759	3 512	3 584
Depreciation:					
Buildings		8 859	8 900	8 765	8 828
Plant, equipment and motor vehicles		6 249	5 833	5 092	4 779
Library collection		6 488	6 380	6 488	6 380
		21 596	21 113	20 345	19 987
Net Foreign Exchange Loss		-	12	-	12
Borrowing Costs:					
Interest		12	33	-	16
Finance charges		143	117	143	117
		155	150	143	133

7. Receivables

	3(h)				
Current:					
Student tuition fees		3 051	2 861	3 051	2 861
Less: Provision for doubtful debts		(664)	(462)	(664)	(462)
		2 387	2 399	2 387	2 399
Sundry and trade debtors		18 993	21 952	15 467	18 458
Less: Provision for doubtful debts		(1 755)	(1 153)	(1 175)	(905)
		17 238	20 799	14 292	17 553
Student loans		243	258	243	258
Less: Provision for doubtful debts		(183)	(205)	(183)	(205)
		60	53	60	53
Other		19	18	-	-
		19 704	23 269	16 739	20 005

8. Other Financial Assets

	3(i)				
Current:					
Short-term investment portfolio:					
Cash on deposit		60 749	38 870	60 178	38 518
Other	33	4 692	5 690	-	-
		65 441	44 560	60 178	38 518
Loans:					
Loans to controlled entities		-	-	2 246	2 807
Other loans		172	168	172	168
		172	168	2 418	2 975
		65 613	44 728	62 596	41 493

8. Other Financial Assets (continued)	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-Current:					
Composite Fund at fair value:	3(i)				
Australian fixed interest securities		10 037	8 025	10 037	8 025
Overseas fixed interest securities		6 416	4 349	6 416	4 349
Australian equities		21 665	17 067	21 665	17 067
Overseas equities		19 119	15 905	19 119	15 905
Property trusts		4 442	3 210	4 442	3 210
Cash and liquid assets		2 397	2 798	2 397	2 798
Alternative strategies		1 003	-	1 003	-
		65 079	51 354	65 079	51 354
Managed investment held by Unisure Pty Ltd		7 172	6 934	7 172	6 934
Interest in Business Undertakings:					
Controlled entities	30	-	-	48 645	50 541
Other investments	33	3 927	3 681	1 917	2 370
Other loans		1 373	1 543	1 373	1 543
		77 551	63 512	124 186	112 742
Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.					
9. Inventories	3(k)				
Consumable materials and trading stock		2 116	1 943	1 877	1 909
Livestock		2 371	2 288	-	-
Provision for obsolescence		(123)	(100)	(123)	(100)
		4 364	4 131	1 754	1 809
10. Other Non-Financial Assets					
Current:					
Pre-payments		5 003	4 899	2 682	3 532
Accrued income		380	464	339	149
Other		-	653	-	-
		5 383	6 016	3 021	3 681
Non-Current:					
Prepayments		1 273	1 340	1 273	1 340
11. Investments Accounted for Using the Equity Method					
Associated Entities:	31				
At cost		-	-	298	298
Equity accounted		2 515	1 792	-	-
Joint Venture Entities:	32				
At cost		-	-	65	65
Equity accounted		2 423	438	-	-
		4 938	2 230	363	363
12. Property, Plant and Equipment	3(l)				
12.1 Summary					
Land					
Trust Land:					
At independent valuation 1998		5	5	5	5
At independent valuation 2003		-	92 330	-	92 330
At independent valuation 2004		103 685	-	103 685	-
		103 690	92 335	103 690	92 335
Other Land:					
At cost		220	220	220	220
At independent valuation 1998		499	499	499	499
At Valuer-General's valuation		-	4 625	-	4 625
At independent valuation 2003		-	65 353	-	33 255
At independent valuation 2004		74 816	-	43 765	-
		75 535	70 697	44 484	38 599
Total Land		179 225	163 032	148 174	130 934

12.1 Summary (continued)

	Consolidated		University	
	2004	2003	2004	2003
<i>Buildings</i>	\$'000	\$'000	\$'000	\$'000
Trust Buildings:				
At cost	16 920	1 703	16 920	1 703
At independent valuation 2002	273 391	273 391	273 391	273 391
	290 311	275 094	290 311	275 094
Other Buildings:				
At cost	3 069	2 068	2 716	1 800
At independent valuation 2002	35 815	35 815	33 871	33 871
	38 884	37 883	36 587	35 671
Capital work in progress - At cost	11 320	17 910	11 320	17 910
Total Buildings	340 515	330 887	338 218	328 675
<i>Provision for Depreciation of Buildings</i>				
Trust Buildings:				
At cost	(117)	-	(117)	-
At independent valuation 2002	(15 044)	(7 663)	(15 044)	(7 663)
	(15 161)	(7 663)	(15 161)	(7 663)
Other buildings:				
At cost	(69)	(25)	(37)	(20)
At independent valuation 2002	(2 530)	(1 213)	(2 396)	(1 146)
	(2 599)	(1 238)	(2 433)	(1 166)
Total Provision for Depreciation	(17 760)	(8 901)	(17 594)	(8 829)
Total Buildings Net of Depreciation	322 755	321 986	320 624	319 846
Leasehold Improvements:				
At cost	4 326	3 090	2 491	1 278
Provision for amortisation	(785)	(479)	(390)	(264)
	3 541	2 611	2 101	1 014
Library Collection:				
At cost	-	3 156	-	3 156
At Council valuation 2002	-	55 819	-	55 819
At Council valuation 2004	39 457	-	39 457	-
	39 457	58 975	39 457	58 975
Provision for depreciation	-	(6 380)	-	(6 380)
	39 457	52 595	39 457	52 595
Works of Art:				
At independent valuation 2002	4 188	4 188	4 188	4 188
	4 188	4 188	4 188	4 188
Plant and Equipment:				
At cost	115 631	104 944	105 815	96 563
Provision for depreciation	(80 348)	(73 063)	(74 853)	(68 532)
	35 283	31 881	30 962	28 031
Total Property, Plant and Equipment	584 449	576 293	545 506	536 608

Aggregate depreciation and amortisation allocated during the year is recognised as an expense and disclosed in Note 6 Operating Surplus.

12.2 Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land	Buildings Inc WIP	Leasehold Improve- ments	Library Collections	Works of Art	Plant and Equip- ment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated:							
Opening balance	163 032	321 986	2 611	52 595	4 188	31 881	576 293
Additions	-	9 628	1 237	3 267	-	13 915	28 047
Disposals	-	-	-	(197)	-	(879)	(1 076)
Revaluation:							
Increments (decrements)	16 193	-	-	(9 720)	-	-	6 473
Depreciation/amortisation	-	(8 859)	(307)	(6 488)	-	(9 634)	(25 288)
Closing Balance	179 225	322 755	3 541	39 457	4 188	35 283	584 449
Parent:							
Opening balance	130 934	319 846	1 014	52 595	4 188	28 031	536 608
Additions	-	9 543	1 214	3 267	-	12 044	26 068
Disposals	-	-	-	(197)	-	(636)	(833)
Revaluation:							
Increments (decrements)	17 240	-	-	(9 720)	-	-	7 520
Depreciation/amortisation	-	(8 765)	(127)	(6 488)	-	(8 477)	(23 857)
Closing Balance	148 174	320 624	2 101	39 457	4 188	30 962	545 506

13. Intangibles	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-Current:				
Goodwill	149	149	-	-
Accumulated amortisation	(22)	(7)	-	-
	127	142	-	-
14. Payables				
Current:				
Accounts payable	23 351	20 412	16 572	14 370
Accruals	9 433	5 748	6 655	4 128
	32 784	26 160	23 227	18 498
Non-Current:				
Accounts payable	2 399	2 326	2 393	2 324
15. Interest-Bearing Liabilities				
Current:				
Bank loans and commercial paper	102	108	-	-
Other	6	6	6	6
	108	114	6	6
Non-Current:				
Bank loans and commercial paper	31	122	-	-
Other	98	87	81	87
	129	209	81	87
16. Provisions				
Current:				
Workers compensation provision	742	741	742	741
Annual and long service leave provision	10 219	8 754	9 405	8 088
Insurance provision	1 716	939	1 716	939
	12 677	10 434	11 863	9 768
Non-Current:				
Workers compensation provision	1 608	1 499	1 608	1 499
Long service leave provision	17 778	17 235	17 731	17 211
	19 386	18 734	19 339	18 710
17. Other Liabilities				
Current:				
Outside funded positions	947	917	947	917
Income in advance	751	290	487	290
Salary and wage deductions	4 097	2 357	4 097	2 357
Student tuition fees received in advance	2 658	2 423	2 658	2 423
Unspent Commonwealth financial assistance	-	842	-	842
Residential bonds	32	20	32	20
Employee benefits - Redundancy	455	1 200	455	1 200
	8 940	8 049	8 676	8 049

18. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 1028 '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 disclosure showing the total liabilities the University has as at 31 December 2004 relating to employee benefits:

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Annual Leave:					
On-costs included in payables - Current		1 183	1 118	1 071	1 037
Employee benefits - Current	16	4 733	4 473	4 285	4 150
		5 916	5 591	5 356	5 187
Long Service Leave:					
On-costs included in payables - Current		742	578	692	532
Employee benefits - Current	16	5 486	4 281	5 120	3 938
		6 228	4 859	5 812	4 470
On-costs included in payables - Non-current	14	2 399	2 326	2 393	2 324
Employee benefits - Non-current	16	17 778	17 235	17 731	17 211
		20 177	19 561	20 124	19 535
		32 321	30 011	31 292	29 192

19. Accumulated Result and Reserves**19.1 Summary**

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Accumulated Result	100 199	94 041	79 518	76 105
Capital Reserves:				
Capital reserve	2 970	2 970	-	-
Capital profits reserve	687	687	-	-
Asset revaluation reserve	174 912	168 674	192 661	187 037
Initial asset recognition reserve	279 124	279 124	279 124	279 124
	457 693	451 455	471 785	466 161
Specific Purpose Reserves:				
Special reserve	55 542	51 669	55 542	51 669
Bequests/donations unspent income reserve	12 651	12 088	12 651	12 088
Restricted purpose bequest capital reserve	53 261	46 310	53 261	46 310
Composite fund revaluation reserve	19 747	12 962	19 747	12 962
	141 201	123 029	141 201	123 029
19.2 Movements in Accumulated Result				
Opening balance	94 041	78 948	76 105	64 619
Add (Less): Net operating result	24 329	23 851	21 585	20 237
Transfer (to) from special reserve	(3 873)	(5 217)	(3 873)	(5 217)
Transfer (to) from bequests/donations unspent income reserve	(563)	327	(563)	327
Transfer (to) from restricted purpose bequest capital	(6 951)	(1 528)	(6 951)	(1 528)
Transfer (to) from composite fund revaluation reserve	(6 785)	(2 333)	(6 785)	(2 333)
Adjustment to outside equity interests	1	(7)	-	-
Closing Balance	100 199	94 041	79 518	76 105
19.3 Movements in Reserves				
Capital Reserve:				
Opening balance	2 970	2 970	-	-
Current year movement	-	-	-	-
Closing Balance	2 970	2 970	-	-
Capital Profits Reserve:				
Opening balance	687	687	-	-
Current year movement	-	-	-	-
Closing Balance	687	687	-	-
Asset Revaluation Reserve:				
Opening balance	168 674	143 303	187 037	159 859
Add (Less): Revaluation increment (decrement) on investments	(235)	(655)	(1 896)	6 306
Add: Revaluation increment on property, plant and equipment	6 473	26 026	7 520	20 872
Closing Balance	174 912	168 674	192 661	187 037
Initial Asset Recognition Reserve:				
Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing Balance	279 124	279 124	279 124	279 124
Special Reserve:				
Opening balance	51 669	46 452	51 669	46 452
Transfer (to) from accumulated funds	3 873	5 217	3 873	5 217
Closing Balance	55 542	51 669	55 542	51 669
Bequests/Donations Unspent Income Reserve:				
Opening balance	12 088	12 415	12 088	12 415
Transfer (to) from accumulated funds	563	(327)	563	(327)
Closing Balance	12 651	12 088	12 651	12 088

19.3 Movements (continued)

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Restricted Purpose Bequest Capital Reserve:				
Opening balance	46 310	44 782	46 310	44 782
Transfer (to) from accumulated funds	6 951	1 528	6 951	1 528
Closing Balance	53 261	46 310	53 261	46 310
Composite Fund Revaluation Reserve:				
Opening balance	12 962	10 629	12 962	10 629
Transfer (to) from accumulated funds	6 785	2 333	6 785	2 333
Closing Balance	19 747	12 962	19 747	12 962

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(l).

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.

Specific Purpose Reserves

Represents a number of reserves generated through a series of specific purpose transactions, and can only be used in accordance with the attributes of the generating transactions, eg composite fund revaluations reserve, bequest/donations reserve etc. In particular, the special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

20. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term investments in money market instruments. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash		13 991	14 925	2 651	4 696
Short term cash investment		60 749	38 870	60 178	38 518
		74 740	53 795	62 829	43 214

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

Operating surplus		24 271	24 108	21 585	20 237
Add (Less): Non-cash items:					
Amortisation	6	3 707	3 766	3 512	3 584
Depreciation	6	21 596	21 113	20 345	19 987
Write down (up) investments		(9 868)	(3 611)	(9 718)	(3 611)
Contributed investments		-	(367)	-	(367)
Bad debts written off		-	(405)	565	(500)
Superannuation expense		(900)	(400)	(900)	(400)
Superannuation revenue		900	400	900	400
Other revenue/expenses		(5 635)	(3 826)	(1 312)	(1 697)
(Profit) Loss on sale of property, plant and equipment		(315)	(124)	(284)	122
Changes in Assets/Liabilities:					
(Increase) Decrease in inventories		(233)	(662)	55	(149)
(Increase) Decrease in receivables		3 565	2 705	3 266	2 712
(Increase) Decrease in other assets		700	(1 958)	727	(1 806)
Increase (Decrease) in payables		6 529	1 312	4 798	2 009
Increase (Decrease) in other current liabilities		891	2 918	627	2 921
Increase (Decrease) in provisions		3 063	1 795	2 724	1 665
Net Cash provided by Operating Activities		48 271	46 764	46 890	45 107

(c) Interest-Bearing Liabilities

Refer to Note 15.

21. Future Expenditure Commitments

	Consolidated		University	
	2004	2003	2004	2003
<i>Operating Expenditure</i>				
Contracted but not provided for and payable:	\$'000	\$'000	\$'000	\$'000
Not later than one year	11 572	12 237	11 572	12 237
Later than one year, but not later than five years	11 580	18 284	11 580	18 284
Later than five years	75	336	75	336
	23 227	30 857	23 227	30 857
<i>Capital Expenditure</i>				
Contracted but not provided for and payable:				
Not later than one year	2 975	4 501	2 975	4 501
Later than one year, but not later than five years	-	98	-	98
Later than five years	-	22	-	22
	2 975	4 621	2 975	4 621
<i>Operating Lease Commitments</i>				
Future operating base rental not provided for and payable:				
Not later than one year	3 061	3 754	2 418	3 213
Later than one year, but not later than five years	5 604	5 370	3 296	3 235
Later than five years	2 451	2 061	789	38
	11 116	11 185	6 503	6 486

22. 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. Refer to Note 24(c).

(ii) UniSuper Limited Superannuation Schemes

Refer to Note 24(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 \$1.7 million under the self insurance component of the University programme. Refer Note 16.

(d) Taxation Claim Involving R and D Syndicate

During August 2000 The Adelaide Research and Innovation Investment Trust was notified by the Australian Taxation Office (ATO) that the Trust may be assessable to income tax in respect of certain income arising from the Transgenic Syndicated R and D Project in the 1991-92 year and following years. The ATO claimed that on the information available to it Adelaide Research and Innovation had not distributed that income to the beneficiary The University of Adelaide. The potential liability to the ATO is \$21 million income tax (plus any penalties and interest). Adelaide Research and Innovation has contested the ATO's view, and its legal advice strongly supports Adelaide Research and Innovation's position that Adelaide Research and Innovation is not properly liable for any tax. The ATO has not pursued this matter since August 2000 and no assessment had been issued prior to the adoption of these accounts. Consequently no further action has been taken by Adelaide Research and Innovation.

In addition to this claim, the company received notification from the sponsor of the R and D Syndication that in the event that their defence of a claim placed upon them by the ATO was unsuccessful, they would make a counter claim for the 2 967 000 BresaGen shares issued to Adelaide Research and Innovation Investment Trust arising from the R and D syndication. The judgment was in favour of the Syndicate but the ATO appealed the decision and the appeal was successful. The matter was referred back to the Administrative Appeals Tribunal for rehearing. The matter was subsequently resolved in 2004 following an out of court settlement reached between Zoffanies Pty Ltd and the Australian Taxation Office. The obligations on Adelaide Research and Innovation regarding the BresaGen shares no longer exist.

23. National Wine Centre

During 2003 the University entered into an agreement with the State Government of South Australia to lease the National Wine Centre for a period of 40 years for consideration of \$1 million. The lease consideration has been included in the Statement of Financial Position as a prepayment and is to be amortised over the life of the lease on a straight line basis. The University also entered into an agreement with the State Government of South Australia to receive various items of plant and equipment for nil consideration. These items of plant and equipment were recognised as revenue within the Statement of Financial Performance and those items valued at less than the University capitalisation threshold of \$10 000 were expensed (\$500 000). The National Wine Centre also held exhibition assets. As the University has adopted a policy of free admissions to the National Wine Centre exhibition, these assets were determined to have limited future benefit and thus were not recognised in the University's Financial Statements.

24. 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 Employee*
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employee's 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 2004 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 2004 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

An actuarial assessment, as at 31 December 2002, was completed on 16 May 2003. The assessment was conducted by Mr Grant Harslett (FIA, FIAA) and Mr Matthew Burgess (FIAA) of Towers Perrin. The actuary concluded that the assets of the fund were sufficient to meet all benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee of the University.

The Trustee of UniSuper has advised the vested and accrued benefits of staff members who are in the Defined Benefits Plan, as follows:

- (i) Estimated vested benefits at 30 June 2004 - \$178.4 million (\$166.9 million).
- (ii) Estimated accrued benefits as at 30 June 2004 - \$153.4 million (\$139.5 million).
- (iii) Estimated net market value of assets for current members, at 30 June 2004 available to pay the superannuation liabilities of The University of Adelaide members was \$172.7 million (\$147.1 million).
- (iv) The difference between the estimated net market value of assets and accrued benefits at 30 June 2004 apportioned to The University of Adelaide was \$19.3 million (\$7.6 million).

The accrued benefits have been calculated as the present value of expected future benefit payments to the relevant members which arise from membership of UniSuper up to the reporting date, determined using the actuary's current expectations of earnings of UniSuper's assets, future inflation, salary levels and other relevant assumptions.

The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution), which members were entitled to receive had their membership been voluntarily terminated as at the reporting date.

The Trustee has advised the University that based on reasonable assumptions about the future, the actuary expects commitments to members to be met and the existing contribution rates to remain appropriate. However since the Vested Benefit Index as at 31/12/2002 was in an 'unsatisfactory financial position', the Trustee had triggered Clause 34(a) of the Unisuper Trust Deed on 31/7/2003 as a matter of prudence (being a four year notice for contribution increase) for a possible further deterioration of the Fund. However, based on the performance since then, it is unlikely that an increase in contribution rates is now required.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) 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) and is fully funded.

(c) The University of Adelaide Superannuation Scheme A 1985 (continued)

Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members.

The actuary, William M Mercer Pty Ltd, has provided the following information on the scheme, based on the most recent financial report of the superannuation fund:

- (i) Vested benefits as at 30 June 2004 was \$10.0 million (\$9.9 million).
- (ii) Net market value of the assets of the Scheme available to pay benefits as at 30 June 2004 was \$9.5 million (\$10.0 million).
- (iii) Accrued benefits as at the date of last measurement being 30 June 2002 of \$10.5 million; the previous measurement as at 30 June 2001 was \$11.6 million.
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2002, was \$200 000; the difference at the last measurement as at 30 June 2001 was \$600 000.

The actuary, William M Mercer Pty Ltd, has noted that as at 30 June 2004 the Scheme was in an unsatisfactory financial position as net assets were insufficient to cover vested benefits. The actuary will review the level of contributions required to be paid by the University as part of a review currently underway.

(d) State Government Superannuation Schemes

In 1991 employees of the City Campus of 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 2004 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 2004, there is an unfunded liability of \$38.3 million (\$37.4 million). This represents an increase in liability of \$900 000 since 31 December 2003. This is recognised as expenditure in the 2004 Statement of Financial Performance, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under Section 20 of the *Higher Education Funding Act 1988* 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 2004 Reporting Period' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$38.3 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 Superannuation Benefits'.

	Consolidated		University	
	2004	2003	2004	2003
Deferred Government Superannuation Contribution:	\$'000	\$'000	\$'000	\$'000
Non-current asset	38 300	37 400	38 300	37 400
Deferred Employee Superannuation Benefits:				
Current liability	3 000	3 000	3 000	3 000
Non-current liability	35 300	34 400	35 300	34 400
	38 300	37 400	38 300	37 400
The total employer contributions were:				
UniSuper Defined Benefit Plan or Investment Choice Plan	15 027	13 951	15 027	13 951
UniSuper Award Plus Plan	7 084	6 632	7 084	6 632
State Government Superannuation Schemes (3 percent)	27	26	27	26
The University of Adelaide Superannuation Scheme A 1985	123	125	123	125
	22 261	20 734	22 261	20 734

25. Post Balance Date Event

On 11 March 2005, the University suffered a significant water damage event. Costs associated with the repair and replacement of assets damaged during this event will be covered by insurance. The insurance excess to be borne by the University is immaterial. At the time of finalising the financial statements, the total cost of the insurance claim was unable to be quantified, however, the prompt and efficient action by University staff and contractors has ensured the costs have been minimised.

26. 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.

27. Auditors' Remuneration

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Amounts paid or payable were:				
South Australian Auditor-General	202	190	202	190
Other auditors of controlled entities	73	68	-	-
	275	258	202	190
Other services	19	18	-	-
	294	276	202	190

28. 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 Champion de Crespigny AC, Mr Robert McWha, Professor James Alexander Henneberg, Professor Maciej Campbell, Ms Alice Crafter, The Hon Gregory John	commenced 26/07/2004 ceased 25/07/2004 commenced 06/03/2004
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	Crewther, Dr Rodney James Gill, Dr Peter Maxwell Dibb-Smith, Ms Janet Ann Cecchin, Mr John Handshin, Ms Mia Medlin, Dr Edwin Harry Perry, the Hon Justice John Teague, Mr Baden	commenced 06/09/2004 ceased 14/05/2004 ceased 14/05/2004
Student	Giam, Mr Patrick Cheng Tiam Longbottom, Ms Mardi Louise Heath, Ms Georgia Harrison, Mr Phil Henbest, Mr Sebastian	commenced 06/04/2004 commenced 30/08/2004 ceased 05/03/2004 ceased 05/03/2004 ceased 05/03/2004

University Senior Management

McWha, Professor James Boumelha, Professor Penny Marsh, Professor Neville Taplin, Professor John Duldig, Mr Paul MacIntosh, Ms Susan Dowd, Professor Peter Parker, Dr Anthony Frewin, Professor Derek Innes, Professor Michael McDougall, Professor Fred Rathjen, Professor Peter Stoler, Mr Andrew	commenced 30/07/2004 ceased 06/08/2004
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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 2004 or 2003.

Remuneration for University Senior Management

	2004	2003
	\$'000	\$'000
Amounts paid or payable to University Senior Management	3 011	2 865

<i>Remuneration for University Senior Management (continued)</i>	2004	2003
	Number	Number
\$130 000 - \$139 999	1	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	-	1
\$190 000 - \$199 999	1	-
\$200 000 - \$209 999	1	1
\$220 000 - \$229 999	-	3
\$230 000 - \$239 999	2	1
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	1	-
\$330 000 - \$339 999	-	1
\$350 000 - \$359 999	-	1
\$420 000 - \$429 999	1	-
\$510 000 - \$519 999	-	1
\$560 000 - \$569 999	1	-
	11	11

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.

29. Additional Financial Instruments Disclosure

(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, future 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.

		2004					
		Floating		Over	More	Non-	
		Interest	1 year	1 to 5	than 5	Bearing	Total
		Rate	or less	years	years	Interest	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:	Note						
Cash		13 991	-	-	-	-	13 991
Receivables	7	-	-	-	-	19 704	19 704
Other Financial Assets	8, 11	53 479	6 871	326	870	86 556	148 102
		67 470	6 871	326	870	106 260	181 797
Weighted average interest rate		4.83%	5.42%	5.41%	6.43%		
Financial Liabilities:							
Payables	14	-	-	-	-	35 183	35 183
Interest-bearing liabilities	15	-	101	48	-	88	237
		-	101	48	-	35 271	35 420
Weighted average interest rate		-	6.06%	6.06%	-		
		2003					
		Floating		Over	More	Non-	
		Interest	1 year	1 to 5	than 5	Bearing	Total
		Rate	or less	years	years	Interest	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:	Note						
Cash		14 925	-	-	-	-	14 925
Receivables	7	-	-	-	-	23 269	23 269
Other Financial Assets	8, 11	32 103	6 584	188	1 178	70 417	110 470
		47 028	6 584	188	1 178	93 686	148 664
Weighted average interest rate		4.23%	5.43%	4.02%	6.34%	-	
Financial Liabilities:							
Payables	14	-	-	-	-	28 486	28 486
Interest-bearing liabilities	15	-	108	122	-	93	323
		-	108	122	-	28 579	28 809
Weighted average interest rate		-	6.28%	6.28%	-	-	

(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 share trading and foreign currency cash exposures. 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 Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments of the Consolidated Entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts.

The Consolidated Entity's financial assets and liabilities are not materially exposed to any individual overseas country or individual customer.

(ii) Off Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

(d) Net Fair Values of Financial Asset and Liabilities

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

(i) On Statement of Financial Position 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 net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

(ii) Off Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

30. Investments in Controlled Entities

Controlled entities and contribution to operating result before elimination of consolidation items:

	Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2004	2003	2004	2003	2004	2003
Controlled Entity:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Adelaide Research and Innovation Investment Trust	9 390	10 557	2 898	2 898	1 376	1 166
Lubims Pty Ltd	1 901	1 672	-	-	174	49
Martindale Holdings Pty Ltd as trustee for:						
JS Davies Estate	17 058	16 988	-	-	(347)	1 539
JAT Mortlock Trust	20 296	21 324	-	-	700	694
	48 645	50 541	2 898	2 898	1 903	3 448

JS Davies

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.

Fair Value of Investments in Controlled Entities

The investment in controlled entities has been reported at fair value using the net asset basis. Refer Note 3(j).

31. Investments in Associates**(a) Equity and Contribution to Results**

Associate Entity	Principal Activity	Holding Percent	Consolidated Carrying Amount		Investment at Cost	
			2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Held by the University						
<i>Unisure Pty Ltd</i>	Responsible for processing of Tertiary Institution Workers Compensation Insurance.	33	-	-	-	-
<i>Ngee Ann Adelaide Education Centre Pty Ltd</i>	Operates a graduate education centre in Singapore.	50	644	201	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.	27	27	80	-	-
<i>Australian Grain Technology Pty Ltd</i>	Responsible for the development of research into new grain varieties.	25	1 844	1 511	-	-
			2 515	1 792	298	298

(b) Movements in Carrying Amounts of Investments in Associates

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 July	1 792	440	-	-
Share of operating profits (losses)	723	1 352	-	-
	2 515	1 792	-	-

(c) Results Attributed to Associates

Operating profits	723	1 352	-	-
Retained profits attributable to associates at 1 July	1 792	440	-	-
Retained profits attributable to associates at 30 June	2 515	1 792	-	-

(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) *After Balance Date Events*
There are no material after balance date events to report for associated entities.
- (iv) *Assets, Revenue and Expenditure*
Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.
- (v) *Off Statement of Financial Position Financial Instruments*
Neither the reporting entity, nor any of its associated entities, have any Off Statement of Financial Position Financial Instruments.

32. Interests in Joint Ventures**(a) Groups**

The University participates in a number of joint ventures. These operations are not material to the University and there is no separate disclosure for 2004 in accordance with the Australian Accounting Standard AASB 1006 'Interests in Joint Ventures'. For reporting purposes these have been segregated into two group as follows: Refer Note 3(j).

(i) Cooperative Research Centres

The University participated in a number of Cooperative Research Centres (CRCs) during 2004. These CRCs have the characteristics of joint ventures and have been reported as such.

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.

(i) *Cooperative Research Centres (continued)*

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure with the overall impact for the period being revenue neutral. Consequently, they are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd, there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

			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)	-

The University is a supporting participant (but not a signatory) for the CRC for Cattle and Beef Quality and the CRC for Aquafin.

The University over the next six years will make both cash and in-kind contributions to support the work of the CRC's. The University has committed to participate in the work of these CRC's, with contributions in constant dollars, of \$2.1 million in cash and \$30.5 million in kind.

(ii) *Other Joint Ventures*

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
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

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$2 423 000 (\$438 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3(j).

(b) Equity and Contribution to Results

Joint Venture Entity	Participation Percent	Consolidated Carrying Amount		Investment at Cost	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Held by the University of Adelaide:					
Professional Certificate in Arbitration	50	73	65	65	65
Middleback Field Centre	33	25	27	-	-
South Australian Centre for Economic Studies	50	31	97	-	-
South Australian Tertiary Admissions Centre	25	336	249	-	-
South Australian Consortium for Information Technology and Telecommunications	33	1 958	-	-	-
		2 423	438	65	65

(c) Movements in Carrying Amounts of Joint Ventures

At beginning of financial year	438	367	-	-
Share of operating profits (losses)	1 985	71	-	-
	2 423	438	-	-

(d) Results Attributed to Joint Ventures

Operating profits	1 985	71	-	-
Retained profits attributable at 1 July	438	367	-	-
Retained profits attributable at 30 June	2 423	438	-	-

(e) Accounting for Joint Ventures**(i) Capital and Other Expenditure Commitments**

There are no material capital expenditure commitments relating to joint ventures.

(ii) Contingent Liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) After Balance Date Events

There are no material after 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 Statement of Financial Position Financial Instruments

Neither the reporting entity, nor any of its joint ventures, have any Off Statement of Financial Position Financial Instruments.

33. Other Investments

The University holds investments in the following business undertakings.

Entity	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investments at Cost		11	11	11	11
Investments at Council Valuation 2004:					
Other	3(j)	3 916	3 670	1 906	2 359
Held by ARI Investment Trust at Council Valuation ⁽¹⁾	3(j)				
BresaGen Ltd - Biotechnology research		324	793	-	-
GroPep Ltd - Biotechnology research		4 368	4 897	-	-
		4 692	5 690	-	-
		8 619	9 371	1 917	2 370

(1) These investments are publicly listed and have been recorded at the market value at balance date. BresaGen Ltd went into voluntary administration on 19 January 2004. BresaGen Ltd shares were suspended from quotation on the Australian Stock Exchange on 20 January 2004, at which time the market value was \$896 000. In December 2004 BresaGen Ltd shares were re-listed on the Australian Stock Exchange.

34. Related Party Transactions**(a) 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.

(b) 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 32.

(c) Fees Paid To Members of Council

No remuneration was paid to any members of Council, or its standing committees for the financial year. 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.

(d) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 35 to Note 39 has been prepared in accordance with the DEST reporting guidelines.

35. Statement of Financial Performance for the Year Ended 31 December 2004

OPERATING REVENUE FROM ORDINARY ACTIVITIES:		Consolidated		University	
		2004	2003	2004	2003
Commonwealth Government Financial Assistance:	Note	\$'000	\$'000	\$'000	\$'000
Teaching and learning	36(a)	62 918	67 635	62 918	67 635
HECS and other loan programmes	36(b)	43 904	43 605	43 904	43 605
Scholarships	36(c)	5 323	5 013	5 323	5 013
DEST research	36(d)	53 650	53 644	53 650	53 644
ARC - Discovery	36(e)	9 391	9 431	9 391	9 431
ARC - Linkages	36(e)	9 454	7 866	9 454	7 866
Other Commonwealth Government financial assistance	36(f)	47 713	40 735	47 713	40 735
State and Local Government financial assistance	38	15 866	15 503	15 481	15 283
HECS - Student contributions		7 525	6 000	7 525	6 000
Fees and charges	39	67 568	57 046	66 456	51 760
Superannuation - Deferred Government contributions		900	(400)	900	(400)
Investment income		17 376	9 240	16 239	8 320
Royalties, trademarks and licenses	5	1 621	935	151	343
Consultancy and contract research		36 757	32 340	25 714	21 837
Other revenue		42 444	47 753	24 485	31 957
Total Operating Revenue from Ordinary Activities		422 410	396 346	389 304	363 029
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits	6	218 069	196 597	206 337	187 268
Depreciation and amortisation	6	25 303	24 879	23 857	23 571
Buildings and grounds		21 241	19 749	21 241	19 749
Bad and doubtful debts	6	636	900	1 088	805
Borrowing cost expense	6	155	150	143	133
Scholarships, grants and prizes		19 021	16 406	19 021	16 406
Non-capitalised equipment		9 273	9 928	9 273	9 928
Advertising, marketing and promotional expenses		2 497	2 382	2 497	2 382
Other expenses		101 944	101 247	84 262	82 550
Total Operating Expenses from Ordinary Activities		398 139	372 238	367 719	342 792
OPERATING RESULT FROM ORDINARY ACTIVITIES					
		24 271	24 108	21 585	20 237
36. Commonwealth Government Financial Assistance					
(a) DEST - Teaching and Learning					
Operating (including superannuation and workplace reform programmes)		60 309	65 003	60 309	65 003
Teaching hospitals		511	541	511	541
Capital development pool		2 098	2 091	2 098	2 091
		62 918	67 635	62 918	67 635

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(b) HECS and Other Commonwealth Loan Programmes				
HECS - Commonwealth payments	40 328	41 370	40 328	41 370
PELS	3 576	2 235	3 576	2 235
	43 904	43 605	43 904	43 605
(c) Scholarships				
Australian postgraduate awards	4 186	4 156	4 186	4 156
International postgraduate research scholarships	773	857	773	857
Commonwealth education costs scholarships	100	-	100	-
Commonwealth accommodation scholarships	264	-	264	-
	5 323	5 013	5 323	5 013
(d) DEST Research				
Institutional grants scheme	14 675	15 378	14 675	15 378
Research training scheme	27 670	27 790	27 670	27 790
Systemic infrastructure initiative	87	95	87	95
Research infrastructure block grants	11 218	10 381	11 218	10 381
	53 650	53 644	53 650	53 644
	165 795	169 897	165 795	169 897
(e) Australian Research Council				
Discovery:				
Projects	7 943	7 645	7 943	7 645
Fellowships	673	1 216	673	1 216
Federation fellowships	775	570	775	570
	9 391	9 431	9 391	9 431
Linkages:				
Special research initiatives	300	120	300	120
Infrastructure	1 734	1 512	1 734	1 512
International	122	129	122	129
Projects	3 754	4 045	3 754	2 060
Centres	3 544	129	3 544	4 045
	9 454	5 935	9 454	7 866
(f) Other Commonwealth Government Financial Assistance Received				
Attorney General's Department	19	19	19	19
Australian Centre for International Agricultural Research	549	432	549	432
Australian Institute of Health and Welfare	891	575	891	575
Bureau of Meteorology	35	35	35	35
Centrelink	-	107	-	107
CSIRO	188	257	188	257
Defence, Science and Technology Organisation	693	280	693	280
Department of Agriculture, Fisheries and Forestry	13 181	12 550	13 181	12 550
Department of Communications, IT and Arts	8	3	8	3
Department of Defence	300	37	300	37
Department of Education, Science and Training	3 087	207	3 087	207
Department of Employment and Workplace Relations	-	28	-	28
Department of Environment and Heritage	133	87	133	87
Department of Finance and Administration	1	36	1	36
Department of Foreign Affairs and Trade	-	12	-	12
Department of Health and Aged Care	28 298	25 628	28 298	25 628
Department of Immigration, Multicultural and Indigenous Affairs	67	20	67	20
Department of Industry, Tourism and Resources	-	1	-	1
Department of Treasury	20	4	20	4
Department of Veteran's Affairs	44	22	44	22
Medical Services Advisory Committee	-	395	-	395
Other	199	-	199	-
	47 713	40 735	47 713	40 735
Total Commonwealth Government Financial Assistance	232 353	225 998	232 353	227 929

37. Acquittal of Commonwealth Government Financial Assistance

(a) DEST - Teaching and Learning

		Parent Entity (University) Only			
		Operating Financial Assistance		Teaching Hospitals	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	67 002	66 463	554	541
Net accrual adjustments		(6 693)	(1 460)	(43)	-
Revenue for the Period	36(a)	60 309	65 003	511	541
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		60 309	65 003	511	541
Total Expenses Including Accrued Expenses		60 309	65 003	511	541
Surplus (Deficit) for the Reporting Period		-	-	-	-

		Capital Development Pool		Total	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		2 098	2 091	69 654	69 095
Net accrual adjustments		-	-	(6 736)	(1 460)
Revenue for the Period	36(a)	2 098	2 091	62 918	67 635
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		2 098	2 091	62 918	67 635
Total Expenses Including Accrued Expenses		2 098	2 091	62 918	67 635
Surplus (Deficit) for the Reporting Period		-	-	-	-

(b) HECS and Other Commonwealth Loan Programmes

		HECS (Commonwealth payments only)		PELS	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		40 328	41 370	3 176	1 935
Net accrual adjustments		-	-	400	300
Revenue for the Period	36(b)	40 328	41 370	3 576	2 235
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		40 328	41 370	3 576	2 235
Total Expenses Including Accrued Expenses		40 328	41 370	3 576	2 235
Surplus (Deficit) for the Reporting Period		-	-	-	-

		Total	
		2004	2003
		\$'000	\$'000
Financial assistance received in cash during the reporting period		43 504	43 305
Net accrual adjustments		400	300
Revenue for the Period	36(b)	43 904	43 605
Surplus (deficit) from the previous year		-	-
Total Revenue Including Accrued Revenue		43 904	43 605
Total Expenses Including Accrued Expenses		43 904	43 605
Surplus (Deficit) for the Reporting Period		-	-

(c) Scholarships

		Australian Postgraduate Awards Pre-2002		Australian Postgraduate Awards Post-2002	
	Note	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		595	1 753	3 591	2 403
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(c)	595	1 753	3 591	2 403
Surplus (deficit) from the previous year		-	111	140	-
Total Revenue Including Accrued Revenue		595	1 864	3 731	2 403
Total Expenses Including Accrued Expenses		735	1 864	3 431	2 263
Surplus (Deficit) for the Reporting Period		(140)	-	300	140

		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		790	857	100	-
Net accrual adjustments		(17)	-	-	-
Revenue for the Period	36(c)	773	857	100	-
Surplus (deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		773	857	100	-
Total Expenses Including Accrued Expenses		773	857	100	-
Surplus (Deficit) for the Reporting Period		-	-	-	-

		Commonwealth Accommodation Scholarships		Total	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		264	-	5 340	5 013
Net accrual adjustments		-	-	(17)	-
Revenue for the Period	36(c)	264	-	5 323	5 013
Surplus (deficit) from the previous year		-	-	140	111
Total Revenue Including Accrued Revenue		264	-	5 463	5 124
Total Expenses Including Accrued Expenses		256	-	5 295	4 984
Surplus (Deficit) for the Reporting Period		8	-	168	140

(d) DEST Research

		Institutional Grants Scheme		Research Training Scheme	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		15 951	15 325	29 161	27 138
Net accrual adjustments		(1 276)	53	(1 491)	(190)
Revenue for the Period	36(d)	14 675	15 378	27 670	26 948
Surplus (deficit) from the previous year		-	-	-	992
Total Revenue Including Accrued Revenue		14 675	15 378	27 670	27 940
Total Expenses Including Accrued Expenses		14 675	15 378	27 670	27 940
Surplus (Deficit) for the Reporting Period		-	-	-	-

(d) DEST Research (continued)	Note	Systemic Infrastructure Initiative		Research Infrastructure Block Grants	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during the reporting period		95	95	12 194	10 222
Net accrual adjustments		(8)	-	(976)	159
Revenue for the Period	36(d)	87	95	11 218	10 381
Surplus (deficit) from the previous year		55	117	528	369
Total Revenue Including Accrued Revenue		142	212	11 746	10 750
Total Expenses Including Accrued Expenses		111	157	12 194	10 222
Surplus (Deficit) for the Reporting Period		31	55	(448)	528
Total					
Financial assistance received in cash during the reporting period				2004 \$'000	2003 \$'000
Net accrual adjustments				57 401	52 780
Revenue for the Period	36(d)			(3 751)	22
Surplus (deficit) from the previous year				53 650	52 802
Total Revenue Including Accrued Revenue				583	1 478
Total Expenses Including Accrued Expenses				54 233	54 280
Surplus (Deficit) for the Reporting Period				54 650	53 697
				(417)	583
Total					
(e) Australian Research Council - Discovery					
		Projects		Fellowships	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during the reporting period		8 149	7 645	772	1 225
Net accrual adjustments		(206)	-	(99)	(9)
Revenue for the Period	36(e)	7 943	7 645	673	1 216
Surplus (deficit) from the previous year		2 070	2 039	197	333
Total Revenue Including Accrued Revenue		10 013	9 684	870	1 549
Total Expenses Including Accrued Expenses		7 456	7 614	861	1 352
Surplus (Deficit) for the Reporting Period		2 557	2 070	9	197
Total					
Financial assistance received in cash during the reporting period		775	570	9 696	9 440
Net accrual adjustments		-	-	(305)	(9)
Revenue for the Period	36(e)	775	570	9 391	9 431
Surplus (deficit) from the previous year		516	266	2 783	2 638
Total Revenue Including Accrued Revenue		1291	836	12 174	12 069
Total Expenses Including Accrued Expenses		610	320	8 927	9 286
Surplus (Deficit) for the Reporting Period		681	516	3 247	2 783
(f) Australian Research Council - Projects					
		Special Research Initiatives		Infrastructure	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during the reporting period		300	120	1 734	1 512
Net accrual adjustments		-	-	-	-
Revenue for the Period	36(e)	300	120	1 734	1 512
Surplus (deficit) from the previous year		120	-	499	-
Total Revenue Including Accrued Revenue		420	120	2 233	1 512
Total Expenses Including Accrued Expenses		140	-	2 013	1 013
Surplus (Deficit) for the Reporting Period		280	120	220	499

	Note	International		Projects	
		2004	2003	2004	2003
Financial assistance received in cash during the reporting period		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		139	145	3 833	2071
Revenue for the Period	36(e)	(17)	(16)	(79)	(11)
Surplus (deficit) from the previous year		122	129	3 754	2 060
Total Revenue Including Accrued Revenue		142	227	558	878
Total Expenses Including Accrued Expenses		264	356	4 312	2 938
Surplus (Deficit) for the Reporting Period		127	214	2 663	2 380
		137	142	1 649	558

	36(e)	Centres		Total	
		2004	2003	2004	2003
Financial assistance received in cash during the reporting period		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		3 544	4 045	9 550	7 893
Revenue for the Period		-	-	(96)	(27)
Surplus (deficit) from the previous year		3 544	4 045	9 454	7 866
Total Revenue Including Accrued Revenue		1 235	2 315	2 554	3 420
Total Expenses Including Accrued Expenses		4 779	6 360	12 008	11 286
Surplus (Deficit) for the Reporting Period		4 682	5 125	9 625	8 732
		97	1 235	2 383	2 554

38. State and Local Government Financial Assistance
(a) South Australian Government and Local Government Financial Assistance

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Arts SA	87	83	87	83
Bio Innovation SA	1 845	2 745	1 774	2 745
Central Northern Adelaide Health Service	2 020	1 848	2 020	1 848
Department for Environment and Heritage	256	131	256	131
Department for Families and Communities	165	-	165	-
Department of Further Education, Employment, Science and Technology	2 667	2 090	2 667	2 090
Department of Health	1 133	-	1 133	-
Department of Human Services	-	923	-	923
Department of the Premier and Cabinet	343	293	343	293
Department of Primary Industries and Resources	1 125	1 300	905	1 080
Department of Education and Children Services	884	1 012	884	1 012
Department for Trade and Economic Development	8	82	8	82
Department of Transport and Urban Planning	636	1 137	636	1 137
Department of Water, Land and Biodiversity Conservation	576	641	576	641
Institute of Medical and Veterinary Science	182	161	182	161
Land Management Corporation	5	27	5	27
Motor Accident Commission	665	520	665	520
Multicultural SA	-	35	-	35
Office for the Commissioner for Public Employment Planning SA	5	18	5	18
Police Department SA	41	3	41	3
Port Pirie Regional Health Service	150	228	150	228
Public Trustee Office	25	22	25	22
Public Trustee Office	23	14	23	14
Repatriation General Hospital	20	25	20	25
Royal Adelaide Hospital	1 173	1 070	1 173	1 070
SAICORP	-	16	-	16
South Australian Dental Service	239	160	239	160
South Australian Museum	113	99	113	99
SA Water Corporation	-	30	-	30
South Australian State Energy Research Advisory Committee	10	44	10	44
Torrens and Patawalonga Catchment Water Management Board	29	40	29	40
Women's and Children's Hospital	537	379	537	379
WorkCover Corporation	32	11	32	11
Other	131	148	131	148
Total South Australian Government and Local Government Financial Assistance	15 125	15 335	14 834	15 115

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(b) Other State Government and Local Government Financial Assistance	741	168	647	168
Total State Government and Local Government Financial Assistance	15 866	15 503	15 481	15 283

39. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Student fee income	5	50 105	38 959	50 105	38 959
Library charges and fines		1 027	1 082	1 027	1 082
Application management and late fees		542	601	542	601
Parking fees		915	940	915	940
Rental charges/accommodation fees		4 561	4 103	4 561	4 103
Recharge of costs to other organisations		4 730	1 633	4 730	1 633
Franchise fees		867	1 120	867	1 120
Other		4 821	4 365	3 709	3 322
Total		67 568	52 803	66 456	51 760

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

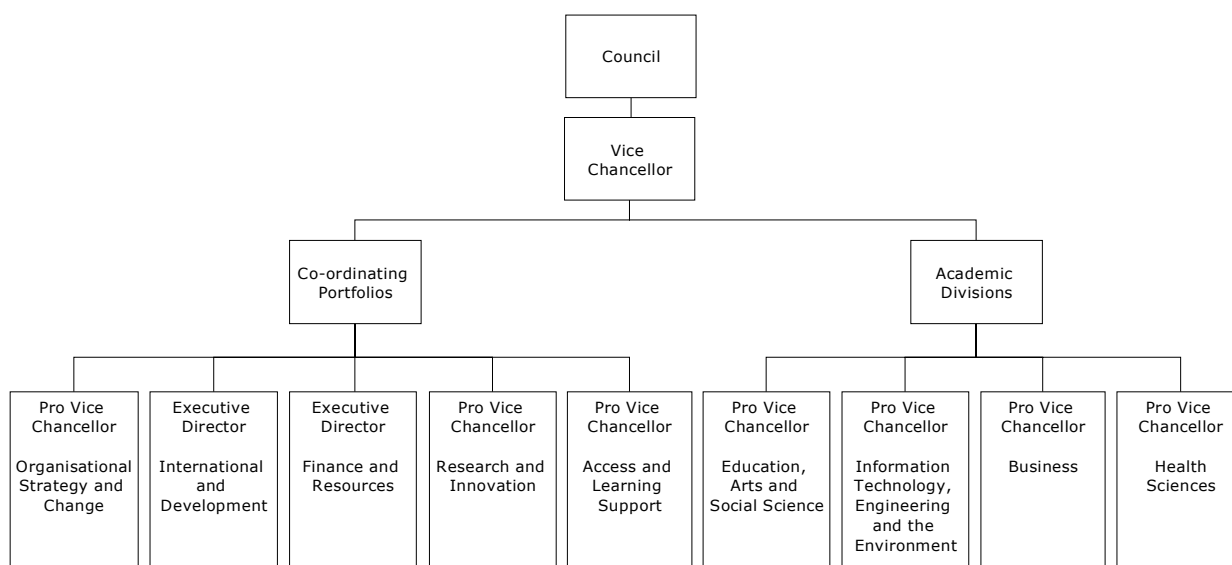
The University of South Australia (the University) was established pursuant to the *University of South Australia Act 1990*.

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 six campuses during 2004: City East, City West, Magill, Mawson Lakes, Underdale 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 2004, 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.
- Knowledge South Pty Ltd — The University established Knowledge South Pty Ltd to provide e-learning and website development services.

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 Financial Statements

Section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University in respect of 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 enable an audit opinion to be formed on the financial statements and internal controls.

For the year ended 31 December 2004, 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.

In addition, a review of information access security, integrity and business continuity functions of the University's PeopleSoft system computer processing environment was completed.

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 Financial Statements

The following is an extract from the 2004 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 part of Other Liabilities in Note 25 to the financial statements (Commonwealth Grants) representing revenue received in advance.

The 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001. The Commonwealth Operating grant received from DEST is considered to be a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', the advance grant should have been recognised as revenue in the year of receipt.

As a result, the revenue received under the Higher Education Funding Act 1988 recognised in Commonwealth Government Financial Assistance – Commonwealth Government Grants and the Operating Result From Ordinary Activities are both overstated by \$18.2 million (\$3.1 million in 2003).

In 2004 DEST changed its payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. The first payment of the 2005 grant year was made in January 2005 instead of December 2004. As a result, the Retained Surplus is correctly stated as at 31 December 2004 (understated by \$18.2 million in 2003). The Current Liabilities – Other was also correctly stated as at 31 December 2004 (overstated by \$18.2 million in 2003). 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 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 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 2004, their financial performance and their cash flows for the year then ended.

Assessment of Controls

In my opinion, 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 except for:

- payroll - validity of payroll transactions;
- expenditure - segregation of duties;
- expenditure – system user access;
- PeopleSoft System computer processing environment;

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.

Commonwealth Operating Grants

Consistent with past practice, the University recognised the first instalment of the Commonwealth Operating Grant for 2004 (totalling \$18.2 million) which was received in December 2003 as revenue in 2004. In 2003, the University reported this amount as part of Other Liabilities representing revenue received in advance.

It was noted, however, that the 2001 DEST Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001.

It is Audit's opinion that the Commonwealth Operating Grant received from DEST represents a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', it is Audit's view that the advance grant should be recognised as revenue in the year of receipt. As a result the Independent Audit Report on the University's financial report for 2004 was qualified for the treatment of Government Operating Grants.

Details included under the earlier heading 'Audit Opinions' of this section provides further information including the financial effect on the University's financial statements resulting from the non compliance with the accounting standard.

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 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. In 2002 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 payments. Further, procedures would be implemented to ensure that the appropriate authorisations have been evidenced prior to updating the details into the payroll system.

The 2003 Audit review of these monitoring practices indicated that reports were not being generated and reviewed consistently across the University's schools and units. Further, revised procedures were only made available and communicated to staff in late 2003. Audit commented that it is important that controls

essential to a payroll process are applied consistently across the University and are operating effectively, in order to support the soundness of the overall control environment.

The University responded that a payroll report would be produced and reviewed by the relevant Supervisors/Managers. In addition, relevant Supervisors/Managers would be reminded of their responsibilities in ensuring casual contracts and payments are valid.

A follow up review in 2004 revealed that the development of this report had not been finalised and implemented until early 2005. Audit commented that it was important that the report is reviewed on a timely basis and that evidence is maintained to support this review. Further, during the initial period of implementation, the University consider undertaking a compliance audit to ensure the review was being undertaken as intended.

The University noted the recommendation and would explore the most appropriate manner to validate the review process.

Expenditure - Segregation of Duties

In 2003, 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. Although a sample of changes to the supplier master file and proposed payments below \$50 000 were independently reviewed, payments below \$50 000 represent a material component of total operating expenditure.

The University responded that the accounts payable process would be reviewed in June 2004 to ensure adequate segregation of duties. Adequate segregation of duties has been in place since July 2004.

Expenditure - System User Access

While the University has appropriately limited the number of officers with systems administrator type access, the activities of these officers are not being logged and independently reviewed. There was a poor level of information available from the system regarding security event monitoring. In 2003 Audit recommended the University investigate with the software vendor improvements to enable the University to perform adequate monitoring processes. In 2004, the University's discussions with the software vendor revealed that the current capability and functionality of its finance system does not allow the logging of security related events. Audit consider that an operational risk still exists for the University.

The University responded that the security maintenance is limited to two individuals and due to the system limitations are reliant on the integrity of these individuals.

PeopleSoft System Computer Processing Environment

In 2004, Audit undertook a review of aspects of the University's PeopleSoft system and its Computer Processing Environment (CPE). The PeopleSoft system is used to administer the University's student records.

The review included coverage of:

- information access and integrity (for both the PeopleSoft system and its CPE);
- application systems implementation and maintenance arrangements;
- information systems operations, including aspects of business recovery arrangements, database implementation and support, network support and systems software support.

The main matters conveyed to the University were:

Information Security

Information security weaknesses were identified that presented the risk of unauthorised access to the PeopleSoft system. These included:

- the existence of obsolete and duplicate user accounts;
- user account password settings required passwords to be changed on an infrequent basis.

Backup and Recovery

Controls that facilitate the recovery of the system should a disaster occur needed improvement. These included:

- daily backup tapes were stored on-site;
- backup tapes were not tested to determine if the system could be recovered from a full restore from tape.

Application System Implementation and Maintenance

Processes that assist in maintaining the integrity and operation of the system were not always performed or formally documented. These included:

- unit and integration testing was not formally documented;
- the criteria for engaging in a quality assurance check to ensure the system performs all required functions were not always documented;
- formal approvals to ensure that changes to the application are properly authorised were not always performed.

University Response

The University responded that various aspects of the report would be actioned and/or considered. Of particular note the University indicated the following:

- Removal of obsolete and duplicate accounts, and modification to the account creation procedure.
- Reviewing current settings to identify an appropriate password expiry period.
- Reviewing existing policy on storage location of backup tapes and consideration of the development of a schedule for periodic testing of backup tapes.
- Developing standard test plans, and the nomination of a staff member to ensure all components are tested to a satisfactory level.
- The University was considering action to address the documentation of the quality assurance criteria.

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. Audit believes that 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 and employment arrangements in compliance with University policy.
- *Revenue, receipting and banking* — timeliness of the recovery of outstanding student debt; the lack of documentation to support the assessment and write-off of bad debts; non-compliance with delegated authority; and lack of an independent review of changes to rates in the student administration system.
- *Procurement* — inadequate policies and procedures for contract variations and extensions; the absence of a central contract register as required by University policy; inconsistent use of preferred suppliers and ineffective compliance monitoring to ensure the use of preferred suppliers.
- *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 relevant to the issues raised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

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

Highlights of Financial Statements (Consolidated)

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Commonwealth Government financial assistance	131	123	7
HECS	63	63	-
Fees and charges	62	58	7
Other	69	73	(5)
Total Operating Revenue	325	317	3
OPERATING EXPENDITURE			
Employment benefits	181	167	8
Other expenses	131	136	(4)
Total Operating Expenses	312	303	3
Operating Result from Ordinary Activities	13	14	(7)
Net Cash Flows from Operations	22	41	(46)
ASSETS			
Current assets	130	147	(12)
Non-current assets	697	653	7
Total Assets	827	800	3
LIABILITIES			
Current liabilities	75	83	(10)
Non-current liabilities	299	297	1
Total Liabilities	374	380	(2)
EQUITY	453	420	8

Statement of Financial Performance (Consolidated)

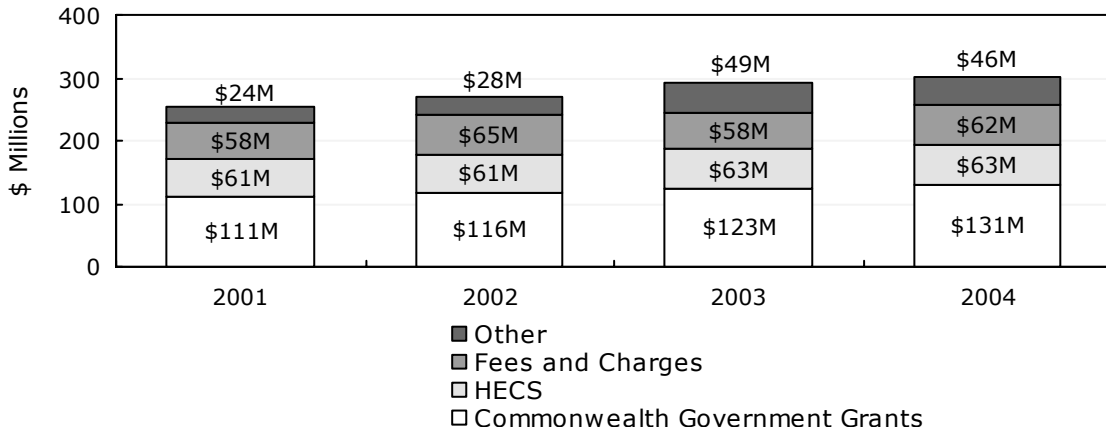
For the purposes of this analysis, the deferred Government superannuation contribution and Commonwealth supplementary funding have been excluded from the operating revenues and operating expenses as they have minimal effect on the operations of the University due to the revenues being offset by a corresponding expense. Refer to Note 32 to the financial statements for further details of the University's superannuation plans.

Operating Revenues

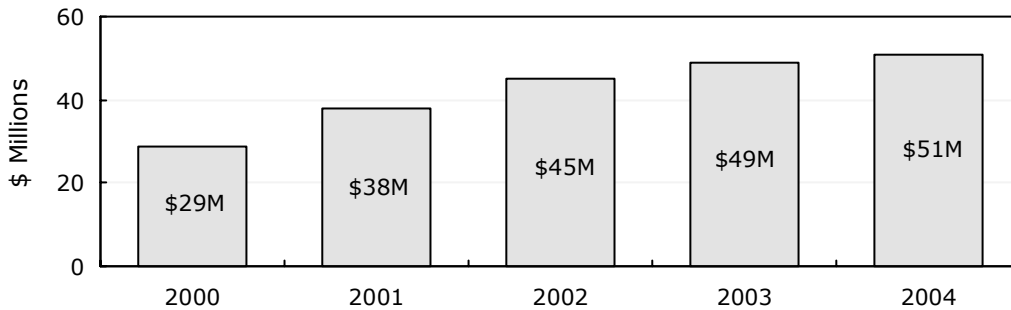
Operating revenues increased by \$10.5 million from \$292.3 million to \$302.8 million. The increase in operating revenue is due mainly to:

- funding from the University's main revenue sources, Commonwealth Government Financial Assistance, including the Higher Education Contribution Scheme (HECS), increased by \$7.6 million from \$186.1 million to \$193.7 million. This was due mainly to Operating Financial Assistance increasing by \$6.5 million, the main component being an increase in the base operating grant (\$4.5 million);
- revenue from Fees and Charges increased by \$4.4 million from \$58 million to \$62.4 million. The increase was due to an increase in fees from overseas students by \$2.2 million to \$51.3 million;
- other revenue has decreased by \$1.6 million to \$46.6 million.

A structural analysis of operating revenues of the University for the four years to 2004 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. In 2004, the growth was less than prior years due to the impact of an appreciating Australian dollar. The following chart highlights the upward trend in fees from overseas students.

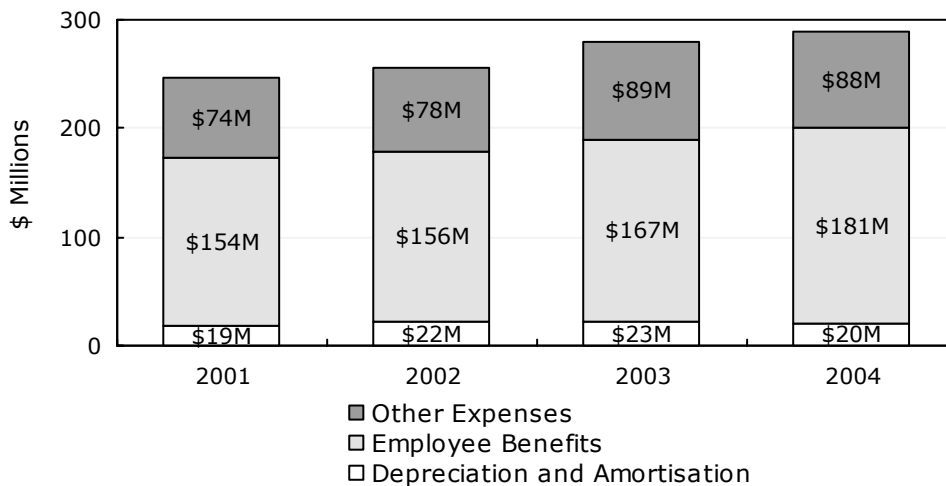


Operating Expenses

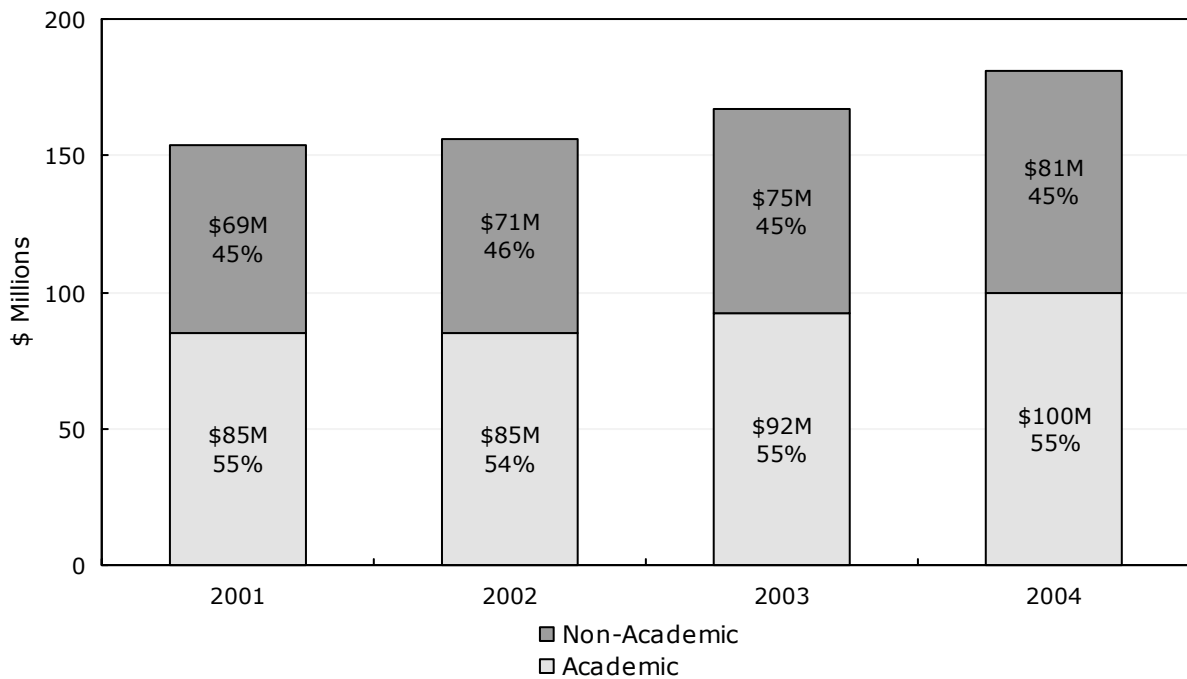
Operating expenses increased by \$10 million from \$279.4 million to \$289.4 million. The main operating expense of the University (as for most service entities) is employee benefits. This item increased by \$14.2 million to \$180.7 million. This was due mainly to wage rate increases (including two rate increases in accordance with the 2004 Enterprise Agreement); increases in employee related costs and increase in the number of University staff.

Depreciation and amortisation decreased by \$3.6 million to \$19.6 million. This was due primarily to a decrease of \$3.9 million in the depreciation of the library collection. In 2002 the University reviewed the useful lives of its library collection which had the effect of increasing the depreciation charge in 2002 by \$3.8 million to \$6.4 million. In 2003, the University identified a prior year adjustment resulting in a further write-off of \$3.5 million against the library collection adjustment.

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



The following chart shows the changes in employee benefits for academic and non-academic staff over recent years.

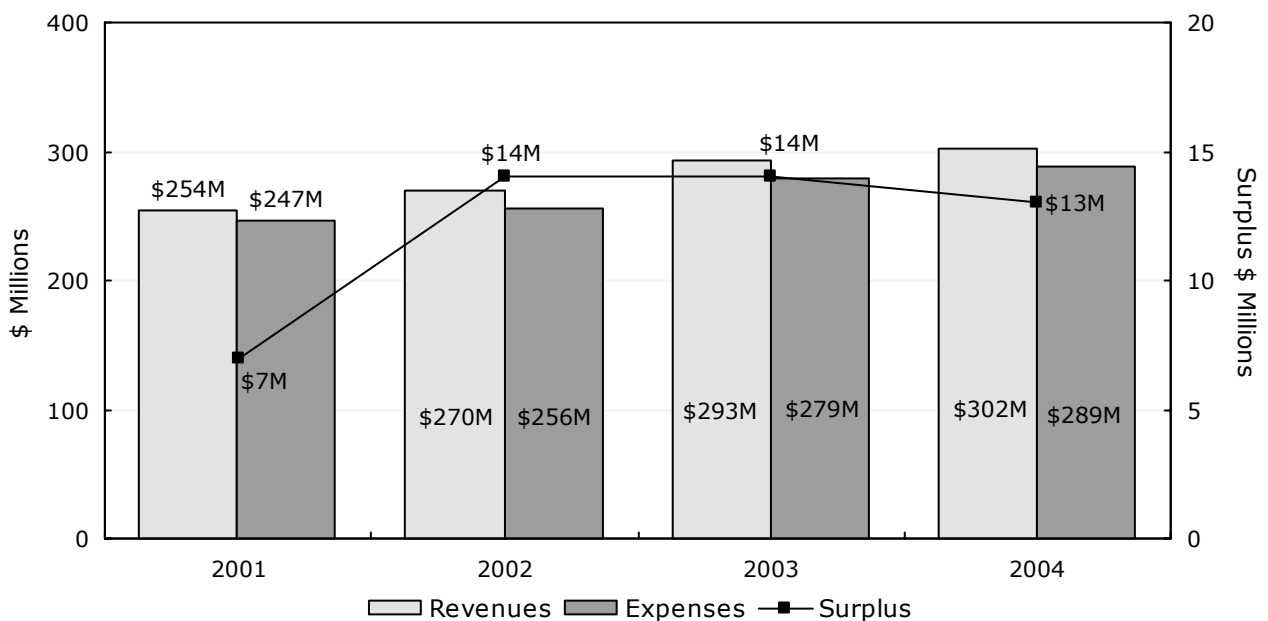


The chart highlights the steady increase in employee benefits cost since 2001 due to increases in staff numbers, average wage increases and an increase in targeted voluntary separation packages. The proportion of costs between academics and non-academics remains constant.

Operating Result

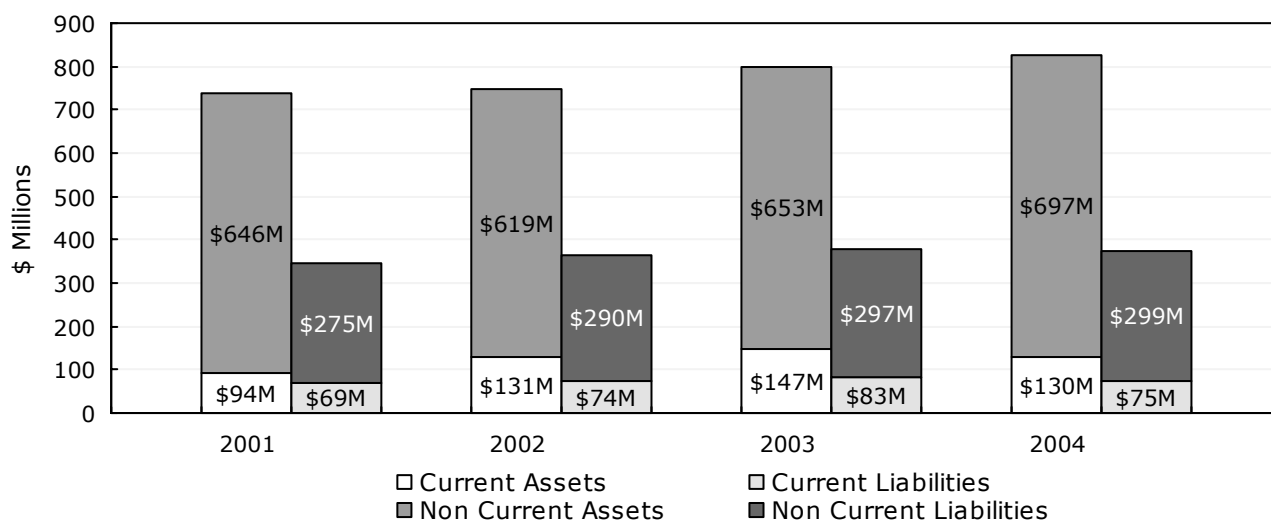
The result of operations for the year was a surplus of \$13.3 million (surplus of \$13.5 million in 2003), a decrease of \$0.2 million. The result reflects an increase of \$8.4 million in Revenue from Ordinary Activities compared to an increase of \$8.6 million in Expenses from Ordinary Activities.

The following chart shows the movement in revenues, expenses and the surplus for the current and preceding three years.



Statement of Financial Position (Consolidated)

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

**Current Assets**

Prior to 2004, current assets had steadily increased due to an accumulation of cash held in short term deposits. In 2004 cash held in short term deposits decreased by 55 percent to \$46 million from \$102 million. This decrease was partially offset by an increase in property held for resale of \$33.7 million (the reclassification of the Underdale campus from non-current assets to current assets). Further commentary is provided under the heading 'Statement of Cash Flows'.

Non-Current Assets

Over the period of review the value of non-current assets have fluctuated due to revaluations of property, plant and equipment and the conduct of a major capital development program.

In 2002, a devaluation of land and buildings (\$23.3 million) which were considered to be surplus to the University's capacity and a revision of useful lives (\$6.7 million) resulted in a decrease in the carrying amount of property, plant and equipment.

Since 2002 the carrying value of property, plant and equipment has increased due to:

- revaluation increase of \$20 million of property held for sale (the Underdale Campus) in 2003;
- the major capital redevelopment project (Blueprint 2005) which resulted in a capital spend of \$21.3 million in 2003 and \$67.9 million in 2004;
- In 2004 land and buildings were revalued resulting in an increase of \$22.1 million. The increase was offset by a net revaluation decrement of the library collection of \$3.2 million (Refer to Note 1(f) (iv) of the financial statements for further detail).

Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	22	41	38	28
Investing	(74)	(22)	(10)	(13)
Financing	(2)	(1)	(0.4)	(6)
Change in Cash	(54)	18	27.6	9.0
Cash at 31 December	49	103	85	58

The University's net cash flows have significantly decreased during 2004 due to the major capital expenditure of \$74.2 million. Of this amount, \$67.9 million was spent on the building construction costs of Blueprint 2005. Refer below for further discussion on Blueprint 2005.

FURTHER COMMENTARY ON OPERATIONS

Blueprint 2005 Capital Program

Blueprint 2005 represents a major \$135 million (Stage 1: \$100 million and Stage 2: \$35 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. 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 have been 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 (\$102 million) are the main sources of funding to finance Blueprint 2005.

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.

Total Blueprint 2005 costs incurred to the end of 2004 amounted to \$94.6 million.

Statement of Financial Performance for the year ended 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
REVENUE:					
Commonwealth Government financial assistance					
Commonwealth Government grants	3, 39	128 356	120 529	128 356	120 529
Higher Education Contribution Scheme:					
Student contributions	3, 39	9 221	9 125	9 221	9 125
Commonwealth payments	3, 39	53 828	54 254	53 828	54 254
Commonwealth loan programmes	3, 39	2 349	2 222	2 349	2 222
State Government financial assistance	4	2 576	2 636	2 576	2 636
Fees and charges	5	62 412	57 988	62 412	57 988
Investment income	6	5 162	4 801	5 939	6 452
Royalties	7	779	719	678	712
Consultancy and contract research	8	17 963	15 591	17 963	15 595
Other revenue	9	20 105	24 394	12 899	18 057
		302 751	292 259	296 221	287 570
Superannuation:					
Commonwealth supplementation	3, 32	20 660	20 036	20 660	20 036
Deferred government contributions	32	2 200	4 900	2 200	4 900
Total Revenue from Ordinary Activities		325 611	317 195	319 081	312 506
EXPENSES:					
Employee benefits and on costs	10	180 737	166 512	176 968	163 607
Depreciation and amortisation	11	19 567	23 214	19 390	23 079
Repairs and maintenance	12	3 774	3 514	3 774	3 514
Borrowing cost expense	13	1 813	1 848	1 813	1 848
Bad and doubtful debts	14	682	778	682	775
Other expenses	15	82 859	83 489	80 084	81 982
		289 432	279 355	282 711	274 805
Superannuation:					
Commonwealth supplementation	32	20 660	19 429	20 660	19 429
Deferred employee benefits	32	2 200	4 900	2 200	4 900
Total Expenses from Ordinary Activities		312 292	303 684	305 571	299 134
OPERATING RESULT FROM ORDINARY ACTIVITIES		13 319	13 511	13 510	13 372
Net increase in asset revaluation reserve	26	22 954	20 616	22 670	20 450
Fair value adjustment to library collection	1(f), 26	(3 241)	-	(3 241)	-
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTED TO THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY		19 713	20 616	19 429	20 450
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		33 032	34 127	32 939	33 822

Statement of Financial Position as at 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS:					
Cash assets	17	49 682	103 477	45 339	100 372
Receivables	18	16 733	15 150	15 947	13 809
Other financial assets	19	631	583	631	583
Property, plant and equipment	20	33 700	-	33 700	-
Other non-financial assets	21	3 129	3 140	3 110	3 111
Deferred government superannuation contribution	32	26 200	24 800	26 200	24 800
Total Current Assets		130 075	147 150	124 927	142 675
NON-CURRENT ASSETS:					
Other financial assets	19	8 863	8 926	7 898	7 244
Property, plant and equipment	20	429 897	386 840	429 555	386 408
Deferred government superannuation contribution	32	258 200	257 400	258 200	257 400
Total Non-Current Assets		696 960	653 166	695 653	651 052
Total Assets		827 035	800 316	820 580	793 727
CURRENT LIABILITIES:					
Payables	22	17 167	13 485	17 124	13 711
Interest bearing liabilities	23	1 353	1 294	1 353	1 294
Provisions	24	15 507	13 874	15 268	13 658
Other liabilities	25	14 665	29 603	14 247	28 666
Provision for state superannuation	32	26 200	24 800	26 200	24 800
Total Current Liabilities		74 892	83 056	74 192	82 129
NON-CURRENT LIABILITIES:					
Payables	22	2 548	2 515	2 548	2 515
Interest bearing liabilities	23	17 108	17 800	17 108	17 800
Provisions	24	21 100	19 390	21 100	19 390
Provision for State superannuation	32	258 200	257 400	258 200	257 400
Total Non-Current Liabilities		298 956	297 105	298 956	297 105
Total Liabilities		373 848	380 161	373 148	379 234
NET ASSETS		453 187	420 155	447 432	414 493
EQUITY:					
Reserves	26(b)	51 085	28 131	50 593	27 923
Retained surplus	26(a)	402 102	392 024	396 839	386 570
TOTAL EQUITY		453 187	420 155	447 432	414 493

Statement of Cash Flows for the year ended 31 December 2004

	Consolidated		University	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	Inflows	Inflows	Inflows	Inflows
INFLOWS:	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Commonwealth Government: Note	\$'000	\$'000	\$'000	\$'000
Teaching and learning	107 016	120 636	107 016	120 636
Higher Education Contribution Scheme (HECS) and other loan programmes	51 808	55 823	51 808	55 823
Scholarships	2 418	1 776	2 418	1 776
DEST research	12 192	12 949	12 192	12 949
ARC - discovery	2 086	1 477	2 086	1 477
ARC -linkages	3 609	3 228	3 609	3 228
Other Commonwealth	6 925	5 685	6 925	5 685
State Government	2 576	2 636	2 576	2 636
HECS - student payments	9 558	9 504	9 558	9 504
Fees and charges	68 882	60 753	68 871	60 834
Investment receipts	4 096	4 802	4 615	5 500
Royalties, trademarks and licenses	779	719	678	712
Consultancy and contract research	17 904	14 079	17 595	14 248
Other receipts	20 078	16 597	12 865	10 272
Taxes recovered (GST)	9 300	4 800	9 300	4 800
OUTFLOWS:				
Staff salaries and related payments	(198 237)	(187 436)	(194 492)	(183 039)
Other payments	(96 846)	(84 810)	(94 953)	(83 247)
Borrowing cost payments	(1 813)	(1 848)	(1 813)	(1 848)
Net Cash Inflow from Operating Activities 37	22 331	41 370	20 854	41 946
CASH FLOWS FROM INVESTING ACTIVITIES:				
INFLOWS:				
Proceeds from sale of property, plant and equipment	241	7 696	229	7 684
Proceeds from sale of investments	97	-	4	-
OUTFLOWS:				
Payments for property, plant and equipment	(74 246)	(29 402)	(74 144)	(29 140)
Payments for investments	(692)	-	(450)	-
Net Cash Outflow from Investing Activities	(74 600)	(21 706)	(74 361)	(21 456)
CASH FLOWS FROM FINANCING ACTIVITIES:				
OUTFLOWS:				
Principal repayments under finance lease	(1 526)	(1 139)	(1 526)	(1 139)
Net Cash Outflow from Financing Activities	(1 526)	(1 139)	(1 526)	(1 139)
NET INCREASE (DECREASE) IN CASH HELD	(53 795)	18 525	(55 033)	19 351
CASH AT 1 JANUARY	103 477	84 952	100 372	81 021
CASH AT 31 DECEMBER 17, 37	49 682	103 477	45 339	100 372

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

The financial statements are a general purpose financial report and have been prepared on a full accrual basis in accordance with applicable Australian Accounting Standards (AASB), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth 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 Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

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

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

Any changes to accounting policies for 2004 are documented within the notes below.

(b) Principles of Consolidation

The consolidated financial statements (the economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities. The effects of transactions between controlled entities and the University have been eliminated on consolidation.

The accounting policies have been consistently applied by each entity in the economic entity. The list of controlled entities is provided in Note 33.

(c) Comparative Figures

The previous year's figures are provided in the financial statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform to changes in the presentation of the current year's figures.

(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. 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 Statement of Financial Position. Therefore the above change in the timing of the DEST financial assistance will have a nil effect upon the University's 2004 Statement of Financial Performance or the 2003 Statement of Financial Position as previously reported.

For 2004 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 all 2005 DEST financial assistance will be received in 2005 no DEST revenue in advance will be recorded as at 31 December 2004.

• Other Grants

Where other grants are received, they are recognised on receipt, or in accordance with the terms and conditions of the grant.

(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) Inventories

Consumable supplies are recognised as an expense at the time of acquisition and are not shown as inventories in the Statement of Financial Position.

(f) Property, Plant and Equipment

As at 31 December 2004 the University valued its property, plant and equipment at fair value, with the exception of buildings under construction, which is carried at cost. In accordance with the provisions of AASB 1041 'Revaluation of Non-Current Assets', any net revaluation increment arising upon revaluing that non-current asset class to their fair value are credited directly to the asset revaluation reserve. Any net revaluation decrement, to the extent that a credit balance exists in the asset revaluation reserve in respect of that non-current asset class, is debited directly to the asset revaluation reserve.

For non-current assets carried at fair value an annual assessment of the frequency and materiality of changes in the fair value of these assets will be completed. Where the fair value of the assets in the class of non-current assets being revalued differs materially from its carrying amount, a revaluation will be completed. It is anticipated that the University's non-current assets will experience only immaterial movements in fair value and therefore a revaluation every three to five years is expected to be sufficient.

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) Property held for Resale

Property identified as surplus to requirements and approved for sale 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 April 2005. Consistent with the prior year this property has been valued at its net market value which is based upon the contracted price.

(ii) Land

Land occupied by the University is either owned by the University or by the State Government. Land is recognised at fair value on the basis that the University effectively controls the land occupied.

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(i).

(iii) 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.

The last valuation was as at 31 December 2004 and completed independently by Southwick Goodyear Pty Ltd. Buildings fair value estimates were based on the highest and best use being the existing use as university campuses. The valuation approach adopted was to assess the 'written down current cost' for the buildings based upon the 'new replacement cost' having regard to the estimated useful and remaining life for each structure.

Buildings under construction are measured at cost.

(iv) 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. In prior years the value of donated materials were estimated to be 50 percent of the current year average collection purchase price, however in 2004, with the move to fair value, 100 percent of the current year average collection purchase price was applied.

This change in valuation methodology has resulted in a \$3.241 million reduction in the library collection carrying value. In accordance with the transitional provisions of AASB 1041 'Revaluation of Non-Current Assets' this decrement has been offset against Retained Surplus.

(v) Plant and Equipment

Plant and equipment includes computer hardware and software, general equipment, vehicles and leased IT equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Plant and equipment is depreciated in accordance with Note 1(g). The carrying value is deemed to approximate fair value.

(vi) Art Collection

As at 31 December 2004 the University valued its art collection at fair value. As at 31 December 2003 the art collection's carrying value was \$0.264 million (included in plant and equipment), however during 2004 these assets were transferred to the art collection. As at 31 December 2004 the total art collection (transferred and donated assets plus assets purchased in 2004) were re-valued at fair value (University valuation) resulting in the first time recognition of \$0.630 million in donated assets and an increment of \$0.544 million which was credited to the Asset Revaluation Reserve.

(g) Depreciation and Amortisation

Depreciation is provided for all property, plant and equipment other than property held for resale, land 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

Lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the entity will obtain ownership of the asset, the life of the asset (refer Note 1(o)).

(h) Investments

Investments (shares and managed funds) have been revalued as at 31 December 2004. Valuations are at market value derived from Managed Fund Statements or closing value on the Australian Stock Exchange (ASX) and the adjustment in valuation has been taken as an increment to the Investment Revaluation Reserve (refer Note 26). Significant movements in investment valuations subsequent to year end have been incorporated.

Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interests in associated entities. Note disclosure of these interests in associated entities are made in Note 34.

(i) Restrictions on Assets

Land includes \$21.080 million of Crown Lands and \$13.050 million of land dedicated for educational use by the Minister of Education. Such lands are unable to be sold.

The University has restrictions on all land by application of the *University of South Australia Act 1990* Section 6.

(j) Employee Entitlements

Employee entitlements 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) Long Service Leave

The long service liability is independently estimated by an actuary using the long hand method prescribed by AASB 1028 'Employee Benefits'. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate attached to Commonwealth government securities prevailing at balance date to derive the long service leave liability. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while on-costs payable on behalf of employees are recognised as payables.

(ii) Annual Leave

The liability for annual leave (including the leave loading) is calculated on nominal wage rates adjusted for anticipated future salary increases.

(iii) Sick Leave

No provision has been made for sick leave as all sick leave is non-vesting.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University are expensed in the Statement of Financial Performance. Note 32 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.

(k) **Workers Compensation**

The University is responsible for payments of workers compensation. Unisure Pty Ltd administers workers' compensation arrangements on behalf of the University. Note 34 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

(l) **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 Statement of Financial Position.

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

(m) **Foreign Currency**

Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transaction. There are no material foreign currency monetary items outstanding at balance date.

(n) **Doubtful Debts**

The collectability of receivables is assessed at balance date and provision made for any doubtful debts.

(o) **Leases**

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. All other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. The leased asset is amortised over its useful life.

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(p) **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 25).

(q) **International Financial Reporting Standards (IFRS)**

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Consolidated Entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained surplus as at 1 January 2004.

The University has established a project team to manage the transition to Australian equivalents to IFRS. The project team's analysis of the Australian equivalents to IFRS has identified a number of accounting policy changes that will be contemplated. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to IFRS'. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Consolidated Entity.

Issues identified to date affecting the Consolidated Entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

- (i) *Financial Instruments*
 AASB 139 'Financial Instruments: Recognition and Measurement' allows for financial assets to be categorised as either held for trading, held to maturity or available for sale. Investments in shares and managed funds are currently recognised at fair value. The University proposes to categorise these assets as held for trading (ie fair value). It is anticipated that the SA Department of Treasury and Finance Accounting Policy Statements (APS) will be altered therefore allowing the University to continue valuing these financial assets at fair value. Adopting the 'held for trading' method is not likely to cause material changes from current policy.
- The University currently holds investments at fair value but applies the revaluation increments to a revaluation reserve. If these investments are to be classified as financial assets held for trading in accordance with AASB 139, any revaluation adjustments will be recognised in the Statement of Financial Performance. As at 1 January 2004 the revaluation reserve relating to these assets is likely to be transferred to Retained Surplus.
- AASB 139 requires entities to identify and report embedded derivatives. An embedded derivative causes some or all of the cash flows that would otherwise be required by a contract to be modified based on a specific price, index or rate. Embedded derivatives can exist in any contractual arrangement. Although the University is not directly aware of any embedded derivatives a review of contracts is to be performed to determine if any material embedded derivatives do exist.
- (ii) *Internally Developed Software*
 Under the current accounting policy, the carrying amount of internally developed software is reported at cost and classified as a part of plant and equipment. Under AASB 138 'Intangible Assets', internally developed software will be reported at cost and classified as intangible assets provided they meet the new standard's recognition criteria.
- (iii) *Defined Benefit Plans*
 Under the new AASB 119 'Employee Benefits' the net position of each defined benefit superannuation scheme must be recognised as an asset or liability, as applicable. This change in policy would require the net defined benefit superannuation scheme position to be recognised at time of adoption with a corresponding adjustment to opening Retained Surplus. Movements in the carrying amount of this liability or asset will likely be recognised as a revenue or expense and would possibly result in increased earnings volatility.
- The University contributes to a defined benefit plan through UniSuper, a multi employer fund. Advice received from the UniSuper fund manager has indicated that as there is no direct liability from the universities to contribute to the fund and due to the difficulties in establishing a reliable allocation of benefit liabilities, assets and costs, only note disclosure will be required under IFRS. This issue impacts universities across Australia and the appropriate recognition (if any) and disclosure should be clarified with DEST prior to the end of 2005.
- (iv) *Impairment of Assets*
 Under the new AASB 136 'Impairment of Assets', all assets will be subject to an annual assessment for impairment. Impairment must be measured for non-current assets with indications of impairment and for intangible assets not yet available for use. Impairment is measured by comparing the asset's fair value less costs to sell and its value in use. The carrying value of the asset must not exceed the greater of these two measurements.
- The University has a policy of carrying non-current assets at fair value and does not believe the new standard will materially impact its asset values.
- (v) *Asset Revaluation Reserve (Opening Value)*
 AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' allows election of either fair value for the opening balances of property, plant and equipment or fair value as at 1 January 2004 as deemed cost. The SA Department of Treasury and Finance has issued an APS that requires the University to use fair value, account for revaluations on a class basis and the existing asset revaluation reserve balance should be retained.
- (vi) *Property, Plant and Equipment (Componentisation)*
 AASB 116 'Property, Plant and Equipment' requires that an asset having a significant component in relation to the total cost should be depreciated separately. SA Department of Treasury and Finance (APS) have set a component value guideline of \$1.0 million and an estimated life of three years. The APS is not sufficiently clear for universities to apply a consistent policy, however, the University has been informed by the SA Department of Treasury and Finance that further guidance will be provided.
- (vii) *Property, Plant and Equipment (Major Inspection Costs)*
 AASB 116 'Property, Plant and Equipment' requires major inspection costs to be recognised in the carrying amount of property, plant and equipment as a separate component of the asset. The University owns aircraft and the maintenance of these aircraft is a significant cost. The quantum of these major inspection costs will be determined and consideration will be given to the capitalisation of an appropriate amount as at 1 January 2004.

(viii) Consolidated and Separate Financial Statements

Under AASB 127 'Consolidated and Separate Financial Statements' the University will be required to assess the differences between its accounting policies and those used by its controlled entities. Any material differences will need to be adjusted on consolidation.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have yet been analysed in detail, some decisions have not yet been made where choices of accounting policies are available and further guidance/clarification is being sought from the SA Department of Treasury and Finance.

For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the Consolidated Entity's financial position and reported results.

2. Disaggregated Information (Consolidated) Geographical	Revenue		Results		Total Assets	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Australia	283 804	270 653	11 613	10 270	827 035	800 316
Asia	18 417	21 120	1 658	3 168	-	-
Other	530	486	48	73	-	-
	302 751	292 259	13 319	13 511	827 035	800 316

The University operates in the field of higher education principally in Australia and provides teaching and research services.

3. Commonwealth Government Financial Assistance (including HECS and other Commonwealth loan programmes)	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
DEST Teaching and Learning:	39.1				
Operating financial assistance*		120 542	114 064	120 542	114 064
Capital development pool		-	1 421	-	1 421
Total DEST Teaching and Learning		120 542	115 485	120 542	115 485
HECS and other Commonwealth Loan Programmes:	39.2				
HECS - Student contributions		9 221	9 125	9 221	9 125
HECS - Commonwealth payments		53 828	54 254	53 828	54 254
PELS		2 336	2 222	2 336	2 222
BOTPLS		13	-	13	-
Total HECS and other Commonwealth Loan Programmes		65 398	65 601	65 398	65 601
Scholarships:	39.3				
Australian postgraduate awards		1 520	1 488	1 520	1 488
International postgraduate research		298	288	298	288
Commonwealth education costs		204	-	204	-
Commonwealth accommodation		396	-	396	-
Total Scholarships		2 418	1 776	2 418	1 776
DEST Research:	39.4				
Institutional grants scheme		4 766	4 552	4 766	4 552
Research training scheme		7 157	7 170	7 157	7 170
Research infrastructure block grants		1 329	1 249	1 329	1 249
Total DEST Research		13 252	12 971	13 252	12 971
Total DEST		201 610	195 833	201 610	195 833
Australian Research Council:	39.5				
Discovery - Projects		2 217	1 327	2 217	1 327
Discovery - Fellowships		(2)	157	(2)	157
Linkages - Special research initiatives		-	60	-	60
Linkages - Infrastructure		877	398	877	398
Linkages - International		41	44	41	44
Linkages - Projects		2 022	1 908	2 022	1 908
Linkages - Research networks		150	-	150	-
Linkages - Centres		845	752	845	752
Total Australian Research Council		6 150	4 646	6 150	4 646
Other Commonwealth Financial Assistance:					
Other Commonwealth government research grants		6 297	5 385	6 297	5 385
Aboriginal tutorial assistance scheme grant		234	252	234	252
Other Commonwealth grants		123	50	123	50
Total Other Commonwealth Financial Assistance		6 654	5 687	6 654	5 687
Total Commonwealth Financial Assistance		214 414	206 166	214 414	206 166

* Operating financial assistance includes superannuation programme and workplace reform programme.

3. Commonwealth Government Financial Assistance (including HECS and other Commonwealth loan programmes) (continued)	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Reconciliation:				
Commonwealth Government grants	128 356	120 529	128 356	120 529
HECS - Student contributions	9 221	9 125	9 221	9 125
HECS - Commonwealth payments	53 828	54 254	53 828	54 254
Commonwealth loan programmes	2 349	2 222	2 349	2 222
Commonwealth supplementation	20 660	20 036	20 660	20 036
Total Commonwealth Financial Assistance	214 414	206 166	214 414	206 166
4. State Government Financial Assistance				
Anangu Teacher Education Program (AnTEP)	-	173	-	173
Research grants	2 278	2 194	2 278	2 194
Other	298	269	298	269
	2 576	2 636	2 576	2 636
5. Fees and Charges				
Continuing education	2 603	1 452	2 603	1 452
Fee-paying overseas students	51 349	49 070	51 349	49 070
Fee-paying non-overseas postgraduate students	3 635	3 694	3 635	3 694
Fee-paying non-overseas non-award students	-	80	-	80
Other fees and charges:				
Open Learning Australia (OLA)	1 759	1 300	1 759	1 300
Fees - Civil aviation	536	501	536	501
Miscellaneous enrolment fees	1 253	1 228	1 253	1 228
Seminar/workshops	1 277	663	1 277	663
	62 412	57 988	62 412	57 988
6. Investment Income				
Dividends	124	42	1 232	1 957
Interest	4 697	4 479	4 366	4 225
Investment income from related parties (Unisure Pty Ltd)	341	280	341	270
	5 162	4 801	5 939	6 452
7. Royalties				
Royalties	779	719	678	712
8. Consultancy and Contract Research				
Consultancy fees	4 940	4 822	4 940	4 826
Contract research	13 023	10 769	13 023	10 769
	17 963	15 591	17 963	15 595
9. Other Revenue				
Proceeds from sale of assets (refer Note 16)	241	7 696	229	7 684
Donations and bequests	2 300	823	1 386	801
Scholarships and prizes	362	594	362	594
Other fees and charges	11 291	11 961	5 166	5 227
Other	5 911	3 320	5 756	3 751
	20 105	24 394	12 899	18 057
10. Employee Benefits and On Costs				
Academic:				
Salaries	74 399	69 821	74 399	69 821
Contributions to superannuation and pension schemes:				
Emerging cost	1 097	1 138	1 097	1 138
Funded	10 535	8 885	10 535	8 885
Payroll tax	5 172	4 716	5 172	4 716
Workers compensation	579	260	579	260
Long service leave expense	2 547	2 207	2 547	2 207
Annual leave	5 616	4 613	5 616	4 613
	99 945	91 640	99 945	91 640

10. Employee Benefits and On Costs (continued)

	Consolidated		University	
	2004	2003	2004	2003
Non-Academic:	\$'000	\$'000	\$'000	\$'000
Salaries	59 349	56 205	56 248	53 898
Contributions to superannuation and pension schemes:				
Emerging cost	1 003	952	743	731
Funded	8 107	6 800	8 107	6 800
Payroll tax	4 415	4 564	4 231	4 407
Workers compensation	686	338	660	321
Long service leave expense	2 164	1 776	2 110	1 747
Annual leave	5 068	4 237	4 924	4 063
	80 792	74 872	77 023	71 967
Total Academic and Non Academic Employee Benefits and On Costs	180 737	166 512	176 968	163 607

Full and fractional time staff (full-time equivalent) comprised:

	2004		2003	
	Number	Number	Number	Number
Academic	933	902		
Non-academic	1 213	1 211		
Total Staff	2 146	2 113		

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:

	2004		2003	
	Number	Number	Number	Number
Number of Targeted Voluntary Separation Packages	20	28		
	\$'000	\$'000		
Targeted Voluntary Separation Package expenses	962	1 310		
Accrued annual leave and long service leave payments	324	532		
Total Amount Associated with Separations	1 286	1 842		

There is no entitlement to recover separation payments from the Office for the Commissioner for Public Employment.

In accordance with AASB 1028 '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 2004 relating to employee benefits:

	Consolidated		University	
	2004	2003	2004	2003
Annual Leave:	\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current	2 603	2 327	2 603	2 327
Employee benefits - Current	10 517	9 991	10 379	9 825
	13 120	12 318	12 982	12 152
Long Service Leave:				
On-costs included in payables - Current	525	411	525	411
Employee benefits - Current	4 061	3 148	3 960	3 101
	4 586	3 559	4 485	3 512
On-costs included in payables - Non-current	2 548	2 465	2 548	2 465
Employee benefits - Non-current	19 230	18 606	19 230	18 606
	21 778	21 071	21 778	21 071
Separations Scheme:				
Employee benefits - Current	389	144	389	144
	389	144	389	144
Total Aggregate Employee Benefits Liability	39 873	37 092	39 634	36 879

11. Depreciation and Amortisation

Amortisation leased assets	1 500	1 104	1 500	1 104
Buildings	10 849	10 729	10 791	10 712
Library collection	3 779	7 647	3 779	7 647
Plant and equipment	3 439	3 734	3 320	3 616
	19 567	23 214	19 390	23 079

12. Repairs and Maintenance	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Buildings	3 390	3 159	3 390	3 159
Grounds	375	355	375	355
Leasehold premises	9	-	9	-
	3 774	3 514	3 774	3 514
13. Borrowing Costs				
Interest expense	1 700	1 736	1 700	1 736
Loan guarantee fees	113	112	113	112
	1 813	1 848	1 813	1 848
14. Bad and Doubtful Debts				
Doubtful debts	682	778	682	775
15. Other Expenses				
Scholarships and prizes	8 158	6 876	8 032	6 185
Telecommunications	4 255	3 931	4 210	3 861
Non-capitalised equipment (non-IT)	2 019	1 741	2 019	1 740
Travel, staff development and entertainment	12 658	11 333	12 547	11 220
External services*	22 709	20 784	22 792	20 671
IT hardware and software	6 147	6 193	6 137	6 179
Library subscriptions	539	1 512	539	1 512
Printing	1 800	1 716	1 800	1 713
Operating lease rental expenses	2 754	3 344	2 746	3 332
Advertising, marketing and promotional expenses	2 113	1 918	2 128	1 922
Bank charges, legal costs, insurance and taxes	3 091	2 806	3 072	2 793
General consumables	7 495	6 602	5 808	5 476
Carrying amount of assets sold (refer Note 16)	231	8 050	216	8 040
Other	8 890	6 683	8 038	7 338
	82 859	83 489	80 084	81 982
* Included within external services for 2004 is an amount for consultants of \$1.476 million (\$1.490 million consolidated) exclusive of GST (2003: \$1.484 million, \$1.678 million consolidated). This amount excludes consultant payments in relation to the capital works program.				
16. Sale of Assets				
Property, plant and equipment:				
Proceeds from sale	241	7 696	229	7 684
Carrying amount of assets sold	(231)	(8 050)	(216)	(8 040)
Net (Gain) Loss on Sale of Depreciable Assets	(10)	354	(13)	356
17. Cash Assets				
Cash	3 544	1 358	2 418	520
Short term deposits	46 138	102 119	42 921	99 852
	49 682	103 477	45 339	100 372
18. Receivables				
Trade debtors	10 909	8 898	10 123	7 557
Provision for doubtful debts	(319)	(346)	(319)	(346)
	10 590	8 552	9 804	7 211
Student fees	4 276	4 961	4 276	4 961
Provision for doubtful debts	(693)	(217)	(693)	(217)
	3 583	4 744	3 583	4 744
Student loans	-	7	-	7
Provision for doubtful debts	-	(1)	-	(1)
	-	6	-	6
Commonwealth receivable	2 560	1 848	2 560	1 848
Total Receivables	16 733	15 150	15 947	13 809
19. Other Financial Assets				
Current:				
Workers Compensation Investment Fund	631	583	631	583

19. Other Financial Assets (continued)	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-Current:				
Investment in controlled entity	-	-	1 730	1 575
Workers Compensation Investment Fund	4 818	4 893	4 818	4 893
Share investments	3 795	4 033	1 100	776
International Development Programs (IDP) loan	250	-	250	-
	8 863	8 926	7 898	7 244
20. Property, Plant and Equipment				
Current:				
Property held for resale:				
At valuation 31 December 2003	33 700	-	33 700	-
Non-Current:				
Art collection:				
At valuation 31 December 2004	1 476	-	1 476	-
Property held for resale:				
At valuation 31 December 2003	-	33 700	-	33 700
Land:				
At valuation 31 December 2001	-	26 588	-	26 588
At valuation 31 December 2004	47 710	-	47 710	-
	47 710	26 588	47 710	26 588
Buildings:				
At valuation 31 December 2001	-	464 505	-	464 234
At valuation 31 December 2004	520 526	-	520 231	-
At cost (leasehold improvements)	682	1 681	682	1 681
Accumulated depreciation	(258 603)	(205 850)	(258 464)	(205 769)
	262 605	260 336	262 449	260 146
Buildings Under Construction:				
At cost	83 330	26 230	83 330	26 230
Library Collection:				
At valuation 31 December 2001	-	56 361	-	56 361
At valuation 31 December 2004	32 113	-	32 113	-
At cost	-	3 663	-	3 663
Accumulated depreciation	(15 628)	(38 539)	(15 628)	(38 539)
	16 485	21 485	16 485	21 485
Plant and Equipment:				
At cost	38 483	37 658	37 703	36 925
Accumulated depreciation	(23 733)	(23 303)	(23 139)	(22 812)
	14 750	14 355	14 564	14 113
Leased Plant and Equipment:				
At cost	6 473	5 250	6 473	5 250
Accumulated amortisation	(2 932)	(1 104)	(2 932)	(1 104)
	3 541	4 146	3 541	4 146
Total Non-Current Property, Plant and Equipment	429 897	386 840	429 555	386 408
Total Property, Plant and Equipment	463 597	386 840	463 255	386 408
Reconciliation of Movements in Property, Plant and Equipment				
Property held for resale:				
Carrying amount at beginning of year	33 700	19 980	33 700	19 980
Disposals	-	(6 280)	-	(6 280)
Reclassification	-	(450)	-	(450)
Revaluations	-	20 450	-	20 450
Carrying amount at end of year	33 700	33 700	33 700	33 700
Art collection:				
Carrying amount at beginning of year	-	-	-	-
Additions	668	-	668	-
Reclassification	264	-	264	-
Revaluations	544	-	544	-
Carrying amount at end of year	1 476	-	1 476	-
Land:				
Carrying amount at beginning of year	26 588	26 138	26 588	26 138
Reclassification	-	450	-	450
Revaluations	21 122	-	21 122	-
Carrying amount at end of year	47 710	26 588	47 710	26 588
Buildings:				
Carrying amount at beginning of year	260 336	269 350	260 146	269 348
Additions	1 503	1 304	1 479	1 099
Depreciation	(10 849)	(10 729)	(10 791)	(10 712)
Reclassification	10 776	411	10 776	411
Revaluations	839	-	839	-
Carrying amount at end of year	262 605	260 336	262 449	260 146

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Reconciliation of Movements in Property, Plant and Equipment (continued)				
Buildings Under Construction:				
Carrying amount at beginning of year	26 230	5 351	26 230	5 351
Additions	67 900	21 290	67 900	21 290
Reclassification	(10 800)	(411)	(10 800)	(411)
Carrying amount at end of year	83 330	26 230	83 330	26 230
Library Collection:				
Carrying amount at beginning of year	21 485	27 445	21 485	27 445
Additions	2 020	1 893	2 020	1 893
Disposals	-	(206)	-	(206)
Depreciation	(3 779)	(7 647)	(3 779)	(7 647)
Fair value revaluation	(3 241)	-	(3 241)	-
Carrying amount at end of year	16 485	21 485	16 485	21 485
Plant and Equipment:				
Carrying amount at beginning of year	14 355	14 801	14 113	14 622
Additions	4 304	3 770	4 226	3 579
Disposals	(230)	(491)	(215)	(471)
Depreciation	(3 439)	(3 725)	(3 320)	(3 617)
Reclassification	(240)	-	(240)	-
Carrying amount at end of year	14 750	14 355	14 564	14 113
Leased Plant and Equipment:				
Carrying amount at beginning of year	4 146	1 083	4 146	1 083
Additions	895	5 250	895	5 250
Disposals	-	(1 083)	-	(1 083)
Amortisation	(1 500)	(1 104)	(1 500)	(1 104)
Carrying amount at end of year	3 541	4 146	3 541	4 146
Total Property, Plant and Equipment	463 597	386 840	463 255	386 408
21. Other Non-Financial Assets				
Prepayments	2 370	1 256	2 352	1 227
Accrued income	759	1 884	758	1 884
	3 129	3 140	3 110	3 111
22. Payables				
Current:				
Trade creditors	12 798	8 144	12 755	8 370
Accrued expenses	1 241	2 603	1 241	2 603
Annual leave on-costs	2 603	2 327	2 603	2 327
Long service leave on-costs	525	411	525	411
	17 167	13 485	17 124	13 711
Non-Current:				
Long service leave on-costs	2 548	2 465	2 548	2 465
Non-interest bearing liabilities	-	50	-	50
	2 548	2 515	2 548	2 515
23. Interest Bearing Liabilities				
Current:				
Finance lease	1 353	1 294	1 353	1 294
Non-Current:				
Finance leases	2 108	2 800	2 108	2 800
SA Government Financing Authority (SAFA) loan	15 000	15 000	15 000	15 000
	17 108	17 800	17 108	17 800
No assets have been pledged as security.				
24. Provisions				
Current:				
Annual leave	10 517	9 991	10 379	9 825
Long service leave	4 061	3 148	3 960	3 101
Separation scheme	389	144	389	144
Workers compensation liability	540	591	540	588
	15 507	13 874	15 268	13 658
Non-Current:				
Workers compensation liability	1 870	784	1 870	784
Long service leave	19 230	18 606	19 230	18 606
	21 100	19 390	21 100	19 390

25. Other Liabilities

	Consolidated		University	
	2004	2003	2004	2003
Current:	\$'000	\$'000	\$'000	\$'000
Accrued interest	255	255	255	255
Other	1 560	2 430	681	879
Funds held on behalf of external entities	3 748	2 415	4 230	3 149
	5 563	5 100	5 166	4 283
Income in advance on incomplete projects	2 488	1 435	2 467	1 315
Fees and charges	5 314	4 453	5 314	4 453
Commonwealth payables and grants	583	18 236	583	18 236
HECS recovery	717	379	717	379
	6 614	23 068	6 614	23 068
	14 665	29 603	14 247	28 666

26. Reserves and Retained Surplus

The University has three reserves in total. The land and buildings reserve records revaluations in land and buildings, the investment reserve records revaluations in investments, and the art collection revaluation reserve records revaluations in the art collection.

(a) Retained Surplus Comprise

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Opening balance	392 024	378 513	386 570	373 198
Operating result from ordinary activity	13 319	13 511	13 510	13 372
Fair value adjustment to library collection (refer Note 1(f))	(3 241)	-	(3 241)	-
Closing Balance	402 102	392 024	396 839	386 570

(b) Reserves Comprise

Land and buildings	49 885	27 923	49 885	27 923
Art collection	544	-	544	-
Investment revaluation reserve	656	208	164	-
Total Reserves	51 085	28 131	50 593	27 923
Total Reserves and Retained Surplus	453 187	420 155	447 432	414 493

(c) Movements in Reserves

Land and Buildings:				
Opening balance	27 923	7 473	27 923	7 473
Asset revaluation increment	21 962	20 450	21 962	20 450
Closing Balance	49 885	27 923	49 885	27 923
Art Collection:				
Opening balance	-	-	-	-
Asset revaluation increment	544	-	544	-
Closing Balance	544	-	544	-
Investment Revaluation Reserve:				
Opening balance	208	42	-	-
Asset revaluation increment	448	166	164	-
Closing Balance	656	208	164	-
Total Reserves	51 085	28 131	50 593	27 923

27. Financial Instruments**27.1 Interest Rate Risk 2004**

The following table sets out the economic entity's exposure to interest rate risk as at 31 December 2004:

	Note	Variable Interest Rate	2004				Non-Interest Bearing	Total \$'000
			Fixed Interest Rate Maturity			Interest		
			Less than 1 Year	1 to 5 Years	More than 5 Years			
Financial Assets:		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash assets	17	49 682	-	-	-	-	49 682	
Receivables	18	-	-	-	-	16 733	16 733	
Other financial assets	19	5 449	-	-	-	4 045	9 494	
		55 131	-	-	-	20 778	75 909	

Weighted average interest rate 5.37%

27.1 Interest Rate Risk 2004 (continued)

	Note	Variable Interest Rate \$'000	2004 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
			Financial Liabilities:				
Trade creditors	22	-	-	-	-	12 798	12 798
Accrued expenses	22	-	-	-	-	1 241	1 241
Annual leave and long service leave on-costs	22	-	-	-	-	5 676	5 676
Interest bearing liabilities	23	-	-	15 000	-	-	15 000
Finance lease	23	-	1 353	2 108	-	-	3 461
Funds held on behalf of external entities	25	-	-	-	-	3 748	3 748
		-	1 353	17 108	-	23 463	41 924
Weighted average interest rate			6.57%	9.73%			

27.2 Interest Rate Risk 2003

The following table sets out the economic entity's exposure to interest rate risk as at 31 December 2003:

	Note	Variable Interest Rate \$'000	2003 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
			Financial Assets:				
Cash assets	17	103 477	-	-	-	-	103 477
Receivables	18	-	-	-	-	15 150	15 150
Other financial assets	19	5 476	-	-	-	4 033	9 509
		108 953	-	-	-	19 183	128 136
Weighted average interest rate		5.15%					
Financial Liabilities:							
Trade creditors	22	-	-	-	-	8 144	8 144
Accrued expenses	22	-	-	-	-	2 603	2 603
Annual leave and long service leave on-costs	22	-	-	-	-	5 203	5 203
Interest bearing liabilities	23	-	-	15 000	-	50	15 050
Finance lease	23	-	1 294	2 800	-	-	4 094
Funds held on behalf of external entities	25	-	-	-	-	2 415	2 415
		-	1 294	17 800	-	18 415	37 509
Weighted average interest rate			7.32%	9.73%			

Currency Risk

The University assesses the foreign exchange risk for its transnational activities and for asset acquisitions (library and plant and equipment), and will enter into hedging arrangements if considered appropriate. As at 31 December 2004 the University held US\$0.412 million (2003: US\$0.589 million) and RM\$0.117 million (2003: RM\$0.118 million – Malaysian Ringgit) in foreign currency.

Credit Risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

- On-Balance Sheet Financial Instruments**

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

The economic entity is not materially exposed to any specific overseas country or individual customer.

Net Fair Values of Financial Assets and Liabilities

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values, other than the SAFA loans which are carried at cost. The net fair values of the SAFA loans are:

	2004 Carrying Amount \$'000	2004 Net Fair Value \$'000	2003 Carrying Amount \$'000	2003 Net Fair Value \$'000
Interest Bearing Liabilities	15 000	15 981	15 000	16 402

Listed and unlisted share investments of \$1.834 million Consolidated (\$1.100 million University) and investments in controlled entities of \$1.730 million are carried at fair value.

28. Responsible Persons and Executive Officers

28.1 Responsible Persons

The principal governing body of the University is the Council. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

(i) *Names of 2004 Council Members*

Mr David Klingberg, AM, Chancellor
 Professor Denise Bradley, AO Vice Chancellor *
 Ms Alice McCleary, Deputy Chancellor
 Dr Patricia Crook, AO (resigned 14 December 2004)
 Ms Jan Lowe
 Mr William Cossey
 Ms Virginia Hickey (resigned 14 December 2004)
 Mr Bruce Linn
 Mr Greg Mackie, OAM
 Ms Jillian Miller
 Mr Ian McLachlan
 Mr Peter Smith
 Mr James Birch
 Associate Professor Kazem Abhary *
 Associate Professor Adrian Vicary *
 Dr Michael Venning *
 Mr Ray Stradwick *
 Ms Liz Stinson *
 Mr Andrew Christie (appointed 1 January 2004)
 Ms Kristen Huynh (appointed 1 January 2004)
 Mr Ryan Manuel (appointed 1 January 2004)

(ii) *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.

28.2 Executive Officers

(a) *Executive Officers Remuneration*

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated		University	
	2004 Number of Executives	2003 Number of Executives	2004 Number of Executives	2003 Number of Executives
\$110 000 - \$119 999	1	-	1	-
\$130 000 - \$139 999	-	1	-	1
\$140 000 - \$149 999	-	1	-	1
\$200 000 - \$209 999	3	2	3	2
\$210 000 - \$219 999	1	3	1	3
\$230 000 - \$239 999	2	1	2	1
\$240 000 - \$249 999	-	1	-	1
\$250 000 - \$259 999	1	-	1	-
\$260 000 - \$269 999	2	-	2	-
\$410 000 - \$419 999	-	1	-	1
\$450 000 - \$459 999	1	-	1	-
	11*	10	11*	10

28.2 Executive Officers (continued)

	Consolidated		University	
	2004 Number of Executives	2003 Number of Executives	2004 Number of Executives	2003 Number of Executives
(b) Aggregate Remuneration of Executive Officers	2 395*	1 931	2 395*	1 931

Executives are defined as the Chief Executive Officer 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.

* Additional executive remuneration resulted from the retirement of an executive officer during the 2004 year.

(c) Related Party Transactions

There were no related party transactions during the reporting period.

29. 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:

Assurance Services

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Audit Services</i>				
Fees paid to the Auditor-General's Department:				
Auditing the financial report	186	201	182	198
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the consolidated entity	12	12	-	-
	198	213	182	198

30. 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.

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.

The University has no other material contingent liabilities.

31. Commitments for Expenditure

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Capital Commitments				
<i>Capital Expenditure*</i>				
Not later than one year	14 220	72 674	14 220	72 674
Later than one year but not later than five years	3 055	563	3 055	563
Later than five years	-	-	-	-
	17 275	73 237	17 275	73 237

* Relates to Blueprint 2005 capital works, the University's building plan to upgrade its facilities.

(b) Lease Commitments

Operating Leases:				
Not later than one year	3 071	3 429	3 071	3 425
Later than one year but not later than five years	3 843	6 158	3 843	6 158
Later than five years	2 046	3 355	2 046	3 355
	8 960	12 942	8 960	12 938
Finance Leases:				
Not later than one year	1 847	1 652	1 847	1 652
Later than one year but not later than five years	2 783	3 396	2 783	3 396
Later than five years	-	-	-	-
	4 630	5 048	4 630	5 048
Less: Future lease finance charges	(1 169)	(954)	(1 169)	(954)
	3 461	4 094	3 461	4 094

(b) Lease Commitments (continued)	Consolidated		University	
	2004	2003	2004	2003
Lease Liabilities provided for in the Financial Statements:	\$'000	\$'000	\$'000	\$'000
Current	1 353	1 294	1 353	1 294
Non-Current	2 108	2 800	2 108	2 800
	3 461	4 094	3 461	4 094

Major operating leases include leases for office space and vehicles. The terms of the office space lease agreements include renewal or purchase options ranging between 1 and 5 years. At 31 December 2004 the University had finance leases over computers with a written down value of \$2.713 million and computer pools with a written down value of \$0.828 million.

32. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) South Australian Superannuation Fund

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 employee's 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 2004 to be \$301.4 million (31 December 2003: \$297.1 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 2001.

The University's liability under the schemes has been partly funded by an amount of \$17.0 million (2003: \$14.9 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$284.4 million (2003: \$282.2 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.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

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) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Plan or Investment Choice Plan

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 defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation as at 31 December 2002 was conducted by Grant Harslett, FIA, FIAA on 16 May 2003.

A funding and solvency certificate issued by the Actuary on 31 July 2003, required under Regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations, has been obtained from UniSuper with a date of effect of 5 November 2004 ceasing on 5 November 2009.

(i) *UniSuper Defined Benefit Plan or Investment Choice Plan (continued)*

As at 30 June 2004 the University of South Australia's share of the fund as it relates to the defined benefits scheme was:

	2004	2003
	\$'000	\$'000
Net market value	96 940	73 962
Accrued benefits	86 128	70 135
Difference (net market value in excess of accrued benefits)	10 812	3 827
Vested Benefits	100 123	83 936

Accrued benefits are calculated as the present value of expected future payments of benefits to members which arise from membership of the fund up to the reporting date, using the actuary's current expectations of earnings of the Fund's assets, future inflation, salary levels and other relevant assumptions. Vested benefits are calculated as the total benefits that would be payable if all members voluntarily left the service of the University on the reporting date. UniSuper advised that, as there are more than 100 participating employers in the Fund, they consider accrued benefits to be the more relevant measure of UniSuper's accrued liability because all members are not expected to voluntarily leave service at one time.

UniSuper as Trustee may approach the employer universities for additional contributions where UniSuper assets are determined to be insufficient to match the benefits. If the Trustee approaches the employers, the employers must jointly notify the Trustee as to the rate at which they are prepared to contribute to UniSuper. If employers fail to give notice to the Trustee, the Trustee must reduce the benefits payable.

(ii) *UniSuper Award Plus Plan*

The University contributes to the fund at a rate determined by the trust deed. 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 also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Charge (SGC).

(c) **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 2004, an amount of \$2.2 million was brought to account to reflect the increase in the net unfunded past service cost for State superannuation (2003: an increase of \$4.9 million).

	2004	2003
	\$'000	\$'000
Deferred government superannuation contribution at the beginning of the year	282 200	277 300
Increase (Decrease) in amount owing for unfunded liability	2 200	4 900
Deferred government superannuation contribution at the end of the year	284 400	282 200
Comprising:		
Current asset	26 200	24 800
Non-Current asset	258 200	257 400
	284 400	282 200

33. Investments in Controlled Entities

The University has 100 percent ownership of three controlled entities:

(a) **ITEK Pty Ltd**

ITEK Pty Ltd was formed on 1 July 1999. 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**

The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it seeks to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are wholly used for the intended purpose.

Due to changes in tax law governing charities that comes into effect on 1 July 2005 the Foundation will no longer qualify as a tax exempt charity. As the University will continue to qualify as a tax exempt body it will be necessary to bring the activities of Foundation into the University as of 1 July 2005.

(c) Knowledge South Pty Ltd

Knowledge South Pty Ltd is a company wholly owned by the University of South Australia. It is the commercial entity for the development, marketing and implementation of the University's portal and online learning. Its purpose is to provide e-learning and website development services.

34. Investments in Associates

The University also has an interest in Unisure Pty Ltd as described below.

Unisure Pty Ltd

The University of South Australia is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd (each with 33.33 percent interest) which manages workers' compensation claims on behalf of the three institutions. 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 2004 the Unit Trust held net assets of \$3.039 million on behalf of the University of South Australia (2003: \$4.104 million).

The University's annual financial statements incorporate the financial transactions of the Unisure Unit Trust within the University column. The net assets employed in Unisure are as follows:

	University	
	2004	2003
	\$'000	\$'000
Current assets	631	583
Non-current assets	4 818	4 893
Total Assets	5 449	5 476
Current liabilities	540	588
Non-current liabilities	1 870	784
Total Liabilities	2 410	1 372
Net Assets	3 039	4 104

35. Interests in Joint Ventures**(a) Mawson Centre Building – Joint Venture Operation**

The University together with 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 2004, the University's share of the Mawson Centre development totalled \$4.073 million (2003: \$0.509 million). This amount is reported in the value for buildings under construction in property, plant and equipment (refer Note 20). The advance contributions from the joint venturers total \$0.580 million (2003: \$0.008 million receivable) and are reported under payables (refer Note 22).

(b) Other Joint Venture Operations

The University's interests in other joint venture operations are as follows:

	Reporting Date	Output Interest	2004	2003
		Percent	Percent	Percent
SPRI (Building)	30 June	30	30	30
SAPAC	30 June	20	20	20

(i) 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 (\$1.940 million) is included in Buildings. The University's share of this joint venture's operations have not been included in the consolidated report due to them being immaterial in relation to the University's activities.

(ii) 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.

(c) 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 in relation 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 1006 'Interest in Joint Ventures'.

Entity (refer below)	Reporting Date	Ownership Interest	
		2004 Percent	2003 Percent
(a) CIEAM	30 June	11.39	11.39
(b) CRCIF	30 June	-	-
(c) CRCIMST	30 June	8	8
(d) RAIL CRC	30 June	11.78	8.3
(e) CRCSS	30 June	26	28
(f) CRCST	30 June	5	5
(g) CSSIP	30 June	5.2	5.2
(h) CWQT	30 June	4.21	5
(i) DK-CRC	30 June	4.6	4.6
(j) DSTC Pty Ltd	30 June	9.09	8.3
(k) SACITT	31 December	33.3	33.3
(l) SACRRH	31 December	50	50
(m) SATAC	30 June	25	25

- (a) *Co-operative Research Centre for Integrated Engineering Asset Management (CIEAM)*
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 research and development, 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.
- (b) *Co-operative Research Centre for Irrigation Futures (CRCIF)*
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.
- (c) *Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)*
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.
- (d) *Co-operative Research Centre for Railway Engineering and Technologies (RAIL CRC)*
The 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.
- (e) *Co-operative Research Centre for Satellite Systems (CRCSS)*
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.
- (f) *Co-operative Research Centre for Sustainable Tourism Pty Ltd (CRCST 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.
- (g) *Co-operative Research Centre for Sensor Signal and Information Processing (CSSIP)*
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.
- (h) *Centre for Water Quality and Treatment (CWQT)*
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.
- (i) *Desert Knowledge Co-operative Research Centre (DK-CRC)*
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.

- (j) *CRC for Enterprise Distributed Systems Technologies (DSTC Pty Ltd)*
DSTC is a national co-operative research centre. Its purpose is to achieve fundamental improvements in Australian organisational competitiveness and efficiency through conducting and exploiting research into enterprise distributed systems.
- (k) *South Australian Consortium for Information Technology and Telecommunications (SACITT)*
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 SA 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 SA 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. The final composition of the joint venture has not been established as at the reporting date.
- (l) *South Australian Centre for Rural and Remote Health (SACRRH)*
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 SACRRH 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.
- (m) *South Australian Tertiary Admissions Centre (SATAC)*
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 eight Institutes of TAFE and the three universities in South Australia.

36. Events Occurring after the Reporting Date

On 23 March 2005 the University entered into a contract to purchase an office building, which it currently partially tenants, located at 160 Currie Street, Adelaide. The price of this acquisition was \$6.000 million and the transaction is expected to settle on 24 June 2005.

Since year end the University has obtained approval to commence construction of a building, on land located at its City West campus, with an estimated total cost of \$35.000 million. In April 2005 the University appointed a Managing Contractor to assist with the building construction.

Other than noted above 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 or unusual nature likely to affect significantly the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

37. Reconciliation of Operating Result from Ordinary Activities after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Reconciliation of Cash				
Operating result from ordinary activities	13 319	13 511	13 510	13 372
Add (Less): Items classified as investing activities:				
(Profit) Loss on sale of plant and equipment	(10)	354	(13)	356
Add (Less): Non-cash items:				
Depreciation and amortisation	19 567	23 214	19 390	23 079
Non cash donations	(1 054)	(62)	(1 054)	(62)
Non cash investments	-	-	(155)	-
Loss on sale of investments	70	-	-	-
Revaluation expense	390	-	164	-
Art collection	630	-	630	-
Capital assets	(1 144)	-	(1 126)	-
Change in assets and liabilities:				
(Increase) Decrease in receivables	(1 583)	(1 787)	(2 138)	(1 594)
(Increase) Decrease in other assets	26	(2 638)	(701)	(1 876)
Increase (Decrease) in payables	3 715	(26)	3 446	276
Increase (Decrease) in provisions	3 343	3 950	3 320	3 892
Increase (Decrease) in other liabilities	(14 938)	4 854	(14 419)	4 503
Net Cash provided by Operating Activities	22 331	41 370	20 854	41 946

(b) Non-Cash Financing and Investing Activities

The University recorded in the reporting period donations of works of art and library materials with a fair value of \$1.054 million (2003: \$0.062 million). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

(c) Credit Standby Arrangements

The University has a \$5.0 million (2003: \$5.0 million) credit card facility with the National Australia Bank (NAB). The unused portion of this facility as at 31 December 2004 was \$4.316 million (2003: \$4.431 million).

The University has a \$0.950 million credit card facility with AMEX (2003: \$0.855 million). The unused portion of this facility as at 31 December 2004 was \$0.667 million (2003: \$0.854 million).

The University has a \$0.200 million (2003: \$0.200 million) documentary letter of credit facility with the NAB to allow issue of Letters of Credit. The unused portion of this facility as at 31 December 2004 was \$0.200 million (2003: \$0.200 million).

The University has a pre-approved lease / lease purchase limit of \$2.0 million (2003: \$2.0 million) with the NAB for the funding of leaseable equipment. The unused portion of this facility as at 31 December 2004 was \$2.0 million (2003: \$2.0 million).

The University has a pre-approved IT lease facility limit of \$5.0 million (2003: nil) with the Commonwealth Bank to assist with the purchase of IT equipment. The unused portion of this facility as at 31 December 2004 was \$4.775 million (2003: nil).

(d) Loan Facilities

The University has \$15.0 million of borrowings remaining at 31 December 2004 from a loan facility with the South Australian Government Financing Authority (SAFA). No security is provided against the borrowings.

The University has a \$25.0 million facility and a \$10.0 million standby facility with the NAB for financing the Blueprint capital program. The unused portion of these facilities as at 31 December 2004 were \$25.0 million and \$10.0 million respectively.

38. Assets and Liabilities of Trusts for which the Institution is Trustee

Within the controlled group, the University of South Australia Foundation Inc is trustee or custodian for the following trusts:

- Aborigines Advancement League;
- KM Bodnar;
- Constance Gordon-Johnson Fund;
- Davy Scholarship;
- Donald Dyer Scholarship;
- Lydia Longmore Memorial Fund;
- PW Stephens Engineering Prize;
- Sansom Pharmacy Trust; and
- William T Southcott Scholarship.

39. Acquittal of Commonwealth Government Financial Assistance**39.1 Teaching and Learning**

	Operating Grant		Capital Development Pool		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	107 015	108 776	-	1 421	107 015	110 197
Net accrual adjustments	13 527	5 288	-	-	13 527	5 288
Revenue for the Period	120 542	114 064	-	1 421	120 542	115 485
Surplus (Deficit) from the previous year	647	264	1 437	154	2 084	418
Total Revenue Including Accrued Revenue	121 189	114 328	1 437	1 575	122 626	115 903
Less expenses including accrued expenses	(119 575)	(113 681)	(1 390)	(138)	(120 965)	(113 819)
Surplus (Deficit) for Reporting Period	1 614	647	47	1 437	1 661	2 084

39.2 HECS and other Commonwealth Loan Programmes

	HECS		PELS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	58 210	58 935	2 807	2 060
Net accrual adjustments	4 839	4 444	(471)	162
Revenue for the Period	63 049	63 379	2 336	2 222
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	63 049	63 379	2 336	2 222
Less expenses including accrued expenses	(63 049)	(63 379)	(2 336)	(2 222)
Surplus (Deficit) for Reporting Period	-	-	-	-

39.2 HECS and other Commonwealth Loan Programmes (continued)

	BOTPLS		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	13	-	61 030	60 995
Net accrual adjustments	-	-	4 368	4 606
Revenue for the Period	13	-	65 398	65 601
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	13	-	65 398	65 601
Less expenses including accrued expenses	(13)	-	(65 398)	(65 601)
Surplus (Deficit) for Reporting Period	-	-	-	-

39.3 Scholarships

	Australian Postgraduate Awards Pre 2002		Australian Postgraduate Awards Post 2002	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	206	564	1 314	924
Net accrual adjustments	-	-	-	-
Revenue for the Period	206	564	1 314	924
Surplus (Deficit) from the previous year	102	21	101	-
Total Revenue Including Accrued Revenue	308	585	1 415	924
Less expenses including accrued expenses	(178)	(483)	(1 171)	(823)
Surplus (Deficit) for Reporting Period	130	102	244	101

	International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	298	288	204	-
Net accrual adjustments	-	-	-	-
Revenue for the Period	298	288	204	-
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	298	288	204	-
Less expenses including accrued expenses	(263)	(288)	(191)	-
Surplus (Deficit) for Reporting Period	35	-	13	-

	Commonwealth Accommodation Scholarships		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	396	-	2 418	1 776
Net accrual adjustments	-	-	-	-
Revenue for the Period	396	-	2 418	1 776
Surplus (Deficit) from the previous year	-	-	203	21
Total Revenue Including Accrued Revenue	396	-	2 621	1 797
Less expenses including accrued expenses	(388)	-	(2 191)	(1 594)
Surplus (Deficit) for Reporting Period	8	-	430	203

39.4 DEST - Research

	Institutional Grants Scheme		Research Training Scheme	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	4 385	4 530	6 584	7 170
Net accrual adjustments	381	22	573	-
Revenue for the Period	4 766	4 552	7 157	7 170
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	4 766	4 552	7 157	7 170
Less expenses including accrued expenses	(4 766)	(4 552)	(7 157)	(7 170)
Surplus (Deficit) for Reporting Period	-	-	-	-

	Research Infrastructure Block Grants		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	1 223	1 249	12 192	12 949
Net accrual adjustments	106	-	1 060	22
Revenue for the Period	1 329	1 249	13 252	12 971
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	1 329	1 249	13 252	12 971
Less expenses including accrued expenses	(1 329)	(1 249)	(13 252)	(12 971)
Surplus (Deficit) for Reporting Period	-	-	-	-

39.5 Australian Research Council Grants

(a) Discovery	Projects		Fellowship	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	2 089	1 320	(2)	157
Net accrual adjustments	128	7	-	-
Revenue for the Period	2 217	1 327	(2)	157
Surplus (Deficit) from the previous year	547	263	55	52
Total Revenue Including Accrued Revenue	2 764	1 590	53	209
Less expenses including accrued expenses	(1 822)	(1 043)	(53)	(154)
Surplus (Deficit) for Reporting Period	942	547	-	55

	Total	
	2004 \$'000	2003 \$'000
Financial assistance received in cash during reporting period	2 087	1 478
Net accrual adjustments	128	7
Revenue for the Period	2 215	1 485
Surplus (Deficit) from the previous year	602	315
Total Revenue Including Accrued Revenue	2 817	1 800
Less expenses including accrued expenses	(1 875)	(1 197)
Surplus (Deficit) for Reporting Period	942	603

39.6 Summary of Unspent Financial Assistance

	Amount of unspent grant as at 31 December 2004 \$'000	Amount of unspent grant that it is more likely to be approved by the Commonwealth for carry forward \$'000	Amount of unspent grant that it is more likely to be recovered by the Commonwealth \$'000
Operating Grant:			
HEIP - Chair in child protection	1309	1309	-
HEIMS innovation programme	77	77	-
Regional disability liaison officer	83	83	-
Student disability educational support	22	22	-
Teaching awards	55	55	-
2003 equity programme	68	68	-
	1 614	1 614	-
Capital development pool	47	31	16
Scholarships:			
Australian postgraduate awards pre 2002	130	130	-
Australian postgraduate awards post 2002	244	244	-
International postgraduate research scholarships	35	35	-
Commonwealth education costs scholarships	13	13	-
Commonwealth accommodation scholarships	8	8	-
	430	430	-
ARC research grants - Discovery: Projects	942	942	-
ARC research grants - Linkages:			
Special research initiatives	8	8	-
Infrastructure	122	122	-
International	44	44	-
Projects	1 106	1 098	8
Research networks	150	150	-
Centres	250	250	-
	1 680	1 672	8
Total	4 713	4 689	24

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

DWLBC comprises all the functions of the former Department for Water Resources, which was abolished upon the creation of DWLBC, certain sections of the Sustainable Resources Group of the Department of Primary Industries and Resources (PIRSA), and certain biodiversity activities from the Department for Environment and Heritage.

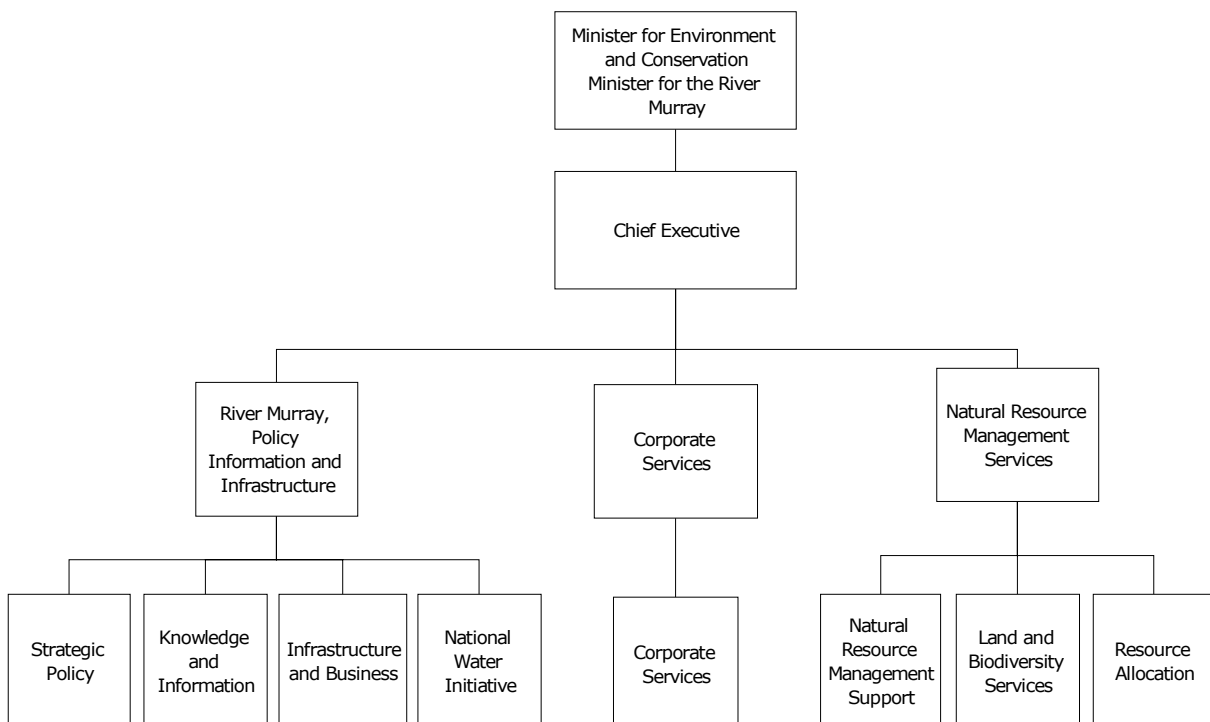
Functions

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 Financial Statements

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

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 statements and internal controls.

Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2004-05, 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 2004-05 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 Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Water, Land and Biodiversity Conservation as at 30 June 2005, 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 review of corporate governance and risk management; control environment; and fixed assets – asset management, as outlined under 'Audit Communications to 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 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. Major matters raised with the Department and the related responses are considered herein.

Review of Corporate Governance and Risk Management

In 2003-04, a review was conducted covering areas that are generally accepted as essential elements to good governance and which provide the basis for a strong control environment. The results of this review were communicated in last year's Report.

During 2004-05, Audit conducted a review to follow up issues previously raised and the actions that DWLBC intended to take to address these issues. The scope of the review covered the following areas:

- Organisational Structure and Responsibilities
- Policy and Planning
- Monitoring and Reporting
- Risk Management Policy and Practice.

The review involved collection and review of documentation to suggest that strategies to improve governance arrangements within DWLBC were effective, had been achieved and were communicated to staff.

Specific issues raised during 2004-05 as a result of the follow up review are summarised in the following paragraphs.

Policy and Planning

To ensure that the strategic and operational objectives and outcomes of an organisation are achieved, key policies and plans need to be formulated and communicated to staff to guide the direction of the agency in achieving desired outcomes.

Review of policy developments within DWLBC revealed that a Policy Register has recently been developed, however, existing policies have not been reviewed during the year. Consequently, communication of policies required to achieve the objectives of DWLBC cannot be finalised until a review of existing policies has been completed.

DWLBC responded that the Policy Register was launched in July 2005 and existing policies and procedures are expected to be reviewed by December 2005. Communication initiatives will continue in 2005-06 and will incorporate key milestones to ascertain progress and effectiveness.

Risk Management Policy and Practice

Review of Risk Management practices within DWLBC revealed that the identification of business risks was finalised during the year including classifying and rating each risk and undertaking an assessment of existing controls associated with each risk. In addition, strategic risks to DWLBC consistent with identified business risks were summarised, assessed and reported to Executive.

Programs and actions designed to address identified and prioritised residual risks are yet to be developed and assigned to responsible officers of DWLBC.

An overall Risk Management Plan is yet to be finalised detailing risk treatment, responsible officers for managing each identified risk and timeframes for reporting. As a consequence, reporting on risks to management and Executive is not fully integrated with the business plans of DWLBC and will need to be subject to further development in the future.

DWLBC responded that during 2004-05 progress had been made in implementing a system of risk management. Work is continuing with the implementation of a risk management system.

Monitoring Legislative Compliance

DWLBC has a responsibility to ensure that processes are in place to ensure compliance with legislation and that a formal and structured approach is necessary to achieve this.

To address this responsibility DWLBC has advised of its intent to develop a register of relevant legislation which would include details of management representatives responsible for managing, monitoring and reporting on the requirements of identified legislation. At the time of audit review the register was yet to be prepared.

DWLBC responded that the framework for the register had been substantially completed and information to populate the register is being collated. It is expected that the register will be completed by December 2005.

Control Environment

In past years, Audit has reported opportunities to improve DWLBC's control environment. In 2004-05 Audit noted that DWLBC had addressed a number of matters raised in past audit management letters. Notwithstanding this improvement there remained a need to improve aspects of the Department's control environment.

Audit raised the need for departmental staff to consistently comply with policies and procedures and establish appropriate mechanisms to ensure failures in the control environment are identified and addressed. These matters in the main related to processing improvements that reflect a need for enhancement in a number of areas as discussed hereunder:

Review of Expenditure Processing

In 2003-04 Audit reported a need for timely, complete and consistent performance of integrity reviews of expenditure information in the general ledger. During 2004-05 DWLBC's policy and procedures required formalised quarterly review of expenditure. Audit review of the operation of this control revealed that timely and consistent quarterly review of expenditure had not been performed across DWLBC. Audit raised that the control process lacked the accountability provided by a formal signoff and that the level of review in some cases was insufficient, presenting the risk that invalid or erroneous payments could be processed without detection.

DWLBC responded that, from the third quarter of 2004-05, it had expanded the review process to include all relevant managers and processes to follow-up outstanding signoffs. DWLBC's assessment is that this formal signoff process is sufficient to detect material errors of processing and help bring consistency across DWLBC with respect to expenditure reviews.

Reconciliation of Credit Card Expenses

The 2004-05 audit noted that reconciliation controls necessary to confirm and allocate credit card expenses to the general ledger were not performed regularly. Audit raised the need for departmental staff to account for credit card expenditure on a timely basis allowing for the timely detection of errors or misuse of cards.

In its response DWLBC acknowledged the importance of approving and allocating expenses associated with credit cards in a timely manner and indicated that it was in the process of updating its policy on the use of credit cards. The new policy requires each cardholder to code the monthly statement and have it authorised within 14 days of receipt of the statement. The Department also indicated that it had allocated responsibility to appropriate officers to follow up any outstanding credit card approvals and coding.

Payroll Controls

The prior year report identified a need to improve the level of monitoring and review of controls operating within the payroll cycle. In particular, Audit raised that there was an absence of adequate monitoring processes to ensure key controls performed by an outsourced service provider (DAIS) were operating effectively.

Follow up review in 2004-05 revealed that while DWLBC had addressed a number of matters raised previously, some areas of concern remain over DWLBC's monitoring and review of payroll controls, including:

- discrepancies noted by managers in their fortnightly review of payroll bona fide reports were not consistently followed up. Audit raised the need for timely follow up of issues flagged by managers to ensure only valid employees exist on the payroll system and that employee details are accurately updated to the CHRIS payroll system;
- Audit raised that a substantial number of leave reports were not evidenced as reviewed presenting a risk that leave taken may not be accounted for on the payroll system.

DWLBC's response indicated that as of the end of March 2005 a new process for the management of payroll bona fide reports had been instituted including the collection of bona fide returns within DWLBC and the centralised actioning of any changes via DWLBC's human resources group. Further, DWLBC responded that it had introduced a new leave report format and a new process for the management of leave as of the end of March 2005 including a monitoring process to ensure leave reports are reviewed in a timely manner.

General Ledger

The existence of strong controls over the general ledger is important to the integrity of DWLBC's reporting. The 2004-05 audit revealed a need for improvement in the following areas:

- 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.
- No formal policy or procedure regarding the reconciliation and clearing of the suspense accounts; suspense account reviews and clearing are not performed regularly.

In its response, DWLBC recognised the need to formalise policies and procedures regarding the creation, authorisation and monitoring of journals to the general ledger and the performance of suspense account reconciliations. The Department also indicated that it will perform independent checks of journal adjustments and periodic reviews of general ledger access.

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, in 2002-03 and in 2003-04, raised the establishment of asset management plans as critical to the achievement of responsibilities over major assets. In these past years DWLBC had responded that further work was required to develop business and asset management plans for all such assets.

In 2004-05 Audit raised that existing asset management plans were not current and that for some of DWLBC's major asset groups, there were no asset management plans in place.

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 are being assessed to meet DWLBC's operational and financial responsibilities including asset identification, ownership clarification, risk assessment and valuations.

Expenses charged against the Save the River Murray Fund

Audit review of the basis of the allocation of DWLBC's overheads revealed that a portion of certain general administrative costs were allocated to the Save the River Murray Fund (the Fund). At the time of the audit a formalised methodology did not exist to support the allocation of these expenses. Audit raised that a rigorous and substantiated costing methodology (supported by a documented policy) be developed to determine the basis of the Fund's share of administrative costs.

The Department responded that it recognised the need to formulate a robust and consistent costing methodology for charging of overhead costs against particular Departmental programs including programs financed from the Fund and that it was in the process of developing such a methodology.

Water Information Licensing Management Application

The adequacy of information systems and related computer processing environments is critical from both an agency management viewpoint and an audit review responsibility perspective. Additionally, the establishment and the maintenance of a sound internal control environment and specific controls covering agency activities, systems and processes is an important management responsibility.

The Water Information Licensing Management Application (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 *Natural Resources Management Act 2004*) 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 WILMA system was implemented in July 2004.

Audit undertook a review of important aspects of the WILMA application and its CPE. The review scope included coverage of the following matters:

- Information access security and integrity for the WILMA system and information.
- Application system implementation and maintenance arrangements.
- Information system operations, including business recovery arrangements.
- Aspects of database implementation and support, network support and systems software support.

The following matters arising from the review were conveyed in writing to DWLBC in February 2005.

Relationships with Outsourced Vendors

There was an identified need to improve Service Level Agreements (SLAs) to ensure that the systems operation would be appropriately supported and maintained. Issues included:

- contractual agreements with the external service provider needed to be reviewed;
- agreements with agencies providing reference data crucial to the operation of the WILMA system were still being developed.

User Access Security and Integrity

Access security related weaknesses were identified that could allow unauthorised access to the WILMA system including an absence of procedures for administration, recording, monitoring and deactivating of user access and for the assessment of appropriateness of access privileges.

Systems Operation and Maintenance

Certain controls that facilitated and/or evidenced the effective operation and maintenance of the system were not always present. These included:

- a need for formalised procedures outlining the full change management, problem management, software release and patch management processes;
- a need for formalised processes to ensure that the WILMA test environment was regularly refreshed and represented a mirror of the live production environment at any given point in time.

Further the review noted that the:

- WILMA test environment was used for multiple purposes (ie testing, training and staging for migration to production) which could affect the integrity of both software and data on the test, training and production environments;
- role of the WILMA System Administrator covered development and operational areas which could have resulted in potential segregation of duty conflict.

Business Recovery Arrangements

The current DWLBC business continuity plan was not complete.

Resource Availability

No other DWLBC staff member could assume the role of the WILMA Systems Administrator should this person become unavailable.

DWLBC Response

DWLBC advised in March 2005 that all recommendations in the report were supported. Of particular note DWLBC indicated the following actions would be taken:

- A risk management strategy would be developed to address risks associated with the contractual agreement with the external provider, the agreements would be reviewed and advice of the Crown Solicitor's Office sought. Data access agreements were being formalised with the agencies providing reference data.
- Procedures concerning the management of access to WILMA would be developed and implemented.
- Software release and patch management practices would be documented.
- Risk and cost/benefit analysis would be undertaken to determine the extent of segregation of duties that could be adopted with regard to system administration tasks.

- Processes would be formalised for refreshing the test environment from production.
- An analysis would be undertaken to explore the opportunity for separate databases in lieu of the use of the test environment for multiple purposes.
- A DWLBC business continuity plan would be completed and endorsed by late 2005.
- The WILMA System Administrator was documenting his roles and responsibilities and an alternate DWLBC officer trained to undertake system administration tasks.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Government appropriations	85.4	61.9	38
Grants	23.2	15.9	46
Transfers	-	7.0	-
Other	15.2	13.5	13
Total Operating Revenue	123.8	98.3	26
OPERATING EXPENDITURE			
Employment expenses	34.9	30.7	14
Grants and subsidies	42.0	32.0	31
Other expenses	53.7	33.5	60
Total Operating Expenses	130.6	96.2	36
(Deficit) Surplus from Ordinary Activities*	(6.5)	2.1	-
Net Cash Flows from Operations	(1.5)	(3.4)	(56)
ASSETS			
Current assets	21.1	22.5	(6)
Non-current assets	58.6	50.9	15
Total Assets	79.8	73.4	9
LIABILITIES			
Current liabilities	6.7	7.5	(11)
Non-current liabilities	8.0	6.1	31
Total Liabilities	14.7	13.6	8
EQUITY	65.1	59.8	9

* The surplus/deficit includes some non-operating items.

Statement of Financial Performance

Operating Revenues

Revenue increased by \$25.5 million. The major factors influencing this increase were:

Operating Items

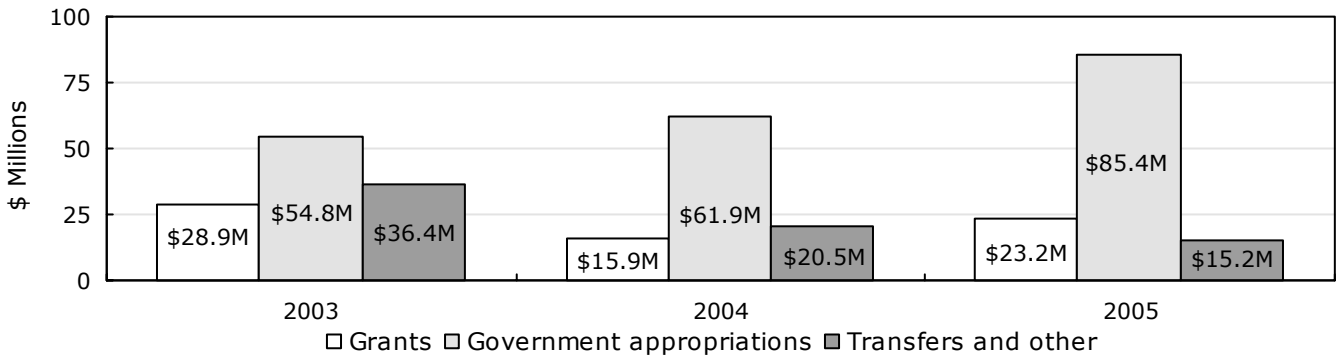
- Grants revenue increased by \$7.3 million to \$23.2 million in 2004-05. As grant revenue relates to specific grants programs, this item is not necessarily comparable from year to year. Reference should be made to Note 15 of DWLBC statements which details current and prior year amounts for each major grant program.
- Revenues from the South Australian Government increased by \$23.5 million to \$85.4 million. Included in these revenues was an appropriation to Save the River Murray Fund which increased from \$12.8 million to \$17.6 million in 2004-05 representing the first full year of revenues to the Fund. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray Levy which was collected and paid into the Consolidated Account by SA Water Corporation.

- Revenue from fees and charges increased by \$2.8 million to \$12.1 million due primarily to an increase in revenue received for the construction of salinity interception schemes.
- Other Revenue decreased by \$1.7 million due primarily to the recoup in 2003-04 of Targeted Voluntary Separation Packages from the Office for the Commissioner of Public Employment. No such recoups were due or received in 2004-05.

Non-Operating Items

- In 2003-04 cash balances, amounting to \$7.3 million, were transferred from PIRSA. No transfers were made in 2004-05. Reference should be made to Note 27 of DWLBC’s financial statements.

A structural analysis of Operating Revenues in the three years to 2005 is presented in the following chart.



Expenses

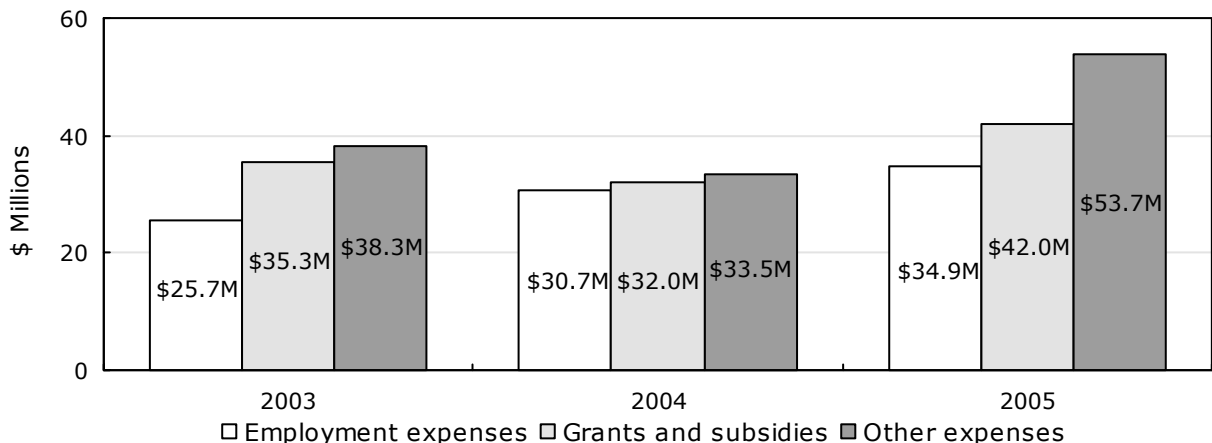
Grants and Subsidies totalling \$42 million account for 32 percent of DWLBC expenditure. Of this, 49 percent, \$20.4 million, relates to the State’s contributions to the Murray Darling Basin Commission under an agreement established in 1992. As grants expenditure relates to specific grants programs, the payments in relation to grants are not necessarily comparable from year to year. Reference should be made to Note 8 of DWLBC statements which details current and prior year amounts for each major grant program.

Employee expenses of \$34.9 million account for 27 percent of DWLBC expenditure. Employee expenses increased by \$4.1 million in 2005

Included within supplies and services expenses of \$48.2 million is \$30.8 million (\$16.9 million) paid to contractors related to various projects managed and controlled by DWLBC. Major items include payments for:

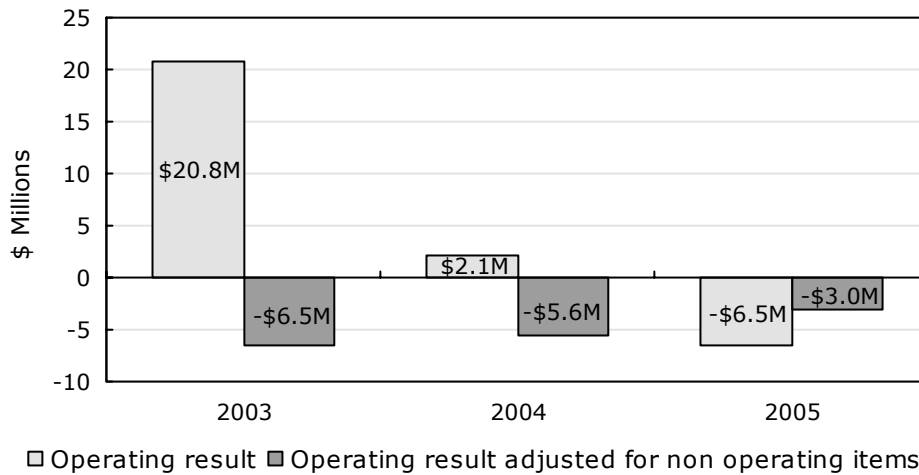
- \$7.1 million (\$2.7 million) associated with the Upper South East Dryland Salinity Project;
- \$4.8 million associated with the Bookpurnong and Loxton Salt Interception Schemes;
- \$2.7 million (\$3.1 million) million to PIRSA’s Rural Solutions Group for technical work undertaken in relation to the National Action Plan for Water Quality and Salinity and Natural Heritage Trust projects;
- \$1.0 million for development of a new water licensing system (WILMA).

For the three years to 2005, a structural analysis of the main expense items for the Department is shown in the following chart.



Result from Ordinary Activities

The following chart shows DWLBC’s operating result and adjusted for major non-operating items.



The chart shows that the operating deficit as adjusted for major non-operating items decreased slightly over the period of review. Major non-operating items adjusted in each year are as follows:

- 2005 — deficit from ordinary activities amounted to \$6.5 million. Of this deficit, \$3.5 million is attributable to decrement expense arising from the revaluation of assets. Disregarding this item DWLBC’s result for 2005 would have been a deficit of \$3.0 million.
- 2004 — The surplus from ordinary activities amounted to \$2.1 million. Of this surplus, \$0.7 million is attributable to net revenue resulting from a correction of errors (comprising \$1.4 million assets recognised for the first time offset by correction to the opening cash balance) and \$7 million attributable to a transfer of net assets. Disregarding these items DWLBC result for 2004 would have been a deficit of \$5.6 million.
- 2003 — Surplus from ordinary activities amounted to \$20.8 million. Of this surplus, \$18.9 million is attributable to assets recognised for the first time (fundamental error) and \$8.4 million attributable to a transfer of net assets. Disregarding these items DWLBC result in 2003 would have be a deficit of \$6.5 million.

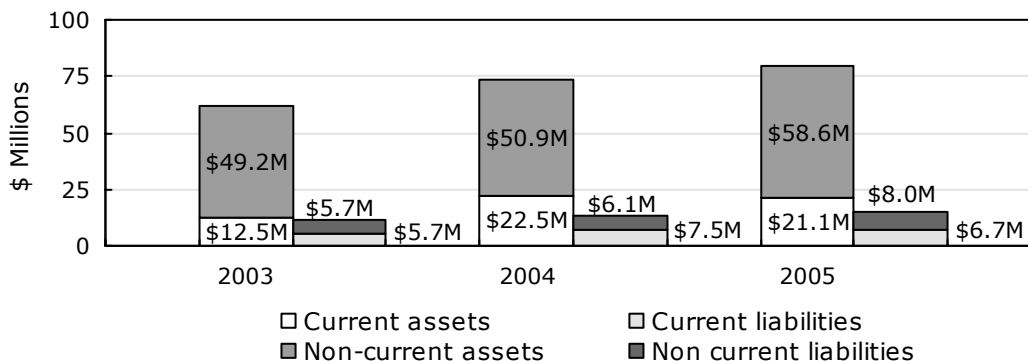
Statement of Financial Position

Property, Plant and Equipment, \$58.6 million, dominates DWLBC’s asset balances. The Patawalonga Seawater Circulation and Barcoo (35 percent) and Salinity Disposal Basins (34 percent) make up \$40.4 million of the non-current asset balance.

The increase in Property Plant and Equipment of \$7.7 million is due mainly to:

- revaluation of salinity disposal basins resulting in a net increment of \$12.1 million;
- revaluation of the Patawalonga Seawater Circulation and Barcoo resulting in a decrement of \$3.5 million;
- additions of \$1.4 million;
- depreciation of non-current assets amounting to \$2.1 million.

For the three years to 2005, a structural analysis of assets and liabilities is shown in the following chart



Statement of Cash Flows

The following table summarises the net cash flows for the three years to 2005.

	2005	2004	2003
	\$'million	\$'million	\$'million
Net Cash Flows			
Operations	(1.5)	(3.4)	(1.7)
Investing	(0.7)	(2.4)	(2.5)
Financing	-	14.1	8.6
Change in Cash	(2.2)	8.3	4.4
Cash at 30 June	14.9	17.1	8.8

The analysis of cash flows shows that cash decreased by \$2.2 million. Over the three years DWLBC has consistently experienced cash out flows from operating and investing activities.

Net cash inflows in prior years relate to financing activities and include the following major items:

- 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 2005 amounted to \$14.9 million exceeding current liabilities of \$6.7 million. However cash balances are not sufficient to meet total restricted contributions received and yet to be expended amounting to \$18.7 million. Reference should be made to Note 30 of DWLBC's financial statements.

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, \$14.7 million, grant revenues, \$10.1 million, grant expenses, \$25.8 million and cash balances, \$26 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, \$21.1 million, grant expenses, \$22.4 million and cash balances, \$8.6 million.

FURTHER COMMENTARY ON OPERATIONS

Save the River Murray Fund

DWLBC's financial statements incorporate financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932* (the Act). Under provisions of the Act proceeds of the Save the River Murray Levy are collected and paid into the 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 2004-05 amounted to \$17.6 million, payments were \$10.7 million and the balance of the Fund as at 30 June 2005 was \$11.6 million. In addition, receipts totalling \$1.7 million paid by SA Water to the Consolidated Account prior to 30 June 2005 are yet to be transferred to the Fund.

The activities of the Fund are considered to be ordinary 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 a significant role to play in the implementation and administration of the NRM Act.

While the NRM Act commenced operation on 2 September 2004 certain components have been and will be progressively implemented over a period of time.

The NRM Act creates a number of entities. These new 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.

While the aforementioned entities are intended to replace existing entities established prior to the NRM Act a number of these entities will continue to exist in 2005-06. These entities include eight catchment water management boards, 27 soil conservation boards, 29 animal and plant control boards and eight regional integrated natural resource management groups. DWLBC has advised that it is not possible to state which of these entities will continue in future years. The wind up and dissolution of these entities over coming years will require attention to appropriate reporting processes and resolution of matters concerning human resources, transfer of residual assets, liabilities and contractual obligations.

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 statements. Examples of these assets included infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc), metropolitan drainage assets and the Linear Park. The 2004-05 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 discussed briefly below.

Metropolitan Drainage Scheme Assets

The metropolitan drainage schemes include the River Torrens, River Sturt and Brownhill and Keswick Creeks. In April 1997, Cabinet recommended that, with the agreement of relevant Ministers, certain functions deemed to be Community Service Obligations, be transferred from SA Water Corporation to the then Minister for Environment and Natural Resources. While the Cabinet submission was clear in the intention to transfer metropolitan drainage schemes, DWLBC has advised that the transfer has not been effected.

It is therefore understood that DWLBC does not currently own or control the metropolitan drainage assets and as a consequence has not recognised them in the financial statements. DWLBC has advised that it is clear that the ownership of the Metropolitan Drainage Assets remains with the SA Water Corporation.

A review of the governance arrangements for the management of stormwater in the metropolitan area was conducted under the auspices of the Urban Stormwater Initiative which is a collaborative venture of State and Local Governments. DWLBC advised that in May 2005 Cabinet approved the 'Urban Stormwater Management Policy for South Australia' and that this policy framework will be used to resolve this and other asset governance matters.

River Murray Structures (Locks, Weirs, Barrages and Saline Water Disposal Basins)

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 June 2005 that the Department's interest in the MDBC is still under consideration by the MDBC's Finance Committee. Reference should be made to Note 2(d) of DWLBC statements.

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 not 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 'River Murray Structures (Locks, Weirs, Barrages and Saline Water Disposal Basins)'. During 2004-05 certain payments in relation to this program are recognised as expenditure in DWLBC's Statement of Financial Performance in the form of employee expenditure, operating costs and grant payments. Reference should be made to Note 2(d) of DWLBC statements.

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 statements these assets are not recognised as DWLBC's assets. Amounts expended in relation to the scheme are recognised in as expenses in DWLBC's Statement of Financial Performance.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5(a)	34 862	30 726
Supplies and services	6	48 168	31 288
Depreciation	7	2 100	1 846
Grants and subsidies	8	41 992	32 047
Net loss on disposal of non-current assets	14	-	368
Other expenses	9	3 499	(40)
Total Expenses from Ordinary Activities		130 621	96 235
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	12	12 099	9 256
Interest	13	1 228	335
Grant revenue	15	23 186	15 863
Net revenue resulting from a correction of an error	16	414	675
Net gain on disposal of non-current assets	14	23	-
Other revenue	17	1 430	3 336
Total Revenues from Ordinary Activities		38 380	29 465
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(92 241)	(66 770)
REVENUES FROM SA GOVERNMENT	11	85 438	61 858
NET RESULT BEFORE RESTRUCTURING		(6 803)	(4 912)
Increase (Decrease) in Net Assets due to Administrative Restructure:			
Transfers from the Department of Primary Industries and Resources		-	7 273
Transfers to administered items		-	(237)
Net Revenue from Restructure	27	-	7 036
Net Result after Restructure		(6 803)	2 124
Increase in asset revaluation reserve	24	12 050	288
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		5 247	2 412

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and deposits	2(k), 18	14 886	17 109
Receivables	19	5 408	4 798
Inventory	2(f)	885	529
Other assets		-	50
Total Current Assets		21 179	22 486
NON-CURRENT ASSETS:			
Property, plant and equipment	20	58 602	50 928
Total Non-Current Assets		58 602	50 928
Total Assets		79 781	73 414
CURRENT LIABILITIES:			
Payables	21	3 668	5 268
Employee benefits	22	2 911	2 163
Provisions	23	141	79
Total Current Liabilities		6 720	7 510
NON-CURRENT LIABILITIES:			
Payables	21	952	716
Employee benefits	22	6 637	5 165
Provisions	23	388	186
Total Non-Current Liabilities		7 977	6 067
Total Liabilities		14 698	13 577
NET ASSETS		65 084	59 837
EQUITY:			
Contributed capital	24	7 107	7 107
Accumulated surplus	24	43 157	49 960
Asset revaluation reserve	24	14 820	2 770
TOTAL EQUITY		65 084	59 837
Commitments for Expenditure	26		
Contingent Assets and Liabilities	28		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee payments		(32 378)	(29 552)
Supplies and services		(49 837)	(30 034)
Grants and subsidies		(41 992)	(32 047)
Cash reduction resulting from a correction of an error	16	-	(769)
GST payments on purchases		(9 422)	(6 825)
GST remitted to the ATO		(8)	(67)
Total Outflows from Operating Activities		(133 637)	(99 294)
CASH INFLOWS:			
Fees and charges		11 598	8 648
Grant receipts		23 186	15 863
Interest received		1 174	320
Other receipts		1 430	3 336
GST receipts on sales		2 224	1 802
GST receipts from the ATO		7 107	4 054
Total Inflows from Operating Activities		46 719	34 023
Receipts from SA Government		85 438	61 858
Total Cash Flows from SA Government		85 438	61 858
Net Cash Outflows from Operating Activities	29	(1 480)	(3 413)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(945)	(2 907)
Total Outflows from Investing Activities		(945)	(2 907)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		202	434
Total Inflows from Investing Activities		202	434
Net Cash Outflows from Investing Activities		(743)	(2 473)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from Government		-	7 107
Proceeds from restructuring activities		-	7 036
Net Cash Inflows from Financing Activities		-	14 143
NET (DECREASE) INCREASE IN CASH HELD		(2 223)	8 257
CASH AT 1 JULY		17 109	8 852
CASH AT 30 JUNE	18, 25	14 886	17 109

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.

The Statement of Financial Performance, Statement of Cash Flows and the Program Schedule report the financial activities from 1 July 2004 to 30 June 2005. The Statement of Financial Position and the Schedules of Administered items report financial activity for the 12 months ending 30 June 2005.

(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 (DTF).

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 Statement of Financial Position 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 Statement of Financial Performance 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 Statement of Financial Position 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 Recognised for the First Time and Asset Revaluations

- *Patawalonga Seawater Circulation & Barcoo*
Patawalonga Seawater Circulation & Barcoo were independently valued by Currie and Brown (Australia) Pty Ltd as at 1 January 2005. Refer to Note 20.
- *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 20.

- *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.
- *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.
- *Groundwater Monitoring Wells*
A revaluation of the Groundwater Monitoring Wells was undertaken as at 30 June 2003 and as at 30 June 2004. These assets were valued internally using technically qualified Department personnel. Groundwater Monitoring Wells constructed since 1994 were included within the revaluation and were recognised for the first time in 2003-04. Some Groundwater Monitoring Wells were recognised for the first time in 2004-05 Refer to Note 16.
- *Waste Disposal Stations*
The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 2003.
- *Plant and Equipment*
Plant and equipment are brought to account at cost or at officers' valuation for initial recognition purposes. Some Plant and Equipment were recognised for the first time in 2004-05. Refer to Note 16.

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 Government Irrigation Scheme (LMGIS)*
The LMGIS consists of irrigation and drainage infrastructure which enable dairy farmers in the Lower Murray region to use swamps along the river productively. The River Murray Water Allocation Plan provides 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 negotiated with the affected landholders.

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 Districts.

The transfer of two districts, Mypolonga and Burdett, were not finalised by 30 June 2005. One other district, Mobilong, is effectively owned by SA Water and negotiations are continuing over the status of this 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 Statement of Financial Performance 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 the Murray Darling Basin Commission to construct salt interception assets for the Bookpurnong and Loxton Schemes. Upon their completion these assets are to be managed and maintained by the Murray Darling Basin Commission.

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 recognised in the Department's Statement of Financial Performance in the form of employee expenditures, operating costs and grant payments and are not capitalised.

(e) Depreciation of Property, Plant and Equipment

All items of property, plant and equipment, with the exception of land, have a limited useful life and are systematically depreciated in a manner that reflects the consumption of their service potential. No depreciation is applied to capital work in progress.

The useful lives of all major property, plant and equipment assets held by the Department are reassessed on an annual basis.

Assets are subject to straight line depreciation over the following periods.

	Years
Buildings	40-60
Groundwater Monitoring Wells	30
Patawalonga Seawater Circulation and Barcoo	10-97
Hydrometric Gauging Stations	4-95
Waste Disposal Stations	50
Salinity Disposal Schemes	40
Plant and equipment	3-30

Arising from its annual review of useful lives, the Department reassessed the useful life of the Barcoo Outlet, which is reflected within the asset class 'Patawalonga Seawater circulation and Barcoo'. The reassessment of the useful life of this asset was effected on 1 January 2005 and resulted in a change from 25-50 years to 10-97 years.

The effect of the change upon the reporting period during 2004-05 was to decrease the depreciation charge from \$577 000 to \$464 000. The impact of this change in terms of future periods will be to reflect a correspondingly lower depreciation charge in subsequent years. In addition, the written down value of the relevant asset class has been reassessed and this is further commented on in Note 20. The impact of this revaluation was to recognise an expense to the Statement of Financial Performance of \$3.5 million for the 2004-05 financial year, reflecting the revaluation decrement not otherwise adjusted against the Asset Revaluation Reserve.

(f) Inventories

Inventories are measured at the lower of cost or net market value. Inventories include plants and materials held by State Flora.

(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 Treasurers 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 \$3 217 000 (\$2 540 000) for the 2004-05 financial year.

(vii) *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. This report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

(i) **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 26 for further details.

Operating lease payments are representative of the pattern of benefit derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

The Department has not entered into any finance leases.

(j) **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 and a percentage of all other receivables not specifically assessed.

(k) **Cash**

For the purpose of the Statement of Cash Flows, 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. Cash includes \$301 000 (\$123 000) in accrual appropriation and its use is restricted by conditions established by the Treasurer. Refer to Note 18 and 30.

(l) **Taxation**

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

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(m) Comparative Figures

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

(n) Rounding

All amounts are rounded to the nearest thousand dollars (\$'000).

3. Changes in Accounting Policies

(a) Administered Items

In accordance with the Department of Treasury and Finance's model financial report the Department has prepared separate Administered Schedules and Notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

(b) Government/Non-Government Disclosures

In accordance with APS 13 'Form and Content of General Purpose Financial Reports' the Department has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

(c) Impact of Adopting Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Accounting', the Department's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the standards and exposure drafts issued by the AASB and has identified a number of impacts on accounting policies, reporting requirements and process changes. The Department is developing a plan to manage the transition to the new standards.

For the financial year ending 30 June 2006 the Department will be using the Model Financial Report incorporating AIFRS reporting requirements for SA Government entities developed by the Department of Treasury and Finance. The Department also keeps abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements by attending exposure draft reference group meetings and information forums organised by the Department of Treasury and Finance and professional accounting bodies.

Expected Differences in Accounting Policies

Changes in Accounting Policy

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

The Department has recognised net revenue resulting from a correction of an error of \$414 000 for property, plant and equipment recognised for the first time within its Statement of Financial Performance for the financial year ended 30 June 2005. These assets will be recognised as Property, Plant and Equipment assets held at the date of initial adoption of AIFRS. As a result the net result under AIFRS will be \$414 000 less than the result reported within these financial statements.

Non-Current Asset Acquisition and Recognition

AASB 5 'Non-Current Assets Held for Sale' requires the separate disclosure of assets that are to be sold within the next 12 months as current assets. They are to be measured at the lower of carrying amount and fair value less cost to sell. Further these assets are not to be depreciated. The Department does not have any significant property holdings that will be sold within the next 12 months however it does own a few small holdings that will be sold. These will be disclosed separately under AIFRS and there will be a difference between the net result in the Statement of Financial Performance and that reported under AIFRS to the extent of the depreciation on those assets during the financial year ended 30 June 2005. 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 be required to 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.

Intangible Assets

In accordance with AASB 138 'Intangible Assets', the Department will no longer capitalise research costs in relation to research and development projects as this is prohibited by the Standard.

Intangible Assets (continued)

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 has recognised \$3 520 000 in property, plant and equipment that relates to software which was specifically developed for the use of the Department. This amount will be reclassified from property, plant and equipment to intangible assets under AIFRS.

The carrying value of the intangible assets carried by the Department will be assessed annually in accordance with AASB 138.

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 Statement of Financial Position for the year ended 30 June 2005. 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.

4. Programs of the Department

In achieving its objective the Department provides a range of services within one program, Natural Resources Management. The program is described as the management of natural resources 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.

5. Employee Expenses

	2005	2004
	\$'000	\$'000
(a) Employee Expenses		
Wages and salaries	26 478	23 040
Superannuation	3 217	2 540
Annual leave	2 411	1 919
Targeted Voluntary Separation Packages	-	1 572
Long service leave	1 951	1 105
Workers compensation	632	390
Board fees	173	160
Total Employee Expenses	34 862	30 726

(b) Targeted Voluntary Separation Packages

TVSPs paid to employees during the reporting period	-	1 572
Recovery from the Department of the Premier and Cabinet	-	1 572
Annual leave and long service leave paid to employees receiving TVSPs	-	579

Number of employees that were paid TVSPs during the reporting period were nil (16).

(c) Remuneration of Employees

	2005	2004
	Number of	Number of
	Employees	Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	1	6
\$110 000 - \$119 999	6	3
\$120 000 - \$129 999	2	5
\$130 000 - \$139 999	-	2
\$140 000 - \$149 999	5	-
\$150 000 - \$159 999	2	2
\$160 000 - \$169 999	1	2
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	1	-
\$250 000 - \$259 999	1	1
Total Number of Employees	20	21

The table includes all employees whom received remuneration of \$100 000 or more during the year.

The total remuneration received or receivable by these employees for the year was \$2 859 000 (\$2 757 000).

(d) Average Number of Employees during the Reporting Period

On average, the Department employed 488 (449) staff throughout the reporting period.

6. Supplies and Services

Supplies and service expenses for the reporting period comprised of:	SA Govt \$'000	Non-SA Govt \$'000	2005 \$'000	2004 \$'000
Contractors	8 279	22 576	30 855	16 872
Service level agreement	2 969	26	2 995	1 570
Accommodation	1 908	576	2 484	2 042
Vehicles	1 678	325	2 003	1 737
Computing	669	1 050	1 719	1 352
Travel and accommodation	79	1 137	1 216	1 102
Printing, publishing and stationery	83	716	799	723
Telephones	353	232	584	646
Chemical analysis	84	791	875	592
Minor plant and equipment purchases	42	1 103	1 145	588
Maps, photographs and plans	103	68	171	566
Consultancies	-	227	227	504
Materials and consumables	14	591	605	682
Equipment repairs and maintenance	3	300	303	348
Advertising, exhibition and promotion	-	331	331	382
Legal fees	203	68	271	248
Audit remuneration	212	-	212	140
Other supplies and services	268	1 105	1 373	1 194
Total Supplies and Services	16 946	31 222	48 168	31 288

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2005 Number	2005 \$'000	2004 \$'000
Below \$10 000	-	-	94
Between \$10 000 and \$50 000	2	63	291
Above \$50 000	2	164	119
Total Paid/Payable to the Consultants Engaged	4	227	504

7. Depreciation

	2005 \$'000	2004 \$'000
Patawalonga Seawater Circulation and Barcoo	464	577
Groundwater monitoring wells	544	470
Plant and equipment	747	448
Salinity disposal schemes	143	140
Hydrometric gauging stations	80	94
Waste disposal stations	63	63
Buildings	59	54
Total Depreciation	2 100	1 846

8. Grants and Subsidies

Non-SA Government Entities:	2005	2004
Transfer to Murray Darling Basin Commission	20 359	19 521
Red imported fire ants	1 300	-
Soil Conservation Boards	395	213
Lower Murray reclaimed irrigation areas	2 664	298
Great Artesian Basin bore drain*	-	804
City of Pt Augusta environmental flows	-	300
CSIRO land and water	108	109
River Murray Catchment Water Management Board - Various	-	201
Agriculture, Fisheries, Forestry Australia (AFFA)	320	154
Lake Eyre Basin - Environment Australia	125	-
CRC for plant based management	100	100
Upgrade of River Murray Waste disposal - Mid Murray Council	183	-
Other grants	1 216	669
Total Grants and Subsidies - Non-SA Government Entities	26 770	22 369
SA Government Entities:		
Animal and Plant Control Commission	3 321	3 313
GH Mitchell trade waste subsidy	1 755	1 712
Catchment Management subsidy scheme	3 700	2 712
River Murray improvement program - SA Government agencies	3 162	-
Loxton irrigation - Trust subsidy	1 122	298
Natural resources management transition and board support	850	-
Dog Fence Board	413	400
Regional flood mitigation program	144	135
Dingo Control Fund	18	17
Other grants	737	1 091
Total Grants and Subsidies - SA Government Entities	15 222	9 678
Total Grants and Subsidies	41 992	32 047

* This grant was provided by way of work undertaken for the project, ie contribution of assets.

9. Other Expenses	2005	2004
Non-SA Government Entities	\$'000	\$'000
Bad and doubtful debts	43	(40)
Revaluation decrement	3 456	-
Total Other Expenses	3 499	(40)
<hr/>		
10. Auditors' Remuneration		
Audit fees paid or payable to the Auditor-General's Department	212	140
Total Audit Fees	212	140
<hr/>		
<i>Other Services</i>		
No other services were provided by the Auditor-General's Department.		
11. Revenues from SA Government		
Appropriation from consolidated account pursuant to the <i>Public Finance and Audit Act 1987</i>	85 438	61 831
Appropriation under other Acts	-	27
Total Revenues from SA Government	85 438	61 858
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The revenues from SA Government include \$17 641 000 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 <i>Waterworks Act 1932</i> and monies credited to the Fund may only be applied to purposes set out in the <i>Waterworks Act 1932</i> . Of the total monies received for the Fund of \$17 641 000 the total monies applied from the fund were \$10 719 000. A specific purpose financial report is prepared for the Fund.		
12. Fees and Charges	2005	2004
SA Government Entities:	\$'000	\$'000
Sale of goods and services	3 150	2 728
Fees, levies and licences	65	229
Pastoral rents	-	-
Other fees and charges	57	16
Total Fees and Charges - SA Government Entities	3 272	2 973
<hr/>		
Non-SA Government Entities:		
Sale of goods and services	6 103	3 626
Fees, levies and licences	1 854	1 838
Pastoral rents	868	786
Other fees and charges	2	33
Total Fees and Charges - Non-SA Government Entities	8 827	6 283
Total Fees and Charges	12 099	9 256
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13. Interest		
Interest from entities within the SA Government	1 225	334
Other interest	2	1
Total Interest Revenue	1 228	335
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14. Net Gain/Loss from Disposal of Assets		
Groundwater Monitoring Wells:		
Proceeds from disposal	-	-
Net book value of assets disposed	14	300
Net (Loss) from Disposal of Groundwater Monitoring Wells	(14)	(300)
<hr/>		
Hydrometric Gauging Stations:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	440
Net (Loss) from Disposal of Hydrometric Gauging Stations	-	(440)
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Plant and Equipment:		
Proceeds from disposal	37	434
Net book value of assets disposed	-	62
Net Gain (Loss) from Disposal of Plant and Equipment	37	372
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Land and Buildings:		
Proceeds from disposal	165	-
Net book value of assets disposed	165	-
Net Gain (Loss) from Disposal of Land and Buildings	-	-
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14. Net Gain/Loss from Disposal of Assets (continued)	2005	2004
Total Assets:	\$'000	\$'000
Total proceeds from disposal	202	434
Total value of assets disposed	179	802
Total Gain (Loss) from Disposal of Assets	23	(368)
15. Grant Revenue		
(a) Grant Revenue Received Directly from the Commonwealth		
Branched Broomrape Eradication Program	-	1 015
Loxton District Irrigation Rehabilitation	1 025	-
Flora Search	150	83
Great Artesian Basin Sustainability Initiative - Phase 2	100	365
Regional Flood Mitigation Program (Department of Transport and Regional Services)	321	308
Land and Water Australia - Tri State Salinity	170	401
Land and Water Australia - Scattered Trees	55	10
Miscellaneous Grants	145	137
Total Grant Revenue Received Directly from the Commonwealth	1 966	2 319
(b) Grant Revenue Received Directly from SA Government		
Western Mount Lofty Ranges	900	-
Red imported Fire Ants	342	-
South East Conversion to Volumetric	240	-
Easter Mount Lofty Ranges Prescription	193	100
River Murray Policy Information and Infrastructure	165	-
Great Artesian Basin Sustainability Initiative - Phase 2	100	-
Water Use Efficiency Murray Darling Basin	-	131
Department for Environment and Heritage	-	150
South East Water Conservation and Drainage Board	-	40
Mount Lofty Ranges Water Use Efficiency Assessment	97	55
Storm Water Catchment Management Subsidy Scheme	-	18
Arid Areas Catchment Water Management Board	-	26
River Murray Catchment Water Management Board	45	-
Department for Environment and Heritage	120	-
Other Grants	232	128
Total Grant Revenue Received Directly from SA Government	2 434	648
(c) Grant Revenues - NAP		
Grant Revenue State NAP Unmatched:		
National Action Plan - Administration Contribution	651	650
National Action Plan - Regional Liaison Officers Annual Payment	300	280
Reimbursement to DEH	-	200
CRC Drylands Salinity	100	200
Other NAP	150	150
Total Grant Revenue State NAP Unmatched	1 201	1 480
Grant Revenue NAP via INRM Groups:		
Lower Murray Irrigation Rehabilitation - (INRM Group for the SA Murray Darling Basin)	1 137	965
Salinity Response Team (INRM Group for the SA Murray Darling Basin)	460	-
Policy Integrated Management (INRM Group for the SA Murray Darling Basin)	230	236
Policy Framework - Accountability (INRM Group for the SA Murray Darling Basin)	160	-
Accounting for Salinity (INRM Group for the SA Murray Darling Basin)	125	-
Floodplain Planning - Pike Murtho (INRM Group for the SA Murray Darling Basin)	120	-
Chowilla Hydrodynamic Model (INRM Group for the SA Murray Darling Basin)	100	-
Regional Disposal Strategy (INRM Group for the SA Murray Darling Basin)	-	89
SIS Lock 4 Bookpurnong (INRM Group for the SA Murray Darling Basin)	-	898
SIS Loxton (INRM Group for the SA Murray Darling Basin)	-	405
SWA - Fleurieu Assessment (MLR and Greater Adelaide INRM Group)	280	-
NAP Water Proofing Adelaide Investigations (MLR and Greater Adelaide INRM Group)	165	26
INRM Group for the SA Murray Darling Basin - Other	62	1 012
Total Grant Revenue NAP via INRM Groups	2 839	3 631

(c) Grant Revenues - NAP (continued)	2005	2004
NAP Joint Commonwealth and State Funding:	\$'000	\$'000
Upper South East Program	5 831	-
Lower Murray Reclaimed Irrigation Areas	2 725	-
SIS Lock 4 Bookpurnong (Regional Investment Strategy)	1 000	2 050
SIS Loxton (Regional Investment Strategy)	125	250
SIS Pike/Munro	550	225
SIS Murtho	615	200
SIS Chowilla	500	-
SIS Wooldunda Cadell/Salinity Management	110	30
SIS Regional Disposal Strategy	120	40
SIS Other	35	-
Salinity Response Team	-	230
National Action Plan - Chowilla	-	200
Salt Mapping	-	100
Other NAP	14	25
Total Grant Revenue Received NAP Joint Commonwealth and State Funding	11 625	3 350
Total NAP Grant Revenue	15 665	8 461
(d) Grant Revenue NHT		
Natural Heritage Trust - Regional Liaison Officers Annual Payment	510	680
Regional NRM Condition Monitoring Review	125	-
Administration of National Landcare Community Support	120	-
Administration grant for completion of NHT 1	65	-
Total Grant Revenue Received from NHT	820	680
(e) Grant Revenue Received from Other Entities		
Loxton District Irrigation Rehabilitation - Growers	741	2 060
Branched Broomrape Eradication Program (Other State Governments)	863	842
Land Use Impact on Quality and Quantity (SE Natural Resource Consultative Committee)	112	-
Great Artesian Basin (Western Mining)	-	400
Padthaway: Salt Accession Investigation (SENRCC)	102	255
Upper South East Salinity Accession (Centre for Natural Resource Management)	144	-
Sundry grants and contribution	339	198
Total Grant Revenue Received from Other Entities	2 301	3 755
Total Grant Revenue	23 186	15 863
16. Net Revenue Resulting from a Correction of an Error		
(a) Net Revenue Resulting from a Correction of an Error		
<i>(i) Assets Recognised for the First Time</i>		
Groundwater monitoring wells	268	1 348
Land	-	43
Plant and equipment	146	-
Buildings	-	53
Total Assets Recognised for the First Time	414	1 444
<i>(ii) Correction of Opening Cash Balance</i>		
Adjustment to cash balance transferred from the Department of Primary Industries and Resources	-	(769)
Total Net Revenue Resulting from a Correction of an Error	414	675
17. Other Revenue	2005	2004
	\$'000	\$'000
TVSPs recouped	-	1 572
Operating expenses recouped	403	847
Wages and salaries recouped	301	493
Other revenue	726	424
Total Other Revenue	1 430	3 336

During 2001-02 the functions of the Sustainable Resources Group conducted within the Department of Primary Industries and Resources (PIRSA) were transferred to the Department. Since the transfer the Department had used the PIRSA general ledger to record the activities of those functions transferred to the Department. In 2003-04 the assets and liabilities relating to the functions transferred were moved from the PIRSA general ledger and the cash which had been held by PIRSA was paid into the Department's deposit account. The completion of the cash transfer revealed an overstatement in cash in prior periods by \$769 000. An equivalent amount was recognised as a reduction in 'Net Revenue Resulting from a Correction of an Error', within the Department's Statement of Financial Performance in 2003-04.

18. Cash		2005	2004
		\$'000	\$'000
Deposits with the Treasurer		14 841	17 064
Deposits at call		38	38
Other		7	7
Total Cash		14 886	17 109

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.

19. Receivables	SA Govt	Non-SA Govt	2005	2004
Current:	\$'000	\$'000	\$'000	\$'000
Receivables	1 227	2 412	3 639	3 152
Less: Provision for doubtful debts	-	241	241	210
Accrued interest	70	-	70	17
Workers compensation recoveries	-	24	24	22
GST receivable	-	1 916	1 916	1 817
Total Current Receivables	1 297	4 111	5 408	4 798

20. (a) Property, Plant and Equipment

	2005			
	Cost	Valuation	Accumulated Depreciation	Written Down Value
	\$'000	\$'000	\$'000	\$'000
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	8 214	687	4 085	4 816
Salinity disposal schemes	-	20 031	3	20 028
Work in progress	2 208	-	-	2 208
	10 579	54 194	6 171	58 602

	2004			
	Cost	Valuation	Accumulated Depreciation	Written Down Value
	\$'000	\$'000	\$'000	\$'000
Land and buildings	311	2 996	64	3 243
Groundwater monitoring wells	-	4 194	-	4 194
Hydrometric gauging stations	157	3 972	1 049	3 080
Waste disposal stations	-	1 383	63	1 320
Patawalonga seawater circulation and Barcoo	16 184	9 420	1 314	24 290
Plant and equipment	4 189	687	3 339	1 537
Salinity disposal schemes	8 400	-	281	8 119
Work in progress	5 145	-	-	5 145
	34 386	22 652	6 110	50 928

For further details of valuation methodologies adopted by the Department refer to Note 2(d).

(b) Property, Plant and Equipment Movement Schedule

	Land and Buildings	Groundwater Monitoring Wells	Hydrometric Gauging Stations	Waste Disposal Stations	Patawalonga Seawater Circulation
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value:					
Balance as at 1 July 2004	3 307	4 194	4 129	1 383	25 604
Additions	-	268	-	-	-
Adjustments	-	-	-	-	-
Disposals	(170)	(23)	-	-	-
Net revaluation increments (decrements)	-	-	-	-	(5 059)
Balance as at 30 June 2005	3 137	4 439	4 129	1 383	20 545
Accumulated Depreciation:					
Balance as at 1 July 2004	(64)	-	(1 049)	(63)	(1 314)
Disposals	4	10	-	-	-
Net revaluation increments (decrements)	-	-	-	-	1603
Depreciation expense	(59)	(544)	(80)	(63)	(464)
Balance as at 30 June 2005	(119)	(534)	(1 129)	(126)	(175)
Net Book Value:					
As at 30 June 2005	3 018	3 905	3 000	1 257	20 370

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

	Plant and Equipment \$'000	Salinity Disposal Schemes \$'000	Work in Progress \$'000	2005 Total \$'000
Gross Carrying Value:				
Balance as at 1 July 2004	4 876	8 400	5 145	57 038
Additions	4 026	-	583	4 877
Adjustments				
Disposals	-	-	(3 520)	(3 713)
Net revaluation increments (decrements)	-	11 631	-	6 572
Balance as at 30 June 2005	8 902	20 031	2 208	64 774
Accumulated Depreciation:				
Balance as at 1 July 2004	(3 339)	(281)	-	(6 110)
Disposals	-	-	-	14
Net revaluation increments (decrements)	-	421	-	2 024
Depreciation expense	(747)	(143)	-	(2 099)
Balance as at 30 June 2005	(4 086)	(3)	-	(6 172)
Net Book Value:				
As at 30 June 2005	4 816	20 028	2 208	58 602

21. Payables	SA Govt	Non-SA Govt	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current:				
Creditors	-	14	14	1 488
Accrued expenses	1 487	1 499	2 986	3 082
Employee costs	668	-	668	698
Total Current Payables	2 155	1 513	3 668	5 268
Non-Current:				
Employee costs	952	-	952	716
Total Non-Current Payables	952	-	952	716
Total Payables	3 107	1 513	4 620	5 984

22. Employee Benefits	2005		2004
	Provision for Employee Benefits		\$'000
(a) Current:			\$'000
Annual leave		2 209	1 634
Long service leave		277	215
Accrued salaries and wages		425	314
Total Current Employee Benefits		2 911	2 163
Non-Current:			
Long service leave		6 637	5 165
Total Non-Current Employee Benefits		6 637	5 165
Total Employee Benefits		9 548	7 328

(b) Employee Benefits and Related On-Costs

In accordance with the requirements of AASB 1028 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 Department has at 30 June 2005 relating to Employee Benefits.

	2005	2004
	\$'000	\$'000
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note 21)	73	48
Provision for employee benefits - Current (Note 22(a))	352	314
	425	362
Annual Leave:		
On-costs included in payables - Current (Note 21)	398	288
Provision for employee benefits - Current (Note 22(a))	2 209	1 634
	2 607	1 922
Long Service Leave:		
On-costs included in payables - Current (Note 21)	40	30
Provision for employee benefits - Current (Note 22(a))	277	215
	317	245
On-costs included in payables - Non-Current (Note 21)	952	716
Provision for employee benefits - Non-Current (Note 22(a))	6 637	5 165
	7 589	5 881
Aggregate Employee Benefits and Related On-Costs	10 938	8 410

23. Provisions	2005	2004
Current:	\$'000	\$'000
Provision for workers compensation	141	79
Total Current Provisions	141	79
Non-Current:		
Provision for workers compensation	388	186
Total Non-Current Provisions	388	186
Total Provisions	529	265
Carrying amount at 1 July	265	132
Increase in the provision for workers compensation	264	133
Carrying Amount at 30 June	529	265
24. Equity		
Contributed capital	7 107	7 107
Accumulated surplus	43 157	49 960
Asset revaluation reserve	14 820	2 770
Total Equity	65 084	59 837
Contributed Capital:		
Balance at 1 July	7 107	-
Contributed capital received	-	7 107
Balance at 30 June	7 107	7 107
Accumulated Surplus:		
Balance at 1 July	49 960	47 836
Surplus (Deficit) from ordinary activities	(6 803)	(4 912)
Increase in net assets due to administrative restructure	-	7 036
Balance at 30 June	43 157	49 960
Asset Revaluation Reserve:		
Balance at 1 July	2 770	2 482
Increment in groundwater monitoring wells due to revaluation	-	288
Increment in land and buildings due to revaluation	-	-
Increment in waste disposal stations due to revaluation	-	-
Increment in Salinity Disposal Scheme due to Revaluation	12 050	-
Balance at 30 June	14 820	2 770

25. Financial Instruments

The following disclosures have been provided in accordance with the requirements of Australian Accounting Standard AASB 1033 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies*(i) Financial Assets*

Cash on hand and deposits are available at call and are recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

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

(b) Interest Rate Risk

Financial Instrument	2005			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash on hand and deposits	14 886	-	14 886	5.2
Receivables	-	5 649	5 649	
	14 886	5 649	20 535	
Financial Liabilities:				
Payables	-	2 999	2 999	
	-	2 999	2 999	

(b) Interest Rate Risk (continued)

<i>Financial Instrument</i>	2004			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash on hand and deposits	17 109	-	17 109	4.8
Receivables	-	5 008	5 008	
	<u>17 109</u>	<u>5 008</u>	<u>22 117</u>	
Financial Liabilities:				
Payables	-	4 570	4 570	
	<u>-</u>	<u>4 570</u>	<u>4 570</u>	

(c) Net Fair Value

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

**26. Commitments for Expenditure
Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:

	2005 \$'000	2004 \$'000
Not later than one year	1 398	1 401
Later than one year but not later than five years	3 897	3 527
Later than five years	651	1 372
Total Operating Lease Commitments	5 946	6 300

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.

**27. Transferred Functions
Transfers from the Department of Primary Industries and Resources**

Net Assets Transferred to the Department:

	2005 \$'000	2004 \$'000
Cash	-	7 273
Net Transfers from the Department of Primary Industries and Resources	-	7 273
Total Net Transfers to the Department	-	7 273

During 2002-03 negotiations between the Department of Primary Industries and Resources (PIRSA) and the Department resulted in a cash transfer of \$8 650 000. During 2003-04 further negotiations and budget reviews between PIRSA and the Department with respect to the transfer of the functions of the Sustainable Resources Group into the Department resulted in a cash transfer of \$7 273 000.

Transfers from Restructuring of Administrative Arrangements

During 2003-04 the scope of the Department's controlled and administered activities were reviewed. In line with accepted accounting criteria the Mt Lofty Ranges Catchment Support and the Centre for Natural Resource Management were considered to be administered activities. Consequently, as at 1 July 2003 the following cash assets for the Mt Lofty Ranges Catchment Support were transferred to Administered Items. The Centre for Natural Resource Management did not possess any assets or liabilities to be transferred.

Transfers of the Mt Lofty Ranges Catchment Support to Administered Items

	2005 \$'000	2004 \$'000
Net Assets Transferred to Administered Items:		
Cash	-	237
Net Transfers to Administered Items	-	237

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	2005	2004
Reconciliation of Cash - Cash at 30 June 2005 as per:	\$'000	\$'000
Statement of Cash Flows	14 886	17 109
Statement of Financial Position	14 886	17 109
 Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services:		
Net cash used in operating activities	(1 480)	(3 413)
Less: Revenue from Government	(85 438)	(61 858)
Add/Less Non-Cash Items:		
Depreciation of property, plant and equipment	(2 100)	(1 846)
Gain on disposal of non-current assets	23	(368)
Net revenue resulting from a correction of an error	414	1 444
Revaluation Decrement	(3 456)	-
Changes in Assets/Liabilities:		
Increase in receivables	610	1 699
Increase in inventories	356	37
(Decrease) Increase in other assets	(50)	10
Decrease (Increase) in payables	1 364	(1 625)
Increase in employee benefits	(2 220)	(717)
(Increase) in provisions	(264)	(133)
Net Cost of Services from Ordinary Activities	(92 241)	(66 770)

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 2005 \$18 686 000 of contributions, which have been recognised as revenues in the Statement of Financial Performance, are yet to be spent in the manner specified by the contributors.

**Schedule of Administered Revenue and Expenses
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from SA Government		17 222	22 005
Fees and charges		8 123	7 360
Grant revenue		36 998	37 357
Other revenue		2 147	1 709
Total Revenues from Ordinary Activities		64 490	68 431
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		319	359
Supplies and services		780	1 855
Grants and subsidies		54 537	45 868
Net expense resulting from a correction of an error		-	195
Payments to consolidated account		1 217	1 566
Payments to Catchment Water Management Boards		6 893	5 059
Payments to South Eastern Water Conservation Drainage Board		1 685	1 619
Total Expenses from Ordinary Activities		65 431	56 521
OPERATING SURPLUS FROM ORDINARY ACTIVITIES	A1	(941)	11 910
Increase in the asset revaluation reserve	A2(f)	-	-
Increase in net assets due to administrative restructure	26	-	237
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH SA GOVERNMENT AS OWNER		(941)	12 147

**Schedule of Administered Assets and Liabilities
as at 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and deposits	A3	36 274	41 052
Receivables	A2(a), A2(c)	3 383	2 700
Other assets		175	135
Total Current Assets		39 832	43 887
NON-CURRENT ASSETS:			
Property, plant and equipment	A2(f)	28 600	28 600
Total Non-Current Assets		28 600	28 600
Total Assets		68 432	72 487
CURRENT LIABILITIES:			
Payables	A2(a), A2(i), A2(j)	59	3 176
Employee benefits		2	5
Total Current Liabilities		61	3 181
NON-CURRENT LIABILITIES:			
Payables		1	-
Employee benefits		5	-
Total Non-Current Liabilities		6	-
Total Liabilities		67	3 181
NET ASSETS		68 365	69 306
EQUITY:			
Accumulated surplus		63 348	64 289
Asset Revaluation Reserve	A2(f)	5 017	5 017
TOTAL EQUITY		68 365	69 306

**Schedule of Administered Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:	Note	\$'000	\$'000
Receipts from SA Government		17 222	22 005
Fees and charges		7 440	7 741
Grant receipts		36 958	37 357
Other receipts		2 147	1 580
Total Inflows from Operating Activities		63 767	68 683
CASH OUTFLOWS:			
Employee payments		(317)	(354)
Supplies and services		(3 896)	(1 143)
Grants and subsidies		(54 537)	(45 868)
Net expense resulting from a correction of an error		-	(195)
Payments to consolidated account		(1 217)	(1 566)
Payments to Catchment Water Management Boards		(6 893)	(5 059)
Payments to South Eastern Water Conservation Drainage Board		(1 685)	(1 619)
Total Outflows from Operating Activities		(68 545)	(55 804)
Net Cash (Outflows) Inflows from Operating Activities	A3	(4 778)	12 879
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from restructuring activities		-	237
Net Cash Inflows from Financing Activities		-	237
NET (DECREASE) INCREASE IN CASH HELD		(4 778)	13 116
CASH AT 1 JULY		41 052	27 936
CASH AT 30 JUNE	A3	36 274	41 052

All GST receipts and payments are recognised in the Department's Statement of Cash Flows.

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 2005
2005

(Programs refer Note A2)	Catchment Water Management Board Levies \$'000 A2(a)	Qualco Sunlands \$'000 A2(b)	Penalty Charges \$'000 A2(c)	Water Resources Levy Fund \$'000 A2(d)	Remittance to South Eastern Water Conserva- tion and Drainage Board \$'000 A2(e)	Pastoral Board \$'000 A2(f)	Land Technology Alliances \$'000 A2(g)	Catchmnt Water M'gmt Board Payroll Tax \$'000 A2(h)
Administered Revenue from Ordinary Activities:								
SA Government Entities:								
Revenues from SA Government	-	250	-	-	1 685	9	-	400
Grant revenue	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total Administered Revenue - SA Government Entities	-	250	-	-	1 685	9	-	400
Administered Expenses from Ordinary Activities:								
SA Government Entities:								
Supplies and services	-	-	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-	-	221
Payments to Consolidated Account	-	251	562	-	-	-	387	17
Payments to Catchment Water Management Boards	6 893	-	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	1 685	-	-	-
Total Administered Expenses - SA Government Entities	6 893	251	562	-	1 685	-	387	238
Administered Revenue from Ordinary Activities:								
Non-SA Government Entities:								
Fees and charges	7 261	250	608	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-
Other revenue	55	14	-	-	-	-	13	-
Total Administered Revenue - Non-SA Government Entities	7 316	264	608	-	-	-	13	-
Administered Expenses from Ordinary Activities:								
Non-SA Government Entities:								
Employee expenses	-	-	-	-	-	-	(5)	-
Supplies and services	-	-	-	-	-	-	-	-
Grants and subsidies	-	250	-	-	-	-	-	-
Total Administered Expenses - Non-SA Government Entities	-	250	-	-	-	-	(5)	-
Operating Surplus (Deficit)	423	13	46	-	-	9	(369)	162

(Programs refer Note A2)	Natural Heritage Trust Grants \$'000 A2(i)	National Action Plan for Salinity Quality \$'000 A2(j)	Mt Lofty Ranges Catchmnt Support \$'000 A2(k)	Centre for Natural Resource M'gmt \$'000 A2(l)	Soil Conserv and Landcare \$'000 A2(m)	River Murray Minster \$'000 A2(n)	2005 Total \$'000
Administered Revenue from Ordinary Activities:							
SA Government Entities:							
Revenues from SA Government	-	14 667	-	-	-	211	17 222
Grant revenue	-	147	-	-	-	-	147
Other revenue	514	1 429	-	-	-	-	1 943
Total Administered Revenue - SA Government Entities	514	16 243	-	-	-	211	19 312
Administered Expenses from Ordinary Activities:							
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 Catchment Water Management Boards	-	-	-	-	-	-	6 893
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-	1 685
Total Administered Expenses - SA Government Entities	965	13 393	3 034	340	-	-	27 748

Administered Revenues and Expenses for the Year Ending 30 June 2005 (continued)
2005

	Natural Heritage Trust Grants \$'000 A2(i)	National Action Plan for Salinity and Water Quality \$'000 A2(j)	Mt Lofty Ranges Catchmnt Support \$'000 A2(k)	Centre for Natural Resource M'gmnt \$'000 A2(l)	Soil Conserv and Landcare \$'000 A2(m)	River Murray Minister \$'000 A2(n)	2005 Total \$'000
(Programs refer Note A2)							
Administered Revenue from Ordinary Activities:							
Non-SA Government Entities:							
Fees and charges	-	-	4	-	-	-	8 123
Grant revenue	21 133	9 917	5 536	265	-	-	36 851
Other revenue	-	27	94	-	1	-	204
Total Administered Revenue - Non-SA Government Entities	21 133	9 944	5 634	265	1	-	45 178
Administered Expenses from Ordinary Activities:							
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
Total Administered Expenses - Non-SA Government Entities	21 624	12 442	2 637	521	-	214	37 683
Operating Surplus (Deficit)	(942)	352	(37)	(596)	1	(3)	(941)

Administered Revenues and Expenses for the Year Ending 30 June 2004

	Catchment Water Manage- ment Board Levies \$'000 A2(a)	Qualco Sunlands \$'000 A2(b)	Penalty Charges \$'000 A2(c)	Water Resources Levy Fund \$'000 A2(d)	Remittance to South Eastern Water Conserva- tion and Drainage Board \$'000 A2(e)	Pastoral Board \$'000 A2(f)	Land Technology Alliances \$'000 A2(g)	Catchmnt Water M'gmnt Board Payroll Tax \$'000 A2(h)
(Programs refer Note A2)								
Administered Revenue from Ordinary Activities:								
Revenues from SA Government	-	250	-	-	1 619	9	-	217
Fees and charges	6 115	375	755	-	-	-	98	-
Grant revenue	-	-	-	-	-	-	180	-
Other revenue	47	30	-	-	-	-	51	-
Total Administered Revenue	6 162	655	755	-	1 619	9	329	217
Administered Expenses from Ordinary Activities:								
Employee expenses	-	-	-	-	-	-	32	-
Supplies and services	158	-	936	4	-	-	8	-
Grants and subsidies	-	250	-	-	-	-	130	210
Net expense resulting from a correction of an error	-	-	-	-	-	-	44	-
Payments to Consolidated Account	-	345	1 221	-	-	-	-	-
Payments to Catchment Water Management Boards	5 059	-	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	1 619	-	-	-
Total Administered Expenses	5 217	595	2 157	4	1 619	-	214	210
Operating Surplus (Deficit)	945	60	(1 402)	(4)	-	9	115	7

	Natural Heritage Trust Grants \$'000 A2(i)	National Action Plan for Salinity and Water Quality \$'000 A2(j)	Mt Lofty Ranges Catchmnt Support \$'000 A2(k)	Centre for Natural Resource M'gmnt \$'000 A2(l)	Soil Conserv and Landcare \$'000 A2(m)	River Murray Minister \$'000 A2(n)	2004 Total \$'000
(Programs refer Note A2)							
Administered Revenue from Ordinary Activities:							
Revenues from SA Government	-	19 910	-	-	-	-	22 005
Fees and charges	-	-	17	-	-	-	7 360
Grant revenue	16 039	13 946	5 335	1 857	-	-	37 357
Other revenue	715	875	(10)	-	1	-	1 709
Total Administered Revenue	16 754	34 731	5 342	1 857	1	-	68 431

Administered Revenues and Expenses for the Year Ending 30 June 2004 (continued)

2004

	Natural Heritage Trust Grants	National Action Plan for Salinity and Water Quality	Mt Lofty Ranges Catchmnt Support	Centre for Natural Resource M'gmt	Soil Conserv and Landcare	River Murray Minister	2004 Total
(Programs refer Note A2)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Activities:	A2(i)	A2(j)	A2(k)	A2(l)	A2(m)	A2(n)	
Administered Expenses from Ordinary							
Employee expenses	-	-	235	92	-	-	359
Supplies and services	88	36	539	86	-	-	1 855
Grants and subsidies	18 875	22 229	3 321	853	-	-	45 868
Net expense resulting from a correction of an error	151	-	-	-	-	-	195
Payments to Consolidated Account	-	-	-	-	-	-	1 566
Payments to Catchment Water Management Boards	-	-	-	-	-	-	5 059
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-	1 619
Total Administered Expenses	19 114	22 265	4 095	1 031	-	-	56 521
Operating Surplus (Deficit)	(2 360)	12 466	1 247	826	1	-	11 910

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 Schedules unless otherwise noted below.

The Administered Schedules 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 Schedules.

The Department will apply 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 will not have a significant impact.

(a) Catchment Water Management Board Levies

Under section 133(1)(c)(ii) of the *Water Resources Act 1997*, water levies are collected by the Department in catchment areas of catchment water 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 \$1 820 000 (\$1 510 000) have been recognised as current receivables and levies are paid to the boards once received.

	2005 \$'000	2004 \$'000
During the reporting period the following revenue was recognised for levies:		
River Murray Catchment Water Management Board	5 126	4 231
South East Catchment Water Management Board	1 466	1 302
Northern Adelaide Barossa Catchment Water Management Board	313	313
Eyre Peninsula Catchment Water Management Board	231	222
Onkaparinga Catchment Water Management Board	125	47
	7 261	6 115

Levies received but not paid to the Catchment Water Management Boards at the end of the reporting period were \$368 000 (\$654 000).

(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 133(1)(a) of the *Water Resources Act 1997* are collected by the Department and paid into Consolidated Revenue. Unpaid penalty charges at the end of the reporting period of \$1 226 000 (\$1 067 000) have been recognised as current receivables. During the reporting period the Department paid \$562 000 (\$1 221 000) of penalty charges collected into Consolidated Revenue.

(d) Water Resources Levy Funds

The Water Resources Levy Fund (Fund) was created pursuant to the provisions of the *Water Resources Act 1997*. The Fund records the receipt of monies for levies declared under section 122 of the Act, where the prescribed water resource in relation to which the levy was declared is not in the area of a Catchment Water Management Board.

There were no levies received into the Fund during 2005 or 2004.

(e) 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 \$1 685 000 (\$1 619 000) was received by the Department and this was disbursed to the Board.

(f) 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 \$28 600 000 as at 30 June 2003 by Robin Norris, Acting Regional Valuer, Valuation SA, Land Services Group, Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$5 017 000. At the end of the reporting period this amount was recorded as Property, Plant and Equipment in the Administered Schedule of Assets and Liabilities at that value.

The revenue generated by the pastoral leases is recorded within the Department's Statement of Financial Performance, in accordance with the *Pastoral Land Management and Conservation Act 1989*, to cover the costs incurred by the Department in administering the pastoral leases.

(g) 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.

(h) Catchment Water Management Board Payroll Tax

An appropriation of \$400 000 (\$217 000) was received to fund the payroll tax expenses of the Catchment Water Management Boards for 2004-05.

(i) 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:	2005	2004
	\$'000	\$'000
Natural Heritage Trust Extension Program	16 614	11 682
Natural Heritage Trust National Landcare Program	3 737	3 184
Natural Heritage Trust Refunds	782	1 173
	21 133	16 039

During the reporting period the following grants were paid:	2005	2004
	\$'000	\$'000
Natural Heritage Trust Extension Program	16 687	17 198
Natural Heritage Trust National Landcare Program	3 298	1 031
Refunds	2 429	430
Natural Heritage Trust	30	216
	22 444	18 875

(j) 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 \$14 666 893 (\$19 910 000) were received from the SA Government and the following Commonwealth grants were received:

	2005	2004
	\$'000	\$'000
AFFA - National Action Plan Investment Strategy Phase 1	9 543	7 293
AFFA - National Action Plan Priority Rounds 1 and 2	193	6 653
Refunds	328	-
	10 064	13 946

(j) National Action Plan for Salinity and Water Quality (continued)	2005	2004
During the reporting period the following grants were paid:	\$'000	\$'000
AFFA - National Action Plan Priority Rounds 1 and 2	11 616	12 841
AFFA - National Action Plan Investment Strategy Phase 1	14 191	8 076
Refunds - PIRSA	-	1 312
	25 807	22 229

(k) 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, catchment water 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.

During the reporting period the following grants were received:	2005	2004
	\$'000	\$'000
Natural Heritage Trust Extension Program	1 158	2 048
National Action Plan Investment Strategy Phase 1	2 018	1 193
National Action Plan Priority Rounds 1 and 2	320	1 083
Natural Heritage Trust Investment Strategy Phase 1 and 2	2 040	1 011
	5 536	5 335

During the reporting period the following grants were paid:		
Natural Heritage Trust Extension Program	732	1 924
National Action Plan Priority Rounds 1 and 2	229	771
National Action Plan Investment Strategy Phase 1	1 587	467
Natural Heritage Trust Investment Strategy Phase 1 and 2	2 302	106
Natural Heritage Trust	104	53
	4 954	3 321

(l) 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 \$265 000 (\$1 857 000) from the National Action Plan Priority Rounds 1 and 2 and disbursed \$861 000 (\$853 000) of these funds as grants to non-South Australian Government entities.

(m) Soil Conservation and Landcare

The Soil Conservation and Land Care Fund (Fund) was established under the *Soil Conservation and Land Care Act 1989*. Industry and SA Government funding is used by the Soil Conservation Board to provide for the conservation and rehabilitation of land in South Australia. At the end of the reporting period there was \$27 728 (\$26 347) in the Fund. During the reporting period the Fund earned \$1 392 (\$1 304) in interest income and no disbursements were made from the Fund.

(n) River Murray Minister

Reflects the Minister's salary and on-costs which are reimbursed through the Department of Treasury and Finance.

(o) Changes to Administered Items

There were no changes to the Department's administered items for 2004-05.

A3. Administered Cash Flow Reconciliation - Cash at 30 June 2005	2005	2004
	\$'000	\$'000
Catchment Water Management Board levies	198	744
Qualco Sunlands	11	73
Penalty charges	(23)	70
Remittance to South Eastern Water Conversation and Drainage Board	(118)	(89)
Pastoral Board	18	9
Land Technology Alliances	(104)	379
Catchment Water Management Board payroll tax	203	19
Natural Heritage Trust Grants	8 564	9 972
National Action Plan for Salinity and Water Quality	25 993	26 998
Mount Lofty Ranges Catchment support	1 457	2 025
Centre for Natural Resource Management	230	826
Soil Conversation and Landcare	28	26
River Murray Minister	(213)	-

A3. Administered Cash Flow Reconciliation - Cash at 30 June 2005	2005	2004
(continued)	\$'000	\$'000
Schedule of Administered Assets and Liabilities	36 274	41 052
Administered Schedule of Cash Flows	36 274	41 052
Reconciliation of Net Cash (Outflows) Inflows from Operating Activities to Surplus from:		
Net cash inflows from operating activities	(4 778)	12 879
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	683	(381)
Increase in other assets	40	130
Decrease (Increase) in payables	3 116	(713)
(Increase) in employee benefits	(2)	(5)
Operating Surplus from Ordinary Activities	(941)	11 910

**APPENDIX TO
AUDITOR-GENERAL'S
ANNUAL REPORT**

**TREASURER'S
FINANCIAL STATEMENTS**

(Pursuant to section 22 of the *Public Finance and Audit Act 1987*)

2004-05

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STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2005
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget	Actual
	\$	\$
RECEIPTS		
Taxation	2 609 161 000	2 772 894 983
Commonwealth General Purpose grants	3 267 800 000	3 341 773 228
Commonwealth Specific Purpose grants	56 414 000	47 203 556
Contributions from State Undertakings	534 604 000	541 111 619
Fees and Charges	129 189 000	112 023 742
Recoveries	220 083 000	165 141 562
Royalties	84 000 000	101 728 286
Other Receipts	360 634 000	346 994 082
	<u>7 261 885 000</u>	<u>7 428 871 058</u>
PAYMENTS		
Appropriation Act	6 894 107 000	6 943 249 796
Specific Appropriation Authorised in Various Acts	111 101 000	108 130 983
	<u>7 005 208 000</u>	<u>7 051 380 779</u>
CONSOLIDATED ACCOUNT SURPLUS	<u>256 677 000</u>	<u>377 490 279</u>

The surplus for 2004-05 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 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 2005
 (Section 22 (a) (i) *Public Finance and Audit Act 1987*)
 (Prepared on a Cash Basis)

	Budget 2004-05	Actual 2004-05
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	862 000 000	894 973 755
Commonwealth places mirror payroll tax	15 100 000	15 660 487
Stamp Duties	974 200 000	1 104 094 549
Commonwealth places mirror stamp duties	1 100 000	689 445
Land Tax	268 800 000	274 523 092
Commonwealth places mirror land tax	1 100 000	808 406
Debits Tax	59 900 000	60 063 065
Commonwealth places mirror debits tax	400 000	414 905
Other Taxes on Property	10 000	12 899
River Murray Levy	19 000 000	19 351 422
Gaming Machines Tax	302 400 000	297 357 374
Contribution from Lotteries Commission	76 213 000	75 308 429
Contribution from Casino Operations	17 500 000	17 753 596
Contribution from South Australian Totalizator Agency Board	8 300 000	8 957 232
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	2 938 000	2 926 327
Recoup from Recreation and Sport Fund	200 000	-
Total Taxation Receipts	<u>2 609 161 000</u>	<u>2 772 894 983</u>
COMMONWEALTH GENERAL PURPOSE PAYMENTS		
Competition Grants	46 900 000	50 408 681
GST Revenue Grants	3 242 900 000	3 313 411 618
Transitional Grants (a)	-	-
Transitional Grant Overpayment/Recovery (a)	<u>(22 000 000)</u>	<u>(22 047 071)</u>
Total Commonwealth General Purpose Payments	<u>3 267 800 000</u>	<u>3 341 773 228</u>
COMMONWEALTH SPECIFIC PURPOSE PAYMENTS		
Companies Code - Fees	11 965 000	11 965 154
Concessions to Pensioners and Others	18 862 000	18 862 000
SA Infrastructure Corporation	10 300 000	-
Debt Redemption Assistance	3 743 000	3 744 702
Legal Aid	11 071 000	12 596 700
Native Title Legislation - Administration	473 000	-
Additional First Home Owners Grants	-	<u>35 000</u>
Total Commonwealth Specific Purpose Payments	<u>56 414 000</u>	<u>47 203 556</u>
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Department for Administrative and Information Services —		
Dividend	101 895 000	102 857 292
Income Tax Equivalent	3 551 000	1 667 801
Local Government Rate Equivalent	608 000	1 283 748

(a) The Commonwealth reduced payments for GST Revenue Grants in 2004-05 to recover an overpayment of \$22.047 million for Transitional Grants in the 2003-04 financial year.

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2004-05 — *continued*

	Budget 2004-05	Actual 2004-05
RECEIPTS— <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS— <i>continued</i>		
Department of Trade and Economic Development —		
Dividend	927 000	-
Forestry SA—		
Dividend	20 375 000	11 565 500
Income Tax Equivalent	10 925 000	11 854 316
Local Government Rate Equivalent	1 000	-
Funds SA—		
Local Government Rate Equivalent	165 000	151 285
HomeStart Finance—		
Income Tax Equivalent	1 168 000	1 440 837
Land Management Corporation—		
Dividend	2 867 000	2 180 000
Income Tax Equivalent	1 643 000	10 069 464
Local Government Rate Equivalent	105 000	123 426
Lotteries Commission—		
Dividend	3 479 000	6 374 158
Income Tax Equivalent	7 249 000	7 269 270
Local Government Rate Equivalent	12 000	30 050
Police Security Services—		
Income Tax Equivalent	200 000	169 041
Private—		
Local Government Rate Equivalent	-	660 812
Public Trustee Office—		
Dividend	1 371 000	1 372 000
Income Tax Equivalent	398 000	121 136
Local Government Rate Equivalent	27 000	27 023
SA Water Corporation—		
Dividend	173 219 000	165 189 000
Income Tax Equivalent	73 064 000	82 638 439
Local Government Rate Equivalent	895 000	1 134 071
South Australian Asset Management Corporation—		
Dividend	73 200 000	73 200 000
South Australian Finance Trust—		
Income Tax Equivalent	-	22 311
South Australian Government Captive Insurance Corporation—		
Income Tax Equivalent	-	5 459 216
South Australian Government Employee Residential Properties—		
Dividend	1 156 000	-
Income Tax Equivalent	493 000	-
South Australian Government Financing Authority—		
Dividend	38 800 000	37 563 769
Income Tax Equivalent	5 500 000	6 736 231

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2004-05—continued

	Budget 2004-05	Actual 2004-05
RECEIPTS—continued	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS—continued		
TransAdelaide—		
Dividend	3 954 000	2 296 000
Income Tax Equivalent	1 185 000	-
Local Government Rate Equivalent	83 000	121 130
Transport Services—		
Dividend	4 113 000	472 496
Income Tax Equivalent	1 490 000	5 056 558
Local Government Rate Equivalent	82 000	84 493
West Beach Trust—		
Income Tax Equivalent	404 000	1 920 745
Total Contributions from State Undertakings	<u>534 604 000</u>	<u>541 111 619</u>
FEES AND CHARGES		
Auditor-General's Department - Fees for audit and other sundry receipts	8 745 000	8 760 944
Community Road Safety Fund related infringement notices	-	40 390 825
Court and Probate fees	17 197 000	17 049 971
Court fines	7 832 000	12 295 371
Guarantee fees	16 558 000	18 781 810
Infringement notice schemes - Expiation fees	17 679 000	14 255 965
Sundry fees	25 000	19 656
Water, Land and Biodiversity Conservation - Excess Water Charges	1 000 000	469 200
Total Fees and Charges	<u>69 036 000</u>	<u>112 023 742</u>
RECOVERIES		
Child Abuse Protection Program - Intra sector grants received	200 000	300 000
Community Development Fund - St John Australia SA Inc	-	100 000
Community Road Safety Fund	60 153 000	-
Contribution to the cost of private plated vehicles	10 000	7 004
Essential Services Commission of SA	4 632 000	4 632 000
Helicopter service - Recovery of costs and sponsorships	1 679 000	2 058 116
Independent Gaming Corporation contribution to Gamblers' Rehabilitation Fund	1 850 000	1 500 000
Legislature - Sale of publications	564 000	54 477
Light motor vehicle fleet - Rental payments recovery	4 300 000	3 026 158
National Tax Equivalent Program	12 000	-
Qualco-Sunlands Groundwater	-	251 112
Return of cash to Consolidated Account - Cash Alignment Policy	144 212 000	150 474 000
Return of cash to Consolidated Account - Cash Alignment Policy - interest	32 590 000	-
Return of Commonwealth places mirror taxes collected (b)	17 700 000	-
Road Safety Package	9 300 000	-
Sale of evidence/transcripts	1 235 000	1 180 959
Sale of Government Gazette	150 000	-
Sundry recoupment	118 000	6 495 741
Unclaimed monies	1 531 000	1 280 034
WorkCover Levy on State Government Superannuation Payments	-	175 939
Total Recoveries	<u>280 236 000</u>	<u>171 535 541</u>

(b) Refer to the Taxation Receipts for details of Commonwealth places mirror taxes collected for the 2004-05 financial year.

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2004-05—continued

	Budget 2004-05	Actual 2004-05
RECEIPTS— <i>continued</i>	\$	\$
ROYALTIES		
Department of Primary Industries and Resources	84 000 000	101 728 286
Total Royalties	<u>84 000 000</u>	<u>101 728 286</u>
OTHER RECEIPTS		
Interest on investments	85 691 000	92 158 764
Interest recoveries from—		
General government entities	11 204 000	16 113 707
Non-commercial public trading enterprises	44 742 000	45 866 052
Universities	1 414 000	1 414 000
Private sector	89 000	502 851
Repayment of advances—		
Adelaide Festival Centre Trust	775 000	775 000
Administered Items for Transport, Energy and Infrastructure	-	141 798
Administrative and Information Services	-	52 226 217
Health	-	395 638
Land Management Corporation	56 000	50 140
Lotteries Commission	1 542 000	1 541 921
Medical Board of South Australia	-	44 388
Minister for Education and Children's Services	1 500 000	2 000 000
Minister for Recreation, Sport and Racing	-	38 236
Office of Public Transport	749 000	749 000
Primary Industries and Resources	1 017 000	665 298
Renmark Irrigation Trust	111 000	86 211
South Australian Government Employee Residential Properties	1 193 000	34 991 976
SA Country Arts Trust	20 000	20 000
South Australian Housing Trust	17 745 000	17 741 711
South Australian Tourism Commission	1 026 000	138 247
TransAdelaide	5 381 000	5 381 000
West Beach Trust	72 000	-
Other	400 000	4 293
Repayment of equity capital contributions—		
Administrative and information Services	84 680 000	23 618 007
Health	77 672 000	-
South Australia Police	15 957 000	18 813 000
Other—		
Other Recoveries	17 000	15 093 871
Sale of land and buildings	7 581 000	10 127 975
Total Other Receipts	<u>360 634 000</u>	<u>340 700 103</u>
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	<u><u>7 261 885 000</u></u>	<u><u>7 428 971 058</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 2005
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2004-05	Actual 2004-05
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
SALARIES AND ALLOWANCES		
Agent-General - Pursuant to Agent-General Act 1901	280 000	293 230
Auditor-General - Pursuant to Public Finance and Audit Act 1987	220 000	224 191
Commissioner of Police - Pursuant to Police Act 1988	236 000	286 651
Electoral Commissioner and Deputy Electoral Commissioner - Pursuant to Electoral Act 1985	302 000	303 324
Employee Ombudsman - Pursuant to the Industrial and Employee Relations Act 1994	91 000	182 276
Governor - Pursuant to Constitution Act 1934	201 000	216 641
Judges - Pursuant to Remuneration Act 1990 —		
Chief Justice.....	430 000	440 870
Judges.....	14 396 000	14 118 888
Magistrates - Pursuant to Remuneration Act 1990	9 295 000	10 798 572
Members of various Standing Committees - Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991..	549 000	557 549
Ombudsman - Pursuant to Ombudsman Act 1972	215 000	225 487
Parliamentary Salaries and Electorate and Expense Allowances—		
Ministers, Officers and Members of Parliament - Pursuant to Parliamentary Remuneration Act 1990.....	10 430 000	10 789 263
Senior Judge and Judges of the Industrial Relations Commission - Pursuant to Remuneration Act 1990.....	1 397 000	1 841 666
Solicitor-General - Pursuant to Solicitor-General Act 1972	254 000	370 414
Valuer-General - Pursuant to Valuation of Land Act 1971	105 000	183 882
OTHER		
Contribution for injuries suffered as a result of the commission of criminal offences		
- Pursuant to Victims of Crime Act 2001	6 200 000	5 680 000
First Home Owners' Grants - Pursuant to First Home Owner Grant Act 2000	66 500 000	61 618 079
Total Payments Authorised by Various Acts.....	111 101 000	108 130 983

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2004-05—continued

	Budget (Appropriation Act 2004)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2004-05
PAYMENTS	\$	\$	\$	\$
Department of the Premier and Cabinet	42 252 000	8 169 000	50 421 000	50 056 000
Administered Items for the Department of the Premier and Cabinet	19 209 000	1 800 000	21 009 000	16 557 619
State Governor's Establishment.....	2 498 000	-	2 498 000	3 228 000
Arts SA	91 984 000	-	91 984 000	96 099 000
South Australian Tourism Commission	41 121 000	-	41 121 000	43 781 000
Minister for Tourism	4 511 000	-	4 511 000	5 261 000
Auditor-General's Department	10 112 000	-	10 112 000	10 112 000
Administered Items for the Auditor-General's Department	851 000	-	851 000	896 337
Department of Treasury and Finance	41 708 000	(349 000)	41 359 000	43 038 000
Administered Items for the Department of Treasury and Finance	1 088 661 000	-	1 088 661 000	919 518 910
Independent Gambling Authority	1 362 000	-	1 362 000	1 362 000
Department of Trade and Economic Development	82 710 000	(2 879 000)	79 831 000	61 255 000
Administered Items for the Department of Trade and Economic Development	601 000	(601 000)	-	-
Office of the Venture Capital Board	11 493 000	-	11 493 000	2 493 000
Department of Primary Industries and Resources	113 809 000	(220 000)	113 589 000	125 483 840
Administered Items for the Department of Primary Industries and Resources	92 335 000	-	92 335 000	91 998 000
Department for Correctional Services.....	125 271 000	-	125 271 000	127 881 360
South Australia Police.....	361 606 000	-	361 606 000	363 703 862
Administered Items for Police and Emergency Services.....	6 655 000	-	6 655 000	5 938 371
Courts Administration Authority	63 679 000	-	63 679 000	65 261 960
Administered Items for Courts Administration Authority	30 000	-	30 000	-
State Electoral Office	2 076 000	-	2 076 000	2 147 000
Attorney-General's Department.....	63 278 000	3 012 000	66 290 000	64 416 000
Administered Items for Attorney-General's Department	43 868 000	-	43 868 000	45 946 164
Department of Health (a)	1 342 752 000	(1 913 000)	1 340 839 000	1 420 689 590
Administered Items for the Department of Health (b).....	42 095 000	(27 000)	42 068 000	43 616 676
Department for Families and Communities (a).....	495 999 000	696 000	496 695 000	570 712 000
Administered Items for the Department for Families and Communities (b)	124 254 000	(271 000)	123 983 000	151 865 000
Department of Education and Children's Services	1 458 237 000	1 038 000	1 459 275 000	1 494 024 000
Administered Items for the Department of Education and Children's Services	137 400 000	(7 380 000)	130 020 000	128 797 866
Department of Further Education, Employment, Science and Technology	232 684 000	6 562 000	239 246 000	238 270 000
Department for Environment and Heritage	113 196 000	-	113 196 000	115 788 000
Administered Items for the Department for Environment and Heritage.....	3 589 000	-	3 589 000	3 589 000
Environment Protection Authority	8 692 000	(60 000)	8 632 000	8 704 000
Department of Water, Land and Biodiversity Conservation	65 278 000	19 100 000	84 378 000	85 139 790
Administered Items for the Department of Water, Land and Biodiversity Conservation	37 854 000	(19 100 000)	18 754 000	18 200 925
Office of Local Government	-	2 879 000	2 879 000	2 879 000
Administered Items for the Office of Local Government.....	-	601 000	601 000	901 000
Planning SA	14 723 000	-	14 723 000	16 396 000
Administered Items for Planning SA	844 000	-	844 000	2 213 143
Transport Services	51 892 000	58 724 000	110 616 000	109 741 800
Administered Items for Transport Services	67 600 000	(58 500 000)	9 100 000	8 956 212
Transport Planning	2 467 000	-	2 467 000	2 609 000
Office of Public Transport	173 263 000	(224 000)	173 039 000	179 722 164
TransAdelaide	2 791 000	-	2 791 000	2 763 937
Offices for Sustainable Social, Environmental and Economic Development.....	1 335 000	-	1 335 000	1 335 000
Department for Administrative and Information Services	182 172 000	(11 057 000)	171 115 000	165 247 000
Administered Items for the Department for Administrative and Information Services.....	5 680 000	-	5 680 000	7 650 000
House of Assembly.....	6 470 000	-	6 470 000	5 750 715
Joint Parliamentary Services	7 184 000	-	7 184 000	7 624 089
Legislative Council.....	3 976 000	-	3 976 000	3 629 467
Total Payments Appropriated for Departments and Ministers	6 894 107 000	-	6 894 107 000	6 943 249 796
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	7 005 208 000	-	7 005 208 000	7 051 380 779

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2004-05—*continued*

-
- (a) In the *Appropriation Act 2004* the Department of Human Services and the Department for Families and Communities were shown as a combined total. The Department of Human Services was renamed the Department of Health from 1 July 2004 as declared in the *South Australian Government Gazette*.
- (b) In the *Appropriations Act 2004* the administered items for the Department of Human Services and the administered items for the Department for Families and Communities were shown as a combined total. The Department of Human Services was renamed the Department of Health from 1 July 2004 as declared in the *South Australian Government Gazette*.

KEVIN FOLEY, Treasurer

STATEMENT B

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2005
(Section 22 (a) (ii) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	2004-05	2003-04
	\$'000	\$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	2 772 895	2 647 733
Commonwealth General Purpose Grants	3 341 773	3 152 395
Commonwealth Specific Purpose Grants	47 204	44 545
Contributions from State Undertakings	541 117	505 103
Fees and Charges	112 024	106 243
Recoveries	165 432	20 298
Royalties	101 728	75 177
Other Receipts	346 994	187 409
Total Receipts	7 428 871	6 738 903
Increase in balance of Special Deposit Accounts.....	-	32 218
Increase in balance of Deposits lodged with the Treasurer	-	28 598
Decrease in cash at bank.....	15 987	-
Decrease in deposits by the Treasurer with SAFA	192 490	-
Increase in the value of cheques drawn but not presented	8 780	20 485
	<u>7 646 128</u>	<u>6 820 204</u>
APPLICATION OF FUNDS		
Consolidated Account Payments	7 051 381	6 409 448
Repayment of borrowings to the South Australian Government Financing Authority (a).....	377 490	329 455
Increase in cash at bank.....	-	79 223
Increase in deposits by the Treasurer with SAFA.....	-	878
Increase in deposits by the Treasurer with LGFA.....	1 400	1 200
Decrease in balance of Special Deposit Accounts.....	138 594	-
Decrease in balance of Deposits lodged with the Treasurer	77 263	-
	<u>7 646 128</u>	<u>6 820 204</u>

(a) As reported in Statement A and Statement J, the surplus on Consolidated Account for 2004-05 was used to repay borrowings of the Treasurer from the South Australian Government Financing Authority.

KEVIN FOLEY, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2005
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

	2004-05	2003-04
	\$'000	\$'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT—See Statement A	-	-
SPECIAL DEPOSIT ACCOUNT BALANCES—See Statement F	1 078 418	1 217 012
DEPOSITS LODGED WITH THE TREASURER—See Statement G	400 922	478 185
CHEQUES DRAWN BUT NOT PRESENTED	60 994	52 214
	<u>1 540 334</u>	<u>1 747 411</u>
REPRESENTED BY		
CASH AT BANK.....	206 164	222 151
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY—See Statement J	1 290 222	1 482 712
DEPOSITS WITH LOCAL GOVERNMENT FINANCE AUTHORITY OF SA —See Statement E.....	42 400	41 000
DEPARTMENTAL IMPREST ACCOUNTS—See Statement H	1 548	1 548
	<u>1 540 334</u>	<u>1 747 411</u>

KEVIN FOLEY, Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2005 (a)
(Section 22 (a) (iii) *Public Finance and Audit Act 1987*)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—	\$'000	\$'000	\$'000	\$'000
	Payments	Recoveries	Cost	
Department of the Premier and Cabinet	66 614	-	66 614	
State Governor's Establishment	3 228	-	3 228	
Arts SA	96 099	-	96 099	
South Australian Tourism Commission	43 781	-	43 781	
Minister for Tourism	5 261	-	5 261	
Auditor-General's Department	11 009	8 761	2 248	
Department of Treasury and Finance	958 121	921 295	36 826	
Independent Gambling Authority	1 362	-	1 362	
Department of Trade and Economic Development	61 255	-	61 255	
Office of the Venture Capital Board	2 493	-	2 493	
Department of Primary Industries and Resources	217 352	-	217 352	
Department for Correctional Services	127 881	-	127 881	
South Australia Police Department	369 742	51 192	318 550	
Courts Administration Authority	65 262	36 075	29 187	
State Electoral Office	2 147	-	2 147	
Attorney-General's Department	110 362	24 866	85 496	
Department of Health	1 458 927	-	2 181 504	
Department for Families and Communities	722 577	-	722 577	
Department of Education and Children's Services	1 622 822	-	1 622 822	
Department of Further Education, Employment, Science & Technology	238 270	-	238 270	
Department for Environment and Heritage	119 377	6 678	112 699	
Environmental Protection Authority	8 704	-	8 704	
Department of Water, Land and Biodiversity Conservation	103 341	720	102 621	
Department of Transport, Energy and Infrastructure (b)	307 499	3 510	303 989	
Department for Administrative and Information Services	162 442	-	162 442	
Legislature	17 004	55	16 949	
Special Acts (c)	108 131	-	108 131	
Total	7 011 063	1 053 152	5 957 911	
TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES				5 957 911
RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST—				
State Taxation—		\$'000	\$'000	
Payroll Tax		894 974		
Stamp Duties		1 104 095		
Land Tax		274 523		
Debits Tax		60 063		
Commonwealth Places Mirror Tax		17 573		
River Murray Levy		19 351		
Other Taxes on Property		13		
Gaming Machines Tax		297 357		
Contribution from Lotteries Commission		75 309		
Contribution from Casino Operations		17 754		
Contribution from Totalizator Agency Board		8 957		
Contribution from On-course Totalizators, Bookmakers and Small Lotteries		2 926		
Recoup from Recreation and Sport Fund		-		
Total Receipts from State Taxation			2 772 895	
Commonwealth Government General Purpose Grants			3 341 773	
Royalties			101 728	
Total Direct Receipts				6 216 396
LEAVING A SURPLUS ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF				258 485
THIS WAS INCREASED BY THE NET OF—				
Payments for investing activities			(35 982)	
Payments for financing activities			(4 436)	
Receipts from investing activities			159 423	
				119 005
RESULTING IN A CONSOLIDATED ACCOUNT SURPLUS FOR THE YEAR OF				377 490

STATEMENT D - continued

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2005 (a) - continued
(Section 22 (a) (iii) *Public Finance and Audit Act 1987*)

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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.
 - (b) The Department of Transport and Urban Planning was renamed the Department of Transport, Energy and Infrastructure on 30 May 2005 as declared in the *South Australian Government Gazette*.
 - (c) Payments authorised under various Acts (eg Parliamentary & Judicial Salaries).

KEVIN FOLEY, Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2005
(Section 22 (a) (iv) *Public Finance and Audit Act 1987*)

Local Government Finance Authority of South Australia

As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia.

At 30 June 2005 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$42.4 million.

KEVIN FOLEY, Treasurer

STATEMENT FSPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2005
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance \$
Interest Bearing—	
Accrual Appropriation Excess Funds	278 065 940
Adelaide Convention Centre Future Asset Replacement Account	7 285 117
Adelaide Convention Centre Operating Account	9 660 524
Administrative and Information Services Operating Account	86 688 266
Attorney-General's Operating Account	9 619 032
Auditor-General's Operating Account	1 745 028
Community Emergency Services Fund	17 110 859
Community Road Safety Fund	466 948
Correctional Services Operating Account	2 757 448
Country Equalisation Scheme	11 560 864
Dog Fence Fund	96 396
Education and Children's Services Operating Account	37 579 359
Electoral Office Operating Account	938 037
Electricity Sale/Lease Proceeds Account	-
Emergency Services Administrative Unit Operating Account	7 499 543
Environment and Heritage Operating Account	13 843 200
Environment Protection Authority	2 818 375
Families and Communities Operating Account	73 762 436
Fleet SA Operating Account	-
Forestry SA – Insurance Reserve Account	-
Further Education, Employment, Science and Technology Operating Account	25 780 353
Gamblers Rehabilitation Fund	1 586 881
Governors' Pensions Account	6 246
Health Operating Account ^(a)	50 340 038
HIH Builders Indemnity Assistance Account	1 058 677
Home Purchase Assistance Account	-
HomeStart Finance Account	897 879
Housing Loans Redemption Fund	6 976 526
Judges' Pensions Account	21 781
Local Government Disaster Fund	-
Natural Disaster Relief Fund	-
Office of the Venture Capital Board Operating Account	1 327 191
Office of Venue Management Operating Account	-
Ombudsman's Office Operating Account	-
Parliamentary Superannuation Scheme Account	265 043
Playford Centre Operating Account	1 527 476
Police Complaints Authority	-
Police Operating Account	29 159 918
Police Superannuation Scheme Contribution Account	300 268
Premier and Cabinet Operating Account	17 666 025
Primary Industries (Log Rebate Funding) Operating Account	-
Primary Industries and Resources Operating Account	12 977 570
Public Trustee Office Operating Account	4 602 771
Rural Finance Account	27 137 108
Rural Industry Adjustment and Development Fund	15 785 630
School Loans Scheme	1 441 573
South Australian Aboriginal Heritage Fund	687 640
South Australian Government Insurance and Risk Management Fund	18 430 868
South Australian Local Government Grants Commission Account	208 350
South Australian Superannuation Fund Account	3 246 218
Southern State Superannuation Fund Account	7 032 373
State Governor's Establishment Operating Account	670 010
TAB Sale – Proceeds	874 292
Trade and Economic Development Operating Account	5 880 019
Transport, Energy and Infrastructure Operating Account ^(b)	24 312 159

STATEMENT F—continuedSPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2005
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance \$
Interest bearing— continued	
Treasury and Finance Operating Account	7 188 793
Victims of Crime Fund	18 146 995
Water, Land and Biodiversity Conservation Operating Account	6 546 016
Sub-Total	853 580 059
Non-interest bearing—	
Charitable and Social Welfare Fund	2 019 748
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	-
Dingo Control Fund	67 806
Egg Industry Deregulation Account.....	464 709
Essential Services Commission of SA ^(c)	3 848 147
Firearms Acquisition/Compensation Account.....	-
Firearms Acquisition/Disposal - Full-Time Firearms Dealers.....	-
Government Workers Rehabilitation and Compensation Fund	3 139 329
Highways Fund.....	138 056 670
Hospitals Fund.....	-
Industry Development Fund	-
Industry Financial Assistance Account	-
Local Government Concessions - Seniors Card Holders	1 942 904
Local Government Disaster Fund	42 400 000
Motor Vehicles - Clearing Account	2 457 830
Office for Government Enterprises Asset Sales Operating Account	-
Sale of Government Land and Property	6 596 891
Save the River Murray Fund.....	11 603 899
Save the River Murray Voluntary Contributions Fund.....	4 415
South Australian Electricity Supply Industry Planning Council Operating Account	1 040 071
Sport and Recreation Fund	2 371 407
Surplus Cash Working Account.....	-
Targeted/Voluntary Separation Package Schemes.....	6 196
Treasurer's Interest in the National Wine Centre	941 752
Treasury - Working Account	7 876 490
Sub-Total	224 838 264
Total Special Deposit Accounts	1 078 418 323

Accounts that were renamed during the year:

- (a) Formerly Human Services Operating Account.
- (b) Formerly Transport and Urban Planning Operating Account.
- (c) Formerly South Australian Independent Industry Regulator.

KEVIN FOLEY, Treasurer

STATEMENT F (1)SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005
(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 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 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 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.
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.
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 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.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 Operating Account.....	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Egg Industry Deregulation Account	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.
Electoral Office Operating Account	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Electricity Sale/Lease Proceeds Account.....	To receive proceeds of sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of 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 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.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—*continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Essential Services Commission of SA ^(a)	To record the financial transactions of the Essential Services Commission of South Australia.
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 for Administrative and Information Services; and making and receiving of funds to and from Consolidated Account.
ForestrySA – Insurance Reserve Account.....	To record receipts and payments associated with the self-insurance of ForestrySA'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, revenues from the Consolidated Account, revenue from various activities, receipt of borrowings and receipts 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 Operating Account ^(b)	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.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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.
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.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—*continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 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.
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 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.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—*continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 (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.
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.
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.
Rural Finance Account.....	To provide for the administration of separate funds covering - <ul style="list-style-type: none"> · the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> - rural reconstruction entered into on 4 June 1971 - rural assistance entered into on 1 January 1977 - rural assistance entered into on 1 July 1985 - rural assistance entered into on 1 January 1989 - rural assistance entered into on 1 January 1993 - Marginal Dairy Farms and Dairy Adjustment; · loans under the Commercial Rural Loans Scheme; · loans made to producer Co-operatives and borrowings required to fund the scheme; <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p>
Rural Industry Adjustment and Development Fund...	To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act, 1985</i> .
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> .

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 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.
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.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2005—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
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 Operating Account ^(c)	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 Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury - Working Account	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Victims of Crime Fund.....	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Water, Land and Biodiversity Conservation 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.

Accounts that were renamed during the year:

- (a) Formerly South Australian Independent Industry Regulator.
- (b) Formerly Human Services Operating Account.
- (c) Formerly Transport and Urban Planning Operating Account.

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2005
 (Section 22 (a) (v) (A) *Public Finance and Audit Act 1987*)

Account	Purpose
Families and Communities Operating Account	To record all of the activities of the Department including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
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.

KEVIN FOLEY, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2005 (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.

\$

Interest bearing—

Adelaide Festival Centre Trust	4 855 354
Adelaide Festival Trust Fund	-
Adelaide Hills Wine Industry Fund	73 511
Agents Indemnity Fund	4 191 498
Aquaculture Resource Management Fund	693 010
Arid Areas Catchment Water Management Board	99 254
Art Gallery Board Bequests Account	2 265 153
Bio-Innovation SA	1 067 684
Boating Administration - Working Account	2 619 499
Botanic Gardens Board Endowment and Commercial Fund	2 302 580
Carrick Hill Trust	160 165
Cattle Compensation Fund	2 519 614
Cooperative Research Centre for Molecular Plant Breeding	-
Cooperative Research Centre for Sustainable Aquaculture of Finfish	1 369 706
Country Fire Services Workers Compensation Fund	-
Courts Administration Authority	6 986 567
Crown Solicitor's Trust Account	4 816 636
Daniel Livingston Scholarship	27 685
Deer Keepers' Compensation Fund	121 023
Distribution Lessor Corporation Account	26 849
District Court Suitors' Fund	943 507
Dog and Cat Management Fund	175 288
Dried Fruits Board	-
Education Department - Scholarships and Prizes	124 617
Electricity Industry Superannuation Fund	-
Employment and Technical and Further Education - College Council Funds	985 762
Employment and Technical and Further Education - Scholarships and Prizes	-
Environment Protection Fund	1 584 881
Eyre Peninsula Catchment Water Management Board	1 043 123
Fire Equipment Services Operating Account	-
Generation Lessor Corporation Account	19 870
Grains Industry Levy Fund	422 994
Gulf St Vincent Prawn Fishery Voluntary Contributions	22 028
History Trust of South Australia	1 209 473
Independent Gambling Authority	1 268 688
Industrial & Commercial Premises Corporation	-
Institute of Medical and Veterinary Science	4 536 849
Land Management Corporation	13 441 452
Land Technologies Alliance Fund	(103 773)
Langhorne Creek Wine Industry Fund	47 401
Legal Practitioners Act	235 900
Libraries Board of South Australia	3 412 048
Local Government Taxation Equivalent Fund	1 213 494
Lower Murray Reclaimed Irrigation Areas Operating Account	172 001
Loxton Irrigation Scheme	-
Marine Scalefish Industry Fund	11 256
McLaren Vale Wine Industry Fund	119 349
Motor Accident Commission Account	1 335 284
Museum Board - Bequests Account	2 765 082
National Action Plan for Salinity and Water Quality	25 993 655
National Parks General Reserves Account	1 936 606
Native Vegetation Fund	1 214 941
Natural Heritage Trust Extension (NHT2)	6 291 160
Natural Resources Management Fund	-
Northern Adelaide and Barossa Catchment Water Management Board	1 244 851
Office of Catchment Water Management Boards'	5 037 838
Onkaparinga Catchment Water Management Board	1 788 540
Outback Areas Community Development Fund	491 833
Passenger Transport Board	-
Passenger Transport Research and Development Fund	403 072

STATEMENT G—continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2005—continued
(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 <i>Public Finance and Audit Act 1987</i>) on behalf of various bodies.	\$
Phylloxera and Grape Industry Fund	994 365
Pitjantjatjara Council - Replacement of Plant Account	-
Planning and Development Fund.....	7 850 196
Pleuro Pneumonia Fund	74 677
Police Superannuation Fund	131 498
Racing Industry Development Authority.....	-
Rail Transport Facilitation Fund.....	26 508 309
Real Property Act Assurance Fund.....	5 330 539
Real Property Act Trust Account	46 438
Recreation and Sport Disability Foundation of South Australia	-
Recreational Boating Facilities Fund	1 819 716
RESI Corporation Account	176 252
RESI FP Pty Ltd Account	-
Residential Tenancies Fund	2 599 469
Retail Shop Leases Fund	224 832
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Returned and Services League of Australia (South Australian Branch) Incorporated.....	610 733
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Riverland Wine Industry Fund	96 562
SA BITS Funds Pty Ltd – Playford Centre Capital	3 495 957
Second-Hand Vehicles Compensation Fund.....	812 365
Soil Conservation and Land Care Fund	27 728
South Australian Aboriginal Housing Authority	18 231 616
South Australian Apiary Industry Fund	195 148
South Australian Community Housing Development Fund	2 747 257
South Australian Co-ordinated Care - SA Health Plus	-
South Australian Country Arts Trust.....	1 655 056
South Australian Film Corporation Investors Returns Account.....	226 947
South Australian Finance Trust Limited	-
South Australian Forestry Corporation.....	35 433 813
South Australian Government Financing Authority.....	38 899 453
South Australian Housing Trust	25 332 050
South Australian Infrastructure Corporation	59 330
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South Australian Sheep Industry Fund	1 803 274
South Australian Timber Corporation.....	1 564 952
South Australian Tourism Commission	4 192 278
South Australian Water Corporation	-
South East Catchment Water Management Board	2 036 369
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State Emergency Relief Fund.....	803 793
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Superannuation Funds Management Corporation Operating Account	717 357
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Totalizator Agency Board – Capital Infrastructure Fund.....	-
TransAdelaide.....	14 779 249
Transmission Lessor Corporation Account.....	28 355
Upper South East Dryland Salinity Project	2 291 915
Waste to Resources Fund	6 741 885
Water Resources Levy Fund	-
Wildlife Conservation Fund.....	414 764
Woods and Forests - Research into Forest Pest Disease	11 347
Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account	1 899
World Congress on Information Technology 2002.....	-
2007 World Police and Fire Games Corporation	-
Sub-Total	367 598 902

STATEMENT G—continuedDEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2005—continued
(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.

\$

Non-interest bearing—

Adelaide Children's Court.....	3 514
Adelaide Magistrates Court.....	183 757
Agriculture – Research and Services Grants	9 097 712
Animal and Plant Control Commission Fund.....	196 879
Children's Services Office – Capital Assistance Fund.....	192 235
Coast Protection Fund	44 350
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Companies Liquidation Account.....	18 548
Contractors' Deposits	382 766
Co-operatives Liquidation Account.....	64 993
Correctional Services - Prisoners' Monies	276 485
Economic Development Authority	12 543 811
Extractive Areas Rehabilitation Fund.....	4 679 694
Fisheries – Research and Development Fund.....	3 366 318
Government's Light Motor Vehicle Replacement Program.....	251 489
Metropolitan Drainage Maintenance Fund.....	23 784
Natural Gas Authority of South Australia	408 658
Recreation and Sport Fund	241 740
Sheriff's Office Account	2 948
South Eastern Water Conservation and Drainage Board.....	161 292
State Heritage Fund.....	128 668
Unclaimed Salaries and Wages Account	295 015
Workmen's Liens	759 819
Sub-Total	33 322 475
Total Deposits lodged with the Treasurer.....	400 921 377

 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	200 000
Electoral Commissioner	State Electoral Office	200
Chief Executive	Department of Trade and Economic Development	3 000
Chief Executive	Department for Transport, Energy and Infrastructure ^(a)	247 590
	Total	<u>1 548 284</u>

(a) The Department of Transport and Urban Planning was renamed the Department of Transport, Energy and Infrastructure on 30 May 2005 as declared in the *South Australian Government Gazette*.

KEVIN FOLEY, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2005
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

As prescribed in Section 22 (a) (viii) of the *Public Finance and Audit Act 1987*, this statement provides details on the total indebtedness of the Treasurer.

Lending arrangements within the South Australian public sector give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and certain public non financial corporations and the consolidation of general government sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the general government sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2005 was \$2 673.9 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2004-05 the Consolidated Account surplus was \$377.5 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:

	2004-05 \$ 000	2003-04 \$ 000
Loans to State Government Departments		
Administrative and Information Services—		
Operations	-	2 769
Government Commercial Properties	-	49 457
Government Employee Residential Properties	-	34 992
Environment and Heritage.....	38 054	38 054
Office of Public Transport	1 319	2 068
Primary Industries and Resources—		
Rural Loans.....	1 461	1 996
Transport, Energy and Infrastructure	47 761	47 761
	88 595	177 097
Loans to Statutory Authorities and Other Bodies		
Adelaide Bank	223	393
Adelaide Festival Centre Trust	27 163	27 938
Basketball Association of South Australia Incorporated	10 451	10 451
Flinders Medical Centre.....	24 733	24 510
Land Management Corporation	9 903	9 953
Lotteries Commission	3 887	5 429
Lyrup Village Association	50	54
Medical Board of South Australia	12	57
Minister for Education and Children's Services	5 460	7 460
Minister for Recreation, Sport and Racing	-	437
Renmark Irrigation Trust	1 581	1 667
South Australian Country Arts Trust.....	15 697	15 717
South Australian Housing Trust	775 064	792 806
South Western Suburbs Drainage.....	2 778	2 912
South Australian Tourism Commission	898	1 036
TransAdelaide.....	81 371	86 752
University of South Australia	15 000	15 000

STATEMENT I—continuedINDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2005—*continued*
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

	2004-05 \$ 000	2003-04 \$ 000
Loans to Statutory Authorities and Other Bodies—continued		
West Beach Trust	2 716	2 716
Women's and Children's Hospital	4 999	5 395
Woodville, Henley and Grange Drainage.....	253	260
	<u>982 239</u>	<u>1 010 943</u>
Equity Contributions		
Adelaide Convention Centre	77 794	77 794
Adelaide Entertainments Corporation	55 536	55 536
Administrative and Information Services—		
Operations.....	151 544	164 708
Government Commercial Properties	63 529	63 529
Distribution Lessor Corporation	28 273	28 273
Education and Children's Services.....	4 463	4 463
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Health	119 719	114 340
National Electricity Administrator.....	93	93
National Electricity Market Management Company	490	490
Office of Public Transport	16 800	16 800
Police Department	6 256	25 069
Primary Industries and Resources.....	1 059	1 059
SA Water Corporation.....	247 950	247 950
South Australian Asset Management Corporation	52 716	52 716
South Australian Film Corporation	8 460	8 460
Transport, Energy and Infrastructure	138 516	118 498
Water, Land and Biodiversity Conservation.....	7 107	7 107
	<u>1 009 828</u>	<u>1 016 408</u>
Other Indebtedness		
Debt associated with prior operations of the Consolidated Account	593 244	841 848
Total Treasurer's Indebtedness to SAFA	<u>2 673 906</u>	<u>3 046 296</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.

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. The 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 2005 was \$504.7 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.

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) *Public Finance and Audit Act 1987*)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below—

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including—

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- assumption by the Government 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 2004-05 is summarised as follows—

	\$ million
Balance at 30 June 2004.....	3 046
Less- Consolidated Account repayment of borrowings in 2004-05.....	377
Add- Other minor adjustments (net)	5
Balance at 30 June 2005.....	2 674
Market value at 30 June 2005 (i)	2 828

(i) 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 2004-05 interest at the Common Public Sector Interest Rate (CPSIR) was paid to the Treasurer by SAFA in respect of those balances held by the Treasurer, which earn interest at the CPSIR. The Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate in respect of the remaining funds deposited with SAFA.

At 30 June 2005 the amount deposited by the Treasurer with SAFA was \$1 290 million (SAFA's market valuation \$1 299 million).

Statement C shows details of cash balances held by the Treasurer at 30 June 2005 and the form in which those balances were held.

The size of SAFA's operating surplus in 2004-05 prior to income tax was \$22.7 million. SAFA and its controlled entities come under the Tax Equivalent Regime (TER) and under this arrangement \$6.7 million from the surplus was paid to Consolidated Account in 2004-05 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the TER payment in 2004-05 the amount of SAFA's surplus potentially available for distribution at 30 June 2005 was \$211.4 million. The Treasurer determined that the distribution for 2004-05 would be \$ 37.6 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.

All the liabilities of SAFA are unconditionally guaranteed by the State 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.

KEVIN FOLEY, Treasurer

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND
(Section 22 (a) (xi) (A) and (B) *Public Finance and Audit Act 1987*)

	\$
Maximum amount that could have been appropriated from the Fund in 2004-05	186 510 000

Purpose of Appropriation	Amounts Issued and Applied
	\$
State Governor's Establishment.....	730 000
Arts SA	4 115 000
South Australian Tourism Commission	2 660 000
Minister for Tourism.....	750 000
Administered Items for the Auditor-General's Department	45 337
Department of Treasury and Finance	1 679 000
Department of Trade and Economic Development.....	2 424 000
Department of Primary Industries and Resources	11 651 000
Department for Correctional Services.....	2 115 000
Courts Administration Authority.....	1 528 000
State Electoral Office	71 000
Administered Items for the Attorney-General's Department	2 078 164
Department of Health (a)	34 415 000
Administered Items for the Department of Health (a).....	687 000
Department for Families and Communities.....	3 616 000
Administered Items for the Department for Families and Communities.....	27 882 000
Department of Education and Children's Services	34 749 000
Department for Environment and Heritage.....	2 100 000
Environment Protection Authority	72 000
Department of Water, Land and Biodiversity Conservation	761 790
Administered Items for the Office of Local Government	300 000
Planning SA	1 673 000
Administered Items for Planning SA.....	1 369 142
Transport Planning	142 000
Office of Public Transport.....	5 269 000
Department for Administrative and Information Services.....	8 920 000
Administered Items for the Department for Administrative and information Services.....	1 970 000
Joint Parliamentary Services	440 089
Total.....	154 212 522

(a) The Department of Human Services was renamed the Department of Health from 1 July 2004 as declared in the *South Australian Government Gazette*.

STATEMENT K—continued

STATEMENT OF APPROPRIATION AUTHORITIES—continued

 TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT
 (Section 22 (a) (xii) *Public Finance and Audit Act 1987*)

<u>Adjustment</u>	<u>Purpose of Appropriation</u>	<u>Amount</u>
		\$
Decrease	Department for Administrative and Information Services	14 788 000
Increase	Administered Items for the Department of Treasury and Finance	737 820
	Department of Primary Industries and Resources	243 840
	Department of Correctional Services	495 360
	South Australia Police	2 752 862
	Courts Administration Authority	54 960
	Department of Health	136 590
	Administered Items for the Department of Health	861 676
	Department for Environment and Heritage.....	492 000
	Transport Services	493 800
	Office of Public Transport.....	1 414 164
Decrease	Administered Items for the Department of Treasury and Finance	85 700 000
Increase	Department of Health	45 299 000
	Department for Families and Communities.....	40 401 000
Decrease	Department of Trade and Economic Development	21 000 000
	Office of the Venture Capital Board	9 000 000
Increase	Department for Families and Communities.....	30 000 000

 REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT
 (Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

No reductions were made during 2004-05.

 APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE
 CONSOLIDATED ACCOUNT, 2004-05
 (Section 22 (a) (xiii) *Public Finance and Audit Act 1987*)

	Appropriation Authority	Actual Payments
	\$	\$
<i>Appropriation Act, 2004</i> Section 4	6 894 107 000	6 789 037 274
<i>Public Finance and Audit Act 1987</i> - Section 15.....	-	-
	<u>6 894 107 000</u>	<u>6 789 037 274</u>
The Governor's Appropriation Fund, <i>Public Finance and Audit Act 1987</i> - Section 12.....	186 510 000	154 212 522
	<u>7 080 617 000</u>	<u>6 943 249 796</u>
Specific appropriation authorised in various Acts.....	108 130 983	108 130 983
Total.....	<u><u>7 188 747 983</u></u>	<u><u>7 051 380 779</u></u>

 KEVIN FOLEY, Treasurer

STATEMENT L

STATEMENT OF TRANSFERS FROM CONTINGENCY PROVISIONS

 OTHER STATEMENTS
 (Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

	\$
Department of the Premier and Cabinet	190 763
State Governor's Establishment.....	10 000
Arts SA	349 315
South Australian Tourism Commission	1 760 608
Auditor-General's Department.....	89 577
Administered Items for the Auditor-General's Department.....	3 000
Department of Treasury and Finance	470 620
Administered Items for the Department of Treasury and Finance.....	6 745 176
Independent Gambling Authority	191
Department of Trade and Economic Development.....	374 774
Office of the Venture Capital Board.....	4 028
Department of Primary Industries and Resources	860 233
Department for Correctional Services.....	3 182 958
South Australia Police	26 143 851
Courts Administration Authority.....	415 215
State Electoral Office	12 363
Attorney-General's Department.....	793 466
Administered Items for the Attorney-General's Department	55 000
Emergency Services Administrative Unit.....	2 694
Department of Health ^(b)	58 606 833
Department for Families and Communities.....	4 525 406
Department of Education and Children's Services	1 461 769
Administered Items for the Department of Education and Children's Services.....	58 000
Department of Further Education, Employment, Science and Technology.....	1 091 908
Bio-Innovation SA	11 339
Department for Environment and Heritage.....	681 818
Administered Items for the Department for Environment and Heritage.....	7 000
Environment Protection Authority	169 992
Department of Water, Land and Biodiversity Conservation	297 787
Office of Local Government.....	19 000
Administered Items for the Office of Local Government	4 062
Planning SA	125 000
Transport Services.....	2 235 252
Transport Planning	119 000
Office of Public Transport.....	92 000
Offices for Sustainable Social, Environmental and Economic Development	11 000
Department for Administrative and Information Services.....	6 652 139
Total.....	<u>117 633 137</u>

(a) These transfers largely reflect the payment to agencies of centrally held wages contingencies and funding for specific decisions made during the year.

(b) The Department of Human Services was renamed the Department of Health from 1 July 2004 as declared in the *South Australian Government Gazette*.

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